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ABBREVIATIONS

ECB	European Central Bank
ECOFIN	Economic and Financial Affairs Council
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	longer-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
OMT	Outright Monetary Transaction
RPI	Retail Price Index
ULC	unit labour costs

FOREWORD

The Governing Council of the European Central Bank (ECB) left key interest rates unchanged during the first quarter of 2013. However, on 2 May the Council cut interest rates, lowering the rate on the main refinancing operations (MRO) by 25 basis points to 0.50%, the rate on the marginal lending facility by 50 basis points to 1.00%, while keeping that on the deposit facility unchanged at 0%. As a result the symmetrical band around the MRO was narrowed to 50 basis points on either side. This decision was taken in view of expectations of low underlying price pressures over the medium term and against a background of economic weakness in the euro area, and of subdued money and credit dynamics.

Meanwhile, the Eurosystem continued to implement non-standard monetary policy measures, which were aimed at supporting the monetary policy transmission mechanism. In May the Governing Council decided to continue conducting its MROs as fixed rate tender procedures with full allotment for as long as necessary and at least until 8 July 2014. This procedure will also continue to be applied in the Eurosystem's special-term refinancing operations and the three-month longer-term refinancing operations to be allotted by June 2014.

During the first quarter of 2013 the euro area economy continued to contract, with the annual rate of growth dropping to -1.1% from -0.9%. The year-on-year drop in output recorded in the first three months of the year reflected developments in domestic demand, as net exports increased. All domestic demand components were lower on a year earlier, with investment showing the sharpest decrease.

Meanwhile, the annual rate of inflation in the euro area, as measured by the Harmonised Index of Consumer Prices (HICP), eased further during the first quarter in response to more modest growth in energy prices. Consequently, it fell to 1.7% in March 2013 from 2.2% in December 2012. During this period, the annual rate of change of the HICP excluding energy and unprocessed food remained stable, standing at 1.6% in March 2013. The euro area-wide headline inflation rate fell further to 1.2% in April, but increased to 1.6% in June.

According to the Eurosystem staff projections published in June 2013, real gross domestic product (GDP) in the euro area is projected to decline by 0.6% in 2013, but growth should turn to a positive 1.1% in 2014. On the other hand, HICP inflation is expected to ease significantly, from 2.5% in 2012 to 1.4% in 2013 and 1.3% in 2014.

In a local context, the economy continued to expand in the first quarter of 2013, although at a slightly slower pace compared with the previous quarter. The annual GDP growth rate stood at 1.6%. Growth was driven by changes in inventories, as net exports, private and government consumption, as well as gross fixed capital formation declined on a year earlier.

HICP inflation in Malta eased further during the first quarter of 2013, with the annual rate dropping to 1.4% in March from 2.8% in December. This deceleration was predominantly due to weaker price increases of services and non-energy industrial goods, although price pressures from energy and food also eased. Annual HICP inflation extended its downward trend during the second quarter of 2013, with the rate dropping to 0.6% in June.

The Labour Force Survey showed that, during the first three months of 2013, employment rose by 1.7% in annual terms. However, as the labour force measured by the survey also increased at a similar pace, the unemployment rate was unchanged on a year earlier at 6.1%.

Competitiveness indicators once again showed mixed developments during the first three months of 2013. The nominal harmonised competitiveness indicator (HCI) increased by 0.9% during the quarter, following the appreciation of the euro against the pound sterling. However, favourable developments in Malta's inflation rate vis-à-vis those of its trading partners resulted in a more moderate increase of 0.5% in the real HCI between December 2012 and March 2013. Meanwhile, growth in unit labour costs (ULC), measured as a four-quarter moving average, eased to 3.1% in the March quarter from 3.5% in the previous three-month period.

In the external sector the current account of the balance of payments posted a higher deficit compared with the first quarter of 2012. This reflected higher net outflows on merchandise trade and lower net inflows on the services account. The positive current account balance, expressed as a four-quarter moving sum, stood at 0.7% of GDP in the year to March 2013, compared with a surplus of 1.2% in the year to March 2012.

The contribution of resident monetary financial institutions to the euro area broad money stock, which approximates the broad money aggregate (M3) in Malta, gathered momentum during the first quarter of 2013. Its annual growth rate accelerated to 9.0% in March from 8.7% in December. Deposits held by Maltese residents, as well as credit granted to them, also grew at a faster pace when compared with the December quarter. Lending to the non-bank private sector picked up slightly during the first quarter, before decelerating in April and May.

During the first quarter domestic financial markets were characterised by declining interest rates. Yields on three-month Treasury bills fell in both the primary and secondary market, with the secondary market rate ending March at 0.78%. Yields on five-year and ten-year government bonds also declined, reaching 2.35% and 3.47% in March, respectively. Yields continued to fall in the second quarter of 2013, with the three-month, five-year and ten-year rates standing at 0.60%, 2.15% and 3.32%, respectively, at the end of June.

With regard to fiscal developments, during the first quarter of 2013 the general government deficit increased on a year-on-year basis as expenditure outpaced revenue. Measured over a 12-month period, the deficit stood at 3.6% of GDP at the end of March, compared with 3.3% at the end of 2012. Expenditure growth partly reflected the impact of public sector wage increases, as well as strong growth in social benefit payments and capital outlays. Revenue was boosted by higher inflows from taxes on income and wealth, which offset a strong drop in indirect tax revenue. General government debt increased, with the debt-to-GDP ratio rising to 75.4% in March 2013 from 71.6% in December 2012.

From a policy perspective, following the breach of the 3% threshold in 2012 and the re-opening of the excessive deficit procedure for Malta, a key priority is to implement measures that would bring the general government deficit below the limit this year. The fiscal consolidation effort should continue thereafter to make progress towards the medium-term objective of a balanced budget and a sustainable reduction in the debt ratio.

Sustainable economic growth also requires that Malta puts into place the reforms outlined in the latest National Reform Programme, as these would help safeguard the economy's external competitiveness and make the most of its potential. Moderate wage increases, improvements in productivity, as well as flexible work arrangements and incentives that would encourage labour market participation are key in this regard. The planned diversification of energy sources should also be pursued, as this should result in efficiency gains, lower cost pressures and greater security of energy supply.

With regard to financial stability issues, while core domestic banks remain resilient, posting strong earnings and showing healthy liquidity and capital levels, they are encouraged to continue to augment their provisions in the light of vulnerabilities stemming from certain sectors of the economy. Furthermore, core domestic banks are urged to strengthen their capital buffers ahead of the deadline to meet international regulatory requirements.

ECONOMIC SURVEY

1. INTERNATIONAL ECONOMIC DEVELOPMENTS AND THE EURO AREA ECONOMY

Growth in the world's major economies was generally weak during the first quarter of 2013. In the United States government spending cuts contributed to a continued moderation in the rate of gross domestic product (GDP) growth. The expansion also slowed down in emerging nations, held back by a tepid global economy. At the same time, UK and Japanese economic growth remained weak on an annual basis. Inflationary pressures during the period were moderate in most large economies. Meanwhile, commodity prices generally dropped, held back by the fragile global economy, political tensions in Europe and ample supply. Stock markets, on the other hand, surged as continued central bank support increased optimism on the future economic outlook.

During the first quarter of 2013 economic activity in the euro area remained weak, with GDP registering a contraction that was entirely driven by domestic demand. Against this backdrop, labour market conditions worsened further, with the unemployment rate reaching a new record high. Meanwhile, the annual inflation rate continued to ease further, mainly reflecting developments in energy prices. On monetary policy, the Governing Council of the European Central Bank (ECB) reduced key interest rates in May, with the interest rate on the main refinancing operations (MRO) cut by 25 basis points to a new historical low of 0.50% and the width of the policy rates corridor narrowing. The Eurosystem also continued to implement non-standard monetary policy measures. In July the Governing Council introduced forward guidance, indicating that it expects the key ECB interest rates to remain at current or lower levels for an extended period.

International economic developments

US expansion continues to moderate amid government spending cuts

Following a slowdown in growth during the final quarter of 2012, the US economy continued to grow at a modest pace during the first quarter of 2013, expanding by an annual 1.3% from 2.0% in the previous period (see Table 1.1). A faster decline in government consumption, along with slower growth in investment spending, was the main contributor in the first quarter to the ongoing slow pace of growth. Total government expenditure extended a generally downward trend seen since the end of 2010, dropping further during the period under review owing to widespread cuts

Table 1.1
REAL GDP GROWTH
Annual percentage changes; seasonally adjusted

	2012				2013
	Q1	Q2	Q3	Q4	Q1
United States	3.3	2.8	3.1	2.0	1.3
Euro area	-0.1	-0.5	-0.7	-0.9	-1.1
United Kingdom	0.6	0.0	0.1	0.0	0.3
Japan	3.2	4.0	0.3	0.4	0.2
China	8.1	7.6	7.4	7.9	7.7

Sources: Eurostat; OECD.

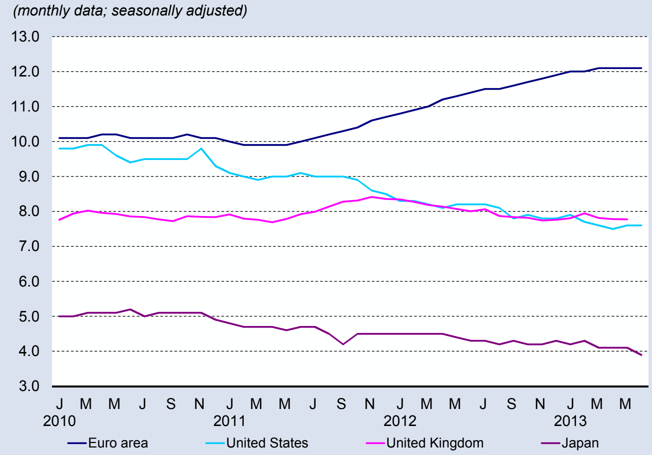
in federal government spending, known as the sequester. Inventory accumulation, meanwhile, remained a drag on GDP growth, though to a smaller extent than in the previous quarter. On the other hand, private consumption continued to grow at a solid pace, reflecting higher consumer confidence and an improving labour market. All in all, domestic demand expanded at an annual rate of 1.2% during the quarter reviewed, down from 1.7% in the previous quarter.

On the external side, the contribution of net exports to GDP growth moderated but remained positive during the period, as exports grew at a slower annual rate while import growth remained weak. The latter reflected the reduction in the United States' dependence on petroleum imports in light of its shale energy boom.

On a quarterly basis, real GDP growth in the United States stood at 0.3% during the period under review following zero growth in the previous quarter. This mainly reflected faster growth in domestic demand, which led to a continued, although slight, improvement in the labour market. Employment increased while the jobless rate declined by 0.2 percentage point over the quarter to 7.6% (see Chart 1.1). Employment growth was mainly registered in services and, to a lesser extent, in the construction industry. On the other hand, job growth in the manufacturing sector was weak, while public sector employment declined. The unemployment rate remained broadly unchanged over the subsequent quarter, ending June at 7.6%.

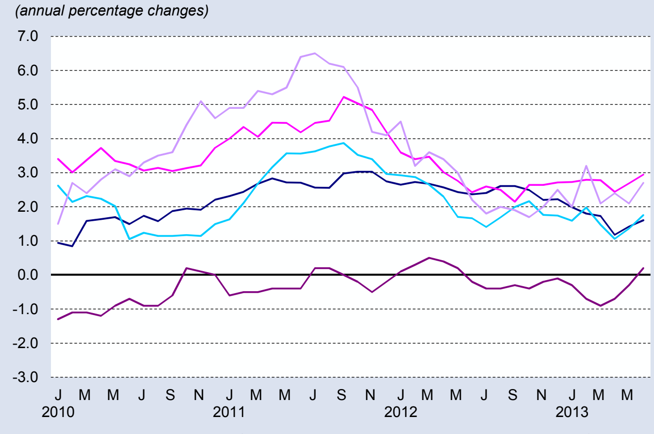
The annual rate of consumer price inflation weakened during the quarter under review, falling to 1.5% in March from 1.7% in December (see Chart 1.2). Energy prices were the main movers, causing a temporary spike in the inflation rate during February before declining in March. This reflected movements in the international price of oil. On the other hand, core inflation, which does not include the impact of food and energy prices, was relatively stable, averaging 1.9% during the period.

Chart 1.1
UNEMPLOYMENT RATE
(monthly data; seasonally adjusted)



Sources: Eurostat; Bureau of Labour Statistics, US; UK Office of National Statistics; Statistics Bureau, Japan.

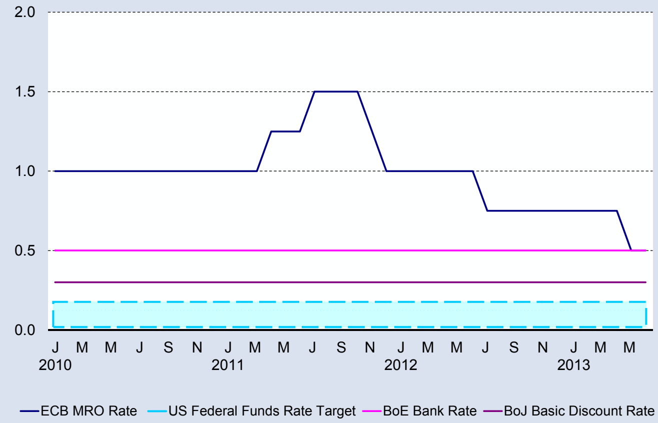
Chart 1.2
CONSUMER PRICE INFLATION
(annual percentage changes)



Sources: Eurostat; Bureau of Labor Statistics, US; UK Office of National Statisitcs; Statistics Bureau, Japan; OECD.

Inflationary pressures continued to ease during April, before picking up once again on the back of rising energy prices. As at end-June, the annual consumer price index inflation rate stood at 1.8%.

Chart 1.3
OFFICIAL INTEREST RATES
(percentages per annum; end of month)



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

There were no major changes to the US Federal Reserve's monetary policy stance during the first and second quarters of 2013 (see Chart 1.3). The federal funds target rate was held in a range between 0% and 0.25%, with the Fed noting that these exceptionally low levels would be appropriate at least as long as the unemployment rate remained above 6.5%, medium-term inflation was projected to be no more than 2.5%, and longer-term inflation expectations continued to be well anchored. During the period, the Fed continued to implement its ongoing quantitative easing policy, buying mortgage-backed securities, while also reinvesting principal payments from its asset holdings in agency mortgage-backed securities and rolling over maturing Treasury securities. It also started purchasing longer-term Treasury securities at a pace of $45 billion per month, as announced last December. These measures are all intended to maintain downward pressure on longer-term interest rates and to support mortgage markets. In June the Federal Reserve stated that a continued pick-up in the US economy would lead to a moderation of its quantitative easing programme later this year. This would be conditional on further improvement in the labour market and in economic growth, and on inflation returning towards its 2% target rate.

UK economy grows but remains weak

The UK economy grew at an annual rate of 0.3% during the first quarter of 2013, after having stagnated during the previous three months (see Table 1.1). Although weak, the rate of expansion was the strongest since the first quarter of 2012. Household consumption was the biggest contributor to GDP growth during the period, expanding at its fastest rate since 2010. Nonetheless, growth in domestic demand dropped sharply, as the increase in private consumption was offset by a slowdown in government expenditure and a strong decline in investment. Inventories also acted as a drag on growth, though at a slower pace than in the previous quarter.

Meanwhile, the contribution of net exports to growth rose to zero during the period, following a negative contribution in the previous period. This change occurred because of a decline in imports, while exports contracted at a slower annual rate than before.

On a quarterly basis, real GDP expanded by 0.3% during the period under review. This was only the second period of expansion during the last six quarters and reflected renewed growth in services and in mining industries. The latter was mainly owing to an increase in oil output. Meanwhile, both the manufacturing and construction industries continued to weaken.

Developments in the labour market were muted during the first quarter, with the unemployment rate in March standing at 7.8%, unchanged from December (see Chart 1.1). Throughout the period the annual rate of wage growth continued to fall short of the annual rate of inflation. Consequently, real wages extended the downward trend stretching back to the first half of 2010. Going into the second quarter of 2013, the unemployment rate was again unchanged, standing at 7.8% in May.

During the first quarter annual consumer price inflation rose marginally to 2.8% in March from 2.7% in December, remaining above the Bank of England's 2% target rate (see Chart 1.2). This change mainly reflected higher utility bills and an increase in air fares, though the latter was mainly due to the timing of Easter this year. During the first quarter core inflation – which removes the impact of food and energy prices – averaged 2.1%, supported by strong contributions from a number of components, most notably education. Going into the following quarter, the inflation rate dropped in April before picking up to reach 2.9% in June.

The Bank of England's monetary policy remained unchanged during the first quarter. As a result, the official bank rate paid on commercial bank reserves remained at 0.5% (see Chart 1.3). In the meantime, the stock of asset purchases stood unchanged at GBP375 billion. In March the Bank's remit was altered to focus on growth as well as inflation, though its inflation target remained unchanged.

During the second quarter the Bank, together with the Treasury, announced an extension to the Funding for Lending Scheme until January 2015. The scheme, launched in July 2012, is aimed at boosting lending to the real economy through the provision of funds at below-market rates to financial corporations. The extension was designed to encourage lending to smaller businesses, as well as to cover financial leasing and factoring corporations.

On the fiscal side, in March the UK Government unveiled its Budget for 2013, envisaging a gradual drop in the fiscal deficit. Government debt, on the other hand, is expected to peak in 2016-17. Other fiscal policy developments during the first half of 2013 included a number of changes to the welfare system and the launching of the Government's Spending Review 2013.

Japanese economic growth remains weak

The Japanese economy grew by 0.2% on an annual basis during the first quarter of 2013, marking the third successive quarter of tepid growth (see Table 1.1). Domestic demand grew at a slower pace during the period, as lower contributions from inventories and government expenditure offset slight increases in the contribution of investment and private consumption. Investment during the period was sustained by strong growth in government and residential investment, with private non-residential investment contracting for the second quarter running. On the external side, net exports continued to contribute negatively to real GDP growth, though at a slower pace than in the previous three-month period.

Using a quarter-on-quarter measurement, however, the recovery in the Japanese economy was much more pronounced. Real GDP grew by 1.0%, up from 0.3% in the previous period. This reflected faster growth in consumption and exports, the latter growing strongly following two quarters of decline. This indicates that recent policy measures were beginning to stimulate private consumption, while exporters began to benefit from a depreciation of the yen.

In line with the moderate improvement in economic conditions, the unemployment rate dropped by 0.2 percentage point to 4.1% in March when compared with December (see Chart 1.1). The number of employed people rose during the period, in particular in the construction and manufacturing industries, reflecting the increase in exports over the quarter and growth in residential investment. Labour market conditions improved in the subsequent three months, with the unemployment rate dropping to 3.9% in June.

Consumer prices in Japan continued to fall during the period under review, with the annual rate of consumer price inflation dropping gradually to -0.9% in March from -0.1% in December (see Chart 1.2). This mainly reflected a stronger annual decline in food prices over the period and a slowdown in energy price growth during March. Core inflation, meanwhile, was more or less stable, averaging -0.8% during the quarter. The overall inflation rate turned positive during the following quarter, rising to 0.2% in June and thus breaking a year-long trend of falling prices.

With regard to monetary policy, in January the Bank of Japan changed its price stability goal of 1% inflation to a target of 2% in terms of the annual consumer price inflation rate, committing itself to pursue monetary easing to achieve this target as early as possible. In line with this aim, in January the Bank announced its Open-ended Asset Purchasing Method. From January 2014 the Bank will start buying a certain amount of financial assets every month, for as long as it deems necessary.

In April the Bank of Japan introduced a new monetary easing policy, with the aim of achieving its price stability target within two years. Therefore, the Bank's main operating target for money market operations was changed from the uncollateralized overnight call rate to the monetary base, which would be increased. The Bank also raised the pace of Japanese government bond purchases and made bonds of all maturities eligible for purchase. The Bank would also buy other assets, while temporarily suspending the limit on its outstanding amount of long-term government bonds. Later on in the quarter, the Bank announced a number of measures aimed at reducing the volatility in long-term yields.

On the fiscal front, Japan's new Government unveiled a new stimulus package at the start of the year. A record-high budget for the current fiscal year was approved in May, with the Government also outlining its new growth strategy during the second quarter.

Growth in China and other emerging economies slows down

Growth in major emerging economies slowed during the first quarter, weighed down by infrastructural bottlenecks, capacity constraints, and the global economic situation.

The Chinese economy grew at an annual rate of 7.7% during the first quarter of 2013, down from 7.9% in the previous period (see Table 1.1). This deceleration was due to slower investment growth amid attempts by authorities to re-orient the economy away from investment and exports, and to cool a credit and housing market boom. Domestic consumption remained the biggest driver of growth, followed by capital formation and exports.

Inflation in China decelerated during the period under review to 2.1% in March from 2.5% in December (see Chart 1.2). Headline inflation dynamics over the quarter were mainly affected by the timing of the Chinese New Year holiday, which fell in a different month this year than in 2012. The holiday is normally associated with a rise in food prices. As a result food price inflation spiked in February, before retreating once again in March.

Going into the following quarter, the overall inflation rate in China picked up once again on the back of rising food prices. In June the annual rate of consumer price inflation stood at 2.7%.

During the first quarter the People's Bank of China kept the one-year benchmark deposit and loan rates unchanged at 3.0% and 6.0%, respectively. In January the Bank announced the launch of short-term liquidity operations and the standing lending facility as instruments to provide liquidity support to financial markets.

Economic growth in other major emerging economies during the quarter under review remained weak when compared with previous years. In India and Russia annual GDP growth decelerated to 2.8% and 1.8%, respectively. The Brazilian economy, meanwhile, expanded by 1.8%, faster than in the previous quarter, but modestly compared with earlier outcomes.

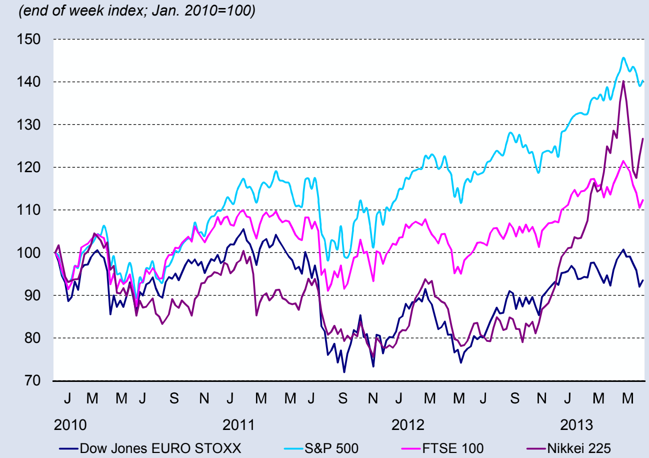
International financial markets

Equity prices surge

Equity indices across the world's major economies rose strongly during the first quarter of 2013, reflecting increased optimism at the start of the year. Stock price indices in the United States, the United Kingdom and Japan all reached multi-year highs during the period, with the S&P 500, the FTSE 100, and the Nikkei 225 indices gaining 10%, 8.7%, and 19.3%, respectively (see Chart 1.4). This improved sentiment arose on the back of US lawmakers avoiding the fiscal cliff at the end of 2012, positive macroeconomic data at the start of the quarter, a flurry of merger activity, positive corporate earnings and the unprecedented levels of liquidity injections by central banks. Japanese equities were also supported by moves on the part of fiscal and monetary authorities to stimulate the economy. Market optimism was dampened somewhat toward the end of the quarter, owing to concerns over cuts in US federal spending and to data showing that economic activity had slowed toward the end of the quarter, and to events in Italy and Cyprus.

During the following quarter an improved economic outlook in the United States outweighed expectations that the Federal Reserve might slow down its quantitative easing programme in the near future, leading share prices 2.4% higher. On the other hand, UK share prices dropped 3.1% as the expectation of monetary policy tightening in the United States outweighed data pointing to an economic recovery. Meanwhile, the Nikkei 225 index in Japan jumped by 10.3%, the third consecutive quarter of double-digit gains. Continued accommodative fiscal and monetary policy during the period offset concerns about the future of US monetary policy and economic worries in China.

Chart 1.4
STOCK PRICE INDICES
(end of week index; Jan. 2010=100)

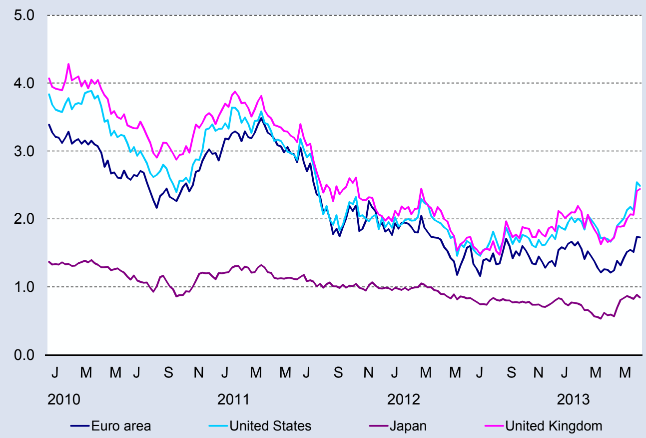


Source: Reuters.

Government bond yields rise in the second quarter

In line with improved market sentiment and increased economic optimism at the start of the year, the demand for ten-year government bonds in the United States and the United Kingdom, normally considered as safe-haven assets, dropped at the start of the first quarter (see Chart 1.5). As a result, yields in both cases rose above the 2% level for the first time since the second quarter of 2012, as investors substituted government bonds for equities.

Chart 1.5
TEN-YEAR GOVERNMENT BOND YIELDS
(percentages per annum; end of week)



Source: Reuters.

Safe-haven asset demand rose again, however, at the end of the quarter, mainly owing to the increased tensions in the euro area. In the case of the United Kingdom, these led to a reversal of the earlier yield increases, with the ten-year bond yield shedding 7 basis points over the quarter as a whole to end March at 1.77%. In the United States, on the other hand, the ten-year yield saw an overall 10 basis point increase to 1.85% at end-March, despite the overall drop in yields at the end of the same quarter.

Meanwhile, developments in the Japanese ten-year yield were dominated by expectations of monetary easing by the Bank of Japan. As a result, the ten-year yield dropped by 25 basis points to 0.56% at end-March.

Ten-year government bond yields across the world's advanced economies increased during the second quarter, led by speculation that the Federal Reserve may slow down its quantitative easing programme and hence reduce market liquidity. As a result, yields in the United States, the United Kingdom and Japan rose by 64, 68, and 29 basis points to 2.49%, 2.44%, and 0.84%, respectively. Yields in Japan were also affected by decreased risk aversion, which lowered demand for government bonds, and higher inflation expectations in light of domestic policy easing measures, outweighing the impact of higher government bond purchases by the Bank of Japan.

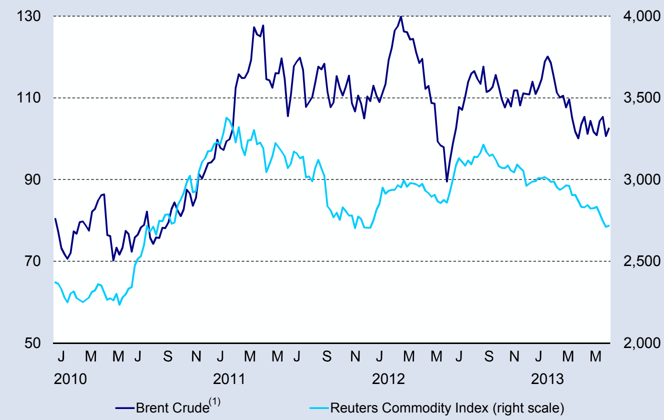
Commodities

Oil price drops overall

The price of Brent crude oil generally followed an upward trend at the start of the first quarter before beginning to decline towards the end of February. As a result, the crude oil price at the end of March stood at USD109.6 per barrel, 1.8% lower than its value at the end of 2012 (see Chart 1.6).

Higher demand expectations pushed up the oil price at the start of 2013, buoyed by the US fiscal cliff deal, by encouraging data from the world's larger economies, and by seasonal winter demand. Furthermore, supply somewhat tightened during the period, partly owing to the effects of a terrorist attack in Algeria, tensions in the Middle East and outages in the North Sea oil fields. Consequently, the price of Brent crude breached a ten-month high in early February. However, these gains were then reversed towards the end of the quarter due to renewed concerns over the health of the global economy, increased tensions in the euro area and improved supply.

Chart 1.6
COMMODITY PRICES
(end of week)



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

The price of oil continued to decline during the second quarter of 2013, shedding 6.5% of its value to end June at USD102.5 per barrel. During the quarter the demand for oil was hampered by signs of an economic slowdown in China, as well as concerns about future US monetary policy.

Food and metal prices decline

Commodity prices in general declined during the first quarter of 2013, with the Reuters Commodity Index losing 0.7% following a 5.1% drop in the final quarter of 2012 (see Chart 1.6).

Base metal prices rose at the start of the year as the growth outlook strengthened in major economies. In particular, iron ore prices surged during January as stronger demand was met with tightening supply. As the quarter wore on, metal prices reversed their earlier gains on the back of decelerating global industrial production, signs of a prolonged recession in Europe, a possible slowdown in China and events in Italy and Cyprus. The US dollar's strengthening also reduced demand by raising metal prices for non-dollar users. Developments toward the end of the quarter can be viewed as a correction of the surge in prices seen earlier in the quarter.

Food commodity prices continued to decline during the first quarter of 2013. This mainly reflected high crop production following last year's global food shortage, which pushed down the prices of soybeans, corn, wheat, and sugar. Dairy prices, on the other hand, surged owing to adverse weather conditions in Australia and New Zealand.

With regard to non-oil energy commodities, natural gas prices rose strongly during the quarter, reflecting seasonally high winter demand. Coal prices, meanwhile, declined throughout the period under review.

During the subsequent quarter the Reuters Commodity Index shed 8.2% of its value, the third successive period of decline. As in the case of oil, the demand for commodities during the period was hit by a slowing Chinese economy and increased expectations of monetary tightening in the United States. Abundant supply was also a factor for the decline in agricultural commodity prices.

Gold price continues to fall

The price of gold dropped by 4.6% to USD1,597.5 per troy ounce during the first quarter of 2013, the second consecutive quarterly decline (see Chart 1.7). The price fluctuated in a narrow range at the start of the year, as optimism over the economic outlook limited demand for this safe-haven asset. The gold market slumped in February, as the surge in equity prices increased the opportunity cost of holding precious metals and led to a large drop in the demand for gold investment instruments. This was compounded by a strengthening of the dollar and an increase in tariffs on gold imports in India. The gold price rose slightly in March as the financial crisis unfolded in Cyprus, though not enough to reverse earlier losses.

Chart 1.7
GOLD
(US dollars per ounce; end of week)

Source: Reuters.

The price of gold dropped sharply throughout the following quarter, shedding 22.8% of its value to end June at USD1,233.1. Increased selling during the period was triggered by concerns about the potential result for distressed central bank sales of gold in Europe, signs of weakening inflationary pressures in developed economies, a strengthening US dollar, and expectations of slower monetary easing in the United States.

Economic and monetary developments in the euro area

Euro area economy contracts further

During the first quarter of 2013 economic activity in the euro area remained weak. Real GDP contracted by 1.1% on the same period of the previous year, following a slower drop of 0.9% in the previous quarter (see Table 1.2). The latest decline was the fifth consecutive quarter registering a year-on-year drop. The contraction in the March quarter was driven by domestic demand. On a quarter-on-quarter basis, real GDP declined by 0.3% following a 0.6% fall in the previous quarter.

Domestic demand continued to act as a significant drag on overall economic expansion, reducing annual real GDP growth by 2.2 percentage points. On an annual basis, it decreased by 2.2% in the quarter under review, compared with a 2.3% drop in the previous quarter. All major components of domestic demand contracted over the previous year. The most pronounced decline was in investment, which fell by 5.9%, faster than the 5.3% drop in the preceding quarter. This decrease was broad-based across investment categories, with investment remaining muted as a result of weak business and consumer sentiment, heightened uncertainty, fiscal consolidation measures and the process of deleveraging, as observed in various countries. Private consumption remained weak, dropping by 1.3% on a year earlier, following a 1.5% fall in the fourth quarter. Weakness in consumer spending resulted from the erosion of real disposable incomes, brought about by high commodity and energy prices and lower employment income reflecting poor labour market conditions. Government consumption also went down by 0.5%, the same magnitude as

Table 1.2
REAL GDP GROWTH IN THE EURO AREA
Seasonally adjusted

	2012				2013
	Q1	Q2	Q3	Q4	Q1
	Annual percentage changes				
Private consumption	-1.1	-1.2	-1.6	-1.5	-1.3
Government consumption	-0.2	-0.4	-0.4	-0.5	-0.5
Gross fixed capital formation	-2.8	-4.1	-4.5	-5.3	-5.9
Domestic demand	**-1.6**	**-2.3**	**-2.5**	**-2.3**	**-2.2**
Exports	2.6	3.7	3.2	2.2	0.5
Imports	-0.9	-0.5	-0.8	-0.6	-1.9
GDP	**-0.1**	**-0.5**	**-0.7**	**-0.9**	**-1.1**
	Percentage point contributions				
Private consumption	-0.7	-0.7	-0.9	-0.8	-0.7
Government consumption	0.0	-0.1	-0.1	-0.1	-0.1
Gross fixed capital formation	-0.5	-0.8	-0.8	-1.0	-1.1
Changes in inventories	-0.4	-0.7	-0.6	-0.2	-0.3
Domestic demand	**-1.6**	**-2.3**	**-2.4**	**-2.2**	**-2.2**
Net exports	**1.5**	**1.8**	**1.8**	**1.3**	**1.0**
GDP	**-0.1**	**-0.5**	**-0.7**	**-0.9**	**-1.1**

Source: Eurostat.

in the December quarter, owing to fiscal restraint in several euro area countries. Furthermore, changes in inventories continued to have an adverse impact on economic growth.

On the external side, against a background of subdued global demand, exports grew by 0.5% on an annual basis, a much slower rate than the 2.2% registered in the previous quarter. On the other hand, in line with weak demand conditions, imports contracted by 1.9%, much faster than the 0.6% decline in the December quarter. As a result, the contribution of net exports to growth was 1.0 percentage point, down from 1.3 points in the previous quarter.

In the subsequent quarter euro area economic activity recovered. Real GDP expanded by 0.3% on the previous quarter, following six quarters of decline. On an annual basis, it continued to contract, though the decline eased to -0.5%.[1]

Euro area inflation eases further

The annual rate of inflation in the euro area, as measured by the Harmonised Index of Consumer Prices (HICP), eased further during the March quarter, extending the downward trend observed since August 2012. The area-wide inflation rate fell from 2.2% to 1.7% between December 2012 and March 2013 (see Chart 1.8).

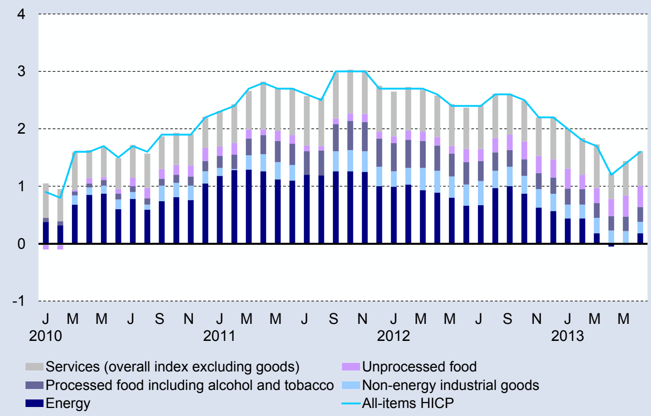
The drop in the annual inflation rate mainly reflected developments in energy prices, partly as a result of falling oil prices in euro terms. In fact, the annual rate of change in energy prices dropped from 5.2% to 1.7% between December and March, so that its contribution to overall inflation diminished from 0.6 percentage point to 0.2 point. In an environment of weak economic activity, domestic price pressures remained subdued. While the services component saw a negligible increase

[1] Information on GDP outcome for the second quarter of 2013 is sourced from Eurostat's *News Release* 130/2013, issued on 4 September 2013.

in its contribution to overall inflation, the contributions of the remaining components, namely food and non-energy industrial goods, decreased. Excluding energy and unprocessed food prices from the HICP, inflation remained stable at 1.6% in March 2013.

Going into the following quarter, inflation fell further to 1.2% in April, reaching a new three-year low. However, it rose thereafter to 1.6% in June.

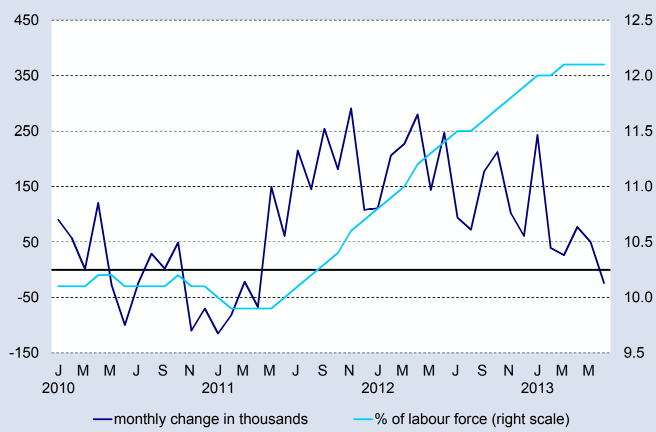
Chart 1.8
CONTRIBUTIONS TO YEAR-ON-YEAR HICP INFLATION IN THE EURO AREA
(percentage points; annual percentage change)



Source: Eurostat.

Labour market conditions continue to deteriorate
In line with weak economic activity in the euro area, labour market conditions worsened further during the March quarter. In particular, employment contracted at a somewhat faster rate than in the previous quarter, falling by 1.0% from a year earlier compared with a drop of 0.8% in the December quarter.

Chart 1.9
UNEMPLOYMENT IN THE EURO AREA
(monthly data; seasonally adjusted)



Source: Eurostat.

Meanwhile, the area-wide unemployment rate increased during the quarter. The jobless rate rose steadily from 11.9% in December to a new high of 12.1% in March (see Chart 1.9). At the same time, the number of unemployed people rose by around 0.3 million over the quarter to 19.2 million in March.

Going into the following quarter, there were some signs of stabilisation: the unemployment rate remained at 12.1% until June, while in June the number of unemployed actually fell slightly for the first time in more than two years.

Euro area GDP forecasts for 2013 revised downwards
According to the Eurosystem staff projections published in June 2013, following a weak start to the year real GDP is expected to recover during the course of 2013 and to gain momentum in 2014. Nevertheless, the Eurosystem staff projects real GDP to fall by 0.6% in 2013 as a whole, and to expand by 1.1% in 2014 (see Table 1.3). Compared with the ECB staff forecasts released in March, these projections represent a downward revision for 2013 and an upward revision for 2014.

Table 1.3
REAL GDP AND INFLATION PROJECTIONS FOR THE EURO AREA[1]
Average annual percentage changes; working-day-adjusted data.

	2012	2013	2014
Private consumption	-1.3	-0.8	0.6
Government consumption	-0.4	-0.1	0.6
Gross fixed capital formation	-4.2	-2.9	1.8
Exports	2.9	0.8	4.1
Imports	-0.7	-0.7	3.8
GDP	**-0.5**	**-0.6**	**1.1**
HICP	**2.5**	**1.4**	**1.3**

(1) Eurosystem staff macroeconomic projections (Jun 2013).
Source: ECB.

The rebound is projected as being supported by the favourable impact on exports from gradually rising external demand. Domestic demand should also pick up over time, initially benefiting from a fall in commodity price inflation, which would support real incomes, and from the accommodative monetary policy stance. In 2014 it should also be supported by government consumption as the pace of fiscal consolidation lessens. In addition, several factors weighing down on domestic demand, such as weak consumer and business sentiment, weak labour market conditions and remaining private sector deleveraging needs in some countries are expected to diminish gradually over the projection horizon. Nevertheless, the recovery is set to remain subdued by historical standards.

According to the June Eurosystem staff projections, inflation is expected to remain contained in both 2013 and 2014. The euro area average annual inflation rate is projected to decline from 2.5% in 2012 to 1.4% in 2013, and to 1.3% in 2014. The range for 2013 has been revised downwards when compared with the March forecasts, while that for 2014 has remained unchanged.

The easing in 2013 is based on the projected strong decline in energy price inflation and, to a lesser extent, in food price inflation from the high levels reached in 2012. Energy price inflation is set to fall as the impact of recent increases in oil prices diminishes, as well as a result of the projected prices' gradual decrease over the forecast horizon. Food price inflation, meanwhile, is expected to ease at first as the impact of past increases fades away before rising once more on the back of an assumed rise in food commodity prices over the projection horizon.

ECB reduces key interest rates

After keeping key interest rates unchanged during the March quarter, the Governing Council of the ECB lowered them in May. The Council reduced the interest rate on the MROs of the Eurosystem by 25 basis points to a new historical low of 0.50%, that on the marginal lending facility was reduced by 50 basis points to 1.00%, while that on the deposit facility was left unchanged at 0.00%. The interest rate changes became effective on 8 May 2013. These changes imply that the policy rates corridor narrowed.

This decision was taken against a backdrop of low underlying price pressures over the medium term, as inflation expectations continue to be firmly anchored accompanied by subdued monetary and loan dynamics. The Council indicated that it expected the cut in interest rates to support economic recovery.

The Eurosystem continued to implement non-standard monetary policy measures. In May the Governing Council decided to continue conducting its MROs as fixed rate tender procedures with full allotment for as long as necessary and at least until 8 July 2014. This procedure will also remain in use for the Eurosystem's special-term refinancing operations until the end of the second quarter of 2014. Furthermore, the Council decided to conduct the three-month longer-term refinancing operations to be allotted over the period between July 2013 and June 2014 as fixed rate tender procedures with full allotment.

On 4 July the Governing Council announced that it expected the key ECB interest rates to remain at current or lower levels for an extended period, in a form of forward guidance.

Growth in broad money eases

Money and credit dynamics in the euro area remained subdued during the quarter reviewed. Annual growth in the broad monetary aggregate (M3) in the euro area declined in the March quarter, going from 3.5% in December to 2.5% three months later (see Table 1.4).

The annual growth rate of the narrow money component M1, however, extended its upward trend observed since mid-2011. Over the quarter M1 growth increased from 6.4% to 7.1%. This reflects a strong preference for liquidity on the part of households and non-financial corporations in an environment characterised by low interest rates. In particular, the annual growth rate of overnight deposits increased, going from 7.3% to 8.2%.

On the other hand, the annual rate of growth of other short-term deposits (i.e. M2 minus M1) decreased substantially, going to 0.5% in March from 2.1% at the end of the year. Once again, this masks different developments in its two components. While deposits redeemable at notice of up to three months (short-term saving deposits) expanded at a marginally faster pace than before, deposits with an agreed maturity of up to two years (short-term time deposits) contracted at a faster rate.

The annual growth rate of M3 decreased further to 2.3% in June despite acceleration in M1, as the remaining component of M2, namely other short term-deposits, contracted.

Table 1.4
EURO AREA MONETARY AGGREGATES
Annual percentage changes

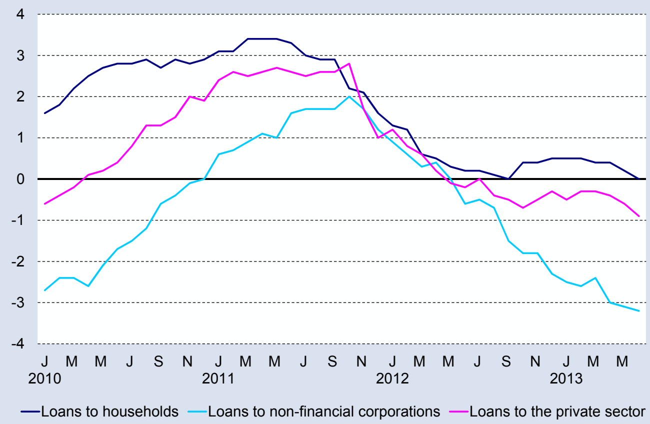
	2012	2013					
	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
M1	**6.4**	**6.5**	**7.0**	**7.1**	**8.7**	**8.4**	**7.5**
Currency in circulation	2.4	1.5	1.5	1.9	3.4	2.6	2.1
Overnight deposits	7.3	7.6	8.2	8.2	9.8	9.7	8.6
M2-M1 (Other short-term deposits)	**2.1**	**1.8**	**0.8**	**0.5**	**0.1**	**0.0**	**-0.1**
Deposits with an agreed maturity of up to two years	-1.9	-2.8	-4.7	-5.2	-6.1	-6.2	-5.9
Deposits redeemable at notice of up to three months	5.8	6.1	6.1	5.9	5.9	5.7	5.4
M2	**4.5**	**4.4**	**4.3**	**4.2**	**4.9**	**4.7**	**4.1**
M3	**3.5**	**3.4**	**3.1**	**2.5**	**3.2**	**2.9**	**2.3**

Source: ECB.

Private sector credit contracts further

On the counterparts' side, credit to euro area residents in the private sector contracted at a slightly faster pace than in the previous quarter.[2] The annual rate of private sector credit growth stood at -0.9% in March, compared with -0.8% in December.

Chart 1.10
MFI LOANS TO THE PRIVATE SECTOR IN THE EURO AREA
(annual percentage changes)



Source: ECB.

At the same time, loans granted by monetary financial institutions (MFI) to the private sector, which account for most private sector credit, continued to contract. Their annual rate of change stood at -0.3% in March, the same rate as in December (see Chart 1.10). Within this category, the annual growth rate of loans to non-financial corporations fell by 0.1 of a percentage point to -2.4% in March, from -2.3% in December. Similarly, while remaining positive, the corresponding growth rate of lending to households fell by the same magnitude going to 0.4% over the same period.

