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Address
Pjazza Kastilja
Valletta VLT 1060
Malta

Telephone
(+356) 2550 0000

Fax
(+356) 2550 2500

Website
http://www.centralbankmalta.org

E-mail
info@centralbankmalta.org

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ABBREVIATIONS

COICOP	Classification of Individual Consumption by Purpose
ECB	European Central Bank
ecu	european currency unit
EONIA	Euro OverNight Index Average
ESA 95	European System of Accounts 1995
ESA 2010	European System of Accounts 2010
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
IC	Insurance Corporations
IF	Investment Funds
IMF	International Monetary Fund
LFS	Labour Force Survey
LTRO	longer-term refinancing operation
MFI	monetary financial institution
MFSA	Malta Financial Services Authority
MGS	Malta Government Stocks
MIGA	Multilateral Investment Guarantee Agency
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
SPE	Special Purpose Entities
ULC	unit labour cost

FOREWORD

The Governing Council of the European Central Bank (ECB) maintained an accommodative monetary policy stance during the third and fourth quarters of 2014.

Key interest rates were lowered by 10 basis points in September 2014. As a result, the interest rate on the main refinancing operations was brought down to 0.05%, while the rates on the marginal lending facility and on the deposit facility were decreased to 0.30% and -0.20%, respectively. These decisions took into account the persistently low rate of inflation, the weakening recovery in the euro area and continued subdued monetary and credit dynamics.

In September the ECB also announced that the Eurosystem would begin purchasing asset-backed securities denominated in euro and secured by claims against the euro area non-financial private sector. The Eurosystem also introduced a new covered bond purchase programme, through which it can buy euro-denominated covered bonds issued by monetary financial institutions in the euro area. These programmes aim at improving credit flow to the real economy, while also supporting the ECB's forward guidance on key ECB interest rates.

During the month, the ECB also conducted the first targeted longer-term refinancing operation (TLTRO) that was announced in June. The second TLTRO operation took place in mid-December.

During the second quarter of 2014, gross domestic product (GDP) in the euro area was almost unchanged from its level in the first quarter, growing by a marginal 0.1%. A modest expansion in private and government consumption was partly offset by a decline in investment, while net exports only made a small positive contribution to GDP growth.

Inflationary pressures remained muted in the euro area during the second quarter of 2014. At 0.5% in June, the annual rate of inflation in the euro area, as measured by the Harmonised Index of Consumer Prices (HICP), was largely unchanged from its level in March. This outcome reflected contrasting developments across components. Indeed, while overall goods prices slightly declined in annual terms, service prices rose. Euro area inflation moderated in the third quarter, standing at 0.3% in September.

According to ECB staff projections published in September, euro area real GDP growth was expected to turn positive in 2014, standing at 0.9%. It was then expected to accelerate to 1.6% in 2015 and 1.9% in 2016. The annual HICP inflation rate was set to fall from 1.4% in 2013 to 0.6% in 2014, before rebounding to 1.1% and 1.4% in 2015 and 2016, respectively.

In contrast, the domestic economy continued to record a robust performance, with real GDP expanding by 2.6% in annual terms during the second quarter compared with 3.8% in the first three months of the year. Growth was driven by domestic demand, particularly government expenditure and private consumption. However, net exports also supported the expansion, as imports fell more strongly than exports. GDP growth remained strong in the third quarter, standing at 3.8%.

The annual inflation rate based on the HICP stood at 0.7% in June, down from 1.4% in March. This decline in inflation was driven by movements in energy prices, which responded to the reduction in electricity tariffs for households at the end of March, and by a moderation in food price inflation. By September, the inflation rate had dropped further, to 0.6%, mainly as a result of developments in the prices of processed food and non-energy industrial goods.

In line with increasing economic activity, employment continued to rise. According to the Labour Force Survey (LFS), in the second quarter of 2014 employment increased by 1.2% on a year earlier, after growing by 1.9% in the preceding quarter. Data issued by the Employment and Training Corporation indicated an even stronger increase in the number of job holders, with full-timers in June up by almost 4% in annual terms. The unemployment rate based on the LFS stood at 5.8% in the second quarter of 2014, 0.2 percentage point lower compared with the preceding quarter and 0.8 percentage point less than a year earlier.

With regard to competitiveness indicators, both the nominal and real harmonised competitiveness indicators fell in the three-month period to June, signalling a gain in price competitiveness, but remained above their year-ago levels. Meanwhile, Malta's unit labour cost index, measured as a four-quarter moving average, was 2.0% higher on a year earlier, following a 1.0% rise in the first quarter of the year. Both the nominal and real competitiveness indicators fell further during the third quarter.

The external sector remained supportive of economic growth. During the second quarter of 2014 the surplus on the current account of the balance of payments widened on a year earlier. This was mainly attributed to net flows on income, which turned positive, although the goods deficit also narrowed and the surplus on services increased slightly. In the year to June, the current account surplus stood at 5.3% of GDP, as against 3.3% a year earlier.

Monetary aggregates continued to expand. Total residents' deposits grew at a faster pace during the third quarter, with the annual rate of change rising to 12.9% in September from 10.3% in June. This acceleration was driven by movements in overnight deposits, although other deposits included in the broad money aggregate (M3) also contributed. This offset slower growth in deposits with maturities exceeding two years, which are classified outside M3.

However, the annual rate of growth of credit to residents fell from -0.8% in June to -3.4% in September, mainly reflecting weaker growth in credit to general government, but also a steeper fall in credit to other residents, particularly non-bank financial institutions. In contrast, credit to private non-financial corporations (NFC) posted a smaller annual decline compared with June, while credit to households continued to expand.

The broad downward trend in euro area interest rates was also reflected in domestic financial markets. The three-month Treasury bill rate in the secondary market fell by 20 basis points between the end of June and the end of September to 0.09%. Meanwhile, the yield on five-year and ten-year government bonds fell by around 50 basis points, to 1.00% and 2.26%, respectively. Lending rates also declined, with the weighted average interest rate on outstanding loans to resident households and NFCs down by 9 basis points to 4.06%.

With regard to fiscal developments, in the second quarter of 2014 the general government deficit widened on a year-on-year basis, as expenditure increased more strongly than revenue. As a result, the ratio of the fiscal deficit to GDP measured as a four-quarter moving sum stood at 3.2%, 0.2 percentage point more than the ratio recorded in the first quarter of the year. Meanwhile, general government debt as a percentage of GDP rose from 72.3% in March 2014 to 75.0% in June.

Updated figures on the deficit and government debt published with the Annual Budget 2015 foresee the general government deficit-to-GDP ratio narrowing to 2.1% in 2014 and to 1.6% in 2015. The debt-to-GDP ratio is expected to peak at 70.1% of GDP in 2014, before falling to 69.0% in the following year. The deficit is expected to narrow further to 0.4% of GDP by 2017.

In its latest projection exercise concluded in November, the Bank expects GDP growth to accelerate from 2.5% in 2013 to 3.0% in 2014, before easing to 2.8% in 2015. Domestic demand is expected to drive the expansion, supported by continued strong growth in private consumption and investment. On the other hand, net exports are set to have a negative effect on GDP growth.

Inflation is projected to ease to 0.8% in 2014 from 1.0% in 2013, driven by outcomes for food prices and the reduction in utility rates for consumers. In contrast, inflation deriving from services and non-energy and industrial goods is set to rise. Inflation is set to accelerate to 1.3% in 2015, boosted by a continued pick-up in services inflation, and more stable energy prices, as the impact of lower utility rates fades away.

Risks to Malta's GDP growth projections are balanced. Downside risks relate to the negative impact that a deterioration in the economic outlook abroad could have on domestic exports. Investment could also be weaker than expected, if planned infrastructure projects in the public sector are delayed. On the other hand, private consumption could surprise on the upside, given continued strong growth in employment and household disposable income.

Risks to the inflation projections are broadly balanced. A prolongation of the currently weak inflation environment abroad could translate into weaker than expected import and consumer prices, but a further depreciation of the euro could push prices up more strongly than expected.

From a policy perspective, it is important that the fiscal stance remains oriented towards meeting the budgetary targets specified in the Annual Budget 2015. The planned deficit reduction should lead to a lower debt-to-GDP ratio.

The financial system remains sound, as reflected in a further strengthening of capital buffers of core domestic banks in the second quarter. Liquidity levels are ample and residents' deposits continue to grow. Indeed, the comprehensive assessment of banks carried out by the ECB did not identify any capital shortfalls for the three participating banks that operate in Malta, both in the baseline and in the adverse scenarios. However, further efforts are needed to diversify funding sources, raise provisions and reduce exposures to non-performing loans in the construction & real estate sector.

Given the banks' relatively healthy position, there may be scope for increased lending to the private sector, which would support economic expansion, possibly financed through the favourable lending facilities being offered by the Eurosystem following the introduction of the TLTROs.

ECONOMIC SURVEY

1. INTERNATIONAL ECONOMIC DEVELOPMENTS AND THE EURO AREA ECONOMY

Global economic growth remained slow in the second quarter of 2014, with a lacklustre performance in advanced economies and frail growth in the emerging markets. The US economy experienced a rebound, while the United Kingdom sustained ongoing growth. Meanwhile, growth in the euro area as a whole remained weak.

Emerging economies weakened during the period, amidst fragile macroeconomic scenarios in Brazil and India, and rising geopolitical tensions between Russia and the West.

Price pressures remained low in several leading economies, indicating the possibility for continued accommodative monetary policy conditions.

Financial markets once more were affected by an increase in geopolitical tensions. However, signs that the US recovery was progressing, along with the accommodative monetary policy stance in major economies, have tended to support equity prices. Demand for sovereign bonds, and in particular for those considered to be safe havens, drove yields lower, while commodities were affected by market specific trends. Oil prices rose due to tensions between Russia and Ukraine, gold prices remained stable, while food prices eased.

International economic developments

US economy rebounds and gains momentum

In the United States, economic activity rebounded in the second quarter, with real gross domestic product (GDP) rising by 1.1%, up from a negative 0.5% in the previous quarter, with a buoyant business sector and moderate growth in household spending supporting the recovery (see Table 1.1).

The strong recovery in the second quarter reflected upturns in exports and private sector stockbuilding. Additionally, firms have significantly stepped up their investment outlays, both in non-residential structures as well as in equipment. Corporate profits have also mirrored this improved outlook. Household spending, residential investment and public expenditures expanded moderately, with imports rising. This indicates that while the US economy is gaining momentum, the recovery remains uneven.

Table 1.1
REAL GDP GROWTH IN ADVANCED ECONOMIES
Quarterly percentage changes; seasonally adjusted

	2013		2014	
	Q3	Q4	Q1	Q2
United States	1.1	0.9	-0.5	1.1
Euro area	0.1	0.2	0.3	0.1
United Kingdom	0.9	0.6	0.7	0.9
Japan	0.4	-0.1	1.5	-1.8

Sources: Bureau of Economic Analysis, US; Eurostat; Office of National Statistics, UK; Cabinet Office, Japan.

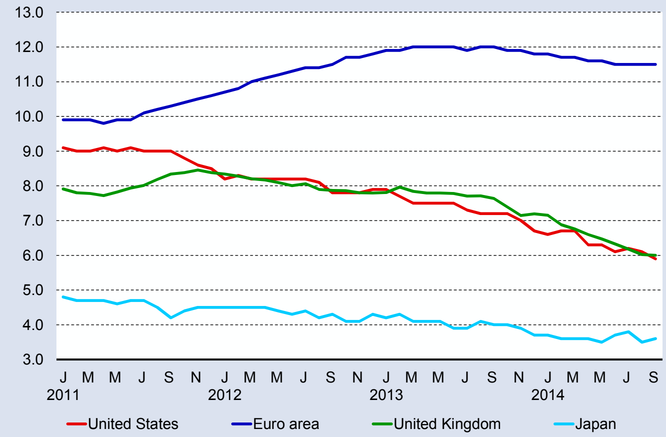
Labour market conditions improved further, with the number of employed workers increasing over the quarter and the unemployment rate easing to 6.1% by June (see Chart 1.1). This downward trend persisted in the third quarter, with the unemployment rate falling to 5.9% by September. The participation rate in the labour market, however, continued to drop.

The overall annual consumer price inflation (CPI) rate rose from 1.5% in March to 2.1% in June (see Chart 1.2). Price developments during the second quarter continued to be led by movements in energy prices. In the following months, inflationary pressures moderated, reflecting an easing in oil and commodity prices in the months to September 2014. Subsequently, overall inflation in the United States fell in the third quarter, with the rate standing at 1.7% in September.

Underlying inflation in the US economy remained below the 2% long-run goal, with few sources of upward pressures appearing. Thus, the annual rate of inflation, excluding food and energy prices, rose to 1.9% in June 2014.

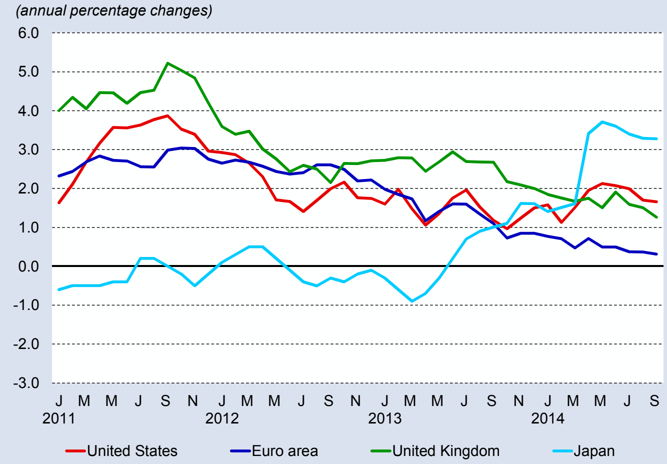
Policy rates in the United States were unchanged during the second and third quarters of 2014, with the federal funds target rate remaining in a range between 0% and 0.25% (see Chart 1.3). The Federal Open Market Committee (FOMC) announced that it expected the current target

Chart 1.1
UNEMPLOYMENT RATE
(percentage of the labour force; monthly data; seasonally adjusted)



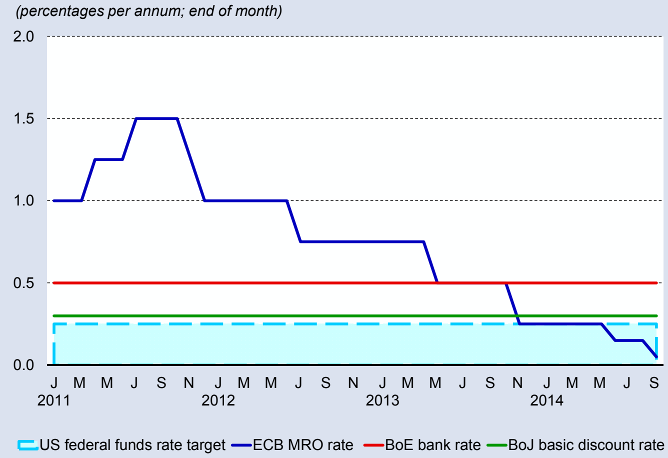
Sources: Eurostat; US Bureau of Labor Statistics; UK Office of National Statistics; Japan Statistics Bureau.

Chart 1.2
CONSUMER PRICE INFLATION
(annual percentage changes)



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

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



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

range for the federal funds rate to be maintained for a significant period after the Fed's asset purchase program ends. The Committee also discussed the key elements that would lead it to normalise its monetary policy operations and wind down asset purchases.

In mid-June, and again at the end of July, the Federal Reserve announced further reductions in the pace of purchases under its agency mortgage-backed securities (MBS) purchase programme. In June the Fed also announced a new schedule of margins applied on collateral pledged by depository institutions to secure discount window loans and for payment system risk purposes. The revised schedule better accounts for differences in the risk profile of different categories of collateral, thereby enhancing the effectiveness of the Fed's risk management practices.

In August the Federal Reserve ended its Treasury Operations Counterparty Pilot Programme, through which a small number of broker-dealers acted as counterparties in secondary market Treasury operations with Primary Dealers. At the same time, the Fed announced the introduction of a similar programme for agency MBS.

Looking ahead, the Federal Reserve's projections released in September indicate a GDP growth rate of between 2.0% and 2.2% for 2014, rising significantly in 2015 before moderating in the following year. In addition, the Fed sees unemployment dropping appreciably over its forecast horizon, with inflation picking up towards its long-run target of 2.0%.

UK economy shows steady and resilient growth

The UK economy continued growing at a robust pace during the second quarter of 2014, with real GDP rising by 0.9% on a quarter-on-quarter basis (see Table 1.1). The expansion in this quarter reflected a pick-up in the services sector, although utilities, construction and manufacturing also supported activity. In terms of expenditure components, domestic demand was the main engine for growth, particularly private consumption and investment. Net external trade, however, acted as a drag on the economy, with exports falling more than imports. This followed two quarters of positive contributions from net exports to overall GDP growth.

This resilient growth was also reflected in the encouraging performance of the labour market. Employment rose and the unemployment rate continued to fall, dropping from 6.8% in March to 6.3% in June, the lowest rate since November 2008 (see Chart 1.1). Nonetheless, wage growth remained comparatively weak and below the CPI inflation rate, indicating a further erosion in real wages.

The UK economy continued to perform well in the third quarter, with real GDP growth expanding by 0.7% in quarter-on-quarter terms In fact, the Office for National Statistics estimates that the economy exceeded its pre-recession peak in the third quarter of 2013.[1] The rate of unemployment dropped further, subsequently standing at 6.0% in September.

With regard to price pressures, these increased slightly in the second quarter, with the annual rate of consumer prices rising to 1.9% in June from 1.7% in March (see Chart 1.2). The main contributor was a surge in the prices of clothing and footwear, with energy prices also higher on a

[1] To meet international reporting standard requirements, GDP estimates by the Office of National Statistics (UK) have moved from the European System of Accounts 1995 (ESA95) to the European System of Accounts 2010 (ESA 2010). Following the adoption of these reporting standards, real GDP growth in the United Kingdom was revised upwards, on average, over the period 1997 to 2012, by +0.02 percentage point. These ranged from -0.7 percentage point in 2007Q2 to +0.7 percentage point in 2008Q2 and 2009Q1. Figures published in prior editions of this *Review* are strictly not comparable.

year earlier. CPI data suggested that the postponement of sales in the former two categories from June temporarily boosted inflation in that month. In fact, price pressures somewhat subsequently eased, with annual inflation going to 1.3% in September.

Average house prices in the United Kingdom advanced considerably in annual terms, with prices in London surging beyond those in the rest of the country. The pound sterling continued to strengthen over the quarter, reaching a new post-crisis high in July. This tends to dampen inflation rates by making imported goods cheaper, but also places a premium on British export prices. In fact, the United Kingdom's current account deficit widened in the second quarter.

Against these developments, the Bank of England considered the current level of Bank Rate, the United Kingdom's policy rate, appropriate to meet its inflation target and held it at 0.5% over the first nine months of 2014 (see Chart 1.3). The Bank also left the size of its stock of asset purchases unchanged, at GBP 375 billion.

Japan faces contraction in final demand

Following the quarter-on-quarter growth rate of 1.5% increase recorded in the first quarter of 2014, which was supported by higher private consumption in anticipation of a consumption tax increase in April, the Japanese economy shrunk by 1.8% in the three months to June 2014 (see Table 1.1). A decline was recorded in all final demand components, bar government expenditure.

Industrial production also remained weak, and the weaker yen did not translate in the higher exports needed to offset the recent decline in consumption expenditures.

In June the unemployment rate stood at 3.7%, unchanged from its March level. However, it eased to 3.6% by September (see Chart 1.1). The unemployment level remained at, or close to, the estimated structural unemployment rate of around 3.5%.

The Bank of Japan maintained once more its supportive monetary policy, in line with its Quantitative and Qualitative Easing Programme price-stability target. The annual increase in the monetary base was held at JPY 60 to 70 trillion. Despite this accommodative monetary policy stance, poor weather conditions and lacklustre retail performance may impinge on the country's future growth prospects.

The annual CPI inflation rate rose from 1.6% in March to 3.6% in June, before easing to 3.3% in September (see Chart 1.2). The acceleration in inflation during the second quarter was largely driven by April's consumption tax increase. In the following four months, the annual rate of inflation decelerated. Slower increases were recorded in most categories except for food, particularly in energy and non-energy industrial goods (NEIG).

Growth in emerging economies slows down

When compared with its recent record, growth has remained moderate in the world's major emerging economies.

Monetary policy easing, with reduced reserve requirements for particular lenders, as well as government spending on infrastructure, helped the Chinese economy rebound in the second quarter. However, downside risks remain, particularly linked with the performance of the construction industry and property purchases.

Quarter-on-quarter GDP growth moderated in India. Meanwhile, the Russian and Brazilian economies stalled. The latter entered a recession in the second quarter, with output contracting in all sectors except agriculture, partly under the impact of political uncertainty in the run-up to the presidential elections, which offset the stimulus provided by the FIFA 2014 World Cup. Russia's economy stagnated, amid concerns about the effects of continued tensions with Ukraine and international sanctions on Russia's exports and its financial system. Surging US oil supplies and weak global demand have lowered oil prices, placing increased pressure on the Russian fiscal budget. Meanwhile, sanctions on Russia and retaliatory restrictions on food imports from Europe led to an increase in inflation in the country.

Fears about the possible surge in volatility in financial markets and the breakdown of global patterns of trade were further compounded by the likelihood of military escalation in the Middle East.

Inflation pressures remained practically unchanged in China and India, while Brazil experienced a surge in inflation.

International financial markets

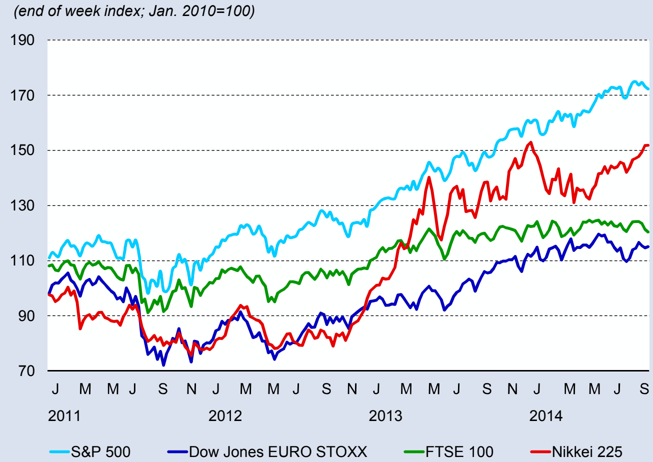
Accommodative monetary policies and US recovery support equity prices

Against a backdrop of an accommodative monetary policy, generally weak growth and low inflation, global equity markets experienced low volatility in the three months to June 2014. However, regions with a steadier economic outlook tended to have more favourable equity markets. Investor expectations of a slower normalisation process in the Federal Reserve's monetary policy, a package of new monetary easing measures by the European Central Bank (ECB) and stronger than expected economic growth in the United States characterised this quarter.

However, mounting geopolitical uncertainties, along with uncertainty in the lead up to the Scottish independence referendum in the United Kingdom, kept equity investors hesitant well into late summer.

An acceleration in economic activity in the United States pushed the S&P500 index up by 4.7% during the second quarter, as renewed confidence and perceptions about a lengthier winding down of the Fed's non-standard measures drove investor demand for stocks (see Chart 1.4). Indices in the United Kingdom (FTSE100) and Japan (NIKKEI225) rose by 2.2% and 2.3%, respectively. These gained back the ground lost over the first quarter of 2014, as fears about an economic slowdown in China and geopolitical

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



Source: Reuters.

concerns were offset by positive earnings data and signs of a rebound in economic activity in the United States. European investors remained more cautious, with the DJ EUROSTOXX index gaining a modest 0.9% over the second quarter.

Equity prices in the third quarter were marked by weakening consumer confidence and fears about an uneven recovery. This uncertainty halted indices in the United Kingdom and Europe, while the US stock market showed unsteady, yet modest, gains. Although the equity markets continued to show a measure of resilience in the September quarter, investors appeared to be sceptical of further gains in the latter half of the year. Japanese shares rose, with the NIKKEI225 index touching its highest level since November 2007, as share prices of Japanese exporters advanced on the back of a weakening yen.

Government bond yields extend their fall

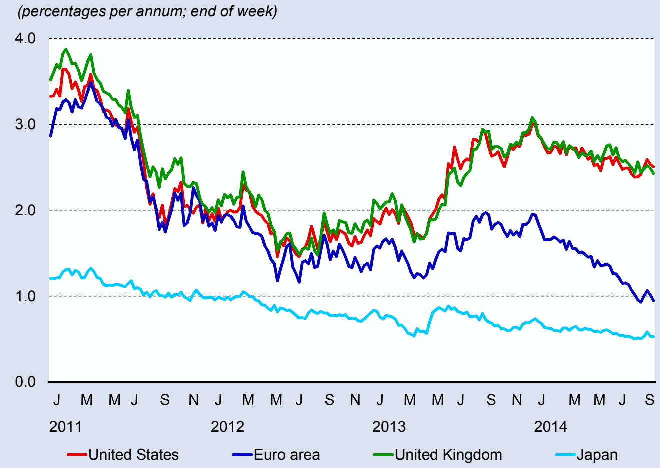
Ten-year government bond yields in advanced nations continued to drop at the start of the second quarter. Yields in the United States, Europe, the United Kingdom and Japan all fell in the second quarter of 2014, by 21, 32, 7 and 8 basis points, respectively (see Chart 1.5).[2] These drops occurred against the background of a continuation of supportive monetary policies, while geopolitical tensions in Ukraine and the Middle East led investors to purchase more secure government bonds.

Forward guidance from the Federal Reserve, and indications that it would take longer to reverse its accommodative stance, guided investor sentiment towards lower yields. Yields on US Treasury notes fell from 2.7% in March to 2.5% in June. The relative attraction of US denominated debt, however, ensured its continued demand by investors.

The ECB's reduction in policy rates during the second and third quarter triggered a rally in sovereign debt markets, with yields falling in most euro area economies. The dispersion in yields across the euro area narrowed considerably. Weak economic growth in Europe, and the announcement of new ECB non-standard measures in early June, sent German government bond yields below 1.0% by late August, to historical lows.

Yields continued their fall in the third quarter of 2014. This trend was most pronounced in the euro area and the United Kingdom, where ten-year yields dropped by 31 and 24 basis points, respectively.

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



Source: Reuters.

Commodities

Oil price rises

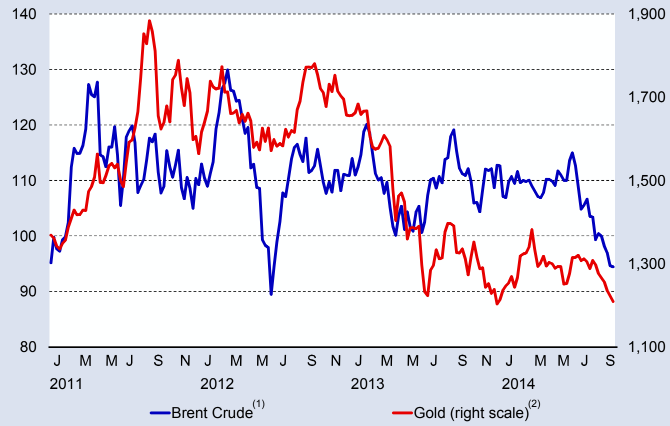
The price of Brent crude oil rose in the second quarter, standing at USD111.08 per barrel as at end-June (see Chart 1.6). This

[2] Bond yields have an inverse relationship with prices. German yields are used as benchmark for European yields on sovereign bonds.

was 4.4% above its value three months earlier.

Prices rose following concerns of tougher sanctions on Russia, particularly the potential disruption to supplies from this country amidst escalating geopolitical tensions in Ukraine. Oil prices were also supported by continued unrest in Libya and tight supplies from the North Sea and parts of the United States. An acceleration of manufacturing activity in China and the United States further supported oil prices.

Chart 1.6
OIL AND GOLD PRICES
(end of week)



(1) US dollars per barrel; (2) US dollars per troy ounce.
Source: Reuters.

In June analysts believed that oil prices in 2014 were set to be higher than originally anticipated. However, oil price pressures eased significantly in the third quarter on the back of persistent oversupply and weaker than expected global growth.

Gold price remains steady

The price of gold rose by 3.4% between the end of March and June. This was the second consecutive quarterly increase (see Chart 1.6). The metal's price stood at USD1,327.2 per troy ounce at the end of June.

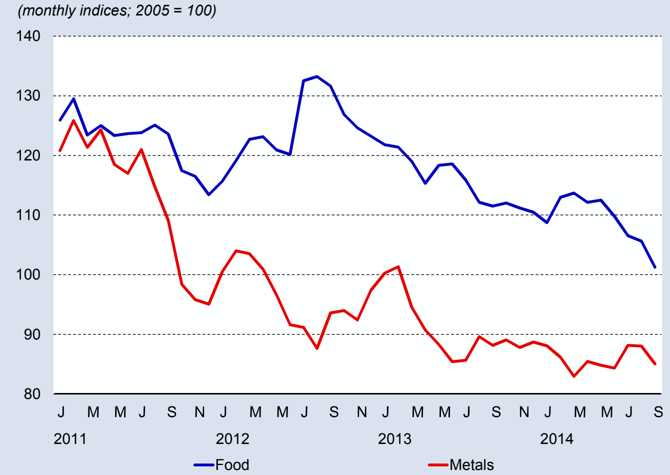
The price of gold fell between June and September, due to weaker purchases by institutional investors. In September the price of gold was also down on a year earlier, as demand for the metal by the jewellery sector dropped significantly in annual terms, while the purchase of gold for investment purposes showed modest growth.

Food prices fall

Food prices dropped in the second quarter of 2014, with the World Bank's Food Index falling by 3.4% from the end-March level (see Chart 1.7). Prices declined in April, and again in June, mostly owing to grains, edible oils and meals.

The market for wheat remained tight due to a decrease in yields from the record harvest of 2013, which placed a floor on prices.

Chart 1.7
COMMODITY PRICES
(monthly indices; 2005 = 100)



Source: World Bank.

Maize prices remained stable, with a fall in Ukrainian maize supplies offset by increased supplies from Argentina and the European Union. The rice market was well supplied and the existence of substantial stockpiles suggests further downward pressures on this grain. A sharp decline in soybean prices caused a drop in the edible oils and meals component of the Index, reflecting continued expansion in production.

The decrease in food prices seen in the second quarter was followed by a sharper dive in the third quarter of 2014, with the Index decreasing by 7.8% over the period. This is in line with projections of lower prices for wheat for the year as a whole, with forecasts of larger harvests in the European Union and Ukraine, and larger shipments of grain from Russian harbours.

Diverging trends underlie moderate gains in metal prices

The World Bank's Metals and Minerals Index rose moderately by 1.7% between the end of March and end of June. However, when considering the quarter as a whole, prices were 1.0% below the first quarter's average. This reflected a steep drop in the prices of base metals, excluding iron. The drop in iron ore prices mirrored an expansion in Australian and Brazilian production capacity, and contrasted with increases in prices of other metals, such as nickel and zinc. The surge in nickel prices exposes the effects of the Indonesian export ban on that unprocessed ore.

The increases seen in June 2014 moderated further in the following quarter, with the overall Index rising by a more sedate 0.8% in the three months to September 2014, partly as nickel prices halted their surge, with tin prices extending their downward trend. Metal prices are expected to fall over the year as a whole, with new sources coming onto global markets, and weak demand and lower growth prospects in China keeping prices depressed.

Economic and monetary developments in the euro area

Euro area economy loses traction

Following the disappointing outturn in the first quarter of 2014, GDP growth in the euro area moderated during the second quarter, underscoring the fragility of the economic recovery.[3] Real GDP remained almost unchanged from the level recorded in the three months to March, growing by 0.1% in quarter-on-quarter terms during the second quarter (see Table 1.2).

This weak outturn followed four quarters of modest growth. A fragile recovery in private consumption and government expenditure was more than offset by a drop in gross fixed capital formation. A small positive contribution from net exports was also reported.

Confidence fell slightly over the second quarter, amid worries about the impact of tensions with Russia on the euro area economy, weaker than expected economic data in the euro area and poor export orders. Sentiment indicators in different euro area countries returned diverging trends for the second quarter. Moreover, survey data also pointed to flagging growth prospects for euro area GDP into the third quarter.

[3] As of the second quarter of 2014, Eurostat and the national statistical agencies of the European Union introduced European System of Accounts 2010 (ESA2010) reporting standards, and made a number of other statistical improvements to their methodologies. The average annual difference in GDP levels between ESA2010 and the previous system between 1997 and 2013 stands at +3.4% for both the euro area and the EU28. The impact on GDP growth rates, however, was limited, with the change lying between +/-0.1 percentage point at euro area and EU aggregate levels.

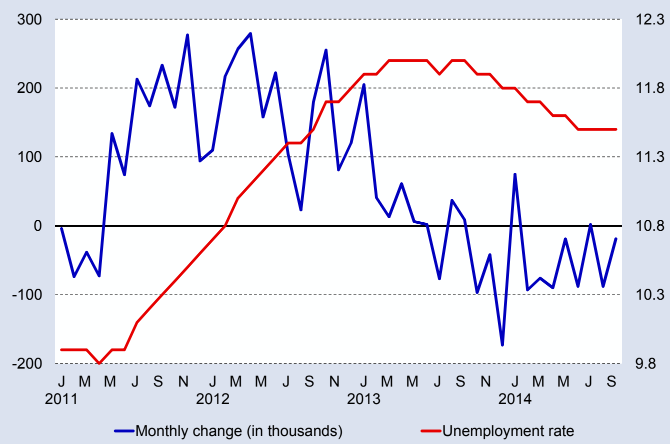
Table 1.2
REAL GDP GROWTH IN THE EURO AREA
Seasonally adjusted

	2013		2014	
	Q3	Q4	Q1	Q2
	Quarterly percentage changes			
Private consumption	0.3	-0.1	0.2	0.3
Government consumption	0.2	-0.2	0.7	0.2
Gross fixed capital formation	0.5	0.6	0.3	-0.9
Exports	0.6	1.1	0.3	1.3
Imports	1.4	0.4	0.6	1.3
GDP	**0.1**	**0.2**	**0.3**	**0.1**
	Percentage point contributions			
Private consumption	0.1	0.0	0.1	0.2
Government consumption	0.0	0.0	0.1	0.1
Gross fixed capital formation	0.1	0.1	0.1	-0.2
Exports	0.3	0.5	0.1	0.6
Imports	-0.6	-0.2	-0.2	-0.5
GDP	**0.1**	**0.2**	**0.3**	**0.1**

Source: Eurostat.

Contradicting the declining GDP growth rates, euro area employment gained some momentum, while remaining weak. This was the fourth quarter of increasing employment for the euro area, buoyed by new jobs in both service and manufacturing sectors, following a period of severe declines in total employment that began in the third quarter of 2011. As a result, the unemployment rate fell by 0.2 point to 11.5% between March and June (see Chart 1.8). The unemployment rate remained broadly stable at this level during the third quarter of 2014.

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



Source: Eurostat.

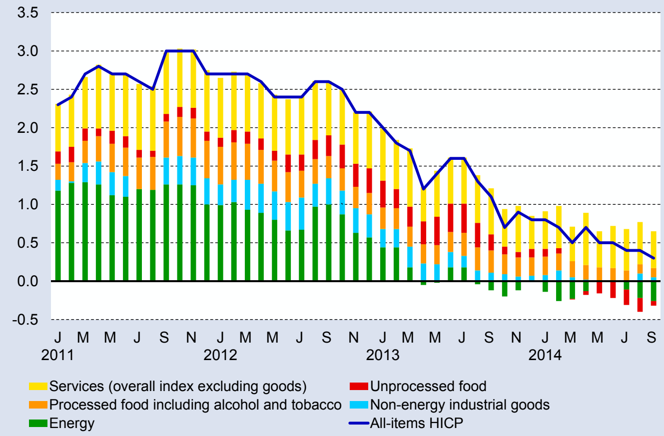
Inflation pressures remain broadly unchanged

Inflationary pressures remained muted in the euro area during the second quarter of 2014. The annual rate of inflation in the euro area, as measured by the Harmonised Index of Consumer Prices (HICP), stood at 0.5% in June, slightly below its level in March (see Chart 1.9).

This rather subdued annual inflation rate, however, concealed marked divergences between the broad HICP components. While prices for goods fell marginally, those for services rose. The downturn seen in food prices continued, with the annual inflation rate for food turning negative for the first time since 2010, reflecting movements in unprocessed items. Energy prices momentarily halted their negative trend in the three months to June, although more recent data for the third quarter indicate renewed declines.

Going into the third quarter, inflation fell further, standing at 0.3% in September, chiefly due to developments in energy and food prices.