The weakness in credit dynamics during the quarter reviewed probably reflects a combination of subdued loan demand and, to a lesser degree, supply factors. Demand for credit was held back by weak economic activity, high uncertainty about the economic outlook and the need to reduce private sector debt levels in some countries. In addition, some firms were able to obtain funds outside the banking system, by issuing debt securities, for example. Although bank funding conditions improved during the first quarter, credit supply conditions remained tight, partly because banks could be anticipating new regulatory requirements and also because of concerns about credit risk, as shown in the results of bank lending surveys.

Over the following June quarter, the annual growth rate of total lending by MFIs to the private sector contracted at a faster rate, reaching -0.9% in June. Lending to non-financial corporations contracted by 3.2%, while the volume of lending to households was unchanged from a year earlier.

Money market rates rise slightly

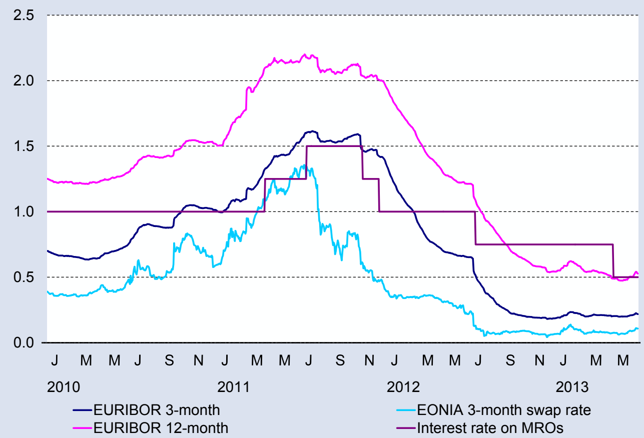
Money market interest rates in the euro area during the March quarter remained practically unchanged, only increasing marginally. January, in particular, saw a temporary increase in money market rates owing to perceptions that reductions in key ECB interest rates had become less likely, together with expectations that liquidity conditions would tighten.

Unsecured money market interest rates in the euro area, as measured by EURIBOR, slightly rose over the quarter. At the three-month and 12-month maturities, EURIBOR rose by 2 basis points

[2] Credit to the private sector is made up of MFI loans and holdings of securities. It includes claims on all resident sectors except MFIs and general government.

and 1 basis point, to 0.21% and 0.55%, respectively (see Chart 1.11).[3] During the June quarter, the interest on the three-month EURIBOR rose by 1 basis point, whereas that on the 12-month maturity fell by 2 points.

Chart 1.11
KEY INTEREST RATES
(percentages per annum; daily data)



Sources: ECB; Euribor FBE.

Secured rates, such as those implicit in the three-month EONIA swap index, also rose slightly.[4] The rate remained close to the zero mark in line with the historically low key ECB interest rates and the high amounts of excess liquidity in the overnight money market. Over the three months to March, the rate gained just 2 basis points, going to 0.08%. It rose by a further 3 basis points over the subsequent quarter.

As a result, the spread between unsecured EURIBOR and secured EONIA swap rates, which is often used as a measure of market confidence in the soundness of the banking system, remained practically unchanged. At the three-month maturity, the spread went to 13 basis points at end-March from 12 basis points at end-December.

Euro area bond yields fall marginally

During the quarter ten-year German government bond yields, which often serve as a benchmark for the euro area, declined by 3 basis points to 1.28% at end-March (refer to Chart 1.5). Yields on these government bonds, which often serve as safe-haven assets, increased in January owing to a decrease in risk perceptions, as a result of further advances in the resolution of the sovereign debt crisis, and from a perceived easing of liquidity pressures in the euro area banking sector. In February and March, however, yields declined, as financial market tensions continued to prevail amid the emergence of domestic uncertainty in some euro area countries, negative news on various troubled banks in the euro area, and weak euro area growth. In contrast, ten-year German government bond yields increased significantly during the quarter to end June at 1.73%, reflecting developments in the United States and some signals of a slightly improved economic outlook.

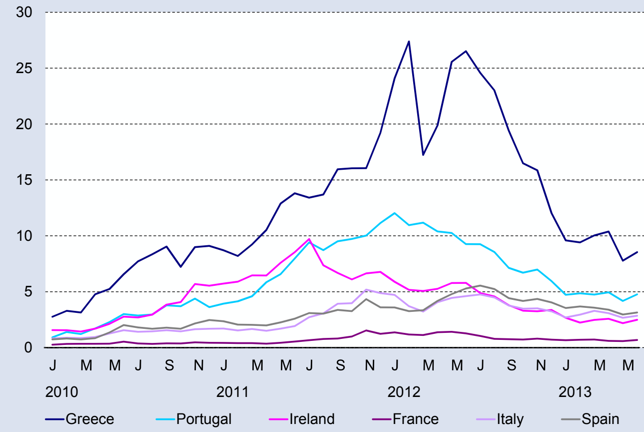
Spreads between yields on bonds issued by a number of euro area countries and Germany generally narrowed during the March quarter, as shown in Chart 1.12. This largely reflected issues related to individual countries rather than area-wide concerns. The most pronounced drop related to the spread on Greek sovereign bonds, which fell from 12 percentage points in December

[3] Euro Interbank Offered Rate (EURIBOR) refers to the rates at which prime banks are willing to lend funds to other prime banks in euro on an unsecured basis.

[4] Euro OverNight Index Average (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.

to 10 percentage points in March. Nonetheless, this spread remains well above that observed before the crisis.

Chart 1.12
EURO AREA TEN-YEAR GOVERNMENT BOND YIELD SPREADS
(vis-à-vis German ten-year government bond yields)



Source: ECB.

Euro area equity prices increase

Euro area equity prices, as measured by the Dow Jones EURO STOXX index, increased by 2.0% during the March quarter (refer to Chart 1.4). As with bond markets, stock prices rose in January driven by an easing of risk perceptions. These gains were, however, reversed in February and March due to political uncertainty in some euro area countries, weak economic data releases and disappointing earnings reports by some banks.

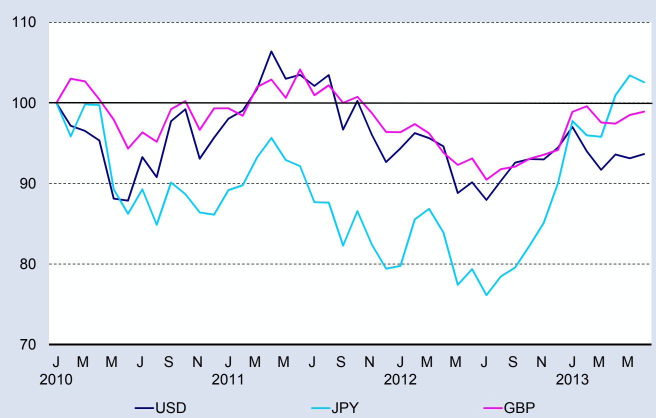
Equity prices dropped in the subsequent quarter, with the index falling by 1.1% by end-June.

The euro generally strengthens

During the March quarter the euro generally appreciated. In particular, the euro rose in January owing to more favourable market expectations about the economic outlook for the euro area, as well as to developments in interest rate differentials. It however fell in February and March.

Over the quarter as a whole, on a bilateral basis the euro rose particularly strongly against the Japanese yen, gaining 6.4%, partly owing to the much anticipated policy announcements made by the Bank of Japan in January (see Chart 1.13). The euro also gained 3.6% against the pound sterling, owing to the worsening sentiment on the UK growth outlook, the prospect of further monetary easing by the Bank of England and Moody's downgrade of the UK sovereign credit rating. On the other hand, the euro depreciated by 2.9% against the US dollar, mainly reflecting increased political tensions in Italy and Cyprus during the period. During the subsequent three months, the euro

Chart 1.13
EXCHANGE RATE MOVEMENTS OF THE EURO AGAINST OTHER MAJOR CURRENCIES
(index of end of month rates; Jan. 2010=100; an increase in the index implies euro appreciation)



Source: Eurostat.

appreciated against all these major currencies.

More broadly, during the March quarter the nominal effective exchange rate of the euro, as measured against the currencies of 20 of the euro area's main trading partners, remained broadly unchanged, gaining just 0.2% (see Chart 1.14). In contrast, the euro strengthened during the second quarter of 2013, rising by 2.3% in nominal effective terms.

Chart 1.14
EURO NOMINAL EFFECTIVE EXCHANGE RATE
(index of daily effective exchange rate; Q1 1999=100)

Source: ECB.

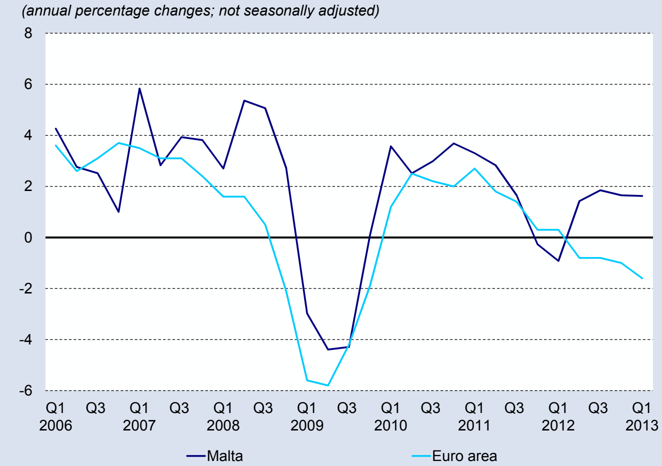
2. OUTPUT AND EMPLOYMENT

Gross domestic product and industrial production

Economic growth moderates slightly

In the first quarter of 2013 real gross domestic product (GDP) expanded by 1.6% in annual terms, slightly lower than the 1.7% recorded in the previous quarter. The economic expansion in Malta contrasts with developments in the euro area, which recorded a 1.7% drop in output (see Chart 2.1).[1]

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



Sources: NSO; Eurostat.

Net exports lower real GDP growth

During the quarter under review, net exports contributed a negative 3.8 percentage points to GDP growth as gross exports dropped in annual terms, while imports registered a marginal increase (see Table 2.1).

The drop in real exports emanated almost entirely from merchandise goods, which fell by nearly 5% on an annual basis. Exports of services were also lower, by a moderate 0.3%.

Total imports in real terms increased by 0.2% year-on-year, following a decrease of 8.8% in the previous quarter. Services were the main contributing factor, posting a growth rate of 4.6%. Imports of goods fell for the second consecutive quarter, albeit at a slower rate of 2.2%.

On the basis of Customs data, nominal exports of goods mainly declined owing to movements in re-exports of oil; in fact, excluding this component, exports of merchandise goods increased on an annual basis. Within the non-fuel categories, the most notable decline in absolute terms was recorded by exports of machinery & transport equipment, whereas sales of food and chemicals recorded the largest increase. Exports of services rose in the first quarter, principally in response to positive developments in tourism and personal, cultural & recreational activities.

Customs data also show that imports of goods were mainly lower due to the fuel category, although non-fuel imports also declined compared with a year ago, as imports of machinery & transport equipment fell at a moderate pace. In contrast, imports of "miscellaneous manufactured articles" rose strongly over the period. Service imports increased as a result of higher payments in connection with travel by residents, business, professional & technical services and spending on freight.

[1] To maintain comparability with data for Malta, annual real GDP growth rates for the euro area reported in this Chapter are not seasonally adjusted. Therefore, they differ from those reported elsewhere in this *Review*.

Table 2.1
GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

	2012				2013
	Q1	Q2	Q3	Q4	Q1
	Annual percentage changes				
Private final consumption expenditure	-0.6	-1.5	0.3	1.1	-1.8
Government final consumption expenditure	6.0	4.3	8.0	2.0	-3.0
Gross fixed capital formation	-2.4	1.9	-4.2	-11.1	-5.6
Changes in inventories (% of GDP)(1)	-3.1	1.1	-3.2	-2.5	4.7
Domestic demand	**-6.1**	**2.0**	**1.8**	**-0.4**	**5.5**
Exports of goods & services	7.7	12.4	11.9	-6.5	-3.4
Imports of goods & services	2.1	13.2	13.1	-8.8	0.2
Gross domestic product	**-0.9**	**1.4**	**1.8**	**1.7**	**1.6**
	Percentage point contributions				
Private final consumption expenditure	-0.4	-1.0	0.2	0.7	-1.2
Government final consumption expenditure	1.2	0.8	1.4	0.4	-0.6
Gross fixed capital formation	-0.3	0.3	-0.5	-1.6	-0.7
Changes in inventories(1)	-6.8	1.9	0.5	0.2	7.9
Domestic demand	**-6.3**	**2.0**	**1.6**	**-0.4**	**5.4**
Exports of goods & services	7.5	12.8	11.3	-7.0	-3.5
Imports of goods & services	-2.1	-13.4	-11.1	9.0	-0.2
Net exports	**5.4**	**-0.6**	**0.2**	**2.0**	**-3.8**
Gross domestic product	**-0.9**	**1.4**	**1.8**	**1.7**	**1.6**

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

Inventories sustain domestic demand

Domestic demand was behind the positive performance of the domestic economy in the first quarter of the year, contributing 5.4 percentage points towards real GDP growth. Changes in inventories & net acquisitions, which also include the statistical discrepancy, were the only source of growth, as private and government consumption, as well as gross fixed capital formation (GFCF), were lower on an annual basis.

Private consumption decreased by 1.8% in the quarter under review, following a rise of 1.1% in the previous quarter, dragging down real GDP growth by 1.2 percentage points. The drop in private consumption came mainly from lower expenditure on food & non-alcoholic beverages, clothing & footwear, and communications. Expenditure on transport also fell, partly under the impact of a decline in the number of newly licensed vehicles over the same quarter of 2012.

During the first quarter of the year government consumption contracted, reflecting to some extent the absence of an approved budget for 2013 and the caretaker status of the Government ahead of elections in early March. As a result, government consumption contributed a negative 0.6 of a percentage point to GDP growth. Nominal data suggest that this was driven by restraint in intermediate consumption.

Meanwhile, total GFCF fell by 5.6%, lowering GDP growth by 0.7 percentage point. Residential construction accounted for the overall drop in investment. All other categories, most notably non-residential construction, increased.

Nominal data on GFCF by sector indicates that the contraction in investment was driven entirely by the private sector. The largest falls in absolute terms were recorded in residential and non-residential construction, and machinery. On the other hand, private sector investment in transport equipment and IT & related services expanded. In contrast, government investment increased, driven mainly by spending on non-residential construction and machinery, which offset a drop in expenditure on IT & related services.

Changes in inventories & net acquisitions, which also include the statistical discrepancy, turned strongly positive and were the sole factor behind growth in domestic demand and real GDP. These contributed 7.9 percentage points to real GDP growth and represented 4.7% of GDP.

Growth in gross operating surplus accelerates

Nominal GDP growth slowed down to 3.7% from 4.3% in the last quarter of 2012. The growth of the gross operating surplus accelerated moderately to 7.0% from 6.9% in the last quarter of 2012. On the other hand, the growth rate of employee compensation decelerated to 4.4% from 5.1% in the previous quarter (see Chart 2.2).

On a sectorial basis, the most significant increases in the gross operating surplus occurred in the mining & utilities, manufacturing and financial & insurance sectors. Operating surplus also increased in the transport and accommodation sectors, whereas in the wholesale & retail and construction sectors operating surplus decreased compared with a year ago.

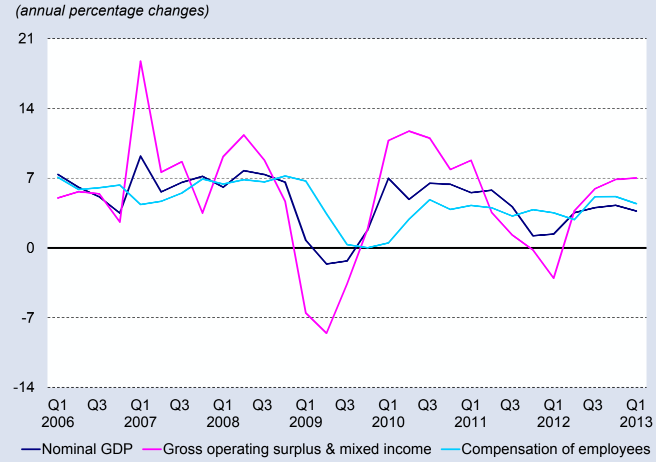
The compensation of employees was higher across all sectors of the economy, with public administration & defence absorbing nearly half of the total increase in absolute terms. Employee compensation also rose significantly in the professional & scientific and financial & insurance sectors.

Gross value added growth decelerates

Growth in gross value added (GVA) in nominal terms decelerated to 5.6% from 6.0% in the previous quarter, but still added 4.9 percentage points to GDP growth. Net taxes were 8.9% lower, thus contributing a negative 1.2 percentage points to GDP growth (see Table 2.2).[2]

Nominal GDP growth continued to be driven by services, which added 2.9 percentage points to growth. GVA was higher compared with the same quarter of 2012 in all service sectors, with the highest absolute increase in the public administration & defence sector, which contributed 1 percentage point. In addition, the financial & insurance sector and the professional & scientific sector each contributed 0.6 of a percentage point. The remaining service sectors together pushed up nominal GDP by 0.7 percentage point.

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



Source: NSO.

[2] The difference between nominal GDP growth and the GVA contribution is made up of taxes on products net of subsidies.

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

	2012				2013
	Q1	Q2	Q3	Q4	Q1
Agriculture, forestry & fishing	0.0	0.0	0.0	0.2	0.1
Mining & quarrying; utilities	-1.5	-0.5	-0.7	-0.3	1.1
Manufacturing	-1.0	-0.1	1.1	1.0	0.9
Construction	-0.1	-0.1	0.0	0.0	-0.2
Wholesale & retail trade; repair of motor vehicles; transportation; accommodation & related activities	0.0	0.9	1.7	1.0	0.1
Information & communication	0.3	0.4	0.3	0.3	0.3
Financial & insurance activities	0.8	0.8	0.2	0.4	0.6
Real estate activities	0.0	0.0	0.0	0.0	0.0
Professional, scientific, administrative & related activities	0.4	0.0	0.7	0.6	0.6
Public administration & defence; education; health & related activities	0.7	0.9	0.9	1.2	1.0
Arts, entertainment; household repair & related services	0.7	0.7	0.4	0.7	0.3
Gross value added	**0.2**	**3.1**	**4.5**	**5.1**	**4.9**
Net taxation on products	**1.1**	**0.4**	**-0.5**	**-0.8**	**-1.2**
Annual nominal GDP growth (%)	**1.4**	**3.5**	**4.0**	**4.3**	**3.7**

Source: NSO.

The non-service sectors contributed notably to GDP growth as the GVA of the mining & utilities sector recovered and that of the manufacturing sector continued to expand, albeit at a slower pace. The latter pushed up nominal GDP by 0.9 percentage point. Thus, over the first quarter of 2013, the only drop in GVA was registered in the construction sector.

The annual rate of growth of industrial production decelerated to 2.0% in the first quarter from 8.7% in the last quarter of 2012 (see Table 2.3).[3] Output in the pharmaceutical products and computer,

Table 2.3
INDUSTRIAL PRODUCTION
Percentages; annual percentage changes

		2012				2013
	Shares	Q1	Q2	Q3	Q4	Q1
Industrial production	**100**	**-2.8**	**0.5**	**6.4**	**8.7**	**2.0**
Computer, electronic & optical products	18.5	-7.9	7.4	21.1	26.8	10.9
Food products	10.2	-6.9	1.3	6.2	1.4	5.6
Energy(1)	8.0	6.0	3.7	4.9	3.6	-3.8
Wearing apparel	6.5	9.7	-11.8	-11.1	29.8	-7.5
Rubber & plastic products	6.2	-7.4	-14.2	-11.5	-10.8	0.4
Basic pharmaceutical products & pharmaceutical preparations	5.5	-18.6	1.8	14.2	16.4	7.9
Textiles	5.2	-3.9	-8.4	-11.3	-0.9	-23.4
Repair and installation of machinery and equipment	5.0	1.6	-1.0	-0.2	-8.9	-10.4

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

3 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 sectorial coverage between the two measures may differ, since industrial production data also capture the output of the energy sector.

electronics & optical equipment industries increased at a slower pace than before, while production by firms in the energy, wearing apparel, textile and repair & installation of machinery sectors declined. On the other hand, production growth of rubber & plastic products turned slightly positive, while that of food products accelerated.

BOX 1: HOUSEHOLD FINANCE AND CONSUMPTION SURVEY IN MALTA[1]

In 2011 the Central Bank of Malta finalised a survey assessing households' wealth, financing and consumption in Malta, as part of a coordinated research exercise led by the European Central Bank (ECB), which involved national central banks and national statistical institutes in the euro area. The survey, the first one to be carried out in Malta, followed a homogenous methodology, which was employed across almost all euro area countries, thus enabling cross-country comparisons. The survey results shed light on the economic behaviour of households, while the availability of household-level data enables a better insight on developments in macroeconomic variables. Consequently, this provides important inputs on issues of relevance, such as monetary policy and financial stability. The survey is expected to be repeated every three years, with the next wave scheduled to take place in 2014.

This Box summarises the main findings of the Malta Survey on the wealth, financing and consumption patterns of Maltese households.[2] The survey includes information on the composition, demographics, income, wealth, debts, consumption and financial decisions of local households in 2010.

The main findings of the Malta Survey

Household characteristics

On the basis of sample results, the number of households in Malta was estimated at almost 144,000. On average, each household was composed of 2.85 members. The distribution showed that almost 45% of households consisted of two members or fewer, another 44% included between three and four persons, while the remaining households were made up of five or more individuals.

Household income and net wealth

With regard to income, the Malta Survey shows that 60.2% of total gross household income was from employee compensation, while 11.8% was generated from self-employment activity. Meanwhile, 17.4% of total gross household income was in the form of transfer payments, such as public pensions, widows' and disability pensions and other regular social transfers. On the other hand, income from financial investment was estimated at almost 7%, while rental income accounted for 1%. The average annual household income, before

[1] Prepared by Karen Caruana and Christopher Pace. Ms Caruana is a Senior Economist Statistician and Mr Pace is a Manager in the Bank's Statistics Department.

[2] More exhaustive information on the salient findings of the survey is available on the Central Bank of Malta website at http://www.centralbankmalta.org/updates/downloads/pdfs/household_survey.pdf. The report provides a brief overview of the questionnaire structure, the statistical methodology employed in the collection of data, inter-country comparison between Malta and other participating euro area countries, and detailed statistical tables.

payment of income tax and social contributions, amounted to €26,443, while the median income stood at €21,615.

Households' net wealth, which is defined as the sum of real and financial assets net of financial liabilities, was estimated at a median value of €215,932.

Housing and other real assets

Results showed that 77.7% of households were owner-occupiers of their home, with the median value of their main residence estimated at €186,643. The remaining 22.3% of households were tenants occupying their residential units under rent, usufruct or rent-free agreements. It was also estimated that 31.4% of households owned other forms of property, including second homes, garages, commercial premises, and agricultural land.

Almost all households (99%) were owners of at least one type of asset, either in the form of a financial asset or in a non-financial form. It is estimated that 11.5% of Maltese households owned a business in which they worked as self-employed. Almost 85% owned one or more vehicles and 19.1% possessed valuables, such as antiques, jewellery and paintings.

Financial assets

While more than 97% of households owned at least one financial asset, financial assets represented 13.4% of the value of their total assets. The most widely held financial assets (83%) were interest-bearing deposits with banks. Current accounts were held by 74.3% of households, while 21.6% owned some form of debt security, mainly corporate bonds and government securities. Equity was held by 13.4% of all households, while 8% owned mutual funds. Furthermore, the Malta Survey results show that 24.2% of all households were covered by a life insurance policy or participated in a pension scheme. The overall median value of financial asset holdings was estimated at €26,229.

Household debt

A total of 34.1% of all households had some type of debt liability, averaging €35,814. Almost 16% of them had a bank loan to finance their main residence or other real estate. Around a quarter, or 25.2%, of households had credit facilities to finance some form of consumption expenditure via credit cards, overdrafts and/or other consumer/private loans. With respect to home-owning households, 15.5% used their main residence as collateral for bank loans. Furthermore, the results show that collateralised loans make up 76% of total debt of the indebted households. This notwithstanding, household debt represents only 3.2% of the total gross wealth of households.

The sustainability of households' financial burden was also measured by comparing the debt outstanding with annual income. The median ratio of household debt to gross households' income was calculated at 52%. In addition, when the same ratio was calculated solely for those households with mortgage debt as their debt liability, it rose to 132.2%. Debt servicing, (that is, capital repayments and interest payments on mortgage loans and consumer/private loans) as a proportion of gross households' income, was estimated at 11% in median terms. Similarly, when the ratio was calculated for those households having just mortgage loans, the median ratio was estimated at 12.8%.

Household expenses and saving

The median annual spending on food and beverages consumed at home was estimated at €4,800. Meanwhile, household median annual expenditure on food and beverages in cafeterias, bars, restaurants, etc. amounted to €1,120. The average annual spending on rent for those households that rented their dwellings was estimated at €1,004. In the case of expenditure on utilities, the annual median expenditure amounted to €1,997. Information on households' savings provided by the survey shows that 23.7% of households were net savers, with a median annual savings amounting to €3,000 and a mean of €4,444.[3] On the basis of the Malta HFCS, it is estimated that the overall household savings ratio measured by the ratio of mean savings to gross household income stood at 4%.

[3] Around half of households surveyed, or 47.6% of respondents, declared that they are neither savers nor dissavers.

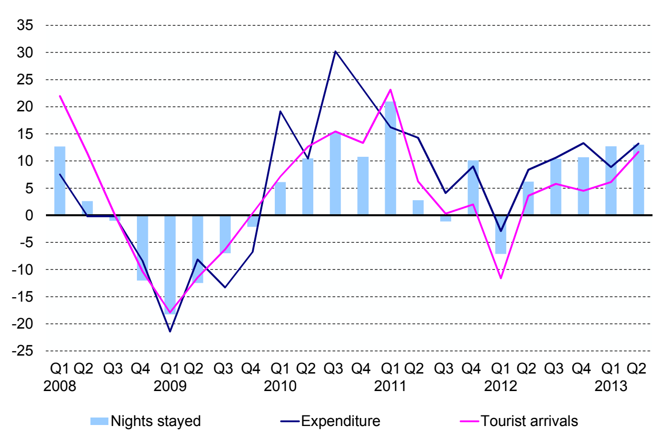
BOX 2: TOURISM ACTIVITY

Tourism continues to perform strongly in the first quarter

The positive performance observed in the tourism industry since the second quarter of 2012 continued during the first three months of 2013. When compared with a year earlier, tourist arrivals, nights stayed and expenditure all rose above the levels registered in the first quarter of 2012.

National Statistics Office (NSO) data show that the number of arrivals in the first quarter of 2013 stood at 215,615 tourists, a 6.1% increase on the corresponding period of 2012 (see Chart 1). The rise was driven by an increase in the number of leisure travellers and, particularly, visitors travelling for "other" purposes, primarily Maltese nationals, residing abroad who visited the islands in connection with the general elections held in March. In contrast, business and professional travellers declined considerably on year-ago levels.

Chart 1
TOURISM INDICATORS
(quarterly averages; annual percentage changes)



Source: NSO.

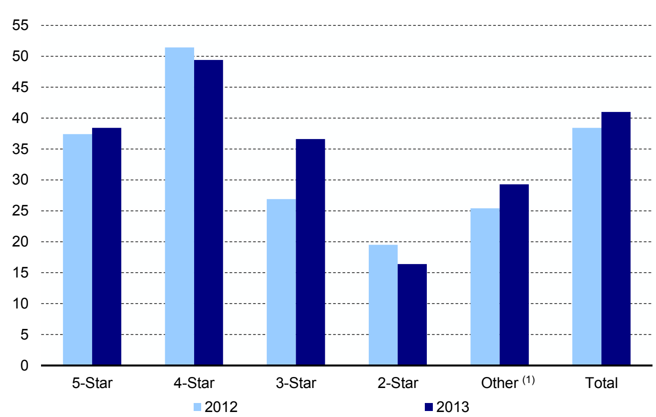
In terms of geographical distribution, growth was predominantly registered in Malta's traditional markets, while arrivals from some smaller markets recorded losses. The number of visitors from the United Kingdom, Malta's largest source market, accounted for nearly a third of total arrivals and rose by 4,776, or 7.3%, compared with the first quarter of 2012. Nevertheless, the largest increases in tourist arrivals were registered by the German and Italian markets, which increased by 5,169 and 4,825, respectively. Meanwhile, tourist arrivals from Libya, France, Ireland and Russia rose notably over the same period. Reflecting the reduction of some winter routes by low-cost carriers, arrivals from the Spanish market were less than half the 2012 level, while Scandinavian tourists declined by nearly a third. Arrivals from other small markets, such as the United States and the Netherlands, also registered losses.

In the first three months of the year total tourist expenditure amounted to €163.8 million, up by 8.9% in annual terms.[1] This rise was propelled by a 19.6% surge in spending on package holidays, as well as an 11.5% rise in the "other" component of expenditure.[2] These increases were partly offset by a decline of 6.6% in expenditure on non-package holidays, predominantly airfares, although lower spending on accommodation also contributed.

The total number of nights spent by tourists rose by 12.7% over the same period of 2012, with stays in private accommodation, which include self-catering apartments, farmhouses and private residences, increasing by 33.8%. Movements in the latter were partly attributable to the influx of Maltese nationals, who visited the islands in connection with the general elections. In addition, nights spent in collective accommodation rose by 6.1%. The average length of stay of visitors during the quarter under review rose by 0.5 to 7.8 nights over the corresponding period a year earlier.

With regard to accommodation capacity in collective establishments, the net number of bed-places available by end-March was 3.3% higher than a year earlier, with the expansion predominantly attributed to 4-star hotels. In contrast, bed-places in 3-star hotels decreased by over 500 on a year earlier. Overall, occupancy rates increased by 2.6 percentage points on a year earlier to 41.0%, reflecting the rise in nights stayed. During the first quarter, occupancy rates went up across all collective accommodation categories, with the exception of 4-star and 2-star hotels (see Chart 2). The largest increase was registered

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



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

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

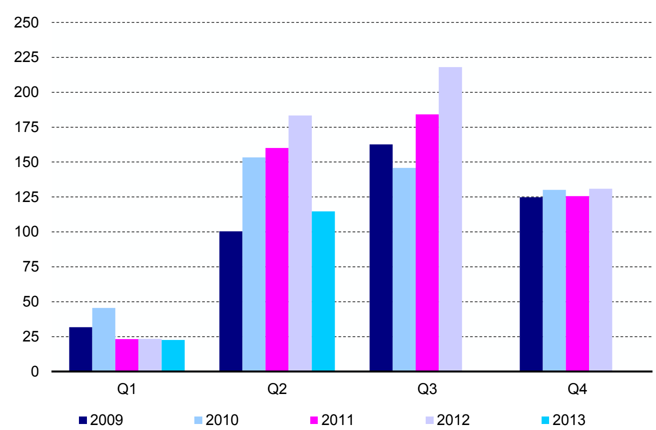
by 3-star hotels, with occupancy rates growing by 9.7%, partly under the influence of the above-mentioned drop in bed places in this category, while 5-star hotels showed an increase of 1 point. Occupancy in “other” establishments also increased, gaining almost 4 points compared with the corresponding period of the previous year. Conversely, notwithstanding retaining the highest occupancy levels in all hotel categories, occupancy in 4-star hotels dropped by 2 percentage points. In 2-star hotels occupancy rates fell by 3.1 percentage points, compared with a year earlier. As a result, this category of hotels continued to record the lowest occupancy rates.

The regular survey conducted by the tourism industry shows that the average achieved room rates in the first quarter of 2013 increased only in 5-star hotels, up to €79.80 from €76.90 in the first quarter of 2012.[3] Meanwhile, 3-star and 4-star hotels registered marginal declines in rates. The survey also shows that overall hotel operating losses were lower in both 3-star and 4-star categories but higher for 5-star hotels.

According to NSO data for the second quarter of 2013, the tourism sector continued to grow with regard to arrivals, nights stayed and expenditure. The number of visitors to Malta rose by 11.7% in annual terms, with total nights stayed 13.0% higher than year-ago levels. Meanwhile, total expenditure increased by 13.2%, with the rise predominantly attributable to non-package expenditure, notably on fares and accommodation, and, to a lesser extent, to the “other” component of expenditure.

Between January and March 2013 foreign visitors arriving on cruise liners were 3.7% lower than year-ago levels (see Chart 3). Meanwhile, the frequency of port calls by cruise liners was up by one: 13 calls compared with 12 in the same period of 2012. Data for the second quarter of 2013 show that the number of cruise liner calls contracted by 33 on a year earlier, partly because two lines stopped their port calls to Malta. As a result, the number of foreign passengers declined by 37.4%. Reflecting these developments, the overall number of cruise passengers in the first half of the year was 33.6% lower relative to the first half of 2012.

Chart 3
CRUISE LINER PASSENGERS
(thousands)



Source: NSO.

[3] See *BOV-MHRA Survey – Q1 2013*.

The labour market[4]

Labour market statistics for the first quarter of 2013 indicate that employment continued to rise in both annual and quarter-on-quarter terms. Meanwhile, the unemployment rate based on the Labour Force Survey (LFS) remained unchanged compared with a year earlier but was lower than in the previous quarter.

Employment rises further

LFS data show that in the first quarter of 2013 the labour force increased by 1.7%, compared with the same quarter a year earlier (see Table 2.4).[5] This followed a rise of 3.3% in the 12 months to December 2012.

On an annual basis, employment grew at the slower pace of 1.7% compared with the 3.4% expansion seen in the preceding quarter (see Chart 2.3). On a year earlier, the number of jobs taken up on a full-time basis rose by 1,300 in absolute terms, or 0.9%, while part-time jobs were up by 963, or 4.8%. At the same time, full-time jobs on reduced hours also rose on a year earlier.

The total employment rate rose marginally to 59.7% from 59.5% in the final quarter of 2012.[6] Compared with its year-ago level, the rate was 1.1 percentage points higher. The rise in annual terms was completely driven by women, as their employment rate increased to 45.8% from

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

	2012				2013	Annual change
	Q1	Q2	Q3	Q4	Q1	%
Labour force	**182,310**	**183,705**	**186,409**	**185,426**	**185,459**	**1.7**
Employed	171,270	171,728	174,126	173,456	174,174	1.7
By type of employment:						
Full-time	147,677	148,438	148,833	148,961	148,977	0.9
Full-time with reduced hours	3,422	4,876	4,232	4,125	4,063	18.7
Part-time	20,171	18,414	21,061	20,370	21,134	4.8
Unemployed	11,040	11,977	12,283	11,970	11,285	2.2
Activity rate (%)	**62.4**	**62.6**	**63.9**	**63.6**	**63.6**	
Male	77.4	77.7	79.1	77.7	78.0	
Female	46.8	47.0	48.1	49.0	48.6	
Employment rate (%)	**58.6**	**58.5**	**59.6**	**59.5**	**59.7**	
Male	73.0	72.5	74.7	73.1	73.0	
Female	43.6	43.9	44.0	45.4	45.8	
Unemployment rate (%)	**6.1**	**6.5**	**6.6**	**6.5**	**6.1**	
Male	5.6	6.5	5.4	5.9	6.3	
Female	6.8	6.6	8.6	7.4	5.7	

Source: NSO.

[4] This section draws mainly on labour market statistics from two sources: the LFS, which is a household survey conducted by the NSO on the basis of definitions set by the International Labour Organization and Eurostat, and administrative records compiled by the Employment and Training Corporation according to definitions established by domestic legislation on employment and social security benefits.

[5] The LFS defines the labour force as all persons active in the labour market aged 15 and over. This includes those in employment, whether full-time or part-time, and the unemployed, defined as those people without work, actively seeking a job and available for work. The ETC definition of the labour supply is more restricted: it consists of the sum of the full-time gainfully occupied population and the registered unemployed.

[6] 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, which is defined as all those aged between 15 and 64 years.

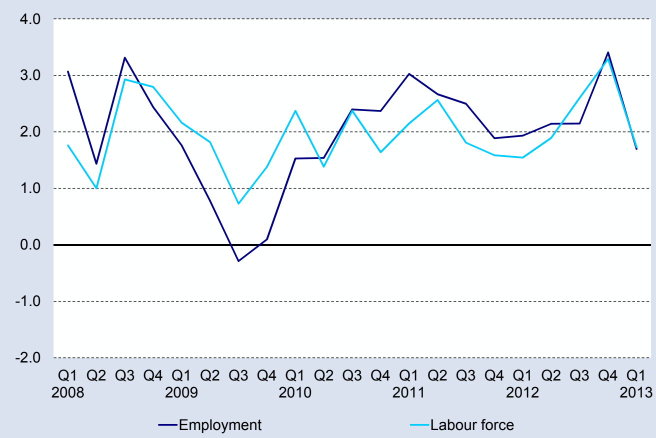
43.6% in the first quarter of 2012. In part, the rise resulted from the increase in the female retirement age from 60 to 62, which pushed up the female employment rate in the 55-64 age bracket. Meanwhile, the male employment rate remained unchanged at 73.0%, as an increase in employment among older workers was offset by a drop in employment in the 15-24 age bracket.

As the labour force rose and the working-age population fell marginally in line with demographic trends, the activity rate went up to 63.6% from 62.4% a year earlier.[7] This rise was mainly driven by the female category.

Employment and Training Corporation (ETC) data indicate that the gainfully occupied population, which includes all persons with full-time employment, rose further (see Chart 2.4). Thus, in March the annual growth rate increased to 2.0% from 1.7% in December.

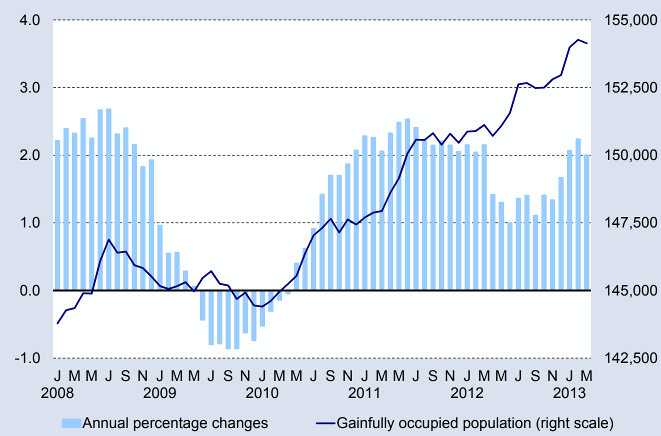
From a sectorial perspective, employment growth was mainly driven by the private sector (see Table 2.5). During the year to March the number of full-timers in this sector rose by 2,334, or 2.1%, to reach 112,630. Employment in market services was up by 3.5%, whereas jobs in direct production fell by 1.4%.

Chart 2.3
LABOUR FORCE AND EMPLOYMENT BASED ON THE LFS
(annual percentage changes)



Source: NSO.

Chart 2.4
GAINFULLY OCCUPIED POPULATION BASED ON ETC RECORDS
(annual percentage changes; persons)



Source: NSO.

Employment increased in all major categories within the private services sector. The largest gains were in administrative & support services, professional, scientific & technical activities, human health & social work and in education. Turning to direct production in the private sector, the largest job losses occurred in construction and manufacturing, in that order.

Within the public sector, full-time jobs went up by 688 to 41,507 in March, compared with the same month in 2012. The rise was propelled entirely by services, particularly education and human health & social work. On the other hand, jobs were lost in direct production, with the largest drop recorded in the construction sector.

[7] The activity rate measures the number of persons in the labour force (whether employed or seeking work) as a proportion of the working-age population, which is defined as all those aged between 15 and 64 years.

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

	2012				2013	Annual change
	Mar.	June	Sep.	Dec.	Mar.	%
Labour supply	**158,081**	**158,256**	**159,352**	**159,775**	**161,487**	**2.2**
Gainfully occupied(1)	151,115	151,559	152,483	152,964	154,137	2.0
Registered unemployed	6,966	6,697	6,869	6,811	7,350	5.5
Unemployment rate (%)	**4.4**	**4.2**	**4.3**	**4.3**	**4.6**	
Private sector	**110,296**	**110,792**	**111,624**	**111,959**	**112,630**	**2.1**
Public sector	**40,819**	**40,767**	**40,859**	**41,005**	**41,507**	**1.7**
Part-time jobs	**52,748**	**55,331**	**55,369**	**55,655**	**55,522**	**5.3**
Primary	29,905	31,780	31,890	31,813	31,883	6.6
Secondary(2)	22,843	23,551	23,479	23,842	23,639	3.5

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

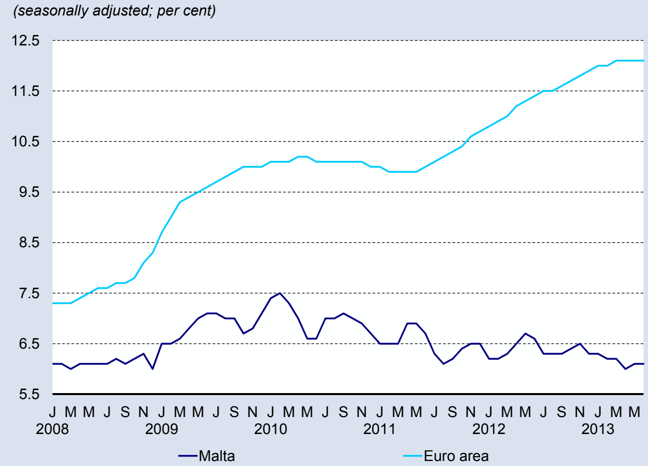
Part-time employment increased by 5.3% in March compared with a year earlier. Gains mainly stemmed from a rise of 6.6% in the number of workers with a part-time job as their primary occupation. Over the same period, workers who hold both a part-time and a full-time job increased by 3.5%. Female workers were the main drivers behind both increases. Within the pool of part-timers, the highest additions were recorded in wholesale & retail trade, accommodation & food service activities, human health & social work and transportation & storage.

The unemployment rate remains practically unchanged on a year earlier

The unemployment rate based on the LFS went down to 6.1% in the March quarter compared with 6.5% in the preceding quarter.[8] Compared with the same period of 2012, however, the unemployment rate remained unchanged. The annual rise in the unemployment rate for males was offset by a fall in the corresponding rate for females.

The seasonally adjusted unemployment rate averaged 6.2% in the quarter under review and was thus 0.2 percentage point lower than in the previous quarter, but was unchanged when compared with a year earlier (see Chart 2.5).[9] The unemployment rate in Malta remained well below the average for the euro area.

Chart 2.5
UNEMPLOYMENT RATE
(seasonally adjusted; per cent)

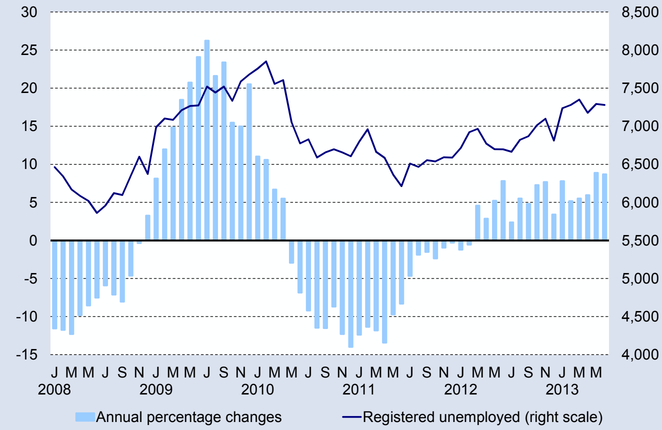


Source: Eurostat.

[8] 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.
[9] Based on Eurostat calculations.

Although survey data point to falling unemployment, the administrative records of the ETC show that the number of registered unemployed rose by 539, to 7,350 between March and December (see Chart 2.6). This was the highest level in nearly three years. In March the unemployment rate based on ETC data stood at 4.6% compared with 4.3% in December and 4.4% a year earlier.

Chart 2.6
REGISTERED UNEMPLOYED
(annual percentage changes; persons)



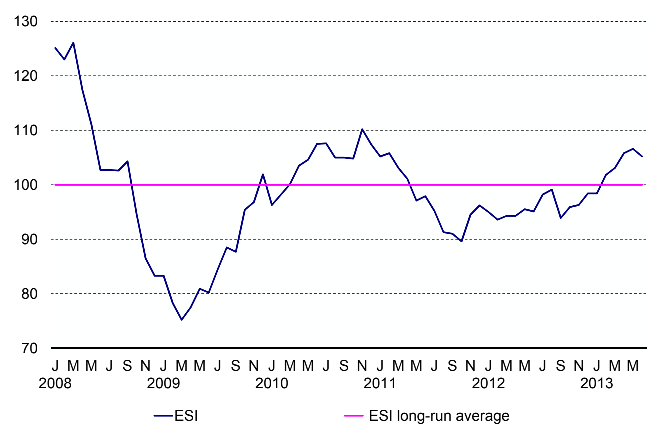
Source: NSO.

With regard to developments in the second quarter of 2013, the seasonally adjusted jobless rate averaged 6.1%, 0.1 percentage point lower compared with the preceding quarter and half a percentage point below the year-ago level. Meanwhile, ETC data show that in June the number of registered unemployed fell compared with March, but, at 7,279, was nonetheless higher than a year earlier.

BOX 3: BUSINESS AND CONSUMER SURVEYS

Survey data for the second quarter of 2013 show a strong increase in confidence among service providers, which completely outweighed a deterioration in confidence among firms operating in the manufacturing and the construction sectors, and among consumers. As a result of these developments, the overall economic sentiment indicator (ESI) extended its recent upward trend, rising to 105.2 in June from 103.1 in March (see Chart 1).[1,2] Thus, the indicator remained above its long-term average of 100.

Chart 1
ECONOMIC SENTIMENT INDICATOR
(seasonally adjusted; percentage points)

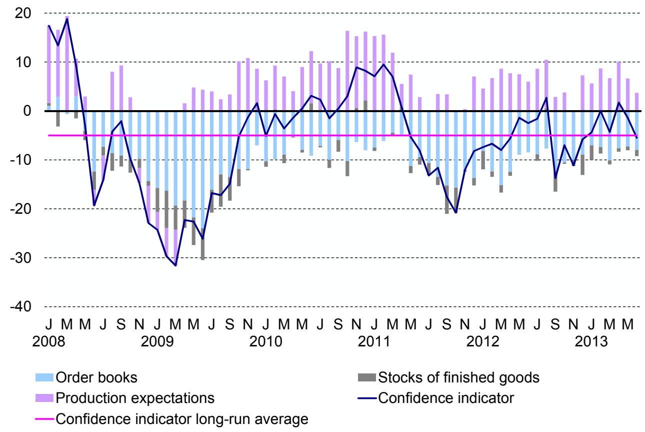


Source: European Commission.

[1] The ESI summarises developments in confidence in the four surveyed sectors (industry, services, construction and consumers).
[2] Long-term averages are calculated over the entire period for which data are available. For the consumer and industrial confidence indicator, data became available in November 2002, while the services and construction confidence indicator data became available in May 2007 and May 2008, respectively. The long-term average of the ESI is computed from November 2002.

Industrial confidence turns positive briefly, but falls thereafter[3]

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



Source: European Commission.

After having edged up slightly during the previous quarter, the industrial confidence indicator moved into positive territory in April before falling to -6 by June (see Chart 2). Thus, compared with March, the indicator fell by 1 point and stood just below its long-term average of -5.

The decline in confidence during the quarter reviewed was mainly spurred by a deterioration in production expectations, as a smaller share of respondents expected production to increase over the following three months. Meanwhile, a marginal increase in the stocks of finished goods also had a negative impact on the overall indicator. On the other hand, fewer respondents reported below normal order book levels for the period covered by the survey. In June the production expectation and the stock of finished goods indicators were below their respective long-term average, while the order book indicator stood marginally above it.

Despite the deterioration in industrial confidence, supplementary data obtained from the survey show that in June the number of respondents anticipating their own workforce to increase rose, compared with three months earlier. Moreover, the share of participants anticipating their selling prices to decrease over the subsequent three months fell. With regard to factors inhibiting business activity, a large number of respondents continued to point to insufficient demand as the main element, generally stating that current production was more than sufficient to meet demand.

From a sectorial perspective, the balance of replies became more negative among producers of fabricated metal products (except machinery & equipment), pharmaceuticals and food. On the other hand, confidence improved in sectors involved in the production of wearing apparel and rubber & plastic products. Firms engaged in printing & reproduction of recorded media and repair & installation of machinery & equipment also reported a rise in confidence. Developments in the remaining sectors had little impact on the overall balance.

Construction confidence deteriorates further[4]

Confidence among firms in the construction industry deteriorated marginally during the quarter being reviewed. The relevant index declined from -41 in March to -42 three

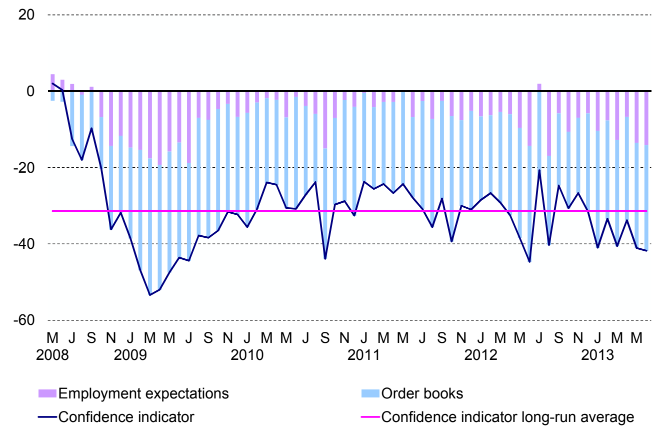
[3] The industrial confidence indicator is the arithmetic average of the seasonally adjusted balances (in percentage points) of replies to a subset of survey questions relating to expectations about production over the subsequent three months, to current levels of order books and to stocks of finished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

[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.

months later (see Chart 3). Thus, the indicator remained below its long-run average of -31.

The deterioration in confidence was attributable to a larger number of respondents expressing the intention to reduce their labour force in the subsequent three months. Meanwhile, the proportion of firms that considered their current order books to be below normal remained practically unchanged. Both sub-components stood below their respective long-term average.

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



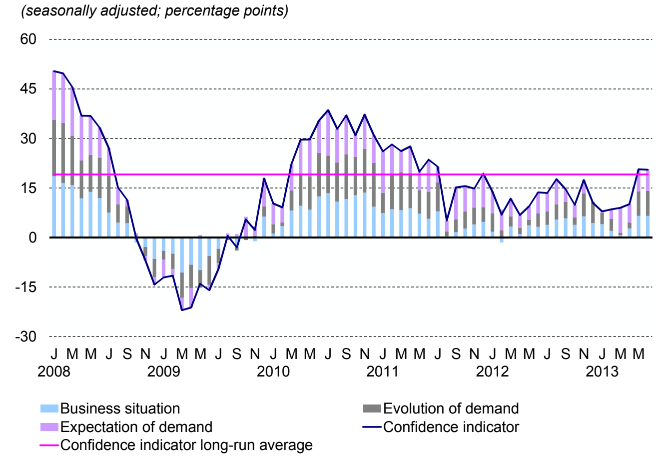
Source: European Commission.

Sentiment in the services sector rises strongly[5]

The confidence indicator among service providers rose to 21 in June from 9 in March, and thus moved above its long-term average of 19 (see Chart 4). The rise reflected an improvement in respondents' assessment of demand, as well as an increase in the share of respondents registering better business conditions over the previous three months. On the other hand, demand for the subsequent three months was expected to increase to a lesser degree than in March. In view of these developments, the business situation and the evolution of demand indicators moved above their respective long-term averages, whereas the indicator gauging future demand moved again below its average.

Further data show that expectations on manpower levels improved further, as a larger share of respondents believed that employment within their firms would increase over the subsequent three months. On

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



Source: European Commission.

[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.

balance, a larger proportion of participants anticipated an increase in prices charged in the services sector over the subsequent quarter.

The rise in confidence was evident in most sub-sectors surveyed. More specifically, confidence rose in sectors comprising accommodation, financial services, land and air transport, programming & broadcasting and services related to food & beverages. On the other hand, confidence fell among firms in the arts, entertainment & recreation and the rental & leasing sectors.

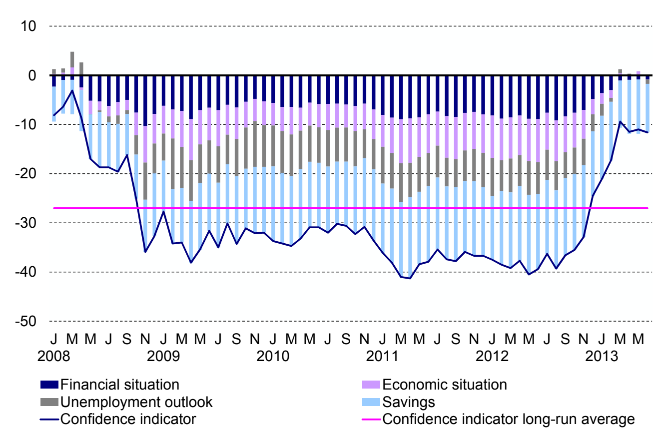
Positive trend in consumer confidence comes to a halt[6]

After having increased uninterruptedly from August 2012, the consumer indicator decreased on a month earlier in both April and June. As a result, in June the indicator stood at -12, as against -9 in March (see Chart 5). The indicator nonetheless remained above its long-run average of -27.

In June the majority of respondents expected unemployment to rise over the forthcoming 12 months, whereas in March they had believed that the number of job-seekers would decrease. Moreover, consumers expected the general economic situation in the country to deteriorate and were also marginally more pessimistic than before about their ability to save over the forthcoming 12 months. On the contrary, consumers were slightly less pessimistic about the overall state of their financial position over the subsequent 12 months. Even though most components decreased compared with the respective long-term averages, the indicators related to savings, the financial position and the economic situation remained higher, whereas in the case of unemployment this remained below it.

Further survey information shows that, given the existing economic situation, the number of consumers considering that the time was right to make major purchases of consumer goods decreased compared with March. With regard to consumers' inflation perceptions in June, on balance, a smaller proportion of respondents expected prices to increase over the subsequent 12 months compared with March.

Chart 5
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.

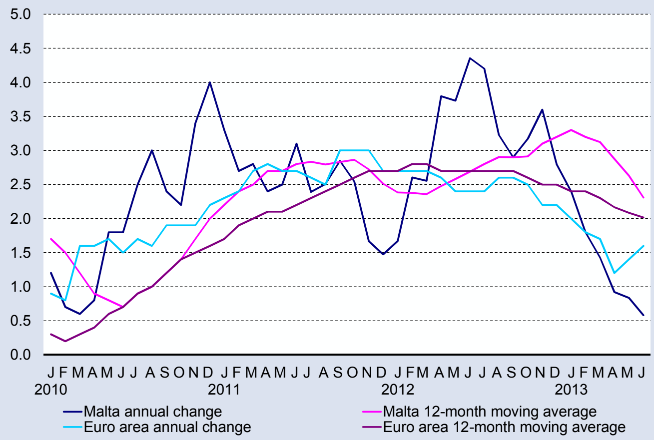
3. PRICES, COSTS AND COMPETITIVENESS

HICP inflation

HICP inflation rate eased further in the first quarter

The inflation rate based on the Harmonised Index of Consumer Prices (HICP) continued to decline further during the first quarter of 2013, with the annual rate moderating to 1.4% in March from 2.8% in December (see Table 3.1).[1] As a result, the 12-month moving average rate dropped to 3.1% in March, 0.1 percentage point lower than the average for 2012.

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



Sources: NSO; Eurostat.

Although all main categories recorded slower price increases, the drop in the annual inflation rate between December 2012 and March 2013 was predominantly on account of weaker price increases of services and of non-energy industrial goods. Price pressures from energy and food also abated.

Compared with the euro area, Malta's annual rate of inflation was lower by 0.3 percentage point at the end of March. However, the 12-month moving average rate in Malta remained above that in the euro area, which decelerated to 2.3% (see Chart 3.1).

In Malta the marked deceleration in the inflation rate between December and March was mainly driven by developments in the price of services, which constitute over two-fifths of the overall

Table 3.1
YEAR-ON-YEAR HICP INFLATION
Percentage change

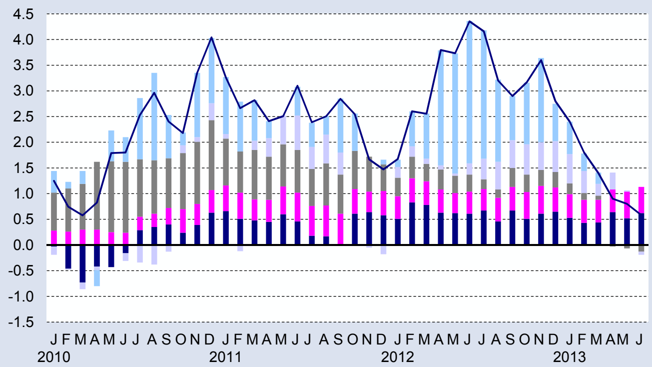
	2012			2013		
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Unprocessed food	7.0	8.1	8.7	7.0	5.5	5.9
Processed food including alcohol and tobacco	4.1	4.2	3.7	3.6	3.5	3.5
Energy	4.9	4.3	4.1	2.8	1.8	1.1
Non-energy industrial goods	2.0	1.8	2.0	1.9	1.5	0.8
Services (overall index excluding goods)	2.5	3.9	1.7	1.5	0.8	0.5
All Items HICP	**3.2**	**3.6**	**2.8**	**2.4**	**1.8**	**1.4**

Source: NSO.

[1] The HICP weights are revised on an annual basis to reflect changes in household consumption patterns. As a result, in January 2013 the weight of non-energy industrial goods was reduced by 0.5 pp to 29.5%. In contrast, the weight related to food rose by 0.1 pp to 20.4%, while the share allocated to energy rose from 7.3% to 7.6% in 2013. Weights related to services rose by 0.1 pp to 42.5%.

index. The annual rate of change of this component stood at 0.5% and its contribution to the overall inflation rate went down to 0.2 percentage point in March (see Chart 3.2 and Chart 3.3).

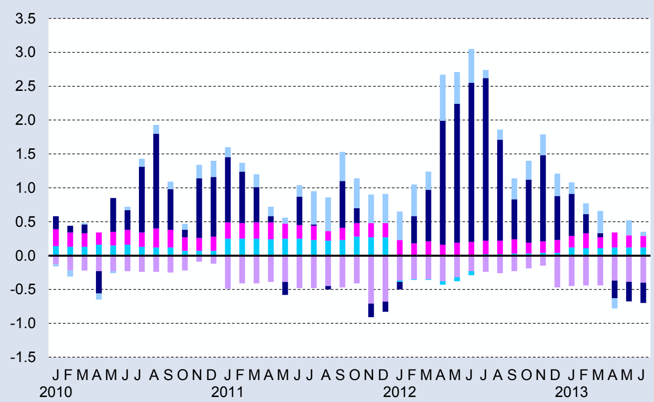
Chart 3.2
CONTRIBUTIONS TO YEAR-ON-YEAR HICP INFLATION
(percentage points; annual percentage change)



Source: Eurostat.

The moderation in the services' inflation rate over the quarter was primarily propelled by lower price increases for recreational and personal services. This component contributed 0.1 percentage point to the overall rate of inflation as opposed to 0.7 percentage point in December, largely reflecting annual drops in accommodation prices, as well as more subdued price increases in recreational and culture-related services. Over the same period, mainly on the back of smaller increases in dental service fees and a drop in charges related to financial services, prices of miscellaneous services decelerated from 3.9% to 3.1% in March.

Chart 3.3
CONTRIBUTIONS FROM SERVICES TO HICP INFLATION
(percentage points)



Source: Eurostat.

Meanwhile, in response to a further decline in internet rates, prices of communication services contracted at an annual rate of 10.2% in March, almost unchanged from the negative growth rate of 10.7% recorded in December. At the same time, the annual rate of increase in prices of housing and transport services rose to 2.6% and 5.8% in March, from 0.8% and 5.7%, respectively, at end-2012. This notwithstanding, the contribution of transport, communications, housing services and miscellaneous categories to the overall inflation increased only marginally from three months earlier, as developments in the miscellaneous category partly offset slightly higher price pressures in the other three categories.

During the period under review, the non-energy industrial goods inflation rate stood at 0.8% in March, down from 2.0% in December, largely reflecting a drop in prices for clothing. As a result, the contribution of the former to overall inflation, which comprises just under a third of the overall index, dropped to 0.2 point in March. Benefitting from a significant slowdown in gas price increases, energy inflation decelerated by 3 percentage points from the rate registered at end-2012, to

1.1% (see Table 3.1). Consequently, its contribution to overall inflation declined to 0.1 point in March from 0.3 percentage point in December.

Food prices rose at a slower pace of 4.4% in March from 5.5% in December. This component contributed 0.9 percentage point to overall inflation, 0.2 point less than three months earlier. The moderation in food price inflation over this period was mostly attributable to unprocessed food, for which the related inflation rate dropped to 5.9% in March from 8.7% in December. This was mainly on account of a decline in vegetable prices, as well as slower growth in fish prices. Meanwhile, the annual rate of change of processed food prices also declined, dipping by 0.2 point to 3.5% in March.

The annual HICP inflation rate extended its downward path during the second quarter of 2013, to stand at 0.6% in June. The drop between March and June was broad-based across all main non-food components, but mainly reflected lower prices of energy and services.

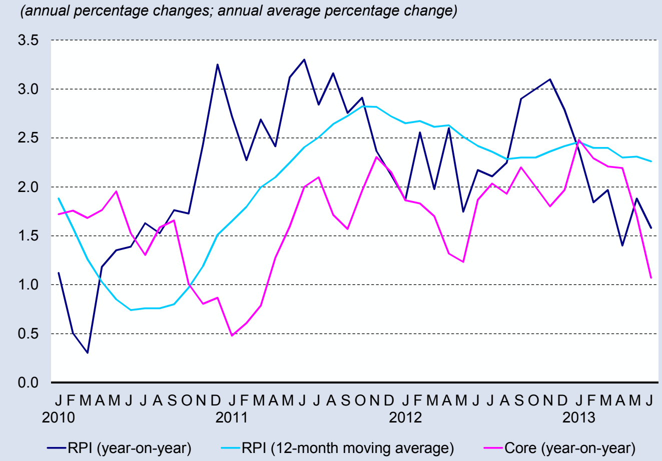
RPI inflation[2]

RPI inflation follows the same path of the HICP

The Retail Price Index (RPI) inflation rate also moderated somewhat, to 2.0% in March from 2.8% three months earlier. Notwithstanding the decline in the annual rate, the 12-month moving average inflation rate remained unchanged from the level of 2.4% recorded in December 2012 (refer to Table 3.2 and Chart 3.4).

The inflation rates of the largest two sub-components of the RPI, transport & communication and food, which together constitute nearly half of the overall RPI index, recorded marked movements between December and March.[3] Prices in the former sub-component dropped by 0.4% after increasing by 1.5% in December, whereas food price inflation decelerated from 6.0% to 4.5% over the period under review. As a result, the combined contribution of these sub-components to overall RPI inflation stood at 0.9 percentage point, down from 1.6 points three months earlier. In addition, smaller price increases were also registered in water, electricity, gas & fuels, clothing & footwear and other goods & services.

Chart 3.4
RPI AND CORE INFLATION
(annual percentage changes; annual average percentage change)



Sources: Central Bank of Malta estimates; NSO.

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.

3 The food component in the RPI includes both processed and unprocessed food. Processed food in the RPI excludes beverages and tobacco, which, however, are part of the processed food sub-index of the HICP.

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

	2012			2013		
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Food	1.1	1.2	1.3	1.1	0.9	1.0
Beverages & tobacco	0.3	0.3	0.2	0.2	0.2	0.2
Clothing & footwear	0.0	0.0	0.1	0.2	0.2	0.0
Housing	0.1	0.1	0.1	0.1	0.1	0.1
Water, electricity, gas & fuels	0.1	0.1	0.1	0.1	0.0	0.0
Household equipment & house maintenance costs	0.1	0.1	0.1	0.1	0.1	0.1
Transport & communications	0.7	0.8	0.3	-0.1	-0.3	-0.1
Personal care & health	0.1	0.1	0.1	0.2	0.2	0.2
Recreation & culture	0.2	0.2	0.2	0.3	0.2	0.3
Other goods & services	0.3	0.2	0.2	0.2	0.1	0.1
RPI (annual percentage change)	**3.0**	**3.1**	**2.8**	**2.4**	**1.8**	**2.0**

Sources: Central Bank of Malta; NSO.

Conversely, between December 2012 and March, prices of housing and personal care & health accelerated. By the end of the first quarter of 2013 these sub-components recorded inflation rates of 1.9% and 2.5%, respectively, up from the 0.9% and 1.6% registered during the last month of 2012. As a result, the contribution of these two sub-indices to the overall rate of RPI inflation increased by 0.1 percentage point apiece. The remaining RPI sub-indices had only a negligible impact on the overall RPI inflation rate during this period.

Data running into the second quarter of 2013 show that RPI inflation eased further to 1.6% in June. This stemmed from lower prices of communication services, gas and clothing. On the other hand, between April and June, substantial increases were recorded in food and beverages & tobacco.

As the RPI is heavily influenced by a number of volatile and cyclical components, such as food prices and water & electricity charges, underlying price pressures can be better assessed by the Bank's core RPI inflation rate.[4] The latter edged up marginally, standing at 2.2% in March from 2.0% three months earlier, reflecting the acceleration in prices of services related to housing and personal care & health.

[4] The core inflation rate reflects developments only in those sub-indices of the RPI that show persistent price changes. As measured by the Bank, these sub-indices currently consist of: housing, durable household goods, personal care & health, education & entertainment and other goods & services.

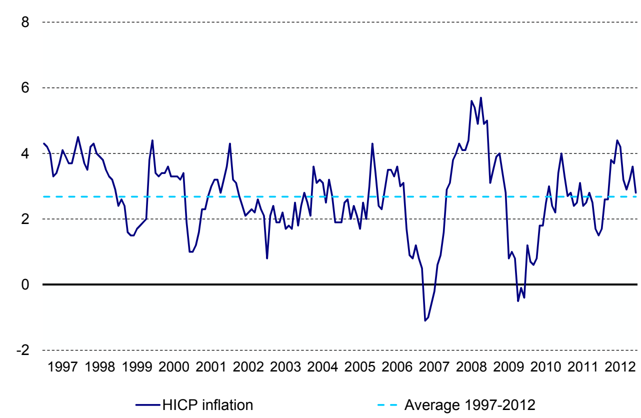
BOX 4: ESTIMATING INFLATION PERSISTENCE IN MALTA[1]

The topic of inflation persistence has received a lot of attention in recent years, especially within the context of the European Central Bank's (ECB) Inflation Persistence Network (IPN). The IPN defined persistence as "the tendency of inflation to gradually return to its long-term mean following a shock".[2]

A full understanding of the underlying patterns and determinants of inflation persistence is crucial for policy makers as they have important consequences for the conduct of monetary policy. The appropriate response of monetary policy to a shock depends on the degree to which the effect on inflation is persistent. In the euro area, monetary policy is determined by the Governing Council of the ECB with the aim of ensuring price stability in the area as a whole. However, a good understanding of Malta's inflation persistence is still very relevant for domestic policy makers. In particular, different degrees of inflation persistence compared with the euro area average could be a source of inflation differentials vis-à-vis the rest of the monetary union, which, in turn, will affect the country's external price competitiveness.

Chart 1 plots the annual growth rate of consumer prices in Malta between 1997 and 2012, as measured by the HICP. During this period, various factors have influenced the inflation rate and pushed it away from its long-run mean. Examples include oil and commodity price shocks, exchange rate movements, the removal of levies on a range of imported products in the run-up to EU membership and fiscal measures such as VAT changes. Inflation is also influenced by the cyclical position of the economy, with periods of weak economic activity usually associated with lower inflation, and vice versa. Despite these occurrences, inflation in Malta appeared to have remained remarkably stable over the past decade, fluctuating around a mean of 2.7%, as can be seen in Chart 1.

Chart 1
HICP INFLATION IN MALTA: 1997-2012
(year-on-year percentage change)



Sources: Eurostat; Authors' calculations.

The dominant theoretical framework for inflation in the literature, the so-called New Keynesian Phillips Curve (NKPC), identifies three possible sources of inflation persistence.

[1] Prepared by Reuben Ellul and Brian Micallef. Mr Ellul is an Economist in the Bank's Economic Analysis Office and Mr Micallef is a Senior Research Economist in the Modelling and Research Office. They would like to thank Dr Aaron G. Grech and Dr Bernard Gauci for their help. Any errors, as well as the opinions expressed in the article, are the authors' sole responsibility.

[2] Altissimo, F., Ehrmann, M. and Smets, F., "Inflation persistence and price setting behaviour in the euro area: A summary of the IPN evidence", *Occasional Paper Series* No. 46, ECB, June 2006.

First, persistence could arise from the degree of inertia or backward-looking methods in the price formation mechanism. This form of persistence is commonly referred to as intrinsic persistence. Second, the way economic agents form their expectations about future inflation determines another type of persistence, which is referred to as expectations-based persistence. The third source of persistence could be due to persistent fluctuations in the determinants of inflation, such as real marginal costs, which incorporate elements like wages and productivity that affect the cost structure of firms. This form of persistence is known as extrinsic persistence. Each of these three sources is associated with one of the three terms of the NKPC, which is one of the core equations in today's structural models used for forecasting and policy analysis by policy institutions and academia.

In the NKPC,

$$\pi_t = \gamma_1 \pi_{t-1} + (1-\gamma_1) E_t \pi_{t+1} + \gamma_2 mc_t \tag{1}$$

π_t stands for inflation, E_t for expectations and mc_t for real marginal costs. γ_1 and $(1-\gamma_1)$ determine the weight of inertia and expectations in the price formation process: these are assumed to add up to unity to ensure no long-run trade-off between inflation and economic activity.[3] γ_2 measures the sensitivity of inflation to cost conditions, which are typically assumed to vary according to the cyclical position of the economy.

A large body of literature has emerged on inflation persistence over the past decade, mostly in the context of the IPN, focusing on these three sources of inflation persistence. This empirical work analysed a wide variety of data, including aggregate time series for the euro area and its member countries, micro-consumer and producer prices as well as firm-level surveys. In general, however, econometric estimates of persistence are still surrounded by a considerable degree of uncertainty, possibly due to different methodological approaches, sensitivity to the choice of sample period and the price indices used.

Most studies in the literature estimate intrinsic or inertial inflation persistence using a univariate time series approach, mainly an autoregressive process.[4] In these models, inflation persistence is commonly measured as the sum of autoregressive coefficients.[5]

A common finding in this literature is that a high degree of reported inflation persistence is related to the neglect of breaks in the mean of inflation. For instance, when applying univariate regressions over a long sample, typically starting from 1970s or 1980s, most studies report highly persistent inflation processes for both the euro area and the United States. However, when structural breaks in the inflation mean are taken into account, most studies point to moderate degrees of inflation persistence.

[3] For technical details, see Berg, A., Karam, P. and Laxton, D., "Practical model-based monetary policy analysis: A how-to guide", *Working Paper Series* WP/06/81, IMF, March 2006.

[4] See for instance Levin, A.T. and Piger, J.M., "Is inflation persistence intrinsic in industrial economies?", *Working Paper Series* No. 334, ECB, April 2004; Gadzinski, G. and Orlandi, F., "Inflation persistence in the European Union, the Euro area, and the United States", *Working Paper Series* No. 414, ECB Nov 2004; Lünnemann, P. and Mathä, T.Y. , "How persistent is disaggregate inflation? An analysis across EU 15 countries and HICP sub-indices", *Working Paper Series* No. 415, ECB Nov 2004; O'Reilly, G. and Whelan, K., "Has euro area inflation persistence changed over time?", *Working Paper Series* No. 335, ECB, April 2004.

[5] Another branch of the literature use structural or multivariate analysis to study persistence, thereby being able to estimate all the three sources of persistence. See Dossche, M. and Everaert, G., "Measuring inflation persistence: a structural time series approach", *Working Paper Series* No. 495, ECB, June 2005.

Another common finding is the considerable degree of heterogeneity in persistence across countries and sectors. In general, most studies show that unprocessed food and energy exhibit a low degree of persistence, while industrial goods and services exhibit higher persistence. This difference across sectors most likely reflects different price-setting practices, which, in turn, depend on the market structures in which firms operate (e.g. market determined vs. administered prices).

A number of studies also report evidence of aggregation effects, with persistence in disaggregated price indices being different from the aggregate series. This phenomenon could be attributable to idiosyncratic shocks in certain sub-indices cancelling each other out but also possibly because the more persistent series receive a larger weight.[6]

Estimates of inflation persistence in Malta are relatively scarce. Demarco (2004) applies a first-order autoregressive model to sectoral RPI sub-indices to construct a measure of core inflation for Malta.[7] In this study, food and energy sub-indices were found to exhibit low persistence while certain sub-indices in services and industrial goods were found to have a moderate degree of persistence.[8] Two other studies compare aggregate inflation persistence in the euro area and the new Member States.[9] Both these studies report low estimates for Malta and that inflation persistence in Malta is broadly comparable with that of other euro area countries and lower than the estimates for most Eastern European Member States of the European Union.

Theoretical framework

Following Lünnemann and Mathä, we focus on inertial inflation and measure persistence as the sum of auto-regressive coefficients.[10] The following equation was estimated for all price indices:

$$\pi_{i,t} = c_{i,t} + \sum_{k=1}^{K^*} \beta_{i,k}\pi_{i,t-k} + \varepsilon_{i,t} \text{ with } \rho_i = \sum_{k=1}^{K^*} \beta_{i,k} \qquad (2)$$

where $\pi_{i,t}$ refers to the average year-on-year inflation rate in quarter *t*, for index *i*, while the persistence parameter, ρ_i, refers to the sum of autoregressive coefficients, with K^* standing for the optimal lag length identified by the Akaike information criterion.[11]

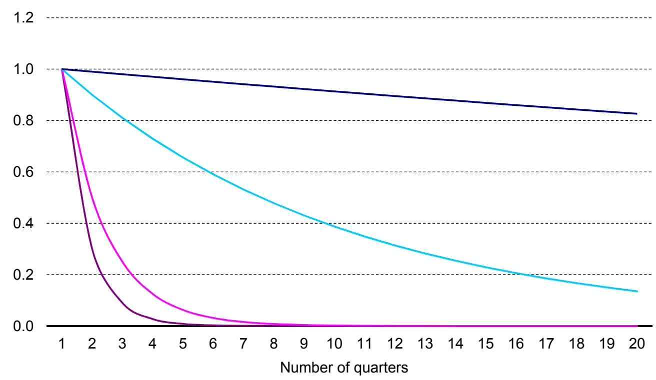
This equation is useful for the assessment of inflation persistence, particularly because the assumption that the mean rate of inflation has remained constant over time is a reasonable one for the period under consideration, as can be seen in Chart 1.

A process is said to be mean-reverting, that is, tending to revert to a constant, long-term mean, if the autoregressive coefficient ρ lies within the range $0 < | \rho_i | < 1$.[12] On the other

[6] Refer to footnote 2.
[7] Demarco, A., "A New Measure of Core Inflation in Malta", Central Bank of Malta, *Quarterly Review 2004:2.*
[8] The persistent categories were the following: housing, household equipment and maintenance, personal care, recreation and culture and other goods and services.
[9] Vladova, Z. and Pachedjiev, S., "Empirical analysis of inflation persistence and price dynamics in Bulgaria", *Discussion Paper Series* DP/70/2008, Central Bank of Bulgaria; Franta, M., Saxa, B. and Smidkova, K., "The role of inflation persistence in the inflation process in the new EU member states", *Czech Journal of Economics and Finance*, 60, 2010, no. 6.
[10] Lünnemann, P. and Mathä, T.Y., "How persistent is disaggregate inflation? An analysis across EU 15 countries and HICP sub-indices", *Working Paper Series* No. 415, ECB, November 2004.
[11] The optimal lag-length for each regression is determined separately for each sub-index. The equation also includes a constant term.
[12] A positive autoregressive coefficient implies the process reverts to its long-term mean in a smooth fashion while a negative coefficient implies that it converges to its mean in an oscillatory pattern.

hand, if | ρ_i |=1, we have a unit root process, in which case the process does not return back to its mean after a shock. The term (1- ρ) is called the speed of mean-reversion. A common way to measure the speed of mean reversion is to compute the half-life of a shock. The latter counts the number of periods in which the effect of a shock remains above half its initial impact.[13]

Chart 2
PERSISTENCE
Back to baseline after 1% shock
(deviations from baseline; percentage points)



Source: Authors' calculations.

Chart 2 illustrates graphically the concept of persistence and mean-reversion in a first-order autoregressive process. The time it takes for a process to return to its mean following a shock depends on the autoregressive coefficient ρ: the lower the value of ρ, the faster it returns to its mean value and vice versa. For instance, the half-life associated with a persistence parameter of 0.3 and 0.5 is around seven months and one year, respectively. At the other end of the spectrum, a highly persistent process with an autoregressive parameter of 0.9 has a half-life in excess of 6.5 years.

Methodology

To estimate inflation persistence, we use disaggregated HICP indices, published by Eurostat and covering the period from January 1996 to December 2011. The analysis focuses on year-on-year inflation rates measured at a quarterly frequency. This method is very similar to the one used by Demarco (2004). The main differences concern the use of the HICP instead of the RPI, a quarterly instead of a monthly frequency and an optimal lag-length chosen on the basis of an information criterion instead of being restricted to one. These changes facilitate a comparison of the current findings with those of the IPN.

At the outset, it is important to highlight two points. First, data quality is more problematic in more disaggregated series, as the latter tend to be subject to significant structural breaks – such as price liberalisation in some sectors, changes in the composition of the indices and changes in data collection methods. One-off events also tend to have a more pronounced impact on disaggregated series. Second, the weights of the different indices may have changed significantly over the years. Thus, while individual disaggregated series may exhibit high levels of persistence, at a more aggregated level estimates could be lower, reflecting offsetting developments in the separate sub-indices over time.

Aggregation effects show up when the degree of persistence at an aggregate level differs from that shown by its constituent parts. These effects can also appear across time, as the weights of the different components change over the years.

[13] Half-life measured in years is computed as ln(0.5)/(ln(| ρ_i |).

For the purposes of this study, we applied a uniform estimation approach based on equation (2) above. Estimates were computed at high and intermediate levels of aggregation for the euro area, Malta, a number of small and open economies that share similar characteristics with Malta and for countries with significant trade links with the local economy. The countries covered include Cyprus, Estonia, Ireland, Italy, Luxembourg, Slovenia, the United Kingdom, as well as the euro area as a whole. The persistence parameter was calculated for the overall HICP inflation, the five main HICP components and the 12 HICP sub-categories.[14]

Results

Table 1 shows the estimates of the autoregressive coefficients at various levels of aggregation and across a number of economies. The persistence parameter for the overall HICP inflation in Malta is estimated at 0.27. The half-life associated with this parameter is slightly more than six months.

Table 1
ESTIMATES OF THE DEGREE OF INFLATION PERSISTENCE (ρ): 1997-2012

	MT	EA(1)	LU	CY	EE(2)	SI (3)	UK	IT
Overall HICP	0.27	0.59	0.70	0.17	0.73	0.91	0.90	0.59
Food and non alcoholic beverages	0.69	0.75	0.77	0.38	0.69	0.81	0.81	0.83
Alcoholic beverages, tobacco and narcotics	0.79	0.88	0.77	0.78	0.75	0.78	0.98	0.80
Clothing and footwear	0.58	0.53	0.71	0.49	0.89	0.82	0.80	0.69
Housing, water, electricity, gas and other fuels	0.69	0.77	0.53	0.35	0.78	0.74	0.76	0.75
Furnishings, household equipment and routine maintenance of the house	0.49	0.82	0.54	0.25	0.84	0.85	1.00	0.68
Health	0.78	0.77	0.81	0.68	0.76	0.90	0.58	0.70
Transport	0.53	0.45	0.66	0.61	0.72	0.89	0.70	0.66
Communications	0.86	0.82	0.71	0.86	0.85	0.85	0.88	0.85
Recreation and culture	0.74	0.73	0.67	0.58	0.75	0.87	0.87	0.85
Education	0.74	0.62	0.73	0.63	0.91	0.87	0.84	0.63
Restaurants and hotels	0.51	0.92	0.86	0.79	0.85	0.78	0.72	0.91
Miscellaneous goods and services	0.52	0.91	0.75	0.76	0.75	0.91	0.68	0.73
Energy	0.39	0.54	0.53	0.40	0.32	0.48	0.73	0.73
Unprocessed food	0.47	0.59	0.78	0.18	0.57	0.44	0.67	0.79
Processed food	0.59	0.81	0.81	0.69	0.73	0.85	0.88	0.78
Industrial goods excluding energy (NEIG)	0.59	0.63	0.76	0.72	0.83	0.91	0.94	0.45
Services	0.72	0.85	0.82	0.67	0.81	0.94	0.63	0.85
Services - Communication	0.86	0.82	0.71	0.86	0.85	0.80	0.88	0.85
Services - Housing	0.62	0.90	0.58	0.77	0.89	0.93	0.85	0.83
Services - Recreation	0.68	0.82	0.81	0.79	0.75	0.90	0.80	0.93
Services - Transport	0.64	0.77	0.82	0.77	0.83	0.91	0.53	0.56
Services - Miscellaneous	0.59	0.88	0.67	0.68	0.71	0.87	0.86	0.72

(1) For the euro area, miscellaneous services are unavailable for 1999.

(2) For Estonia, the indices for NEIG, overall services and housing services are only available from December 1997. Data for energy, recreational services and miscellaneous services are available from December 2000.

(3) For Slovenia, the indices for energy, unprocessed and processed food, NEIG and services are only available from December 1999.

Source: Authors' calculations.

14 The main HICP components are unprocessed food, processed food, energy, non-energy industrial goods, as well as services overall and the services sub-components.

Inflation persistence is lower in Malta than in the euro area as a whole and lower than in any of the other countries listed in Table 1, with the exception of Cyprus. For the euro area as a whole, the persistence parameter is estimated at 0.59, which is within the range of estimates of between 0.4 and 0.8 reported by Altissimo et al (2006).

A closer look at the disaggregated series for Malta indicates a degree of aggregation bias, as most sub-components of the HICP yield higher estimates of persistence than the overall HICP. Aggregation bias is also evident in the estimates for Cyprus.

There is a large degree of similarity across countries in particular components, as also shown in several previous studies.[15] In general, services and non-energy industrial goods exhibit a higher degree of persistence than energy and unprocessed food. On the contrary, prices for the latter two categories are changed more often, mostly in response to frequent changes in input prices.

In Malta inflation in services exhibits a high degree of persistence compared with the other HICP categories, with a parameter estimate that is slightly above 0.7. This finding is shared by four out of the seven countries listed in Table 1. In general, the services index demonstrates a narrow range of relatively high estimates for inflation persistence across the countries covered in this study. In fact, the services index and its five sub-components all have a persistence parameter in excess of 0.6 in all countries considered.[16]

The persistence in the prices of services may be due to this category's high dependence on wage costs. Since wages do not tend to be volatile and are changed rather infrequently, inflation persistence is apt to be more pronounced in cases where the labour content is higher. Another possible explanation is that prices in various service categories are subject to some form of price regulation and hence, not immediately responsive to demand and supply conditions.[17]

Persistence in energy inflation in Malta is estimated at around 0.4, somewhat lower than in the euro area. The low persistence of energy prices is a common finding in the literature and is mainly associated with the frequent changes in input commodity prices.

Persistence in non-energy industrial goods and processed food in Malta is estimated at around 0.6. Both are at the lower end of the range estimates across the countries in the study. At 0.5, the lower degree of persistence in the unprocessed food category can be associated with a pronounced seasonal pattern of some of the indices in this category, as also observed in a number of other countries covered in this study.[18]

At a further level of disaggregation, the picture is more heterogeneous as one-off events or sector-specific developments become more pronounced. At the 12-level classification, one observes an increase in the degree of inflation persistence, with all sub-indices having

[15] Refer to footnote 6.

[16] With the exception of transport services in the United Kingdom.

[17] The prices of the following categories in the services index are considered as administered: Postal services (cp0810); Other services in respect of personal transport equipment (cp0724); Passenger transport by road (cp0732) and Passenger transport by sea and inland waterway (cp0734). In 2012 these four categories had a weight of 7.6% in the services index and 3.2% in the overall HICP index.

[18] This is confirmed by estimating persistence parameters for the individual components of the Food and non-alcoholic beverages sub-index (results are not shown). Within this category, the lowest persistence parameters were registered for Vegetables (CP0117), Fish and seafood (CP0113) and Fruits (CP0116), all of which contain a strong seasonal pattern.

a persistence parameter above 0.5. In Malta's case, the highest persistence is recorded in Communications (CP08), Alcoholic beverages, tobacco and narcotics (CP02) and Health (CP06). In general, sub-indices whose prices are heavily influenced by government policy (e.g. tobacco and spirits) exhibit a high degree of persistence.

Policy implications and avenues for further research

Estimates of intrinsic persistence for the headline HICP inflation in Malta are lower than in the euro area. Differences in sectoral estimates are, however, less pronounced, suggesting that aggregation effects play an important role. Our findings are broadly in line with those of the IPN studies for other countries, which show that persistence estimates in services tend to be higher than in other categories, especially energy and unprocessed food. These results have a number of implications for both researchers and policy makers.

An improved understanding of the underlying process and determinants of inflation in Malta, both at the aggregate and sectoral level, will allow researchers to enhance existing macro-econometric models. This should eventually lead to improved tools for forecasting and simulation analysis.

A broad consideration is the IPN finding that more competition tends to reduce price stickiness. Survey results in fact suggested that firms in highly competitive markets tend to respond more strongly to contemporaneous changes in underlying factors. Hence, structural reforms that increase competition in the product and labour markets could help to reduce price stickiness.

The low estimate of persistence reflects the fact that inflation in Malta fluctuated around a broadly constant mean during the period considered in this study. However, the mean inflation rate of 2.7% is higher than the concurrent rate of 2.0% in the euro area. Structural reforms, as suggested in the previous paragraph, can make prices more responsive to changes in underlying factors, which should narrow the gap.

A further conclusion is that within the context of the NKPC, the relatively low weight of intrinsic persistence assigns an important role to inflation expectations and cost considerations in the price formation process. In this regard, a more in-depth analysis on the cost structure of domestic firms and its relationship with their price setting behaviour constitutes an interesting area of research.

Another interesting avenue for future research is to deepen our understanding of price and wage changes using micro-statistics or through the use of surveys. Concerning the latter, the findings of the Wage Dynamics Network (WDN) provided a number of interesting insights on the price and wage formation process in Malta and the adjustment of wages to economic shocks.[19] The participation of the Central Bank of Malta in the 3rd Wave of the WDN Survey in 2014 should further add to our understanding of the price and wage formation process in Malta.

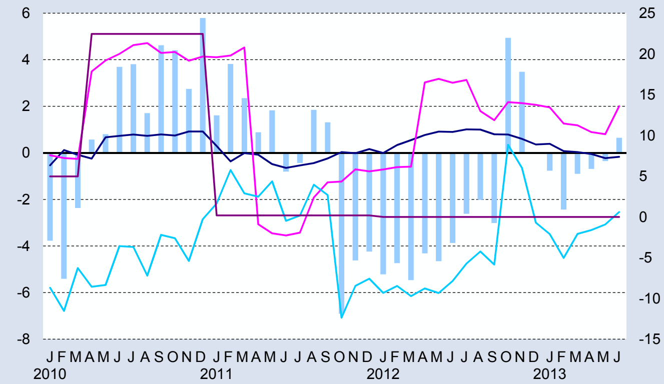
[19] *Wage Dynamics Report,* Central Bank of Malta, 2011. Available on http://www.centralbankmalta.org/updates/Downloads/pdfs/wage_dynamics_report.pdf.

Costs and competitiveness

Producer price inflation turns negative in the first quarter of the year[5]

After being broadly stable in December 2012, the annual rate of change of producer prices fell during the first quarter of the year, dropping to -0.9% by March (see Chart 3.5).

Chart 3.5
INDUSTRIAL PRODUCER PRICE INFLATION
(annual percentage changes)



Source: NSO.

Developments during the first three months of 2013 largely reflected movements in the intermediate goods category, which mainly includes semiconductors, pharmaceutical, paper and plastic products. Intermediate goods prices contracted at a faster rate of 2.1% after having declined by 0.7% in December. Concomitantly, their contribution to overall producer price inflation became more negative, at -1.1 percentage points from -0.4 percentage point in December.

Meanwhile, weaker increases were also recorded in consumer and capital good prices. Movements in consumer goods prices were mostly influenced by a moderation in non-durable consumer prices, whereas the capital goods price index ended the first quarter at the same level of a year earlier after it had increased in December. As electricity tariffs remained unchanged from January 2011, energy prices had no effect on producer price inflation.

During the second quarter of 2013 producer price inflation remained negative initially, but swung to positive territory in June, with the annual rate of change standing at 0.6%. Developments between April and June predominantly reflected movements in intermediate and consumer goods.

Harmonised competitive indices rise

During the first three months of 2013, both the nominal and real harmonised competiveness indicator (HCI) increased, extending the upward trend in evidence since the last quarter of 2012.[6] In March, the nominal index was 0.9% higher than its December level, while the real index rose by 0.5% (see Chart 3.6).[7]

5 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.

6 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. The HCIs are compiled by the ECB.

7 The HCI measures Malta's competitiveness vis-à-vis the other 16 countries in the euro area plus the EER-40 group of trading partners.

The increase in the nominal HCI reflected the appreciation of the euro against the pound sterling, owing to the size of Malta's merchandise trade with the United Kingdom. This was partly offset by a depreciation of the euro vis-à-vis the US dollar.

The increase in the nominal index was to some extent dampened by favourable developments in Malta's inflation rate vis-à-vis that of its trading partners. As on average consumer prices in Malta rose less rapidly than those of its trading partners, a narrowing of inflation differentials led to a lower increase in the real HCI.

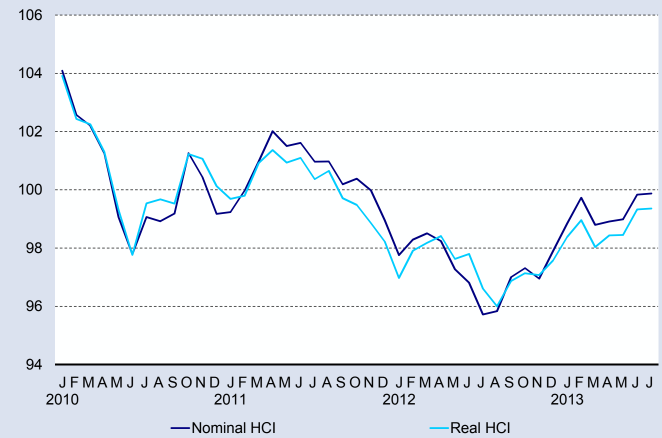
Compared with a year earlier, the nominal HCI was 0.3% higher in March. The real HCI fell by 0.1% over the same period, as the narrowing in Malta's inflation differentials compared with its main trading partners completely offset the competitive disadvantage that arose through the appreciation of the euro against the pound sterling.

More recent HCI data show that both indices increased between April and June 2013. Hence, at the end of the second quarter, nominal and real HCIs stood at 1.1% and 1.3%, respectively, above their March level.