Chart 1.9
CONTRIBUTIONS TO YEAR-ON-YEAR HICP INFLATION IN THE EURO AREA
(percentage points; annual percentage change)



Source: Eurostat.

Euro area GDP forecasts for 2014 revised downwards

According to ECB staff projections published in September 2014, euro area real GDP growth was expected to pick up in the second half of the year, after a disappointing first quarter and stagnation in the three months to June.[4] In 2014 as a whole, GDP growth was expected to reach 0.9%. It was then projected to accelerate to 1.6% in 2015 and 1.9% in 2016 (see Table 1.3). Compared with the Eurosystem staff forecasts released in June, these projections represent a downward revision for 2014, a slight decrease in 2015, and an upward revision for 2016.

Growth in 2014 was expected to derive from a steady increase in domestic demand, combined with a small positive contribution from net exports. Private consumption growth was anticipated to closely follow trends in real disposable income. The very low level of interest rates was estimated to help business investment, which was set to rise over the projection horizon. Residential investment was forecast to rebound in the second half of 2014, while public expenditure restraint and fiscal austerity in a number of euro area countries were projected to outweigh spending increases in the faster growing countries.

Table 1.3
MACROECONOMIC PROJECTIONS FOR THE EURO AREA[(1)]
Average annual percentage changes

	2014	2015	2016
GDP	**0.9**	**1.6**	**1.9**
Private consumption	0.7	1.4	1.6
Government consumption	0.7	0.4	0.4
Gross fixed capital formation	1.1	3.1	3.9
Exports	3.1	4.5	5.3
Imports	3.5	4.5	5.3
HICP	**0.6**	**1.1**	**1.4**

[(1)] Eurosystem staff macroeconomic projections (September 2014).

Source: ECB.

[4] For the first time, the September projections also included the Republic of Lithuania.

Lower than expected outturns in 2014 also led to a downward revision in GDP projections for 2015. More favourable financing conditions for businesses, via targeted longer-term refinancing operations (TLTRO) are seen to foster higher private investment, and thus GDP growth, in 2016.

In the September ECB staff projections, the inflation forecast for 2014 was revised slightly downwards compared with the Eurosystem forecasts produced in June, although those for 2015 and 2016 remained unchanged. The average annual inflation rate in the euro area was expected to fall from 1.4% in 2013 to 0.6% in 2014 and then rebound to 1.1% and 1.4% in 2015 and 2016, respectively. The deceleration foreseen for 2014 reflects an easing in energy and food prices, and subdued growth in the prices of NEIG and services.

ECB reduces interest rates

Faltering growth prospects, and the unremitting weak outlook for inflation, led the ECB to retain its accommodative monetary policy stance for the first nine months of 2014.

Following the reduction in its key rates in June 2014, which also entailed for the first time a negative rate on the deposit facility, the ECB remained on hold over the following two months. However, the ECB cut its key interest rates again in September, when it reduced the main refinancing operation (MRO) rate by a further 10 basis points to 0.05% (see Chart 1.3). At the same time, the rates on the marginal lending facility and on the deposit facility were decreased to 0.30% and -0.20%, respectively. The deposit facility remained negative for the second consecutive quarter. The ECB also announced that it intended to begin purchasing asset-backed securities (ABS) denominated in euro and with underlying assets made up of claims against the euro area non-financial private sector. This ABS purchase programme aims at improving credit flow to the real economy of the euro area.

Also in September, the ECB allotted €82.6 billion to 255 counterparties in the first of the eight TLTROs, which had been announced in June. The Eurosystem also announced a new covered bond purchase programme (CBPP3), through which it can buy euro-denominated bonds issued by monetary and financial institutions in the euro area.

Growth in broad money remains subdued

The pace of annual growth in the broad monetary aggregate (M3) rose, going from 1.0% in March to 1.6% three months later (see Table 1.4). This subdued expansion occurred despite a drop in

Table 1.4
EURO AREA MONETARY AGGREGATES
Seasonally adjusted; annual percentage changes

	2014						
	Mar.	Apr.	May	June	July	Aug.	Sep.
Currency in circulation	6.5	5.3	5.5	5.5	5.6	5.8	6.0
Overnight deposits	5.4	5.2	4.9	5.3	5.6	5.9	6.3
M1	**5.6**	**5.2**	**5.0**	**5.4**	**5.6**	**5.9**	**6.2**
Time deposits	-2.3	-2.4	-1.9	-1.8	-1.8	-1.7	-1.5
M2	**2.2**	**2.0**	**2.1**	**2.3**	**2.5**	**2.7**	**3.0**
Marketable instruments	-13.6	-14.2	-12.1	-8.8	-6.9	-6.5	-4.1
M3	**1.0**	**0.8**	**1.1**	**1.6**	**1.8**	**2.1**	**2.5**

Source: ECB.

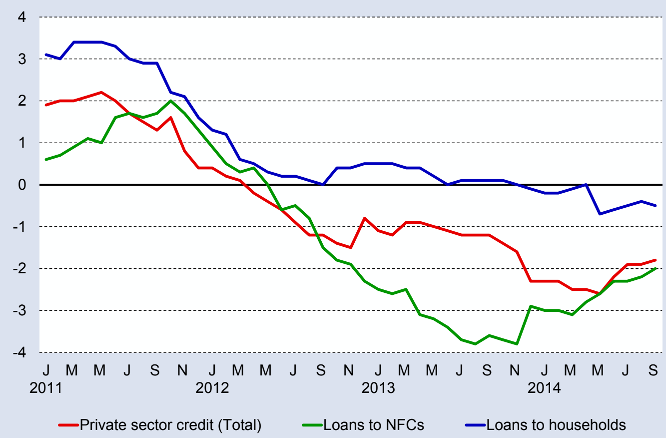
the growth rate of the narrow money component M1, while other short-term deposits, forming the other main component M2, grew at a marginally faster pace. The increase in the net external asset position of monetary and financial institutions in the euro area also contributed to M3 growth.

The annual growth rate of the narrow money component M1 accelerated between June and September. The moderation in M1 growth in the second quarter and the subsequent pick-up was evident in both currency in circulation and overnight deposits. Together with an acceleration in the other components of M2, this also boosted M3 growth.

On the counterparts side, the contraction in credit aggregates was roughly the same as in the previous quarter, with an annual rate of decline of 2.3% in June, from 2.2% in March 2014 (see Chart 1.10). This mainly reflected a reduction of 2.2% in credit to the private sector, partly under the impact of the comprehensive assessment of banks' balance sheets, although a drop of 2.6% in credit to Government also contributed.

The decline in credit to the private sector continued to be driven by loans to non-financial corporations, which extended the drop which had begun in June 2012. In recent months, this decline appeared to be easing somewhat. Moreover, lending to households also fell, with the drop accelerating recently and affecting all sub-categories of household lending.

Chart 1.10
MFI CREDIT TO THE PRIVATE SECTOR IN THE EURO AREA
(seasonally adjusted; annual percentage changes)



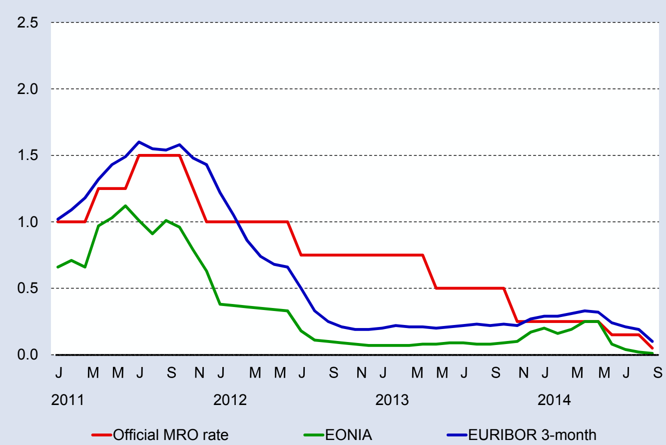
Source: ECB.

Restraint in monetary and credit developments was again observed during the third quarter of 2014, with private sector credit contracting at an annual rate of 1.8% in September.

Money market rates fall

In the money markets, rates on euro-denominated overnight securities were lower in June than in the previous quarter, with the EONIA falling by 11 basis points from its March level, to 0.08%. Meanwhile, the three-month EURIBOR was down by 7 basis points to 0.19% (see Chart 1.11). These drops were influenced by the outcome of the 5 June

Chart 1.11
KEY INTEREST RATES
(percentages per annum; monthly averages)



Source: Central Bank of Malta.

Governing Council meeting, when it was decided to lower the policy rates and to expand the non-standard monetary policy measures. These declines were also supported by an injection of liquidity derived from the suspension of sterilising operations under the Securities Markets Programme.

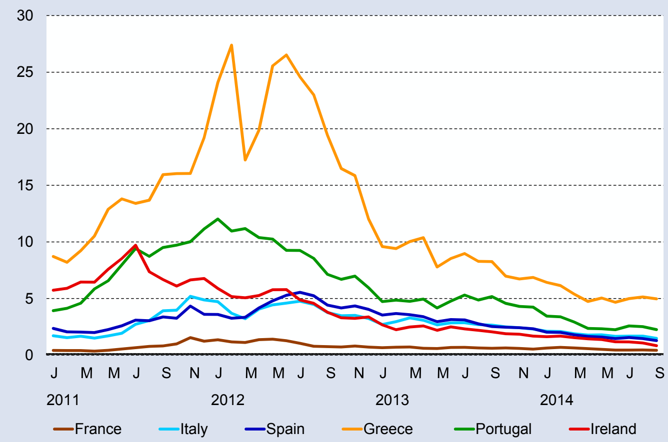
Euro area spreads continue to narrow

In euro area financial markets, German government bonds continued to benefit from the increase in safe-haven flows, with yields on ten-year German government bonds falling below 1.0% for the first time in history (see Chart 1.12).

Following the 5 June Governing Council meeting, government bond prices rose across the euro area, encouraged by the fresh package of measures from the ECB. Ten-year yields in the euro area periphery thus fell, with some trading at or close to historical lows. As a result of these moves, spreads between sovereign bonds from the euro area periphery and safe-haven German bonds continued to narrow. This development also characterised the third quarter. The rally in European sovereign bonds could help governments' efforts to lower debt burdens and channel funds to households and firms.

In currency markets, the euro ended its recent run of gains in the second quarter of 2014, with the nominal effective exchange rate (NEER) depreciating by 1.6% (see Chart 1.13). This

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

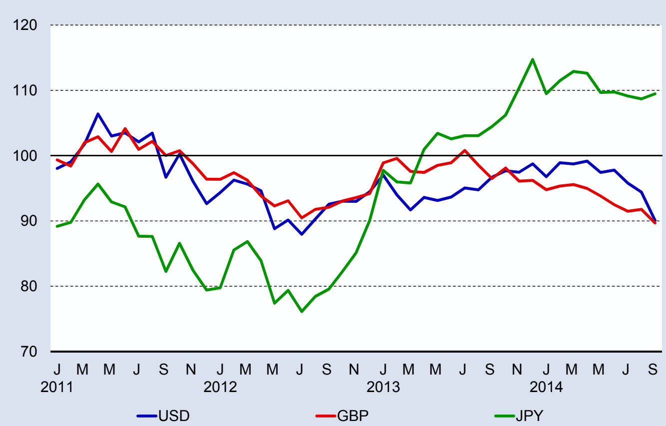


Source: ECB.

Chart 1.13
EURO NOMINAL EFFECTIVE EXCHANGE RATE
(monthly index vis-à-vis 20 trading partners; Q1 1999=100)

Source: ECB.

Chart 1.14
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.

mainly reflected changes in expectations about future monetary policy decisions by the ECB, both on the back of weaker inflation data and the frail economic outlook of the euro area vis-à-vis other major economies. Over the three months to June, the euro depreciated against other major currencies, including the pound sterling, the Japanese yen and the US dollar (see Chart 1.14).

Over the third quarter, the exchange rate continued to depreciate against the currencies of most of the euro area's main trading partners, particularly against the US dollar. The NEER declined by a further 2.5% between June and September.

2. OUTPUT AND EMPLOYMENT

During the second quarter of 2014, the Maltese economy continued to expand rapidly, backed by strong domestic demand and, to a lesser extent, by net exports. Services continued to contribute significantly to economic growth, whereas the contribution from manufacturing declined. In line with broader economic developments, the labour force expanded, employment growth remained robust, while the unemployment rate dropped.

GDP and industrial production

Economic activity grows at a solid pace

Real gross domestic product (GDP) continued to expand, rising by 2.6% in annual terms during the second quarter of 2014 compared with 3.8% in the first three months of the year. Net exports and domestic demand both contributed to GDP growth.

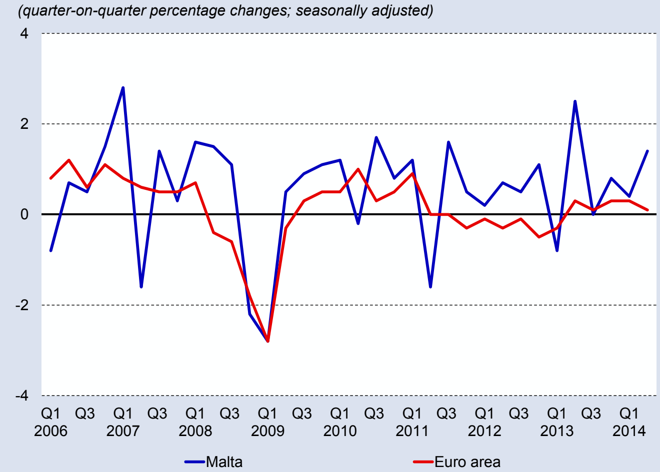
On a quarterly basis, real GDP increased by 1.4% in seasonally adjusted terms, following growth of 0.4% in the previous quarter. In contrast, in the euro area as a whole, the quarter-on-quarter growth rate declined to 0.1% from 0.3% in the first quarter (see Chart 2.1).[1]

Exports and imports decline

Net exports contributed 0.6 percentage point to GDP growth during the quarter, compared with 1.8 percentage points in the previous quarter. The positive contribution was due to a smaller fall in exports than imports. Total exports dropped by 0.1% on a year earlier, while imports were down by 0.5%. The fall in exports was due entirely to services, as goods exports rose by 7.8%. On the other hand, services fell by 2.6% despite the steady performance of the tourism sector (see Table 2.1). Movements in imports of goods and services diverged, with the former increasing by 7.1% on an annual basis, mirroring developments in exports, and the latter dropping by 4.6%.

In nominal terms, exports of goods declined by 0.8% in the second quarter, with Customs data showing a significant drop in exports of machinery & transport equipment, which include semi-conductors. Most other categories registered a decline, while fuel re-exports recorded a notable increase. Meanwhile, imports of goods fell by 2.3% over the same period, with purchases of fuel and machinery & transport equipment, the major components, recording a decline.

Chart 2.1
REAL GDP GROWTH
(quarter-on-quarter percentage changes; seasonally adjusted)



Source: Eurostat.

[1] The analysis in this *Review* is based on data compiled on the basis of ESA 2010 and released on the NSO website on 17 October 2014. They can be accessed through the link: http://www.nso.gov.mt/statdoc/document_view.aspx?id=3885&backUrl=news_by_date.aspx%3fretainCriteria%3dtrue

Table 2.1
GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

	2013			2014	
	Q2	Q3	Q4	Q1	Q2
	Annual percentage changes				
Private final consumption expenditure	1.4	2.6	2.9	1.5	2.5
Government final consumption expenditure	2.4	0.4	-1.2	2.8	10.7
Gross fixed capital formation	-3.8	0.5	5.9	14.1	4.6
Domestic demand	**-2.3**	**4.4**	**1.7**	**2.0**	**2.1**
Exports of goods & services	-5.2	1.6	-2.2	-2.6	-0.1
Imports of goods & services	-8.7	2.5	-2.8	-3.4	-0.5
Gross domestic product	**3.6**	**2.5**	**2.4**	**3.8**	**2.6**
	Percentage point contributions				
Private final consumption expenditure	0.8	1.4	1.6	0.9	1.4
Government final consumption expenditure	0.5	0.1	-0.2	0.6	2.2
Gross fixed capital formation	-0.7	0.1	1.0	2.7	0.8
Changes in inventories(1)	-2.9	2.2	-0.8	-2.2	-2.4
Domestic demand	**-2.3**	**3.7**	**1.6**	**2.0**	**2.0**
Exports of goods & services	-8.8	2.6	-3.4	-4.5	-0.1
Imports of goods & services	14.8	-3.8	4.1	6.3	0.7
Net exports	**5.9**	**-1.2**	**0.8**	**1.8**	**0.6**
Gross domestic product	**3.6**	**2.5**	**2.4**	**3.8**	**2.6**

(1) Includes acquisitions less disposal of valuables.
Sources: NSO; Central Bank of Malta calculations.

Domestic demand continues to grow

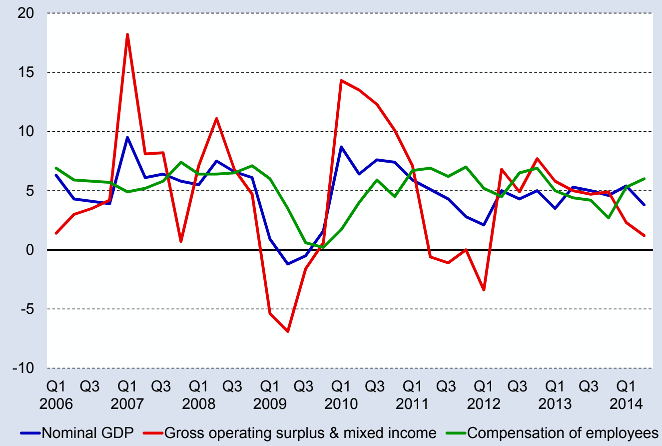
Driven primarily by growth in government and private consumption, domestic demand contributed 2.0 percentage points to real GDP growth. Investment also contributed, but to a lesser extent, whereas changes in inventories had a negative impact on GDP.

In the second quarter private consumption expanded further, adding 1.4 percentage points to GDP growth. Its annual growth rate accelerated to 2.5% from 1.5% in the first three months of the year. Consumption was sustained by buoyant real disposable income as employee compensation continued to rise. Spending rose across most commodity types, but mainly on communications, clothing and transport. Indeed, the number of newly registered vehicles increased when compared with the second quarter of 2013.

Government consumption expenditure growth accelerated strongly to 10.7%, following 2.8% in the previous quarter, boosting GDP growth by 2.2 percentage points. Growth stemmed from both intermediate consumption, which increased strongly after a period of weak or negative growth, and compensation of employees, notably in the health and education sectors.

Gross fixed capital formation (GFCF) expanded for the fourth consecutive quarter, adding 0.8 percentage point to GDP growth. Nevertheless, the growth rate slowed down sharply from an exceptionally strong 14.1% in the previous quarter to 4.6%. This stemmed mostly from higher investment in non-residential construction and equipment. IT-related investment and spending on transport equipment also increased. Meanwhile, residential investment continued to fall despite the buoyancy of residential property prices. On a sectoral basis, it was Government which accounted for the entire increase in GFCF in the quarter, driven mainly by expenditure on non-residential construction and transport equipment, including a helicopter for the armed forces. Private investment contracted due to lower spending on residential construction and equipment.

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



Source: NSO.

Nominal GDP growth slows down

In nominal terms, annual GDP growth decelerated from 5.4% in the first quarter to 3.8%. At the same time, the annual rates of growth of the income components diverged (see Chart 2.2).

Gross operating surplus rose by 1.2% compared with a year earlier, a slower rate of growth than in recent quarters. In absolute terms, the largest increases were in the arts & entertainment, wholesale & retail and accommodation sectors. Gross operating surplus in the construction sector also went up for the second consecutive quarter. On the other hand, in a number of sectors, notably manufacturing and utilities, it recorded a decline.

In contrast, compensation of employees continued to rise, with growth during the second quarter of 2014 accelerating to 6.0% from 5.3% in the first three months of the year. A rise in compensation of general government employees accounted for about one-half of the overall increase. Growth was registered across all major sectors, with the largest absolute increases in public administration & defence and in the wholesale & retail, accommodation & transport sectors. In line with developments in the gross operating surplus of the construction sector, growth in compensation of employees in this sector was positive.

Services continue to drive growth in gross value added

The annual rate of growth of gross value added (GVA) remained constant at 3.6% in the second quarter of the year (see Table 2.2). GVA contributed 3.2 percentage points to nominal GDP growth.[2]

Services continued to drive GVA growth during the quarter under review, adding 3.8 percentage points to the expansion in nominal GDP. Almost all service categories posted positive outcomes except financial & insurance activities, which saw its GVA decline by 5.6%. Mirroring the strong rise in government consumption and, in part, the robust performance of the tourism industry, public administration & defence, and the wholesale & retail, accommodation & transport sectors recorded the largest absolute increases in GVA. They contributed 1.4 and 1.2 percentage points, respectively, to growth. The other service sectors together added 1.2 percentage points.

[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
Percentage points

	2013			2014	
	Q2	Q3	Q4	Q1	Q2
Agriculture, forestry & fishing	0.2	0.1	0.1	-0.1	-0.1
Mining & quarrying; utilities	1.3	1.0	1.1	0.4	-0.4
Manufacturing	-1.0	-1.3	-1.0	-0.4	-0.3
Construction	-0.1	0.0	0.0	0.1	0.1
Services	3.9	4.1	3.0	3.2	3.8
of which:					
Wholesale & retail trade; repair of motor vehicles; transportation; accommodation & related activities	1.0	1.1	0.4	0.6	1.2
Information & communication	0.5	0.6	0.6	0.5	0.3
Financial & insurance activities	0.0	0.0	0.0	-0.7	-0.4
Real estate activities	0.3	-0.1	0.2	0.2	0.2
Professional, scientific, administrative & related activities	1.1	1.0	0.9	1.0	0.5
Public administration & defence; education; health & related activities	0.8	1.2	0.7	1.3	1.4
Arts, entertainment; household repair & related services	0.3	0.2	0.3	0.4	0.6
Gross value added	**4.3**	**3.9**	**3.2**	**3.2**	**3.2**
Net taxation on products	**1.0**	**1.1**	**1.4**	**2.1**	**0.6**
Annual nominal GDP growth (%)	**5.3**	**5.0**	**4.6**	**5.4**	**3.8**

Source: NSO.

GVA in manufacturing declined further, though at a slower pace than in recent quarters. It contributed a negative 0.3 of a percentage point to nominal growth. Meanwhile, the mining & utilities sector registered a fall in GVA so that its contribution to nominal GDP growth was a negative 0.4 of a percentage point. The construction sector's contribution to nominal GDP was slightly positive for the second consecutive quarter.

Industrial production continues to decline

During the second quarter of 2014, industrial production contracted at a faster rate of 7.7% on a year earlier, in comparison with a drop of 6.9% reported in the previous three months (see Table 2.3).[3] The second quarter decline in output stemmed mainly from the production of pharmaceutical products, computer, electronic & optical goods and wearing apparel. A small decline was also recorded in energy output and in the output of firms specialising in the repair & installation of machinery & equipment. On the other hand, firms producing food, rubber & plastic products and textiles registered an expansion in output.

Industrial production declined further in the third quarter of the year, albeit at a slower rate of 5.8%. This decline was fuelled by the energy sector and by a lower production of textiles, wearing apparel, rubber & plastic and computer products.

[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.

Table 2.3
INDUSTRIAL PRODUCTION
Percentages; annual percentage changes

		2013			2014	
	Shares	Q2	Q3	Q4	Q1	Q2
Industrial production	**100**	**-0.8**	**-4.7**	**-9.8**	**-6.9**	**-7.7**
of which:						
Computer, electronic & optical products	18.5	-1.3	-14.9	-30.1	-24.7	-24.4
Food products	10.2	17.0	5.5	19.6	19.8	1.3
Energy(1)	8.0	-2.0	-2.4	0.0	-0.4	-1.3
Wearing apparel	6.5	31.9	-3.9	-1.0	-1.0	-12.0
Rubber & plastic products	6.2	4.8	8.2	-1.5	2.6	2.3
Basic pharmaceutical products & pharmaceutical preparations	5.5	-7.3	-42.4	-46.1	-61.7	-38.8
Textiles	5.2	-26.2	-3.6	-32.9	-5.0	1.8
Repair and installation of machinery and equipment	5.0	-2.6	-3.4	0.9	0.0	-0.8

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

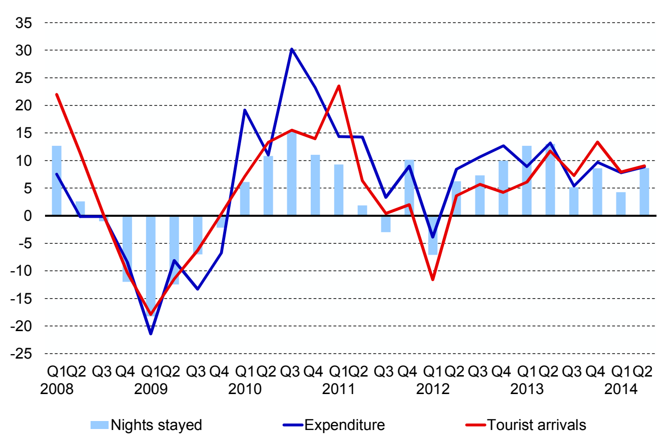
BOX 1: TOURISM ACTIVITY

The positive performance of the tourism industry persists

Leading tourism indicators suggest that the tourism industry continued to fare well in the second quarter of 2014, with the number of inbound tourists, nights stayed and visitor expenditure each growing by almost 10% on a year earlier.

National Statistics Office (NSO) data suggest that the number of departing tourists in the quarter under review was 492,132, up by 9.0% on the corresponding quarter of 2013 (see Chart 1). This was largely driven by a rise in the number of leisure travellers, although a smaller increase in business travellers also contributed.

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



Source: NSO.

In terms of geographical distribution, the rise in arrivals during the second quarter of 2014 stemmed from the United Kingdom, although sizeable increases were also recorded in a number of other source markets (see Table 1). The number of UK visitors rose by over 13,000, whilst Italian tourists climbed by almost 8,000 on a year earlier. Noticeable additions were also registered in visitors from Libya,

Table 1
DEPARTING TOURISTS BY COUNTRY OF RESIDENCE
Number of visitors

	2013 Q2	2014 Q2	Change
Total tourists	**451,418**	**492,131**	**40,712**
Austria	10,537	9,287	-1,249
France	39,417	44,069	4,652
Germany	37,994	38,274	280
Ireland	8,652	10,367	1,715
Italy	60,415	68,360	7,945
Libya	7,090	12,024	4,935
Netherlands	14,542	13,893	-649
Russia	9,618	8,947	-672
Scandinavia	32,214	35,904	3,690
Spain	15,795	10,302	-5,493
United Kingdom	130,639	144,073	13,434
USA	6,899	7,119	220
Other	77,607	89,511	11,904

Source: NSO.

France and the Scandinavian countries. Conversely, possibly reflecting the reduction of routes by low-cost carriers, the number of arrivals from Spain declined in annual terms. Other smaller drops were also seen in the Austrian, Russian and Dutch markets.

The United Kingdom and Italy remained Malta's most important source markets, with visitors from these countries accounting for over two-fifths of total arrivals.

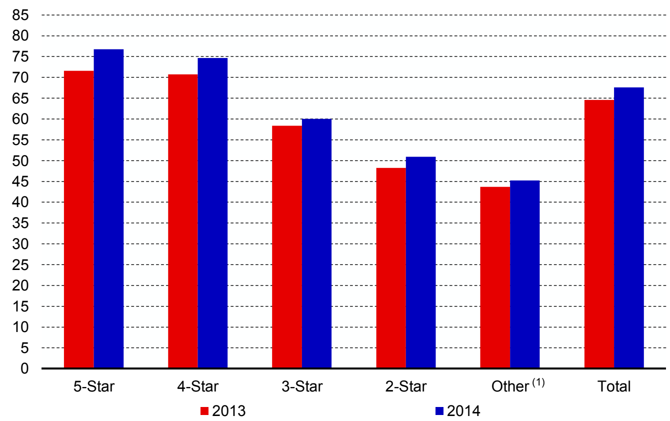
NSO data covering the April-June 2014 period indicate that total tourist spending reached €413.7 million, up by 8.8% in annual terms.[1] Over half of this surge was attributable to higher spending on the "other" component of tourist expenditure. Nonetheless, increases of 9.3% in spending on package holidays and 10.8% on accommodation also contributed.[2] At the same time, tourists' expenditure on travel fares went down by 3.1% on the comparable months of 2013. In per capita terms, tourist expenditure stood at almost €841, broadly unchanged from a year earlier.

Total nights stayed by tourists rose by 280,867 nights, or 8.7% over the level recorded in the second quarter of 2013, with three-fifths of the increase driven by collective accommodation, which rose by 7.4%. Meanwhile, nights stayed in private accommodation rose by 11.7% and accounted for around 30% of total nights stayed in Malta.[3]

[1] Total expenditure is split into package, non-package and "other".
[2] Non-package holiday expenditure is subdivided into spending on accommodation and travel fares, while the "other" component captures any additional expenditure by tourists during their stay in Malta.
[3] Private accommodation includes self-catering apartments, farmhouses, and private residences. As per Eurostat recommendation, time-share accommodation is classified as "private accommodation". Collective accommodation comprises hotels, aparthotels, guesthouses, hostels and tourist villages.

As nights stayed increased at a slightly less rapid rate than tourist arrivals, the overall average length of stay dipped marginally to 7.1 nights over the corresponding quarter a year ago.

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

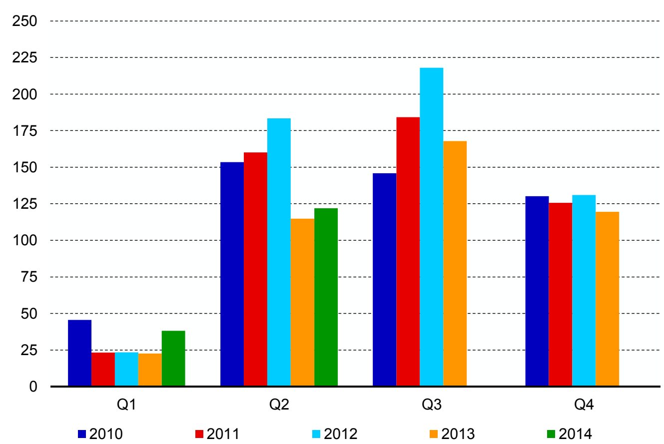


(1) Includes guest houses, hostels & holiday complexes.
Source: NSO.

Reflecting the higher number of nights stayed during the second quarter of 2014, the average occupancy rates in collective accommodation establishments edged up to 67.6%, an increase of 3 percentage points on the comparable quarter of 2013 (see Chart 2).[4] Higher occupancy rates were evident across all categories, with those in five and four-star categories rising the most, by 5.2 and 4.0 percentage points, respectively.

The favourable developments during the period under review were also corroborated by the quarterly survey conducted by the Malta Hotels and Restaurants Association. This shows that occupancy rates, as well as gross operating profits per available room, improved in all three main hotel categories when compared with the second quarter of 2013. Positive developments were also recorded in the average achieved room rates, rising by annual rates of 7.2%, 7.1% and 0.3%, in the five, four and three-star categories, respectively.[5]

Chart 3
CRUISE LINER PASSENGERS
(thousands)



Source: NSO.

NSO data covering the third quarter of 2014 suggest that the positive performance of the tourism industry persisted, partly supported by an influx of travellers from Libya. Over the first nine months of the year, the number of visi-

[4] Occupancy rates are reported by collective establishments and include nights spent in time-share accommodation. As a result, developments in these rates may differ from those in nights stayed in collective accommodation, as the latter exclude time-share accommodation.

[5] See *BOV-MHRA Survey* – Q2 2014.

tors increased by 8.0% over the corresponding months of 2013. At the same time, nights spent and expenditure rose by 5.0% and 6.8%, respectively, on a year earlier.

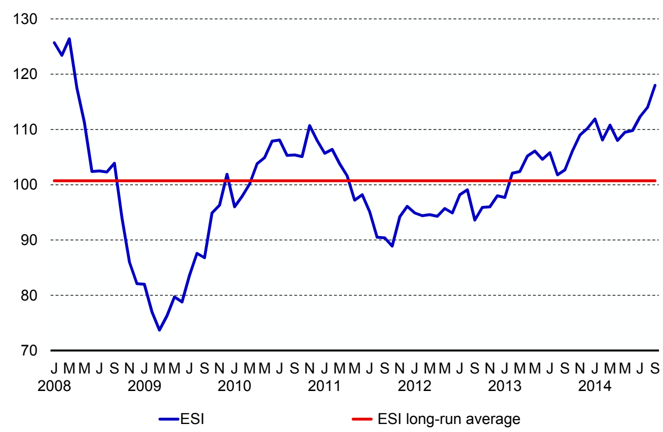
Cruise liner visits increase

The number of cruise liner calls in the second quarter rose by nine to 89, compared with the corresponding period of 2013. Concurrently, the total number of cruise liner passengers went up by 7,263, or 6.3%, on a year earlier (see Chart 3). This surge was driven by French visitors, although an increase in non-Europeans also contributed.

BOX 2: BUSINESS AND CONSUMER SURVEYS

In the third quarter of 2014 confidence improved strongly among operators in the manufacturing sector and, to some extent, also among service providers. In contrast, a loss in confidence was reported in the construction sector and among consumers. Largely reflecting developments in the manufacturing sector, the economic sentiment indicator (ESI) rose to 118.0 in September from 109.8 in June and thus remained above its long-term average of 100.7 (see Chart 1).[1,2]

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



Source: European Commission.

Industrial confidence rises sharply[3]

After rising to -2 in July from -7 in June, the industrial confidence indicator moved into positive territory in August and by September rose further to 15. Thus, the indicator approached the most recent peak recorded in 2008 while moving above its long-term average of -5 (see Chart 2).

---

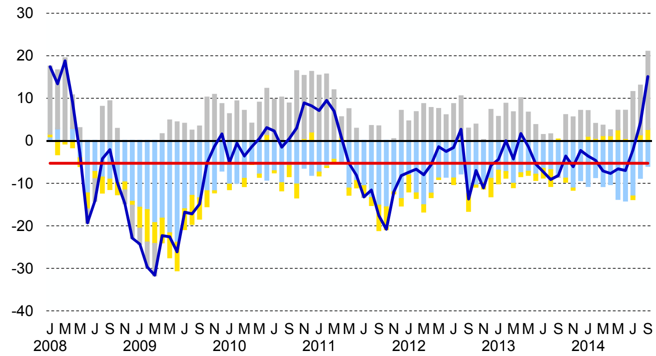
1 The ESI summarises developments in confidence in four surveyed sectors (industry, services, construction and consumers).

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.

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.

Between June and September, all sub-components forming part of the industrial confidence indicator reported gains. More specifically, production expectations improved as the share of respondents expecting a rise in production over the subsequent three months increased. This was largely a result of developments among producers of computer, electronic & optical products, beverages and food products. Moreover, on balance, a smaller number of firms reported weak order book levels. As a result of these movements, the production expectations and order book sub-indicators moved above their respective long-term average. During the third quarter, respondents on balance reported that their stock of finished goods would decrease by a larger amount compared with three months earlier.[4] This sub-indicator remained below its long-run average, suggesting that the accumulation of stocks continued to lose momentum.

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



Source: European Commission.

In line with the rise in confidence, further information indicates that the number of respondents anticipating an increase in their labour complement increased compared with three months earlier. Meanwhile, the share of participants anticipating their selling prices to decrease rose, largely reflecting a weaker competitive position in external markets.

From a sectoral perspective, between June and September, confidence improved among manufacturers of food and metal products. Confidence turned positive in the pharmaceutical, beverage, non-metallic mineral product and computer, electronic & optical product sub-sectors. On the other hand, confidence fell in the sectors encompassing printing & reproduction of recorded media and wearing apparel.

Confidence in the construction sector deteriorates slightly[5]

In the construction sector, confidence fell marginally from -19 in June to -21 in September (see Chart 3). Nonetheless, the indicator remained above its long-term average of -31.

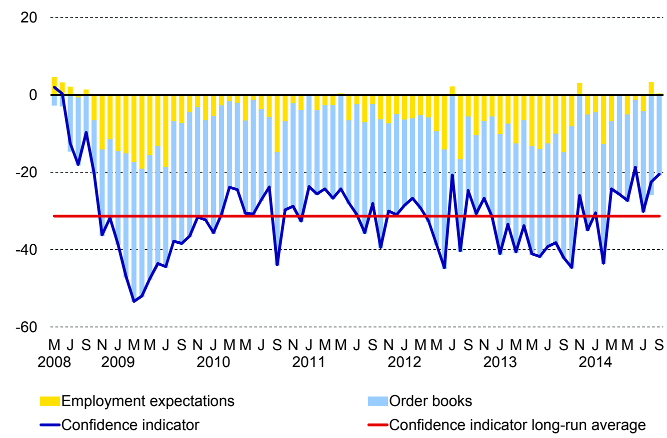
The loss in confidence during this period was a result of respondents' assessment with regard to their current order book levels. Compared with June, more firms reported these

4 A decline in stock levels indicates higher turnover and affects the overall indicator in a positive way. Such decreases are thus represented by bars above the 0 mark in Chart 2.