Unit labour costs remain high

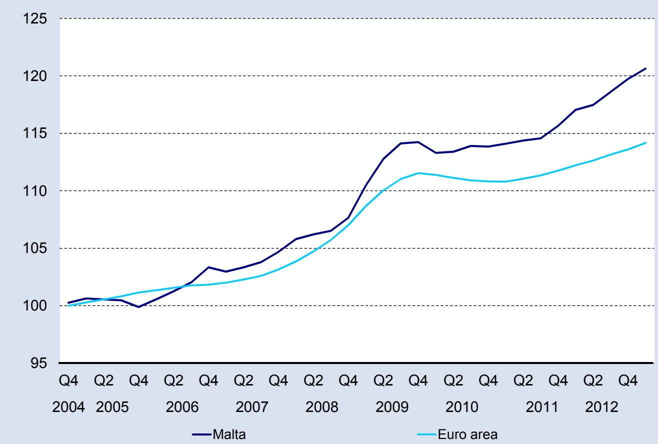
Following a rise of 3.5% in the final quarter of 2012, Malta's unit labour cost (ULC) index, measured as a four-quarter moving average, increased by 3.1% during the first quarter of 2013 (see Chart 3.7). Meanwhile, in the

Chart 3.6
HARMONISED COMPETITIVENESS INDICATORS
(May 2004 = 100)



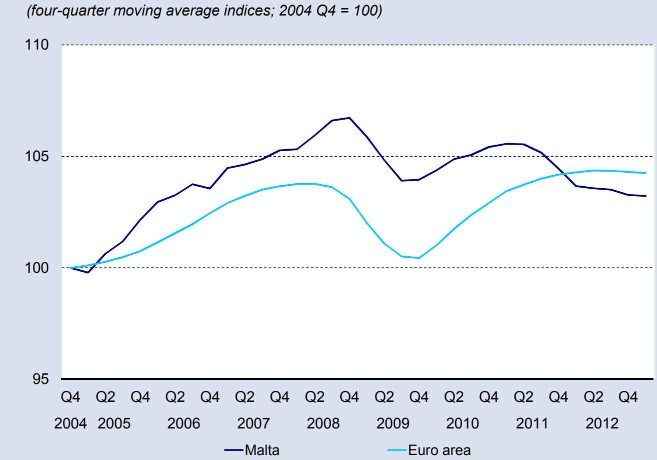
Source: ECB.

Chart 3.7
UNIT LABOUR COSTS IN MALTA AND IN THE EURO AREA
(four-quarter moving average indices; 2004 Q4 = 100)



Sources: ECB; Central Bank of Malta estimates.

Chart 3.8
PRODUCTIVITY IN MALTA AND THE EURO AREA
(four-quarter moving average indices; 2004 Q4 = 100)

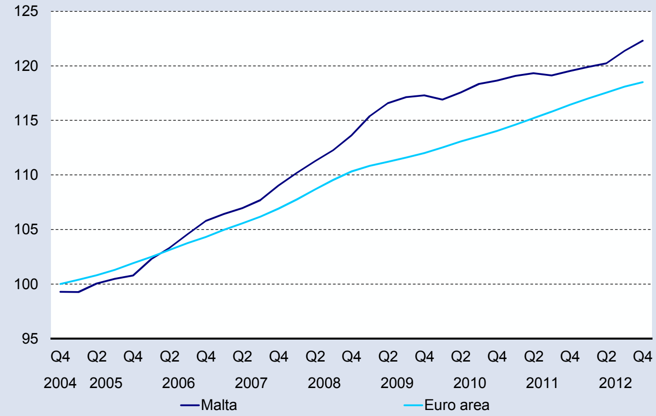


Sources: ECB; Central Bank of Malta estimates.

euro area ULC also rose, when measured over a rolling four-quarter period, growing at an annual rate of 1.7% in first three months of 2013.

The year-on-year rise in Malta's ULC recorded during the first three months of the year stemmed from both an increase in compensation per employee and a small drop in labour productivity (see Charts 3.8 and 3.9). The former rose by 2.7% after it had gone up by 2.3% last year, while the latter decreased by 0.4%, as employment increased more rapidly than real gross domestic product. This followed a drop of 1.1% in 2012. In contrast, labour productivity in the euro area as a whole was broadly stable around its level a year earlier. Thus the increase in the euro area's ULC was almost entirely driven by developments in compensation per employee, which expanded by 1.7% on an annual basis.

Chart 3.9
COMPENSATION PER EMPLOYEE IN MALTA AND THE EURO AREA
(four-quarter moving average indices; 2004 Q4 = 100)



Sources: ECB; Central Bank of Malta estimates.

BOX 5: MEASURING INTERNATIONAL PRICE COMPETITIVENESS OF THE TOURISM SECTOR USING REAL EFFECTIVE EXCHANGE RATES INDICES[1]

Maintaining international price competitiveness is a crucial objective for a small open economy such as Malta's. Such competitiveness can be measured on the basis of movements in bilateral exchange rates and relative prices where Malta and its trading partners and competitors are concerned. Real effective exchange rate (REER) indices are often used in this regard. However, publicly available REER indicators for Malta measure variations in the overall economy's price competitiveness and are thus unable to capture heterogeneous developments characterising specific industries. Moreover, these indicators are usually computed using trade flows in manufactured goods. Thus, the weights used to construct these indicators might not be able to provide an adequate picture of the overall competitiveness of a country which has a substantial services sector.

This Box attempts to shed some light on developments in the price competitiveness of Malta's tourism sector by looking at estimates derived through a sector-specific effective exchange rate (EER) index constructed for such a purpose. The study proceeds with a comparison of the evolution of price competitiveness in this sector with that of the overall economy by analysing developments in publicly available EER indices, which capture the international price competitiveness of the whole economy.[2]

[1] Prepared by Noel Rapa. Mr Rapa is a Research Economist in the Bank's Modelling and Research Office. Any errors, as well as the opinions expressed in the article, are the author's sole responsibility.

[2] These overall economy EER indices are constructed and published by the Bank for International Settlements (BIS). These indices are double weighted trade-based indices, with weights capturing bilateral manufacturing trade flows deflated by relative consumer prices. The weights of the overall economy EER indices are derived from the bilateral trade flows of 64 countries. Data are extracted from http://www.bis.org/statistics/eer/.

The rationale behind EER indices is based on two related theories, the Law of One Price and Purchasing Power Parity.[3] These theories predict that, assuming no transport costs and barriers to trade, an increase in the prices of goods and services in country X relative to its competitors must be accompanied by a depreciation of the exchange rate. This thus leaves country X prices unchanged when expressed in foreign currency and eliminates the opportunity for arbitrage to take place. On the contrary, when a price increase is not compensated by a depreciation of the exchange rate, the country's real exchange rate is said to appreciate, implying that the country has lost price competitiveness.

Following the above definition, nominal effective exchange rate (NEER) indices are computed as a weighted average of the bilateral rates of exchange vis-à-vis the currencies of the various trading partners of the country being analysed. The REER is the NEER, deflated by a similarly weighted average of relative price levels. The most widely used weighting system is the trade-based double weighting system. This system is superior to other systems because double weights take into consideration each of the competitor countries' contribution to the total supply in the home country's target markets, including the domestic market, and the relative importance of each market in the home country's international trade.[4]

The REERs for the tourism sector in Malta and in six other countries were calculated using quarterly data between 2000 and 2012. The choice of countries included in this study – Greece, Cyprus, Portugal, France, Italy and Spain – was motivated by their geographical proximity to Malta, which makes them direct competitors as a destination for tourists.

In line with the methodology recommended in the relevant literature, the REERs were calculated using a trade-based double weighting scheme.[5] Given the lack of detailed data on tourism expenditure, the weights were derived from overnight stays of non-resident tourists in all types of accommodation, as reported by the World Tourism Organisation. Domestic tourism was approximated by the number of tourism nights spent domestically as reported by Eurostat. Since it is not the intention of this exercise to construct an elaborate index given the lack of detailed data on Malta's tourism sector, the choice of trading partners for Malta and for the other countries was limited to 16 countries.[6] The weights follow a variable weighting scheme, with a set of weights constructed for each year for every one of the seven direct competitor countries. The indices were derived as chain-linked geometrically weighted averages of the exchange rate and price indices of all trading partners.[7]

Other considerations for the choice of countries included in the study relate to the choice of the weighting system used, the availability and quality of data and the inclusion of high

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[3] Rogoff, K., "The Purchasing Power Parity Puzzle", *Journal of Economic Literature*, Vol. XXXIV, June 1996, pp 647-668.

[4] Turner, P. and Van't dack, J., "Measuring International Price and Cost Competitiveness", *BIS Economic Papers*, No. 39, November, 1993.

[5] Turner, P. and Van't dack, J., "Measuring International Price and Cost Competitiveness", *BIS Economic Papers*, No. 39, November, 1993; Buldorini, L., Makrydakis, S. and Thimann, C., "The Effective Exchange Rates of the Euro", *Working Paper Series*, No. 2, ECB, February, 2002.

[6] The 16 countries include Austria, Belgium, Croatia, Cyprus, France, Germany, Greece, Ireland, Italy, Netherlands, Portugal, Spain, Sweden, Switzerland, United Kingdom and Malta.

[7] For a discussion on geometric averaging and chain linking see Ellis, L., "Measuring the Real Exchange Rate: Pitfalls and Practicalities", *Economic Research Department*, Reserve Bank of Australia, 2001.

inflation countries.[8] First, since a trade-weighted system attaches higher weights to countries with high actual trade flows, it gives less weight to those countries that have the potential to compete against the home country but which currently do not generate high flows. Second, data for some countries tend to be very limited. Finally, relevant literature suggests the exclusion of countries that have experienced prolonged periods of very high inflation in the computation of EER indices. For these reasons the computation of the tourism EER indices does not include countries such as Tunisia, Egypt and Turkey. Despite having the potential to compete against the Maltese tourism sector, these countries failed to attract a significant number of tourists from Malta's main target markets over the period reviewed. Also, consumer price data for most of these countries are not directly comparable with those used to deflate the NEER computed in this study. Moreover, these countries have experienced very high levels of inflation for a prolonged period of time.

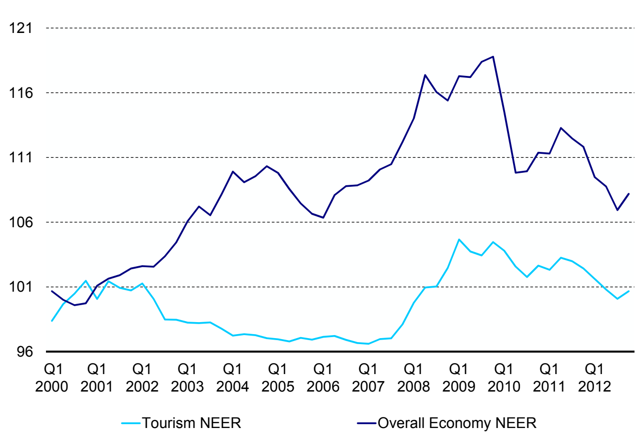
Results

Chart 1 shows the evolution of the newly constructed Maltese tourism NEER compared with the overall economy NEER computed by the BIS for the period 2000 - 2012.

Between 2000 and 2005 the tourism NEER depreciated mildly, implying that the Maltese tourism sector gained competitiveness in nominal terms.[9] Prolonged depreciations of both the US dollar and pound sterling had pushed down the value of the Maltese lira against the euro. However, given the substantial weight euro area countries have in the computation of the tourism NEER and the strong appreciation of the euro, the depreciation of the tourism NEER was less pronounced, at around 4%.

The depreciation seen until 2005 was reversed between 2008 and 2009. Driven by the depreciation of the pound sterling and, to a lesser extent, of the Swedish krona against the euro, the tourism NEER appreciated by around 8%. This was, however, partly reversed by the depreciation of the euro in the wake of the sovereign debt crisis. This caused the Maltese NEER for the tourism sector to depreciate by around 4%, such that in 2012 the index was practically at the same level as in 2000.

Chart 1
NEER MALTA
(2000=100)



Sources: Author's calculations; BIS.

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8 See Turner, P. and Van't dack, J. *op. cit* and Ellis, L. *op. cit.*

9 Developments of the Maltese NEER were influenced by changes to the exchange rate regime. Until May 2005, the Maltese lira was pegged against a currency basket made up of the euro, US dollar and pound sterling. In May 2005, the Maltese lira entered the Exchange Rate Mechanism II (ERM II) and was fully pegged to the euro. Malta adopted the euro on 1 January 2008.

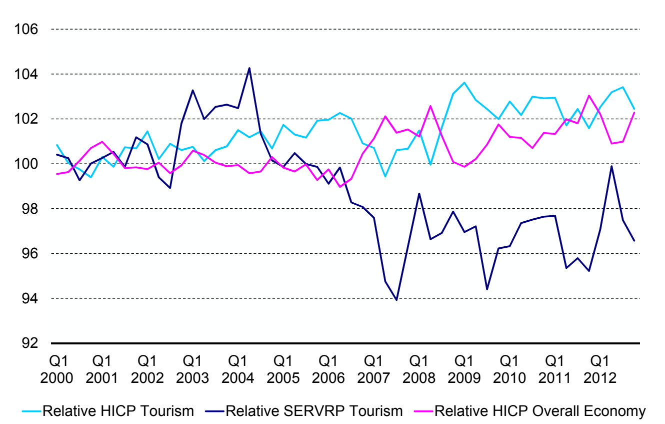
Malta's trading partners in the manufacturing sector differ considerably from those in the tourism industry. This difference implies that the weights used for the computation of the overall EER indices vary significantly from those used in the tourism EER indices. In particular, due to the significant weight attached to the US dollar and the relatively smaller role played by the pound sterling, the overall economy NEER exhibits dynamics which differ from those of the tourism NEER. Driven by the depreciation of the US dollar against the Maltese lira, and later on against the euro, the overall economy NEER experienced a prolonged period of appreciation between 2000 and 2009. As the euro started to depreciate against major currencies, the Maltese economy recouped some of its lost competitiveness, with the NEER depreciating by 9% from the last quarter of 2009 until the end of 2012.

Chart 2 shows the evolution of relative Maltese prices for the tourism sector and the overall economy. For this study, the overall HICP and the HICP sub-index that measures prices of services related to recreation, including repairs and personal care (SERVRP), were used as two different proxies for tourism prices. These two indices were then used to compute two separate REERs for tourism. The first, based on the overall HICP, is referred to as the tourism REER HICP and the second, based on the SERVRP, is called the tourism REER SERVRP.

Both relative price measures suggest that inflation in Malta's tourism prices remained fairly in line with that of competitors and trading partners in the tourism industry. While the overall HICP shows a moderate increase of 2% in Maltese relative prices, the relative SERVRP index shows a fall of around 3% over the period under consideration. The discrepancy between the two REER indices is relatively narrow compared with the ranges that are usually reported in similar studies in the literature.[10] The uncertainty surrounding these estimates, which mainly arises from the sensitivity of the REER to the underlying price index, highlights the importance of using more than one price index to inform a robust assessment about developments in external competitiveness.[11]

Similarly, the overall HICP (aggregated with weights reflecting manufacturing trade flows) used by the BIS to deflate the overall economy NEER for Malta also shows that Malta's consumer prices have remained fairly in line with those of its manufacturing

Chart 2
RELATIVE PRICES MALTA
(2000=100)



Sources: Author's calculations; BIS.

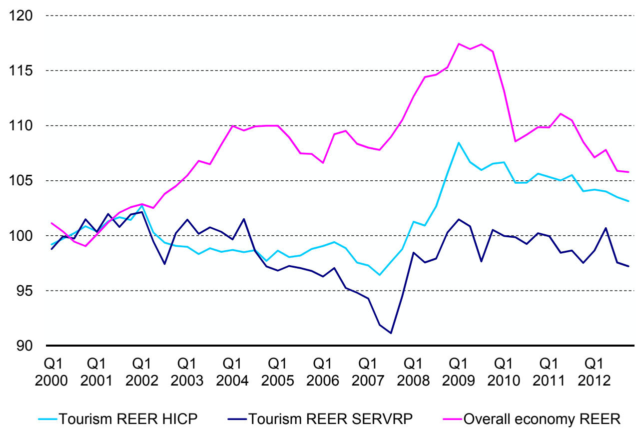
[10] See, for instance, Bayoumi, T., Harmsen, R. and Turunen, J., "Euro area export performance and competitiveness", *Working Paper* WP/11/140, International Monetary Fund, 2011.

[11] A more comprehensive analysis of competitiveness and export performance usually includes an assessment of both price and non-price competitiveness.

trading partners and competitors.

Chart 3 compares the two newly constructed REER indices for the Maltese tourism sector with the overall economy REER index constructed by the BIS.

Chart 3
REER MALTA
(2000=100)



Sources: Author's calculations; BIS.

Both tourism REER indices remained broadly stable in the early years of the last decade. Between 2004 and 2007, however, a fall in relative SERVRP prices led to an improvement in tourism competitiveness as measured by the REER deflated using this sub-index. From then onwards, both measures of tourism competitiveness evolved in line with each other. Aided by the appreciation of the NEER, and to a lesser extent by an increase in relative prices, both REER measures appreciated sharply between 2007 and 2009. In the aftermath of the crisis, the Maltese tourism industry appears to have regained some of its lost competitiveness as the NEER depreciated and relative prices stabilized.

Over the entire period analysed, the Maltese tourism REER deflated by using the overall HICP registered an appreciation of 3.1%, implying a loss of price competitiveness. This was driven by a 0.7% appreciation of the NEER and a 2.4% increase in relative overall prices. In contrast, over the same period the Maltese tourism REER, deflated using the SERVRP sub-index, shows a gain of around 2.7% in tourism price competitiveness, owing to a fall in relative SERVRP prices of 3.4%.

Due to the relatively stable overall HICP, the overall economy REER is mainly driven by the evolution of its nominal counterpart. Indeed, owing to the significant appreciation registered by the overall economy NEER between 2000 and 2009, the overall economy REER shows a more pronounced appreciation when compared with the tourism REER measures. After 2009, the overall economy REER index depreciated steadily, such that, at the end of the period under consideration, the index approached the tourism REER deflated by the overall HICP.

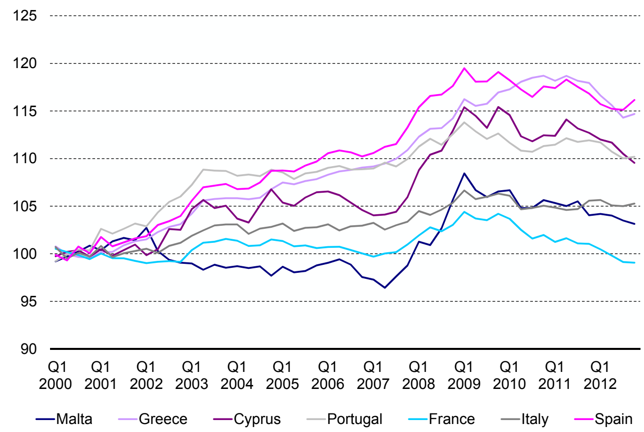
Developments in tourism based REERs of Malta’s main competitors

Charts 4 and 5 compare the two Maltese tourism REER indices with the corresponding indices of Malta’s main competitors in the Southern European region. On the basis of both measures, the tourism sector in Malta performed relatively well, recording only a modest appreciation in the HICP-deflated REER and a slight depreciation in the SERVRP-deflated REER. The REER indicators also show that the French tourism sector demonstrated relatively strong competitiveness as did the Italian tourism sector, though to a lesser extent.

Spain, Greece, Portugal and Cyprus are among the countries which have experienced the most significant losses in the price competitiveness of their tourism sectors. Indeed, both REER measures presented in this study show that the tourism REERs of these countries appreciated between 8% and 16% over the review period (see Table 1). In the case of Greece and Spain, most of the REER appreciation was driven by higher relative inflation in the tourism sectors, with relative prices increasing by around 10% between 2000 and 2012. Conversely, Portuguese and Cypriot relative prices remained quite stable, implying that the appreciation in their tourism REER indices was mainly driven by the evolution of their NEER indices.[12]

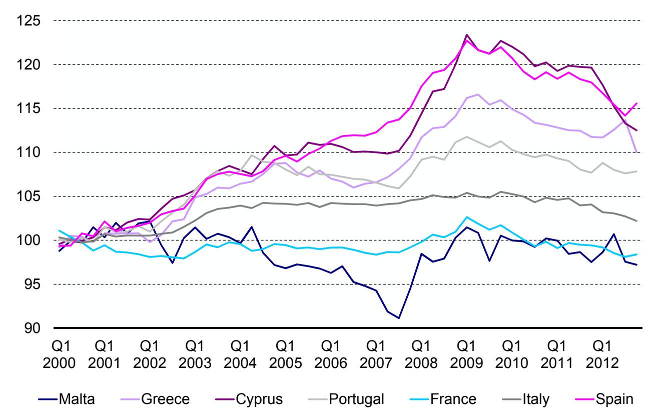
This study has highlighted the fact that, over the

Chart 4
REER DEFLATED WITH RELATIVE OVERALL PRICES
(2000=100)



Source: Author's calculations.

Chart 5
REER DEFLATED WITH RELATIVE SERVRP PRICES
(2000=100)



Source: Author's calculations.

Table 1
PERCENTAGE CHANGE IN EER BETWEEN 2000 AND 2012

	NEER	REER HICP	REER SERVRP
Malta	0.79	3.71	-1.45
Cyprus	7.22	10.93	14.67
France	3.67	-0.39	-1.45
Greece	2.10	15.31	12.02
Italy	1.55	5.25	2.79
Portugal	6.39	10.66	8.07
Spain	6.49	15.56	15.48

Source: Author's calculations.

[12] For a more in-depth analysis of the export competitiveness in selected Southern euro area countries, see IMF *Country Report* No. 08/145 entitled "France, Greece, Italy, Portugal and Spain – Competitiveness in the Southern Euro area".

period under consideration, developments in Malta's tourism EER indices have varied considerably from those of the overall economy EER indices. This was especially the case between 2000 and 2007 when the overall economy REER appreciated substantially, whereas the tourism REER depreciated slightly. Over the entire review period, the REER deflated by the HICP recorded an appreciation of 6.6%, indicating a deterioration in price competitiveness in the overall economy. On the other hand, the tourism based REER deflated by the HICP appreciated by 3.7%, while the tourism based REER deflated by the SERVRP sub-index depreciated by around 1.5%. This compares favourably with Malta's competitors in the Southern European region, most of which have experienced higher levels of appreciation in their respective tourism REER indices. The divergence between developments in Malta's tourism EER indices and those of the overall economy indicate that the tourism industry is more responsive to competitive pressures, possibly owing to structural factors affecting the industry. The underlying factors leading to this relatively favourable outcome would merit further research.

Finally, it should be emphasised that the concept of price competitiveness investigated in this study is only a narrow aspect of the much wider concept of international competitiveness that ultimately affects the export performance of the Maltese economy as a whole. Thus, the ability of a country's industry to compete in international markets, in this case the tourism sector, is not simply determined by its relative prices or costs, but also depends on other factors which are not easily quantified, such as product and service quality and the capacity to respond to changing consumer needs. In this light, the results described above need to be supplemented by other indicators in an attempt to comprehensively capture changes in the international competitiveness of the Maltese tourism sector.[13]

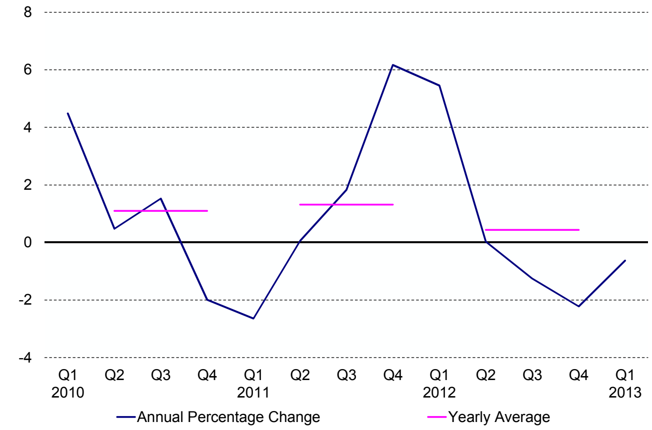
[13] According to the World Economic Forum *Travel and Tourism Competitiveness Report 2013*, Malta ranked as the 24th most competitive country in this sector out of 140 countries, above Italy, Cyprus and Greece but lower than Spain, France and Portugal. The index is composed of a number of separate sub-indices, covering both price and non-price competitiveness aspects. In the sub-index that is mostly related to this study – price competitiveness in the travel and tourism industry – Malta ranked first among the seven countries considered in this study.

BOX 6: RESIDENTIAL PROPERTY PRICES

Residential property prices drop again in the first quarter of 2013

Based on the Central Bank of Malta's property price index, the price of residential properties fell at an annual rate of 0.6% in the first quarter of 2013, which followed a drop of 2.2% in the previous quarter (see Chart 1)[1].

Chart 1
MOVEMENTS IN RESIDENTIAL PROPERTY PRICES BASED ON ADVERTISED PRICES



Source: Central Bank of Malta.

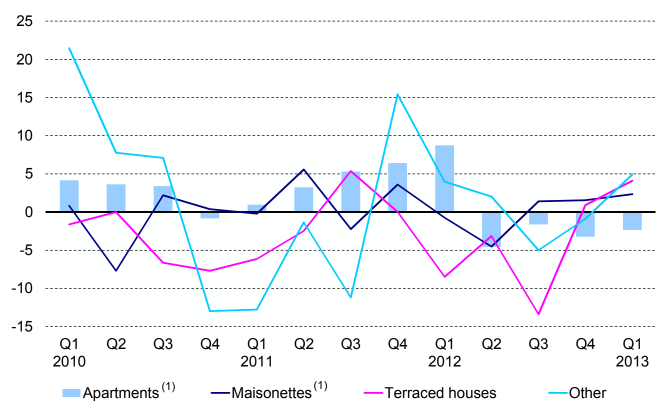
The annual drop in the overall Central Bank of Malta index during the first quarter of 2013 was driven by developments in the prices of apartments (see Chart 2). On the other hand, prices for maisonettes, terraced houses and property in the "other" category, which consists of town houses, houses of character and villas, increased.

During the quarter under review, prices for apartments, which make up almost three-fifths of properties in the sample declined by 2.4%. This is a smaller drop when compared with the 3.2% decline in the previous quarter.

Meanwhile, advertised prices in the "other" category increased by 4.9%, which followed a drop of 0.9% in the previous quarter. The rise was driven by increases in prices for houses of character and villas, as prices for town houses dropped.

At the same time, asking prices of both maisonettes and terraced

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.

1 This analysis of property price movements is based on the Central Bank of Malta's residential property price index, which tracks movements in advertised residential property prices compiled from newspaper advertisements sampled each month. The Bank's index is divided into eight dwelling categories.

houses during the quarter under review increased at a faster rate when compared with the last quarter of 2012. While maisonette prices rose by 2.3%, those for terraced houses grew by 4.1% during the first quarter of 2013, dampening the rate of decline in the overall index.

A measure of activity in the housing market is provided by the number of advertised properties captured in the Bank's survey and by residential permits approved for development. In the first quarter of 2013, the number of advertised properties in the Bank's survey fell by 12.4% on a year earlier, compared with a 7.9% decline in the previous quarter. The overall fall recorded in the first three months of the year was broad-based across all surveyed categories, with the exception of houses of character and finished maisonettes.

Meanwhile, the number of building permits issued by MEPA fell strongly by 27.3% compared with the same period a year earlier. The decline was mainly due to a lower number of permits issued for apartments, although permits for residential properties in the "other" category and terraced houses also fell. In contrast, the number of permits granted for maisonettes rose by 13.6%.

4. THE BALANCE OF PAYMENTS

In the first quarter of 2013 the current account of the balance of payments posted a higher deficit when compared with the corresponding period of 2012. This reflected higher net outflows on merchandise trade and lower net inflows on the services account. Together, these movements more than offset positive net inward current transfers and marginally lower net outflows on the income account.

At the same time, the capital and financial account registered lower net outflows than in the March quarter of 2012. This decrease primarily reflected movements on the capital account, as outflows on the financial account increased.[1]

In the quarter under review, reserve assets – movements of which are recorded on the financial account – decreased. Meanwhile, net errors and omissions remained positive at around the same level recorded a year earlier.[2]

The current account

A higher deficit registered on the current account

In the March quarter the current account deficit amounted to €102.9 million, compared with €79.5 million in the first quarter of 2012 (see Table 4.1).

Table 4.1
BALANCE OF PAYMENTS
EUR millions

	2012	2013	four-quarter moving sums(1) 2012				2013
	Q1		Q1	Q2	Q3	Q4	Q1
Current account	**-79.5**	**-102.9**	79.6	124.4	66.1	73.8	50.4
Goods	-165.4	-217.9	-950.6	-968.4	-973.1	-978.5	-1,030.9
Services	256.2	240.7	1,355.3	1,371.6	1,407.5	1,470.1	1,454.6
Income	-154.5	-152.2	-353.2	-309.7	-413.8	-467.5	-465.1
Current transfers	-15.8	26.5	28.1	30.9	45.5	49.6	91.8
Capital and financial account	**-122.3**	**-102.7**	-289.8	-419.8	-475.6	-354.3	-334.6
Capital account	10.0	57.1	75.9	57.2	88.6	115.6	162.8
Financial account	-132.3	-159.8	-365.7	-477.0	-564.2	-469.9	-497.4
Direct investment	-105.6	-44.7	84.1	28.0	158.5	42.3	103.1
Portfolio investment	150.4	-434.7	-2,811.8	-3,496.0	-2,980.1	-1,601.1	-2,186.2
Financial derivatives	50.5	16.4	73.4	55.3	-1.4	25.3	-8.8
Other investment	-101.5	257.5	2,349.1	3,062.8	2,372.3	1,185.1	1,544.1
Reserve assets	-126.1	45.8	-60.5	-127.1	-113.4	-121.4	50.4
Errors and omissions	201.8	205.5	210.2	295.4	409.5	280.5	284.2

(1) In the final quarter of the year, the four-quarter moving sum is equivalent to the annual figure.

Source: NSO.

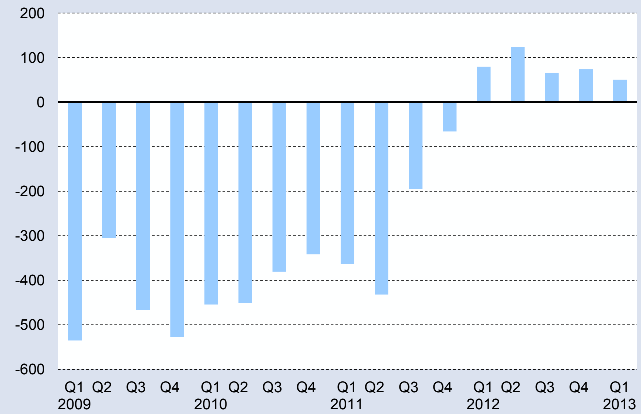
[1] In the capital and financial account of the balance of payments, additions to assets and decreases in liabilities are considered as outflows and recorded with a negative sign. Conversely, increases in liabilities and decreases in assets are recorded with a positive sign.

[2] Positive net errors and omissions imply an overestimation of the current account deficit and/or an overestimation of net outflows on the capital and financial account.

When expressed as a four-quarter moving sum, the current account balance stood at a lower surplus of €50.4 million compared with a higher balance of €79.6 million in the 12 months to March 2012 (see Chart 4.1). This narrowing in the surplus was driven by higher net outflows on the income account and on merchandise trade.

As a proportion of gross domestic product the positive balance on the current account, expressed as a four-quarter moving sum, stood at 0.7% in the year to March 2013, compared with a surplus of 1.2% a year earlier.

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



Source: NSO.

The merchandise trade gap widens

Between January and March 2013, the merchandise trade deficit widened by €52.5 million on a year earlier, rising to €217.9 million as a drop in exports offset a decrease in imports. The value of exported goods fell by €104.2 million, or 12.9%, over the corresponding period of 2012, while imports of goods were €51.7 million, or 5.3%, lower. The lower exports reflected a drop in the value of "goods procured in ports by carriers", the bulk of which consist of re-exports of fuel. In contrast, other merchandise exports increased on a year earlier.[3]

Customs data for the same period also indicate that the decrease in exports of goods recorded in the first quarter mostly reflected lower re-exports of fuel-related products. This component, which exhibits a high degree of volatility from month to month, fell by €53.6 million. Non-fuel exports, on the other hand, rose by €12.1 million, as higher sales of food and pharmaceuticals offset declines in exports of machinery & transport equipment, and in other manufactured articles.[4]

On the imports side, Customs data indicate that the drop was driven to a large extent by trade in fuel. Imports of capital and consumer goods also fell, while those of industrial supplies increased.

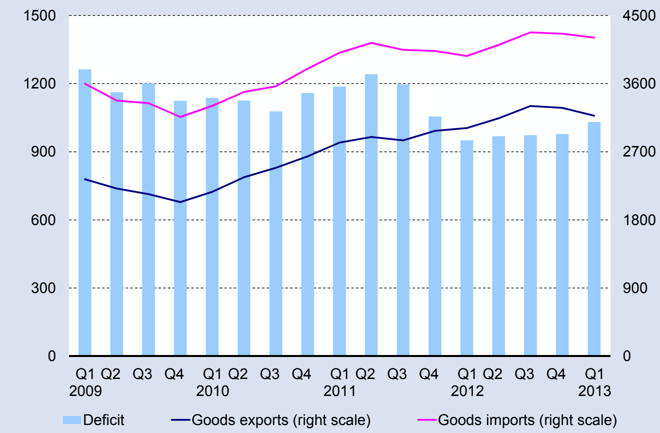
When measured on a four-quarter cumulative basis, the merchandise trade deficit based on balance of payments data widened from €950.6 million in the year to March 2012 to €1,030.9 million in the corresponding period of 2013. The increase in the goods' deficit reflected a rise of €242.3 million in imports, which offset higher exports of €162.0 million (see Chart 4.2). The available information suggests that the increase in imports was heavily influenced by trade in fuel.

[3] Goods exports and imports in balance of payments figures include general merchandise data from Customs sources – adjusted for differences in coverage, valuation and timing (see footnote 4). These are added to goods procured in ports by carriers (GPPC), repairs on goods and non-monetary gold. Exports (imports) of GPPCs are those goods, such as fuels, stores and provisions, sold to foreigners in local ports (bought by residents in foreign ports).

[4] 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. Thus, for example, trade data record the physical entry into, and the corresponding exit from, Maltese territory, of all goods, whereas balance of payments data only capture transactions that entail a change of ownership between residents and non-residents. These differences are especially pronounced in the case of trade in fuel.

Customs data for the first half of 2013 point to a narrowing in the visible trade gap on a year earlier, with imports falling at a faster pace than exports. The former mostly related to a decrease in imports of capital goods, fuel and consumer goods. Consequently, the merchandise deficit contracted by €70.5 million, or 7.4%, on a year earlier.

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



Source: NSO.

A drop in the surplus on services

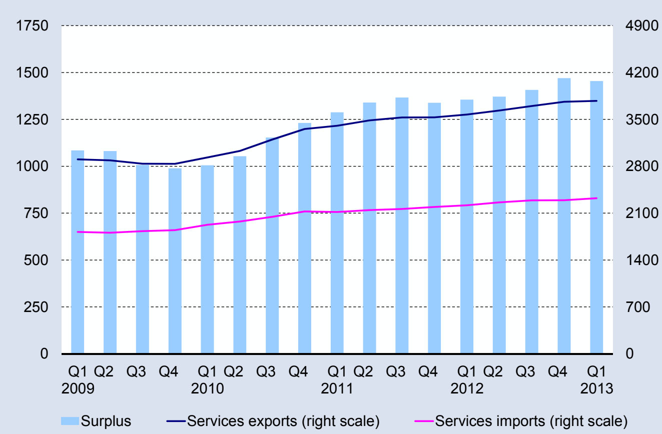
During the March quarter, the surplus on services fell by €15.5 million to €240.7 million compared with the same quarter of 2012. The drop reflected a significant expansion in imports of services, which was partly dampened by a rise in exports.

Net balances deteriorated across all components of the services account, particularly "other services", which declined from €196.6 million to €187.7 million. This deterioration mainly reflected higher payments for business, professional & technical services, which offset the impact of an increase in receipts from personal, cultural & recreational services.

A rise in net outflows was also recorded on the transport account, as payments for freight services abroad increased. On the other hand, continued buoyancy in the tourism industry resulted in a modest expansion of €7.6 million in receipts from tourism in the first quarter of the year. However, this was offset by an increase of €8.2 million in expenditure by Maltese nationals travelling abroad. Net earnings on the travel component thus fell marginally by €0.6 million to €65.1 million.

The overall surplus on services in the year to March 2013 rose by €99.3 million, standing at €1,454.6 million. This marked improvement in the balance arose as an increase of €204.5 million in receipts offset a rise in payments of €105.2 million (see Chart 4.3). It was mainly attributed to increased earnings on the "other services" – primarily remote gaming and financial services – and travel components.

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



Source: NSO.

Marginally lower net outflows on the income account

Between January and March 2013, net outflows on the income component of the current account were lower by €2.3 million over the comparable period of 2012. The decline was mainly due to movements in the investment income component, which in turn primarily reflected a slight drop in profits recorded by foreign-owned firms operating in Malta. Other flows on the income account continued to be heavily affected by activities of internationally-oriented banks that predominantly conduct their operations with non-residents.

Net inward current transfers registered

During the March quarter of 2013, the current transfers account shifted to a surplus of €26.5 million, as against a negative balance of €15.8 million in the corresponding period of 2012. The reversal in the balance on this component was mainly attributed to a significant rise in tax receipts from companies engaged in international business. This component also includes transfers received from the European Union, as well as Malta's contribution to the EU budget.

The capital and financial account

Lower net outflows recorded on the capital and financial account

In the first quarter of 2013 net outflows on the capital and financial account totalled €102.7 million, compared with €122.3 million recorded a year earlier (see Table 4.1).

The decrease in the negative balance primarily reflected movements on the capital account, in which inflows rose by €47.2 million. A significant part of these capital inflows were transfers to Government, comprising structural and cohesion funds from the European Union.

Net outflows on the financial account rose to €159.8 million, compared with €132.3 million in the corresponding period of 2012. Movements in this account continued to be heavily affected by transactions of internationally-oriented banks. Net outflows of €434.7 million were recorded on portfolio investment as against net inflows of €150.4 million, with most of the increase relating to the purchase of debt securities issued by non-residents, primarily in the form of bonds and notes.

The shift in the portfolio investment component was partly counterbalanced by movements in the "other investment" account, which reverted to a net inflow position. This was attributable to increased borrowing, mostly in the form of short-term loans by the banking sector, which offset an increase in outward financial investment by resident banks.

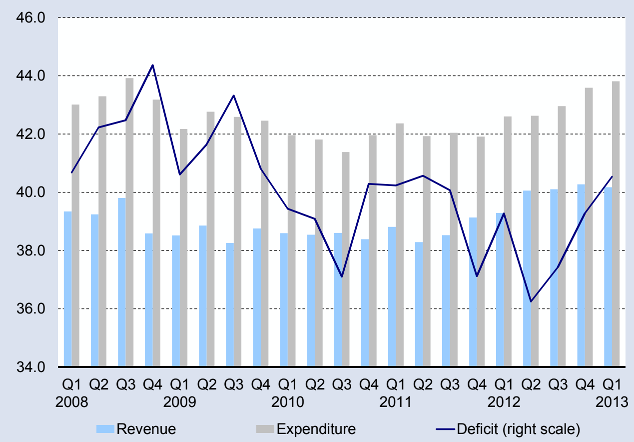
Net direct investment outflows dropped to €44.7 million, from €105.6 million in the first quarter of 2012. The decrease of €60.8 million in outflows arose as inflows in connection with additional equity investment in the financial sector, as well as trade credits related to manufacturing, compensated for drawdowns from accumulated profits by foreign-owned firms in Malta.

During the March quarter of 2013, reserve assets fell by €45.8 million after rising by €126.1 million in the corresponding period of 2012. Errors and omissions remained positive and substantial.

5. GOVERNMENT FINANCE

In the first quarter of 2013 the general government deficit increased on a year-on-year basis, as expenditure outpaced revenue. Measured over a 12-month period, the deficit ratio to gross domestic product (GDP) stood at 3.6% at the end of March, compared with 3.3% in 2012 (see Chart 5.1). The Consolidated Fund balance, however, showed a smaller deficit in the first quarter of 2013 compared with a year earlier.[1]

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



Source: NSO.

The general government debt as a percentage of annual GDP, measured as a four-quarter moving sum, rose to 75.4% at the end of March from 71.6% at the end of 2012.

General government

General government deficit widens

The shortfall between revenue and expenditure between January and March continued to widen on a year earlier, reaching €102.7 million, an increase of €23.5 million (see Table 5.1). Over the same period the primary deficit, which excludes interest payments from expenditure, deteriorated by €22.2 million to €46.6 million.

Revenue rises

General government revenue rose by €17.2 million, or 2.6%, in the first quarter of the year compared with the same period in 2012. Almost all the increase stemmed from higher inflows from taxes on income and wealth, owing to a lower level of income tax refunds – which are netted from gross receipts – in the period under review. Concurrently, receipts from capital and current transfers rose by €3.5 million, in part owing to higher investment grants received from the European Union. Revenue from social contributions also increased slightly, by €1.8 million.

These increases were dampened by lower inflows from taxes on production and imports, which declined by €16.4 million. This drop was mainly reflected in VAT receipts and excise duties, although motor vehicle registration taxes and duty on documents related to property sales also fell. At the same time, "other" revenue decreased by €0.5 million, as lower takings from dividends receivable offset an increase in sales by government entities.

[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 regulations, cover central government, which is defined to include extra-budgetary units, as well as 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 revenue. On the expenditure side, significant differences often arise in the treatment of capital expenditure.

Table 5.1
GENERAL GOVERNMENT BALANCE
EUR millions

	2012 Q1	2013 Q1	Change Amount	Change %
Revenue	**650.4**	**667.6**	**17.2**	**2.6**
Taxes on production and imports	220.1	203.8	-16.4	-7.4
Current taxes on income and wealth	217.8	246.6	28.8	13.2
Social contributions	120.5	122.3	1.8	1.5
Capital and current transfers	26.0	29.5	3.5	13.6
Other (1)	66.0	65.4	-0.5	-0.8
Expenditure	**729.6**	**770.3**	**40.8**	**5.6**
Compensation of employees	222.3	236.5	14.2	6.4
Intermediate consumption	112.9	105.2	-7.7	-6.9
Social benefits	221.4	231.5	10.1	4.6
Subsidies	15.9	18.6	2.7	16.9
Interest	54.8	56.1	1.3	2.4
Current transfers payable	33.0	35.5	2.6	7.7
Gross fixed capital formation	32.5	36.1	3.5	10.8
Capital transfers payable	31.0	49.1	18.0	58.2
Other (2)	5.6	1.7	-3.9	-
Primary balance	**-24.4**	**-46.6**	**-22.2**	**-**
General government balance	**-79.2**	**-102.7**	**-23.5**	**-**

(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.

Expenditure increases

In the first three months of 2013 general government expenditure rose by €40.8 million, or 5.6%. In the period under review the Government's ability to spend was constrained by the absence of approval of the 2013 Budget Bill in Parliament. Consequently, growth in spending was focused on three items: employee compensation, social benefits and capital transfers.

Looking at current expenditure, outlays on compensation of employees increased by €14.2 million, partly owing to higher wages paid in the health and education sectors. Spending on social benefits went up by €10.1 million on the back of higher outlays on retirement pensions and contributory bonuses. Meanwhile, subsidies and current transfers payable increased by €2.7 million and €2.6 million, respectively. Interest payable rose by €1.3 million, following an increase in the stock of debt outstanding.

On the other hand, spending on intermediate consumption declined by €7.7 million, in part due to lower government payments to Enemalta.[2] Spending in this category was partly dampened by the restraints in expenditure as mentioned earlier.

Turning to capital expenditure, outlays on capital transfers payable rose by €18.0 million, reflecting an increased level of equity capital injected by Government into Air Malta this year. Spending on gross fixed capital formation grew by €3.5 million, mainly due to spending on road construction.

[2] In general government statistics, payments to Enemalta are partly recorded as subsidies and partly under intermediate consumption.

Consolidated Fund

The Consolidated Fund balance improves

In the first quarter of 2013 the Consolidated Fund balance improved by €57.1 million, with the deficit standing at €167.5 million from €224.6 million in the same period a year earlier (see Table 5.2).

Revenue grew by €70.2 million due to higher direct taxes, as well as to higher non-tax revenue. Conversely, inflows from indirect taxes went down. The increase in direct taxes was driven by corporations, while non-tax revenue surged on the back of higher grants.[3] The decline in indirect tax revenue was propelled mainly by developments in VAT.

Total expenditure rose by €13.1 million during the period. The increase arose as capital spending went up by €28.8 million in relation to expenses on infrastructural projects, as well as to an equity capital contribution to Air Malta. On the other hand, recurrent spending declined by €15.6 million, with outlays on personal emoluments being the only component to register an increase. The decline in the other components of expenditure partly reflect the fact that, during the period under review, government expenditure was subject to legal limits which are invoked in the absence of an approved budget for the year.

Going forward, Consolidated Fund data for January to July 2013 indicate a rise of €142.0 million in government recurrent revenue when compared with the same period of 2012. Meanwhile, on the spending side, total expenditure for the first seven months of 2013 was up by €67.7 million when compared with the same period of the previous year.

The combined effect was a reduction of €74.3 million in the government deficit between the first seven months of 2012 and the same period of 2013.

Table 5.2
CONSOLIDATED FUND BALANCE
EUR millions

	2012 Q1	2013 Q1	Change Amount	Change %
Revenue	**491.4**	**561.6**	**70.2**	**14.3**
Direct tax[(1)]	203.5	245.2	41.7	20.5
Indirect tax	225.4	208.7	-16.6	-7.4
Non-tax[(2)]	62.5	107.7	45.2	72.3
Expenditure	**715.9**	**729.0**	**13.1**	**1.8**
Recurrent[(1)]	640.6	624.9	-15.6	-2.4
Of which: Interest payments	53.5	51.4	-2.1	-3.9
Capital	75.4	104.1	28.8	38.2
Primary balance[(3)]	**-171.1**	**-116.1**	**55.0**	**-**
Consolidated Fund balance	**-224.6**	**-167.5**	**57.1**	**-**

(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.

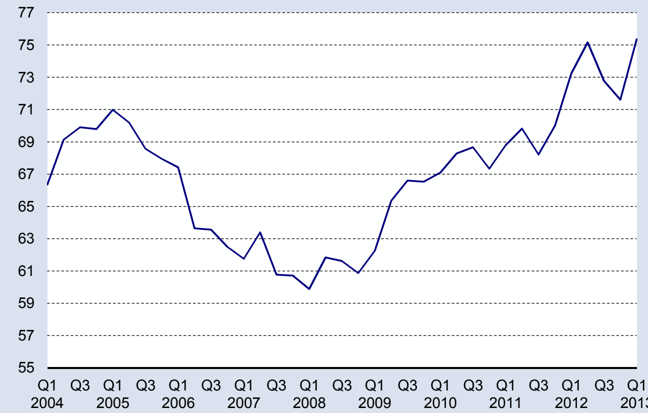
3 Most of these grants were due to be received in the previous year but the actual receipt of funds took place in the first three months of 2013. Hence, in the general government accounts, the grants are listed as being part of general government revenue in 2012.

General government debt

General government debt declines

By end-March 2013 the stock of general government debt surpassed the €5 billion mark, amounting to €5,171.4 million, up from €4,871.6 million at the end of December 2012 (see Table 5.3). As a result, the debt-to-GDP ratio rose by 3.8 percentage points to 75.4% over the same period (see Chart 5.2).

Chart 5.2
GENERAL GOVERNMENT DEBT
(% of GDP; GDP data are four-quarter moving sums)



Source: NSO.

The increase in debt, which partly reflected the financing requirements arising from the deficit in the first quarter, was accompanied by a rise in government financial assets, namely bank deposits.

During the quarter under review, the composition of debt shifted towards short-term obligations. The amount of long-term debt securities outstanding increased by €160.4 million, as new issues of Malta Government Stocks outweighed redemptions. Nevertheless, their share in total debt declined by 2 percentage points over the quarter to reach 86.7%. Meanwhile, the stock of short-term debt securities was up by €134.5 million, the fastest increase since 2009. As a result, their share in total debt climbed by 2.4 percentage points to 5.6%.

During the period under review the share of loans in total debt declined by 0.3 percentage point, to 6.7%. This category includes loans granted to other euro area Member States through the European Financial Stability Facility (EFSF).[4]

Liabilities in the form of Maltese euro coins in issue increased by €0.4 million, although their share in total debt remained unchanged from the previous quarter's level.

Table 5.3
GENERAL GOVERNMENT DEBT
EUR millions

	2012				2013
	Q1	Q2	Q3	Q4	Q1
General government debt(1)	**4,837.7**	**5,008.2**	**4,899.8**	**4,871.6**	**5,171.4**
Currency	**45.2**	**47.0**	**48.9**	**50.4**	**50.8**
Securities	**4,489.2**	**4,621.0**	**4,507.6**	**4,476.9**	**4,771.7**
Short-term	216.4	255.1	319.4	154.1	288.6
Long-term	4,272.8	4,366.0	4,188.2	4,322.8	4483.1
Loans	**303.3**	**340.1**	**343.3**	**344.2**	**348.8**
Short-term	53.1	55.0	55.7	22.7	21.27
Long-term	250.2	285.1	287.6	321.5	327.5

(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.

[4] According to rules covering the statistical treatment of general government accounts, any increase in EFSF debt to finance lending to euro area countries in need of support is reported as an increase in the debt of the contributing Member States weighted in accordance with their capital key.

BOX 7: THE TREATY ON STABILITY, COORDINATION AND GOVERNANCE IN THE ECONOMIC AND MONETARY UNION[1]

On 2 March 2012 Malta signed the European Union (EU) Treaty on Stability, Coordination and Governance (TSCG). The Maltese Parliament ratified this Treaty in June 2013, which became effective in Malta on 1 July. All provisions of the TSCG apply in full in view of Malta's adoption of the euro as its currency.

This Box looks at the main provisions of the Treaty that focus on enhancing fiscal discipline in the European Union, which are known as the Fiscal Compact. It briefly examines the relationship of the TSCG to other EU Treaties, before outlining some of the key changes and their implications for fiscal policy in Malta.

Overview of EU fiscal legislation

The basis for fiscal surveillance in the European Union is found in the Treaty for the Functioning of the European Union (TFEU), which requires EU Member States to treat their economic policies as a matter of common interest and to coordinate them within the EU Council.[2] The TFEU also obliges EU Member States to avoid excessive government deficits and debt. A country is generally deemed to be in excessive deficit if the general government deficit and debt exceed certain thresholds, which are set at 3% and 60% of GDP, respectively.

The provisions of the TFEU are further elaborated in a set of secondary legislation known as the Stability and Growth Pact (henceforth, the Pact), which was approved in 1997 and reformed in 2005 and 2011. The latter reform is part of a broader reform of EU governance that is known as the "six pack". The Pact sets out a sequential list of actions expected of Member States and EU institutions. Member States are obliged to prepare Stability Programmes. The Member States and the EU institutions are also bound to monitor compliance with the excessive deficit prohibition and ensure that, once the EU Council decides that an excess fiscal deficit exists, corrective measures are adopted and implemented in a timely and lasting manner.

In addition, the Pact requires a Member State to make adequate progress towards the country specific targets for the structural balance known as Medium-Term Objective (MTO). The structural balance is the headline government balance, adjusted to exclude the impact of both temporary fiscal measures and cyclical effects. The Pact also allows the use of financial sanctions to ensure the timely correction of deviations from the MTO. Assessments of whether excesses are being corrected in a satisfactory way rely heavily on developments in the country's structural balance.

[1] Prepared by Rita Schembri, who is the Manager of the Bank's Economic Analysis Office. Any errors, as well as the opinions expressed in the article, are the author's sole responsibility.

[2] The TFEU supersedes the Treaty establishing the European Community. It became effective with the entry into force of the Treaty of Lisbon in 2009.

The Pact contains "escape clauses" that are meant to reduce the likelihood of a country being penalised for exceptional developments that have a major adverse impact on its fiscal position, but which are beyond the government's control, including severe economic downturns. It also allows for certain reforms which may have an adverse short-term impact on the government's fiscal position, but which would improve it in the longer term, such as pension reforms. Overall, the reliance on the structural balance and the escape clauses defined in the Pact ensure that a country is not penalised automatically if the headline deficit and debt ratios exceed the respective thresholds. Deviations from the MTO should in principle be allowed only if they arise from the exceptional circumstances mentioned in the escape clauses.[3]

Key elements of the TSCG

The TSCG is an inter-governmental treaty agreed between 25 EU Member States that builds on the TFEU and the Pact. It does not replace them. Indeed, Article 2 states that the TSCG only applies to the extent that it is compatible with the EU Treaties.[4] The TSCG also refers explicitly to certain rules already defined in the Pact as reformed in 2011. This is the case, for example, with regard to the definitions of the structural balance and of significant deviation from the MTO, as well as the "operationalization" of the debt benchmark, which was clarified for the first time in the 2011 reform. Progress towards the MTO is also based on changes in the structural balance, with the TSCG largely replicating the escape clauses in the Pact. Indeed, it has been argued that the more significant changes to the framework governing fiscal surveillance in the European Union came with the 2011 reform rather than the TSCG itself.

The TSCG, however, does introduce a number of changes in relation to fiscal surveillance. These are meant to enhance fiscal discipline in the European Union, thereby strengthening the economic pillar of Economic and Monetary Union (EMU).

A key achievement of the TSCG is that it elevates the rules governing fiscal surveillance, which until recently were defined in detail in secondary legislation (the Pact) to primary law. This is the case, for example, with the debt benchmark specified in the Pact. This specifies that a country with a debt-to-GDP ratio exceeding 60% must reduce the gap between its debt ratio and the 60% reference value by 1/20th annually over a number of years.[5]

The TSCG also extends the principle of reverse qualified majority voting, which was introduced with regard to the application of financial sanctions in the 2011 reform of the Pact, to a larger number of steps that form the Excessive Deficit Procedure (EDP). The

3 A fuller account of how the EU fiscal surveillance framework has evolved is given in "Building a strengthened fiscal framework in the European Union: A guide to the Stability and Growth Pact", *Occasional Paper* No. 150, European Commission. A more technical account is given in "Vade mecum on the Stability and Growth Pact", *Occasional Paper* No. 151. See also "A Fiscal Compact for a stronger Economic and Monetary Union", *Monthly Bulletin*, ECB, May 2012.

4 Article 2 of the TSCG states that: "The Treaty shall apply insofar as it is compatible with the Treaties on which the European Union is founded and with European law. It shall not encroach upon the competence of the Union to act in the area of economic union".

5 An explanation of how the debt benchmark is applied is provided in "Vade mecum on the Stability and Growth Pact", *Occasional Paper* No. 151, European Commission, pp. 51-54.

application of reverse qualified majority voting means that EU Council Decisions apply by default unless a qualified majority of eligible voting countries reject them. The Treaty obliges the Member States to support the proposals and recommendations of the European Commission in the context of the EDP, unless a qualified majority of Member States are opposed to them.

This contrasts with the TFEU and the Pact, where EU Council Decisions normally only apply if a qualified majority supports them. These innovations are meant to increase the likelihood that any required corrective action and, in the event of non-compliance, financial sanctions, are effected earlier on, rather than in the later stages of the EDP when the fiscal position is likely to be under greater stress.

The TSCG also foresees a greater role for independent monitoring institutions at national level and for national parliaments. In particular, it foresees conferences between representatives of European Parliament and national parliaments to discuss budgetary policies and other issues covered by the Treaty. Together with the greater role for independent national monitoring institutions, this should increase national ownership of the budgetary process and, hence, ensure compliance with EU fiscal rules.

Although the concept of MTO, along with deviations from it and exceptional clauses, are by and large unchanged from those in the Pact, the TSCG has new elements that affect the pace of progress towards the MTO. More specifically, progress towards the MTO has to be "rapid". Furthermore, deviations from the MTO or the adjustment path towards it must be corrected automatically, while the automatic corrective mechanism must be in line with the common principles published by the European Commission in 2012. These principles cover the nature, size and time frame for correction, and the role and independence of national monitoring institutions.[6]

The Treaty foresees that the corrective mechanism should aim at correcting not only recent deviations, but the cumulated impact of deviations from the MTO on government debt dynamics. The Commission's principles foresee that national rules implementing the TSCG should, as a minimum, respect the provisions of EU legislation, including the TSCG. They also foresee that an EU decision establishing the presence of a significant deviation from the MTO would be sufficient to trigger the automatic corrective measures. The size and timeline for the correction should in turn be based on pre-determined criteria. There is also the expectation that larger deviations from the MTO should lead to larger corrections, and that the correction mechanism should aim at restoring the structural balance at or above the MTO within the planned deadline and keep it there. Moreover, a plan that would be binding throughout the period of correction would need to be presented at the outset. The automaticity embedded in the TSCG and the Commission principles should limit the delays involved in the application of the corrective arm of the EDP.

[6] See Communication from the European Commission, "Common principles on national fiscal correction mechanisms", *COM* (2012) 342 final.

This automaticity in the correction of excesses and in the application of forward-looking constraints was not inherent in the Pact.

The Commission's principles also acknowledge the role of national independent monitoring bodies in charge of examining whether circumstances warrant the activation of corrective mechanisms and whether the correction is in line with the minimum requirements. Such bodies, whose assessments would be public, would also evaluate the case for and against the application of escape clauses. According to the Commission's principles, these bodies are meant to support the credibility and transparency of the corrective mechanism. The Member State would need to comply with these bodies' assessments or explain publicly why it does not.

Implications for fiscal policy in Malta

Like other signatories to the TSCG, Malta has a legal obligation to implement these rules, including the setting up of automatic corrective mechanisms and the establishment of independent national monitoring institutions entrusted with assessing fiscal policy under national law. Such implementation must rely on "provisions of binding force and permanent character, preferably constitutional, or otherwise guaranteed to be fully respected and adhered to throughout the national budgetary processes". Malta's deadline for transposition into national law is 1 July 2014.[7]

Under the TSCG Malta is committed to general government budgets that are balanced or in surplus. For countries that have a debt ratio exceeding 60%, as is the case of Malta, this commitment is considered to be fulfilled if the structural balance shows a deficit no larger than 0.5% of GDP in the medium term. If a country reduces its general government debt ratio to well below 60%, and if risks to long-term sustainability of public finances are assessed to be low, then a structural deficit limit of 1% of GDP applies.

As stated in the latest Update of the Stability Programme, Malta's MTO is a balanced budget. Effectively, therefore, Malta is already committed to a medium-term position that complies with the TSCG's minimum requirement for countries with a debt ratio exceeding 60%.

Furthermore, as the EU Council has re-opened the EDP for Malta, the Government is expected to submit a budgetary and economic partnership programme detailing structural reforms that ensures a lasting correction of the excessive deficit, and annual budgetary plans consistent with such a programme.[8]

The TSCG specifies that the Council may also decide that an excessive deficit exists in situations in which the government deficit is below the 3% limit but the debt criterion is

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[7] If any signatory does not meet its deadline for the transposition of the Treaty, a case would be brought before the European Court of Justice, which may impose a deadline for transposition, and, in case of continued non-compliance, financial sanctions of up to 0.1% of GDP.

[8] See press release entitled "Council reopens excessive deficit procedure for Malta", *Council of the European Union*, 21 June 2013.

not met. This is relevant to Malta, as the general government debt ratio exceeds the 60% threshold.

All euro area signatories are also required to inform the EU Council and the European Commission in advance of the public debt issuance plans and of other major economic reforms.

Conclusion

A cautious and prudent fiscal process is essential for the correction of economic imbalances and improvements in competitiveness. Towards that end, the provisions of the TSCG constrain the fiscal authorities' room for manoeuvre. However, it should also be noted that fiscal authorities retain considerable discretion in terms of specific tax and expenditure measures in the budgetary process.

Depending on how ambitious the national implementation provisions will be and on their proper enforcement, the TSCG brings forward the consolidation effort that is needed for a sounder fiscal position. The application of the TSCG and related principles would also limit the scope for quick-fix solutions that may improve the headline ratios in the short run without achieving a durable improvement in structural terms.

The new constraints do not arise so much from changes in concepts underlying fiscal surveillance or from the application of a more ambitious MTO. Rather, they follow, first, from the more explicit acknowledgement that non-compliance with the debt criterion would be subject to the same disciplinary steps which are invoked for breaches of the deficit criterion and the need to correct the effect of past excesses on the debt.

They also stem from the creation of independent national bodies, whose powers will be grounded in EU and national legislation of the highest order, to provide an additional layer of scrutiny of public finances. Through their evaluations, these national monitoring institutions will play an important role in ensuring that fiscal imbalances are minimised and corrected sufficiently rapidly in line with legal requirements.

Additionally, the earlier and more automatic correction of imbalances should also reduce the risk of the MTO becoming a moving target. Faster progress towards the MTO of a balanced budget in structural terms may have a temporary negative impact on activity and employment, but should improve debt sustainability and reduce the burden of a higher public debt on future generations.

6. MONETARY AND FINANCIAL DEVELOPMENTS

During the first quarter of 2013 the contribution of Maltese monetary financial institutions (MFI) to the euro area's broad money stock (M3) gathered additional momentum, reaching its highest growth rate since 2008.[1] Deposits held by Maltese residents, as well as credit granted to them, grew at a faster annual rate than in the previous quarter.

Domestic primary money market yields fell during the first quarter, as did those on five-year and ten-year Maltese government securities. Both the five-year and ten-year spread over benchmark euro area rates narrowed. Bank lending and deposit rates were largely unchanged.

At the same time, the Malta Stock Exchange (MSE) share index continued to increase.

During the second quarter of 2013 domestic money market rates and yields on five-year and ten-year government bonds fell further, while bank lending and deposit rates remained stable. The MSE share index extended its earlier gains, rising between the end of March and end-June.

Monetary aggregates and their counterparts

Contribution to euro area M3 accelerates further

The contribution of Maltese MFIs to the euro area's broad money stock (M3) continued to pick up momentum in the first quarter of 2013, with the annual growth rate accelerating to 9.0% in March from 8.7% three months earlier (see Table 6.1). This was the fastest growth recorded since 2008, when Malta adopted the single currency. Annual M3 growth in the euro area as a whole was less pronounced and stood at 2.5% in March.

Monetary growth in Malta continued to be driven mostly by the narrow money (M1) component, as many investors preferred holding liquid monetary assets in an environment of relatively low interest rates. M1 expanded by 11.9% on an annual basis in March on account of stronger inflows

Table 6.1
CONTRIBUTION OF RESIDENT MFIs TO EURO AREA MONETARY AGGREGATES(1)

	EUR millions	Annual percentage changes				
	2013	2012				2013
	Mar.	Mar.	June	Sep.	Dec.	Mar.
Narrow money (M1)	6,245.2	7.8	12.3	11.6	10.7	11.9
Intermediate money (M2)	10,526.9	5.4	5.7	6.6	9.0	9.4
Broad money (M3)	**10,722.4**	**5.3**	**5.6**	**6.3**	**8.7**	**9.0**

(1) Figures show the contribution of Maltese MFIs to the euro area totals. Data on monetary aggregates include deposit liabilities to residents of Malta and other euro area residents. Broad money comprises M2 plus certain marketable instruments, namely, repurchase agreements, money market fund shares and units, and debt securities with a maturity of up to and including two years issued by MFIs.

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 other monetary liabilities of Maltese MFIs towards euro area residents, as explained in the General Notes accompanying the Statistical Tables in this *Review*. Monetary statistics cover all MFIs resident in Malta.

during the first quarter. Overall, during the 12 months to March 2013, higher balances belonging to private non-financial corporations (NFC) and households were the main factors behind the growth in M1.

At the same time, the intermediate money aggregate (M2) grew at 9.4% on an annual basis, up from 9.0% in December. This was mainly driven by the narrow money component. In addition, during the 12 months to March 2013 deposits with an agreed maturity of up to two years increased significantly, notably those belonging to NFCs resident in euro area countries other than Malta.

Maltese residents' deposits pick up speed

Total M3 deposits held by Maltese residents with Maltese MFIs grew at a faster pace during the first quarter of 2013, with their annual growth rate reaching 6.9% from 6.4% in December (see Table 6.2).

In parallel with what was observed in aggregate M3, growth in residents' M3 balances continued to be driven by overnight deposits, which recorded double-digit annual growth rates for the fourth consecutive quarter, reaching 13.1% in March, up from 11.3% three months earlier. Growth mostly reflected increased balances belonging to both households and private NFCs, as resident depositors continued to opt for more liquid portfolios. At end-March, overnight deposits accounted for 58% of all residents' deposits within M3, with households holding the largest share.

Moving on to the other categories of deposits included in M3, the annual growth rate of residents' deposits redeemable at up to three months' notice turned negative, falling to -8.6% in March, compared with the strong growth rate of 23.8% recorded three months earlier. This mainly reflected a sharp contraction in balances belonging to private NFCs that took place during the first quarter of 2013. Nevertheless, this component is small and tends to be volatile; it accounted for only 1.2% of total residents' M3 deposits at the end of March.

Residents' deposits with an agreed maturity of up to two years contracted at a slightly faster pace when compared with three months earlier, falling by 0.4% during the year to March. This

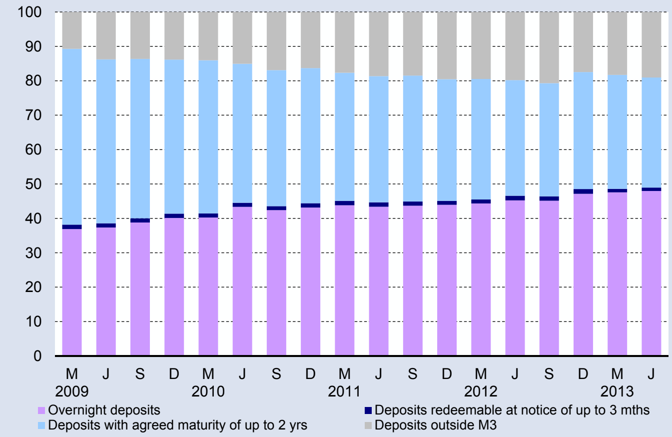
Table 6.2
DEPOSITS OF MALTESE RESIDENTS INCLUDED IN M3

	EUR millions	Annual percentage changes				
	2013	2012				2013
	Mar.	Mar.	June	Sep.	Dec.	Mar.
Overnight deposits	5,333.1	7.7	12.4	12.2	11.3	13.1
of which						
Households	3,339.0	8.7	8.3	7.7	10.2	11.7
Non-financial corporations	1,642.6	0.1	9.8	15.2	7.0	20.1
Deposits redeemable at notice up to 3 months	**113.3**	**-5.6**	**12.2**	**14.9**	**23.8**	**-8.6**
of which						
Households	98.3	-3.5	-3.9	-8.0	-5.3	-3.5
Non-financial corporations	14.6	-13.2	81.0	144.2	187.0	-32.1
Deposits with agreed maturity up to 2 years	**3,712.5**	**0.2**	**-1.2**	**-2.5**	**-0.2**	**-0.4**
of which						
Households	3,017.3	-4.6	-3.4	-2.7	1.2	2.2
Non-financial corporations	451.7	13.9	-5.6	-3.5	-5.2	-2.8
Total residents' deposits	**9,159.0**	**4.1**	**6.2**	**5.7**	**6.4**	**6.9**

Source: Central Bank of Malta.

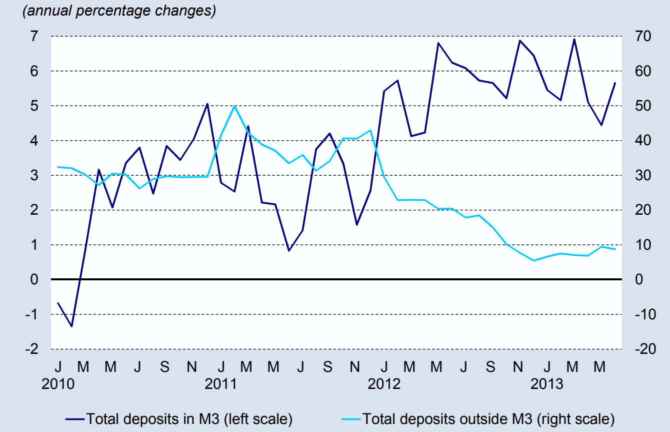
stemmed predominantly from lower balances belonging to private NFCs, insurance companies and non-bank financial intermediaries. Growth in these deposits was weighed down by shifts towards overnight deposits along with a movement into longer-term monetary assets outside M3, which attracted money holding investors, mainly households, in search of higher yields. Indeed, from a longer-term perspective, recent years have seen portfolio shifts on the part of both households and private NFCs towards overnight deposits, and, to a lesser extent, towards long-term monetary assets which are classified outside M3, mainly on the part of households (see Chart 6.1).

Chart 6.1
DISTRIBUTION OF TOTAL RESIDENT DEPOSITS
(percentage points)



Source: Central Bank of Malta.

Chart 6.2
DEPOSITS OF MALTESE RESIDENTS[1]
(annual percentage changes)



[1] Excluding deposits belonging to central government.

Source: Central Bank of Malta.

Excluding deposits belonging to central government, the annual rate of growth of residents' deposits outside M3 accelerated to 7.1% in March from 5.5% three months earlier. Following a deceleration observed throughout 2012, growth in this category recovered during the March quarter, possibly owing to the launch of a new savings product by one domestic bank, which offered higher deposit rates. In the past, substantial growth in this category of deposits had been driven by a number of new savings products launched by various banks (see Chart 6.2).

During the second quarter of 2013 year-on-year growth in total residents' deposits included in M3 slowed down, reaching 5.7% in June. In contrast, the annual rate of growth of residents' deposits outside M3 accelerated further, to 8.7%.

Interest rates on Maltese residents' deposits rise marginally

The weighted average interest rate paid by MFIs on all deposits belonging to households and NFCs resident in Malta edged up by 1 basis point in the first quarter of 2013, reaching 1.43% in March. Rates received by households on overnight deposits rose by 2 basis points to 0.34%, while those earned by NFCs rose by 1 point to 0.29%. Rates on deposits with an agreed maturity of up to two years remained unchanged for households, but dipped marginally for NFCs.

Table 6.3
INTEREST RATES ON OUTSTANDING DEPOSITS BELONGING TO RESIDENTS OF MALTA
Percentages per annum; weighted average rates as at end of period

	2012				2013
	Mar.	June	Sep.	Dec.	Mar.
Total deposits belonging to households and non-financial corporations	1.41	1.41	1.40	1.42	1.43
Overnight deposits					
Households	0.31	0.32	0.32	0.32	0.34
Non-financial corporations	0.29	0.29	0.27	0.28	0.29
Time deposits with agreed maturity up to 2 years(1)					
Households	2.04	2.06	2.06	2.07	2.07
Non-financial corporations	1.96	1.92	1.96	1.99	1.98
Time deposits with agreed maturity over 2 years(1)					
Households	3.22	3.27	3.36	3.42	3.49
Non-financial corporations	3.16	3.23	3.34	3.06	3.13

(1) Annualised agreed rates on euro-denominated deposits.
Source: Central Bank of Malta.

More significant changes involved deposits with an agreed maturity above two years, which are excluded from M3. Within this category, rates received by both households and NFCs rose by 7 basis points, reaching 3.49% and 3.13%, respectively, in March. Looking at developments over the previous 12 months, deposit interest rates have broadly edged upwards (see Table 6.3).[2]

During the second quarter of 2013 rates on outstanding deposits remained unchanged at 1.43% in June.

Growth in credit to residents of Malta recovers

The annual growth rate of credit to residents of Malta, which had been on a general downward path since May 2012, recovered slightly during the first quarter of 2013, rising to 2.1% from 0.8% in December (see Table 6.4). It also continued to outpace the rate of increase in the euro area as a whole, where credit growth was stagnant at 0% in March.

Table 6.4
CREDIT TO RESIDENTS OF MALTA

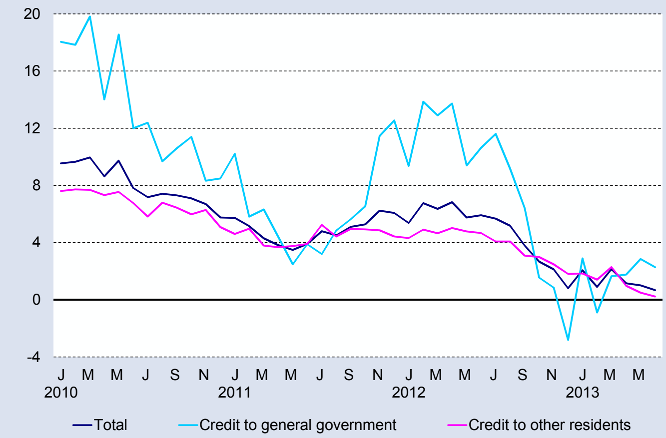
	EUR millions	Annual percentage changes				
	2013	2012				2013
	Mar.	Mar.	June	Sep.	Dec.	Mar.
Total credit	**11,252.4**	**6.4**	**5.9**	**3.8**	**0.8**	**2.1**
Credit to general government	2,466.8	12.9	10.6	6.4	-2.8	1.7
Credit to other residents(1)	8,785.7	4.6	4.7	3.1	1.8	2.3
Credit to non-bank private sector	8,037.8	3.9	3.4	3.0	2.2	2.2
Credit to non-bank public sector	747.9	14.1	19.6	3.7	-2.1	2.8
Total loans to other residents	**8,524.1**	**4.4**	**4.3**	**3.1**	**1.8**	**2.2**

(1) Credit to other residents consists mainly of loans. Holdings of securities, including equities, issued by non-bank private and public corporations as well as financial derivatives are also included. Interbank claims are excluded.
Source: Central Bank of Malta.

2 Data on interest rates on outstanding amounts shown in Table 6.3 cover MFI euro-denominated deposits belonging to households and NFCs resident in Malta. The household sector also includes Non-Profit Institutions Serving Households (NPISH). NFCs include all enterprises except banks, insurance companies and other financial institutions. Hence, these statistics do not cover all economic sectors.

The pick-up in growth in credit to Maltese residents was partly driven by developments in credit to general government. The annual growth rate in the latter turned positive during the March quarter, reaching 1.7% (see Chart 6.3). A sizeable increase in Treasury bills held by credit institutions during the March quarter was partly offset by a much smaller drop in their Malta Government Stocks (MGS) portfolio.

Chart 6.3
CREDIT TO RESIDENTS OF MALTA
(annual percentage changes)



Source: Central Bank of Malta.

Moreover, credit to other residents expanded at a somewhat faster pace, as its year-on-year growth rate rose to 2.3% in March from 1.8% in December (see Table 6.4).[3] This category, which includes all sectors other than general government, makes up almost four-fifths of the total credit to residents.

Within the "other residents" category, credit to the non-bank private sector continued to expand at the same annual rate as in December, growing by 2.2% in March. In contrast, higher credit flows to public NFCs during the first quarter led to a sharp rise in the annual rate of change of credit to the non-bank public sector, which turned positive, rising from -2.1% in December to 2.8% in March.

Private sector loan growth remains subdued

The modest pick-up in credit growth predominantly reflected a quicker expansion in loans, which at the end of March accounted for 97% of all credit to residents of Malta excluding general government. These loans expanded at an annual rate of 2.2% in March as opposed to 1.8% in December (see Table 6.4). More specifically, loans to the non-bank public sector grew by 2.4% during the year to March. Meanwhile, annual growth in loans to the non-bank private sector edged up to 2.2% in March from 2.1% three months earlier.

As in the previous quarter, private sector loan growth was entirely driven by lending to households. Nonetheless, year-on-year growth in loans to households continued on its downward trend during the first quarter of 2013, reaching 4.8% in March compared with 5.2% in December (see Chart 6.4). In turn, mortgage lending, which constitutes more than four-fifths of all loans to households, expanded at an annual rate of 6.2% in March, down from 6.7% three months earlier. The remainder, consisting of consumer credit and other lending to households, contracted at an annual rate of 1.5% in March after having decreased by 1.2% in December.

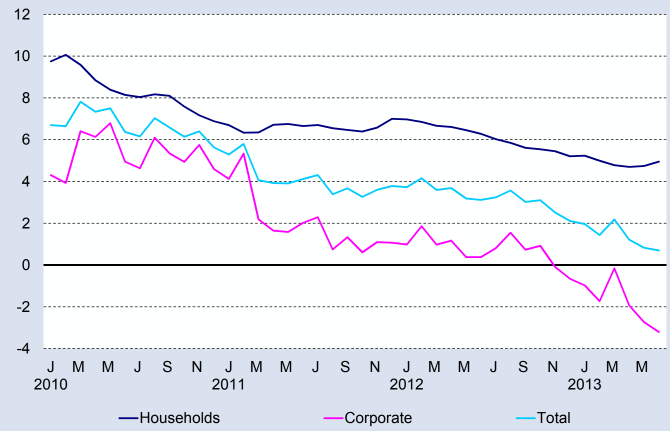
During the same period corporate loans continued to decrease, though at a slower pace, with the year-on-year growth rate rising from -0.7% in December to -0.2% in March. In particular,

[3] The term "other residents" represents all economic sectors that are resident in Malta but do not form part of general government. It includes households, private NFCs, public NFCs, insurance companies and non-bank financial intermediaries.

lending to firms operating in the construction and transportation & storage sectors declined significantly; this was partly offset by a pick-up in lending to manufacturing industry and the real estate sector, among others.

In the second quarter of 2013 the annual growth rate of credit to residents of Malta more than halved, falling to 0.7% in June. Whereas credit to general government expanded at a faster pace in June, rising by 2.3% on a year earlier, annual credit growth to other residents slowed down sharply to 0.2%.

Chart 6.4
LOANS TO THE PRIVATE SECTOR
(annual percentage changes)



Source: Central Bank of Malta.

Rates on loans to Maltese residents rise marginally

The weighted average interest rate charged by MFIs on outstanding loans to resident households and NFCs edged up to 4.33% in March. Rates paid by households on mortgages and consumer credit & other lending fell by 1 basis point during the quarter reviewed, reaching 3.38% and 5.58%, respectively. In contrast, rates on loans to NFCs rose by 4 basis points to 4.77% (see Table 6.5).[4]

In June the overall weighted average lending rate remained constant at 4.33%, as rates charged to households and NFCs remained more or less unchanged.

Credit standards for enterprises and households remain unchanged

The Bank Lending Survey (BLS) conducted in April 2013 revealed that credit standards applied on lending to enterprises and households remained unchanged during the first quarter of 2013.[5]

Table 6.5
MFI INTEREST RATES ON OUTSTANDING LOANS TO MALTESE RESIDENTS[(1)]
Percentages per annum; weighted average rates as at end of period

	2012				2013
	Mar.	June	Sep.	Dec.	Mar.
Total loans to households and non-financial corporations	4.37	4.35	4.35	4.32	4.33
Households and NPISH					
Lending for house purchases	3.42	3.41	3.41	3.39	3.38
Consumer credit and other lending[(2)]	5.56	5.58	5.58	5.59	5.58
Non-financial corporations[(2)]	4.76	4.73	4.74	4.73	4.77

[(1)] Annualised agreed rates on euro-denominated loans to households and non-financial corporations.
[(2)] Includes bank overdrafts.
Source: Central Bank of Malta.

[4] Data on interest rates on outstanding amounts shown in Table 6.5 cover MFI euro-denominated loans granted to households and NFCs resident in Malta. These statistics do not cover all sectors of the economy.

[5] The BLS gauges credit demand and supply conditions. It is carried out as part of a quarterly exercise conducted by the Eurosystem across the entire euro area.

Demand for loans by enterprises remained constant during the quarter, while that by households – to finance house purchases – increased, according to one bank. The same bank also reported lower demand by households for consumer credit and other types of lending.

With regard to the second quarter of 2013, banks expected credit standards applied to NFCs and households to remain constant. Likewise, demand for loans by firms and households were also anticipated to remain unchanged.

Credit granted to euro area residents outside Malta declines

Credit granted by resident MFIs to residents of euro area countries except Malta continued to decline in March 2013, falling by €378.6 million, or 7.7% on a year earlier, a more moderate drop when compared with the 10.8% fall three months before. This decline continued to reflect a sharp drop in MFI holdings of euro area sovereign bonds. In contrast, credit institutions further increased their holdings of private debt securities. Thus, at end-March, credit provided by resident MFIs to residents of other euro area countries stood at €4.5 billion.

Net claims on non-residents of the euro area rise

The drop in credit to residents of other euro area countries mentioned above was partly offset by a higher level of credit to borrowers outside the euro area. In fact, during the year to March 2013 the external counterpart of M3, which consists of resident MFIs' net claims on non-residents of the euro area, expanded by €1.9 billion, or 21.1% (see Table 6.6).

MFI claims on non-residents of the euro area rose by 11.7% during the year, mainly owing to higher holdings of securities issued by non-euro area governments. At the same time, the corresponding liabilities grew by 7.9%, driven by an increase in repurchase agreements. In contrast, foreign loans taken up by resident banks, as well as time deposits – predominantly belonging to private NFCs – held with them, dropped.

Other counterparts (net), which are heavily influenced by interbank transactions within the euro area, expanded by €834.5 million, or 5.6%, during the year to March 2013. This increase stemmed mainly from a strong rise in longer-term financial liabilities, mostly in the form of shares and other equity.

Table 6.6
EXTERNAL AND OTHER COUNTERPARTS[1]
EUR millions; changes on a year earlier

	2012 Mar.	2013 Mar.	Change Amount	Change %
External counterpart	**8,833.4**	**10,700.7**	**1,867.3**	**21.1**
Claims on non-residents of the euro area	30,542.9	34,114.8	3,571.9	11.7
Liabilities to non-residents of the euro area	21,709.5	23,414.1	1,704.6	7.9
Other counterparts (net)[2]	**14,912.6**	**15,747.1**	**834.5**	**5.6**

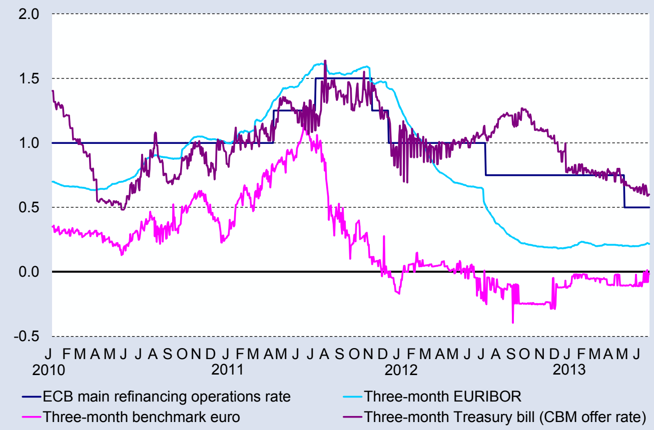
[1] Figures show the contribution of Maltese MFIs to the euro area totals.
[2] Includes net interbank claims/liabilities.
Source: Central Bank of Malta.

The money market

Both domestic yields and euro area yields decline

The European Central Bank (ECB) kept the interest rate on its main refinancing operations (MRO) unchanged at 0.75% during the first three months of 2013, as inflation expectations remained in line with price stability. Meanwhile, the three-month EURIBOR rose by 2 basis points to 0.21% at end-March (see Chart 6.5).[6]

Chart 6.5
MONEY MARKET INTEREST RATES
(percentages per annum; daily rates)



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

The primary market yield on Maltese three-month Treasury bills fell by 14 basis points during the first three months of 2013, reaching 0.71% by end-March 2013. A total of €253.8 million worth of Treasury bills were issued during the first three months of 2013, €39.8 million more than in the fourth quarter of 2012.

Around three-fifths of the amount issued was due to mature in three months' time, while the remainder mainly consisted of six-month paper. Resident banks participated actively in the auctions and bought more than four-fifths of the total, with money-market funds buying most of the remainder.

Meanwhile, turnover in the secondary Treasury bill market, which exhibits substantial volatility, amounted to €4.3 million in the first quarter of 2013, down from €32.9 million in the previous quarter. All transactions involved the Central Bank of Malta in its capacity as market-maker.

The secondary market yield in the euro area on benchmark three-month government securities fell by 3 basis points during the period reviewed, reaching -0.10%, the fourth consecutive quarter of negative yields reflecting the strong demand for safe-haven assets.[7] The corresponding domestic yield fell by 22 basis points to 0.78% during the same period. As a result, the spread over the euro area benchmark narrowed to 88 basis points from 107 basis points at end-December (see Chart 6.5).

In May 2013 the ECB lowered the interest rate on its MRO by 25 basis points, to 0.50%. Meanwhile, the three-month EURIBOR fluctuated within a narrow range around the end of March value, closing the second quarter at 0.22%, 1 basis point higher than at the end of the previous quarter. The yield on benchmark money market securities issued by governments in the euro area rose by 8 basis points, while the domestic secondary market rate on short-term government securities fell by 18 basis points to 0.60% as demand tended to exceed supply. As a result, the spread between the domestic three-month Treasury bill yield and the corresponding euro area benchmark yield narrowed further, to 62 basis points by end-June.

[6] The Euro Interbank Offered Rate (EURIBOR) refers to rates at which a prime bank is willing to lend funds to another prime bank in euro on an unsecured basis.

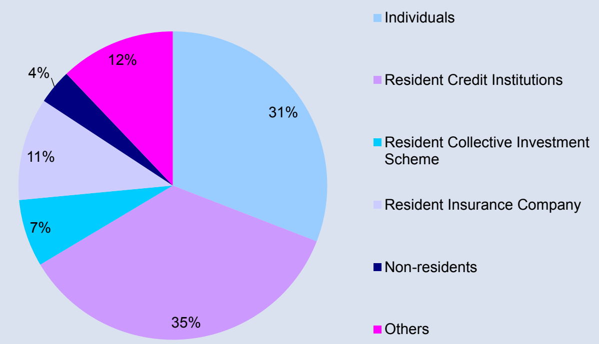
[7] The benchmark euro area yield is equivalent to the secondary market yield on three-month securities issued by the German government.

The capital market

Domestic bond yields decline

In January the Treasury announced that the amount of issuance of MGS in 2013 will not exceed €650.0 million. The issuance programme will cover primarily the redemption of seven MGS issues totalling €370.3 million, which are set to mature in 2013, and to finance the Government's borrowing requirements for the year. The Treasury also confirmed its intention to fund the financing requirements for 2013 in four to five issues, with a more intensive issuance programme across the first six months of the year.

Chart 6.6
OUTSTANDING MGS BY INVESTOR TYPE[1]
(percentages)



[1] Incorporates both fixed-rate and floating-rate MGS as at end of December 2012.
Source: The Treasury Department.

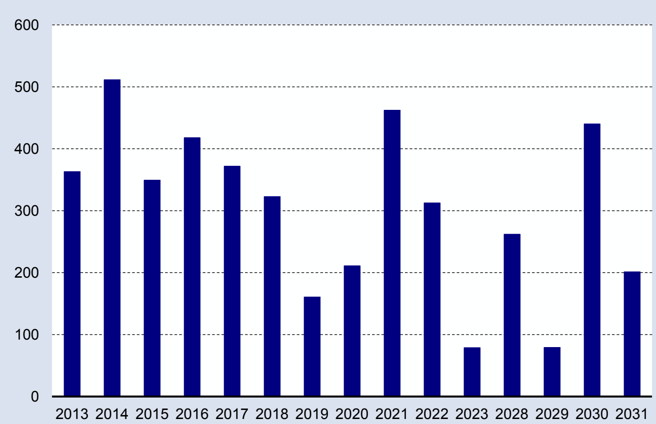
Looking further ahead, as at the end of March 2013, a total of €4.5 billion worth of MGS were due to mature by 2031 (see Chart 6.6). Almost half is due for redemption in the coming five years.

During the first quarter of 2013 the Government raised additional funds through two new MGS issues with a combined value of €199.6 million. The bonds had terms to maturity of six and 15 years, and offered fixed-rate coupons of 3.00% and 4.50%, respectively. While around 60% of the total amount issued was purchased at fixed prices predominantly by households and resident nominees, the remainder was acquired by auction, mostly by banks and collective investment schemes. The issues were well received in the market, with the initial offer of €120.0 million worth of MGS being oversubscribed. An additional €79.6 million worth of bonds were issued through an over-allotment option.

By the end of March 2013, resident credit institutions held the greatest share of outstanding MGSs at 35%, followed by resident individuals with 31% (see Chart 6.7).

In the first quarter of 2013 no new corporate bond issues were recorded. The MSE tentative listing calendar indicated that three corporate bonds may be issued in the third quarter of 2013, following an extended period when primary market issuance

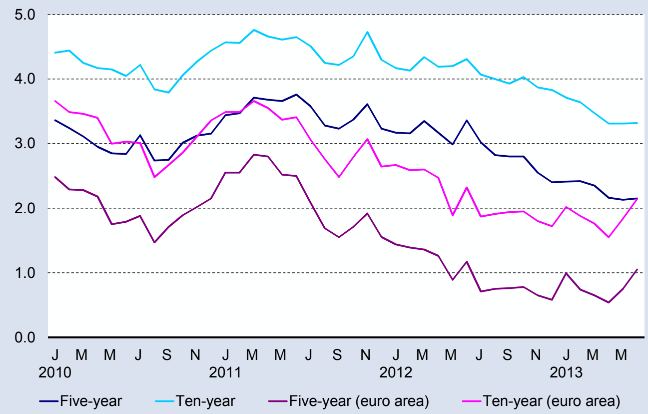
CHART 6.7
MATURITY PROFILE OF MALTA GOVERNMENT STOCKS
(EUR millions)



Source: Central Bank of Malta.

was limited. This may reflect the positive response to changes to the listing rules announced by the Malta Financial Services Authority on 5 March 2013, giving greater flexibility to the issuer regarding the operation of sinking funds and thereby making companies' access to market financing easier.

Chart 6.8
GOVERNMENT BOND YIELDS
(percentages per annum; end of month)



Sources: Central Bank of Malta; ECB.

Turnover in the secondary market for government bonds amounted to €188.4 million, €86.8 million more than in the last quarter of 2012. Transactions involving the Central Bank of Malta as market-maker accounted for more than four-fifths of the value traded.

Domestic government bond yields declined during the first quarter of 2013, extending the general decline that has been observed since November 2011. Yields on five-year and ten-year domestic government bonds decreased during the quarter by 5 and 36 basis points, respectively, from end-December levels, reaching 2.35% and 3.47% at end-March (see Chart 6.8). Conversely, the equivalent benchmark yields for the euro area rose by 7 basis points and 4 basis points, respectively.[8] As a result, the five-year differential narrowed to 170 points, while the ten-year differential fell to 171 points.

In the second quarter of 2013 yields on domestic government bonds fell further. Yields on five-year government bonds dropped by 20 basis points while those on ten-year bonds declined by 15 basis points, when compared with end-March levels, to 2.15% and 3.32%, respectively. On the other hand, five-year and ten-year euro area benchmark yields rose by 40 and 38 basis points, respectively. As a result, the five-year differential fell to 110 basis points while the ten-year differential narrowed to 118 basis points.

In the secondary corporate bond market, trading during the first quarter of 2013 was at its lightest since 2011. Turnover fell to €7.7 million in the first three months of 2013, from €12.9 million in the fourth quarter of 2012. The low level of activity could be related to the lack of new issuance in the primary market. Most of the trading was concentrated around securities issued by the banking, construction and property development sectors. Yields on most of the securities declined during the quarter.

MSE share index rises

Activity in the domestic equity market was particularly strong during the period. The increase in volume seen in the last three months of 2012 gained further momentum during the first quarter of 2013, with the value of transactions rising to €15.1 million – the highest level since the first quarter of 2011.

[8] Euro area yields are based on AAA-rated central government bonds, with ratings provided by Fitch.

The increase in market turnover reflected a rise in both the number of shares traded and in prices, with eight companies experiencing double-digit growth rates in their share prices. Consequently, the MSE share index rose for the fourth consecutive quarter, increasing by 3.4% from its end-December level to end March at 3,322.6 (see Chart 6.9).