5 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.

to be below normal. In contrast, while in June the majority of respondents foresaw a decline in their labour complement, in September they expressed the intention of marginally increasing their workforce.

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

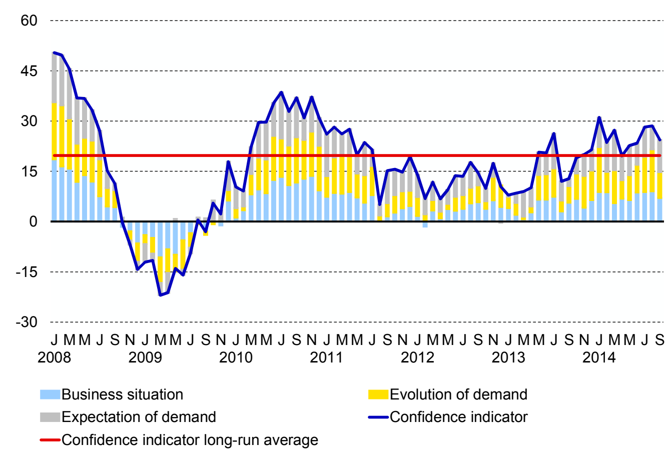


Source: European Commission.

Confidence rises slightly in the services sector[6]

The services confidence indicator reported a minimal gain, rising to 24 in September from 23 in June. It thus remained above its long-term average of 20 (see Chart 4).

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



Source: European Commission.

The assessment of demand for the previous three months and of the current business situation deteriorated. On balance, however, a higher share of respondents expected an increase in demand over the subsequent three months. Better expectations of future demand were evident in the sectors comprising land transport, catering, rental & leasing, financial services and gaming.[7] All sub-indicators stood above their respective long-term average.

Supplementary data show that expectations with respect to employment improved. On balance, prices charged by service providers were anticipated to decrease in the subsequent three months. Selling price expectations deteriorated mostly in air transport, programming & broadcasting, and the catering sectors.

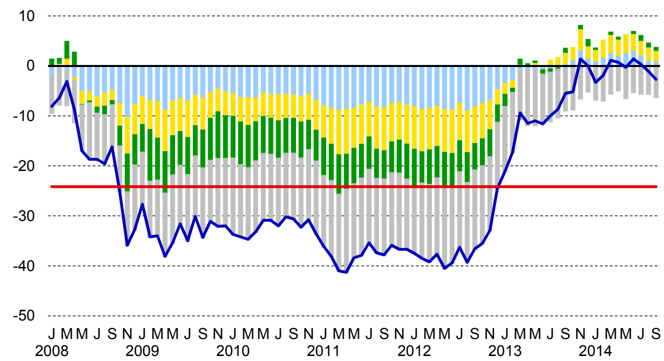
6 The services confidence indicator is the arithmetic average of the seasonally adjusted balances (in percentage points) of replies to survey questions relating to the business climate, the evolution of demand in the previous three months and demand expectations for the subsequent three months.

7 In Malta the land transport sector is largely composed of freight forwarders and organised private transport.

Consumer confidence moves again into negative territory[8]

During the third quarter of 2014, consumer confidence deteriorated and moved again into negative territory in August and September. The indicator stood at -3 in September as against 1 in June, remaining nonetheless well above its long-term average of -24 (see Chart 5).

Chart 5
CONSUMER CONFIDENCE INDICATOR
(seasonally adjusted; percentage points)



Source: European Commission.

This small deterioration was driven by consumers' assessments with regard to their financial situation in the forthcoming 12 months. In addition, consumers were also less confident about the general economic situation. In fact, consumers were more pessimistic about their ability to save in the following 12-month period, but additional information from the survey suggests that they were more predisposed to make major purchases of consumer goods, such as furniture and electronic devices. On the other hand, views about unemployment were marginally more pessimistic in September compared with June. The unemployment sub-indicator, however, remained below its long-run average, indicating that consumers' assessment of employment prospects were more positive than in the past. At the same time, the sub-indicators related to savings, the financial position and the economic situation were higher compared with their respective long-term averages.

Additional results on price developments show that in September, on balance, a smaller number of respondents expected prices to fall over the subsequent 12 months compared with three months earlier.

[8] 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.

The labour market[4]

Labour market data for the second quarter of 2014 indicate that employment continued to rise on an annual basis. Meanwhile, the unemployment rate edged downwards compared with both the previous quarter and the year-ago level.

Employment rises further

Labour Force Survey (LFS) data indicate that in the second quarter of 2014 the labour force rose by 0.4% compared with the same quarter a year earlier (see Table 2.4).[5] This followed a 1.9% rise in the first quarter.

Employment increased by 1.2% on a year earlier, after growing by 1.9% in the preceding quarter (see Chart 2.3). In absolute terms, the strongest increase in employment was recorded among part-time workers. This category increased by 2,738, or 12.8%. Full-time jobs rose by 1,215, or 0.8%, while, in contrast, full-timers on reduced hours decreased by 1,827, or 32.9%.

The total employment rate stood at 61.6% and was thus 1.0 percentage point higher than a year earlier.[6] Both females and males reported gains, with the former reporting the strongest rise.

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

	2013			2014		Annual change
	Q2	Q3	Q4	Q1	Q2	%
Labour force	**187,195**	**189,660**	**189,326**	**186,885**	**187,893**	**0.4**
Employed	174,843	177,362	177,147	175,630	176,969	1.2
By type of employment:						
Full-time	147,896	148,667	151,032	149,691	149,111	0.8
Full-time with reduced hours	5,558	5,059	4,484	4,851	3,731	-32.9
Part-time	21,389	23,636	21,631	21,088	24,127	12.8
Unemployed	12,352	12,298	12,179	11,255	10,924	-11.6
Activity rate (%)	**64.9**	**65.7**	**65.6**	**64.8**	**65.4**	
Male	79.7	79.7	79.5	79.3	79.4	
Female	49.7	51.2	51.4	49.8	51.0	
Employment rate (%)	**60.6**	**61.3**	**61.3**	**60.8**	**61.6**	
Male	74.3	74.5	74.1	74.2	74.6	
Female	46.4	47.7	48.1	47.1	48.2	
Unemployment rate (%)	**6.6**	**6.5**	**6.4**	**6.0**	**5.8**	
Male	6.7	6.4	6.6	6.4	6.0	
Female	6.5	6.6	6.2	5.4	5.6	

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 (ETC) 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 persons 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 16 years and over.

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 15 - 64 years.

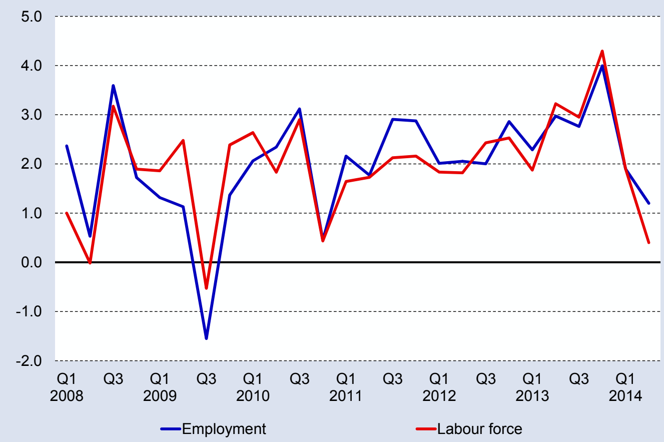
The female employment rate rose to 48.2% in the second quarter of 2014, from 46.4% a year earlier. The employment rate for males registered a 0.3 percentage point rise, to stand at 74.6% in the second quarter of 2014. In both cases, the highest rise in employment was registered in the 35 – 44 age bracket.

The activity rate rose from 64.9% in the second quarter of 2013 to 65.4% in the same quarter a year later.[7] The increase was driven by females as their activity rate increased to 51.0% from 49.7% a year earlier. On the other hand, the corresponding rate for males fell to 79.4% from 79.7% a year earlier.

ETC data show that the gainfully occupied population, defined to include all people in full-time employment, rose further to 163,797 in June (see Chart 2.4). The annual growth rate increased to 3.9% from 3.6% in March.

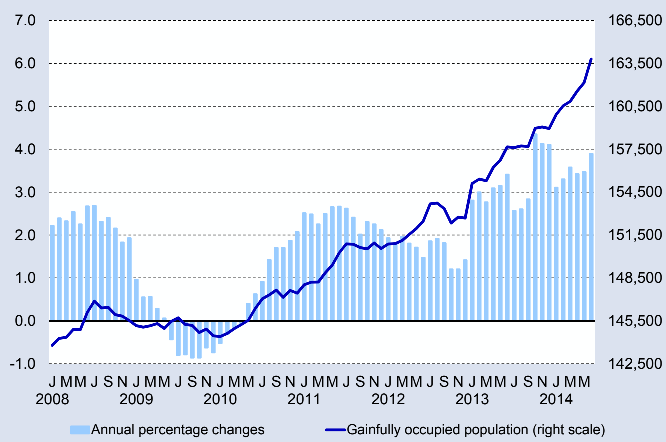
Both the private and public sector contributed to employment growth, with the former accounting for most of the gain in absolute terms (see Table 2.5). In June the number of full-timers in the private sector increased by 4,026, or 3.5% on the previous year. The service sector was once more the main driver, with jobs going up by 3,596. Employment in direct production increased by 430.

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.

In the service sectors, administrative & support service activities, professional, scientific & technical activities, wholesale & retail trade and information & communication saw the largest additions. Turning to direct production, full-time jobs mainly rose in construction and manufacturing, partly reflecting intakes in sectors involved in the repair & installation of machinery.

Within the public sector, employment rose by 2,108, or 5.0% in June, compared with the same month a year earlier. The increase was spurred by developments in the service sectors,

[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 15 - 64 years.

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

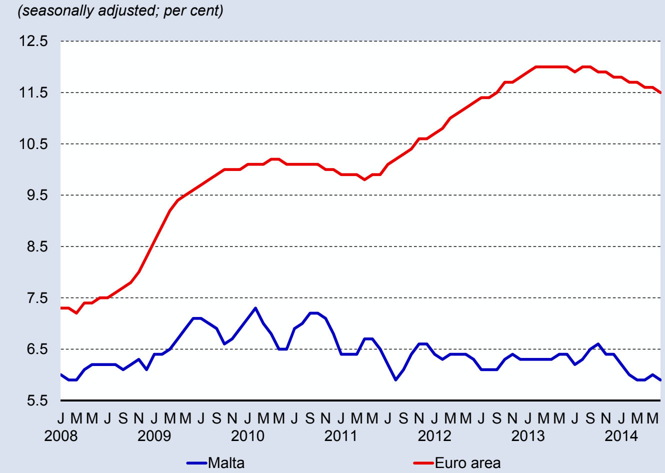
	2013			2014		Annual change
	June	Sep.	Dec.	Mar.	June	%
Labour supply	**164,942**	**165,303**	**166,342**	**168,482**	**170,548**	**3.4**
Gainfully occupied[(1)]	157,663	157,684	158,941	160,838	163,797	3.9
Registered unemployed	7,279	7,619	7,401	7,644	6,751	-7.3
Unemployment rate (%)	**4.4**	**4.6**	**4.4**	**4.5**	**4.0**	
Private sector	**115,832**	**115,794**	**116,520**	**117,452**	**119,858**	**3.5**
Public sector	**41,831**	**41,890**	**42,421**	**43,386**	**43,939**	**5.0**
Part-time jobs	**56,772**	**58,085**	**57,463**	**57,857**	**60,111**	**5.9**
Primary	33,310	33,774	33,295	33,559	35,639	7.0
Secondary[(2)]	23,462	24,311	24,168	24,298	24,472	4.3

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

particularly in administration & defence, transportation & storage, human health & social work and education. During the year, public sector employment was also boosted by the temporary transfer of ownership of the national bus system from the private sector to the public sector.

In June part-time employment was up by 3,339, or 5.9% on a year earlier, with female part-time employment accounting for around 60% of this increase. Part-timers with their job as the primary form of employment increased by 2,329, or 7.0%; those having a part-time job, in addition to their full-time job, rose by 1,010, or 4.3%. Overall, within the pool of part-timers, the largest additions were in wholesale & retail trade, in accommodation & food service activities, human health & social work activities and in public administration & defence.

Chart 2.5
UNEMPLOYMENT RATE
(seasonally adjusted; per cent)



Source: Eurostat.

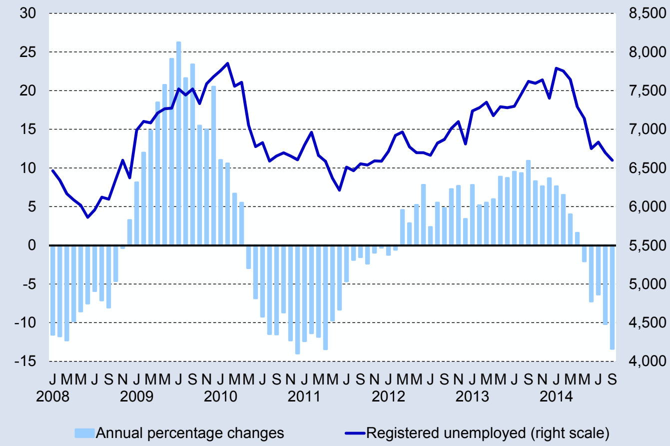
The unemployment rate declines

In the June quarter, the unemployment rate based on the LFS stood at 5.8%. This represented a decline of 0.2 percentage point compared with the preceding quarter and was also 0.8 percentage point less than a year earlier.[8] The jobless rate for females fell by

[8] According to the LFS the unemployed comprise persons 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.

0.9 percentage point and that for males was 0.7 percentage point lower, compared with the previous year.

Chart 2.6
REGISTERED UNEMPLOYED
(annual percentage changes; persons)



Source: NSO.

The seasonally adjusted unemployment rate averaged 5.9% in the second quarter of 2014, 0.1 percentage point lower than in the previous quarter and 0.4 percentage point less compared with a year earlier (see Chart 2.5).[9] The unemployment rate in Malta remained well below the average rate for the euro area.

The administrative records of the ETC show that the number of registered unemployed fell by 893 to 6,751 between March and June, and stood below the level recorded in June 2013 (see Chart 2.6). The number of claimants for unemployment benefits increased in July compared with a month earlier, before falling in the subsequent two months. Thus, when compared with a year earlier, the number of registered unemployed was lower throughout the third quarter of 2014.

In June the jobless rate based on ETC data stood at 4.0%, 0.4 percentage point below the level registered a year earlier and 0.5 percentage point lower than in March.

[9] Based on Eurostat calculations.

3. PRICES, COSTS AND COMPETITIVENESS

The annual rate of consumer price inflation in Malta fell substantially during the second quarter of 2014, mainly reflecting developments in food and energy prices. Over the subsequent three-month period, both main indicators of price movements, the Harmonised Index of Consumer Prices (HICP) and the Retail Price Index (RPI), continued to register low rates of inflation. In addition, producer prices extended their downward trend, while the harmonised competitiveness indicator also fell during the second and third quarters. On the other hand, unit labour costs (ULC) continued to rise.

HICP inflation

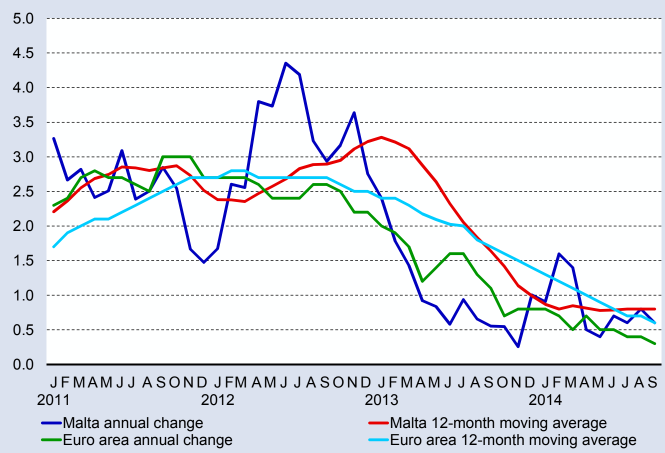
HICP inflation falls substantially

The annual inflation rate based on the HICP stood at 0.7% in June, down from 1.4% in March (see Chart 3.1 and Table 3.1).[1]

Although the overall HICP inflation rate decreased significantly during the quarter under review, the 12-month moving average rate remained constant at 0.8% in June, the same as in the euro area.

Moving into the third quarter, the annual inflation rate in Malta declined marginally, to stand at 0.6% in September, with the 12-month moving average rate remaining stable at 0.8%.

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



Sources: NSO; Eurostat.

Table 3.1
HICP INFLATION
Annual percentage change

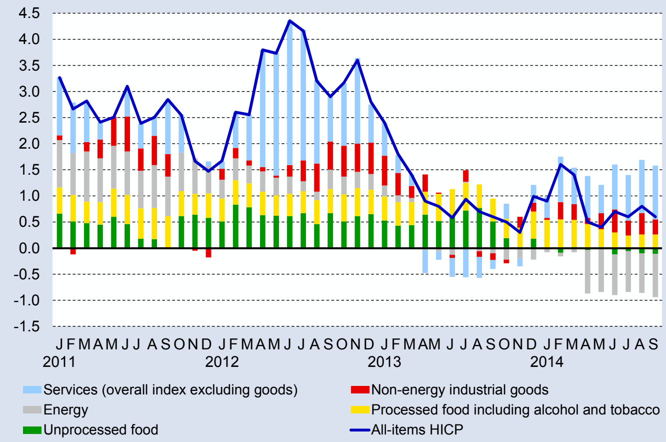
	2014								
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.
Unprocessed food	0.2	-1.2	-0.3	-0.6	0.3	-1.7	-0.9	-1.3	-1.4
Processed food including alcohol and tobacco	4.1	4.2	4.0	3.7	2.7	2.5	2.0	2.1	2.0
Energy	-1.2	-0.9	-1.1	-10.5	-10.8	-10.0	-10.0	-9.8	-10.6
Non-energy industrial goods	0.1	1.1	1.1	0.4	1.1	1.6	1.0	1.5	1.0
Services (overall index excluding goods)	0.9	2.0	1.7	1.8	1.2	1.9	1.9	2.2	2.3
All Items HICP	**0.9**	**1.6**	**1.4**	**0.5**	**0.4**	**0.7**	**0.6**	**0.8**	**0.6**

Source: NSO.

[1] The HICP weights are revised on an annual basis to reflect changes in household consumption patterns. In January 2014 the weight of non-energy industrial goods was reduced by 0.4 percentage point to 29.1%, while that allocated to services fell by 0.1 point to 42.4%. In contrast, the weight related to energy rose by 0.5 percentage point to 8.1%, while the share allocated to food remained at 20.4%.

The deceleration in the overall inflation rate in the second quarter can mainly be attributed to developments in energy and, to a lesser extent, food prices. In June prices of energy fell by 10.0% in annual terms, compared with a decline of 1.1% in March, thus pushing down the overall inflation rate by 0.8 percentage point (see Chart 3.2). This was largely due to the reduction in utility rates, which came into effect on 31 March this year, and led to a significant reduction in electricity prices, which are a key component of the energy price index. In April, May and June, electricity prices declined by 23.3% in annual terms, after having been stable since 2011.

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



Source: Eurostat.

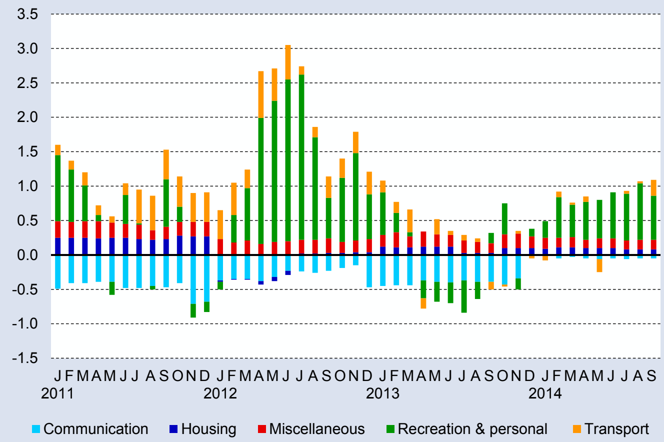
In addition, annual food price inflation moderated from 2.4% to 0.9%. Food contributed 0.2 percentage point to headline inflation, down from half a percentage point in March. This reflected further declines in the prices of unprocessed food and smaller increases in those of processed food. The former contracted at an annual rate of 1.7% in June, compared with a decline of 0.3% three months earlier, largely on the back of developments in the prices of vegetables and fish & seafood. As a result, their contribution to inflation fell from nil to -0.1 percentage point. Meanwhile, prices of processed food rose by 2.5% in annual terms in June, down from 4.0% in March, mainly reflecting slower annual growth in tobacco prices. Consequently, processed food contributed 0.3 percentage point to overall inflation, compared with 0.5 percentage point at the end of the previous quarter. Processed food inflation continued to be significantly affected by developments in the prices of cigarettes. Although these remained largely unchanged between March and June, the year-on-year growth rate declined sharply, owing to the base effect emanating from the increase in excise duties on cigarettes levied as a result of the April 2013 budget.

Downward pressure on HICP inflation from food and energy prices was partly offset by faster price increases in the service and non-energy industrial goods (NEIG) categories.

Service prices rose at an annual rate of 1.9% in the quarter under review compared with 1.7% in March, with their impact on the overall inflation rate increasing from 0.7 to 0.9 percentage point. This marginal acceleration was mainly driven by developments in the prices of services relating to recreation and personal care, particularly restaurant prices. As a result, this sub-component pushed up overall price inflation by 0.7 percentage point, as opposed to a contribution of 0.5 percentage point three months earlier (see Chart 3.3). Such upward pressure was partly dampened by slower growth in housing, transport and miscellaneous service prices. In addition, communications prices declined at a faster pace when compared with March – a reflection of the increased competition in this industry. As a consequence, the contribution of such prices to overall inflation fell from nil to -0.1 percentage point.

Similar to services, NEIG price inflation also picked up, rising to 1.6% in June from 1.1% in March. This was mainly the result of developments in the prices of garments and major household appliances, which both registered increases in their annual inflation rates. As a result, the impact of NEIG on overall inflation edged up marginally by 0.1 percentage point.

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



Source: Eurostat.

By September, the annual rate of HICP inflation had dropped further, to 0.6%, mainly driven by developments in the prices of processed food and NEIG. Prices of the latter rose at an annual rate of 1.0% in September, down from 1.6% three months earlier, driven in part by a drop in prices of furniture and furnishings. Furthermore, processed food price inflation slowed from 2.5% to 2.0% by the end of the third quarter, mainly on the back of a deceleration in the rate of change in alcohol prices. On the other hand, over the period under review, services price inflation accelerated from 1.9% to 2.3%, largely reflecting higher airfares in September. In contrast, both unprocessed food and energy price inflation remained negative in September, at -1.4% and -10.6%, respectively, compared with -1.7% and -10.0% three months earlier.

BOX 3: AN EVALUATION OF CORE INFLATION MEASURES FOR MALTA[1]

In his 2006 Nobel prize lecture, Edmund Phelps stated that "the function of the central bank is the management of inflation expectations".[2] Tasked with the duty of maintaining price stability, central banks need a reliable gauge for inflationary trends beyond indications given by the overall change in the official national price index. While headline inflation is an important indicator, it is bound to contain "statistical noise", which can be both transitory (such as changing seasonality of price movements, fiscal shocks and changes in weather), as well as permanent (such as sampling and measurement bias, and quality adjustment). These elements may cloud the true signal about prices that interests the monetary policy-maker.[3] Transitory changes would not require any immediate action in the conduct of monetary policy, whereas broad-based inflationary or deflationary pressures would.[4] For this

[1] Written by William Gatt, Senior Research Economist at the Modelling & Research Department. The author would like to thank Dr Aaron Grech for useful comments and suggestions, and acknowledges any errors and opinions solely as his own.

[2] Phelps, E. S., "Macroeconomics for a modern economy", *The American Economic Review*, Vol. 97 No. 3, June 2007, pp. 543-561.

[3] Cecchetti, S. G., "Measuring short-run inflation for central bankers" *Review*, Federal Bank of St. Louis, May 1997, pp. 143-155, and Clark, T. E., "Comparing measures of core inflation", *Economic Review*, Vol. 86 (2), Federal Reserve Bank of Kansas City, 2001, pp. 5-32.

[4] "Measures of underlying inflation in the euro area", *Monthly Bulletin*, ECB, February 2001.

reason, central bankers tend to resort to measures of *core inflation* – an approximation of so-called "underlying" inflation, or price pressures – which are related to medium to long-run dynamics of the economy. Furthermore, estimates of underlying inflation have been shown to possess good predictive power to forecast headline inflation, as well as to lead to better estimates of structural relationships in the economy.[5,6]

There are various definitions of core inflation, and therefore different methods have been proposed over time to measure this signal.[7] Perhaps the most well known measure of core inflation is "overall inflation excluding the effects of energy and food prices", but many other measures exist, inspired by different definitions of this concept. For instance, some authors argue that core inflation is equivalent to the steady state growth rate of unit labour costs.[8] Another definition, given by Bryan and Cecchetti, is "the long-run or persistent component of the measured index, which is tied in some way to money growth".[9] Similarly, others have defined core inflation as "that component of measured inflation that has no medium to long-run impact on real output", making reference to the long-run neutrality of money with respect to economic activity.[10]

Core inflation in Malta

In this Box several approaches to measuring core inflation are applied to the HICP. These include a variant of the persistence-weighted (PW) approach, a trimmed mean (TM) approach and an estimate based on a trend-cycle decomposition. The most popular measure of core inflation, which is overall inflation less the contribution of energy and food price inflation, is not considered to be a good proxy for underlying inflation in Malta, as it tracks overall inflation very closely and is similarly volatile.[11] This motivates the construction of other measures of core inflation.

The Central Bank of Malta already publishes a measure of core inflation in its analysis on price developments. This estimate is based on the PW approach using the ten main product groups that make up the RPI.[12] The PW methodology is motivated by the idea that persistent inflation dynamics should be given more weight in a measure of underlying

5 Clark, T. E., "Comparing measures of core inflation", *Economic Review*, Vol. 86 (2), Federal Reserve Bank of Kansas City, 2001, pp. 5-32; Cristadoro, R., Forni, M., Reichlin, L., and Veronese, G., "A core inflation indicator for the euro area", *Journal of Money, Credit and Banking*, Vol. 37 No. 3, July 2005, pp. 539-560, and Stavrev, E., "Measures of underlying inflation in the euro area: assessment and role for informing monetary policy", *Working Paper* No. 06-197, IMF, 2006.

6 Two economists have shown that using a measure of core inflation in the estimation of a New Keynesian Phillips curve improved both the fit and the forecasting accuracy over other estimates based on headline measures. See Norman, D. and Richards, A., "The forecasting performance of single equation models of inflation", *Economic Record* 88, no. 280, 2012, pp. 64-78.

7 See Clark, T. E., "Comparing measures of core inflation", *Economic Review*, Vol. 86 (2), Federal Reserve Bank of Kansas City, 2001, pp. 5-32. The Federal Reserve Bank, for example, publicly states that more than one measure of core inflation is used in its rate-setting analysis.

8 Eckstein, O., *Core inflation*, Englewood Cliffs, New Jersey, Prentice-Hall, 1981 and Parkin, M., "On 'Core Inflation' by Otto Eckstein: A review essay", *Journal of Monetary Economics*, Vol. 14 No. 2, 1984, pp. 251-264.

9 Bryan, M. F. and Cecchetti, S. G., "Measuring core inflation", in *Monetary Policy*, The University of Chicago Press, 1994, pp. 195-219.

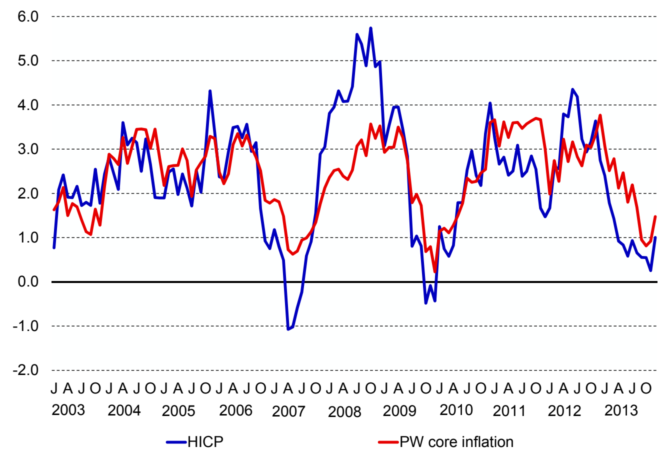
10 Quah, D. and Vahey, S. P. "Measuring core inflation", *The Economic Journal*, 1995, pp. 1130-1144.

11 The standard deviations of overall HICP inflation and inflation in HICP excluding energy and food are 1.37 and 1.21 percentage points, respectively, for the period January 2003 to December 2013, compared with 0.67 and 0.86 percentage point for the first two core inflation measures presented in this Box.

12 That is, aggregates at the two-digit level of the Classification of Individual Consumption by Purpose (COICOP), as published by the National Statistics Office; a recent publication is *News Release* 196/2014. For more information on the Bank's RPI-based core inflation estimates see Demarco, A. "A new measure of core inflation for Malta", *Quarterly Review*, 2004:3, Central Bank of Malta, pp. 43-49.

inflation. Therefore, sub-components for which shocks to inflation do not tend to be long lasting are given a small weight relative to others with more persistent inflation. The process to derive these weights formally involves regression analysis.[13]

Chart 1
HICP AND PW CORE INFLATION IN MALTA
(percentage points; year-on-year growth)



Sources: Eurostat and author's calculations.

The PW methodology is applied to 81 HICP sub-indices, which is a higher level of disaggregation than used in the Bank's current measure. The weights were estimated using data spanning five years at a time on a rolling basis, that is, data for the period 1998-2002 were used to calculate the weights used for 2003, whereas data for the period 1999-2003 were used to calculate the weights for 2004, and so on. The resulting estimate of core inflation, which starts in 2003, is shown in Chart 1 along with overall HICP inflation.[14] The results indicate that core inflation is less volatile and tends to display clearer cyclical dynamics.

Table 1 compares the weights for the main aggregates of HICP used in the official estimate with those derived from the PW methodology. The weight given to energy and unprocessed food components falls by about one-half of their weight in the HICP, while that for service components falls by one-tenth. Meanwhile, the weight for the NEIG component, which includes a vast range of consumer goods, increases. It is interesting to note that the re-allocation of weights given by this method happens to be similar in spirit to the "inflation excluding energy and food" measure commonly used as a proxy for core inflation, as the latter removes all weight from the energy and food components. These components tend to be volatile and are hence judged to contain little information about underlying inflation.

[13] The weights are established by estimating auto-regressive (AR) models for each sub-component, such as:

$$\pi_t^i = c + \rho\pi_{t-j}^i + \varepsilon_t$$

whereby π_t^i and π_{t-j}^i is current inflation and the lag of inflation in sub-component i, c is a constant, ε_t is an error term and ρ is a measure of persistence. The latter is expected to be between 0 and 1, and higher estimates result in relatively higher weights to the corresponding sub-components. The interested reader is referred to Cutler, J., "Core inflation in the UK", *External MPC Unit Discussion Paper* No. 3, Bank of England, 2001, and Bilke, L. and Stracca, L., "A persistence-weighted measure of core inflation in the euro area", *Economic Modelling*, Vol. 24(6),2007, pp. 1032-1047. The estimated AR models used in this Box were augmented with a more detailed specification for the error term to ensure well behaved residuals.

[14] Although the first observation in the HICP database is for January 1996, 12 monthly observations were used to calculate year-on-year growth rates, and another 12 observations were "lost" in the estimation of the AR model due to the lagged component. Therefore, data available for the first estimate of persistence were for the period 1998-2002.

Table 1
OFFICIAL AND PERSISTENCE-WEIGHTED HICP WEIGHTS
Percentage points; 2007-2013 averages

	HICP Official	PW Estimates	*Difference*
Energy	6.5	3.6	-2.9
Unprocesssed food	7.9	4.2	-3.7
Processed food	13.6	16.2	2.7
Non-energy industrial goods	31.0	39.1	8.1
Services	41.0	36.9	-4.2
	100.0	**100.0**	

Sources: Eurostat and author's calculations.

Another popular technique used by central banks to derive measures of core inflation in an economy is the Trimmed Mean inflation rate.[15] This technique, similar to the "inflation excluding energy and unprocessed food" measure, is an exclusion method since it strips selected sub-components away before calculating the weighted average inflation rate. This "trimming" is guided by statistical logic: in any month the cross-sectional distribution of inflation rates across sub-components will tend to follow the Normal distribution – many of the inflation rates will cluster around the average inflation rate, while a few will be far away from the average, at the "tails" of the distribution. However, as discussed in the literature, this distribution tends to be skewed to one side from time to time, such that the tails do not balance out.[16] This creates a bias in the calculation of the average inflation rate and can be a source of volatility, as the skewness can also change between different periods.[17]

A way of overcoming this is to remove part of the distribution that lies at the tails, such that the average inflation rate is calculated from a less dispersed distribution. How much to trim is an empirical question; trimming too little will not improve the measure of inflationary trends by much, while trimming too much runs the risk of throwing away important information.[18] At the same time, measures of core inflation are expected to be less volatile than the official inflation rate. Therefore, the trade-off is handled such that, while a significant proportion of the distribution is used, the resulting time series must be reasonably less volatile than headline inflation. With these considerations in mind, the 30% TM was used as a suitable measure of core inflation, a level of trimming which is frequently used in practice.[19] This means that 15% of both the upper and lower parts of the distribution were removed each month from the calculation.[20] Chart 2 shows the 30% TM, along with the PW measure of core inflation.

[15] See, *inter alia*, Marques, C.L. and Mota, J.M., "Using the asymmetric trimmed mean as a core inflation indicator", *Economic Bulletin*, Banco de Portugal, September 2000, pp.85-95, and Vega, J.L & Wynne, M.A., "An evaluation of some measures of core inflation for the euro area", *Working Paper* No. 53, European Central Bank, April 2001.

[16] Bryan, M. F. and Cecchetti, S. G., "Measuring core inflation", in *Monetary Policy*, The University of Chicago Press, 1994, pp. 195-219.

[17] This argument holds even in the case when inflation is a weighted average of inflation rates across the various sub-components, such as is the case for the HICP.

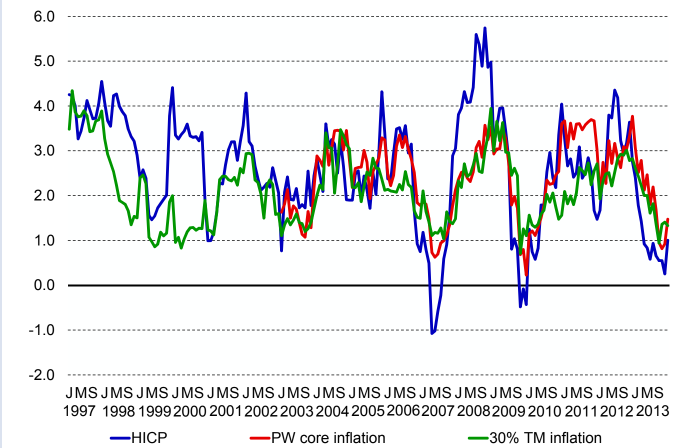
[18] Despite this risk, the weighted median inflation rate, which is composed only of the inflation rate that happens to fall at the median of the distribution (the 50th observation across the cross-section), is also used by some central banks with success. See Clark, T. E., "Comparing measures of core inflation", *Economic Review*, Vol. 86 (2), Federal Reserve Bank of Kansas City, 2001, pp. 5-32.

[19] See, for example, "Methodology of calculating core inflation measures published by Narodowy Bank Polski", *National Bank of Poland*, April 2014.

[20] This implies that 12 indices from each end of the distribution are removed each month. Since this method does not require data to initialise the sequence, the estimate can be calculated as from the first observation for the year-on-year growth rate, which is January 1997.

The TM measure correlates strongly with the PW measure. This confirms the robustness of these measures, and their success in removing the noise from the data, and better track underlying inflation. These two core inflation indicators are less volatile than headline HICP inflation, resulting in dampened peaks and troughs, especially during the period 2007-2010, in which inflation was particularly volatile.