Chart 6.9
MALTA STOCK EXCHANGE SHARE INDEX
(end of month)

Source: MSE.

During the second quarter of 2013 equity prices continued on the general upward path that has been observed since March 2012. By the end of June the MSE share index had risen by 2.9% from its end-March level, reaching 3,417.38.

NEWS NOTES

Official interest rates cut

On 2 May the Governing Council of the European Central Bank (ECB) reduced the interest rate on the main refinancing operations (MRO) by 25 basis points to 0.50% with effect from 8 May. Furthermore, the ECB reduced the interest rate on the marginal lending facility by 50 basis points to 1.00%. Meanwhile, the interest rate on the deposit facility will remain unchanged at 0.00%. These changes imply a narrowing of the interest rate corridor for standing facilities from 150 to 100 basis points.

Central Bank of Malta announcements

Issue of numismatic coin

On 29 April the Bank issued a numismatic coin in gold, representing a *picciolo*. The *picciolo* was a small copper coin minted in Malta during the time of the Order of St John. The new coin issued by the Bank bears the coat-of-arms of Grand Master Jean de Valette on its reverse while on the obverse it shows the emblem of Malta and the year of issue. The coin, which has a face value of €5, was struck at the Royal Dutch Mint.

Currency exhibition organised by the Central Bank of Malta

On 2 - 15 May the Central Bank of Malta organised a currency exhibition, tracing the history of the official Maltese paper currency since 1914. The exhibition featured the new €5 "Europa Series" banknote, as well as an audio-visual presentation on banknote production. Maltese decimal coinage and a number of euro coin sets were also on display.

Central Bank of Malta Directive No.11

On 3 May the Central Bank of Malta issued Directive No.11 on macro-prudential policy. This Directive implements the recommendation of the European Systemic Risk Board (ESRB) of 22 December 2011 on the macro-prudential mandate of national authorities (ESRB/2011/3). It outlines the objective of macro-prudential policy and explains how the Bank intends to implement macro-prudential policy. The aim is to strengthen the resilience of the financial system and decrease the build-up of systemic risk to ensure the financial sector's sustainable contribution to economic growth.

With regard to the implementation of macro-prudential policy, the Bank shall develop, issue and apply macro-prudential instruments as appropriate, taking into account those defined and explained by the ESRB. Generally, these include instruments aimed at preventing cyclicality in the financial system; increasing the resilience of the financial system; mitigating structural vulnerabilities in the system and limiting systemic spillovers in times of stress. Before issuing any macro-prudential instruments, the Bank will take into account the views of the Malta Financial Services Authority through the Joint Financial Stability Board. It will also consider any views of the ESRB and any other national or international authority or institution when necessary.

Household Finance and Consumption Survey

On 23 May the Central Bank of Malta published the Household Finance and Consumption Survey (HFCS), which reports on various aspects of household wealth, financing, and consumption behaviour in Malta. The report is based on a survey that was conducted in 2010 as part of a coordinated euro area exercise led by the ECB. A general discussion of survey findings is included in Box 1 of this *Review*. More detailed information on the HFCS exercise is available on the Bank's website.

New euro coin set dated 2013

On 24 June the Bank issued a new euro coin set dated 2013. The set incorporates the eight Maltese euro coins, as well as a €2 coin commemorating the 1921 Constitution granting self-government to Malta. These coins were struck at the Royal Dutch Mint. The set also includes a replica coin from the Byzantine period.

Budget Estimates for 2013

On 8 April the Minister of Finance presented the Budget Estimates for 2013 to Parliament. The general government deficit in 2013 is targeted at 2.7% of gross domestic product (GDP), down from 3.3% in 2012. The general government debt-to-GDP ratio is expected to rise to 74.2% in 2013, from 72.5% in 2012. Parliament approved the Budget Estimates on 10 April.

Update of Stability Programme

In April the Government published the fifth Update of the Stability Programme, setting out its medium-term budgetary objectives until 2016. Compared with the previous Update, the Government's revised projections for Malta point to a weaker recovery in economic growth, in line with weaker growth prospects among Malta's main trading partners. However, real GDP growth is still expected to gradually accelerate over this period. The Update foresees a gradual narrowing of the general government deficit-to-GDP ratio, while the debt ratio is projected to peak in 2013 and 2014.

National Reform Programme

In April the Government published the National Reform Programme for Malta, highlighting its economic plans in line with the Stability and Growth Pact and the Europe 2020 strategy. The programme describes measures aimed at reaching the set national Europe 2020 targets in the areas of employment, research & development, energy, education, and poverty reduction, as well as other initiatives, such as the reform of the justice sector and measures related to the fiscal policy framework.

European Commission Macroeconomic Imbalances Review

On 10 April the European Commission announced that, in its review of the macroeconomic imbalances of euro area Member States, Malta was not found to have excessive imbalances. However, the report observes that high private debt and the long-term sustainability of government finances could pose some element of risk. The report also highlights the fact that internationally-oriented banks are large relative to the size of the Maltese economy, but that they have limited links to the domestic economy and therefore do not pose large risks to financial stability. Additionally, the report notes that the domestically-oriented financial sector, which is more closely linked with the economy, is significantly smaller, well capitalised and profitable. However, close monitoring is required of banks' high exposure to the real estate market and to non-core domestic banks. Finally, the report observes that some correction has taken place in Malta's property sector and sharp adjustments in prices are not expected.

European Commission Spring Forecasts

On 3 May the European Commission released its Spring Economic Forecasts, in which it projected real GDP growth in Malta during 2013 at 1.4% and at 1.8% in 2014. These projections were slightly below those presented in the Commission's previous forecasts. Meanwhile, the unemployment rate was expected to decline to 6.1% by 2014, while the rate of inflation was projected to drop to 1.9% over the forecast horizon.

Malta takes Chair of EIB

On 14 May the Governors of the European Investment Bank (EIB) endorsed Malta's chairmanship of the EIB Board of Governors for the next 12 months. Malta's representative will be the Minister for Finance.

IMF Mission

On 15 May the International Monetary Fund (IMF) published the preliminary conclusions of an Article IV mission to Malta, which took place between 2 May and 13 May. In the final remarks published on 12 July, the Fund noted that the Maltese economy has shown remarkable resilience to the crisis in Europe. This was underpinned by robust export growth and a sound banking sector. However, growth remains below potential, while the fiscal position has deteriorated and government debt is uncomfortably high. Against this background, the statement calls for continued progress with fiscal consolidation and structural reforms, the latter to enhance growth prospects and competitiveness. With regard to the financial sector, the IMF noted that the banks' performance has been satisfactory, with banks reporting adequate capitalisation, liquidity, and profitability. However, close monitoring is required to ensure continued financial stability, given the banks' high exposure to the property market and low loan loss provisions.

Malta enters Excessive Deficit Procedure

On 21 June the European Council opened an Excessive Deficit Procedure (EDP) against Malta. This was due to the general government deficit reaching 3.3% of GDP in 2012, and the fact that the European Commission expected the deficit ratio to remain above the 3% reference value over the projection horizon. The Council decided that Malta should take corrective action by 1 October 2013 to bring its deficit-to-GDP ratio to below the reference value by 2014.

Assessments on the Maltese financial sector

In two separate reports released on 16 April and 3 May, Fitch Ratings highlighted the fact that Malta does not face the same bank system risks as Cyprus. According to the agency, the share of banking sector assets to GDP in Malta is inflated by international banks, which have negligible links to the domestic economy and are largely funded abroad. Core domestic banks' assets, which are considered as systemically important, amount to 218% of GDP, significantly lower than in Cyprus. Moreover, for at least one of the core domestic banks in Malta, the bulk of support in a situation of financial turmoil would come from its parent company.

On 24 April Standard & Poor's reported that the assets of systematically important banks in Malta have retained their credit quality while their exposure to insolvent borrowers so far remains low and manageable. Furthermore, the size of these systematically important institutions that the Government would hypothetically need to support in a crisis is small when compared with Cyprus.

On 13 May an analysis by Reuters concluded that Malta is unlikely to need bail-out money in a situation of financial turmoil, as the bulk of banking sector assets in Malta belong to subsidiaries of foreign banks, which would be responsible for bailing them out in case of trouble. Moreover, Maltese domestic banks are highly capitalised, profitable and liquid. They are largely funded through the domestic retail deposit market, lend locally and hold securities issued in Malta, rather than risky sovereign bonds.

Capital market developments

Issue of Malta Government Stocks

On 10 May the Government, through Legal Notice 143, announced the issue of two Malta Government Stocks (MGS) for a total amount of €100 million, subject to an over-allotment option of €70 million. The Treasury received a total amount of €282.5 million, of which €38.4 million was allotted in a 3% MGS 2019 (III) fungible issue at a price of €102.25, and €131.6 million in a 4.5% MGS 2028 (II) fungible issue at a price of €101.50.

Banking and finance legislation

Legal Notices 140, 141 and 142 of 2013, issued on 10 May entitled Value Added Tax Regulations, 2013, amend the Value Added Tax Act through the implementation of the provisions of Council Directive 2010/45/EU of the 13th July 2010. The amendments include changes to the date when a tax on supplies becomes chargeable and to regulations governing the issuance of tax invoices. These regulations came into force at the start of 2013.

Act III of 2013, issued on 17 May entitled Budget Measures Implementation Act, 2013, implements the budget and other administrative measures for the financial year 2013. The Act stipulates that in 2013 the Government may raise through loans an amount not exceeding €650 million for the purpose of meeting excess expenditure over revenue incurred in the Consolidated Fund, of redeeming registered stocks which are due for redemption during 2013, and of effecting portfolio changes in line with the Government's debt management policies. This provision was backdated to 1 January 2013. The Act also introduces amendments to legislation in line with the budget measures for 2013, including amendments to the Income Tax Act, the Companies Act, and the Value Added Tax Act.

Legal Notice 152 of 2013, issued on 31 May entitled Highly Qualified Persons (Amendment) Rules, 2013, amends the Highly Qualified Persons Rules by altering the list of eligible offices, namely the employment positions that qualify for a scheme to attract highly qualified persons to Malta. The rules came into force at the start of 2012.

Act VI of 2013, issued on 28 June entitled Government Borrowing and Granting of Loans to the Hellenic Republic (Amendment) Act, 2013, amends an earlier Act by adding the Loan Facility Agreement entered into on 19 December 2012 between euro area Member States and the Hellenic Republic. This Agreement includes a reduction in the margin on the interest rate to be paid and an increase in the term on which a loan request may be made from five years to 30 years.

Double taxation agreements

Legal Notice 159 of 2013, issued on 18 June, entitled Double Taxation Relief (Taxes on Income) (Russian Federation) Order, 2013, declares relief from double taxation on organisation tax and income tax imposed by the Russian Federation as from a later date to be agreed by the parties.

Legal Notice 160 of 2013, issued on 18 June, entitled Double Taxation Relief (Taxes on Income) (The Republic of Turkey) Order, 2013, declares relief from double taxation on income tax and corporation tax imposed by the Republic of Turkey. This Legal Notice entered into force as from 13 June 2013.

SELECTED INTERNATIONAL ECONOMIC AND FINANCIAL NEWS

The European Council

On 27 - 28 June the European Council agreed on a comprehensive approach to combat youth unemployment. A new “Investment Plan” was also launched to support small and medium-sized enterprises, and to boost the financing of the economy. The Council also took stock of ongoing work on the development of the EU economic and monetary union (EMU), in particular progress made towards creating a banking union. Leaders also endorsed country-specific recommendations on economic, fiscal, employment and social policies.

The ECOFIN Council

On 13 May the ECOFIN Council adopted the so-called “two-pack” regulations to further improve economic governance in the euro area. The regulations focus on enhanced monitoring and assessment of draft budgetary plans of euro area Member States and on enhanced surveillance of euro area Member States that are experiencing or are threatened by serious financial difficulties, or that request financial assistance. The proposals were presented by the Commission in November 2011, following the adoption of the “six-pack” legislation covering fiscal and economic surveillance. The two-pack entered into force on 30 May in all euro area Member States.

It also adopted a directive and a regulation amending EU rules on credit rating agencies (CRA). The amendments aim to reduce investors' over-reliance on external credit ratings, to mitigate the risk of conflicts of interest in credit rating activities and to increase transparency and competition in the sector.

On 14 May the ECOFIN Council adopted a mandate for the Commission to negotiate updated savings tax agreements with five countries, so that these continue to apply measures that are equivalent to the EU directive on taxation of savings income. The Council also adopted conclusions on tax evasion and tax fraud, highlighting the need for a combination of efforts at national, EU and global levels, while confirming support for work within international fora on the automatic exchange of information.

On 20 June the ECOFIN Council adopted a directive and a regulation amending EU rules on capital requirements for banks and investment firms; the former governs access to deposit-taking activities while the latter establishes prudential requirements that institutions need to respect. The purpose of this legislation, known as "CRD4", is to transpose into EU law the Basel 3 agreement approved by the G20 in November 2010. The new rules are expected to apply from 1 January 2014.

On 21 June the ECOFIN Council approved country-specific recommendations to 23 Member States, including Malta, on economic policies set out in their national reform programmes, as well as their respective stability or convergence programme. The Council also approved a separate set of horizontal recommendations addressed to euro area Member States and draft conclusions on Croatia.

The Council closed excessive deficit procedures for five countries, gave notice to one country on measures to correct its deficit, extended the correction deadlines for six countries, and reopened an excessive deficit procedure for Malta. It approved the extension of loan maturities for Ireland and Portugal.

The ECOFIN Council also adopted a recommendation in favour of a proposal to allow Latvia to join the currency union on 1 January 2014. On 9 July the ECOFIN Council adopted regulations setting the permanent conversion rate for the Latvian lats against the euro.

On 27 June the ECOFIN Council set out its position on a draft framework for bank recovery and resolution. The directive would provide national authorities with powers to pre-empt bank crises and to resolve financial institutions in an orderly manner in the event of failure, whilst preserving essential bank operations and minimising taxpayers' exposure to losses. It would establish a range of instruments to tackle potential bank crises at three stages: preparatory and preventative, early intervention, and resolution. Institutions would draw up recovery plans setting out the measures they would take to restore their financial position and update them annually. The authorities would have to prepare resolution plans for each institution, setting out the actions they might take if an institution were to qualify for resolution. The aim is to adopt the directive before the end of 2013.

Eurogroup statements

On 20 June the Eurogroup agreed on the main features of the European Stability Mechanism's (ESM) direct bank recapitalisation instrument. The Eurogroup agreed that there will be strict eligibility criteria for this instrument, with private capital resources to be explored as a first solution. The contributions of the requesting Member State and the ESM will be determined by a burden-sharing scheme to cater for the existence of legacy assets and to ensure that incentives remain aligned between the ESM and the requesting Member State. The volume of possible direct bank recapitalisations will be limited to €60 billion, but can be reviewed by the ESM Board of Governors, if necessary. Possible cases will be discussed and assessed on their own merits once the instrument enters into force.

European Commission acts to make bank accounts cheaper, more transparent and accessible to all

On 8 May the European Commission published its proposal for a Directive to make bank accounts cheaper, more transparent and accessible to all. The proposals:

- make it easier for consumers to compare the fees charged for payment accounts by banks and other payment service providers in the European Union;
- establish a simple and quick procedure for consumers who wish to change their payment account to another bank or payment service provider;
- improve access to payment accounts by allowing EU consumers to open a payment account in the country where the payment service provider is located, even if they may reside in a different country.

These measures should enable consumers to benefit from better offers and lower costs on bank accounts. At the same time, the financial services industry will benefit from increased mobility of clients with reduced barriers to entry.

International Monetary Fund/World Bank Spring Meetings 2013

On 20 April the International Monetary and Financial Committee (IMFC) noted that there is a need to act decisively to nurture a sustainable recovery and restore the resilience of the global economy. Financial sector repair and reform remain a priority. Advanced economies need to tackle structural weaknesses that weigh on growth, while implementing credible fiscal plans. The Committee highlighted the need to maintain an accommodative monetary stance, but noted that credible fiscal consolidation plans and progress on financial and structural reforms are also required. Emerging market and developing economies experiencing relatively high growth should begin to rebuild policy space while those exposed to volatile capital flows should avoid financial vulnerabilities. The IMFC also called for a new quota formula that would increase the share of dynamic economies in the IMF in the general quota reform that is expected to be completed by January 2014.

On 20 April the Development Committee said that sustained economic growth in developing countries in recent years halved extreme poverty well ahead of 2015, the target date. However, significant global challenges remain. Global macroeconomic stability is not yet restored, unemployment is still high, and food prices continue to be volatile. They also welcomed the contribution of the private sector to growth and job creation.

The Group of Seven

The G7 finance ministers and central bankers met outside London on 10 May. The meeting focused on the necessary actions advanced economies can take to help the global recovery and ensure it is sustainable and lasting. Discussions were also held on unfinished banking reforms and measures needed to deal with failing banks. The G7 also reaffirmed that domestic economic objectives should be attained through fiscal and monetary policy and not exchange rate targets.

The Group of Eight

On 17 - 18 June G8 leaders meeting in Northern Ireland reiterated their commitment to break down barriers at home and abroad by resisting protectionism and concluding a set of ambitious trade deals. In the area of taxation, they committed themselves to establish the automatic exchange of information between tax authorities as the new global standard, and to work with the Organisation for Economic Co-Operation and Development (OECD) to develop rapidly a multilateral model, which will make it easier for governments to find and punish tax evaders. On tax avoidance, they supported the OECD's work to tackle base erosion and profit shifting. The G8 also stated that they will work to create a common template for multinationals to report to tax authorities where they make their profits and pay their taxes across the world. Agreement was also reached on a transformative Open Data Charter to make budget data and other government information public in an easily accessible way.

The Group of Twenty

The G20 finance ministers and central bankers met on 19 April in Washington DC, United States. They agreed to watch out for any negative effects that could emerge from the monetary stimulus that followed the crisis. Discussions also focused on the ongoing problems of the euro zone, urging the euro area to quickly move toward a banking union to help revive the region's economy. G20 finance ministers and central bankers also reaffirmed their determination to enhance growth and job creation, underscoring the importance of long-term financing for investment, including in infrastructure. They also highlighted the importance of completing the ongoing reforms of IMF governance, adding that more needs to be done to address the issues of international tax avoidance and evasion.

STATISTICAL TABLES

The Maltese Islands - Key information, social and economic statistics
(as at end-Mar 2013, unless otherwise indicated)

CAPITAL CITY	Valletta		
AREA	316 km^2		
CURRENCY UNIT	Euro exchange rates[1]:	EUR 1 = USD 1.2805	
		EUR 1 = GBP 0.8456	
CLIMATE	Average temperature (2013):	Jan. - Mar.	13.6°C
	Average temperature (2012):	July - Sep.	27.4°C
	Annual rainfall (2012)		519.2mm
SELECTED GENERAL	GDP growth at constant 2000 prices[2]		1.6%
ECONOMIC STATISTICS	GDP per capita at current market prices[2]		EUR16,300
	GDP per capita in PPS relative to the EU-27 average (2012)		86.0%
	Ratio of gross general government debt to GDP[2] (2012)		71.6%
	Ratio of general government deficit to GDP[2] (2012)		3.3%
	RPI inflation rate (12-month moving average)		2.4%
	HICP inflation rate (12-month moving average)		3.1%
	Ratio of exports of goods and services to GDP[2]		91.2%
	Ratio of current account deficit to GDP[2]		6.2%
	Employment rate[3]		59.7%
	Unemployment rate[3]		6.1%
	Long term government bond yield		3.6%
POPULATION	Total Maltese and foreigners (2012)		421,230
	Males		209,732
	Females		211,498
	Age composition in % of population (2012)		
	0 - 14		14.6%
	15 - 64		68.3%
	65 +		17.2%
	Annual growth rate (2012)		0.9%
	Density per km^2 (2012)		1,333
HEALTH	Life expectancy at birth (2011)		80.5
	Males		78.4
	Females		82.6
	Crude birth rate, per 1,000 Maltese inhabitants (2011)		10.3
	Crude mortality rate, per 1,000 Maltese inhabitants (2011)		7.9
	Doctors (2012)		1,572
EDUCATION	Gross enrolment ratio (2010/2011)		70.6%
	Teachers per 1,000 students (2009/2010)[2]		130
ELECTRICITY	Domestic Consumption (million kwh) (2011)		593
WATER	Average daily consumption ('000 m^3) (2011)		81
LIVING STANDARDS	Human Development Index: rank out of 187 countries (2012)		32
	Mobile phone subscriptions per 100 population		130.0
	Internet subscribers per 100 population		33.5
	Private motor vehicle licences per 100 population		57.7

[1] End of month ECB reference rates.
[2] Provisional.
[3] Labour Force Survey.
Sources: Central Bank of Malta; Eurostat; Ministry of Finance; 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 March 2013:

Akbank T.A.S.
AgriBank p.l.c. (from February 2013)
APS Bank Ltd.
Banif Bank Malta p.l.c.
Bank of Valletta p.l.c.
BAWAG Malta Bank Ltd.
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 (from November 2011)
Ferratum Bank Limited (from February 2013)
FIMBank p.l.c. (from August 2011)
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. (from July 2005)
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.

As from *Quarterly Review 2013:1* , the Central Bank of Malta discontinued to publish the weighted average deposit and lending rates in Table 1.21 - Other rates and indicators. Interest rates paid and charged by MFIs in Malta reported according to harmonised definition established by the ECB are shown in Table 1.18 - 'Monetary Financial Institutions Interest Rates on Deposits and Loans to Residents of Malta', and Table 1.19 - 'Monetary Financial Institutions Interest Rates on Deposits and Loans to Euro Area Residents'.

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.

Monetary, Banking and Financial Markets

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

EUR millions

End of period	External assets				IMF currency subscription	Central government securities	Other assets	Total assets/ liabilities
	Gold	IMF-related assets[2]	Other[3]	Total				
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 in foreign currency		Lending related to monetary policy operations	Intra-Eurosystem claims	Other assets[4]	Total assets/ liabilities
		Claims on euro area residents	Claims on non-euro area residents	Claims on euro area residents	Claims on non-euro area residents				
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	3.7	1,067.1	94.3	250.8	399.0	1,074.5	49.4	707.3	3,646.1
2011	10.3	1,382.9	182.3	276.7	387.0	498.2	51.0	769.8	3,558.2
2012									
Jan.	8.3	1,334.3	204.8	358.2	413.4	506.1	50.4	764.3	3,639.8
Feb.	8.8	1,306.1	236.2	279.7	473.8	474.3	50.4	785.9	3,615.2
Mar.	13.0	1,281.8	281.4	246.9	491.6	557.0	50.4	787.1	3,709.2
Apr.	13.0	1,308.5	322.2	280.8	452.4	532.3	50.4	772.7	3,732.3
May	13.0	1,300.1	346.6	237.2	479.0	595.7	50.4	756.5	3,778.4
June	13.1	1,279.3	342.0	251.7	544.4	614.7	50.4	746.7	3,842.2
July	10.9	1,317.6	348.6	261.9	529.1	691.5	50.4	722.3	3,932.3
Aug.	9.8	1,341.1	367.4	286.5	516.1	636.6	50.4	747.5	3,955.4
Sep.	9.9	1,322.6	363.8	240.7	529.5	592.6	50.4	789.2	3,898.7
Oct.	10.4	1,268.3	362.3	222.6	479.7	648.3	50.4	740.8	3,782.9
Nov.	11.5	1,290.5	374.5	178.1	435.1	537.2	50.4	732.4	3,609.6
Dec.	13.4	1,305.0	382.7	224.2	512.1	378.2	52.8	736.2	3,604.4
2013									
Jan.	13.4	1,264.9	363.7	180.0	445.9	300.8	459.1	891.0	3,918.7
Feb.	14.4	1,178.8	374.1	178.7	435.5	337.7	449.2	889.2	3,857.6
Mar.	14.3	1,186.1	399.4	152.9	471.8	319.7	669.7	962.3	4,176.1

[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.

Monetary, Banking and Financial Markets

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			
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]
		Total	(of which): Minimum Reserve Requirements	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	474.5	366.3	80.4	33.8	0.1	12.5	719.4	99.4	235.2
2009	673.4	584.6	447.6	397.7	86.8	71.6	0.0	103.9	908.7	156.1	261.7
2010	701.2	501.2	470.4	410.9	97.0	96.5	0.0	110.4	1,329.7	116.2	280.7
2011	737.6	1,101.1	431.6	438.6	86.5	122.5	0.0	113.2	557.9	103.1	297.1
2012											
Jan.	721.1	1,054.7	220.5	272.1	88.8	121.5	0.0	113.2	874.7	106.5	287.2
Feb.	719.9	895.0	219.2	542.2	83.3	145.9	0.0	113.2	725.5	93.9	296.3
Mar.	722.1	554.6	215.9	440.8	89.7	151.1	0.1	110.7	1,245.1	96.5	298.4
Apr.	725.3	1,049.0	218.0	386.7	90.2	144.7	0.1	110.7	842.9	83.7	299.0
May	732.9	636.2	215.8	361.9	90.3	99.3	0.0	110.7	1,356.4	91.1	299.5
June	741.8	581.7	227.0	518.0	91.3	128.7	0.0	115.0	1,269.9	96.6	299.1
July	745.2	519.3	224.3	480.8	93.2	106.0	0.0	115.0	1,474.3	98.1	300.3
Aug.	744.0	546.1	276.1	559.0	91.8	157.8	0.0	115.0	1,335.1	105.4	301.0
Sep.	740.8	1,028.3	254.6	697.5	85.1	180.4	0.0	113.8	631.4	116.8	304.6
Oct.	739.9	1,372.9	234.6	357.3	84.9	132.2	0.0	113.8	555.1	121.8	305.0
Nov.	738.5	1,304.8	247.0	457.8	93.3	167.7	77.3	113.8	224.3	126.2	305.8
Dec.	757.5	1,474.0	252.6	297.0	84.8	151.6	0.0	111.2	292.0	105.6	330.7
2013											
Jan.	732.5	1,356.7	249.1	344.9	458.1	135.8	254.3	111.2	96.5	123.8	304.8
Feb.	730.4	993.6	232.0	380.6	802.7	108.6	204.6	111.2	101.8	93.8	330.4
Mar.	743.8	1,351.1	738.5	416.8	688.7	168.7	156.9	111.6	113.5	96.0	329.0

[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.

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	0.1	6.2	343.9	350.1	1,910.9	434.4	301.8	2,647.1	612.9	3,610.3
2012	0.3	6.3	302.3	308.6	1,729.6	760.9	315.4	2,806.0	556.2	3,671.1
2013										
Jan.	0.3	6.2	307.4	313.6	2,043.8	821.8	318.1	3,183.7	479.3	3,977.0
Feb.	0.3	6.2	310.2	316.4	1,947.1	828.5	305.3	3,080.9	525.3	3,923.0
Mar.	0.3	6.2	314.9	321.1	2,189.4	979.9	299.4	3,468.7	454.2	4,244.4

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	783.4	532.5	12.7	545.2	428.5	86.6	134.3	649.4	454.8	1,177.4
2012	807.9	335.3	17.4	352.7	201.3	84.9	93.6	379.8	490.9	1,640.1
2013										
Jan.	782.7	359.7	16.9	376.6	0.0	91.2	724.5	815.7	476.6	1,525.4
Feb.	780.5	388.0	17.4	405.5	0.0	80.7	1,036.9	1,117.6	476.0	1,143.3
Mar.	794.7	469.7	17.9	487.6	0.0	88.5	879.7	968.3	475.3	1,518.5

[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 of Malta issues less, or more, currency than the amount attributed to it under the banknote allocation key, the shortfall, or excess, will be reflected in intra-Eurosystem claims, or liabilities, respectively.

[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	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	1,179.9	8,438.6	1,946.1	169.0	10,111.8	27,921.1	665.8	38,698.7	914.9	51,347.1
2012										
Jan.	1,123.7	8,420.1	1,939.4	168.5	9,843.9	28,923.2	691.2	39,458.3	910.8	52,020.9
Feb.	966.1	8,486.8	2,005.4	168.4	10,048.0	28,333.0	673.3	39,054.3	909.9	51,591.0
Mar.	624.0	8,491.2	2,002.1	167.9	9,361.5	28,991.8	622.2	38,975.5	839.5	51,100.2
Apr.	1,104.5	8,508.4	2,012.0	168.8	8,432.9	30,236.9	643.6	39,313.3	893.0	51,999.9
May	683.5	8,523.3	2,024.6	169.0	8,219.6	31,812.4	785.2	40,817.2	906.9	53,124.6
June	686.9	8,536.4	2,046.6	167.9	8,019.4	31,911.1	781.0	40,711.5	918.5	53,067.9
July	621.6	8,540.6	2,101.6	174.4	9,044.4	32,874.0	789.8	42,708.2	894.6	55,041.0
Aug.	700.8	8,542.4	2,114.7	175.1	8,521.2	32,058.4	814.6	41,394.2	922.6	53,849.8
Sep.	1,330.5	8,585.0	2,079.5	175.1	9,566.9	30,730.4	769.9	41,067.2	896.5	54,133.8
Oct.	1,509.3	8,545.0	2,023.0	175.6	9,228.9	30,162.0	721.2	40,112.0	892.3	53,257.2
Nov.	1,480.8	8,568.8	2,057.5	175.8	9,202.3	31,538.1	771.5	41,511.9	865.8	54,660.6
Dec.	1,644.2	8,567.6	1,939.0	176.0	8,776.0	30,810.7	721.1	40,307.9	892.2	53,526.9
2013										
Jan.	1,518.1	8,552.4	2,067.9	175.6	8,655.1	30,955.6	647.4	40,258.2	899.1	53,471.3
Feb.	1,136.6	8,577.4	2,066.0	175.9	8,595.6	32,034.2	663.4	41,293.2	923.6	54,172.8
Mar.	1,517.9	8,648.9	2,105.9	176.6	8,362.3	32,198.1	665.2	41,225.5	876.9	54,551.7

[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[4]	Capital & reserves	Other liabilities
	Withdraw-able on demand	Redeem-able at notice	With agreed maturity	Total	Deposits from other residents of the euro area[3]	Deposits from non-residents of the euro area[3]	Other external liabilities[4]	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	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	4,686.6	122.6	5,096.6	9,905.8	6,901.8	16,889.2	5,679.9	29,470.9	354.3	9,815.5	1,800.6
2012											
Jan.	4,812.1	124.4	5,115.9	10,052.5	6,793.4	16,830.4	6,051.2	29,675.0	354.0	10,001.4	1,938.0
Feb.	4,742.3	128.3	5,107.3	9,977.9	6,341.1	17,082.8	5,948.3	29,372.2	353.6	9,985.5	1,901.8
Mar.	4,798.9	124.1	5,141.0	10,064.1	6,199.1	17,041.9	5,754.6	28,995.6	353.8	9,799.8	1,886.9
Apr.	4,837.0	131.4	5,138.9	10,107.2	6,186.1	17,437.8	6,220.4	29,844.3	394.0	9,817.2	1,837.3
May	4,930.3	137.6	5,127.2	10,195.2	6,303.7	17,406.5	7,120.2	30,830.4	395.3	9,737.9	1,965.8
June	4,969.7	144.3	5,057.2	10,171.2	6,402.0	17,098.7	6,982.6	30,483.2	395.1	9,939.7	2,078.6
July	5,038.9	141.2	5,097.1	10,277.2	6,260.6	18,828.5	6,900.0	31,989.1	395.6	10,274.7	2,104.5
Aug.	5,067.9	138.6	5,111.4	10,317.9	6,175.1	17,435.8	7,203.9	30,814.8	395.2	10,291.2	2,030.8
Sep.	5,111.8	144.0	5,099.2	10,355.0	6,369.7	17,546.9	7,184.8	31,101.4	394.6	10,245.4	2,037.3
Oct.	5,063.6	142.3	5,186.9	10,392.8	6,597.1	16,273.4	7,195.5	30,066.0	393.2	10,289.7	2,115.4
Nov.	5,094.8	149.6	5,150.2	10,394.6	6,908.3	17,245.3	7,312.4	31,466.0	390.8	10,449.2	1,960.0
Dec.	5,190.0	151.8	5,149.2	10,491.0	6,966.1	16,296.1	7,204.1	30,466.2	403.1	10,370.0	1,796.6
2013											
Jan.	5,223.8	156.9	5,197.5	10,578.2	6,548.2	16,406.1	7,479.1	30,433.3	402.5	10,351.6	1,705.7
Feb.	5,201.0	113.0	5,191.2	10,505.1	7,085.8	16,121.9	7,972.6	31,180.3	402.8	10,248.2	1,836.4
Mar.	5,399.9	116.4	5,207.0	10,723.3	7,356.5	15,758.6	8,381.6	31,496.6	403.3	10,197.8	1,730.6

[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] Includes inter-bank deposits.

[4] 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 with non-residents.

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					
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	674.4	4,225.1	99.5	123.5	0.7	3,848.1	157.5	241.6	9,370.5
2011	710.6	4,590.9	124.1	122.5	2.6	3,693.1	228.2	204.3	9,676.3
2012									
July	723.7	4,954.5	181.6	141.1	2.1	3,673.7	320.8	211.4	10,209.0
Aug.	719.7	4,980.0	180.1	138.5	2.1	3,678.4	295.2	202.7	10,196.7
Sep.	718.7	5,025.9	184.6	144.0	1.7	3,660.3	340.8	202.5	10,278.3
Oct.	715.8	4,984.9	172.0	142.2	1.7	3,729.5	369.6	190.5	10,306.1
Nov.	713.5	5,013.7	179.8	149.5	1.5	3,701.3	378.4	189.8	10,327.4
Dec.	726.5	5,110.4	169.7	151.7	1.6	3,686.3	480.1	191.5	10,517.8
2013									
Jan.	716.8	5,153.1	191.6	156.8	1.5	3,728.5	360.6	195.7	10,504.6
Feb.	714.6	5,124.6	178.9	112.9	1.5	3,701.3	386.1	189.1	10,409.0
Mar.	721.9	5,333.1	190.2	113.3	1.5	3,712.5	454.3	195.5	10,722.4

[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 that are not conducted through central counterparties 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			
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	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	9,676.3	2,353.4	8,550.5	2,240.9	2,929.5	16,074.3	29,300.0	21,460.0	7,840.0	14,238.0
2012										
Jan.	9,859.2	2,354.5	8,530.4	2,186.6	2,960.0	16,031.5	30,369.4	21,709.8	8,659.7	14,831.9
Feb.	9,798.8	2,443.9	8,592.8	2,195.7	3,021.6	16,254.0	29,845.5	21,878.5	7,967.0	14,422.2
Mar.	9,832.6	2,426.7	8,590.1	1,832.7	3,062.2	15,911.7	30,542.9	21,709.5	8,833.4	14,912.6
Apr.	9,865.7	2,433.9	8,608.6	1,810.3	2,868.7	15,721.5	31,812.3	22,428.4	9,383.9	15,239.8
May	9,976.4	2,433.1	8,628.7	1,832.2	2,843.7	15,737.8	33,606.9	23,313.1	10,293.8	16,055.2
June	10,014.0	2,450.4	8,646.9	1,726.6	2,780.7	15,604.6	33,711.7	22,892.4	10,819.2	16,409.8
July	10,209.0	2,502.2	8,660.1	1,404.6	3,359.4	15,926.3	34,673.6	24,928.7	9,744.9	15,462.2
Aug.	10,196.7	2,523.2	8,659.2	1,391.9	3,431.2	16,005.5	33,866.2	23,713.4	10,152.7	15,961.5
Sep.	10,278.3	2,453.6	8,696.6	1,364.9	3,445.6	15,960.6	32,533.9	23,741.2	8,792.7	14,474.9
Oct.	10,306.1	2,372.0	8,683.6	1,245.7	3,386.1	15,687.4	31,865.9	22,418.2	9,447.7	14,828.9
Nov.	10,327.4	2,398.5	8,708.8	1,279.7	3,378.8	15,765.8	33,279.5	23,584.1	9,695.5	15,133.8
Dec.	10,517.8	2,287.1	8,704.1	1,261.1	3,351.0	15,603.3	32,576.8	22,407.7	10,169.1	15,254.6
2013										
Jan.	10,504.6	2,422.5	8,687.1	1,213.3	3,273.2	15,596.0	32,707.0	23,409.9	9,297.1	14,388.5
Feb.	10,409.0	2,422.0	8,713.7	1,147.1	3,375.6	15,658.4	33,814.6	23,738.7	10,075.9	15,325.3
Mar.	10,722.4	2,466.8	8,785.7	1,284.5	3,231.9	15,768.8	34,114.8	23,414.1	10,700.7	15,747.1

[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		
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	701.2	41.0	-	67.7	674.4	104.5
2011	737.6	45.8	-	72.8	710.6	130.0
2012						
Jan.	721.1	45.3	-	60.2	706.3	137.5
Feb.	719.9	45.0	-	62.0	702.9	142.2
Mar.	722.1	45.2	-	65.4	701.9	148.8
Apr.	725.3	45.8	-	65.0	706.1	147.1
May	732.9	46.3	-	60.1	719.1	132.6
June	741.8	47.0	-	71.5	717.4	137.1
July	745.2	48.2	-	69.7	723.7	118.3
Aug.	744.0	49.0	-	73.3	719.7	101.5
Sep.	740.8	48.9	-	70.9	718.7	98.7
Oct.	739.9	49.3	-	73.4	715.8	88.0
Nov.	738.5	50.1	-	75.1	713.5	86.8
Dec.	757.5	50.1	-	81.4	726.2	90.7
2013						
Jan.	732.5	50.2	-	65.9	716.8	96.5
Feb.	730.4	50.2	-	65.9	714.6	101.8
Mar.	743.8	50.8	-	72.8	721.9	113.5

[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	46.7	7.8	23.5	8.2	7.2	46.7
2012						
Sep.	45.0	7.3	22.4	8.1	7.2	45.0
Dec.	44.6	7.3	22.1	8.1	7.2	44.6
2013						
Mar.	44.2	7.2	21.8	8.1	7.2	44.2

[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	-9.4	9.6	326.8	266.1	-18.6	77.9	215.2	867.6
2012								
Sep.	-12.0	-2.2	309.2	278.3	-62.2	79.4	249.1	839.6
Dec.	-12.7	-4.1	309.1	294.3	-78.9	79.7	260.7	848.1
2013								
Mar.	-13.4	-6.2	304.8	307.6	-91.5	80.1	276.0	857.3

[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	0.1	0.6	1.4	2.3	3.9	6.1	9.8	21.7	45.8
2012									
Sep.	0.1	0.7	1.5	2.5	4.1	6.5	10.3	23.3	48.9
Dec.	0.1	0.7	1.5	2.5	4.1	6.5	10.2	24.4	50.1
2013									
Mar.	0.1	0.7	1.6	2.5	4.2	6.5	10.2	25.0	50.8

Table 1.8 Deposits held with other monetary financial institutions by sector[1]

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	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	239.0	763.6	279.6	229.7	1,912.7	7,244.8	10,669.4	8,046.4	20,748.6	39,464.4
2012										
Jan.	237.3	865.0	280.1	256.7	1,986.0	7,292.4	10,917.5	7,999.9	20,922.7	39,840.2
Feb.	225.0	822.9	260.8	345.7	1,879.9	7,266.5	10,800.8	7,519.0	21,138.8	39,458.6
Mar.	233.5	877.3	255.8	373.1	1,879.3	7,322.4	10,941.4	7,328.6	21,020.6	39,290.5
Apr.	231.5	862.8	268.5	325.8	1,947.8	7,333.6	10,970.0	7,454.7	21,706.7	40,131.4
May	221.1	940.3	261.2	383.6	1,955.5	7,373.8	11,135.5	7,580.5	22,424.4	41,140.5
June	226.9	954.8	238.1	431.7	1,930.6	7,344.0	11,126.1	7,589.4	22,143.8	40,859.2
July	229.4	1,058.3	243.1	353.8	2,056.1	7,394.8	11,335.5	7,030.7	24,113.1	42,479.4
Aug.	231.9	982.9	254.7	372.3	2,011.5	7,447.5	11,300.8	7,058.7	22,923.6	41,283.0
Sep.	229.2	930.4	252.0	352.0	2,011.3	7,510.6	11,285.5	7,307.1	22,999.7	41,592.2
Oct.	227.8	969.5	249.1	357.5	2,057.9	7,500.5	11,362.3	7,603.2	21,692.4	40,658.0
Nov.	225.4	857.3	264.8	361.5	1,997.4	7,545.5	11,251.9	7,933.2	22,755.4	41,940.5
Dec.	219.2	683.1	271.4	343.8	2,022.5	7,634.0	11,174.0	8,031.1	21,690.6	40,895.8
2013										
Jan.	218.0	596.2	266.7	357.0	2,048.4	7,688.0	11,174.4	7,640.7	21,995.4	40,810.5
Feb.	222.3	644.1	228.8	348.8	2,001.3	7,703.9	11,149.2	8,346.7	22,092.7	41,588.6
Mar.	211.2	573.9	222.2	338.4	2,139.3	7,812.3	11,297.2	8,823.0	21,976.5	42,096.8

[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		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
Oct.		9,671.3	422.6	437.9	98.8		6,576.4	2,351.4	19,968.9	39,527.3
Nov.		9,620.7	429.9	454.4	104.1		6,069.8	2,516.2	20,810.6	40,005.8
Dec.		9,592.4	518.9	454.4	103.7		5,857.6	2,188.8	20,748.6	39,464.4
2012										
Jan.		9,765.5	497.2	545.5	109.4		5,734.4	2,265.5	20,922.7	39,840.2
Feb.		9,720.5	438.2	518.7	123.4		5,793.2	1,725.9	21,138.8	39,458.6
Mar.		9,881.4	444.7	506.2	109.0		5,740.6	1,588.0	21,020.6	39,290.6
Apr.		9,836.5	489.0	533.6	110.9		5,869.6	1,585.1	21,706.7	40,131.4
May		9,963.9	492.7	563.2	115.7		5,630.8	1,949.8	22,424.4	41,140.5
June		9,939.4	493.1	576.5	117.1		5,595.6	1,993.8	22,143.8	40,859.2
July		10,114.5	493.0	608.5	119.6		5,081.5	1,949.2	24,113.1	42,479.4
Aug.		10,103.6	486.1	596.4	114.7		5,074.2	1,984.5	22,923.5	41,283.0
Sep.		10,098.3	490.9	583.0	113.2		5,290.4	2,016.7	22,999.7	41,592.2
Oct.		10,186.2	467.8	566.4	141.9		5,505.7	2,097.5	21,692.5	40,658.0
Nov.		10,082.1	470.0	555.8	144.1		5,601.1	2,332.1	22,755.4	41,940.5
Dec.		9,971.6	481.1	568.9	152.4		5,276.0	2,755.1	21,690.6	40,895.8
2013										
Jan.		9,986.5	447.8	590.9	149.2		5,149.1	2,491.6	21,995.4	40,810.5
Feb.		10,011.8	441.8	538.2	157.4		5,276.1	3,070.6	22,092.7	41,588.6
Mar.		10,108.6	494.0	535.5	159.1		5,326.7	3,496.3	21,976.5	42,096.8

[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	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
Oct.	754.6	3,388.1	2,102.6	16,480.8	22,726.1
Nov.	755.6	3,403.0	2,138.1	16,509.9	22,806.5
Dec.	760.5	3,421.3	2,151.5	16,797.3	23,130.7
2012					
Jan.	750.6	3,430.3	2,181.8	16,441.4	22,804.2
Feb.	751.2	3,444.3	2,208.1	16,489.1	22,892.6
Mar.	755.5	3,472.4	2,228.1	16,387.6	22,843.5
Apr.	755.4	3,475.0	2,249.3	16,483.7	22,963.3
May	756.6	3,487.8	2,323.0	16,810.0	23,377.4
June	758.0	3,494.4	2,316.9	16,878.0	23,447.1
July	755.8	3,510.7	2,272.2	15,371.1	21,909.8
Aug.	754.2	3,520.3	2,307.7	15,621.5	22,203.7
Sep.	759.6	3,540.4	2,291.1	15,467.3	22,058.4
Oct.	758.7	3,555.0	2,251.4	15,299.2	21,864.3
Nov.	757.6	3,574.4	2,286.9	15,210.8	21,829.7
Dec.	754.6	3,580.7	2,308.6	15,271.8	21,915.6
2013					
Jan.	748.0	3,588.2	2,262.1	15,238.8	21,837.0
Feb.	746.2	3,594.5	2,279.5	15,379.3	21,999.6
Mar.	745.1	3,615.6	2,235.6	15,204.7	21,801.0

[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] Amounts in euro 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	Accommodation 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	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
Oct.	527.8	512.4	276.9	1,101.7	438.3	829.4	396.9	2,853.5	373.8	315.5	3,542.8	692.6	807.1	7,511.7
Nov.	533.5	512.3	279.6	1,102.3	455.2	848.6	398.3	2,871.7	375.3	314.6	3,561.6	700.8	815.5	7,576.8
Dec.	539.8	526.5	280.8	1,092.7	459.8	847.9	396.6	2,892.9	382.9	314.0	3,589.8	706.7	826.1	7,614.5
2012														
Jan.	537.2	524.3	283.9	1,088.3	457.8	836.2	395.1	2,906.8	374.6	312.8	3,594.2	704.1	819.3	7,601.8
Feb.	547.9	521.0	288.8	1,082.4	455.9	877.9	396.4	2,921.8	374.1	311.3	3,607.2	732.1	828.3	7,681.5
Mar.	538.2	515.5	303.8	1,088.9	465.2	831.2	400.3	2,939.3	378.9	312.2	3,630.4	733.2	820.6	7,686.0
Apr.	555.4	506.9	301.6	1,082.8	462.2	843.4	396.1	2,949.4	380.2	310.9	3,640.5	735.6	838.4	7,686.0
May	555.2	514.1	306.3	1,080.3	465.1	833.5	397.1	2,964.2	381.8	312.1	3,658.2	730.1	841.0	7,698.8
June	552.0	517.7	310.5	1,078.5	468.4	822.1	393.4	2,983.0	381.1	313.1	3,677.3	733.1	837.7	7,715.3
July	553.0	514.6	305.0	1,062.6	465.9	824.3	392.4	2,999.3	381.3	312.2	3,692.7	746.4	835.9	7,720.9
Aug.	540.1	510.9	309.3	1,047.9	460.8	841.4	389.2	3,016.2	380.9	307.0	3,704.1	740.1	818.5	7,725.5
Sep.	535.3	512.6	310.3	1,055.8	463.5	836.5	394.3	3,035.7	384.3	308.6	3,728.6	749.3	814.6	7,771.6
Oct.	530.1	500.0	330.5	1,047.1	461.6	833.7	393.2	3,047.2	382.9	309.3	3,739.5	710.7	800.4	7,746.1
Nov.	530.8	501.1	338.9	1,037.7	459.8	847.5	392.0	3,063.7	383.1	309.2	3,756.0	707.2	802.3	7,768.7
Dec.	280.1	502.0	333.8	1,024.0	468.2	829.9	398.4	3,088.2	387.1	301.5	3,776.8	955.4	794.4	7,774.2
2013														
Jan.	291.7	495.0	327.0	1,006.6	473.8	836.3	398.6	3,099.2	382.7	300.8	3,782.6	941.8	802.2	7,751.3
Feb.	296.7	496.6	326.9	980.8	477.1	848.9	416.3	3,107.2	380.8	299.6	3,787.5	951.6	808.6	7,773.8
Mar.	291.8	506.8	360.2	997.7	476.6	837.7	420.7	3,123.3	378.8	302.0	3,804.2	958.3	810.9	7,843.1

[1] As from 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[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	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	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	6,507.8	18,257.8	33,433.7
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
Oct.	144.7	928.5	5.2	178.4	4,084.6	3,905.5	9,246.9	6,572.0	17,580.3	33,399.2
Nov.	149.7	1,224.9	3.0	180.8	4,130.8	3,926.9	9,616.2	6,594.5	17,745.9	33,956.6
Dec.	150.5	1,176.7	2.6	179.5	4,153.9	3,952.2	9,615.4	6,324.2	17,368.4	33,308.0
2012										
Jan.	150.4	1,116.3	2.0	179.9	4,132.1	3,955.8	9,536.5	6,083.7	17,888.5	33,508.7
Feb.	151.9	984.5	3.1	186.9	4,174.0	3,971.0	9,471.3	6,238.0	17,841.9	33,551.1
Mar.	156.5	621.7	2.8	184.8	4,151.0	3,996.1	9,112.8	6,159.6	17,683.9	32,956.3
Apr.	158.2	1,099.2	3.0	184.6	4,158.9	4,003.7	9,607.6	5,230.8	18,838.3	33,676.7
May	156.2	687.7	3.1	180.0	4,166.1	4,018.0	9,211.0	5,087.7	19,216.3	33,515.1
June	156.7	706.1	4.1	180.8	4,166.9	4,027.9	9,242.5	5,078.7	19,263.9	33,585.1
July	156.6	638.4	2.4	186.4	4,154.1	4,041.2	9,179.0	5,920.1	18,712.4	33,811.6
Aug.	156.2	694.9	5.0	185.6	4,144.5	4,051.0	9,237.3	5,451.0	18,891.5	33,579.8
Sep.	158.8	1,324.1	4.1	189.1	4,154.3	4,078.7	9,909.1	6,452.3	18,013.0	34,374.4
Oct.	129.9	1,518.3	3.8	184.9	4,138.8	4,087.7	10,063.3	6,071.5	17,615.2	33,750.0
Nov.	129.2	1,483.2	3.1	177.7	4,154.1	4,104.5	10,052.0	6,089.9	18,195.3	34,337.2
Dec.	130.3	1,616.3	4.0	423.7	3,886.4	4,123.3	10,183.9	5,723.0	17,480.6	33,387.5
2013										
Jan.	129.7	1,501.3	2.1	420.0	3,877.6	4,123.1	10,053.7	5,695.6	18,026.1	33,775.4
Feb.	130.6	1,133.6	2.4	422.0	3,894.0	4,128.4	9,711.0	5,597.6	18,311.4	33,620.0
Mar.	131.0	1,501.7	2.1	423.1	3,944.4	4,148.3	10,150.5	5,240.9	18,575.4	33,966.8

[1] Includes the extra-budgetary units.