Chart 2
HICP INFLATION AND MEASURES OF CORE INFLATION IN MALTA
(percentage points; year-on-year growth)



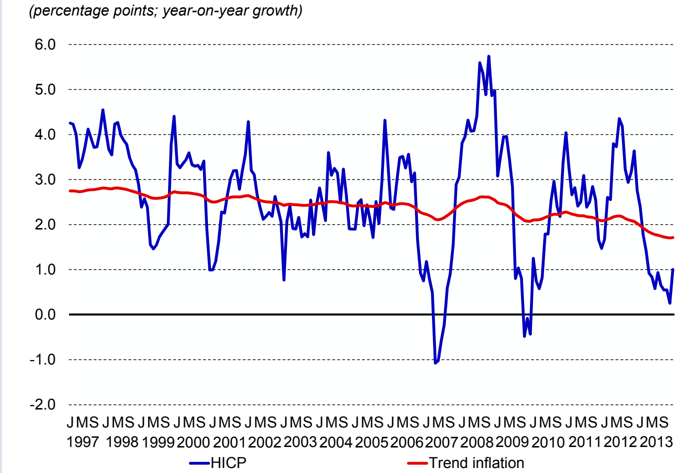
Sources: Eurostat and author's calculations.

Core inflation can also be considered as the long-term trend in inflation. To this end such a measure, which is an unobservable variable, can be inferred by performing a trend-cycle decomposition of headline inflation using an Unobserved Components Model, a univariate time-series technique given by:

$$\pi_t = \tau_t + c_t + i_t$$

whereby π_t is headline inflation, τ_t is the long-run trend of inflation, c_t is the cyclical variation of inflation and i_t is an irregular component, which absorbs short-term volatility in the data which do not relate either to the trend or the cycle.[21] The long-term trend is modelled as a variable that can change smoothly over time, while the cycle is allowed to fluctuate with some persistence around an average of zero. The results

Chart 3
HICP INFLATION AND TREND INFLATION IN MALTA
(percentage points; year-on-year growth)



Sources: Eurostat and author's calculations.

21 This is a Beveridge-Nelson decomposition, which is estimated as a state-space model using the Kalman filter. See also Stock, J.H. and Watson, M.W., "Why has U.S. inflation become harder to forecast?" *Journal of Money, Credit and Banking*, Vol. 39, (S1), 2007, pp. 3-33, and Ascari, G. and Sbordone, A.M., "The macroeconomics of trend inflation", *Journal of Economic Literature*, Vol.52 No.3, The American Economic Association, September 2014, pp. 679-739.

of this decomposition can be seen in Chart 3, which shows the long-term evolution of inflation τ_t with respect to headline HICP inflation. The results show that long-term underlying inflation has followed a slow downward trajectory, from around 3% in the late 1990s to around 2% in the recent past.

Reconciling trends in Malta's underlying inflation with euro area inflation

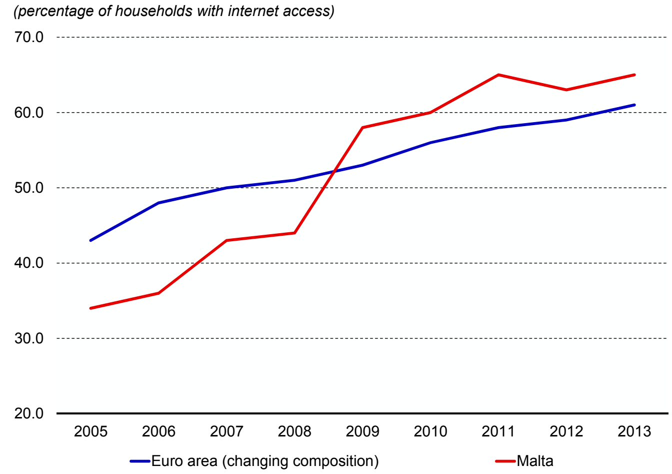
The results for long-run, trend inflation may be used to examine the extent of convergence in consumer price inflation over time in Malta with those in the euro area. As shown below, core inflation in Malta has converged with the headline inflation rate in the euro area, implying an improvement in the competitiveness of the local economy. This convergence can be attributed to many factors. This Box highlights two developments affecting goods markets and also labour markets, respectively.

After becoming a member of the European Union in 2004, and subsequently adopting the euro in 2008, the Maltese economy experienced an increase in the number of suppliers for tradable goods, and households could perform a better search, at a lower cost, for products. The rapid penetration of internet access in households (whereby the proportion of households with internet access almost doubled, from 41% in 2005 to just under 80% in 2013) also assisted this increase in trade via e-commerce.[22]

Indeed, as can be seen in Chart 4, whereas only 34% of Maltese households with internet access had made an online purchase during the previous 12 months in 2005, this percentage rose to 65% by 2013, overtaking the average in the euro area. This implies downward pressure on price mark-ups in the Maltese economy and, hence, on underlying inflation.

Meanwhile, domestic price pressures were also reduced as a result of efficiency gains in the supply side of the economy via improvements in the functioning of labour markets. An increase in female participation rates, as well as an increase in part-time and temporary work, contributed to improve labour-market matching. Furthermore, the shift of workers from manufacturing to other more competitive sectors in the economy possibly also contributed to better allocation of labour resources.[23] The increase in labour resources, wage-

Chart 4
INTERNET USE FOR ONLINE PURCHASES
(percentage of households with internet access)



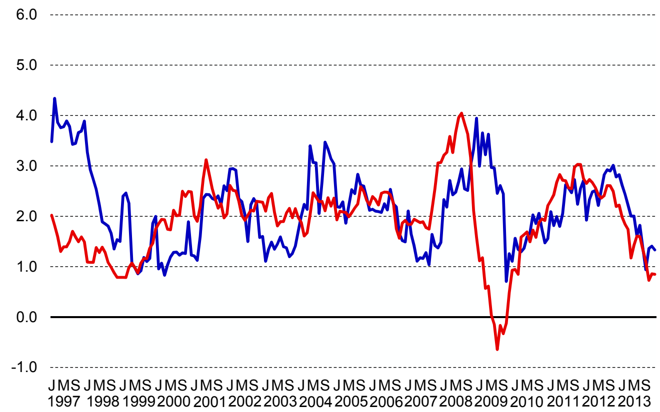
Source: Eurostat.

[22] Source: Eurostat.

[23] See Micallef, B., "Box 4: Labour market resilience in Malta", *Quarterly Review* 2013:1, Central Bank of Malta, 2013, pp. 41-46, and Micallef, B., "Box 2: Estimating Okun's Law for Malta", *Quarterly Review* 2013:3, Central Bank of Malta, 2013, pp. 36-43.

bargaining at firm level and a more flexible, qualified labour force are all favourable supply side factors, which improved the competitiveness of the economy and hence reduced domestic production cost pressures.

Chart 5
CORE INFLATION IN MALTA AND EURO AREA HICP INFLATION
(percentage points; year-on-year growth)



Sources: Eurostat and author's calculations.

Taken together, these developments go some way to explaining the apparent increased synchronisation between underlying growth in price pressures in Malta, measured by the 30% TM inflation rate, and overall inflation in the euro area - the latter being the key indicator influencing the conduct of euro area monetary policy(see Chart 5). Indeed, econometric tests confirm that euro area HICP inflation is a good predictor of core inflation in Malta, lending more support to the synchronisation hypothesis.[24] These findings motivate further studies on the relationship between core inflation in Malta and inflation in the euro area, which can be analysed from various aspects of the economy.

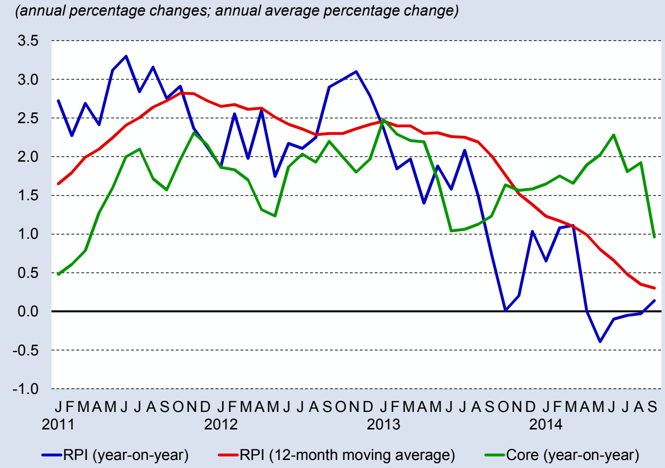
[24] Euro area headline HICP was found to "Granger-cause" underlying inflation in Malta at several lags, a result which is robust across the choice between the PW and 30% TM measures of core inflation.

RPI inflation[2]

RPI falls to low levels

The annual inflation rate based on the RPI dropped to -0.1% in June 2014 from 1.1% three months earlier. The 12-month moving average inflation rate continued to ease, falling to 0.7% in June from 1.1% in March (see Chart 3.4).

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



Sources: Central Bank of Malta estimates; NSO.

The negative annual RPI inflation rate since May is largely the result of the cut in electricity tariffs, which was implemented at

[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 expenditure patterns by tourists in Malta. Thus, while the RPI excludes hotel accommodation prices, the latter account for a significant weight in the HICP. The RPI also allocates a larger weight to the food component.

the end of March. A fall in communications rates also contributed, reflecting more intensive competition between operators in the industry, as well as improvements in the quality of such services. At the same time, food prices fell partly in response to lower prices of food imported from the European Union.

The drop in RPI inflation in June was mainly attributable to the cut in electricity tariffs, with the “water, electricity, gas & fuels” category seeing its annual inflation rate decline from 0.5% in March to -18.4% in June. As a result, its contribution to overall inflation fell from nil to -0.6 percentage point (see Table 3.2).

In addition, the negative level of inflation was also driven by the continued contraction in prices of transport & communication, which is the largest sub-component of the RPI, at 25% in the overall index. This sub-component recorded a year-on-year contraction of 1.2% in June, compared with -0.2% three months earlier, resulting in a drop of 0.3 percentage point in the RPI inflation rate. Prices have generally been falling in this category since 2013, primarily as a result of a combination of tariff cuts and quality improvements in the industry.

Furthermore, annual food price inflation turned negative for the first time since 2010, with food prices falling by 0.5% on their June 2013 levels. In consequence, they lowered total RPI inflation by 0.1 percentage point.

Beverages & tobacco price inflation slowed during the quarter under review, decelerating to 3.9% from 6.3% in March. This resulted in a contribution of 0.2 percentage point to overall inflation, compared with 0.4 percentage point three months earlier.

These downward movements were mitigated by developments in other components of the RPI basket, such as recreation & culture – prices of which rose by 3.4% year-on-year in June, up from 2.2% in March. This helped push up the RPI inflation rate by 0.3 percentage point in June, compared with 0.2 point at the end of the previous quarter. Higher restaurant prices contributed substantially to the increase in the sub-index. Meanwhile, prices of clothing & footwear and housing rose by 1.0% and 0.7%, up from 0.6% and 0.6%, respectively, such that their combined contribution to overall inflation went up from nil to 0.2 percentage point in the period under review.

With regard to household equipment & maintenance, and other goods and services, their combined contribution to inflation remained broadly unchanged when compared with three months previously.

Moving into the third quarter of 2014, the annual RPI inflation rate returned to positive territory for the first time since April, with the rate standing at 0.1% in September. This swing was mainly due to developments in transport & communications prices, which largely reflected higher airfares in September, as well as a pick-up in footwear & clothing prices. Meanwhile, food prices contracted at a slower rate.

Since the RPI is significantly affected by movements in a number of volatile components, such as food prices and water & electricity charges, underlying price pressures can be better gauged by the Bank’s core inflation rate.[3] The latter edged up to 2.3% by the end of the second quarter of

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

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

	2014								
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.
Food	0.1	0.0	0.2	0.1	0.1	-0.1	0.1	0.1	0.0
Beverages & tobacco	0.4	0.4	0.4	0.3	0.3	0.2	0.2	0.2	0.2
Clothing & footwear	-0.2	0.1	0.0	-0.3	0.0	0.1	0.0	0.1	0.3
Housing	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0
Water, electricity, gas & fuels	0.0	0.0	0.0	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6
Household equipment & house maintenance costs	0.2	0.2	0.2	0.1	0.2	0.2	0.1	0.1	0.0
Transport & communications	-0.2	0.1	-0.1	-0.1	-0.6	-0.3	-0.3	-0.3	0.1
Personal care & health	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Recreation & culture	0.2	0.3	0.2	0.3	0.3	0.3	0.3	0.3	0.2
Other goods & services	-0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0
RPI (annual percentage change)	**0.6**	**1.1**	**1.1**	**0.0**	**-0.4**	**-0.1**	**0.0**	**0.0**	**0.1**

Sources: Central Bank of Malta; NSO.

2014 from 1.7% in March. Developments in prices of household equipment & house maintenance costs, and of recreation & culture mainly accounted for this acceleration. By September, however, the Bank's core inflation rate fell to 1.0%.

The upward trend in core inflation over the first half of 2014 indicates that there are some underlying price pressures in the economy, reflecting the latter's relative buoyancy. The divergence between the Bank's core measure and the RPI in the second quarter of 2014 can be explained by downward movements in annual inflation rates of the transport & communications and utilities components.

BOX 4: RESIDENTIAL PROPERTY PRICES

Residential property prices post strong growth

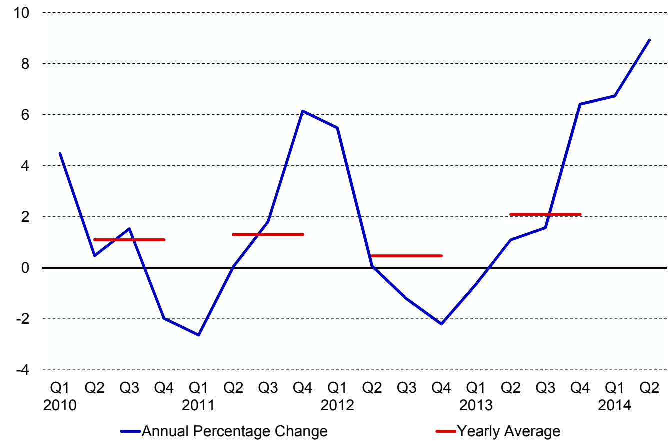
Based on the Central Bank of Malta's advertised property price index, the price of residential properties rose at an annual rate of 8.9% in the second quarter of 2014, following an increase of 6.7% in the previous quarter (see Chart 1).[1] This marks the third consecutive quarter of strong growth in advertised prices, following a period of decline or weak growth.

The upward movement in prices may be partly influenced by government measures, namely the introduction of the Individual Investor Programme, which targets high net worth individuals, and a fiscal incentive for first-time buyers announced in the Government's Budget in November 2013.

[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.

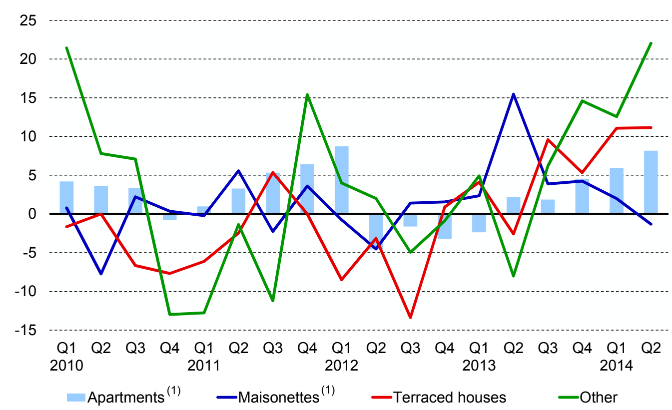
This acceleration in property prices during the second quarter of 2014 was mainly driven by developments in the prices of apartments, as well as in prices of property in the "other" category, which consists of town houses, houses of character and villas. On the other hand, prices of maisonettes dropped when compared with the same period last year. Meanwhile, prices of terraced houses continued to increase at largely the same pace as in the previous quarter.

Chart 1
MOVEMENTS IN RESIDENTIAL PROPERTY PRICES BASED ON ADVERTISED PRICES



Source: Central Bank of Malta.

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.

During the second quarter of 2014, the annual rate of change in prices for apartments, which make up almost three-fifths of properties in the sample, increased to 8.2% from 5.9% in the previous quarter (see Chart 2). This marks the fifth consecutive quarter of positive price growth in this category, with the index standing at just below the peak recorded at the start of 2007. Meanwhile, advertised prices of property in the "other" category surged by 22.0%, compared with an increase of 12.6% registered in the January – March period.

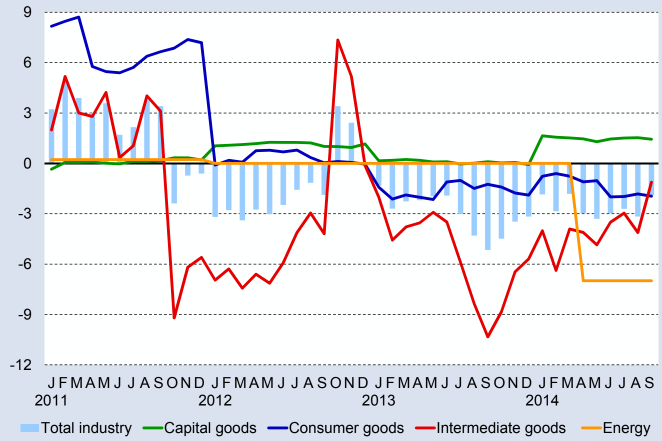
In the case of maisonettes, asking prices fell by 1.3% in annual terms, after having risen by 2.0% in the first three months of 2014. This was the first year-on-year drop since the second quarter of 2012. Meanwhile, prices of terraced houses increased by 11.2% on a year earlier, accelerating marginally from the previous quarter.

Costs and competitiveness

Producer prices extend their downward trend[4]

Producer prices fell at an annual rate of 3.0% in June, after having dropped by 1.8% three months earlier (see Chart 3.5). Prices contracted at a quicker pace mainly owing to developments in the energy and, to a lesser extent, consumer goods components. Energy prices fell by 7.0% in the year to June, after having remained unchanged in March, as the official lowering of electricity prices for households came into effect. This movement in prices resulted in a fall of 0.9 percentage point in the annual rate of change of the Producer Price Index (PPI). In addition, consumer goods prices declined by 2.0%, following a drop of 0.8% in the January-March period. As a result, their contribution to PPI inflation fell from -0.2 percentage point to -0.6 point.

Chart 3.5
INDUSTRIAL PRODUCER PRICE INFLATION
(annual percentage changes)



Source: NSO.

Prices of the intermediate goods category, which comprises around 40% of the index, and mainly includes semiconductors – as well as pharmaceuticals, paper and plastic products – decreased at a slower pace. Such prices fell by 3.5% on a year earlier compared with a decline of 3.9% in March. As a result, PPI inflation declined by 1.7 percentage points, as opposed to 1.9 points three months earlier.

Meanwhile, capital goods prices rose by 1.5% on a year earlier, as in the previous quarter.

More recent data indicate that producer prices continued to fall, although less rapidly than in June. In September the PPI fell by 1.9% on a year earlier, primarily owing to a fall in intermediate goods prices and to a marginal deceleration in the rate of increase in capital goods prices. On the other hand, prices of consumer and energy goods continued to decline at the same pace.

Harmonised competitive indices reverse their upward trend in the second quarter

During the second quarter of 2014, both the nominal and real harmonised competitiveness indicator (HCI) reversed their upward trend, evident since the second half of 2012 (see Chart 3.6).[5] In

[4] The Industrial Producer Price Index measures the prices of goods at the factory gate and is commonly used to monitor inflationary pressures at the production stage. It monitors the ex-works sale prices of leading products as reported by a sample of 77 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.

[5] A higher (or lower) score in the HCI indicates a deterioration (or improvement) in a country's international competitiveness. The nominal HCI tracks movements in the country's exchange rate against the currencies of its main trading partners, while the real HCI incorporates both exchange rate changes and the relative inflation of a country vis-à-vis its main trading partners. In the computation of the indicators, 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.

June the nominal HCI fell by 1.2% on its March level, while the real indicator dropped by 2.0% over the same period. Developments in the former reflect the weakening of the euro against the US dollar, the Japanese yen, as well as the pound sterling. There was also a narrowing in Malta's inflation differentials vis-à-vis those of its trading partners. This explains the more pronounced decrease in the real HCI compared with the nominal HCI.

Moving into the third quarter of 2014, both the nominal and the real HCI indicator continued to decline, implying competitiveness gains over this period.

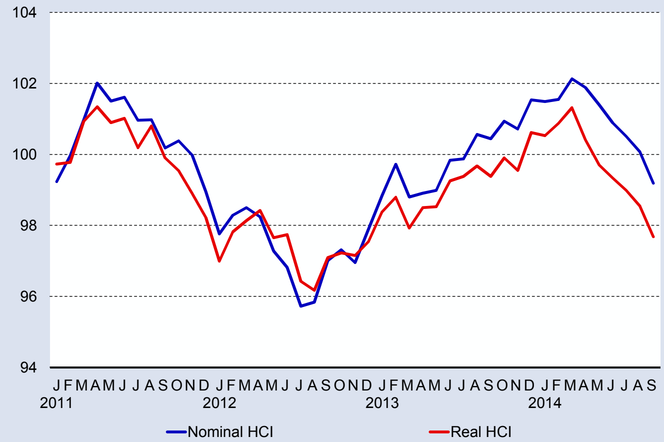
In June the nominal and real indicators were both higher on their year-ago levels. However, by the end of the third quarter, both indicators had fallen when compared with their September 2013 levels.

ULCs increase at a quicker pace

During the second quarter of 2014 Malta's ULC index, measured as a four-quarter moving average, was 2.0% higher on a year earlier (see Chart 3.7).[6] This increase followed a 1.0% rise in the first three months of the year.

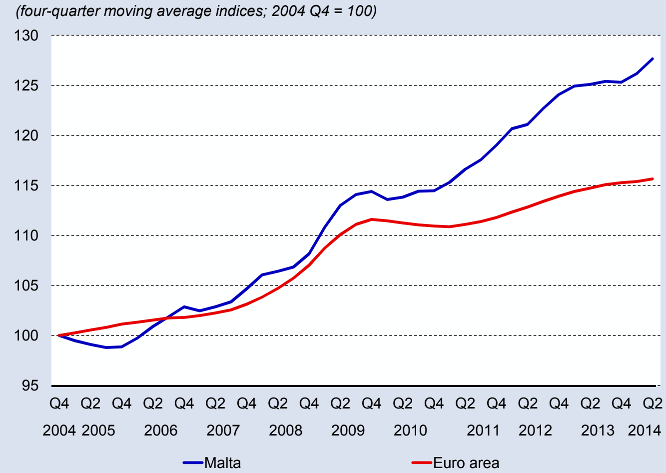
The acceleration in Malta's ULC growth during the April-June period resulted from a pick-up in compensation per employee, which rose by 1.3% on a moving-average basis, following growth of 0.2% in the previous

Chart 3.6
HARMONISED COMPETITIVENESS INDICATORS
(May 2004 = 100)



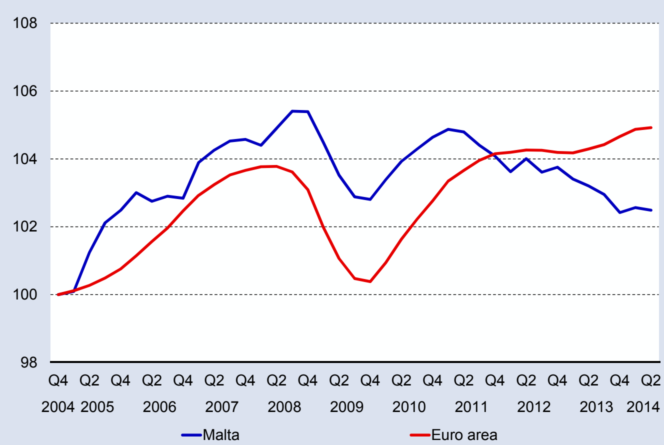
Source: ECB.

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)

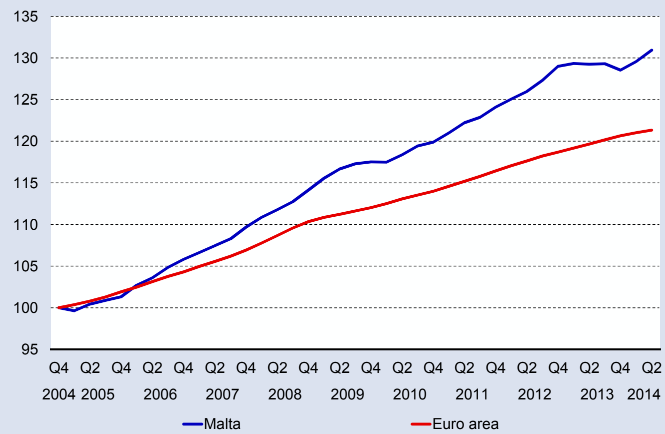


Sources: ECB; Central Bank of Malta estimates.

[6] ULCs measure the average cost of labour per unit of output and are calculated as the ratio of compensation per employee to labour productivity.

quarter. In contrast, productivity contracted by 0.7%, as opposed to a 0.8% fall in March (see Charts 3.8 and 3.9).

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.

These developments contrasted with those in the euro area, where slower growth in compensation of employees offset weaker growth in productivity, causing annual ULC growth to decelerate marginally to 0.8% during the second quarter of 2014, as against 0.9% three months earlier. It is worth noting, however, that despite differences in the annual growth rates, the level of compensation per employee remains much higher in the euro area than in Malta.

4. EXTERNAL TRANSACTIONS[1]

In the second quarter of 2014 the surplus on the current account of the balance of payments increased by €123.0 million, over the comparable period of 2013. This was mainly driven by a decline in net outflows on the primary income account. Nonetheless, the goods and services balances also improved when compared with a year earlier. Together, these developments more than offset a decline in net receipts on secondary income.

In contrast, the capital account registered lower net inflows when compared with the second quarter of 2013. At €10.8 million these fell by €17.4 million on the second quarter of 2013. A drop in inflows was mostly related to a decline in capital transfers receivable by the general government.

The current account

Current account posts a higher surplus in the second quarter of 2014

In the April to June period, the current account posted a surplus of €179.5 million, as against a positive balance of €56.5 million in the corresponding quarter of 2013 (see Table 4.1).

When expressed as a four-quarter moving sum, the positive balance on the current account also widened. During the 12 months to June, the surplus increased to €409.2 million, up by €165.3 million on the level recorded a year earlier (see Table 4.1). The improved surplus was mainly attributable to lower outflows on the primary income component.[2] Nevertheless, higher net inflows related to services also contributed, albeit to a lesser extent. These favourable movements were

Table 4.1
CURRENT ACCOUNT
EUR millions

	2013	2014	four-quarter moving sums(1) 2013			2014	
	Q2		Q2	Q3	Q4	Q1	Q2
Current account	**56.5**	**179.5**	**243.9**	**221.5**	**236.5**	**293.4**	**409.2**
Goods	-271.3	-262.0	-1,064.5	-1,082.8	-1,098.1	-1,116.3	-1,106.9
Services	427.2	433.1	1,577.0	1,583.1	1,610.0	1,635.8	1,644.6
Primary income	-137.2	-24.9	-421.2	-424.6	-409.7	-361.2	-257.3
Secondary income	37.8	33.4	152.6	145.8	134.1	135.1	128.7

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

1 This analysis is based on balance of payments data issued by the National Statistics Office (NSO) in accordance with the guidelines contained in the Sixth Edition of the International Monetary Fund's (IMF) Balance of Payments (BOP) and International Investment Position (IIP) Manual (BPM6) The most notable difference resulting from the implementation of the guidelines for the compilation of balance of payments statistics contained in the latest IMF manual relates to the inclusion of data pertaining to Special Purpose Entities (SPE) and to a new treatment of international banks. In Malta the inclusion of SPEs in external data raises the value of service exports and imports, and also has an impact on the primary income account. For further information on the new methodology see NSO *Release 176/2014*.

2 The primary income account shows income flows between resident and non-resident institutional units related to compensation of employees, dividends, reinvested earnings, interest, investment income of insurance policyholders, standardised guarantees & pension funds. The account also includes income from rent and taxes & subsidies on products and production.

partly dampened by a widening in the visible trade gap, as well as by lower net inflows from secondary income.[3]

As a proportion of gross domestic product (GDP), the positive balance on the current account, expressed as a four-quarter moving sum, stood at 5.3% in the year to June 2014, up by 2.0 percentage points from the ratio recorded a year earlier.

The merchandise trade gap narrows

During the second quarter of 2014, the merchandise trade gap stood at €262.0 million, compared with €271.3 million a year earlier. Both exports and imports declined, but exports fell by a larger amount than imports, resulting in a less negative trade balance. The year-on-year drop in imports amounted to €20.7 million, or 2.2%, while that of exports stood at by €11.4 million, or 1.7%.[4]

In the four quarters to June 2014 the visible trade deficit amounted to €1,106.9 million, €42.4 million higher than the gap recorded in the year to June 2013. The aggregated data showed a fall in exports of €213.7 million, and a decrease in imports of €171.3 million.

On the basis of customs data the contraction in imports over the second quarter was largely due to a decline in purchases of fuel and electronic components, which are classified under machinery and transport equipment.[5] Meanwhile, the fall in exports was primarily influenced by a decrease in exports of semiconductors, although exports of other manufacturing articles and food also declined when compared with the second quarter of 2013. On the other hand, fuel exports increased notably over a year earlier.

Customs data for the third quarter of 2014 indicate that imports increased whilst exports contracted further on a year earlier. As a result, the negative trade balance widened to €831.2 million, a deterioration of €319.5 million when compared with the deficit recorded in the September quarter of 2013. This was largely attributed to a significant increase in fuel imports and purchases of capital goods.

The surplus on services increases marginally

In the three months to June 2014 the surplus on services increased by €5.9 million on a year earlier, to €433.1 million. The stronger performance of the services account was entirely due to the travel component as net receipts rose by €26.7 million to €241.3 million, buoyed by an expanding tourist sector. In contrast, the shortfall on the transport services component widened by €10.8 million on a year earlier, reflecting both a drop in receipts and higher payments. At the same time, net receipts on "other services" declined by €10.0 million.

[3] The secondary income account shows current transfers between residents and non-residents. These correspond to the provision of a good, service, financial asset, or other non-produced asset by an institutional unit to another institutional unit when there is no corresponding return of an item of economic value.

[4] Goods exports and imports in balance of payment figures include general merchandise data from Customs sources – adjusted for differences in coverage, valuation and timing. 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).

[5] 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.

In the year to June 2014 the overall surplus on services stood at €1,644.6 million, up from €1,577.0 million in the previous 12-month period (see Table 4.1). This was mostly attributable to higher receipts from travel and other services, particularly remote gaming. These gains were partly offset by a rise in payments related to financial services.

Lower net outflows on the primary income account

In the primary income account inflows and outflows were heavily influenced by activities of internationally-oriented firms, including banks, which predominantly engage in financial operations with non-residents. The negative balance on this account contracted by €112.2 million over the survey period, to stand at €24.9 million. The drop in outflows was largely driven by higher net earnings on portfolio investment abroad. However, a decline in income on the direct investment of foreign firms operating in Malta also contributed. On the other hand, net interest earnings on outstanding loans to non-residents were lower.

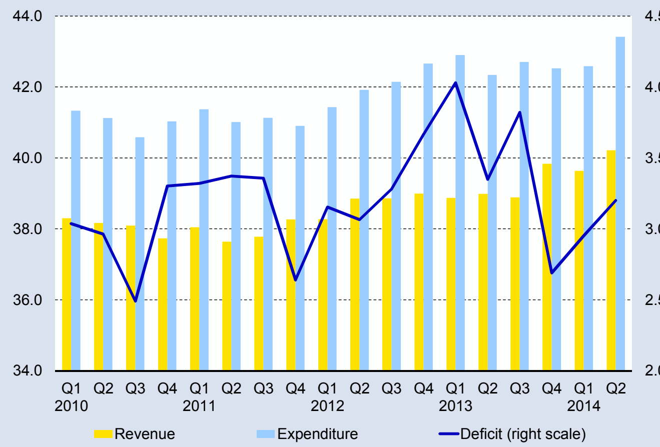
Net inward transfers on the secondary income component decline

In the second quarter of 2014, net inward flows on the secondary income account fell to €33.4 million as opposed to €37.8 million in the June quarter of 2013. This reduction in the positive balance on the account was due to net government receipts, which continued to be heavily influenced by timing differences between tax receipts and refunds related to companies engaged in international business.

5. GOVERNMENT FINANCE

In the second quarter of 2014 the general government deficit widened on a year-on-year basis. As a result, the ratio of the deficit to gross domestic product (GDP) measured as a four-quarter moving sum stood at 3.2%, 0.2 percentage point more than the ratio recorded in the first quarter of the year (see Chart 5.1).

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



Source: NSO.

Between January and June, the Consolidated Fund deficit similarly increased over the same period of 2013.[1] However, Consolidated Fund data for the months July to September 2014 show that the deficit decreased compared with the third quarter of 2013.

General government debt as a percentage of GDP rose from 72.3% in March 2014 to 75.0% in June.

General government

General government deficit widens

Between April and June 2014, the general government account recorded a deficit of €56.6 million, up by €21.3 million on a year earlier, as growth in expenditure outweighed an increase in revenue (see Table 5.1).

Over the first half of the year, the deficit widened by €43.7 million year-on-year to stand at €187.8 million, while the primary deficit, which excludes interest payments from total expenditure, widened by €40.3 million.

Revenue rises

General government revenue expanded by €72.5 million, or 10.0%, in the second quarter of the year compared with the same period in 2013. Substantial growth stemmed from higher inflows from taxes, in line with economic growth and favourable labour market conditions. Consequently, current taxes on income and wealth rose by €19.3 million, while receipts from taxes on production and imports went up by €16.1 million. Concurrently, revenue from social contributions increased by €10.8 million, on the back of further employment growth.

[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 ESA2010 regulations, cover central government, which is defined to include extra-budgetary units, as well as local councils, on an accruals 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

	2013 Q2	2014 Q2	Change Amount	Change %	2013 Q1-Q2	2014 Q1-Q2	Change Amount	Change %
Revenue	**728.4**	**800.9**	**72.5**	**10.0**	**1,406.3**	**1,501.0**	**94.7**	**6.7**
Taxes on production and imports	231.0	247.1	16.1	7.0	437.1	487.4	50.3	11.5
Current taxes on income and wealth	278.2	297.5	19.3	6.9	524.7	505.1	-19.7	-3.7
Social contributions	125.8	136.6	10.8	8.6	248.1	268.4	20.3	8.2
Capital and current transfers	37.7	59.0	21.3	56.4	65.6	103.9	38.4	58.5
Other(1)	55.7	60.7	5.0	9.0	130.8	136.1	5.3	4.1
Expenditure	**763.7**	**857.5**	**93.8**	**12.3**	**1,550.4**	**1,688.8**	**138.4**	**8.9**
Compensation of employees	242.2	263.2	21.0	8.7	481.1	521.2	40.0	8.3
Intermediate consumption	104.6	134.9	30.3	29.0	217.7	245.4	27.8	12.8
Social benefits	255.3	261.0	5.7	2.2	485.8	512.6	26.8	5.5
Subsidies	16.8	20.7	3.9	23.0	34.4	42.0	7.6	22.2
Interest	53.9	58.1	4.2	7.8	110.6	114.0	3.4	3.1
Current transfers payable	38.3	36.8	-1.4	-3.7	77.3	86.3	9.0	11.7
Gross fixed capital formation	47.8	67.0	19.2	40.2	92.2	129.1	37.0	40.1
Capital transfers payable	5.7	12.7	6.9	121.2	52.8	33.3	-19.5	-37.0
Other(2)	-0.8	3.2	4.0	-	-1.5	4.8	6.3	-
Primary balance	**18.6**	**1.5**	**-17.1**	**-**	**-33.5**	**-73.7**	**-40.3**	**-**
General government balance	**-35.3**	**-56.6**	**-21.3**	**-**	**-144.1**	**-187.8**	**-43.7**	**-**

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

Capital and current transfers surged by €21.3 million in the second quarter, mainly reflecting a rise in investment grants received from the European Union. At the same time, “other” revenue went up by €5.0 million, primarily from higher inflows from sales.

Over the first two quarters of 2014, revenue grew by €94.7 million, or 6.7%, propelled by a rise in revenue from indirect taxes, principally from higher VAT receipts in line with increased private consumption and robust growth in tourist expenditure. At the same time, income from social contributions grew by €20.3 million. Conversely, inflows from current taxes on income and wealth fell by €19.7 million, affected by significant tax refunds issued in the first quarter of 2014.

Receipts from capital and current transfers grew by €38.4 million over the first two quarters, mainly owing to the above-mentioned grants received from the European Union in the second quarter. Concurrently, the “other” revenue component rose by €5.3 million, driven by developments in the second quarter as explained earlier.

Expenditure increases

Between April and June general government expenditure rose by €93.8 million, or 12.3%. Around two-thirds of this increase stemmed from higher current expenditure, mostly within the civil service. This was largely directed towards the health and education sectors. In particular, outlays on intermediate consumption rose by €30.3 million while compensation of employees increased by €21.0 million.

Social benefits expanded by €5.7 million in the second quarter, largely on the back of higher pensions. At the same time, subsidies went up by €3.9 million while interest payments grew by

€4.2 million following an increase in outstanding debt. Conversely, current transfers payable went down by €1.4 million.

A substantial rise was also recorded in gross fixed capital formation (GFCF). In part, GFCF was boosted by expenditure on the acquisition of an aircraft, coupled with higher spending on infrastructural projects, most of which are largely financed by the European Union. Meanwhile, capital transfers payable grew by €6.9 million owing to spending on environment-related projects, such as promoting renewable energy and investment in a new waste treatment plant.

Over the first six months of the year, total expenditure grew by €138.4 million, or 8.9%, mainly on the back of higher recurrent spending. In particular, compensation of employees grew by €40.0 million reflecting increased outlays, especially in the health and education sectors.

Intermediate consumption went up by €27.8 million, following increased spending in the health sector and across various other government departments. At the same time, social benefits grew by €26.8 million, due to a rise in retirement pensions and social assistance.

Meanwhile, interest payments rose by €3.4 million while subsidies grew by €7.6 million. The latter was partly due to higher outlays related to public transport. Current transfers payable put on €9.0 million partly owing to higher contributions to the EU budget.

Capital expenditure also increased on the previous year. After falling in 2013, GFCF rose by €37.0 million, owing to higher expenditure on infrastructural projects. Conversely, capital transfers payable contracted by €19.5 million largely owing to a drop in the equity injection by the Government in Air Malta compared with the corresponding period of the previous year.

Consolidated Fund

The Consolidated Fund deficit narrows during the second quarter

Between April and June 2014, the Consolidated Fund deficit narrowed by €34.1 million, compared with the same period a year earlier, reaching €39.6 million (see Table 5.2). Concurrently, the primary balance improved by €31.6 million.

Revenue grew by €61.5 million or 9.3% on the same quarter of the previous year, driven entirely by higher non-tax revenue. The latter expanded by €69.7 million, reflecting mainly a rise in grants received from the European Union. On the other hand, expenditure went up by €27.4 million, driven to a large extent by a rise in capital expenditure.

In the first half of 2014 the Consolidated Fund deficit widened by €24.0 million as expenditure outpaced revenue. Revenue grew by €99.8 million during this period, driven by almost equal increases in the main components. The rise in non-tax revenue stemmed mainly from an addition in grants, as mentioned above, while inflows from direct taxation grew because of a higher intake from income tax and social security contributions. At the same time, higher VAT receipts boosted indirect taxes.

On the other hand, expenditure grew by €123.8 million, or 8.5%, mainly owing to higher recurrent spending on personal emoluments and on the public transport service. Outlays on social benefits and on medical supplies also rose, as did contributions to government entities engaged

Table 5.2
CONSOLIDATED FUND BALANCE
EUR millions

	2013 Q2	2014 Q2	Change Amount	Change %	2013 Q1-Q2	2014 Q1-Q2	Change Amount	Change %
Revenue	**661.5**	**723.1**	**61.5**	**9.3**	**1,223.1**	**1,322.9**	**99.8**	**8.2**
Direct tax(1)	365.5	357.5	-7.9	-2.2	610.6	645.0	34.3	5.6
Indirect tax	239.7	239.5	-0.2	-0.1	448.5	477.9	29.4	6.6
Non-tax(2)	56.4	126.1	69.7	123.7	164.0	200.1	36.0	22.0
Expenditure	**735.3**	**762.7**	**27.4**	**3.7**	**1,464.3**	**1,588.1**	**123.8**	**8.5**
Recurrent(1)	660.6	667.9	7.3	1.1	1,285.5	1,396.6	111.1	8.6
Of which: Interest payments	59.8	57.4	-2.4	-4.1	111.2	111.2	0.0	0.0
Capital	74.7	94.8	20.2	27.0	178.8	191.5	12.8	7.1
Primary balance(3)	**-13.9**	**17.8**	**31.6**	**-**	**-129.9**	**-154.0**	**-24.1**	**-**
Consolidated Fund balance	**-73.7**	**-39.6**	**34.1**	**-**	**-241.2**	**-265.2**	**-24.0**	**-**

(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.

in delivering services within the health and education sectors. Meanwhile, capital spending grew by €12.8 million, reflecting higher spending on infrastructural projects largely financed by EU grants.

Going forward, Consolidated Fund data for the third quarter of 2014 show that the deficit narrowed by €11.5 million compared with the same period of the previous year, as higher tax revenue offset an increase in expenditure. Looking at the whole period January to September 2014, the Consolidated Fund deficit widened by €12.5 million as expenditure growth exceeded the rise in revenue. The former was largely driven by higher wages, spending on social benefits and capital outlays. The increase in revenue stemmed mainly from higher tax revenue and grants.

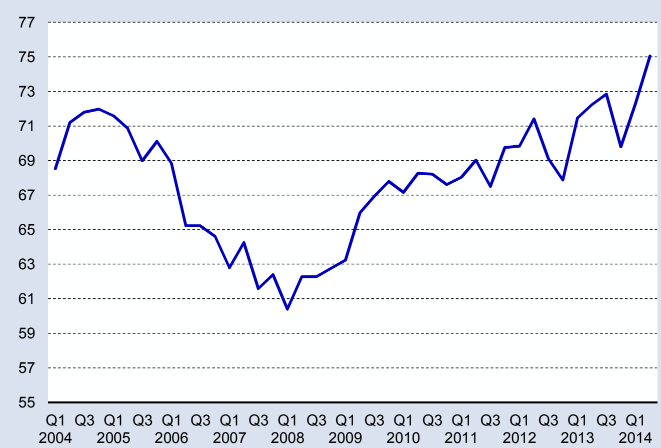
General government debt

General government debt rises

At the end of June 2014, the stock of general government debt reached €5,759.8 million, up from €5,497.6 million at end-March (see Table 5.3). Consequently, the debt-to-GDP ratio rose by 2.7 percentage points to 75.0% over the same period (see Chart 5.2).

Apart from financing the deficit, the increase in debt between March and June 2014 was also reflected in movements in the

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



Source: NSO.

Table 5.3
GENERAL GOVERNMENT DEBT
EUR millions

	2013			2014	
	Q2	Q3	Q4	Q1	Q2
General government debt[(1)]	**5,296.1**	**5,409.0**	**5,241.0**	**5,497.6**	**5,759.8**
Currency	**52.3**	**54.3**	**55.3**	**55.0**	**57.1**
Securities	**4,879.0**	**4,987.3**	**4,813.7**	**5,069.9**	**5,324.1**
Short-term	335.9	422.7	248.1	367.2	407.2
Long-term	4,543.1	4,564.7	4,565.6	4,702.7	4,916.9
Loans	**364.8**	**367.4**	**372.0**	**372.7**	**378.6**
Short-term	80.4	80.1	20.2	20.9	29.3
Long-term	284.3	287.3	351.8	351.8	349.3

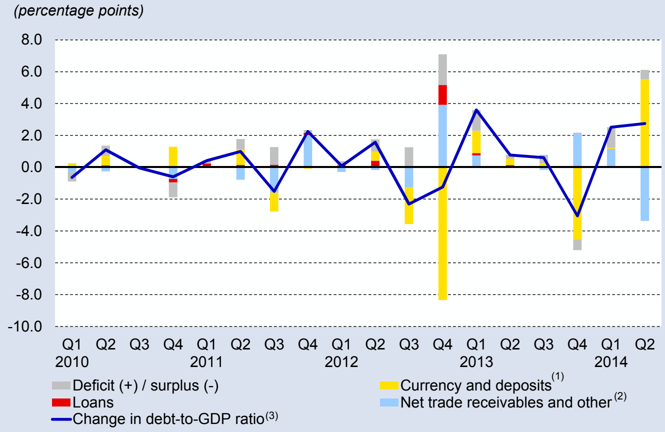
[(1)] Short-term debt includes all instruments with an initial term to maturity of one year or less. Long-term debt includes all debt with an initial term to maturity of over one year.
Source: NSO.

Government's financial assets; hence, government bank deposits rose (see Chart 5.3). The rise in deposits was also driven in part by the receipt of tax inflows due in periods other than in the second quarter. As required by accrual principles, the latter were also recorded as a decline in net trade receivables.

The debt composition shifted further toward short-term obligations, largely reflecting an increase in the stock of Treasury bills outstanding. These rose by €40.0 million, with their share in total debt rising by 0.4 percentage point to 7.1% at end-June (see Table 5.3). Meanwhile, the amount of outstanding long-term securities expanded by €214.2 million, as the value of new issues outweighed redemptions. However, the share of long-term government securities declined by 0.2 percentage point to 85.4%.

During the quarter under review, the value of loans outstanding rose by €5.9 million. However, their share in total debt declined by 0.2 percentage point, to 6.6%. Meanwhile, government liabilities in the form of euro coins issued rose by €2.1 million. Their share in total debt remained unchanged from the previous quarter's level.

Chart 5.3
GENERAL GOVERNMENT DEFICIT-DEBT ADJUSTMENT
(percentage points)



(1) Composed mainly of transactions in deposits held with the Central Bank of Malta.
(2) Also includes transactions related to shares and other equity and adjustments for valuation and volume effects.
(3) GDP data are four-quarter moving sums.
Source: Central Bank of Malta.

BOX 5: A FISCAL BLOCK FOR THE BANK'S STRUCTURAL MACRO-ECONOMETRIC MODEL OF THE MALTESE ECONOMY[1]

In 2013 the Bank published a new structural macro-econometric model of the Maltese economy, which has since been put to many uses.[2] Economic modelling, however, is a continuous process. Besides being reviewed regularly to ensure that it remains a faithful representation of how the underlying economy functions, a model can be developed further to capture more links within the economy and thus contain a higher degree of richness. In this light, the Bank's core model has been extended to include a detailed fiscal block. Previously, the government sector was modelled in a simplified manner. Many fiscal variables were not modelled or were assumed to be exogenous; hence, this sector was little influenced by developments in the rest of the economy. The inclusion of an endogenous fiscal block has allowed for a more realistic modelling of the government sector, which now bears stronger ties with other sectors of the economy.

The fiscal block was built with three key uses in mind. First, it enhances the ability to conduct simulations and thus assess the impact of various shocks on the domestic economy on two fronts. On the one hand, the block realistically captures how fiscal variables respond to macroeconomic shocks. For example, it can show how government debt reacts to an increase in interest rates. On the other hand, it opens channels that allow for a range of fiscal shocks, making it possible, for instance, to study the economic impact of lower income tax rates. Second, the fiscal block can complement the Bank's current fiscal forecasting framework, particularly with regard to medium to long-term forecasts. The final motivation for the development of the fiscal block is to deepen our understanding of how the domestic economy functions.

Fiscal blocks in traditional structural macro-econometric models

In many traditional structural models like the Bank's core model, the government sector is broken down into a number of revenue and expenditure categories. The level of disaggregation varies across models. For example, in their overview of the main structural macro-econometric models used within the Eurosystem, Fagan and Morgan report that the degree of disaggregation ranges from a model which consists of three revenue and five expenditure components, to one containing 26 revenue and 22 expenditure categories. On average, the models studied have nine revenue and eight expenditure components.[3]

In these models, fiscal variables are often modelled by multiplying an exogenous effective revenue or expenditure rate by a suitable macroeconomic base – a macroeconomic variable to which the fiscal variable is closely tied. The effective rate is the ratio of the

[1] Prepared by Owen Grech. Mr Grech is a Senior Research Economist in the Bank's Modelling and Research Department and a Visiting Assistant Lecturer at the University of Malta's Faculty of Economics, Management and Accountancy. He would like to thank the Hon. Prof. Edward Scicluna, Prof. Josef Bonnici, Mr Alfred DeMarco, Mr Alexander Demarco, Dr Bernard Gauci, Dr Aaron Grech, Mr John Farrugia and participants at an internal research seminar for valuable discussions, comments and suggestions. The views expressed are those of the author and do not necessarily reflect the views of the Central Bank of Malta. Any errors are the author's own. Email address: grecho@centralbankmalta.org.

[2] The model is documented in Grech, O., Micallef, B., Rapa, N., Grech, A. G. and Gatt, W., "A Structural Macro-Econometric Model of the Maltese Economy", *Working Paper* No. 02/2013, Central Bank of Malta.

[3] See Fagan, G. and Morgan, J., "An Overview of the Structural Econometric Models of Euro-Area Central Banks", in Fagan, G. and Morgan, J. (eds.), *Econometric Models of the Euro-Area Central Banks*, Edward Elgar, 2005, pp. 1-49.

fiscal variable to the chosen base. Since the macroeconomic base is generally determined endogenously, the same applies to the fiscal variable. For example, if VAT receipts are modelled using this approach, an exogenous effective VAT rate is multiplied by a suitable base, such as nominal consumption, with the effective rate being the ratio of VAT receipts to the base.[4,5] If nominal consumption is determined within the model, as is usually the case in such models, the response of VAT receipts will also be endogenous.

In the instances when this is not a suitable modelling strategy, the fiscal variable is generally kept exogenous or is modelled as maintaining its share of some broader fiscal or macroeconomic aggregate. Behavioural equations are rarely used, except in the case of social benefits. The number of revenue and expenditure categories kept exogenous also varies across models. However, in many cases most fiscal variables are endogenised.

In practice, governments are restricted by the inter-temporal government budget constraint. This implies that, for debt to be sustainable, the initial government debt and the interest accumulated over time have to eventually be repaid through sufficiently large primary balances.[6] For this reason, many macro-econometric models include a fiscal rule that is activated in long-run simulations to ensure some degree of fiscal solvency. This is achieved by adjusting a fiscal variable – in many cases some form of direct taxation – to reach a target which is generally specified in terms of the government balance or debt ratio.[7,8]

An overview of the fiscal block for the Bank's macro-econometric model

In constructing the fiscal block, the standard approach in the literature was followed. The revenue side consists of 16 categories and there are 11 components on the expenditure side, which make the fiscal block one of medium scale. Most of these fiscal variables are modelled through the "effective rate times base" approach, with suitable bases chosen by relying on both theory and empirics. In other words, the macroeconomic bases that were ultimately selected bear a strong relationship to the fiscal variable being modelled not only from a theoretical standpoint, but also from a statistical one borne out in the data. The fiscal block is now captured through 66 equations, of which 22 are identities.

Charts 1 and 2 below provide a schematic representation of the revenue and expenditure sides, respectively. They display the fiscal block's structure, links within the fiscal block itself, and links which the block shares with the rest of the model. Variables enclosed in blue are endogenous, while those in red are exogenous. Identities are enclosed in black. Arrows indicate the direction of influence which, in some cases, runs in both directions.

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4 In the absence of additional information, the effective rate is generally based on trends in the actual data.

5 Mathematically:
$$VAT\ receipts = effective\ VAT\ rate * nominal\ consumption$$, i.e.
$$VAT\ receipts = \frac{VAT\ receipts}{nominal\ consumption} * nominal\ consumption$$.

6 For further details on fiscal sustainability, see Farrugia, J. and Grech, O., "Assessing the Sustainability of Maltese Government Debt", *Working Paper* No. 04/2013, Central Bank of Malta, and references therein.

7 See Mitchell, P., Sault, J. and Wallis, K., "Fiscal Policy Rules in Macroeconomic Models: Principles and Practice", *Economic Modelling*, 17(2), 2000, pp. 171-193, for a comparison of fiscal rules.

8 For examples and descriptions of fiscal blocks within traditional structural macro-econometric models, see Fagan, G. and Morgan, J. (eds.), *Econometric Models of the Euro-Area Central Banks*, Edward Elgar, 2005 and Bank of England, *Economic Models at the Bank of England*, London: Bank of England, 2000.

Chart 1
SCHEMATIC REPRESENTATION OF THE REVENUE SIDE

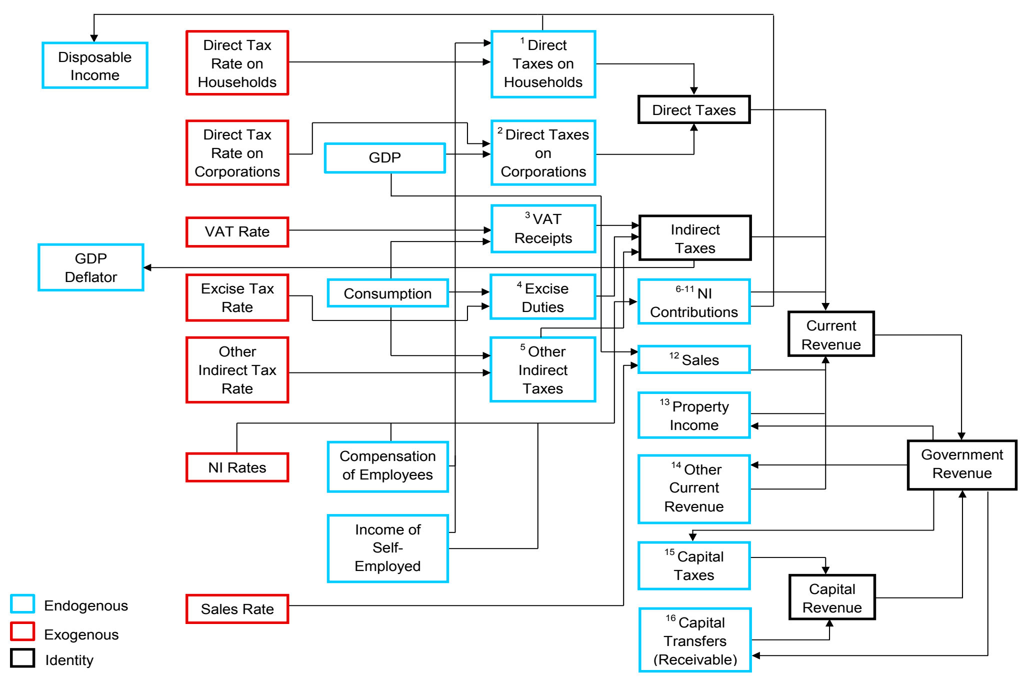
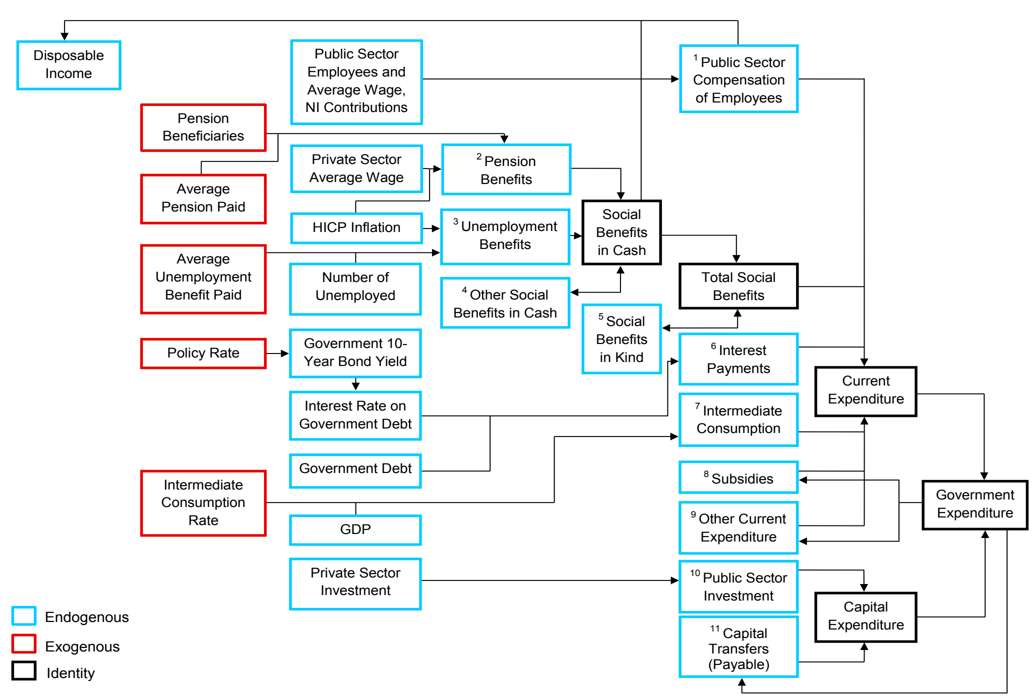


Chart 2
SCHEMATIC REPRESENTATION OF THE EXPENDITURE SIDE



The charts also display the number of revenue and expenditure categories at the highest level of disaggregation.[9]

The charts show that, at the highest level of disaggregation, there are 16 components on the revenue side and 11 categories on the expenditure side, as outlined previously. The first revenue component, for example, is direct taxes on households.[10] This variable is modelled using the "effective rate times base" approach, with compensation of employees plus income of the self-employed serving as the base, since direct taxes on households are largely levied on these sources of income, while the data support this prior belief that the fiscal variable and the base are strongly correlated. In all, 13 variables are modelled using the "effective rate times base" approach.[11]

In cases when this approach was not deemed to be suitable, a different modelling strategy was employed. Certain fiscal variables were assumed to maintain their share in a broader fiscal or macroeconomic aggregate, or were constructed via decomposition. For instance, a substantial portion of government property income consists of profits earned by the Central Bank of Malta. These profits are not closely tied to some macroeconomic variable and hence the "effective rate times base" approach would not be appropriate. Instead, this variable is assumed to maintain its share in government revenue. There are ten variables in total that are modelled using this strategy.[12] In addition, four variables are constructed through decomposition.[13] Public sector compensation of employees, for example, is calculated by multiplying the number of government employees by the average wage in the public sector, and adding employers' national insurance contributions paid by the Government along with imputed national insurance contributions.

At the highest level of disaggregation, the most significant revenue categories are VAT, and direct taxes on households and on corporations, which together account for around half of total revenue. Compensation of employees, pension benefits and intermediate consumption are the largest expenditure components, with a combined weight in total spending of nearly two-thirds.[14]

From the components of government revenue and government expenditure, fiscal aggregates are produced through identities. For example, on the revenue side, direct taxes on households and on corporations are added to generate direct taxes, while, on the expenditure side, social benefits in cash consist of the sum of pension benefits, unemployment benefits and other social benefits in cash.

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[9] In this context, a component at the highest level of disaggregation is not one that cannot be subdivided further, but rather one which is not decomposed to a greater degree in the model.

[10] See ECB, *Government Finance Statistics Guide*, Frankfurt: ECB, August 2014, for definitions of fiscal variables.

[11] Arguably, the only contentious base is that for direct taxes on corporations. From a theoretical point of view, this variable should move in line with gross operating surplus. However, this is not supported empirically, largely as a result of noise in the data. Consequently, nominal GDP was chosen as the base since the data suggest that this variable bears a stronger link with direct taxes on corporations and the choice can also be justified on theoretical grounds.

[12] These variables are: property income, other current revenue, capital taxes, capital transfers on the revenue side, other social benefits in cash, social benefits in kind, subsidies, other current expenditure, public sector investment and capital transfers on the expenditure side.

[13] Namely, public sector compensation of employees, pension benefits, unemployment benefits and interest payments.

[14] These figures are the average shares over the 2000-2013 period.

To better understand the mechanics of the fiscal block, suppose that, on the revenue side, the direct tax rate on households is reduced. This lowers direct taxes on households, leading to a drop in the intake of direct taxes but also influencing the rest of the model through an increase in disposable income, which largely affects private consumption. The fall in direct taxes gives rise to lower current revenue, in turn causing a decrease in total revenue. Turning to the expenditure side, an increase in the policy rate, for example, raises the government ten-year bond yield. This results in a rise in the interest rate on government debt which, in turn, brings about higher interest payments. The change in the latter raises current expenditure and thus total expenditure.

Besides government revenue and expenditure, and their main components, model users are likely to be interested in other key fiscal variables, such as government consumption, the government balance, the government primary balance and government debt. These variables can easily be computed since they are composed almost entirely of variables that emerge from the revenue side and the expenditure side, and will therefore be determined endogenously.[15,16] For example, government consumption is equal to the sum of compensation of employees, intermediate consumption, social benefits in kind and consumption of fixed capital, less sales. Since, except for consumption of fixed capital, these components are determined within the model, government consumption will also be endogenous.

The fiscal block also includes a fiscal rule that is activated in long-run simulations to ensure some level of fiscal solvency, as explained previously. It aims at a debt ratio with a target value of 60.0%, which is reached by adjusting the direct tax rate on households.[17]

A word on the data

The main source of the quarterly fiscal data used in the fiscal block is the Quarterly Accounts of General Government. This source, however, does not provide a quarterly disaggregation of all components of direct taxes, indirect taxes, social security contributions and social benefits in cash found in the fiscal block. Annual data for such variables were taken from statistical releases on tax revenue and the classification of functions of general government, and converted to a quarterly frequency based on patterns observed in government cash data. Moreover, in the case of components of government consumption – namely, compensation of employees, intermediate consumption, social benefits in kind, consumption of fixed capital and sales – data from both the Quarterly Accounts of General Government and

[15] Government consumption = public sector compensation of employees + public sector intermediate consumption + social benefits in kind + public sector consumption of fixed capital – public sector sales.
Government balance = government revenue – government expenditure.
Government primary balance = government revenue – government expenditure + interest payments on government debt.
Government debt$_t$ = government debt$_{t-1}$ – government balance$_t$ + deficit-debt adjustment$_t$.

[16] The only two variables that are needed to calculate these other key fiscal variables but do not emerge from the revenue side or from the expenditure side are consumption of fixed capital and the deficit-debt adjustment. In this context, consumption of fixed capital refers to depreciation of public sector capital, while the deficit-debt adjustment, commonly referred to as the stock-flow adjustment, captures those transactions or factors that influence the outstanding debt but are not reflected in the primary balance. For further details on the deficit-debt adjustment, see Farrugia, J. and Grech, O., "Assessing the Sustainability of Maltese Government Debt", *Working Paper* No. 04/2013, Central Bank of Malta. In the model, both consumption of fixed capital and the deficit-debt adjustment are given an exogenous path.

[17] For further details on the modelling of the fiscal block, see Grech, O. and Micallef, B., "A Structural Macro-Econometric Model of the Maltese Economy", Central Bank of Malta, 2014.

the National Accounts were used.[18] Throughout, annual and quarterly data were taken from 2013 and 2013Q4 vintages, respectively. All the data sources are published by the National Statistics Office.

Simulation results

To illustrate the properties of the Bank's model augmented with the fiscal block, the results of two medium-term simulations are reported.[19] The first simulation is a government consumption shock – hence a shock on the expenditure side – defined as a permanent increase in real intermediate consumption that leads to an *ex-ante* change in the share of real government consumption in real GDP by 1 percentage point. The results are summarised in Table 1.

The rise in government consumption results in an immediate increase in GDP. This leads to higher employment and wages, and hence disposable income, which, in turn, raises private consumption. Moreover, the increase in GDP also stimulates investment. These developments bring about a further rise in GDP, offset to some degree by higher imports.

Table 1
THE MACROECONOMIC IMPACT OF A GOVERNMENT CONSUMPTION SHOCK
Percentage changes from baseline levels unless otherwise specified

	Year 1	Year 2	Year 3
Economic Activity			
Real GDP	0.77	0.83	0.64
Private consumption	0.12	0.82	0.46
Government consumption	5.23	5.34	5.07
Gross fixed capital formation	0.57	1.11	1.06
Exports	-0.05	-0.28	-0.51
Imports	0.41	0.61	0.28
Prices			
GDP deflator	0.16	0.60	0.87
Labour Market			
Unemployment rate[1]	0.00	-0.11	-0.11
Fiscal Developments			
Total receipts	0.45	1.15	1.18
Total expenditures	2.63	3.01	3.15
Balance[2]	-0.98	-0.84	-0.88
Gross debt[2]	0.29	0.75	1.52

[1] Absolute changes from baseline in percentage points.
[2] Absolute changes from baseline as a percent of GDP.
Source: Author's calculations.

[18] For each of these five variables, the model contains two series: one with the Quarterly Accounts of General Government as its source, and another taken from the National Accounts. Data from the former source are required because they correspond to key fiscal statistics, such as the government balance and government debt, while data from the latter source are needed to generate a series of government consumption that is consistent with GDP data.
[19] Following common practice, the fiscal rule was switched off in both simulations.

This raises the output gap which, in turn, leads to an increase in prices, as shown by the GDP deflator. Higher prices give rise to a loss in competitiveness and thus to a decline in exports. Still, the net effect on GDP is positive, which translates into lower unemployment.

On the fiscal side, as a result of the increase in government consumption, government expenditure rises. Due to higher macroeconomic bases, government revenue also rises, but the net effect is for the government balance ratio to fall – which implies a deterioration of the deficit ratio – and consequently the government debt ratio increases.[20]

The second simulation is a shock on the revenue side, in particular a shock to direct taxes, defined as a permanent increase in direct taxes that leads to an *ex-ante* change in the ratio of government revenue to GDP by 1 percentage point. The shock is distributed proportionately between direct taxes on households, on corporations and social security contributions. The key results are shown in Table 2.

The rise in direct taxes results in lower disposable income which, in turn, gives rise to a decline in private consumption and thus GDP. As a result of the decrease in GDP,

Table 2
THE MACROECONOMIC IMPACT OF A DIRECT TAXES SHOCK
Percentage changes from baseline levels unless otherwise specified

	Year 1	Year 2	Year 3
Economic Activity			
Real GDP	-0.07	-0.31	-0.39
Private consumption	-0.81	-1.22	-1.33
Government consumption	0.42	0.04	-0.03
Gross fixed capital formation	-0.01	-0.41	-0.70
Exports	-0.02	-0.14	-0.15
Imports	-0.40	-0.63	-0.69
Prices			
GDP deflator	0.08	0.26	0.23
Labour Market			
Unemployment rate[1]	0.01	0.03	0.03
Fiscal Developments			
Total receipts	2.34	2.09	1.96
Total expenditures	0.18	-0.01	-0.16
Balance[2]	0.95	0.91	0.92
Gross debt[2]	-0.96	-1.82	-2.54

[1] Absolute changes from baseline in percentage points.
[2] Absolute changes from baseline as a percent of GDP.
Source: Author's calculations.

[20] The simulations display one of the key benefits of integrating a fiscal block within a broader macro-econometric model, namely that it allows for a simultaneous response between fiscal developments and the wider economy. In other words, changes in fiscal variables influence the macro-economy while developments in the latter affect the fiscal side of the economy. This interaction allows model users to gauge more accurately how the underlying economy functions.

investment also falls, causing a further drop in GDP. Lower GDP also brings about a reduction in private sector employment and wages, which is mirrored in a decline in the corresponding public sector variables. This drop in public sector employment and wages is outweighed by the increase in social security contributions paid by the Government as an employer implied by the shock to direct taxes, leading to a net rise in public sector compensation of employees. In the first two years of the simulation horizon, government consumption increases, largely because the rise in compensation of employees in the public sector is stronger than the reduction in intermediate consumption. This drop reflects the decrease in the macroeconomic base, namely GDP. In the outer year, however, the fall in intermediate consumption outweighs the rise in compensation of employees and therefore government consumption declines, albeit marginally. Higher social security contributions exert upward pressure on unit labour costs and thus prices. Elevated prices cause a loss in competitiveness, which gives rise to a fall in exports. Overall, GDP decreases, which leads to a rise in unemployment.

Turning to fiscal developments, government revenue increases as a result of higher direct taxes. Initially, government expenditure rises slightly but it falls in the second and third year of the simulation horizon, mostly because higher public sector compensation of employees is gradually outweighed by the decline in interest payments resulting from lower government debt. The net effect translates into an increase in the government balance – implying an improvement in the deficit ratio – which causes the government debt ratio to fall.

Concluding remarks

This article presents a recent development with regard to the Bank's macro-econometric model of the Maltese economy, namely the incorporation of a relatively detailed fiscal block. Simulation results illustrate the properties of the augmented model and suggest that the mechanics of the model are plausible from both a theoretical and empirical standpoint. The core model enhanced with the fiscal block is a valuable tool in the Bank's toolkit, particularly in view of recent developments in the fiscal arena, both internationally and domestically, such as increased attention given to public finances in the light of the recent European sovereign debt crisis and the creation of an independent fiscal council, respectively.

Once again, however, this does not represent the final stage in the model's development. The fiscal block itself can be extended by, for example, modelling pension benefits and interest payments in greater detail. The model has also been developed further to include a richer financial block, enhanced macro-financial linkages and a price block that is more responsive to domestic economic activity. In addition, it has been re-estimated using more recent data. These latter refinements are presented in a paper on the Bank's website, which also contains further details on the fiscal block outlined above.[21] Other developments are envisaged, including re-estimating the model using ESA 2010 data and an enhanced integration of the supply side, particularly with regard to the labour market. Moreover, the model is evaluated on a regular basis to ensure that it remains a faithful representation of how the Maltese economy functions.

[21] See Grech, O. and Micallef, B., "A Structural Macro-Econometric Model of the Maltese Economy", Central Bank of Malta, 2014.

6. MONETARY AND FINANCIAL DEVELOPMENTS

The total assets of the banking system in Malta rose during the third quarter of 2014. Deposits remained the main source of funding, with those belonging to residents accelerating more than in the previous quarter. Meanwhile, credit granted to residents contracted at a faster pace during the quarter under review.

Domestic primary yields edged down during the third quarter, following reductions in official interest rates. In the secondary capital market, yields on five-year and ten-year domestic government bonds fell by around a half percentage point. As euro area benchmark yields fell to a lesser extent, spreads narrowed. The Malta Stock Exchange (MSE) share index rose marginally during the quarter under review.

Monetary aggregates and their counterparts

Total assets of the Maltese banking system rise

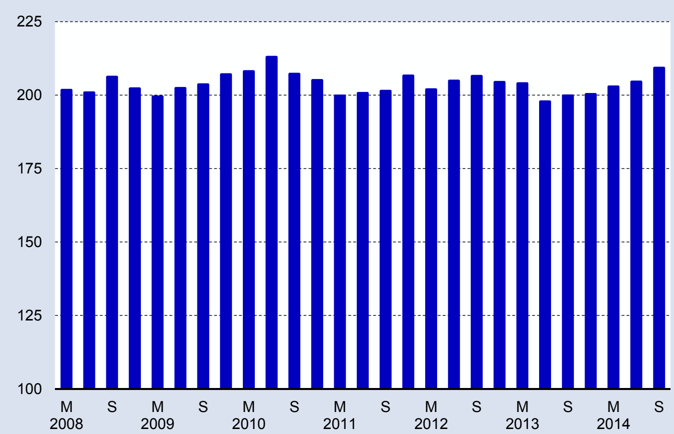
Total assets pertaining to domestic banks rose during the September quarter, growing by €2.7 billion, or 5.1%. Total assets belonging to core domestic banks – the domestically relevant banking system – stood at 209% of gross domestic product (GDP) at end-September 2014, up from 204% in the previous quarter (see Chart 6.1).[1,2]

Resident deposits grow at a faster pace

Total residents' deposits continued to grow at a faster pace during the third quarter, with the annual rate of change rising to 12.9% in September from 10.3% in June (see Table 6.1).[3]

Looking at residents' deposits in more detail, overnight deposits rose sharply during the quarter, continuing the rapid growth that has been observed in recent years, and were the main contributor towards the overall rise. In turn, as in previous quarters, balances belonging to households and private non-financial corporations (NFC) were the main factor behind the increase. Consequently, annual growth in overnight deposits accelerated to 20.4% in September from 15.3% in June.

Chart 6.1
TOTAL ASSETS/LIABILITIES OF CORE DOMESTIC BANKS
(% of GDP; GDP data are four-quarter moving sums)



Sources: Central Bank of Malta; NSO.

[1] The domestically relevant banks, or "core" domestic banks, are APS Bank Ltd, Banif Bank (Malta) plc, Bank of Valletta plc, HSBC Bank Malta plc and Lombard Bank Malta plc.

[2] GDP Statistics are sourced from NSO *News Release* 232/2014.

[3] Monetary data have been revised from June 2010 to take into account the changeover to ESA2010 methodology. The main change in monetary data stemming from the changeover is the reclassification of special purpose entities from residents of the rest of the world to residents of Malta. Consequently, residents' deposits, as well as loans to residents, were revised upwards. These revisions also affect the dynamics of these variables. Further information is provided in the Box titled ESA 2010 Changeover – Implications for monetary and financial statistics accompanying the Statistical Tables in this *Review*.