[2] For the purposes of this table, loans include interbank deposits.

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			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			1,050.2	2,966.3	87.7	49.7			277.2	3,662.6	2.5	9.9		1,485.0	24.2	9,615.4
2012																
Jan.			1,041.9	2,959.5	78.2	52.6			269.8	3,674.0	2.1	9.9		1,424.5	24.2	9,536.5
Feb.			1,066.4	2,954.9	87.4	65.3			271.4	3,687.4	2.4	9.8		1,300.1	26.2	9,471.3
Mar.			1,052.2	2,975.2	83.7	40.0			274.5	3,707.8	2.5	11.3		943.0	22.8	9,112.8
Apr.			1,075.3	2,950.1	91.6	42.0			274.0	3,715.6	2.7	11.4		1,421.8	23.3	9,607.6
May			1,078.4	2,963.0	81.4	43.3			272.1	3,731.4	3.1	11.5		1,000.1	26.8	9,211.0
June			1,072.9	2,976.5	74.6	43.0			265.8	3,747.9	2.7	11.4		1,003.8	43.9	9,242.5
July			1,045.4	2,975.4	89.8	43.5			262.4	3,764.5	2.7	11.6		929.9	53.8	9,179.0
Aug.			1,031.0	2,971.7	100.3	41.5			263.2	3,780.4	2.4	5.0		951.3	90.5	9,237.3
Sep.			1,006.2	3,022.0	85.2	40.9			270.2	3,802.2	2.5	3.8		1,589.3	86.8	9,909.1
Oct.			1,001.1	3,012.9	84.7	40.1			270.0	3,811.3	2.5	3.8		1,758.5	78.3	10,063.3
Nov.			1,009.1	3,004.7	93.4	46.8			269.2	3,828.5	3.1	3.8		1,695.1	98.2	10,052.0
Dec.			964.3	2,787.9	88.1	46.1			270.6	3,845.8	3.1	3.7		2,094.6	79.7	10,183.9
2013																
Jan.			974.0	2,771.7	87.9	44.1			264.0	3,853.1	2.3	3.8		1,980.6	72.4	10,053.7
Feb.			988.2	2,764.5	118.4	22.9			262.8	3,859.5	2.4	3.6		1,624.9	63.7	9,711.0
Mar.			1,019.2	2,786.7	115.8	22.8			264.1	3,877.7	2.9	3.6		1,989.5	68.3	10,150.5

[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	48.5	8.6	405.9	4.5	144.5	340.5	6.9	959.4
2011	46.2	0.0	354.2	11.1	127.6	308.4	8.0	855.5
2012								
Mar.	50.4	0.0	349.2	22.9	110.3	333.2	7.5	873.5
June	48.7	0.0	363.0	13.9	114.5	346.5	11.5	898.1
Sep.	44.4	0.0	384.3	14.7	117.5	360.7	14.6	936.0
Dec.	52.1	0.5	406.8	4.4	143.8	355.4	9.7	972.8
2013								
Mar.	56.7	1.2	426.2	4.9	148.2	349.5	13.2	1,000.0

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	1.8	910.3	42.9	4.4	959.4
2011	0.1	833.9	18.0	3.5	855.5
2012					
Mar.	0.8	827.1	40.4	5.2	873.5
June	1.0	860.9	31.1	5.2	898.1
Sep.	1.0	883.7	46.5	4.9	936.0
Dec.	0.2	952.9	15.4	4.4	972.8
2013					
Mar.	0.5	979.6	12.8	7.1	1,000.0

[1] Comprising the resident investment funds (IFs). The smallest IFs in terms of total assets (i.e. those IFs that contribute to 5% or less to the quarterly aggregated balance sheet of the total IFs' assets in terms of stocks) 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	247.8	547.4	23.1	166.7	778.7	275.3	2,039.0
2011	264.3	510.8	18.3	162.6	837.0	289.4	2,082.5
2012							
Mar.	233.2	539.7	19.8	161.6	900.0	299.4	2,153.7
June	214.4	569.8	17.9	161.9	891.5	316.2	2,171.6
Sep.	230.2	577.7	18.3	166.4	927.2	319.0	2,238.8
Dec.	207.4	574.3	18.5	167.4	963.4	327.5	2,258.4
2013							
Mar.	205.8	586.2	18.8	171.0	1,006.0	332.7	2,320.6

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	56.9	1,811.0
2010	22.6	289.2	1,628.6	45.1	53.6	2,039.0
2011	11.7	292.1	1,683.0	45.0	50.8	2,082.5
2012						
Mar.	12.0	302.2	1,737.4	46.2	55.8	2,153.7
June	11.9	301.2	1,745.1	49.3	64.1	2,171.6
Sep.	11.9	312.6	1,803.7	46.8	63.8	2,238.8
Dec.	13.3	313.0	1,825.1	48.2	58.8	2,258.4
2013						
Mar.	11.1	319.2	1,876.3	51.2	62.7	2,320.6

[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.

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Table 1.16 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[3]
	General government	Financial Corporations[2]	Non-financial companies[2]	Total	General government	Financial Corporations[2]	Non-financial companies[2]	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
2011	4,312.1	372.7	745.6	5,430.4	322.9	49.1	-4.4	367.5	7.3
2012									
Q1	4,546.0	609.8	495.4	5,651.2	233.9	0.0	-6.3	227.7	-6.8
Q2	4,684.3	648.3	500.4	5,832.9	138.3	37.2	-6.9	168.6	13.1
Q3	4,537.4	647.5	492.8	5,677.7	-146.9	0.0	-2.5	-149.4	-5.8
Q4	4,505.8	657.6	486.6	5,649.9	-31.6	10.6	-2.1	-23.1	-4.7
2013									
Q1	4,832.6	654.9	481.3	5,968.8	326.8	-3.5	-10.5	312.9	6.0

[1] Amounts are at nominal prices.

[2] As from March 2012 debt securities issued by holding companies have been reclassified from Non-Financial Corporations to Financial Corporations in terms of NACE Rev 2.

[3] Net valuation changes reflect exchange rate changes.

Sources: Central Bank of Malta; MSE.

Table 1.17 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[2]
	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
2011	1,618.5	1,022.7	2,641.3	0.2	11.1	11.3	-592.3
2012							
Q1	1,602.5	1,008.9	2,611.5	0.0	0.3	0.3	-30.1
Q2	1,535.3	1,047.0	2,582.4	0.6	0.0	0.6	-29.6
Q3	1,658.1	1,033.7	2,691.8	15.0	0.0	15.0	94.5
Q4	1,687.5	1,066.9	2,754.5	0.0	2.9	2.9	59.7
2013							
Q1	1,761.5	1,090.7	2,852.2	0.0	1.5	1.5	96.2

[1] Amounts are at market prices.

[2] Net valuation changes reflect market price and exchange rate changes.

Sources: Central Bank of Malta; MSE.

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

% per annum	2008	2009	2010	2011	2012			2013		
					Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
NEW BUSINESS										
Deposits	**3.04**	**1.74**	**2.10**	**2.55**	**2.16**	**2.06**	**2.11**	**2.14**	**2.31**	**2.06**
Households and NPISH										
Time deposits with agreed maturity	3.31	2.23	2.50	2.85	2.53	2.24	2.38	2.48	2.95	2.40
up to 1 year	3.06	1.95	2.03	1.99	1.94	1.89	1.91	2.04	2.05	1.95
over 1 and up to 2 years	4.60	3.00	3.00	3.41	3.49	3.48	3.49	3.45	3.60	3.46
over 2 years	4.77	3.44	3.86	3.65	3.60	3.50	3.80	4.29	4.30	4.16
Non-financial corporations										
Time deposits with agreed maturity	2.60	0.85	1.51	1.93	1.73	1.80	1.72	1.71	1.72	1.75
Loans (excluding credit card debt, revolving loans & overdrafts)	**4.88**	**4.49**	**4.71**	**4.10**	**4.81**	**4.79**	**4.22**	**4.52**	**4.74**	**3.98**
Households and NPISH	4.88	4.49	4.20	3.82	3.94	3.99	4.00	3.82	4.00	3.98
Lending for house purchase	3.84	3.51	3.43	3.38	3.32	3.28	3.40	3.25	3.24	3.21
Consumer credit	6.12	6.02	5.81	5.04	5.87	5.74	5.66	5.72	5.66	5.78
Other lending	6.44	5.56	5.86	5.60	5.16	5.69	5.61	5.69	6.03	5.64
APRC[2] for loans to households and NPISH	4.63	4.05	3.94	3.78	3.86	3.82	3.82	3.74	3.82	3.75
Lending for house purchase	4.35	3.70	3.63	3.60	3.54	3.50	3.56	3.46	3.50	3.46
Consumer credit	6.25	6.10	5.89	5.12	5.84	5.77	5.64	5.74	5.69	5.81
Non-financial corporations										
Loans	5.50	4.95	4.86	4.28	5.41	5.55	4.26	5.32	5.66	3.99
OUTSTANDING AMOUNTS										
Deposits	**2.60**	**1.46**	**1.38**	**1.41**	**1.42**	**1.42**	**1.42**	**1.43**	**1.44**	**1.43**
Households and NPISH	2.74	1.57	1.50	1.54	1.57	1.57	1.56	1.57	1.59	1.58
Overnight deposits[3]	0.57	0.30	0.28	0.31	0.33	0.33	0.32	0.34	0.34	0.34
Savings deposits redeemable at notice[3,4]	2.05	1.68	1.59	1.51	1.56	1.56	1.54	1.54	1.53	1.57
up to 3 months	2.09	1.70	1.69	1.61	1.60	1.62	1.60	1.61	1.59	1.59
Time deposits with agreed maturity	3.82	2.35	2.30	2.38	2.45	2.46	2.47	2.48	2.49	2.50
up to 2 years	3.90	2.22	2.08	2.05	2.06	2.06	2.07	2.07	2.08	2.07
over 2 years	3.19	3.06	3.16	3.21	3.39	3.41	3.42	3.44	3.46	3.49
Non-financial corporations	1.73	0.86	0.81	0.84	0.77	0.79	0.79	0.79	0.77	0.80
Overnight deposits[3]	0.64	0.23	0.24	0.30	0.28	0.30	0.28	0.28	0.28	0.29
Time deposits with agreed maturity	3.38	1.99	2.09	2.09	2.08	2.11	2.11	2.08	2.06	2.10
up to 2 years	3.39	1.89	1.97	2.00	1.95	1.98	1.99	1.97	1.93	1.98
over 2 years	3.26	3.35	3.24	3.13	3.42	3.43	3.06	3.07	3.09	3.13
Loans	**5.03**	**4.58**	**4.38**	**4.44**	**4.31**	**4.33**	**4.32**	**4.34**	**4.33**	**4.33**
Households and NPISH	4.57	4.15	4.06	4.02	3.95	3.95	3.94	3.94	3.93	3.92
Lending for house purchase	4.03	3.51	3.46	3.43	3.40	3.40	3.39	3.39	3.38	3.38
Consumer credit and other lending[5]	5.80	5.67	5.58	5.66	5.58	5.59	5.59	5.59	5.59	5.58
Non-financial corporations[5]	5.43	4.96	4.67	4.85	4.68	4.71	4.73	4.78	4.77	4.77
Revolving loans and overdrafts										
Households and NPISH	7.16	6.44	5.75	6.12	5.90	5.87	5.86	5.87	5.87	5.88
Non-financial corporations	5.30	5.08	5.03	5.07	5.17	5.17	5.25	5.24	5.25	5.26

[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. Weighted average rates as at end of period while headline indicators are composite rates.

[2] 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.

[3] Due to large number of inflows and outflows the concept of new business is extended to the whole stock, that is interest rates are compiled on outstanding amounts. Overnight deposits include current/cheque accounts and savings withdrawable on demand.

[4] Households and non-financial corporations are merged, since deposits in this category held by non-financial corporations are negligible. Moreover, the composite rate consists of both 'up to 3 months' and 'over 3 months'.

[5] Includes bank overdrafts.

Table 1.19 Monetary financial institutions' interest rates on deposits and loans to euro area residents[1]

% per annum	2008	2009	2010	2011	2012			2013		
					Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
NEW BUSINESS										
Deposits	**2.72**	**1.90**	**1.65**	**2.57**	**2.17**	**2.08**	**2.13**	**2.15**	**2.43**	**2.09**
Households and NPISH										
Time deposits with agreed maturity	3.31	2.24	2.44	2.83	2.53	2.26	2.38	2.49	2.96	2.39
up to 1 year	3.05	1.97	1.96	1.99	1.98	1.92	1.93	2.07	2.18	1.98
over 1 and up to 2 years	4.60	3.00	3.01	3.41	3.49	3.47	3.49	3.46	3.59	3.47
over 2 years	4.77	3.44	3.86	3.65	3.61	3.52	3.80	4.29	4.30	4.16
Non-financial corporations										
Time deposits with agreed maturity	2.06	1.44	1.11	2.17	1.75	1.84	1.80	1.75	1.99	1.83
Loans (excluding credit card debt, revolving loans & overdrafts)	**4.88**	**4.48**	**4.45**	**4.09**	**4.53**	**4.61**	**4.15**	**4.20**	**4.28**	**4.01**
Households and NPISH	4.88	4.48	4.20	3.81	3.94	3.99	4.00	3.84	4.02	3.97
Lending for house purchase	3.84	3.51	3.42	3.38	3.32	3.28	3.40	3.29	3.30	3.22
Consumer credit	6.12	6.01	5.81	5.04	5.85	5.73	5.66	5.72	5.65	5.79
Other lending	6.43	5.56	5.86	5.60	5.10	5.69	5.61	5.69	6.03	5.64
APRC[2] for loans to households and NPISH	4.63	4.05	3.94	3.78	3.86	3.82	3.82	3.77	3.86	3.75
Lending for house purchase	4.35	3.70	3.63	3.60	3.54	3.50	3.56	3.50	3.54	3.45
Consumer credit	6.25	6.09	5.89	5.12	5.82	5.76	5.64	5.74	5.69	5.81
Non-financial corporations										
Loans	4.93	4.42	4.52	4.20	4.84	5.07	4.18	4.35	4.44	4.02
OUTSTANDING AMOUNTS										
Deposits	**2.62**	**1.47**	**1.37**	**1.41**	**1.42**	**1.42**	**1.43**	**1.44**	**1.45**	**1.43**
Households and NPISH	2.74	1.58	1.49	1.54	1.58	1.57	1.56	1.57	1.59	1.58
Overnight deposits[3]	0.57	0.30	0.28	0.30	0.32	0.33	0.32	0.33	0.34	0.34
Savings deposits redeemable at notice[3,4]	2.09	1.70	1.69	1.63	1.61	1.62	1.61	1.62	1.60	1.63
up to 3 months	2.09	1.70	1.69	1.63	1.61	1.62	1.61	1.62	1.60	1.60
Time deposits with agreed maturity	3.82	2.36	2.29	2.39	2.47	2.48	2.48	2.49	2.51	2.51
up to 2 years	3.89	2.21	2.08	2.05	2.09	2.09	2.09	2.09	2.10	2.09
over 2 years	3.24	3.10	3.16	3.22	3.40	3.42	3.44	3.45	3.48	3.50
Non-financial corporations	2.00	0.92	0.84	0.90	0.79	0.80	0.85	0.86	0.85	0.82
Overnight deposits[3]	0.65	0.23	0.25	0.30	0.30	0.31	0.29	0.29	0.29	0.28
Time deposits with agreed maturity	3.56	2.04	1.88	2.02	1.96	1.87	2.06	2.08	2.12	1.88
up to 2 years	3.57	1.93	1.71	1.93	1.83	1.74	1.96	1.98	2.02	1.79
over 2 years	3.28	3.13	3.33	2.99	3.21	3.21	2.95	2.96	2.97	2.82
Loans	**4.94**	**4.29**	**4.32**	**4.38**	**4.22**	**4.23**	**4.19**	**4.23**	**4.22**	**4.22**
Households and NPISH	4.57	4.15	4.06	4.02	3.95	3.95	3.94	3.94	3.93	3.92
Lending for house purchase	4.03	3.51	3.46	3.43	3.40	3.40	3.40	3.40	3.39	3.38
Consumer credit and other lending[5]	5.79	5.67	5.58	5.66	5.57	5.59	5.59	5.59	5.59	5.58
Non-financial corporations[5]	5.20	4.40	4.54	4.66	4.43	4.45	4.39	4.48	4.46	4.46
Revolving loans and overdrafts										
Households and NPISH	7.16	6.45	5.76	6.12	5.90	5.87	5.86	5.87	5.88	5.88
Non-financial corporations	5.14	5.08	5.02	5.07	5.17	5.17	5.25	5.25	5.26	5.31

[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. Weighted average rates as at end of period while headline indicators are composite rates.

[2] 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.

[3] Due to large number of inflows and outflows the concept of new business is extended to the whole stock, that is interest rates are compiled on outstanding amounts. Overnight deposits include current/cheque accounts and savings withdrawable on demand.

[4] Households and non-financial corporations are merged, since deposits in this category held by non-financial corporations are negligible. Moreover, the composite rate consists of both 'up to 3 months' and 'over 3 months'.

[5] Includes bank overdrafts.

Table 1.20 Key European Central Bank, money market interest rates and other indicators

	2008	2009	2010	2011	2012	2013 Mar.
INTEREST RATES (%)[1]						
Key ECB interest rates[2]						
Marginal lending facility	3.00	1.75	1.75	1.75	1.50	1.50
Main refinancing operations - minimum bid rate	2.50	1.00	1.00	1.00	0.75	0.75
Deposit facility	2.00	0.25	0.25	0.25	0.00	0.00
Money market rates (period averages)						
Overnight deposit (EONIA)	3.86	0.72	0.44	0.87	0.23	0.07
Rates for fixed term deposits (EURIBOR)						
1 month	4.27	0.90	0.57	1.18	0.33	0.12
3 months	4.63	1.23	0.81	1.39	0.57	0.21
6 months	4.72	1.44	1.08	1.64	0.83	0.34
1 year	4.81	1.62	1.35	2.01	1.11	0.57
Government securities						
Treasury bills (primary market)						
1 month	-	-	-	1.20	-	-
3 month	3.65	1.40	0.99	0.82	0.85	0.71
6 month	2.75	1.52	1.10	1.33	1.15	0.77
1 year	-	-	-	-	-	-
Treasury bills (secondary market)						
1 month	2.64	1.36	0.77	0.85	0.94	0.78
3 month	2.64	1.40	0.94	0.97	1.00	0.78
6 month	2.65	1.46	1.23	0.99	1.05	0.81
1 year	2.73	1.69	1.28	1.26	1.26	0.93
Government long-term debt securities (period averages)						
2 year	3.43	2.41	1.88	2.41	1.90	1.27
5 year	4.01	3.66	3.05	3.48	3.01	2.41
10 year	4.53	4.54	4.19	4.49	4.13	3.66
15 year	4.76	4.96	n/a	n/a	n/a	n/a
MALTA STOCK EXCHANGE SHARE INDEX	3,208	3,461	3,781	3,095	3,212	3,323

[1] End of period rates unless otherwise indicated. As from *Quarterly Review 2013:1*, the publishing of the weighted average deposit and lending rates was discontinued. Interest rates paid and charged by MFIs in Malta reported according to the harmonised definition established by the ECB are shown in Table 1.18 - 'Monetary Financial Institutions Interest Rates on Deposits and Loans to Residents of Malta'.

[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 that no transactions occurred during the reference period.
'n/a' denotes that no bond qualifies as a 15 year benchmark.

Government Finance

Table 2.1 General government revenue and expenditure[1,2]

EUR millions

Period	Revenue			Expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)[2]
	Current	Capital	Total	Current	Capital	Total		
2005	1,836.3	172.9	2,009.2	1,909.4	241.8	2,151.2	-142.1	35.8
2006	1,938.0	167.8	2,105.8	2,002.1	244.7	2,246.7	-140.9	38.8
2007	2,130.7	70.6	2,201.3	2,107.5	222.1	2,329.6	-128.4	52.9
2008	2,256.6	46.5	2,303.1	2,381.5	195.7	2,577.1	-274.1	-87.4
2009	2,246.0	62.2	2,308.2	2,346.2	182.5	2,528.6	-220.4	-37.0
2010	2,316.2	111.1	2,427.3	2,436.1	217.1	2,653.2	-225.9	-39.6
2011	2,462.9	113.5	2,576.4	2,551.5	207.9	2,759.4	-183.0	17.9
2012	2,591.7	147.8	2,739.5	2,714.9	250.5	2,965.4	-225.9	-13.0
2012								
Q1	628.8	21.5	650.4	660.6	69.0	729.6	-79.2	-24.4
Q2	636.7	32.9	669.6	676.9	31.9	708.8	-39.1	13.8
Q3	612.9	36.4	649.3	644.1	62.3	706.4	-57.1	-3.2
Q4	713.3	57.0	770.2	733.4	87.4	820.7	-50.5	0.7
2013								
Q1	645.0	22.6	667.6	683.9	86.4	770.3	-102.7	-46.6

Table 2.2 General government revenue by main components[1,2]

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	95.0	69.5	14.0	1,836.3	17.5	155.4	172.9	2,009.2	1,675.3
2006	609.8	759.3	389.8	96.8	63.5	18.9	1,938.0	14.7	153.2	167.8	2,105.8	1,773.4
2007	726.0	802.1	398.3	110.0	72.8	21.6	2,130.7	15.7	54.9	70.6	2,201.3	1,942.0
2008	742.8	832.4	432.0	153.4	70.4	25.6	2,256.6	15.1	31.4	46.5	2,303.1	2,022.2
2009	795.4	810.4	434.9	116.3	69.3	19.6	2,246.0	14.0	48.2	62.2	2,308.2	2,054.8
2010	807.8	844.2	456.5	103.2	84.4	20.2	2,316.2	14.7	96.4	111.1	2,427.3	2,123.1
2011	849.4	907.3	486.7	121.1	79.4	18.9	2,462.9	14.8	98.6	113.5	2,576.4	2,258.3
2012	934.9	919.9	504.3	116.1	89.8	26.6	2,591.7	16.1	131.7	147.8	2,739.5	2,375.3
2012												
Q1	217.8	220.1	120.5	28.4	37.5	4.5	628.8	3.7	17.8	21.5	650.4	562.1
Q2	241.1	215.2	119.0	29.9	24.1	7.5	636.7	3.8	29.1	32.9	669.6	579.1
Q3	215.9	238.8	118.9	24.0	9.5	5.8	612.9	4.4	32.0	36.4	649.3	578.0
Q4	260.1	245.8	146.0	33.7	18.7	8.8	713.3	4.2	52.8	57.0	770.2	656.1
2013												
Q1	246.6	203.8	122.3	30.4	35.0	7.0	645.0	2.7	19.9	22.6	667.6	575.3

[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[1,2]

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	668.3	642.7	177.8	238.2	101.2	81.2	1,909.4	227.7	48.7	241.8	2,151.2
2006	678.4	666.5	179.7	285.6	109.4	82.4	2,002.1	204.7	47.9	244.7	2,246.7
2007	706.9	718.6	181.3	295.8	112.1	92.9	2,107.5	206.0	43.2	222.1	2,329.6
2008	831.4	756.6	186.6	383.5	125.1	98.2	2,381.5	139.1	48.3	195.7	2,577.1
2009	830.2	809.4	183.4	347.5	64.0	111.6	2,346.2	136.3	58.7	182.5	2,528.6
2010	841.8	847.0	186.3	373.6	66.9	120.5	2,436.1	133.6	79.2	217.1	2,653.2
2011	871.8	880.5	200.9	415.5	65.1	117.8	2,551.5	163.9	48.0	207.9	2,759.4
2012	916.0	938.7	212.8	450.0	76.3	121.1	2,714.9	208.0	71.0	250.5	2,965.4
2012											
Q1	222.3	221.4	54.8	112.9	15.9	33.2	660.6	32.5	31.0	69.0	729.6
Q2	230.0	249.9	52.9	101.4	20.7	22.0	676.9	55.9	13.2	31.9	708.8
Q3	228.2	205.0	53.9	107.5	21.6	28.0	644.1	45.2	13.2	62.3	706.4
Q4	235.5	262.5	51.2	128.2	18.1	37.9	733.4	74.3	13.7	87.4	820.7
2013											
Q1	236.5	231.5	56.1	105.2	18.6	36.0	683.9	36.1	49.1	86.4	770.3

[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	326.6	43.7	76.2	305.0	73.7	35.7	309.0	31.6	272.6	677.0	2,151.2
2006	348.0	37.1	75.9	310.4	82.0	37.1	325.6	29.1	287.0	714.5	2,246.7
2007	350.8	35.6	80.3	319.6	93.2	33.6	315.8	31.6	296.0	773.1	2,329.6
2008	396.4	38.2	86.6	436.5	94.3	40.3	317.2	36.4	312.7	818.7	2,577.1
2009	427.7	53.8	90.1	286.1	101.5	16.9	321.6	42.7	319.8	868.8	2,528.9
2010	403.2	50.5	92.6	298.7	126.6	17.4	344.9	49.0	363.3	907.1	2,653.3
2011	434.0	56.1	94.6	314.1	87.3	20.1	367.4	57.0	382.5	946.4	2,759.6

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

Sources: Eurostat; NSO.

Table 2.5 General government financial balance sheet[1]

Period	Financial assets						Financial liabilties					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	218.3	1,764.4	0.0	3,420.9	300.5	332.0	4,053.4	-2,289.0
2006	431.9	0.0	26.4	842.6	208.0	1,509.0	0.0	3,297.4	265.5	359.0	3,921.9	-2,413.0
2007	488.1	0.0	27.5	836.1	309.7	1,661.4	8.3	3,308.6	272.8	424.1	4,013.9	-2,352.4
2008	476.2	0.0	32.8	739.8	361.1	1,609.9	31.2	3,662.9	284.1	534.9	4,513.0	-2,903.0
2009	577.2	0.0	29.5	797.8	375.0	1,779.5	37.2	3,994.2	237.4	531.3	4,800.1	-3,020.5
2010	588.7	0.0	63.1	855.5	434.8	1,942.1	41.0	4,307.5	237.4	548.0	5,133.8	-3,191.8
2011	655.6	0.0	147.9	843.8	513.4	2,160.6	45.8	4,625.0	260.3	633.0	5,564.1	-3,403.5
2012												
Mar.	665.2	0.0	192.0	849.7	669.8	2,376.7	45.2	4,789.0	305.8	662.3	5,802.3	-3,425.6
June	734.4	0.0	236.2	889.8	701.3	2,561.7	47.0	4,933.7	341.5	698.2	6,020.4	-3,458.7
Sep.	625.9	0.0	239.2	831.2	684.1	2,380.3	48.9	4,880.3	345.0	716.3	5,990.5	-3,610.1
Dec.	425.0	0.0	272.5	1,080.1	662.0	2,439.6	50.1	4,889.7	346.2	667.9	5,953.9	-3,514.4
2013												
Mar.	536.3	0.0	279.8	1,103.0	744.0	2,663.1	50.8	5,242.7	351.0	665.6	6,310.1	-3,647.0

[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[1,2]

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	-142.1	93.0	-0.1	0.0	-55.4	-23.4	-50.0	-36.0
2006	-101.7	-140.9	67.3	-2.8	0.0	-219.4	-1.2	-86.7	-242.7
2007	131.4	-128.4	60.3	1.1	0.0	-32.1	-7.8	-18.3	3.0
2008	247.4	-274.1	-6.3	5.3	0.0	-5.1	20.3	-40.8	-26.6
2009	330.1	-220.4	135.8	-3.3	0.0	-0.9	-1.0	-21.0	109.6
2010	295.1	-225.9	52.0	33.5	0.0	-0.8	0.2	-15.7	69.3
2011	349.7	-183.0	70.4	84.8	0.0	16.1	5.1	-9.7	166.6
2012	264.2	-225.9	-233.5	124.6	0.0	38.9	-0.3	108.8	38.4
2012									
Q1	230.4	-79.2	11.0	44.1	0.0	0.7	-6.0	101.3	151.2
Q2	170.5	-39.1	62.9	44.2	0.0	11.3	1.5	11.4	131.4
Q3	-108.4	-57.1	-108.7	2.9	0.0	0.1	3.4	-63.2	-165.5
Q4	-28.2	-50.5	-198.7	33.3	0.0	26.8	0.7	59.3	-78.7
2013									
Q1	299.8	-102.7	112.1	7.3	0.0	2.3	-4.9	80.3	197.1

[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	3,355.3	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	3,385.1	602.8
2008	31.2	365.8	2,954.4	3,320.2	70.4	210.7	281.1	3,632.5	684.8
2009	37.2	474.1	3,216.4	3,690.5	34.8	200.1	234.9	3,962.5	857.8
2010	41.0	377.8	3,603.6	3,981.4	40.7	194.7	235.4	4,257.7	991.1
2011	45.8	257.1	4,046.3	4,303.5	51.4	206.6	258.0	4,607.3	1068.9
2012									
Mar.	45.2	216.4	4,272.8	4,489.2	53.1	250.2	303.3	4,837.7	1,072.5
June	47.0	255.1	4,366.0	4,621.0	55.0	285.1	340.1	5,008.2	1,065.8
Sep.	48.9	319.4	4,188.2	4,507.6	55.7	287.6	343.3	4,899.8	1,069.3
Dec.	50.4	154.1	4,322.8	4,476.9	22.7	321.5	344.2	4,871.6	1,186.0
2013									
Mar.	50.8	288.6	4,483.1	4,771.7	21.3	327.5	348.8	5,171.4	1,190.5

[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[2] and held by		
		OMFIs[3]	Others[4]	Total	MFIs	Others[4]	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
2011	1,004.8	839.9	45.1	885.0	224.0	33.9	257.9
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
Oct.	108.0	123.6	1.3	124.9	261.5	60.8	322.3
Nov.	92.2	93.8	1.5	95.3	270.0	55.4	325.3
Dec.	71.9	4.4	0.0	4.4	224.0	33.9	257.9
2012							
Jan.	98.1	56.9	0.0	56.9	195.7	20.9	216.7
Feb.	67.3	48.4	1.1	49.4	171.3	27.5	198.8
Mar.	18.8	33.3	3.8	37.1	175.3	41.8	217.1
Apr.	70.1	76.4	0.5	76.9	181.3	42.5	223.9
May	32.4	68.7	1.4	70.0	215.5	46.0	261.5
June	34.6	26.3	2.9	29.2	210.1	46.0	256.1
July	101.6	121.1	1.2	122.3	223.4	53.4	276.7
Aug.	93.0	107.0	1.3	108.4	234.4	57.7	292.1
Sep.	52.8	80.3	0.8	81.1	264.4	56.0	320.4
Oct.	99.0	36.1	0.1	36.2	210.6	47.0	257.5
Nov.	132.7	122.4	6.4	128.8	206.3	47.3	253.6
Dec.	148.5	41.5	2.6	49.1	124.0	30.1	154.1
2013							
Jan.	63.5	179.1	0.6	179.7	227.5	42.8	270.3
Feb.	4.1	25.9	2.0	27.9	248.5	45.6	294.1
Mar.	51.8	46.3	0.0	46.3	251.8	37.3	288.6

[1] Amounts are at nominal prices.

[2] 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).

[3] As from December 2008, issues in the primary market taken up by money market funds were reclassified from 'Others' to 'OMFIs'.

[4] Includes the Malta Government sinking fund.

Sources: Central Bank of Malta; The Treasury.

Government Finance

Table 2.9 Treasury bills issued and outstanding[1] *(as at end-March 2013)*

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[4]
				OMFIs[2]	Others[3]	MFIs	Others[3]	
04/Jan/2013	05/Apr/2013	0.774	0.761	38.9	0.0	36.8	2.1	38.9
11/Jan/2013	12/Apr/2013	0.786	0.768	14.3	0.0	4.0	10.3	14.3
13/Apr/2012	12/Apr/2013	1.400	0.768	4.0	0.0	4.0	0.0	4.0
18/Jan/2013	19/Apr/2013	0.767	0.776	20.0	0.0	18.0	2.0	20.0
25/Jan/2013	26/Apr/2013	0.758	0.783	21.0	0.0	16.0	5.0	21.0
01/Feb/2013	03/May/2013	0.780	0.783	12.9	0.0	12.0	0.9	12.9
08/Feb/2013	10/May/2013	0.763	0.783	1.0	0.5	0.0	1.5	1.5
15/Feb/2013	17/May/2013	0.770	0.783	1.0	0.0	1.0	0.0	1.0
22/Feb/2013	24/May/2013	0.769	0.783	5.0	0.4	5.0	0.4	5.4
01/Mar/2013	31/May/2013	0.756	0.783	1.5	0.0	1.0	0.5	1.5
08/Mar/2013	06/Jun/2013	0.742	0.783	2.9	0.0	1.0	1.9	2.9
07/Dec/2012	06/Jun/2013	1.165	0.783	5.0	0.0	5.0	0.0	5.0
15/Mar/2013	14/Jun/2013	0.732	0.783	1.5	0.0	0.5	1.0	1.5
14/Dec/2012	14/Jun/2013	1.148	0.783	5.0	0.0	5.0	0.0	5.0
22/Mar/2013	21/Jun/2013	0.722	0.783	5.5	0.0	5.0	0.5	5.5
28/Mar/2013	28/Jun/2013	0.713	0.783	24.9	0.0	16.0	8.9	24.9
28/Sep/2012	28/Jun/2013	1.424	0.783	5.0	0.0	5.0	0.0	5.0
04/Jan/2013	05/Jul/2013	0.945	0.785	27.0	0.5	27.0	0.5	27.5
11/Jan/2013	12/Jul/2013	0.884	0.787	15.0	0.0	15.0	0.0	15.0
18/Jan/2013	19/Jul/2013	0.837	0.789	19.0	0.0	19.0	0.0	19.0
25/Jan/2013	26/Jul/2013	0.847	0.791	24.0	0.1	24.0	0.1	24.1
02/Nov/2012	02/Aug/2013	1.298	0.793	10.0	0.3	10.0	0.3	10.3
15/Feb/2013	16/Aug/2013	0.800	0.797	0.0	1.1	0.0	1.1	1.1
15/Mar/2013	13/Sep/2013	0.781	0.805	4.0	0.0	4.0	0.0	4.0
22/Mar/2013	20/Sep/2013	0.769	0.807	6.0	0.0	6.0	0.0	6.0
05/Oct/2012	04/Oct/2013	1.598	0.813	5.5	0.0	5.0	0.5	5.5
22/Feb/2013	22/Nov/2013	0.855	0.840	6.0	0.0	6.0	0.0	6.0
Total				285.8	2.8	251.3	37.3	288.6

[1] Amounts are at nominal prices.

[2] OMFIs include the money market funds.

[3] Includes the Malta Government sinking fund.

[4] 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).

Sources: Central Bank of Malta; The Treasury.

Table 2.10 Malta government long-term debt securities outstanding[1] *(as at end-March 2013)*

EUR millions

Coupon rate (%)	Year of maturity	Year of issue	Issue price[2]	ISMA Yield (%)[5]	Interest dates	Held by		Amount
						MFIs[6]	Others	
7.80	2013 (I)	1997	100	0.91	18/04 - 18/10	45.5	34.3	79.8
6.35	2013 (II)[4]	2001	100	N/A	19/05 - 19/11	6.2	54.4	60.6
7.00	2013 (III)[3]	2003	100	0.96	30/06 - 30/12	0.0	0.2	0.2
3.60	2013 (IV)[4]	2009	100	0.93	18/04 - 18/10	96.0	44.5	140.5
6.60	2014 (I)[4]	2000	100	1.02	30/03 - 30/09	10.6	13.9	24.5
6.45	2014 (II)[4]	2001	100	1.05	24/05 - 24/11	30.3	39.5	69.9
5.10	2014 (III)[4]	03/04/06/07/08	100/103.25/103.64/ 105.5	0.98	06/01 - 06/07	182.5	206.4	388.9
7.00	2014 (IV)[3]	2004	100	1.06	30/06 - 30/12	0.0	4.0	4.0
6.10	2015 (I)[4]	2000	100	1.16	10/06 - 10/12	36.3	33.6	69.9
5.90	2015 (II)[4]	02/03/07	100/102/105	1.27	09/04 - 09/10	40.3	76.2	116.5
7.00	2015 (III)[3]	2005	100	1.35	30/06 - 30/12	0.0	0.7	0.7
7.00	2015 (IV)[3]	2005	100	1.35	03/05 - 03/11	0.0	0.8	0.8
3.75	2015 (VI)[4]	2010	100	1.32	03/06 - 03/12	95.6	35.9	131.5
6.65	2016 (I)[4]	2001	100	1.43	28/03 - 28/09	12.3	57.5	69.9
4.80	2016 (II)[4]	03/04/06	100/101/104	1.69	26/05 - 26/11	77.4	108.9	186.4
7.00	2016 (III)[3]	2006	100	1.73	30/06 - 30/12	0.0	3.4	3.4
4.30	2016 (IV)[3]	2011	100.93	1.58	16/02 - 16/08	134.0	24.2	158.1
3.75	2017 (IV)[4]	2012	102	1.99	20/02 - 20/08	32.2	39.7	72.0
7.00	2017 (I)[3]	2007	100	2.28	18/02 - 18/08	0.0	0.7	0.7
7.00	2017 (II)[3]	2007	100	2.28	30/06 - 30/12	0.0	10.3	10.3
4.25	2017 (III)[4]	11/12	100/100.75/104.97/ 103.75/104.01	2.24	06/05 - 06/11	163.8	100.1	263.9
3.85	2018 (V)[4]	2012	105.26	2.37	18/04 - 18/10	116.1	5.3	121.4
7.80	2018 (I)	1998	100	2.43	15/01 - 15/07	86.1	77.0	163.1
7.00	2018 (II)[3]	2008	100	2.56	18/04 - 18/10	0.0	0.3	0.3
7.00	2018 (III)[3]	2008	100	2.56	30/06 - 30/12	0.0	6.5	6.5
6.60	2019 (I)	1999	100	2.75	01/03 - 01/09	47.3	55.2	102.5
3.00	2019 (III) R	2013	100.5	2.77	22/03 - 22/09	1.1	11.7	12.8
3.00	2019 (III) I	2013	100.5	2.77	22/03 - 22/09	23.0	8.8	31.8
7.00	2019 (II)[3]	2009	100	2.84	30/06 - 30/12	0.0	13.7	13.7
5.20	2020 (I)[4]	2007	100	2.97	10/06 - 10/12	11.4	41.0	52.4
4.60	2020 (II)[4]	2009	100	2.94	25/04 - 25/10	65.1	93.2	158.3
7.00	2020 (III)[3]	2010	100	3.11	30/06 - 30/12	0.0	0.4	0.4
5.00	2021 (I)[4]	04/05/07/08	98.5/100	3.26	08/02 - 08/08	149.7	309.1	458.8
7.00	2021 (II)[4]	2011	100	3.36	18/06 - 18/12	0.0	0.5	0.5
7.00	2021 (III)[4]	2011	100	3.36	30/06 - 30/12	0.0	2.9	2.9
5.10	2022 (I)[4]	2004	100	3.45	16/02 - 16/08	10.2	60.8	71.0
4.30	2022 (II)[4]	2012	100.31	3.43	15/05 - 15/11	101.7	109.3	211.0
4.30	2022 (II)[4] FI R	2012	102.5	3.43	15/05 - 15/11	4.3	17.1	21.4
4.30	2022 (II)[4] FI I	2012	102.9	3.43	15/05 - 15/11	7.8	0.0	7.8
7.00	2022 (III)[3]	2012	100	3.47	01/09 - 01/03	0.0	1.3	1.3
5.50	2023 (I)[4]	2003	100	3.47	06/01 - 06/07	20.6	58.2	78.8
4.80	2028 (I)[4] R	2012	101.04	4.41	11/03 - 11/09	12.4	94.6	107.0
4.50	2028 (II) R	2013	100	4.43	25/04 - 25/10	1.3	109.8	111.1
4.50	2028 (II)[4] I	2013	100	4.43	25/04 - 25/10	6.0	38.0	44.0
5.10	2029 (I)[4]	2012	101.12/101	4.41	01/04 - 01/10	11.2	68.0	79.1
5.25	2030 (I)[4]	2010	100	4.57	23/06 - 23/12	66.9	373.2	440.2
5.20	2031 (I)[4] I	2011	102.88	4.7	16/03 - 16/09	13.9	187.4	201.3
F.R. 6-mth Euribor[7]	2013 (VI)[4]	2010	100	0.828[8], 50.59[9]	11/02 - 11/08	30.0	0.0	30.0
F.R. 6-mth Euribor[7]	2013 (VII)[4]	2011	100.22	0.807[8], 53.19[9]	18/05 - 18/11	51.8	0.3	52.0
F.R. 6-mth Euribor[7]	2014 (V)[4]	2011	100.28	0.802[8], 58.98[9]	23/05 - 23/11	24.0	0.0	24.0
F.R. 6-mth Euribor[7]	2015 (V)[4]	2009	100	1.700[8], 10.18[9]	25/04 - 25/10	13.5	16.3	29.8
F.R. 6-mth Euribor[7]	2017 (V)[4]	2012	100.2	1.228[8], 30.79[9]	05/03 - 05/09	25.0	0.0	25.0
F.R. 6-mth Euribor[7]	2018 (IV)[4]	2012	99.33	1.428[8], 68.49[9]	05/03 - 05/09	30.5	0.9	31.4
Total						1,894.0	2,650.0	4,544.0

[1] Amounts are at nominal prices.
[2] The price for new issues prior to 2008 is denominated in Maltese lira.
[3] Coupons are reviewable every two 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] ISMA yields are based on secondary market prices. Securities not available for trading by the end of the reference period are denoted as not available (N/A).
[6] Comprising of Resident of Malta MFIs.
[7] Floating Rate (F.R.) MGS linked to the six-month Euribor plus a fixed spread until maturity (quoted margin). The interest rate will be reset semi-annually in accordance with the applicable six-month Euribor rate in effect two business days prior to relative coupon period each year. Interest for each period and accrued interest will be calculated on an Actual/360 day basis. The formula for Simple Margin calculation = Spread + [(100/Clean Price) x (100-Clean Price) / Maturity in Yrs)]
[8] Consists of the reset coupon expressed as a percentage per annum.
[9] Consists of the simple margin expressed in basis points.
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
2011	439.0	1,705.8	1,194.5	149.9	565.0	4,054.2
2012						
Mar.	356.9	1,787.8	1,463.9	519.0	201.3	4,328.9
June	416.9	1,647.3	1,282.4	360.9	720.7	4,428.2
Sep.	230.1	1,638.4	1,547.7	80.1	720.6	4,216.7
Dec.	370.3	1,650.1	1,424.8	78.8	827.7	4,351.6
2013						
Mar.	387.5	1,625.6	1,469.4	78.8	982.7	4,544.0

[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]	0.5	85.6	0.0	0.9	0.0	0.7	87.7
2011[3]	1.3	87.6	0.0	0.7	0.0	0.5	90.1
2012[3]							
Mar.	1.1	127.9	0.0	0.7	0.0	0.5	130.3
June	1.1	162.9	0.0	0.7	0.2	0.2	165.1
Sep.	1.1	165.4	0.0	0.6	0.2	0.2	167.6
Dec.	0.3	196.8	0.0	0.5	0.1	0.2	197.9
2013[3]							
Mar.	0.3	198.7	0.0	0.6	0.1	0.2	199.8

[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 one year from the end of the reference quarter, whereas long-term maturity refers to loans falling due after more than one year from the end of the reference quarter.