Table 6.1
DEPOSITS OF MALTESE RESIDENTS

	EUR millions	Annual percentage changes				
	2014	2013		2014		
	Sep.	Sep.	Dec.	Mar.	June	Sep.
Overnight deposits	**7,590.0**	**12.9**	**13.7**	**13.3**	**15.3**	**20.4**
of which						
Households	4,162.4	11.2	12.0	11.4	13.3	19.6
Non-financial corporations	1,956.4	11.4	22.0	21.2	10.0	15.2
Deposits redeemable at notice up to 3 months	**113.5**	**-22.5**	**-25.0**	**-5.6**	**-0.5**	**1.4**
of which						
Households	96.1	0.3	-2.1	-2.5	-2.3	-0.8
Non-financial corporations	16.8	-70.1	-70.3	2.7	9.8	20.4
Deposits with agreed maturity up to 2 years	**4,060.2**	**0.3**	**2.8**	**1.7**	**4.4**	**4.9**
of which						
Households	3,076.3	1.9	2.2	3.3	2.8	1.3
Non-financial corporations	457.1	-6.1	-5.6	-7.7	-4.9	17.9
Deposits with agreed maturity above 2 years	**1,536.3**	**10.0**	**10.8**	**5.8**	**5.5**	**2.4**
of which						
Households	1,423.2	9.2	10.1	4.4	2.8	0.1
Non-financial corporations	76.0	22.6	21.6	29.5	38.9	30.5
Total residents' deposits[1]	**13,300.0**	**7.6**	**9.0**	**8.2**	**10.3**	**12.9**

[1] Total residents' deposits exclude deposits belonging to Central Government.

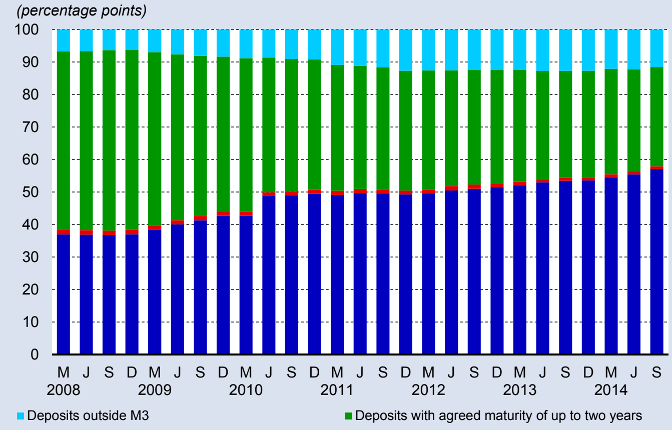
Source: Central Bank of Malta.

At the same time, deposits with an agreed maturity of up to two years grew at a slightly faster pace, with their annual growth rate rising to 4.9%, from 4.4% in June. The year-on-year increase stemmed mainly from higher balances belonging to public NFCs and insurance companies & pension funds. Concurrently, deposits redeemable at notice up to three months grew by 1.4% in the year to September, whereas they had declined in recent quarters.

Deposits with maturities beyond two years, which are excluded from broad money (M3), expanded during the quarter reviewed. Nevertheless, their annual growth rate fell to 2.4% in September from 5.5% three months earlier, driven mainly by slower growth in households' balances.

As a result of these developments, the share of overnight deposits in the total extended its

Chart 6.2
DISTRIBUTION OF TOTAL RESIDENTS' DEPOSITS[1]
(percentage points)



[1] Deposits outside M3 exclude deposits belonging to central government.
Source: Central Bank of Malta.

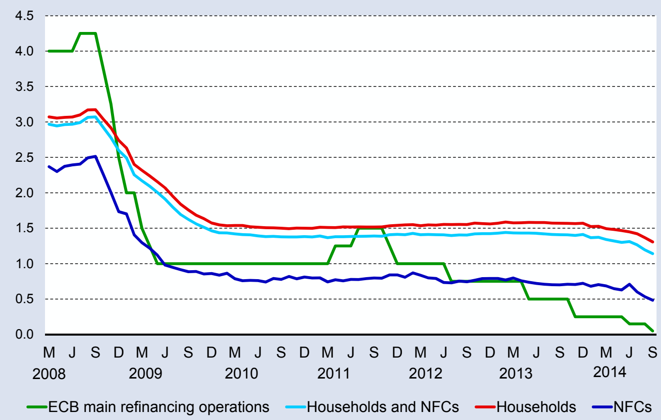
upward path, whereas the proportion of all other categories of deposits decreased (see Chart 6.2). The increasing preference for liquid deposits at the shorter end of the maturity spectrum is consistent with the reduced opportunity cost of holding such deposits in an environment in which interest rates are low and falling.

Interest rates on residents' deposits decline

During the third quarter of 2014, the weighted average interest rate paid by monetary financial institutions (MFI) on all euro-denominated deposits belonging to households and NFCs resident in Malta fell by 17 basis points to 1.14% in September (see Table 6.2).[4] Rates on NFCs' deposits dropped by 23 basis points, while rates paid on household deposits fell by 14 basis points (see Chart 6.3).

The biggest drop during the quarter was in rates paid on NFCs' deposits with an agreed maturity of up to two years, which went down by 57 points. Households' deposits within the same category fell by 10 basis points. At the same time, overnight deposit rates fell by 10 basis points for

Chart 6.3
INTEREST RATES ON DEPOSITS OF MALTESE RESIDENTS(1)
(per cent per annum; end of period)



(1) Interest rates are based on the monetary financial institutions' interest rates (MIR) on outstanding amounts.
Source: Central Bank of Malta.

Table 6.2
INTEREST RATES ON OUTSTANDING DEPOSITS BELONGING TO RESIDENTS OF MALTA(1)
Percentages per annum; weighted average rates as at end of period

	2013		2014		
	Sep.	Dec.	Mar.	June	Sep.
Total deposits belonging to households and non-financial corporations	1.41	1.41	1.34	1.31	1.14
Overnight deposits					
Households	0.35	0.35	0.27	0.27	0.17
Non-financial corporations	0.28	0.30	0.26	0.34	0.18
Time deposits with agreed maturity up to 2 years					
Households	2.05	2.07	2.03	1.95	1.85
Non-financial corporations	1.97	1.91	1.93	1.83	1.26
Time deposits with agreed maturity over 2 years					
Households	3.53	3.55	3.54	3.54	3.52
Non-financial corporations	3.15	3.12	3.09	2.88	2.93

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

4 Data on interest rates on outstanding amounts shown in Table 6.2 cover MFI euro-denominated deposits belonging to households and NFCs resident in Malta. The household sector includes non-profit institutions serving households.

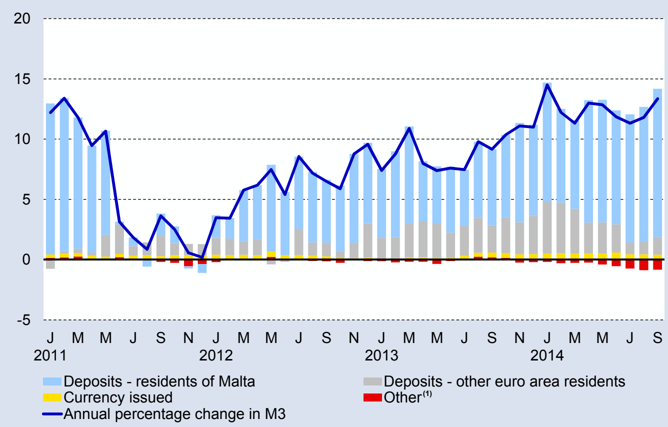
households and 16 basis points for NFCs. Meanwhile, rates offered on deposits with a longer maturity fell by 2 basis points for households but rose by 5 basis points for NFCs. However, this marginal increase mainly reflects changes in rates offered by one bank.

From a longer-term perspective, rates on households' and NFCs' deposits fell by 27 basis points during the year to September. During the same period, the rate on the European Central Bank's (ECB) main refinancing operations (MRO) went down by 45 basis points, while a negative rate was introduced on the ECB's deposit facility.

Contribution to euro area M3 increases

Robust growth in Maltese residents' deposits also boosted the contribution of Maltese MFIs to euro area M3.[5] These deposits remained the main input for M3 growth during the September quarter (see Chart 6.4). Conversely, the contribution of deposits belonging to other euro area residents declined further during the quarter under review. The impact of currency issued was marginal, as in previous quarters, while the contribution of "other" components was more negative than in the previous quarter, partly because of a larger drop in the value of money market fund shares issued. The annual growth rate of the domestic contribution to euro area M3 rose to 13.4% in September from 11.9% in June.

Chart 6.4
CONTRIBUTIONS OF RESIDENT MFIs TO EURO AREA M3
(percentage points; annual percentage change)

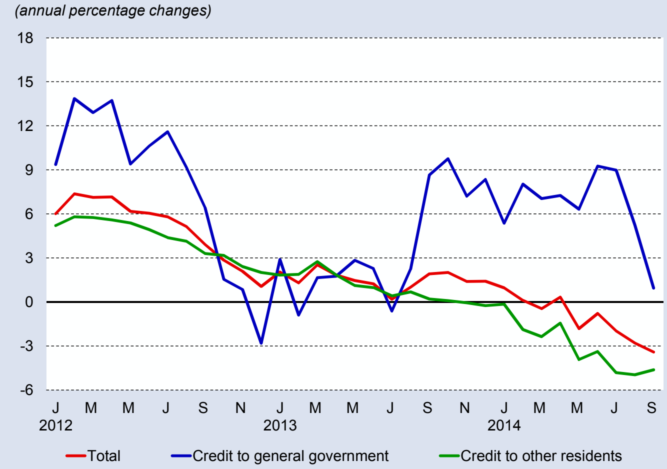


(1) The "other" category consists of loans granted to resident MFIs, repurchase agreements, money market fund shares/units and debt securities with a maturity of up to and including two years issued by MFIs.
Source: Central Bank of Malta.

Credit to residents falls

During the third quarter of 2014, credit granted by Maltese banks to residents contracted at a faster pace, with the annual rate of change falling from -0.8% in June to -3.4% in September. This reflected a sharp slowdown in credit granted to general government coupled with a larger contraction in credit to other residents (see

Chart 6.5
CREDIT TO RESIDENTS OF MALTA
(annual percentage changes)



Source: Central Bank of Malta.

[5] 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 central government deposits and interbank deposits) with resident MFIs having terms to maturity of up to two years, as well as other monetary liabilities of Maltese MFIs towards euro area residents. Further information is given in the General Notes accompanying the Statistical Tables in this *Review*. Monetary statistics cover all MFIs resident in Malta.

Chart 6.5). In comparison, credit growth in the euro area remained negative but has started to recover; it contracted by 1.6% during the year to September, following a 2.3% drop in the year to June.

Credit granted to general government grew by 0.9% during the 12 months to September, down from 9.2% three months earlier. This slowdown reflected a decrease in MFIs' holdings of Treasury bills as the Government reduced the volume of new issues during the quarter under review.

Credit to residents other than general government, which mainly consists of credit to the private sector, contracted at a faster pace during the quarter under review. It decreased by 4.6% during the year to September, following a 3.4% drop in the year to June. This was mainly driven by lower loans granted to non-bank financial intermediaries.

Bank lending to private NFCs declines at a slower pace

Loans granted to private NFCs continued to contract but at a slower pace, falling by 2.1% year-on-year in September, as opposed to a 4.8% drop in June (see Table 6.3). Lending to firms in the construction and in the accommodation & food service activity sectors fell further, though less rapidly than before. On the other hand, the growth rate of lending to the wholesale & retail trade sector accelerated slightly during the quarter. Lending to NFCs also contracted in the euro area as a whole, falling at an annual rate of 2.0% in September, following a year-on-year drop of 2.3% in June.

Bank lending to households edges up

Lending to households, the other major category of credit to the private sector, expanded by 1.4% during the third quarter of 2014. As a result, the annual growth rate edged up from 6.0% in June to 6.2% in September (see Chart 6.6). In comparison, lending to households in the euro area contracted on annual basis.

Growth in lending to resident households stemmed from increased lending for house purchases, which went up by 7.9%, year-on-year, from 7.6% in June. Conversely, the category that includes consumer loans and lending for other purposes contracted at a faster annual pace, falling by

Table 6.3
SECTORAL CONTRIBUTIONS TO YEAR-ON-YEAR GROWTH IN LOANS TO PRIVATE NFCs
Percentage points; annual percentage changes

	All Private NFCs				
	2013		2014		
	Sep.	Dec.	Mar.	June	Sep.
Accommodation and food service activities	-0.1	-0.2	-0.2	-2.1	-0.9
Construction	-3.8	-3.4	-3.0	-3.0	-1.8
Manufacturing	-0.1	-0.3	-1.2	-0.3	-0.3
Real estate activities	0.6	0.6	0.2	0.2	0.2
Transportation and storage	-0.3	-0.4	-0.2	-0.2	-0.4
Wholesale and retail trade	-1.1	-1.2	-1.4	1.1	1.3
Other	0.0	0.1	-0.1	-0.4	-0.4
Total	**-4.8**	**-4.9**	**-5.9**	**-4.8**	**-2.1**

Source: Central Bank of Malta.

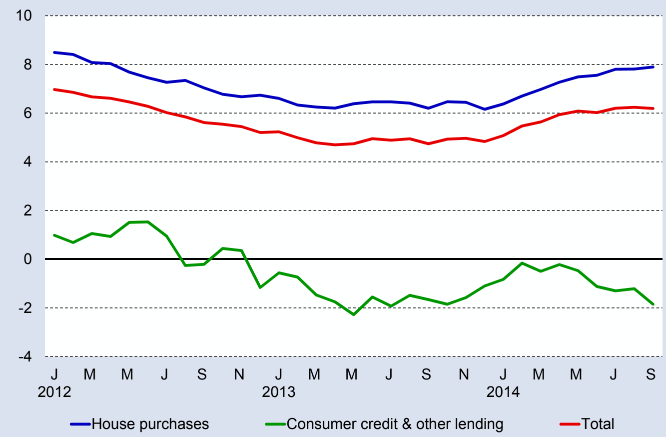
1.8% in September, following a drop of 1.1% in June.

Rates on loans to Maltese residents decline

The weighted average interest rate charged by MFIs on outstanding loans to resident households and NFCs fell by 9 basis points to 4.06% (see Chart 6.7). The biggest drop was in rates charged on NFCs' loans, which fell by 15 basis points. At the same time, rates paid by households on mortgages went down by 4 basis points to 3.26%, while rates charged on consumer credit edged down by 1 basis point to 5.34%.

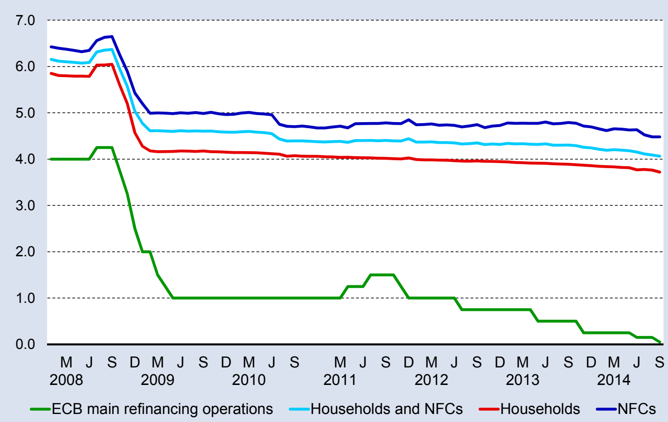
From a longer perspective, interest rates on loans were 24 basis points lower in September than they were a year earlier, whereas the ECB's MRO rate shed 45 basis points over the same period. Lending rates to NFCs experienced a slightly larger fall than lending rates to households.

Chart 6.6
LOANS TO HOUSEHOLDS
(annual percentage changes)



Source: Central Bank of Malta.

Chart 6.7
INTEREST RATES ON LOANS TO MALTESE RESIDENTS[(1)]
(per cent per annum; end of period)



[(1)] Interest rates are based on the monetary financial institutions' interest rates (MIR) on outstanding amounts.
Source: Central Bank of Malta.

Credit standards for enterprises and households remain unchanged

The Bank Lending Survey (BLS) conducted in October 2014, covering the previous three months, revealed that credit standards applied to lending to enterprises and households remained unchanged.[6] On the other hand, while three banks reported no change in corporate demand for loans, one bank reported a decline in the demand for loans by SMEs during the September quarter. Demand for loans by households for house purchases and consumer credit remained unchanged.

Looking ahead to the last quarter of 2014, banks expected standards applied to loans to NFCs and households to remain constant. At the same time, all respondents expect unchanged corporate and household demand for loans.

[6] 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.

In this round, the BLS included also questions aimed at gauging the impact of the targeted longer-term refinancing operations (TLTRO) to be conducted by the Eurosystem between September 2014 and June 2016.[7] One bank, out of the four surveyed, participated in the TLTROs held in September 2014 while another expressed its intention to participate in the TLTRO to be held in December 2014. The two banks indicated that their participation was motivated by the attractive conditions of TLTROs. These banks intend to use the funds for the provision of additional credit to NFCs.

According to the ECB Survey on the Access to Finance of Enterprises (SAFE), the percentage of small and medium-size enterprises (SME) in Malta that applied for bank loans and received the amount in full rose to around 60% over the six months to September 2014.[8] A similar survey conducted by the Malta Chamber of Commerce, Enterprise and Industry (MCCEI) carried out in September shows that the share of firms that applied for a loan and obtained the full amount rose in manufacturing, service and construction sectors but declined in the retail sector.[9]

Credit granted to euro area residents outside Malta rises

Credit granted to euro area residents outside Malta expanded by €235.5 million during the third quarter of 2014. Nevertheless, credit to euro area residents outside Malta fell by €138.0 million during the year to September. This decline mainly reflected reduced lending by internationally-oriented banks operating in Malta to non-bank financial intermediaries abroad.

Net claims on non-residents of the euro area fall

During the year to September 2014, resident MFIs' net claims on non-residents of the euro area contracted by €2.7 billion, or 21.8%, following a substantial fall in claims as several internationally-oriented banks scaled back their operations (see Table 6.4).

Gross claims on non-residents of the euro area contracted by 7.6% during this period following reduced lending, particularly to other MFIs and private NFCs, as well as lower deposits held with banks outside the euro area. At the same time, liabilities rose marginally by 0.1% on the back of increased deposits belonging to non-euro area residents.

Table 6.4
NET CLAIMS ON NON-RESIDENTS OF THE EURO AREA
EUR millions; changes on a year earlier

	2013 Sep.	2014 Sep.	Amount	%
Net claims on non-residents of the euro area	**12,158.7**	**9,503.9**	**-2,654.8**	**-21.8**
Claims on non-residents of the euro area	34,716.4	32,086.2	-2,630.2	-7.6
Liabilities to non-residents of the euro area	22,557.7	22,582.3	24.6	0.1

Source: Central Bank of Malta.

7 The TLTROs are designed to enhance the functioning of the monetary policy transmission mechanism by supporting bank lending to the real economy.

8 The reference period of the SAFE survey is the period from April to September 2014. It mainly provides evidence of changes in the financial situation, financing needs and access to external financing by SMEs in the euro area.

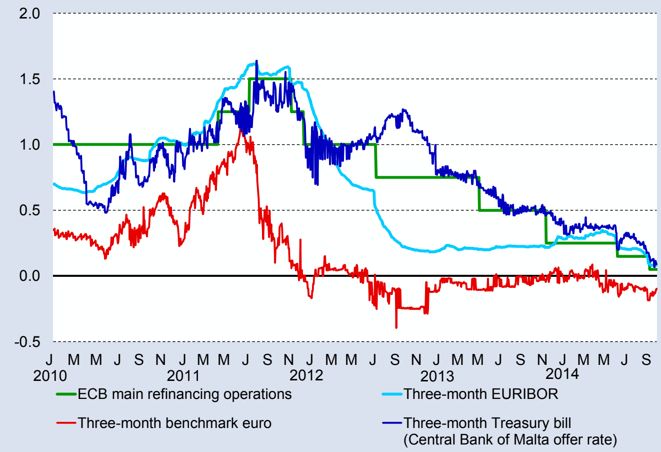
9 As part of their survey on confidence among firms in manufacturing, service, retail and construction sectors, the MCCEI added questions aimed at gauging developments in financing conditions. Financing conditions faced by private firms started being assessed in 2014 on a quarterly basis.

The money market

Domestic yields decline

During the third quarter of 2014, the ECB further eased its monetary policy stance, cutting its key refinancing rate by 10 basis points, to a record low of 0.05%, in a context of low inflation and a weakening in the euro area's growth momentum. This fed into the three-month EURIBOR, which fell by 12 basis points to 0.08% at end-September (see Chart 6.8).[10]

Chart 6.8
MONEY MARKET INTEREST RATES
(percentages per annum; daily rates)



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

At the same time, the reduction in official interest rates was also reflected in money market rates in Malta. The primary market yield on three-month Treasury bills fell by 9 basis points, reaching 0.12% by end-September.

The Maltese Government issued €152.0 million worth of Treasury bills during the third quarter of 2014, €110 million less than in the previous quarter. This is consistent with the Government's intention to reverse the build-up of bills seen during the first half of 2014, reducing the amount outstanding to the level prevailing at the end of the previous year. The majority of the Treasury bills issued during the quarter had a three-month term to maturity, while the remainder mainly consisted of six-month paper. Resident banks participated actively in the auctions and bought around 90% of the total. The rest was taken up by money market funds. In the secondary market, turnover fell to €1.0 million during the third quarter of 2014.

The secondary market yield on German government three-month securities, which serve as a benchmark for the euro area, remained unchanged during the quarter under review, standing at -0.10% at end-September. The corresponding domestic yield quoted in the secondary market by the Central Bank of Malta fell by 20 basis points to 0.09%, narrowing the spread over the euro area benchmark to 19 basis points at end-September (see Chart 6.8).

The capital market

Strong demand for government and corporate bonds

During the third quarter of 2014, the Government raised €180.0 million through two new Malta Government Stock issues with a value of €100.0 million subject to an over-allotment option of €80.0 million. The bonds offer fixed coupons of 2.0% and 4.1% and mature in 2020 and 2034, respectively. The Treasury received bids totalling €203.5 million, of which €193.5 million were from retail investors. Given that the issue was oversubscribed by members of the public, no bonds were issued by auction. The bonds were acquired primarily by resident households and by stockbrokers acting on behalf of their clients.

Meanwhile, no new issues were recorded in the corporate bond market following a number of primary market issues in the second quarter. However, in September, United Finance plc announced

[10] 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.

its intention to issue a new bond, following an early redemption of its existing bonds. On the other hand, the third quarter saw two corporate bond redemptions – Tumas Investments plc redeemed its 6.25% bonds in July while Melita Capital plc redeemed its 7.15% bonds in September.

In the secondary market, turnover for government bonds amounted to €255.7 million, €35.9 million more than in the previous quarter. The Central Bank of Malta acting as market-maker accounted for around 70% of the value traded.

Government bond yields decline

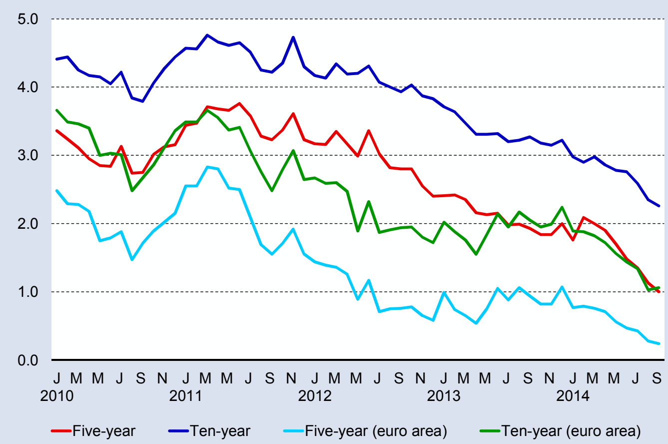
Secondary market Maltese government bond yields continued to fall during the third quarter of 2014, largely mirroring yields in the euro area as a whole. Yields on five-year bonds dropped by 48 basis points to 1.00% at the end of September while the corresponding benchmark yield for the euro area, based on AAA-rated securities, fell by 23 basis points to 0.24% (see Chart 6.9). At the same time, yields on ten-year domestic bonds declined by 50 basis points to 2.26%, while benchmark yields for the euro area dropped by 38 basis points. As a result, spreads over the euro area benchmarks narrowed, with the five-year differential falling by 25 basis points to 76 basis points and the ten-year differential shedding 12 basis points to 120 points.

In the secondary corporate bond market, trading during the third quarter rose to €12.2 million from €9.6 million in the previous quarter, stimulated by the increased activity in the primary market in the previous quarter. More than two-thirds of the trading was concentrated in bonds issued by the construction, hospitality and property development sectors, with securities issued by the financial sector accounting for most of the remainder.

MSE share index rises marginally

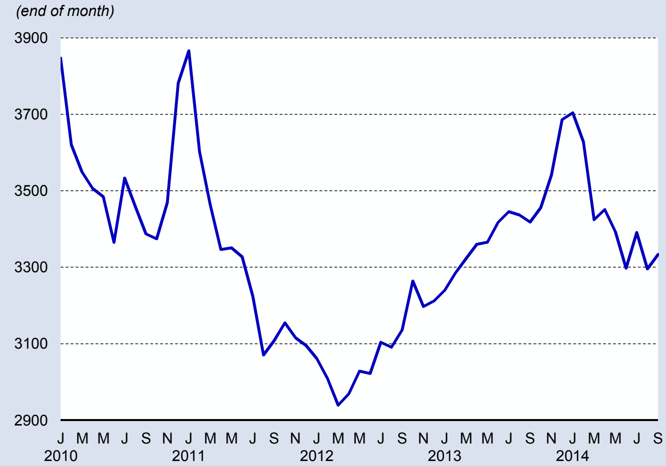
Activity in the domestic equity market recovered slightly during the third quarter of 2014, with turnover rising to €12.7 million from €11.0 million in the second quarter. This reflected a rise in both the number of shares traded and in share prices. The MSE share index went up marginally by 1.1% over the period in consideration, to end September at 3,333.2 (see Chart 6.10).

Chart 6.9
GOVERNMENT BOND YIELDS
(percentages per annum; end of month)



Sources: Central Bank of Malta; ECB.

Chart 6.10
MALTA STOCK EXCHANGE SHARE INDEX
(end of month)



Source: MSE.

7. ECONOMIC PROJECTIONS FOR 2014 AND 2015

Outlook for the Maltese economy[1]

The Bank's latest macroeconomic projections indicate that the Maltese economy will expand at a faster pace than in 2013 in both 2014 and 2015. Thus, real gross domestic product (GDP) growth is set to accelerate from 2.5% in 2013 to 3.0% in 2014, before easing slightly to 2.8% in 2015 (see Table 7.1). Compared with the Bank's previous projections, which were issued in June, GDP growth has now been revised upwards for both years.[2]

Thus, in 2014 economic growth is 0.7 percentage point higher than in the previous exercise, which saw GDP expanding by 2.3%. This upward revision is largely driven by outcomes for the first half of the year, when the Maltese economy expanded by 3.2% on the corresponding period of 2013. The contribution from domestic demand is now expected to be stronger, largely reflecting greater than expected government expenditure on consumption and investment. The forecast for private consumption has also been revised upwards, reflecting a higher estimate of disposable income than envisaged earlier. In contrast, the projection for exports is revised downwards compared with the previous exercise, reflecting the decline in exports evidenced by international trade data for 2014 to date, as well as the deteriorating outlook for growth in Malta's main trading partners.

These developments by and large also explain the upward revision in GDP growth for 2015. However, in the latest exercise, growth is set to decelerate slightly in the coming year, rather than accelerate as foreseen earlier. This is because the pick-up in investment is expected to be more gradual, given the strong increase that has been recorded in the first half of the current year and the Bank's view that work on large projects in the energy sector commencing this year will likely extend into 2016.

Domestic demand

The Bank expects economic growth in 2014 and 2015 to be driven by domestic demand, particularly private consumption and investment. Government consumption is expected to decline in 2015, while government investment is projected to rise. Net exports are set to dampen growth in both years, while changes in inventories, which include the statistical discrepancy, are assumed to have a broadly neutral impact on growth.

Private consumption is projected to increase by 2.6% in 2014, before accelerating to 3.1% in 2015, supported by disposable income growth. In turn, the latter is supported by a buoyant labour market and a further reduction in income tax rates for households.

Government consumption is expected to expand in 2014 on the back of higher spending on intermediate consumption and compensation of employees. While expenditure on these items is expected to rise further in 2015, receipts in connection with the Individual Investor Programme (IIP) are expected to offset this increase, resulting in a contraction of government

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1 The Bank's outlook for the Maltese economy is based on information available up to 19 November 2014 and is conditional on the technical assumptions shown in Table 7.1, which are provided by the European Central Bank. For the first time, these projections are based on ESA 2010 data.

2 See *Quarterly Review* 2014:1, Central Bank of Malta, pp. 66-70.

Table 7.1
PROJECTIONS FOR THE MAIN MACROECONOMIC AGGREGATES FOR MALTA

	2013(1)	2014(2)	2015(2)
Real economic activity (% change)			
GDP	2.5	3.0	2.8
Private consumption expenditure	1.7	2.6	3.1
Government consumption expenditure	0.5	4.2	-0.7
Gross fixed capital formation	2.2	6.6	7.8
Exports of goods & services	-1.6	-1.0	3.4
Imports of goods & services	-1.7	-0.7	3.6
Contribution to real GDP growth (in percentage pts)(3)			
Final domestic demand	1.4	3.5	3.0
Net exports	0.0	-0.4	-0.2
Changes in inventories(4)	1.1	-0.1	0.0
Real disposable household income(5)	2.7	3.5	3.5
Household saving ratio(5)	9.3	10.1	10.5
Balance of payments (% of GDP)			
Goods and services balance	5.7	5.9	5.9
Current account balance	3.1	3.1	2.9
Labour market (% change)			
Total employment	3.8	2.4	1.9
Unemployment rate (% of labour force)	6.3	5.7	5.8
Prices and costs (% change)			
RPI	1.4	0.1	0.8
Overall HICP	1.0	0.8	1.3
HICP excluding energy	1.1	1.5	1.7
Compensation per employee	-0.3	2.4	1.5
ULC	0.9	1.8	0.7
Public finances (% of GDP)			
General government balance	-2.7	-2.3	-1.9
General government debt	69.8	69.5	68.6
Technical assumptions			
EUR/USD exchange rate	1.33	1.33	1.25
Oil price (USD per barrel)	108.8	101.2	85.6

(1) Data on GDP were sourced from NSO *News Release* 195/2014 published on 17 October 2014. Data on the current account balance were sourced from NSO *News Release* 176/2014.
(2) Central Bank of Malta projections.
(3) The contributions to GDP growth in this Table are estimated using chainlinked GDP expenditure aggregates.
(4) Based on Central Bank of Malta estimates.
(5) Data for 2013 are Central Bank of Malta estimates.

consumption. This is because revenue from this programme is netted from government consumption expenditure.[3]

Investment is set to accelerate in 2014, largely driven by government investment. It is expected to gather momentum in 2015, boosted by private investment.

3 The IIP allows non-Maltese high net-worth individuals to obtain Maltese citizenship against a number of conditions. These include the payment of a registration fee and the purchase (or rental) of residential property in Malta.

Government investment is set to surge in 2014 following a contraction in 2013. Its projected rise in 2015 will be less pronounced, as infrastructure projects carried out under the EU financing programme 2007-2013 approach completion.

Private investment growth is set to moderate to 4.3% in 2014, from 4.9% in 2013, before picking up to 8.5% in 2015. A major project underpinning private capital expenditure is the new gas-fired power plant, which is expected to gather pace in 2015 and be completed in the following year. Private dwelling investment is expected to contract in 2014, in line with developments in the first half of the year. In 2015 it is set to grow moderately, in response to a recovery in the number of building permits granted in the third quarter of 2014 and expectations that robust foreign demand for property in Malta will support investment in the luxury segment of the market.

Net exports

After having contracted by 1.6% in 2013, exports are expected to drop by a further 1.0% in 2014, mainly on account of continued weakness in manufacturing exports, particularly semiconductors. Service exports, apart from those related to tourism, are also expected to decline. In contrast, the tourism sector is set to remain buoyant.

Export growth is set to turn positive in 2015 as external demand improves and the sale of manufacturing goods and non-travel services recovers. In 2015 service exports are also expected to be supported by inflows related to the IIP. Moreover, the tourist sector is set to continue to expand, driven by the opening of new airline destinations and additions in tourist accommodation capacity. Largely mirroring developments in exports, imports are also set to decline in 2014, before increasing in 2015, as purchases of imports for the manufacturing sector increase and spending on capital goods is boosted by the construction of the gas power station.

The balance of payments

The surplus on external trade in goods and services is expected to increase slightly above its 2013 level to 5.9% of GDP in 2014, remaining unchanged in the subsequent year. The improved balance reflects an increase in the surplus on services, which offsets a deterioration in the deficit on goods.[4]

The current account balance is expected to remain in surplus over the projection period, though it is expected to decline slightly as a share of GDP. This is due to the fact that a projected increase in net outflows on the primary income account exceeds the improvement in the balance on goods and services.

The labour market

Following a strong increase in 2013, employment is projected to grow at a slower rate in 2014, in line with the moderating trend in private sector employment that emerged in the first half of the year. Employment growth in both the government and private sector is set to decelerate in 2015, as the GDP growth rate slows down.

In 2014 compensation per employee is expected to recover after the decline in 2013. Wages are expected to rise in the private sector and more strongly in the general government sector. In 2015

[4] Data on the trade balance used in this Chapter are consistent with NSO *News Release* 195/2014 and with projections for real exports and imports reported in Table 7.1. The current account projections are based on balance of payments data published in NSO *News Release* 176/2014.

the rate of growth in wages is set to decelerate, partly reflecting the low cost-of-living adjustment foreseen for that year, in response to the very low inflation environment that characterised 2014.

Unit labour cost (ULC) growth is expected to increase substantially in 2014, despite a recovery in productivity, driven by the strong increase in compensation per employee. ULC growth is then expected to fall in 2015, following further gains in productivity and more modest increases in wages.

In line with trends observed in the first half of 2014, the unemployment rate is expected to drop significantly to 5.7%, from 6.3% a year earlier. In 2015 it is expected to increase slightly to around 5.8%, as pressures on the labour market moderately subside in the context of a decelerating rate of GDP growth, and given the exceptionally low level expected over 2014.[5]

Fiscal developments

The general government deficit-to-GDP ratio is expected to narrow from 2.7% in 2013 to 2.3% in 2014 and to 1.9% in 2015.

The decline in the deficit in 2014 is expected to be driven by higher levels of VAT receipts and social security contributions, the latter reflecting the dynamism of the labour market. The increases in excise duties introduced at the beginning of the year are also set to contribute to the rise in government revenue. At the same time, equity injections to the national airline are set to be substantially lower than in 2013.

In 2015 the deficit-to-GDP ratio is set to decline further as the increase in expenditure on wages moderates in response to slower growth in public sector employment, while intakes from the IIP dampen the impact of expenditure growth. Additional increases in excise taxes following the 2015 Budget are expected to boost revenue.[6]

Prices

The annual average rate of inflation, measured by the Harmonised Index of Consumer Prices (HICP), is set to ease to 0.8% in 2014, before picking up to 1.3% in 2015.

The inflation projections are influenced by the technical assumptions reported in Table 7.1, which include a decline in the price of oil in US dollars. Although the exchange rate of the euro is assumed to weaken over the projection horizon, oil prices are set to decline in euro terms.

The deceleration in inflation in 2014 is projected to be driven by slower growth in food prices and by the reduction in utility tariffs for consumers that took effect at the end of March. In contrast, the contributions of non-energy industrial goods and services to inflation are expected to rise, as shown by an acceleration in the annual rate of change of HICP excluding energy.

The increase in overall HICP inflation envisaged in 2015 is largely driven by expectations of a continued pick-up in the prices of services. At the same time, energy inflation is expected to have

[5] In the Bank's projection exercise, the unemployment rate is computed as the ratio of the number of unemployed reported in the Labour Force Survey (LFS) to a measure of the labour force based on the LFS and national accounts data. For this reason, references to the unemployment rate in this Box may differ from those mentioned elsewhere in this *Report*.

[6] The Bank's fiscal projections may differ from those of Government due to differences in the underlying macroeconomic projections and different assessments about the impact of fiscal measures.

less of a negative impact on inflation as the effects of the reduction in energy tariffs for households begin to fade. Food price inflation and non-energy industrial goods inflation are projected to increase marginally.