[3] Provisional.

Exchange Rates, External Transactions and Positions

Table 3.1a 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	1.3362	0.8608	108.65	1.2504	1.3136	1.3322
2011	1.2939	0.8353	100.20	1.2156	1.2723	1.3215
2012						
Jan.	1.3176	0.8351	100.63	1.2048	1.2366	1.3134
Feb.	1.3443	0.8439	107.92	1.2051	1.2414	1.3282
Mar.	1.3356	0.8339	109.56	1.2045	1.2836	1.3311
Apr.	1.3214	0.8130	105.85	1.2018	1.2684	1.2985
May	1.2403	0.7999	97.66	1.2010	1.2736	1.2761
June	1.2590	0.8068	100.13	1.2030	1.2339	1.2871
July	1.2284	0.7840	96.03	1.2014	1.1675	1.2312
Aug.	1.2611	0.7953	98.96	1.2009	1.2201	1.2487
Sep.	1.2930	0.7981	100.37	1.2099	1.2396	1.2684
Oct.	1.2993	0.8065	103.78	1.2076	1.2528	1.3005
Nov.	1.2986	0.8108	107.37	1.2054	1.2474	1.2904
Dec.	1.3194	0.8161	113.61	1.2072	1.2712	1.3137
2013						
Jan.	1.3550	0.8570	123.32	1.2342	1.3009	1.3577
Feb.	1.3129	0.8630	121.07	1.2209	1.2809	1.3461
Mar.	1.2805	0.8456	120.87	1.2195	1.2308	1.3021

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

Source: ECB.

Table 3.1b 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
2011	1.3920	0.8679	110.96	1.2326	1.3484	1.3761
2012	1.2848	0.8109	102.49	1.2053	1.2407	1.2842
2012						
Jan.	1.2905	0.8321	99.33	1.2108	1.2405	1.3073
Feb.	1.3224	0.8370	103.77	1.2071	1.2327	1.3193
Mar.	1.3201	0.8345	108.88	1.2061	1.2538	1.3121
Apr.	1.3162	0.8219	107.00	1.2023	1.2718	1.3068
May	1.2789	0.8037	101.97	1.2012	1.2825	1.2916
June	1.2526	0.8058	99.26	1.2011	1.2550	1.2874
July	1.2288	0.7883	97.07	1.2011	1.1931	1.2461
Aug.	1.2400	0.7888	97.58	1.2011	1.1841	1.2315
Sep.	1.2856	0.7982	100.49	1.2089	1.2372	1.2583
Oct.	1.2974	0.8067	102.47	1.2098	1.2596	1.2801
Nov.	1.2828	0.8039	103.94	1.2052	1.2331	1.2787
Dec.	1.3119	0.8124	109.71	1.2091	1.2527	1.2984
2013						
Jan.	1.3288	0.8327	118.34	1.2288	1.2658	1.3189
Feb.	1.3359	0.8625	124.40	1.2298	1.2951	1.3477
Mar.	1.2964	0.8600	122.99	1.2266	1.2537	1.3285

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

Source: ECB.

Exchange Rates, External Transactions and Positions

Table 3.2 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	2,575.5	3,541.1	2,049.3	1,407.7	1,462.4	1,636.2	417.0	423.4	-504.1	158.3	5.6
2007[2]	2,699.8	3,623.7	2,439.0	1,584.7	1,973.6	2,098.4	640.1	668.6	-222.8	75.5	6.8
2008[2]	2,526.0	3,759.7	2,936.5	1,819.6	2,212.7	2,373.7	903.8	910.3	-284.3	36.2	11.6
2009[2]	2,034.6	3,159.5	2,836.2	1,847.0	1,653.1	2,087.8	1,431.0	1,388.3	-527.7	108.2	9.1
2010[2]	2,638.5	3,796.8	3,356.9	2,125.5	1,633.9	2,075.4	1,296.6	1,269.9	-341.7	118.6	12.1
2011[2]	2,975.7	4,031.2	3,530.3	2,191.8	1,654.2	2,023.9	898.4	877.3	-65.7	90.7	27.0
2012[2]	3,280.2	4,258.6	3,762.8	2,292.7	1,843.2	2,310.7	949.0	899.4	73.8	128.1	12.5
2012[2]											
Q1	808.6	973.9	790.1	533.9	465.8	620.3	211.7	227.5	-79.5	13.0	3.0
Q2	888.9	1,201.7	958.4	578.8	490.7	589.4	256.9	225.4	-0.4	13.8	3.2
Q3	774.3	1,066.7	1,132.7	604.2	466.8	564.7	236.4	223.1	151.6	63.1	3.2
Q4	808.4	1,016.4	881.6	575.7	419.9	536.2	243.9	223.4	2.1	38.1	3.0
2013[2]											
Q1	704.3	922.2	804.8	564.0	431.6	583.8	261.0	234.5	-102.9	60.4	3.2

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]	-23.8	1,469.6	-1,965.1	-15.3	40.5	-15.6	-3,291.2	4,199.4	-83.0	315.5	36.0
2007[2]	-5.0	557.0	366.0	-0.2	-127.9	251.1	-7,617.8	7,101.8	-326.5	198.6	-44.4
2008[2]	-311.4	642.3	201.6	167.0	27.9	-372.2	-4,414.8	4,133.0	108.7	181.9	77.7
2009[2]	-98.6	286.6	-1,906.6	-25.7	-6.7	-112.1	4,101.7	-2,325.3	-2.4	-89.2	517.9
2010[2]	-98.7	715.3	-3,212.0	1.8	-40.0	67.8	568.3	1,789.2	-23.6	-231.9	467.1
2011[2]	-2.2	183.0	-3,103.0	-0.4	-13.3	37.6	1,573.8	1,034.7	52.9	-237.0	238.9
2012[2]	75.6	-33.3	-1,611.5	10.5	-19.1	44.4	83.6	1,101.5	-121.4	-469.9	280.5
2012[2]											
Q1	-8.2	-97.4	154.5	-4.0	56.8	-6.3	-413.8	312.3	-126.1	-132.3	201.8
Q2	-8.7	-34.7	-712.5	-1.5	-44.0	55.1	-79.5	751.0	-18.3	-93.0	82.7
Q3	54.4	80.4	-464.0	10.7	-32.2	13.9	-325.0	505.1	24.5	-132.2	-79.2
Q4	38.1	18.3	-589.5	5.3	0.4	-18.3	901.9	-466.9	-1.6	-112.4	75.2
2013[2]											
Q1	-11.9	-32.8	-482.1	47.4	28.3	-12.0	-1,049.1	1,306.6	45.8	-159.8	205.5

[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.

Exchange Rates, External Transactions and Positions

Table 3.3 Official reserve assets[1]

EUR millions

End of period	Monetary gold	Special Drawing Rights	Reserve position in the IMF	Foreign exchange			Total
				Currency and deposits	Securities other than shares	Other reserve assets[2]	
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]	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]	3.3	111.0	35.8	75.2	178.5	1.1	404.9
2011[3]	9.6	107.7	54.4	47.5	179.1	-2.2	395.9
2012[3]	12.0	106.1	55.8	81.7	271.2	6.9	533.8
2012[3]							
July	10.4	111.8	58.1	41.6	319.2	-9.0	532.1
Aug.	9.3	110.0	57.2	30.9	301.5	4.8	513.7
Sep.	8.7	108.6	57.1	83.4	286.6	10.5	554.9
Oct.	8.3	107.9	56.7	47.5	278.8	9.1	508.3
Nov.	9.5	107.5	56.5	20.8	275.5	1.9	471.7
Dec.	12.0	106.1	55.8	81.7	271.2	6.9	533.8
2013[3]							
Jan.	11.8	103.6	54.4	10.4	273.7	7.6	461.5
Feb.	12.5	103.2	55.2	16.1	264.0	9.1	460.1
Mar.	12.9	104.6	56.4	40.4	274.3	-1.8	486.7

[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 3.4 International investment position (IIP) - *(end of period amounts)*

EUR millions

Period	Direct investment		Portfolio investment		Financial derivatives		Other investments		Official reserve assets	IIP (net)
	Abroad	In Malta	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities		
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]	866.9	4,954.9	11,371.0	408.1	34.4	49.3	12,290.1	19,969.4	2,240.6	1,421.3
2007[1]	838.3	5,537.5	10,694.7	406.9	106.8	79.1	19,498.0	26,563.8	2,561.4	1,111.9
2008[1]	896.8	5,693.5	10,188.1	551.0	276.8	281.7	25,885.9	30,650.5	268.3	339.2
2009[1]	1,207.6	6,266.6	12,441.5	502.2	138.2	177.8	21,664.7	27,994.7	373.7	884.5
2010[1]	1,289.0	12,116.5	15,577.4	506.2	217.3	307.6	26,963.9	30,881.3	404.9	641.0
2011[1]	1,090.4	11,963.2	17,168.4	472.0	301.4	377.3	25,632.6	31,215.6	395.9	560.5
2012[1]	1,067.6	12,339.3	20,046.4	507.0	302.9	455.1	25,398.6	32,350.3	533.8	1,697.5
2012[1]										
Mar.	1,121.0	11,869.8	17,895.1	477.0	240.2	365.6	25,795.3	31,552.7	512.2	1,298.8
June	1,140.8	11,993.0	19,117.6	478.4	298.5	469.1	26,439.7	33,085.6	549.8	1,520.2
Sep.	1,096.2	12,291.7	19,410.0	483.4	335.2	480.5	26,577.6	33,200.9	555.0	1,517.6
Dec.	1,067.6	12,339.3	20,046.4	507.0	302.9	455.1	25,398.6	32,350.3	533.8	1,697.5

[1] Provisional.

Source: NSO.

Table 3.5a Gross external debt by sector, maturity and instrument[1]

EUR millions

	2009[2]	2010[2]	2011[2]	2012[2]	2013[2] Mar.
General Government	264.3	231.1	247.6	381.6	422.0
Short-term	63.8	39.6	49.3	64.1	61.6
Money market instruments	31.4	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0
Trade credits	32.4	39.6	49.3	64.1	61.6
Other debt liabilities	0.0	0.0	0.0	0.0	0.0
Long-term	200.4	191.6	198.3	317.5	360.4
Bonds and notes	98.1	103.9	106.6	116.9	154.0
Loans	102.3	87.7	90.3	199.5	205.3
Trade credits	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	1.4	1.1	1.1
Monetary Authorities	826.3	1,228.9	426.0	206.0	766.0
Short-term	826.3	1,228.9	426.0	206.0	766.0
Money market instruments	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	757.7
Currency and deposits	826.3	1,228.9	426.0	206.0	8.3
Other debt liabilities	0.0	0.0	0.0	0.0	0.0
Long-term	0.0	0.0	0.0	0.0	0.0
OMFIs[3]	25,835.3	28,068.4	29,077.6	29,998.0	31,093.9
Short-term	20,616.8	21,558.3	22,525.7	24,249.1	24,854.8
Money market instruments	3.4	0.0	0.0	0.0	0.0
Loans	7,299.9	4,753.7	6,865.8	6,687.6	7,422.4
Currency and deposits	13,181.4	16,623.0	15,544.7	17,433.3	17,319.3
Other debt liabilities	132.1	181.6	115.2	128.2	113.1
Long-term	5,218.5	6,510.1	6,551.9	5,748.9	6,239.1
Bonds and notes	13.9	14.9	4.0	9.0	10.0
Loans	5,111.1	6,495.2	6,548.0	5,739.8	6,229.1
Currency and deposits	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	93.4	0.0	0.0	0.0	0.0
Other Sectors[4]	1,426.4	1,683.9	1,793.6	2,107.8	2,186.7
Short-term	727.5	884.1	978.6	1,230.9	1,299.5
Money market instruments	0.0	0.0	0.0	0.0	0.0
Loans	30.7	14.1	15.6	21.4	25.1
Currency and deposits	112.0	112.9	113.7	114.7	114.9
Trade credits	584.8	757.2	849.2	1,094.9	1,159.5
Other debt liabilities	0.0	0.0	0.0	0.0	0.0
Long-term	698.9	799.8	815.0	876.9	887.2
Bonds and notes	210.6	212.4	218.6	217.1	220.4
Loans	453.2	573.7	585.6	641.8	646.9
Currency and deposits	0.0	0.0	0.0	0.0	0.0
Trade credits	35.0	13.8	10.8	18.0	19.8
Other debt liabilities	0.0	0.0	0.0	0.0	0.0
Direct Investment: Intercompany lending	1,477.5	1,645.7	1,645.5	1,788.5	1,822.3
Debt liabilities to affiliated enterprises	95.3	114.0	133.6	194.1	188.2
Debt liabilities to direct investors	1,382.2	1,531.8	1,511.9	1,594.4	1,634.1
Gross External Debt	**29,829.8**	**32,858.2**	**33,190.3**	**34,481.9**	**36,291.6**
of which: OMFIs	**25,835.3**	**28,068.4**	**29,077.6**	**29,998.0**	**31,094.6**
Gross External Debt excluding OMFIs' debt liabilities	**3,994.5**	**4,789.8**	**4,112.7**	**4,483.9**	**5,197.0**

[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 3.4. Moreover, Malta's net external debt position is shown in Table 3.5b.

[2] Provisional.

[3] The debt of the OMFIs is fully backed by foreign assets.

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

Table 3.5b Net external debt by sector, maturity and instrument[1]

EUR millions

	2008[2]	2009[2]	2010[2]	2011[2]	2012[2]	2013[2] Mar.
General Government	291.3	251.8	190.8	216.5	232.0	266.8
Short-term	82.4	51.4	32.4	48.5	63.5	61.2
Money market instruments	76.6	31.4	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	-0.1	-0.1	-0.3	-0.2	-0.2	-0.2
Trade credits	5.9	20.0	32.7	48.7	63.7	61.3
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	208.9	200.4	158.4	168.0	168.4	205.7
Bonds and notes	89.9	98.1	103.9	106.6	116.9	154.0
Loans	119.0	102.3	67.9	74.4	61.4	61.2
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	-13.4	-12.7	-11.0	-10.7
Other Debt Liabilities	0.0	0.0	0.0	-0.3	1.1	1.1
Monetary Authorities	-852.6	-678.4	-754.8	-1,942.8	-2,394.5	-2,258.7
Short-term	212.4	557.2	968.6	119.4	-19.3	12.9
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	757.7
Currency and deposits	213.2	557.2	968.6	119.4	-19.3	-744.8
Other debt liabilities	-0.8	0.0	0.0	0.0	0.0	0.0
Long-term	-1,065.0	-1,235.5	-1,723.4	-2,062.2	-2,375.2	-2,271.5
Bonds and notes	-1,053.5	-1,222.3	-1,709.2	-2,045.8	-2,359.5	-2,256.2
Loans	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
Other debt liabilities	-11.5	-13.2	-14.2	-16.3	-15.8	-15.3
OMFIs	-3,262.7	-4,047.9	-9,690.0	-8,388.6	-9,520.2	-9,347.2
Short-term	17,057.8	14,057.2	12,029.9	13,046.0	14,142.7	13,623.2
Money market instruments	-9.2	-198.8	-173.3	-2.0	-0.1	-0.1
Loans	7,769.0	6,049.5	3,669.3	6,458.6	6,555.8	6,985.0
Currency and deposits	8,476.1	8,167.8	8,457.6	6,523.1	7,550.7	6,635.4
Other debt liabilities	821.9	38.7	76.3	66.4	36.3	3.0
Long-term	-20,320.5	-18,105.1	-21,719.9	-21,434.6	-23,662.9	-22,970.4
Bonds and notes	-7,748.8	-9,535.1	-12,141.3	-13,568.9	-16,082.8	-16,379.8
Loans	-12,698.7	-8,598.3	-9,578.6	-7,865.7	-7,580.1	-6,590.7
Currency and deposits	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
Other Sectors[3]	-638.5	-709.2	-446.3	-503.7	-507.9	-541.8
Short-term	-600.5	-556.6	-361.8	-374.1	-326.2	-362.9
Money market instruments	0.0	-0.8	-0.9	0.0	0.0	-0.8
Loans	-29.2	-15.2	-20.7	-30.7	-34.5	-30.3
Currency and deposits	-477.0	-550.7	-568.4	-607.1	-634.6	-673.4
Trade credits	-94.3	10.1	228.2	263.8	342.9	341.6
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	-38.0	-152.6	-84.5	-129.7	-181.7	-178.9
Bonds and notes	-430.1	-560.1	-585.8	-640.4	-730.0	-731.5
Loans	460.8	379.1	496.1	508.1	564.4	567.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	-62.1	35.0	11.9	9.3	16.2	17.8
Other debt liabilities	-6.6	-6.6	-6.6	-6.6	-32.2	-32.3
Direct Investment: Intercompany Lending	211.5	141.0	159.3	257.0	143.1	181.6
Debt Liabilities to affiliated enterprises	-243.1	-365.1	-363.9	-221.5	-192.8	-201.1
Debt Liabilities to direct investors	454.6	506.1	523.2	478.5	335.9	382.7
Net External Debt	**-4,267.7**	**-5,042.6**	**-10,541.0**	**-10,361.6**	**-12,047.5**	**-11,699.2**
of which: OMFIs	**-3,262.7**	**-4,047.9**	**-9,690.0**	**-8,388.6**	**-9,520.2**	**-9,347.2**
Net External Debt Excluding OMFIs	**-1,005.1**	**-994.7**	**-851.0**	**-1,973.0**	**-2,527.3**	**-2,352.0**

[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.

Exchange Rates, External Transactions and Positions

Table 3.6 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	(1,037.2)
2007[2]	2,597.4	3,603.9	(1,006.5)
2008[2]	2,455.8	3,897.2	(1,441.4)
2009[2]	2,087.4	3,472.4	(1,384.9)
2010[2]	2,809.3	4,328.2	(1,518.8)
2011[2]	3,818.9	5,335.8	(1,516.9)
2012[2]	4,420.8	6,175.1	(1,754.3)
2011[2]			
Jan.	285.6	345.2	(59.6)
Feb.	207.4	413.5	(206.2)
Mar.	274.7	409.4	(134.7)
Apr.	270.0	480.8	(210.8)
May	196.7	414.0	(217.3)
June	295.5	369.7	(74.2)
July	214.3	387.9	(173.6)
Aug.	214.9	354.7	(139.8)
Sep.	418.9	435.4	(16.5)
Oct.	447.2	491.4	(44.3)
Nov.	669.6	834.8	(165.2)
Dec.	324.1	398.8	(74.8)
2012[2]			
Jan.	316.6	444.1	(127.5)
Feb.	409.9	504.5	(94.5)
Mar.	298.4	419.3	(120.9)
Apr.	310.9	441.3	(130.4)
May	391.1	601.9	(210.9)
June	349.6	617.7	(268.1)
July	432.5	784.3	(351.9)
Aug.	419.1	529.5	(110.4)
Sep.	410.5	466.5	(56.0)
Oct.	336.3	404.1	(67.8)
Nov.	386.7	561.6	(174.9)
Dec.	359.3	400.2	(40.9)
2013[2]			
Jan.	292.6	407.8	(115.1)
Feb.	319.5	411.7	(92.2)
Mar.	371.1	445.9	(74.8)

[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 3.7 Direction of trade - exports[1]

EUR millions

Period	EU (of which):								All others (of which):			Total
	euro area (of which):					UK	Other EU	Total				
	France	Germany	Italy	Other euro area	Total				Asia	USA	Others	
2005	283.8	236.3	100.5	92.9	713.5	216.2	75.0	1,004.7	460.9	263.9	229.6	1,959.1
2006	326.7	283.0	85.6	164.1	859.4	213.2	82.3	1,154.9	631.4	275.5	438.1	2,499.9
2007[2]	271.3	306.8	90.8	131.7	800.5	222.1	86.2	1,108.8	719.9	246.7	522.1	2,597.4
2008[2]	237.3	270.4	114.6	99.9	722.2	165.4	66.5	954.2	713.9	183.0	604.7	2,455.8
2009[2]	187.4	222.0	105.2	141.9	656.5	100.5	63.8	820.7	528.1	152.3	586.2	2,087.4
2010[2]	238.6	281.6	157.5	229.0	906.7	131.4	111.0	1,149.1	686.5	196.1	777.6	2,809.3
2011[2]	244.9	326.2	171.1	291.3	1,033.5	150.4	117.8	1,301.7	1,092.1	169.0	1,256.0	3,818.9
2012[2]	295.1	357.5	172.8	211.2	1,036.7	124.6	129.1	1,290.4	1,012.9	198.0	1,919.5	4,420.8
2011[2]												
Jan.	13.9	23.9	9.2	33.7	80.8	10.0	8.0	98.7	64.2	11.4	111.3	285.6
Feb.	15.0	23.8	13.7	9.3	61.8	10.8	9.3	81.8	75.0	13.0	37.5	207.4
Mar.	23.0	28.6	13.8	10.8	76.3	20.7	12.3	109.2	77.0	20.8	67.7	274.7
Apr.	14.0	24.1	11.2	11.2	60.5	21.8	11.4	93.7	64.5	11.0	100.9	270.0
May	15.8	28.9	14.0	12.1	70.8	15.3	8.9	95.0	61.5	13.3	26.9	196.7
June	17.1	26.8	24.2	10.9	79.0	12.7	11.0	102.7	60.9	12.9	119.0	295.5
July	20.1	28.9	11.3	35.2	95.4	9.4	11.0	115.8	47.5	13.0	38.0	214.3
Aug.	26.5	26.8	8.7	19.9	81.8	11.5	8.1	101.4	53.7	13.0	46.8	214.9
Sep.	26.9	32.8	33.9	34.4	128.0	8.5	13.1	149.7	106.3	13.4	149.4	418.9
Oct.	24.1	29.3	10.0	39.9	103.4	11.5	10.3	125.3	181.8	13.0	127.2	447.2
Nov.	22.4	29.6	12.4	33.3	97.7	10.1	5.8	113.6	201.2	21.4	333.3	669.6
Dec.	26.2	22.7	8.7	40.4	98.0	8.1	8.8	114.8	98.6	12.7	97.9	324.1
2012[2]												
Jan.	19.5	36.3	9.9	9.6	75.3	7.0	6.3	88.6	56.4	11.8	159.8	316.6
Feb.	28.4	31.7	12.7	22.4	95.2	8.1	8.5	111.8	65.6	12.4	220.2	409.9
Mar.	27.3	41.3	10.6	9.5	88.7	11.1	7.8	107.6	68.7	17.8	104.2	298.4
Apr.	23.4	31.2	33.6	13.5	101.6	11.7	12.5	125.8	55.2	13.9	116.1	310.9
May	22.0	30.6	12.5	27.0	92.0	13.6	9.5	115.1	65.8	18.6	191.6	391.1
June	24.3	24.2	8.3	31.3	88.1	9.7	10.9	108.8	61.8	13.2	165.9	349.6
July	23.2	29.5	11.1	7.9	71.7	7.3	13.7	92.7	96.1	33.0	210.6	432.5
Aug.	28.6	30.6	6.4	12.9	78.4	10.0	18.7	107.2	128.9	15.7	167.3	419.1
Sep.	33.0	27.9	10.1	11.3	82.2	22.9	12.1	117.1	80.5	16.6	196.3	410.5
Oct.	24.5	27.0	15.9	26.2	93.6	6.8	12.3	112.7	74.6	14.0	135.0	336.3
Nov.	23.1	30.9	21.5	14.2	89.6	10.3	10.6	110.5	134.8	15.3	126.0	386.7
Dec.	18.0	16.5	20.2	25.5	80.2	6.1	6.2	92.5	124.4	15.9	126.5	359.3
2013[2]												
Jan.	21.4	24.8	9.2	16.3	71.6	8.6	5.8	86.0	78.8	15.4	112.4	292.6
Feb.	20.2	25.9	9.1	14.4	69.5	10.8	14.9	95.2	126.0	13.9	84.4	319.5
Mar.	21.7	28.5	12.6	25.2	88.0	9.3	12.2	109.5	94.8	14.7	152.1	371.1

[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 - imports[1]

EUR millions

Period	EU (of which):								All others (of which):			Total
	euro area (of which):											
	France	Germany	Italy	Other euro area	Total	UK	Other EU	Total	Asia	USA	Others	
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	420.1	290.5	902.7	375.3	1,988.6	499.6	103.4	2,591.6	597.2	206.5	208.6	3,603.9
2008[2]	381.4	267.6	1,027.4	484.6	2,161.0	457.5	137.2	2,755.8	597.8	86.8	456.8	3,897.2
2009[2]	338.9	272.4	861.0	463.0	1,935.3	378.1	109.6	2,422.9	457.7	124.7	467.0	3,472.4
2010[2]	338.5	295.2	1,065.7	495.2	2,194.5	358.2	161.8	2,714.5	611.7	92.8	909.2	4,328.2
2011[2]	376.1	317.6	1,443.3	525.0	2,662.0	362.1	329.7	3,353.9	641.9	225.3	1,114.7	5,335.8
2012[2]	369.0	324.4	1,982.4	657.5	3,333.4	371.5	241.9	3,946.7	768.7	134.1	1,325.5	6,175.1
2011[2]												
Jan.	37.6	28.2	75.7	37.0	178.6	23.0	25.1	226.7	55.6	22.2	40.7	345.2
Feb.	23.4	32.1	133.9	32.0	221.4	37.7	12.1	271.1	49.4	33.7	59.4	413.5
Mar.	35.8	27.8	123.3	36.6	223.5	45.3	10.8	279.7	47.8	4.0	77.9	409.4
Apr.	52.6	27.3	100.0	36.8	216.7	57.7	8.6	283.0	56.4	33.3	108.1	480.8
May	24.4	24.7	108.4	44.4	202.0	33.4	15.6	251.0	63.0	15.2	84.8	414.0
June	35.5	22.1	105.1	33.2	196.0	21.7	11.5	229.2	48.8	16.0	75.7	369.7
July	19.5	26.4	86.1	66.6	198.7	23.9	19.0	241.6	61.0	4.4	80.9	387.9
Aug.	39.1	27.7	91.7	40.2	198.7	21.1	14.3	234.2	45.9	17.7	57.0	354.7
Sep.	23.5	25.7	110.4	29.7	189.3	22.1	43.9	255.3	53.3	46.1	80.7	435.4
Oct.	34.5	26.1	183.1	49.0	292.6	26.2	46.8	365.5	43.2	16.1	66.6	491.4
Nov.	23.6	26.3	198.9	33.6	282.4	25.7	113.1	421.3	79.6	5.7	328.3	834.8
Dec.	26.6	23.0	126.7	85.8	262.1	24.3	8.9	295.3	37.9	10.9	54.8	398.8
2012[2]												
Jan.	17.8	27.5	93.1	29.7	168.1	20.5	9.9	198.5	140.9	10.4	94.2	444.1
Feb.	27.7	27.5	268.8	29.8	353.8	29.3	7.4	390.4	36.9	22.6	54.6	504.5
Mar.	36.8	34.9	130.8	50.6	253.1	47.7	30.3	331.1	45.0	4.4	38.8	419.3
Apr.	29.0	26.7	179.4	45.4	280.5	25.1	20.4	326.0	47.4	4.4	63.5	441.3
May	46.1	34.9	166.8	46.8	294.6	51.8	26.9	373.3	57.6	4.6	166.4	601.9
June	21.9	24.9	123.1	104.8	274.5	40.5	9.4	324.5	93.2	6.8	193.2	617.7
July	37.5	29.4	221.6	61.1	349.6	27.0	34.2	410.8	58.7	26.2	288.6	784.3
Aug.	22.9	24.3	213.3	89.3	349.7	25.9	43.9	419.6	66.3	9.4	34.2	529.5
Sep.	20.4	22.5	169.1	74.8	286.8	23.7	7.4	317.8	70.0	20.6	58.1	466.5
Oct.	33.1	25.0	111.0	54.5	223.6	34.7	12.2	270.6	46.5	17.1	70.0	404.1
Nov.	38.3	27.5	158.8	33.9	258.5	24.9	22.3	305.8	63.5	4.2	188.1	561.6
Dec.	37.6	19.5	146.7	36.8	240.5	20.2	17.5	278.2	42.9	3.3	75.8	400.2
2013[2]												
Jan.	24.0	35.7	83.9	26.5	170.1	21.1	12.4	203.6	60.7	6.3	137.2	407.8
Feb.	20.1	24.5	78.1	29.8	152.4	22.2	13.2	187.9	68.1	11.6	144.2	411.7
Mar.	23.3	24.2	130.2	55.6	233.3	24.3	21.3	279.0	59.7	4.3	103.0	445.9

[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 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	3,116.5	941.2	1,047.6	-12.1	5,093.1	3,700.3	3,855.6	-155.3	4,937.8	4,720.0
2006	3,305.1	1,011.1	1,108.1	29.7	5,454.0	4,621.5	4,868.8	-247.3	5,206.7	5,018.7
2007	3,400.0	1,041.9	1,175.2	27.8	5,644.9	5,138.8	5,208.3	-69.5	5,575.4	5,433.7
2008	3,656.3	1,221.3	1,103.2	95.7	6,076.5	5,475.4	5,583.5	-108.1	5,968.3	5,766.5
2009	3,778.7	1,230.6	1,003.2	79.2	6,091.8	4,870.8	5,006.5	-135.7	5,956.0	5,511.6
2010	3,874.6	1,290.7	1,092.7	-7.5	6,250.5	5,995.4	5,922.3	73.1	6,323.6	5,881.4
2011	4,040.5	1,352.2	971.2	-62.9	6,300.9	6,506.0	6,223.0	282.9	6,583.8	6,205.6
2012	4,106.7	1,446.0	976.1	-133.4	6,395.3	6,962.2	6,554.4	407.8	6,803.1	6,328.3
2012										
Q1	989.4	357.0	228.3	-49.5	1,525.2	1,578.4	1,507.9	70.6	1,595.8	1,439.7
Q2	1,010.8	352.7	258.0	18.9	1,640.4	1,827.0	1,780.3	46.8	1,687.2	1,586.8
Q3	1,051.4	361.2	238.5	-58.8	1,592.3	1,885.7	1,670.3	215.4	1,807.7	1,704.3
Q4	1,055.0	375.1	251.3	-44.0	1,637.4	1,671.1	1,596.0	75.1	1,712.4	1,597.5
2013										
Q1	990.8	359.3	221.3	77.2	1,648.5	1,495.3	1,489.0	6.2	1,654.8	1,481.8

[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	2,833.6	790.1	1,007.9	-11.1	4,620.5	3,744.5	3,973.9	-229.4	4,391.0
2006	2,956.7	835.6	1,003.9	25.9	4,822.2	4,297.6	4,615.4	-317.8	4,504.4
2007	2,980.4	839.6	1,023.6	23.4	4,867.0	4,458.0	4,637.3	-179.3	4,687.7
2008	3,103.9	945.9	888.8	82.1	5,020.7	4,550.6	4,697.1	-146.5	4,874.2
2009	3,123.6	920.6	758.9	63.8	4,866.9	4,167.8	4,301.9	-134.2	4,732.7
2010	3,108.4	935.6	780.9	-5.0	4,819.9	4,907.1	4,843.3	63.8	4,883.6
2011	3,214.0	973.6	664.4	-48.9	4,803.2	5,005.1	4,835.9	169.3	4,972.5
2012	3,208.9	1,022.2	635.9	-97.8	4,769.2	5,307.2	5,052.3	254.9	5,024.1
2012									
Q1	785.8	255.4	149.0	-36.5	1,153.7	1,229.6	1,213.8	15.8	1,169.5
Q2	779.8	247.9	162.4	13.5	1,203.6	1,406.8	1,384.3	22.5	1,226.1
Q3	823.1	253.8	157.4	-43.0	1,191.3	1,395.7	1,255.5	140.2	1,331.5
Q4	820.2	265.1	167.1	-31.8	1,220.6	1,275.1	1,198.7	76.4	1,297.0
2013									
Q1	771.9	247.8	140.7	56.2	1,216.7	1,188.1	1,216.3	-28.2	1,188.5

[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	130.1	113.7	177.8	496.7	482.4	103.5	1,082.6	160.9	1,243.5
2008	81.1	150.8	144.5	205.4	581.7	454.4	97.4	1,133.6	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	221.0	211.1	644.9	415.2	103.5	1,163.6	176.7	1,340.3
2011	103.4	134.0	201.3	212.6	651.3	437.9	116.9	1,206.0	208.5	1,414.5
2012	107.6	137.4	201.9	205.2	652.2	440.5	132.4	1,225.0	219.1	1,444.1
2012										
Jan.	3.0	6.6	11.5	7.9	29.0	16.6	4.5	50.1	11.2	61.4
Feb.	3.4	7.1	6.8	8.1	25.4	22.3	3.5	51.2	10.5	61.7
Mar.	4.8	9.0	11.9	11.2	36.7	26.1	6.6	69.5	11.5	81.0
Apr.	11.5	12.9	18.4	18.0	60.9	37.4	9.6	108.0	14.4	122.4
May	12.7	12.4	16.7	20.0	61.8	40.0	13.9	115.7	17.9	133.7
June	11.5	13.6	16.7	22.1	63.9	47.4	14.9	126.2	21.2	147.4
July	12.5	12.4	25.1	26.4	76.4	46.3	19.3	141.9	32.8	174.7
Aug.	18.4	14.1	36.3	31.2	100.0	53.3	17.8	171.1	28.3	199.4
Sep.	11.6	15.6	21.3	24.8	73.3	49.3	16.6	139.2	24.1	163.3
Oct.	8.2	16.7	15.9	17.3	58.1	54.5	16.6	129.2	23.4	152.6
Nov.	6.5	10.9	10.3	10.9	38.6	27.9	6.0	72.5	13.0	85.5
Dec.	3.4	6.0	11.0	8.0	28.3	19.1	2.8	50.3	11.1	61.4
2013										
Jan.	3.7	7.9	12.0	7.1	30.6	18.1	4.2	52.9	11.9	64.9
Feb.	2.5	7.7	9.9	5.9	26.0	21.9	3.0	50.9	10.5	61.4
Mar.	6.3	12.1	12.5	11.0	41.9	29.7	4.5	76.1	13.1	89.3

[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	103.6	42.6	146.2	97.8	41.0	138.8	5.7	5.5	1.6	3.7	7.3	5.0
2006	103.7	43.8	147.5	98.1	42.1	140.2	5.5	5.3	1.7	3.8	7.1	4.8
2007	103.9	45.3	149.3	98.9	43.8	142.7	4.9	4.7	1.5	3.4	6.4	4.3
2008	104.7	47.4	152.1	99.9	46.0	145.9	4.8	4.5	1.4	2.9	6.1	4.0
2009	104.3	48.5	152.7	98.6	46.8	145.3	5.7	5.5	1.7	3.5	7.4	4.8
2010	103.8	49.5	153.3	98.3	48.0	146.3	5.5	5.3	1.5	3.1	7.1	4.6
2011[3]	104.3	51.8	156.1	99.1	50.4	149.6	5.2	5.0	1.4	2.7	6.6	4.2
2012[3]	104.8	53.9	158.7	99.5	52.4	151.9	5.3	5.1	1.5	2.9	6.9	4.3
2012[3]												
Jan.	104.7	52.9	157.6	99.4	51.4	150.9	5.2	5.0	1.5	2.8	6.7	4.3
Feb.	104.8	53.1	157.8	99.3	51.6	150.9	5.4	5.2	1.5	2.8	6.9	4.4
Mar.	104.8	53.3	158.1	99.4	51.8	151.1	5.4	5.2	1.5	2.9	7.0	4.4
Apr.	104.3	53.2	157.5	99.0	51.7	150.7	5.4	5.2	1.5	2.9	7.0	4.4
May	104.4	53.4	157.8	99.2	51.9	151.1	5.2	5.0	1.5	2.7	6.7	4.2
June	104.6	53.7	158.3	99.4	52.2	151.6	5.2	5.0	1.5	2.7	6.7	4.2
July	105.1	54.2	159.3	99.9	52.7	152.6	5.2	4.9	1.5	2.8	6.7	4.2
Aug.	105.1	54.4	159.5	99.9	52.8	152.7	5.2	5.0	1.6	2.9	6.8	4.3
Sep.	105.0	54.3	159.4	99.7	52.8	152.5	5.3	5.0	1.6	2.9	6.9	4.3
Oct.	104.9	54.6	159.5	99.5	53.0	152.5	5.4	5.1	1.6	3.0	7.0	4.4
Nov.	105.1	54.8	159.9	99.6	53.2	152.8	5.5	5.2	1.6	3.0	7.1	4.4
Dec.	104.8	55.0	159.8	99.5	53.4	153.0	5.3	5.0	1.5	2.8	6.8	4.3
2013[3]												
Jan.	105.4	55.8	161.2	99.9	54.1	154.0	5.6	5.3	1.8	3.2	7.3	4.6
Feb.	105.6	56.0	161.5	100.0	54.3	154.3	5.6	5.3	1.7	3.0	7.3	4.5
Mar.	105.4	56.1	161.5	99.8	54.3	154.1	5.6	5.3	1.7	3.1	7.4	4.6

[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.

Real Economy Indicators

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	116.2	60.5	176.7	108.3	56.2	164.4	7.9	6.8	4.3	7.1	12.2	6.9
2011[3]	117.5	62.8	180.3	110.3	58.3	168.6	7.2	6.2	4.4	7.0	11.7	6.5
2012[3]	116.5	68.0	184.5	109.7	63.0	172.6	6.8	5.9	5.0	7.3	11.8	6.4
2012[3]												
Q1	115.4	66.9	182.3	108.9	62.3	171.3	6.5	5.6	4.5	6.8	11.0	6.1
Q2	116.6	67.1	183.7	109.1	62.6	171.7	7.6	6.5	4.4	6.6	12.0	6.5
Q3	118.1	68.3	186.4	111.6	62.5	174.1	6.4	5.4	5.9	8.6	12.3	6.6
Q4	115.9	69.6	185.4	109.0	64.4	173.5	6.8	5.9	5.1	7.4	12.0	6.5
2013[3]												
Q1	116.5	69.0	185.5	109.1	65.1	174.2	7.4	6.4	3.9	5.7	11.3	6.1

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

Table 4.5 Property prices index based on advertised prices *(base 2000 = 100)*[1]

Period	Total	Apartments	Maisonettes	Terraced houses	Others[2]
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
2011	169.3	173.0	174.5	197.6	172.5
2012	170.1	172.5	173.5	185.5	172.4
2012					
Q1	172.9	181.0	173.2	177.8	166.0
Q2	167.4	166.4	163.1	191.0	184.1
Q3	170.8	173.6	176.9	177.4	164.2
Q4	169.2	169.0	180.8	195.9	175.4
2013					
Q1	171.8	176.8	177.3	185.1	174.1

[1] As the statistical methodologies underpinning the total and the components are different, the change in the components does not necessarily reflect the change in the total.
[2] 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
2011	192	33	256	4	47	74	49	655	1,065	1,720
2012	169	33	247	17	32	87	58	643	955	1,598

[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
2011	1,159	832	1,991	3,276	401	191	87	3,955
2012	958	700	1,658	2,489	298	202	75	3,064

[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
1979	316.21	7.14
(continued)		
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
2011	791.02	2.72
2012	810.16	2.42

[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
2011	104.1	2.7	3.9	2.2	0.1	5.8	2.5	-1.4	3.2	1.7	1.2	4.3
2012	106.6	2.4	4.7	4.4	-1.7	0.4	1.3	2.1	2.1	1.1	1.2	4.4
2012												
Jan.	104.1	2.7	3.7	2.4	0.1	5.4	2.3	-0.9	3.1	1.6	1.1	4.6
Feb.	104.7	2.7	3.7	2.6	0.2	4.9	2.1	-0.3	3.0	1.5	1.0	4.8
Mar.	105.2	2.6	3.9	2.9	-0.3	4.5	1.9	0.3	2.7	1.4	0.8	5.0
Apr.	106.6	2.6	4.0	3.2	-0.8	4.0	1.8	0.6	2.9	1.4	0.7	5.1
May	106.6	2.5	3.8	3.4	-1.3	3.5	1.6	0.8	2.8	1.4	0.7	5.0
June	106.8	2.4	3.7	3.7	-1.9	2.9	1.4	1.0	2.8	1.3	0.7	5.1
July	106.1	2.4	3.8	3.9	-2.0	2.5	1.4	1.2	2.4	1.2	0.7	5.1
Aug.	106.5	2.3	4.0	4.1	-2.3	2.2	1.3	1.4	2.1	1.2	0.7	5.0
Sep.	107.5	2.3	4.3	4.2	-3.0	1.7	1.2	1.7	2.1	1.1	0.8	5.0
Oct.	108.5	2.3	4.4	4.3	-2.7	1.3	1.2	1.9	2.0	1.1	1.0	4.9
Nov.	108.3	2.4	4.5	4.4	-2.3	0.8	1.2	2.0	2.1	1.1	1.1	4.6
Dec.	108.4	2.4	4.7	4.4	-1.7	0.4	1.3	2.1	2.1	1.1	1.2	4.4
2013												
Jan.	106.6	2.5	4.9	4.4	-1.5	0.5	1.4	2.1	2.0	1.3	1.5	4.1
Feb.	106.7	2.4	4.8	4.2	-1.0	0.7	1.4	2.0	1.7	1.4	1.7	3.9
Mar.	107.2	2.4	4.7	4.1	-0.6	0.8	1.3	1.9	1.6	1.6	1.9	3.6

[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
2011	115.2	2.5	4.9	3.6	-1.2	3.5	0.2	1.4	7.8	-9.7	0.5	4.4	1.8	4.2
2012	118.9	3.2	5.7	4.2	-1.5	0.4	3.2	1.7	4.8	-6.6	0.6	3.6	6.1	2.1
2012														
Jan.	113.2	2.4	4.8	3.6	-1.3	3.2	0.7	1.4	7.5	-9.6	0.4	4.5	1.3	4.1
Feb.	113.9	2.4	5.0	3.7	-1.2	2.9	1.1	1.3	7.5	-9.6	0.4	4.6	1.2	4.0
Mar.	115.6	2.4	5.1	3.8	-1.6	2.6	1.5	1.3	7.2	-9.5	0.3	4.8	1.3	3.9
Apr.	119.5	2.5	5.2	3.9	-2.0	2.3	1.7	1.3	7.2	-9.6	0.4	4.7	1.9	3.7
May	120.9	2.6	5.1	3.9	-2.5	2.0	1.7	1.3	7.1	-9.6	0.4	4.7	2.8	3.5
June	122.2	2.7	5.1	4.0	-3.0	1.7	1.9	1.3	6.9	-9.2	0.4	4.6	3.5	3.4
July	121.9	2.8	5.3	4.1	-3.0	1.5	2.0	1.4	6.3	-8.9	0.3	4.6	4.5	3.2
Aug.	122.1	2.9	5.3	4.1	-3.1	1.4	2.3	1.4	5.7	-8.6	0.3	4.5	5.0	3.0
Sep.	121.3	2.9	5.6	4.1	-3.5	1.1	2.7	1.4	5.5	-8.2	0.3	4.5	4.8	2.8
Oct.	120.5	3.0	5.6	4.1	-2.9	0.9	2.9	1.5	5.2	-7.9	0.3	4.2	5.0	2.6
Nov.	118.2	3.1	5.6	4.3	-2.3	0.6	3.1	1.6	4.9	-7.0	0.5	3.9	5.7	2.3
Dec.	117.6	3.2	5.7	4.2	-1.5	0.4	3.2	1.7	4.8	-6.6	0.6	3.6	6.1	2.1
2013														
Jan.	115.9	3.3	5.7	4.1	-1.1	0.5	3.2	1.8	4.5	-6.8	0.9	3.3	6.3	2.0
Feb.	115.9	3.2	5.5	3.9	-0.6	0.6	3.2	2.0	4.1	-7.0	1.2	3.1	6.2	2.0
Mar.	117.2	3.1	5.4	3.8	-0.2	0.7	3.2	2.1	3.9	-7.2	1.5	2.8	5.7	1.9

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 that are not conducted through central counterparties; 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 1.18 and 1.19 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.

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, the financial market interest rates shown in Table 1.20 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.

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.

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 1.16 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 1.17 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 2.6 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 2.7), 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 2.12 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

From 2008, statistics on exchange rates (Tables 3.1a-3.1b) 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 3.2-3.4) 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. Up to the end of 2007, official reserve assets (Table 3.3) 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.

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 are fully reconcilable with the data shown in the IIP. The external debt of the MFIs is also 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 2008/9. 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.