The latest inflation projections have been revised downwards compared with those issued in the previous exercise, mainly reflecting the weaker than expected trend in food prices up to September 2014, and the lower prices for oil and other international commodities seen in recent months.

Risks to the projections

Risks to the GDP growth projections are balanced. Downside risks relate to the fragility of the global economic recovery and its implications for external demand, particularly if sluggish growth in the euro area persists longer than expected. Exports could also be lowered if the envisaged recovery in the semiconductors industry does not materialise and the situation in the Southern Mediterranean exerts a more negative impact on the Maltese economy than assumed in these projections. Upside risks relate to the possibility of private consumption increasing more strongly than expected, in view of continued strong growth in employment and wages, and to the possible impact of a weaker euro exchange rate on exports.

Risks to the inflation projections are broadly balanced. On the one hand, a prolongation of the currently weak inflation environment in Malta's main trading partners could translate into weaker import prices that may feed into lower consumer prices domestically. On the other hand, a weakening of the euro exchange rate could result in upward pressures on prices.

A NEW NATIONAL ACCOUNTS FRAMEWORK[1]

1.0 Introduction

The new framework for national accounts statistics, the European System of Accounts (ESA) 2010, entered into force in September 2014, replacing the old framework of ESA 1995. The new system essentially modernises the previous standards in ESA 1995. Such changes are periodically made to adapt the national accounts to the changing dynamics of economic activity, for example to incorporate the advent of the knowledge economy. Updates are also needed to comply with international standards.

The changes in ESA 2010 are important but not radical. The biggest conceptual change is that Research and Development (R&D) spending is now recorded as investment rather than as current expenditure. While this increases the level of gross domestic product (GDP), it has a negligible impact on the growth rate of GDP from year to year. The new methodology also provides for more comprehensive and comparable information on pension entitlements starting in 2017, which is clearly important in the light of ageing societies. It also provides more precise principles for classifying units into or outside the government sector.

The changeover to ESA 2010 was planned since the agreement on the underlying new international standard, the System of National Accounts 2008. The implementation of ESA 2010 coincides with normal periodic revisions of the national accounts produced by national statistical institutes. The main changes, other than those related to ESA 2010, are:

- benchmark revisions, in which national methodologies and data sources are reviewed and updated. In some cases, benchmark revisions may generate a more significant revision to GDP than the changeover to ESA2010;
- the harmonisation of measurement of certain illegal activities, notably prostitution, and the production and trafficking of drugs. While these were already included in the official definition of GDP under the old standard, implementation had varied from country to country. A common methodology for recording these activities is now being applied.

The successful implementation of these changes has been a Europe-wide project requiring a significant, coordinated effort from national statistical institutes and Eurostat.

2.0 Implementation in Malta

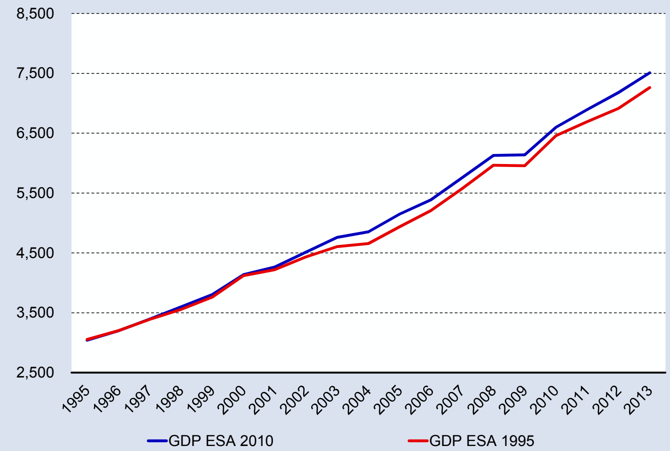
In the case of Malta, the adoption of the new system meant that the entire GDP time series from 1995 onwards was revised. The main statistical projects with respect to the benchmark revision relate to the insurance sub-sector and to special purpose entities (SPE), while ESA 2010 entailed the capitalisation of R&D expenditure.

The National Statistics Office (NSO) has also introduced a major methodological improvement in the compilation of national accounts data in real terms. Under ESA 1995, the volume series of the quarterly national accounts were published in constant base-year prices (the base year was 2000). To meet EU requirements, the ESA 2010 series will henceforth be calculated at chain-linked prices. However, as a result of this change, levels of sub-components of GDP in real terms do not add up to the level shown by aggregate categories.

[1] This article was written by Mr Michael Pace Ross, Mr Joseph Bonello and Ms Vanessa Dimech from the National Statistics Office, Malta.

The NSO has now published national accounts annual data from 1995 to 2013 at current market prices and from 2000 to 2013 in chain-linked volumes. Quarterly data are available on the online edition of *News Release* 195/2014.

Chart 1
GROSS DOMESTIC PRODUCT AT CURRENT PRICES
(EUR millions)



Source: NSO.

Results for GDP and gross national income

The recalculation, as part of the 2014 revision of the national accounts, has led to an increase in nominal GDP by an average of 2.2 percentage points over the whole time series (see Chart 1). The gross national income (GNI) series has been revised upwards by an average of 2.7 percentage points, compared with the *News Release* published on 27 August 2014 (159/2014). Revisions in GDP range from a low of -0.4% in 1995 to a high of 4.3% in 2004. Revisions in GNI range from -1.0% in 1995 to 6.0% in 2012.

The main changes in GDP and GNI levels between 2010 and 2013 are shown in Table 1 and may be broken down as follows:

- the introduction of ESA 2010 increased GDP by an average of 0.4 percentage point and the GNI by an average of 0.6 percentage point;
- methodological improvements increased GDP by an average of 2.7 percentage points and GNI by an average of 4.6 percentage points.

The rates of change of annual figures at current prices differ by an average of 0.2% in the whole time series between 1995 and 2013, and by an average of 0.3% for the price-adjusted GDP between 2000 and 2013. The new path of GDP confirms the economic cycle displayed by ESA 1995 national accounts data, as can be seen in Chart 2.

Table 2 illustrates the revisions in some of the main variables of the national accounts for the benchmark year 2010. The most prominent revisions relate to imports, exports and property income received, and paid from and to the rest of the world, mainly owing to the integration

Table 1
GDP AT CURRENT PRICES AND IMPACT OF REVISIONS: 2010-2013

	2010	2011	2012	2013
ESA 2010 revision on GDP	0.5%	0.4%	0.4%	0.5%
Benchmark revision on GDP	1.7%	2.6%	3.4%	2.9%
Total impact of revisions on GDP	2.2%	3.0%	3.8%	3.4%
Total impact of revisions on GNI	4.8%	4.8%	6.0%	5.3%

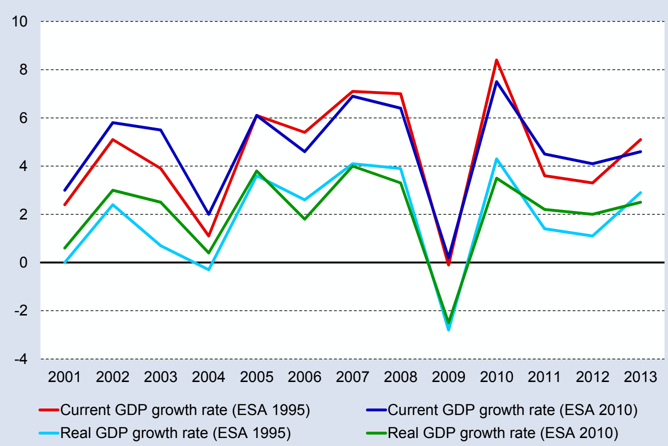
Source: NSO.

Table 2
REVISION OF NATIONAL ACCOUNTS : RESULTS FOR 2010

Indicator	Revision[1]	New level	Origin of main revisions
GDP	2.2%	€6,599.5 million	ESA 2010, SPEs, insurance, alignment with balance of payment statistics, regular revisions, new sources, illegal activities
GNI	4.8%	€6,321.3 million	
GDP per capita	2.2%	€15,922	
Total exports	72.9%	€10,114.1 million	Integration of SPEs
Exports (% of GDP)	62.7%	153.3%	Integration of SPEs
Total imports	72.9%	€10,174.2 million	Integration of SPEs
Imports (% of GDP)	63.0%	154.2%	Integration of SPEs
Gross fixed capital formation	9.8%	€1,411.6 million	Expenditure on R&D and transfer costs for dwellings
Gross fixed capital formation (% of GDP)	1.5%	21.4%	Expenditure on R&D and transfer costs for dwellings
Private household consumption expenditure	-0.8%	€3,717.9 million	Expenditure on food, culture, accommodation and financial services
Government consumption expenditure	-0.4%	€1,286.4 million	R&D expenditure is now recorded as capital formation
Compensation of employees	0.6%	€2,845.3 million	New data sources
Property income received from the rest of the world	309.0%	€6,571.1 million	Integration of SPEs
Property income paid to the rest of the world	237.2%	€6,853.2 million	Integration of SPEs

(1) Compared to the GDP and its sub-components in ESA 1995 as published in news release 159/2014.
Source: NSO.

Chart 2
COMPARISON OF ANNUAL GDP GROWTH RATES
(annual percentage changes)



Source: NSO.

of SPEs in national accounts. Nominal GDP is used as a reference value for a number of ratios, so the increase in GDP level also had an impact on such ratios.

2.1 Effects of ESA 2010

The main reason for the increase in the level of GDP caused by ESA 2010 is the capitalisation of R&D expenditure (see Table 3). In 2013 0.5 percentage point of the rise in GDP level was due to this reclassification. Under ESA 2010, R&D expenditure is recorded as investment and is included under gross fixed capital formation (GFCF) in the expenditure approach. In the case of market producers, the impact includes production for own use of R&D products and a reclassification of imported R&D previously included in intermediate consumption. The resultant increase in output in the production approach is mirrored in operating surplus in the income approach. For non-market producers, the impact on GDP is equivalent to the consumption of fixed capital of the new R&D assets, which is mirrored in a downward revision in government final consumption expenditure.

Other revisions include the reclassification in the general government sector of the Malta Freeport Corporation Ltd (from 1999 to 2011) and of the Malta Information Technology Agency from 1995 to date, and the reallocation of some output of the Central Bank of Malta across sectors.

Table 3
RESEARCH AND DEVELOPMENT[1]
(EUR millions)

	Market producer				Non-market producer			
Production approach	**2010**	**2011**	**2012**	**2013**	**2010**	**2011**	**2012**	**2013**
Output of goods and services (at basic prices)	25.2	21.1	21.1	22.1	7.8	8.6	9.6	10.7
Intermediate consumption (at purchasers' prices)	-1.2	-1.1	-1.2	-0.8	-0.5	-0.4	-0.4	-0.3
Gross Value Added (at basic prices)	**26.4**	**22.2**	**22.3**	**22.9**	**8.3**	**9.0**	**10.0**	**11.1**
Expenditure approach								
Total final consumption expenditure					-4.0	-4.8	-7.5	-5.2
General government final consumption expenditure					-4.0	-4.8	-7.5	-5.2
Gross capital formation	26.4	22.2	22.3	22.9	12.3	13.9	17.5	16.3
Gross fixed capital formation	26.4	22.2	22.3	22.9	12.3	13.9	17.5	16.3
Income approach								
Compensation of employees								
Gross operating surplus and mixed income	26.4	22.2	22.3	22.9	8.3	9.0	10.0	11.1
GDP	**26.4**	**22.2**	**22.3**	**22.9**	**8.3**	**9.0**	**10.0**	**11.1**
GNI	**26.4**	**22.2**	**22.3**	**22.9**	**8.3**	**9.0**	**10.0**	**11.1**

[1] Figures may not add up due to rounding.
Source: NSO.

The introduction of ESA 2010 contributed 0.5 percentage point to the increase in GDP and 0.6 percentage point on GNI in 2013.

2.2 Effects of methodological improvements

The benchmark revision incorporated updates related to the financial sector. New estimates now include SPEs and incorporate results of a review of the compilation methods used in the insurance sub-sector. Other enhancements include the identification of new data sources for holding companies and trusts. Reclassifications in the banking sector were also taken on board for the whole time series. The benchmark revision also incorporates updates, as well as a methodological alignment in the compilation of national accounts and balance of payments statistics. A number of pending methodological issues where Malta was not fully aligned with Eurostat methods were also dealt with. The revisions presented from 2011 onwards include other routine updates based on the latest Structural Business Statistics (SBS) survey and on available financial statements.

2.2.1 Main Statistical Projects

2.2.1.1 Special purpose entities

The inclusion of SPEs had an impact on the main variables shown in the production and expenditure approaches. An SPE may be defined as a limited company or a limited partnership, created to fulfil narrow, specific or temporary objectives and to isolate a financial risk, a specific taxation or a regulatory risk. These entities have been classified in the financial sector as they are mainly involved in invoicing or act as holding companies. Consequently, figures for SPEs are compiled using the sum-of-costs approach, a method recommended by Eurostat. There was a level shift in output and intermediate consumption in the production approach, and in imports and exports in the expenditure approach. The level shifts ranged from €1.3 billion in 1995 to €4.7 billion in 2013.

The impact on GDP was negligible up to 2004. Between 2005 and 2013 the contribution of SPEs increased from 0.1 percentage point to 0.4 percentage point in 2013. There was also a level shift in property income received, and paid from and to the rest of the world. This is illustrated in the income approach below. The revision upwards ranged from €92.9 million in 1995 to €8.2 billion in 2013. GNI has been revised upwards over the entire period, by €4.0 million or 0.1% in 1995, and by €106.5 million or 1.6% in 2013.

2.2.1.2 Insurance

The insurance sub-sector was another project in this benchmark revision. A number of transactions disclosed in company accounts were causing large fluctuations in gross value added (GVA). These issues have now been addressed and the time series from 1995 to date has been revised accordingly. In the production approach, revisions are more pronounced in intermediate consumption, which has been revised downwards. The resulting revisions in GVA range from - €12.6 million in 1997 to €67 million in 2012.

The revisions in the compilation of national accounts data on insurance had a direct positive impact on household final consumption expenditure. As a result of this project, a fully balanced system in national accounts is being compiled, so that the total output (local and imported) is allocated between intermediate consumption, consumer expenditure and exports.

Intermediate consumption at NACE division level has been adjusted to include the insurance service charge instead of insurance premia. The revision in intermediate consumption led to an upward revision in GVA, ranging from €10.3 million in 1995 to €17.9 million in 2013.

Property income attributed to holders of foreign insurance policies and income attributed to non-resident holders of domestic insurance policies were included in cross-border flows of property income. The overall impact on GDP amounted to 0.3 percentage point and 0.4 percentage point on GNI.

2.2.1.3 The production approach

(a) Alignment with balance of payments statistics

Some methodological issues relating to inconsistencies between the compilation of national accounts and balance of payments statistics have been addressed. The main revision related to companies classified in the financial sector. The impact ranged from €0.9 million in 2005 to €50.2 million in 2013. Classification issues relating to residency had a negative impact on GDP of approximately €15 million annually across the time series.

(b) Regular revisions

Annual and quarterly GDP data from 2011 onwards were routinely revised according to the latest available SBS survey and annual accounts and financial statements. As a result of these revisions, the GVA at current market prices increased by 1.8 percentage points in 2011, by 2.0 percentage points in 2012, and by 1.9 percentage points in 2013.

(c) New sources

From 2003 onwards, new data sources were incorporated for holding companies and trusts, education and sports, amusement and recreation activities. Data were then extrapolated backwards to 1995, when applicable. Key variables involving holding companies have been revised downwards, with GVA being adjusted by -€6.0 million in 1995 and by -€36.3 million in 2013. Trusts were previously not included in the ESA 1995 series. Their contribution to GVA amounted to €1.0 million in 2003 and to €11.6 million in 2013. Revisions in the education and sports sector were minor.

(d) Illegal activities

Illegal activities relating to narcotics and prostitution, which were also an ESA 1995 requirement, were included in the whole time series. The inclusion of illegal activities had an upward impact on Malta's GDP and GNI of approximately 0.3 percentage point. The increase in output shown in the production approach is mirrored by an equivalent rise in household final consumption expenditure and imports in the expenditure approach. In the income approach this had an impact on gross operating surplus.

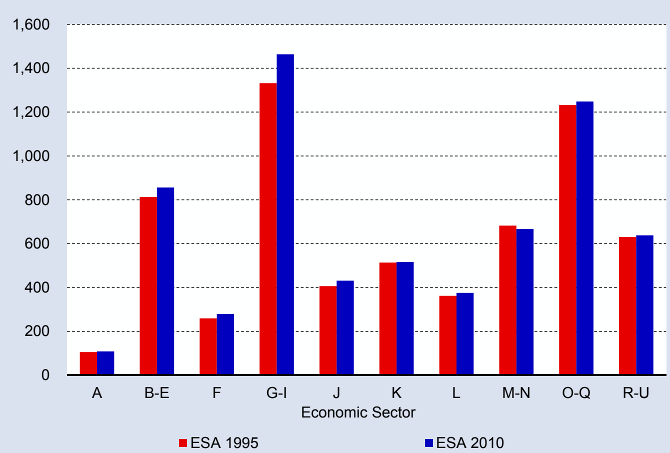
(e) Other changes

The NSO has adopted a new classification for banks in line with that adopted by the Central Bank of Malta. A number of banks previously included as International Banking Institutions (IBI) have now been classified as non-core domestic banks. This had a positive impact on GDP, given that data for IBIs are calculated in a different way. Moreover, these banks have more transactions with non-residents, thus significantly affecting the allocation of their services between intermediate consumption, exports and household expenditure. Other revisions relate to the imputed calculations on banks' service charges, known as Financial Intermediation Services Indirectly Measured (FISIM).[2]

The supply and use framework was used to introduce an adjustment for under-reporting the construction sector for some years.

Chart 3 depicts the industry breakdown before and after the introduction of ESA 2010, and the other methodological

Chart 3
GVA BY ECONOMIC SECTOR FOR ESA 1995 AND ESA 2010 FOR 2013
(EUR millions)



Source: NSO.

[2] FISIM is the term used to describe the services that banks provide to their customers but which are not invoiced. For bank depositors, these services generally include management of current accounts, sending out bank statements and fund transfers between accounts. Instead of directly invoicing for these services, the banks reduce the interest paid to depositors. This interest is in fact lower than what customers could have obtained by lending their money directly to borrowers. For bank borrowers, these services include monitoring their credit worthiness, financial advice, smoothing over time of repayments and recording these repayments for accounting purposes. The cost of these services is an inseparable part of the interest rate the bank charges to borrowers.

changes documented above for 2013.[3] The largest positive revisions to GVA relate to wholesale and retail trade; repair of motor vehicles and motorcycles; transportation and storage; accommodation and food service, manufacturing and information and communication activities.

2.2.1.4 The expenditure approach

(a) Household final consumption expenditure

Revisions in household final consumption expenditure stemmed from various sources and differed over time. At product level, downward revisions were made to estimates of the consumption of meat, milk, cheese and eggs, fruit, accommodation services and other cultural services. The latest available information indicated that there was excess demand, implying an overstatement of consumption of these products. Data from the SBS survey also indicated the need to increase the share of intermediate consumption of these products. This revision lowered household final consumption expenditure across the entire time series by an annual average of €106 million between 2000 and 2013. In contrast, a change in the compilation of data for tobacco consumption had a positive impact of approximately €27.4 million annually between 2000 and 2013.

Household final consumption expenditure was revised upwards between 2001 and 2007, following the inclusion of data on the consumption of restaurant services located in hotels.

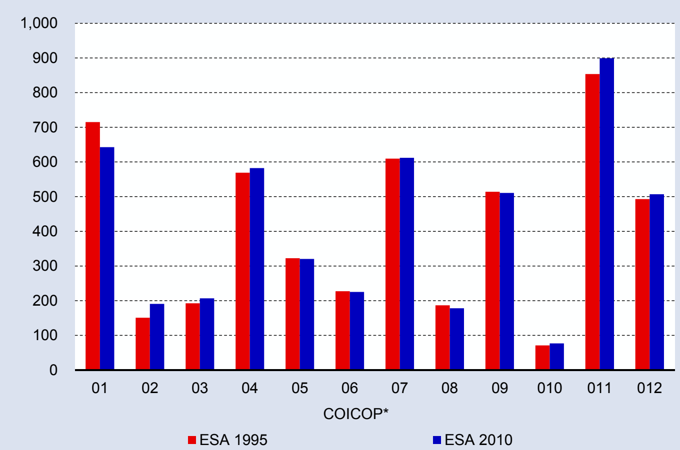
Improved measurement of illegal activities, namely narcotics and prostitution, also resulted in a positive impact of approximately €22 million annually.

A recent ad hoc survey carried out by the NSO showed an estimated €77 million spent annually on internet shopping. This excludes expenditure relating to travel, for which the national accounts have other sources. Following this survey, household consumption expenditure was revised up further.

The project on insurance, methodological changes made in the compilation of other financial services and the revision to FISIM had an impact, which ranged from - €25.9 million in 2000 to €82.4 million in 2005.

Chart 4 shows the impact of these revisions on the various

Chart 4
HOUSEHOLD CONSUMPTION
(EUR millions)



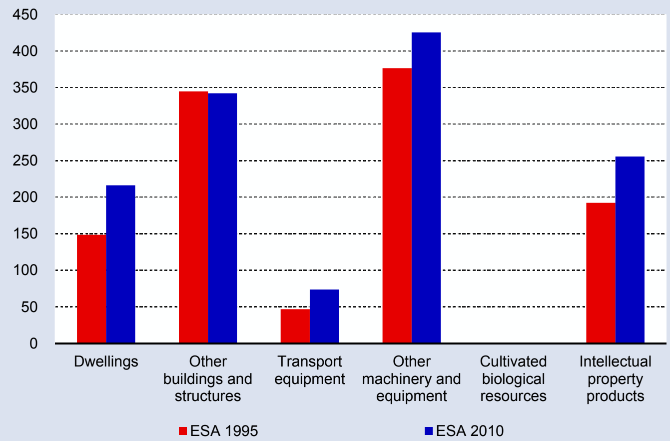
Source: NSO.

[3] The economic sectors shown in Chart 3 are the following: A) agriculture, forestry and fisheries; (B-E) mining and quarrying; manufacturing; electricity, gas, steam and air conditioning supply; water supply; sewerage, waste management and remediation activities; (F) construction; (G-I) wholesale and retail trade; repair of motor vehicles and motorcycles; transportation and storage; accommodation and food service activities; (J) information and communication; (K) financial and insurance activities; (L) real estate activities; (M-N) professional, scientific and technical activities; administrative and support service activities; (O-Q) public administration and defence; compulsory social security; education; human health and social work activities; (R-U) arts, entertainment and recreation, repair of household goods and other services.

components of household consumption in 2013.[4] These had an overall impact of €18.7 million in that year.

(b) GFCF

Chart 5
GFCF BY ASSET FOR THE YEAR 2013 IN ESA 1995 AND ESA 2010
(EUR millions)



Source: NSO.

Apart from the inclusion of R&D expenditure, revisions to GFCF were due to transfer costs relating to dwellings, which were previously only partly included in GFCF. Transfer costs varied over time, and ranged from €25.4 million in 1995 to €66.3 million in 2013.

Another important revision followed the incorporation of the latest available SBS survey and audited accounts. As a result of this new information, GFCF was revised upwards by approximately €77 million annually in 2011, 2012 and 2013. Other revisions were made to estimates of expenditure on software from 2010 onwards and to updates for own-account production of dwellings by households (see Chart 5).

Following the above-mentioned revisions, the composition of GFCF changed slightly when compared with the ESA 1995 series.

(c) Imports and exports of goods and services

Revisions to imports and exports were mainly due to the inclusion of changes in FISIM, internet shopping results, narcotics and SPEs. The upward level shift in both imports and exports primarily followed the inclusion of SPEs. The level shift amounted to €1.2 billion, or 45.9 percentage points in 1995, and €4.8 billion, or 72.2 percentage points in 2013. Despite this level shift, the impact on balance of exports and imports generated by SPEs was relatively small and amounted, for example, to €1.4 million in 1995 and €30.3 million in 2013.

2.2.1.5 The income approach

The income approach is a derived approach. Consequently, any revisions reported in the production approach resulted in a revision in gross operating surplus and mixed income.

Revisions in compensation of employees, which are directly measured through surveys and company accounts, also have an impact on gross operating surplus and mixed income. As part of the regular revision, the GDP data for 2011 were revised according to the latest available SBS survey and on the basis of annual accounts and financial statements. In the income approach, compensation of employees was revised by €58 million in 2011, and by around €87 million annually in 2012 and 2013.

[4] COICOP stands for Classification of individual consumption by purpose. The COICOP categories shown in Chart 4 are the following: food and non-alcoholic beverages (01), alcoholic beverages, tobacco (02), clothing and footwear (03), housing, water, electricity, gas and other fuels (04), furnishings, household equipment and routine household maintenance (05), health (06), transport (07), communication (08), recreation and culture (09), accommodation (010), restaurants and hotels (011) and miscellaneous goods and services (012).

As already explained, the inclusion of SPEs resulted in a level shift in the property income received, and paid from and to the rest of the world.

The overall impact of changes discussed in the production and income approach determines the level of GNI, which has been revised across the whole time series.

3.0 From constant prices to chain-linked prices

The volume series of the quarterly national accounts in ESA 1995 was published in constant base-year prices (the base year was 2000). To meet EU requirements, the series will henceforth be calculated at chain-linked prices.

There are different established techniques for chain-linking quarterly data. Malta has chosen the annual-overlap method, recommended by Eurostat and used by most Member States, which provides a better description of economic changes. It involves aggregating the GDP sub-components in volumes on the basis of the most recent price structure available, that is, that prevailing in the previous year. Chain-linking consists in choosing a reference year (essential for defining levels) and annually updating the structure of relative prices of sub-components. By constructing volume series at chain-linked prices, changes in the aggregates' relative prices over time may be incorporated.

However, chain-linking implies that components of GDP do not add up to the aggregate real GDP series. As in other countries, this reflects the fact that chain-linked volumes are calculated by separately extrapolating both totals and their sub-components. Unlike historical series at constant prices, chain-linked prices do not preserve the classic identity between the sum of the economy's sources (GDP + imports) and the sum of final uses (final consumption + investment + exports + changes in inventories). The loss of additivity of volumes will be observed in all years except the reference year and the subsequent year. In addition, different weights are applied to calculations of different periods (weights of fixed base year as against the previous year).

Chain-linking for variables with a potentially changing sign is aggravated and the results could prove to be erratic. For this reason, variables that are regularly susceptible to this are not required by Eurostat, at least not in absolute terms (e.g. acquisitions less disposal of valuables). In the case of Malta, this issue may also have an impact on some components of GFCF when negative values result at current prices (e.g. transport equipment in 2002).

Selection of a new reference year

In addition to the above-mentioned revisions, the reference year for GDP calculated with the chain-linking method was moved from 2000 to 2010. The transition to the new reference year changed the chain-linked indices and the chain-linked values, but GDP growth rates remained unchanged. Eurostat will also publish Malta's data in chain-linked volumes in 2005 prices.

4.0 Future work on National Accounts

The work in relation to the implementation of ESA 2010 is by no means complete. Malta, together with other Member States, obtained a number of derogations, which expire on 1 January 2020. This means that the NSO will, as from next year, embark on a number of projects to address these derogations and to expand national accounts statistics being compiled at present.[5]

[5] Commission Implementation Decision of 26.6.2014 on granting derogations to Member States with respect to the transmission of statistics pursuant to Regulation (EU) No 594/2013 of the European Parliament and of the Council concerning the European system of national and regional accounts in the European Union.

NEWS NOTES

ECB monetary policy decisions

On 29 July the European Central Bank (ECB) published a legal act defining the conditions for participation in targeted longer-term refinancing operations (TLTRO) as well as other operational aspects. TLTROs are designed to enhance the functioning of the monetary policy transmission mechanism by supporting lending to the real economy.

On 4 September the ECB decided to lower the interest rates on its main refinancing operations by 10 basis points to 0.05%. Additionally, the rates on the marginal lending facility and deposit facility were lowered to 0.30% and -0.20%, respectively. In reaching this decision, the Governing Council took into account the subdued outlook for inflation, the weakening in the euro area's growth momentum and continued subdued monetary and credit dynamics.

On the same date, the Governing Council decided to set up an asset-backed securities purchase programme (ABSPP), under which the ECB will purchase a broad portfolio of simple and transparent asset-backed securities with underlying assets consisting of claims against the euro area non-financial private sector. The Governing Council also decided to launch a third new covered bond purchase programme (CBPP3). Eligible assets under this programme will consist of a broad portfolio of euro-denominated covered bonds issued by monetary financial institutions domiciled in the euro area. These programmes should further enhance the functioning of the monetary transmission mechanism and support the provision of credit to the broad economy.

On 2 October the ECB announced the operational details of ABSPP and CBPP3. Only assets considered acceptable as collateral for monetary policy credit operations according to the Eurosystem's collateral framework can be purchased under the ABSPP and CBPP3. The two programmes will last for at least two years and commence in the fourth quarter of 2014.

ECB supervisory decisions

On 8 August the ECB published a manual which details how results from its Asset Quality Review (AQR) will be incorporated into stress test projections. The document also describes the stress test quality assurance process, which is a vital part of the comprehensive assessment exercise. The comprehensive assessment comprises a thorough check of balance sheets and of the resilience of the biggest banks prior to the ECB taking on its supervisory tasks in November.

The results of the comprehensive assessment were published on 26 October. The exercise was performed on 130 banks, which accounted for €22 trillion assets, representing 82% of total banking assets in the euro area as at end-2013. The outcome of the comprehensive assessment revealed a capital shortfall of €25 billion in 25 banks. Twelve of these banks had already covered their shortfall through €15 billion capital increase in 2014. The remaining banks are expected to cover their shortfall in assets within a maximum of nine months of the results' publication.

The comprehensive assessment was conducted on three Maltese credit institutions - Bank of Valletta plc, HSBC Bank Malta plc and Deutsche Bank (Malta) Ltd. The assessment identified no capital shortfalls, in both the baseline and adverse scenarios, which confirms these banks' soundness and resilience. Each banks' CET1 capital ratio remained above the 8% minimum threshold after the AQR. Similarly, the results of the stress test show that by 2016 the CET1 capital ratio for each bank will remain well above the 5.5% minimum threshold.

In line with Regulation ECB/2014/17 ("SSM Framework Regulation"), the ECB published the list of credit institutions which it considers significant, together with the list of less significant institutions on 4 September 2014. The assessment of significance was based on a number of criteria, including the institutions' total asset value and their importance to the economy of the country in which they are located. The ECB will directly supervise the significant credit institutions, financial holding companies or mixed financial holding companies as of 4 November 2014. The three Maltese banks covered by the comprehensive assessment will be supervised directly by the ECB. The less significant institutions will continue to be supervised by national competent authorities.

Voting modalities in the Governing Council

On 18 September the ECB announced the first list of Governors to be subject to the voting rotation system, which will take effect on 1 January 2015. The system, decided by the Council of the European Union in 2003, was devised to ensure that the ECB will be able to take decisions efficiently when the number of national central bank Governors in the Governing Council exceeds 18. The Council will exceed this limit when Lithuania adopts the euro on 1 January 2015. The rotation of voting rights involves creating two groups of countries, depending on the size of their economies. The Governors in each group take turns to hold voting rights. The list of Governors to relinquish their voting rights was decided by means of a draw. The Governor of the Central Bank of Malta will relinquish his voting rights in June, July and August 2015. All Governors will continue to take part in Governing Council meetings and discussions.

Central Bank of Malta announcements

Financial Stability Report

On 28 August the Central Bank of Malta published the sixth edition of its *Financial Stability Report*, covering 2013. The *Report* reviews the developments in the Maltese financial system, identifies potential risks and vulnerabilities, and evaluates the system's resilience to such risks. It mainly concentrates on those banks which have significant links to the Maltese economy, referred to as core domestic banks. Developments in non-core domestic and international banks, as well as insurance companies and investment funds, are analysed separately. The *Report* concludes that the domestic financial sector remained sound, with risks remaining broadly stable.

Issue of numismatic coins

On 16 July the Central Bank of Malta issued a €2 commemorative coin marking the 200th anniversary of the setting up of the Malta Police Force. The coin features the €2 symbol on its reverse side while the emblem of the Malta Police Force is depicted on the obverse side. The coin was designed and engraved by Noel Galea Bason and was struck at the Royal Dutch Mint.

On 15 September the Bank issued a silver coin commemorating the 50th anniversary of Independence. The coin, having a face value of €10, was minted at the Royal Dutch Mint. The reverse of the coin features the first Prime Minister of Independent Malta, Dr George Borg Olivier. The obverse of the coin shows the emblem of the *Università* of Mdina, which was an administrative council set up in medieval times.

Fiscal and economic policy developments

Investment Registration Scheme

On 22 July the Government launched the Investment Registration Scheme through Legal Notice 256 of 2014. The Scheme, which is administered by the Central Bank of Malta, provides individuals and companies with the opportunity to register undeclared assets located both locally and abroad. Registration of assets will be made against a registration fee of 7.5% of the value of the asset, while a rate of 5.0% will apply in cases when assets declared are held abroad and repatriated to Malta. On 24 September the Government announced that the scheme will be extended to 30 November 2014.

Fiscal Responsibility Act

The Fiscal Responsibility Act enacted on 8 August introduces controls on public expenditure that aim to increase efficiency, accountability and ensure fiscal sustainability. The Act binds the Government of Malta to abide by budgetary and debt rules, and to publish a three-year rolling plan listing its fiscal policies and priorities. The budgetary rule defined by the Act requires the Government's budget to be in balance or in surplus, or the structural budget to converge towards the medium-term budgetary objective. The debt rule requires the debt-to-gross domestic product (GDP) ratio to be reduced whenever it exceeds 60%. The Act also provides for the setting up of an independent Fiscal Council, which will be answerable to Parliament. The Council will oversee the Government's macroeconomic and fiscal forecasts, strategy and the implementation of the fiscal plan.

Draft budgetary plan and Budget 2015

On 16 October the Government issued its Draft Budgetary Plan for 2015, which it had transmitted to the European Commission. The plan foresees a reduction in the general government deficit to 1.6% of GDP in 2015 and a fall in general government debt to 69.0%.

On 17 November the Minister for Finance presented the 2015 Budget estimates to Parliament. Government expects real GDP growth to accelerate from 3.0% in 2014 to 3.5% in 2015, before moderating to 3.4% in 2016. The general government deficit is set to fall from 2.7% of GDP in 2013 to 2.1% in 2014, and further to 1.6% of GDP in 2015. The narrowing of the deficit in 2015 is expected to be largely driven by an increase in excise taxes and inflows from the International Investor Programme. The deficit is expected to fall further in 2016 to 1.0% of GDP. Government debt is expected to peak at 70.1% of GDP in 2014 and to start receding in 2015, falling to around 67.1% in 2016.

Capital market developments

Issue of Malta Government Stocks

On 15 July the Government announced, through Legal Notice 249 of 2014, the issue of two Malta Government Stocks (MGS) for the total amount of €100 million subject to an over-allotment option of €80 million. The MGS 2020 (V) and MGS 2034 (I) carry coupons of 2.00% and 4.10%, respectively, and were sold at €101.75 and €100.75 per €100 nominal value. The Treasury received bids totalling €193.5 million from retail investors. It allotted €6.0 million to the 2.00% MGS 2020 (V) and €172.9 million to the 4.10% MGS 2034 (I).

Corporate bond issues

On 29 August Melita Capital plc announced its decision to redeem its 7.15% bond on 30 September 2014.

On 11 September United Finance plc announced that it resolved to redeem its €11.6 million 6.75% outstanding bonds. The company also submitted an application to the Listing Authority of the Malta Financial Services Authority for the approval of a new bond issue. The proceeds of the new issue will be used to finance the early redemption of the aforementioned bonds.

Credit ratings

On 11 July the credit rating agency Standard & Poor's (S&P) reaffirmed Malta's credit rating at "BBB+/A-2", with a stable outlook. S&P forecasts that the Maltese economy will grow by 2.4% this year and by just over 2% on average over the next four years, with growth being supported by energy reform measures and policies targeting more active female labour participation.

On 11 September the credit rating agency Fitch reaffirmed Malta's credit rating at "A" with a stable outlook. Fitch forecasts that Malta's economic growth will average 2.5% during the period 2015-16. The rating agency remarked that Malta's unemployment rate stands below the "A" median and euro area average, and that government finances are improving. The rating agency also expects general government gross debt to decline gradually to 70.0% of GDP by 2020.

SELECTED INTERNATIONAL ECONOMIC AND FINANCIAL NEWS

Council of the European Union (Economic and Financial Affairs)

On July 8 the Economic and Financial Affairs (ECOFIN) Council issued recommendations and opinions on economic fiscal policies planned by Member States. The Council also issued recommendations on the economic policies of the euro area and provided explanations when its recommendations did not correspond to those proposed by the Commission.

On the same date, the ECOFIN Council adopted an amendment to EU tax rules to prevent double non-taxation of dividends distributed within corporate groups derived from hybrid loan arrangements. The amendment will close a loophole that previously allowed corporate groups to exploit mismatches between national tax rules to avoid paying taxes on some types of profits distributed within the group.

On 15 July the Permanent Representatives Committee agreed on the Council's position on the 2015 EU draft budget. The Council's position amounts to €140.0 billion in payments, up by 3.3% compared with the 2014 EU budget adopted last year, while total commitments position amounts to €145.1 billion, up by 1.7% compared with the 2014 EU budget.

The G20

On 20-21 September the Group of Twenty (G20) Finance Ministers and Central Bank Governors met in Cairns, Australia. During the meeting participants highlighted that, despite stronger economic conditions in some key economies, growth in the global economy remained uneven and below its optimal rate. The G20 representatives agreed to develop new measures to lift their countries' collective GDP by more than 2% by 2018. Proposed measures included investment in infrastructure, appropriate and sustainable fiscal policies, and improving the resilience of financial markets. Participants also agreed to commit resources to support a global response to cross-border tax avoidance and evasion.

STATISTICAL TABLES

The Maltese Islands - Key information, social and economic statistics
(as at 14 November 2014, unless otherwise indicated)

CAPITAL CITY	Valletta		
AREA	316 km^2		
CURRENCY UNIT	Euro exchange rates:	EUR 1 = USD 1.2436	
		EUR 1 = GBP 0.7944	
CLIMATE	Average temperature (2014):	Jan. - Mar.	14.0^{o}C
	Average temperature (2014):	July - Sep.	26.6^{o}C
	Annual rainfall (2013)		479.5mm
SELECTED GENERAL	GDP growth at chain-linked volumes 2010 prices (2014 Q2)[1]		2.6%
ECONOMIC STATISTICS	GDP per capita at current market prices (2013)[1]		EUR17,823
	GDP per capita in PPS relative to the EU-27 average (2013)		87.0%
	Ratio of gross general government debt to GDP[1] (2013)		69.8%
	Ratio of general government deficit to GDP[1] (2013)		2.7%
	RPI inflation rate (12-month moving average) (Sep-14)		0.3%
	HICP inflation rate (12-month moving average) (Oct-14)		0.8%
	Ratio of exports of goods and services to GDP (2014 Q2)[1]		152.7%
	Ratio of current account surplus to GDP (2014 Q2)[1]		9.2%
	Employment rate (2014 Q2)[2]		61.6%
	Unemployment rate (2014 Q2)[2]		5.8%
	Long term government bond yield (Sep-14)		2.3%
POPULATION	Total Maltese and foreigners (2013)		421,364
	Males		209,880
	Females		211,484
	Age composition in % of population (2013)		
	0 - 14		14.6%
	15 - 64		68.3%
	65 +		17.2%
	Annual growth rate (2013)		0.9%
	Density per km[1] (2012)		1,333
HEALTH	Life expectancy at birth (2012)		80.1
	Males		78.0
	Females		82.2
	Crude birth rate, per 1,000 Maltese inhabitants (2012)		9.8
	Crude mortality rate, per 1,000 Maltese inhabitants (2012)		8.1
	Doctors (2013)		2,563
EDUCATION	Gross enrolment ratio (2012/2013)		71.1%
	Teachers per 1,000 students (2010/2011)[1]		147
ELECTRICITY	Domestic Consumption (million kwh) (2012)		525
WATER	Average daily consumption ('000 m^3) (2012)		84
LIVING STANDARDS	Human Development Index: rank out of 187 countries (2013)		39
	Mobile phone subscriptions per 100 population (2014 Q2)		130.1
	Internet subscribers per 100 population (2014 Q2)		35.2
	Private motor vehicle licences per 100 population (2014 Q3)		60.5

[1] Provisional.

[2] Labour Force Survey.

Sources: Central Bank of Malta; Eurostat; Ministry for 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 September 2014:

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)
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)
Mediterranean Corporate Bank Limited
NBG Bank Malta Ltd. (from July 2005)
Nemea Bank Ltd (from December 2009)
Pilatus Bank Ltd (from March 2014)
ECCM Bank p.l.c.
Saadgroup Bank Europe Ltd. (from January 2009)
Sparkasse Bank Malta p.l.c.
Turkiye Garanti Bankasi A.S.
Novum Bank Limited (from October 2010)

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.

BOX 6: ESA 2010 CHANGEOVER – IMPLICATIONS FOR MONETARY AND FINANCIAL STATISTICS

Introduction

Economic policy making necessitates the availability of reliable and timely statistical information. Within the European Union, Member States compile the relevant economic, monetary, financial and balance of payments statistics according to harmonised standards. As from September 2014, the main statistical standard that will apply in the European Union is the European System of National and Regional Accounts 2010 (ESA 2010), which replaces the previous ESA standard that had been in effect since 1995.

What is the ESA 2010?

The ESA 2010 is a regulation of the European Parliament and of the Council.[1] It defines the compulsory methodological standards, definitions, classifications and accounting rules for European national accounts statistics. The ESA 2010 is based on the System of National Accounts 2008, which is the international statistical standard authored by the European Commission, the International Monetary Fund (IMF), the Organisation for Economic Co-Operation and Development, the United Nations and the World Bank. It harmonises statistical definitions to improve comparability at a global level. The ESA 2010 is being implemented in a coordinated manner throughout the European Union. It is based on the latest concepts in statistical methodology and changing user needs. As a result, economic statistics are adapted to the current economic environment, which is marked by further globalisation and stronger financial integration.

Statistics that are also being aligned with the ESA 2010 requirement include those issued by the European Central Bank (ECB), such as monetary and financial statistics and statistics on financial institutions and issues of securities. Balance of payments data and international investment position statistics are also being revised to be aligned with the new standards set forth in the IMF Balance of Payments and International Investment Position Manual (BPM6).

With regard to financial statistics, the ESA 2010 methodology introduces further details in terms of sectoral and financial instrument breakdowns. The new standard also enhances the categorisation of some institutional units, notably special purpose entities (SPE), head offices and holding companies and the different categorisation of certain transactions. The following section shall provide a summary of the most salient changes introduced by the ESA 2010 and contrasts them with those included in the ESA 1995.

(a) Special purpose entities

SPEs are legal entities which are established to fulfil specific and, generally, narrow objectives. They are characterised by a low number of staff employed and the absence of non-financial assets on their balance sheet and little physical presence. SPEs relate to other (often multinational) corporations, which are mostly resident in a different territory, and they

[1] Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts in the European Union.

are managed by these corporations. SPEs are in some cases created as a means of transferring specific risks to the balance sheet of the SPE in order to protect the parent company (e.g. a securitisation vehicle). The ESA 2010 places greater emphasis on the treatment of SPEs and explicitly specifies that such entities are to be treated as resident entities. The importance given to SPEs reflects the increasingly prominent role of such legal vehicles.

Henceforth, the Central Bank of Malta's monetary and financial statistics will include data on SPEs. Thus, statistics that will be transmitted to the ECB and Eurostat for inclusion in euro area aggregates will also include statistics emanating from SPEs. Back data spanning to at least 2010 will also be shown inclusive of SPEs, where applicable.

In line with the ESA 2010 accounting framework, SPEs will be included within the other financial corporations sector, with the exception of captive insurance companies and professional investment funds, which will be classified in the insurance sector and investment funds categories, respectively. Due to the lack of detailed statistics on SPEs, especially on their counterparty transactions, the Central Bank of Malta may be compelled to make estimates for back data.

It is also assumed by the statistical authorities in Malta that SPEs carry out their business solely with non-residents.

(b) Head offices and holding companies

In accordance with the ESA 2010, holding corporations are to be classified within the financial sector as captive financial institutions. Such institutions consist of all financial corporations and quasi-corporations, which are neither engaged in financial intermediation nor in providing financial auxiliary services. Most of their assets or liabilities are not exposed to open market trading conditions. In practice, these institutions include such financial entities that operate in a restricted environment, for instance, within a corporate group. They also include units that lend exclusively their own funds or those of only one client. Thus, in practice, many institutions classified as captives will only be recognised as separate institutional units because their residence is in a different country from that of the parent.

The implications are that within the domestic context, there will be a substantial shift of financial assets and liabilities from the non-financial corporations sector to the financial corporations sector. In contrast, all company head offices are to be classified either as non-financial companies or financial auxiliaries according to the dominant business activity undertaken by their subsidiaries. This reclassification of holding corporations and head offices is consistent with the NACE Rev.2.[2]

The ESA 2010 further highlights the distinction between insurance companies and pension funds, which partly reflects the increasing importance of these types of financial institutions. The new framework also disaggregates the previous "Other Financial Institutions" sector into two by identifying non-money market investment funds separately.

2 NACE Rev.2 is the statistical classification of economic activities adopted by Eurostat.

Table 1
NEW SECTOR CLASSIFICATION

ESA 95 Financial corporations sub-sectors	ESA 2010 Financial corporations sub-sectors
Central Bank	Central Bank
Other Monetary and Financial Institutions	Other Monetary and Financial Institutions
	Money market funds
Other financial intermediaries	Non-Money-Market Investment Funds
	Other financial intermediaries
Financial auxiliaries	Financial auxiliaries
	Captive financial institutions
Insurance corporations and pension funds	Insurance corporations
	Pension Funds

(c) Sub-sectors of the financial corporations sector

The ESA 2010 introduces a more detailed breakdown of the financial corporations sector. Thus, the five sub-sectors under the previous framework, ESA 1995, are being expanded to nine sub-sectors, as shown in Table 1. The Central Bank of Malta will be adopting such sectoral classifications when publishing its own statistics but may be constrained from adopting a full coverage of these sub-sectors due to confidentiality considerations.

(d) Other conceptual changes

There are various other conceptual changes brought about by the ESA 2010. Some of the most notable changes include the treatment of:

- Special Drawing Rights;
- goods sent abroad for processing;
- merchanting services.[3]

Implications for the statistical tables shown in the Bank's publications

Thus, a number of statistical tables published by the Central Bank of Malta will have to be revised. *Quarterly Review* Table 1.14, "Aggregated statement of assets and liabilities – investment funds", and Table 1.15, "Aggregated statement of assets and liabilities − insurance corporations", will henceforth include statistics on professional investor funds and captive insurance corporations, respectively. Table 1.16, "Debt securities, by sector of resident issuers" will include statistics on issues of securities by SPEs. Moreover, as from the next issue of the *Quarterly Review*, statistics on the financial corporations sector in Table 1.21, "Non-consolidated financial accounts of the Maltese economy", will reflect the inclusion of statistics on SPEs, professional investor funds and captive insurance corporations. Similarly, Table 3.2, "Balance of payments – current, capital and financial accounts", Table 3.4, "International Investment Position", and Table 3.5a and Table 3.5b on "Gross/net external debt by sector, maturity and instrument" will also include statistics on SPEs as from the next issue of the *Quarterly Review*. Further details on the implications of the introduction of the

[3] For a complete list of conceptual changes one can refer to the information provided by Eurostat by accessing the following link: http://epp.eurostat.ec.europa.eu/portal/page/portal/esa_2010/introduction.

ESA 2010 on non-financial accounts, such as on gross domestic product, can be found elsewhere in this *Quarterly Review*.[4]

Benchmark changes

Apart from the impact brought about by the introduction of ESA 2010, the Bank will also effect two benchmark changes to its monetary statistics. To introduce consistency in the definition of loans as shown in a number of tables, loans will exclude any interbank repurchase agreements and interbank deposits. Moreover, due to the need to ensure that statistical information on individual institutions is not divulged, the other financial institutions sector was amalgamated with the other monetary financial institutions (OMFI) sector and termed financial corporations sector. The latter is applicable mainly in the case of Table 1.8, “Deposits held with OMFI by sector”, and Table 1.12, “OMFI Loans by sector”.

Concluding remarks

It is essential that monetary and financial statistics are classified and compiled according to recognised methodological standards. Moreover, cross-country comparisons of such statistics at EU level necessitate a common application of definitions and methodologies. This is achieved through the ESA 2010 framework, which aims to improve statistical compilation through new definitions and methodologies. In particular, the ESA 2010 obliges EU Member States to treat SPEs as resident corporations. Thus, from a national perspective and in line with ESA 2010 recommendations, the Bank is publishing national monetary and financial statistics inclusive of SPEs from this edition of the *Quarterly Review*. The data cover the third quarter of 2014 and are accompanied by comparable back data spanning at least from 2010. Further detailed statistics revised in accordance with the ESA 2010 have also been released on the Bank’s website.

[4] See the article entitled “A new national accounts framework” being carried in this edition of the *Quarterly Review*.

Monetary, Banking and Financial Markets

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

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	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
Apr.	17.1	1,166.9	425.0	153.1	466.9	304.8	478.0	955.9	3,967.8
May	17.0	1,292.1	421.4	158.7	446.8	331.4	428.9	973.9	4,070.1
June	12.6	1,295.2	434.9	114.2	431.4	381.4	428.3	983.6	4,081.4
July	12.6	1,287.6	461.2	114.1	417.7	296.4	415.7	964.9	3,970.1
Aug.	13.3	1,477.6	490.7	113.8	430.3	277.1	510.8	746.6	4,060.2
Sep.	14.2	1,467.9	492.2	110.4	413.3	197.1	511.4	746.6	3,953.0
Oct.	14.2	1,450.1	483.5	110.3	407.4	206.7	453.3	763.4	3,889.1
Nov.	14.2	1,435.3	488.8	110.2	433.7	201.7	191.6	807.3	3,682.7
Dec.	12.5	1,451.0	607.2	137.5	418.8	200.1	52.2	730.8	3,610.1
2014									
Jan.	12.5	1,414.5	472.0	100.4	463.7	198.1	53.1	807.5	3,521.8
Feb.	12.5	1,369.8	493.0	85.0	468.2	207.1	53.4	862.9	3,551.9
Mar.	13.5	1,321.1	619.4	201.4	677.9	217.1	53.4	917.8	4,021.5
Apr.	8.2	1,349.0	726.4	164.3	644.5	220.6	53.4	1,001.2	4,167.7
May	8.2	1,319.8	646.8	93.5	824.1	214.6	53.4	1,001.2	4,161.5
June	8.4	1,316.3	700.7	91.9	849.9	220.1	53.4	1,070.2	4,310.9
July	8.4	1,271.7	676.1	75.0	493.0	208.1	53.4	1,066.5	3,852.2
Aug.	8.3	1,291.0	678.9	80.2	492.0	192.1	53.4	1,074.0	3,869.9
Sep.	8.3	1,383.5	657.0	93.5	657.4	207.1	53.4	1,102.8	4,162.8

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

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

EUR millions

End of period	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	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
Apr.	748.3	984.7	224.5	406.3	780.3	154.1	237.9	111.6	114.7	100.6	329.4
May	751.4	973.9	230.8	582.9	726.5	99.4	276.8	111.6	110.5	107.3	329.9
June	756.3	1,070.0	251.1	482.4	735.3	112.7	266.5	109.8	115.6	107.3	325.5
July	771.4	1,145.0	270.7	350.0	718.2	120.3	231.5	109.8	84.7	112.8	326.4
Aug.	772.3	1,060.6	213.4	488.0	763.2	117.0	238.5	109.8	65.7	117.8	327.3
Sep.	771.6	1,021.9	406.3	494.5	719.8	83.7	255.2	108.4	55.4	115.5	326.9
Oct.	776.4	985.7	241.7	400.3	758.5	75.0	298.3	108.4	38.1	121.2	327.2
Nov.	779.1	1,097.7	255.6	369.7	735.8	75.1	33.9	108.4	37.0	118.3	327.6
Dec.	803.2	1,144.0	327.3	340.0	1.8	61.1	0.0	106.7	709.8	115.7	327.6
2014											
Jan.	792.4	1,186.6	288.7	251.4	316.4	70.1	6.9	106.7	353.7	110.7	327.0
Feb.	793.6	1,453.6	292.8	412.9	58.2	63.4	1.4	106.7	230.7	87.8	343.6
Mar.	798.4	1,174.8	266.4	374.0	31.2	77.5	0.0	106.9	1,023.2	88.4	347.2
Apr.	806.6	1,093.6	258.2	390.3	15.1	63.9	0.0	106.9	1,249.0	94.8	347.6
May	810.7	1,229.3	243.0	392.7	12.9	34.9	0.0	106.9	1,129.5	96.4	348.3
June	815.4	262.3	245.4	788.0	96.3	61.1	0.0	108.0	1,718.1	108.3	353.4
July	824.1	255.8	241.9	398.0	97.1	53.5	0.0	108.0	1,647.3	113.8	354.8
Aug.	825.5	383.7	236.5	540.2	208.3	61.5	0.0	108.0	1,265.6	121.7	355.4
Sep.	825.6	525.8	241.2	433.9	8.3	68.6	0.0	112.4	1,680.7	147.6	360.0

[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	556.5	3,671.4
2013	0.3	6.6	331.8	338.4	1,673.8	1,146.2	291.5	3,111.5	308.4	3,758.5
2014										
Jan.	0.3	6.6	337.8	344.4	1,682.0	1,069.5	286.2	3,037.7	305.6	3,688.0
Feb.	0.2	6.8	343.2	350.0	1,648.6	1,087.9	289.3	3,025.8	328.7	3,704.7
Mar.	0.2	6.8	343.4	350.2	1,725.1	1,475.8	288.4	3,489.3	325.5	4,165.3
Apr.	0.2	6.8	347.5	354.2	1,726.9	1,617.2	283.3	3,627.3	333.5	4,315.3
May	0.2	6.7	354.0	360.7	1,629.8	1,725.6	282.0	3,637.4	326.3	4,324.6
June	0.2	6.6	359.4	366.0	1,622.3	1,852.7	285.9	3,760.9	336.9	4,464.1
July	0.2	6.6	366.2	372.8	1,561.4	1,487.4	266.9	3,315.7	324.9	4,013.6
Aug.	0.2	6.7	373.7	380.4	1,586.7	1,475.0	291.7	3,353.4	309.0	4,043.1
Sep.	0.2	6.7	379.0	385.6	1,690.1	1,653.2	265.7	3,609.0	325.1	4,319.9

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	858.5	331.6	24.7	356.3	673.3	74.4	38.1	785.8	492.0	1,265.9
2014										
Jan.	847.3	241.2	25.2	266.4	325.9	86.5	348.9	761.3	493.9	1,319.1
Feb.	848.5	394.6	26.8	421.4	195.0	74.1	93.6	362.7	487.6	1,584.5
Mar.	853.4	380.2	0.0	380.2	982.5	79.1	65.3	1,126.8	482.8	1,322.0
Apr.	862.0	390.8	0.0	390.8	1,213.6	88.3	35.9	1,337.8	491.3	1,233.5
May	866.8	386.3	0.0	386.3	1,101.9	79.1	39.4	1,220.3	504.4	1,346.7
June	872.5	808.7	0.0	808.7	1,690.0	76.6	126.0	1,892.6	512.2	378.1
July	882.5	406.4	0.0	406.4	1,628.9	82.6	114.6	1,826.2	521.5	377.0
Aug.	884.6	551.8	0.0	551.8	1,254.5	77.2	228.2	1,559.9	536.7	510.0
Sep.	885.1	449.4	0.0	449.4	1,667.4	83.1	38.9	1,789.3	542.4	653.7

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

[2] If the Central Bank 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[4]	Total assets/ liabilities
		Loans[3]	Securities other than shares	Shares & other equity[3]	Claims on other euro area residents	Claims on non-residents of the euro area[3]	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	8,456.7	1,781.1	527.6	9,367.1	27,870.7	653.4	37,891.2	903.4	50,159.6
2011	1,179.9	8,928.9	1,946.1	543.5	10,111.8	27,056.2	665.8	37,833.8	914.9	51,347.1
2012	1,644.2	9,055.8	1,939.0	588.9	8,776.0	29,909.7	721.1	39,406.8	892.2	53,526.9
2013										
Jan.	1,518.1	9,028.8	2,067.9	588.5	8,655.1	30,066.4	647.4	39,369.0	899.1	53,471.3
Feb.	1,136.6	9,092.4	2,066.0	588.8	8,595.6	31,106.3	663.4	40,365.3	923.6	54,172.8
Mar.	1,517.9	9,181.7	2,105.9	590.7	8,362.4	31,251.1	665.2	40,278.7	876.9	54,551.7
Apr.	1,116.6	9,116.1	2,105.6	597.2	8,126.0	29,972.7	610.9	38,709.6	860.3	52,505.5
May	1,113.0	9,082.0	2,131.7	597.2	8,365.8	31,521.5	622.2	40,509.5	858.0	54,291.3
June	1,208.8	9,074.3	2,133.9	598.0	8,119.1	31,227.8	606.5	39,953.3	878.0	53,846.3
July	1,279.0	9,032.7	2,108.3	612.0	8,152.6	31,760.4	698.2	40,611.2	884.3	54,527.5
Aug.	1,204.6	9,053.1	2,195.6	612.8	8,435.2	32,379.5	805.4	41,620.0	967.8	55,653.9
Sep.	1,120.1	9,040.1	2,280.2	614.5	7,527.8	32,707.3	764.4	40,999.5	924.8	54,979.1
Oct.	1,084.0	9,012.1	2,214.3	615.7	7,097.5	31,221.2	717.4	39,036.1	929.9	52,891.9
Nov.	1,232.7	9,013.2	2,176.0	615.7	7,326.5	29,243.1	716.3	37,285.9	953.6	51,277.0
Dec.	1,259.9	9,027.4	2,081.2	612.6	7,230.7	28,401.1	740.2	36,372.1	982.3	50,335.5
2014										
Jan.	1,310.8	9,004.6	2,151.4	614.0	8,295.9	29,060.8	851.2	38,207.9	979.2	52,267.8
Feb.	1,571.7	9,010.7	2,207.5	508.6	7,282.5	27,216.4	813.8	35,312.8	991.0	49,602.3
Mar.	1,305.0	9,055.8	2,232.5	504.3	7,363.1	27,676.1	711.7	35,750.9	956.2	49,804.8
Apr.	1,226.1	9,086.0	2,242.4	505.0	6,862.4	28,410.8	642.2	35,915.4	957.4	49,932.4
May	1,224.0	9,113.5	2,244.8	196.3	6,858.8	27,690.7	640.7	35,190.2	978.9	48,947.8
June	361.7	9,146.4	2,322.6	201.9	7,164.2	27,536.4	649.5	35,350.1	962.6	48,345.1
July	374.0	9,001.9	2,292.5	177.2	7,220.9	27,942.2	739.8	35,903.0	966.2	48,714.7
Aug.	525.7	9,018.6	2,275.0	178.4	7,501.5	28,673.2	702.7	36,877.4	991.9	49,867.0
Sep.	654.8	9,044.4	2,239.6	179.2	7,787.6	29,556.9	672.0	38,016.6	1,048.6	51,183.1

[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] As from June 2010, statistics are in line with ESA 2010.
[4] Resident interbank claims are included in 'Other assets'.

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[2]
	Withdraw-able on demand[3]	Redeem-able at notice	With agreed maturity[3]	Total	Deposits from other residents of the euro area[4]	Deposits from non-residents of the euro area[3,4]	Other external liabilities[5]	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	5,075.3	123.7	5,060.0	10,259.0	6,611.2	19,018.8	1,760.2	27,390.2	304.5	9,853.8	2,352.1
2011	5,219.2	122.6	5,238.2	10,580.1	6,901.8	16,214.9	5,679.9	28,796.6	354.3	9,815.5	1,800.6
2012	5,815.3	151.8	5,348.4	11,315.5	6,966.1	15,471.6	7,204.1	29,641.7	403.1	10,369.7	1,796.9
2013											
Jan.	5,801.4	157.2	5,420.8	11,379.4	6,548.2	15,604.8	7,479.1	29,632.1	402.5	10,351.6	1,705.7
Feb.	5,880.1	113.3	5,460.7	11,454.2	7,085.8	15,172.8	7,972.6	30,231.2	402.8	10,248.2	1,836.4
Mar.	6,085.1	121.8	5,478.5	11,685.5	7,356.3	14,796.4	8,381.6	30,534.3	403.3	10,198.0	1,730.6
Apr.	5,997.8	127.4	5,325.9	11,451.0	7,519.3	12,124.1	9,146.1	28,789.4	402.9	10,245.6	1,616.5
May	6,189.4	132.3	5,287.7	11,609.4	8,048.2	12,412.7	10,225.4	30,686.3	402.9	9,957.5	1,635.2
June	6,178.0	132.0	5,335.2	11,645.2	7,292.5	13,294.1	10,168.1	30,754.7	412.0	9,407.9	1,626.5
July	6,214.9	143.4	5,358.4	11,716.8	7,845.1	13,322.2	10,295.1	31,462.4	411.9	9,377.0	1,559.5
Aug.	6,420.9	148.8	5,351.9	11,921.6	7,747.3	14,967.4	9,843.4	32,558.2	411.9	9,148.7	1,613.4
Sep.	6,395.5	151.1	5,396.4	11,943.0	7,821.7	14,296.6	9,583.9	31,702.2	411.8	9,334.4	1,587.9
Oct.	6,540.9	156.2	5,428.8	12,125.9	7,472.6	14,285.7	9,583.5	31,341.8	382.4	7,506.4	1,535.7
Nov.	6,654.3	159.7	5,480.9	12,294.8	5,971.8	14,245.4	9,474.5	29,691.7	350.1	7,400.3	1,540.4
Dec.	6,593.2	170.1	5,544.5	12,307.7	5,623.5	13,792.5	9,583.6	28,999.6	350.1	7,139.2	1,538.9
2014											
Jan.	6,782.7	172.2	5,644.9	12,599.8	6,192.7	14,395.7	10,125.4	30,713.9	350.2	6,958.3	1,645.6
Feb.	6,611.4	170.3	5,628.0	12,409.7	5,789.6	13,462.5	10,098.8	29,350.9	350.2	5,746.7	1,744.8
Mar.	6,862.5	179.0	5,583.7	12,625.2	5,732.5	13,798.5	9,925.8	29,456.8	350.2	5,823.6	1,548.9
Apr.	6,901.2	179.6	5,596.8	12,677.6	5,731.7	14,046.4	9,783.7	29,561.7	350.5	5,771.6	1,570.9
May	7,089.1	182.5	5,570.6	12,842.2	4,827.9	13,501.8	10,220.1	28,549.8	350.7	5,649.8	1,555.2
June	7,086.0	187.6	5,549.4	12,822.9	4,925.5	12,954.9	11,451.2	29,331.7	350.8	4,178.3	1,661.4
July	7,228.1	192.8	5,603.6	13,024.5	5,053.1	13,261.6	11,213.3	29,528.0	351.0	4,253.2	1,558.1
Aug.	7,394.9	201.8	5,774.6	13,371.3	4,887.6	14,258.9	11,270.3	30,416.8	350.9	4,322.7	1,405.3
Sep.	7,668.8	195.9	5,605.9	13,470.7	5,038.2	15,391.1	11,199.9	31,629.2	351.0	4,275.3	1,457.0

[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] As from June 2010, statistics are in line with ESA 2010.

[4] Includes inter-bank deposits.

[5] 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.

Monetary, Banking and Financial Markets

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

EUR millions

End of period	Broad money (M3)								
	Intermediate money (M2)							M3-M2[5]	Total (M3)[6]
	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[4]	From other euro area residents	From residents of Malta	From other euro area residents	From residents of Malta[4]	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	4,986.1	99.5	123.5	0.7	4,047.0	157.5	241.6	10,330.4
2011	710.6	5,123.5	124.1	122.5	2.6	3,833.9	228.2	204.3	10,349.7
2012	726.5	5,735.7	169.7	151.7	1.6	3,883.9	480.1	191.5	11,340.8
2013									
Jan.	716.8	5,730.7	191.6	157.1	1.5	3,950.3	360.6	195.7	11,304.3
Feb.	714.6	5,803.7	178.9	113.2	1.5	3,969.3	386.1	189.1	11,356.5
Mar.	721.9	6,018.3	190.2	118.8	1.5	3,982.5	454.3	195.5	11,683.1
Apr.	727.2	5,917.6	181.9	118.9	0.0	3,815.8	491.5	193.7	11,446.7
May	732.8	6,104.8	176.8	119.0	0.0	3,765.2	454.5	195.0	11,548.2
June	732.4	6,086.8	164.1	113.6	0.0	3,816.9	489.4	194.7	11,598.0
July	751.4	6,137.8	181.1	113.0	0.0	3,837.0	599.4	215.3	11,835.0
Aug.	755.5	6,330.0	193.6	112.4	0.0	3,836.6	604.1	227.0	12,059.2
Sep.	761.2	6,301.7	185.6	111.9	0.0	3,868.8	594.4	222.0	12,045.6
Oct.	762.4	6,449.3	188.9	109.5	0.0	3,887.8	685.9	202.7	12,286.6
Nov.	763.0	6,560.6	183.4	110.5	0.0	3,931.0	674.5	159.7	12,382.7
Dec.	778.7	6,522.3	176.0	113.8	0.0	3,993.4	838.4	165.4	12,588.1
2014									
Jan.	774.2	6,718.3	202.2	114.2	0.0	4,125.7	837.4	172.3	12,944.3
Feb.	774.1	6,540.7	192.6	111.8	0.0	4,118.0	853.7	153.0	12,743.9
Mar.	777.9	6,817.1	199.9	112.2	0.0	4,050.4	886.4	161.7	13,005.7
Apr.	783.0	6,839.3	276.1	112.0	0.1	4,064.4	693.0	165.4	12,933.3
May	790.7	7,014.8	218.0	113.5	0.1	4,033.9	713.7	148.3	13,033.0
June	800.5	7,017.6	182.2	113.1	0.1	3,983.9	743.7	131.9	12,972.9
July	804.2	7,194.7	208.2	113.3	0.0	4,038.5	688.0	127.9	13,174.9
Aug.	808.6	7,313.5	219.8	121.2	0.0	4,197.0	701.1	121.5	13,482.8
Sep.	810.7	7,590.0	234.5	113.5	0.0	4,060.2	723.1	121.7	13,653.7

[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] As from June 2010, statistics are in line with ESA 2010.

[5] 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.

[6] 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 1.5 The contribution of resident MFIs to counterparts to euro area monetary aggregates

EUR millions

End of period	Broad money (M3)[2,3]	Credit counterpart[4]					External counterpart			Other counterparts (net)[5]
		Residents of Malta		Other euro area residents		Total credit	Claims on non-residents of the euro area[3]	Liabilities to non-residents of the euro area[3]	Net claims on non-residents of the euro area	
		Credit to general government	Credit to other residents[3]	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	10,330.4	2,091.0	8,955.0	1,794.9	2,392.7	15,233.6	29,140.7	20,763.0	8,377.7	13,280.9
2011	10,349.7	2,353.4	9,415.4	2,240.9	2,929.5	16,939.1	28,435.1	20,785.7	7,649.4	14,238.8
2012	11,340.8	2,287.1	9,605.1	1,261.1	3,351.0	16,504.3	31,675.8	21,583.1	10,092.6	15,256.1
2013										
Jan.	11,304.3	2,422.5	9,576.3	1,213.3	3,273.2	16,485.2	31,817.8	22,608.7	9,209.1	14,390.0
Feb.	11,356.5	2,422.0	9,641.6	1,147.1	3,375.6	16,586.2	32,886.7	22,789.6	10,097.1	15,326.8
Mar.	11,683.1	2,466.8	9,732.5	1,284.5	3,232.0	16,715.8	33,167.8	22,451.9	10,715.9	15,748.5
Apr.	11,446.7	2,476.7	9,671.4	1,313.8	3,070.5	16,532.4	31,842.2	20,587.8	11,254.5	16,340.2
May	11,548.2	2,502.2	9,634.5	1,485.8	2,956.2	16,578.6	33,394.8	21,866.8	11,527.9	16,558.3
June	11,598.0	2,506.1	9,625.1	1,484.0	2,577.2	16,192.5	33,088.3	22,643.3	10,445.0	15,039.4
July	11,835.0	2,486.8	9,596.1	1,472.1	2,552.7	16,107.7	33,711.5	22,776.7	10,934.8	15,207.4
Aug.	12,059.2	2,579.6	9,615.1	1,441.3	2,381.7	16,017.6	34,452.0	23,888.3	10,563.8	14,522.0
Sep.	12,045.6	2,665.5	9,602.1	1,438.1	2,348.6	16,054.3	34,716.4	22,557.7	12,158.7	16,167.5
Oct.	12,286.6	2,603.3	9,574.5	1,417.3	2,370.0	15,965.2	33,182.8	22,435.6	10,747.2	14,425.9
Nov.	12,382.7	2,571.3	9,573.3	1,286.3	2,051.6	15,482.6	31,262.6	22,028.9	9,233.6	12,333.6
Dec.	12,588.1	2,478.0	9,581.7	1,295.3	1,993.8	15,348.8	30,550.1	20,935.4	9,614.7	12,375.4
2014										
Jan.	12,944.3	2,552.5	9,561.9	1,402.0	2,024.9	15,541.4	31,243.1	22,294.0	8,949.1	11,546.2
Feb.	12,743.9	2,616.4	9,460.4	1,412.9	2,048.6	15,538.2	29,382.7	20,681.1	8,701.6	11,495.9
Mar.	13,005.7	2,640.7	9,502.2	1,384.4	2,079.7	15,607.0	30,125.6	20,998.9	9,126.7	11,727.9
Apr.	12,933.3	2,656.2	9,531.4	1,374.2	2,108.2	15,670.0	30,920.0	20,983.2	9,936.9	12,673.5
May	13,033.0	2,660.3	9,255.1	1,326.0	2,138.2	15,379.6	30,292.9	20,660.4	9,632.5	11,979.1
June	12,972.9	2,738.0	9,298.9	1,278.4	2,134.7	15,450.0	30,279.0	21,027.4	9,251.6	11,728.6
July	13,174.9	2,710.0	9,134.3	1,254.2	2,190.0	15,288.5	30,362.9	21,264.1	9,098.8	11,212.4
Aug.	13,482.8	2,714.7	9,137.7	1,245.3	2,183.6	15,281.3	31,104.9	22,166.4	8,938.5	10,736.9
Sep.	13,653.7	2,690.8	9,158.0	1,414.9	2,233.7	15,497.4	32,086.2	22,582.3	9,503.9	11,347.7

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

[2] 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.

[3] As from June 2010, statistics are in line with ESA 2010.

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

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

Table 1.6 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	757.5	50.4	-	81.4	726.5	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
Apr.	748.3	51.2	-	72.2	727.2	114.7
May	751.4	51.7	-	70.3	732.8	110.5
June	756.3	52.3	-	76.2	732.4	115.6
July	771.4	53.2	-	73.3	751.4	84.7
Aug.	772.3	54.2	-	71.0	755.5	65.7
Sep.	771.6	54.3	-	64.7	761.2	55.4
Oct.	776.4	54.6	-	68.5	762.4	38.1
Nov.	779.1	55.0	-	71.1	763.0	37.0
Dec.	803.2	55.3	-	79.8	778.7	37.4
2014						
Jan.	792.4	54.9	-	73.1	774.2	27.8
Feb.	793.6	54.8	-	74.3	774.1	35.8
Mar.	798.4	55.0	-	75.5	777.9	40.8
Apr.	806.6	55.4	-	79.0	783.0	35.4
May	810.7	56.1	-	76.1	790.7	27.7
June	815.4	57.1	-	72.0	800.5	28.1
July	824.1	58.4	-	78.3	804.2	18.4
Aug.	825.5	59.1	-	76.0	808.6	11.1
Sep.	825.6	59.5	-	74.4	810.7	13.3

[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).

[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	44.6	7.3	22.1	8.1	7.2	44.6
2013	42.8	6.8	20.8	8.0	7.1	42.8
2014						
Mar.	42.2	6.7	20.4	8.0	7.1	42.2
June	41.9	6.6	20.2	8.0	7.1	41.9
Sep.	41.6	6.5	20.0	7.9	7.1	41.6

[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	-12.7	-4.1	309.1	294.3	-78.9	79.7	260.7	848.1
2013	-15.7	-18.4	273.5	356.2	-146.5	77.7	313.8	840.6
2014								
Mar.	-16.6	-21.8	266.7	369.1	-160.9	77.5	325.2	839.1
June	-17.3	-26.2	256.0	390.2	-176.9	78.6	339.2	843.5
Sep.	-18.5	-31.0	243.7	402.4	-190.0	79.7	352.8	839.0

[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	0.1	0.7	1.5	2.5	4.1	6.5	10.2	24.7	50.4
2013	0.2	0.7	1.7	2.7	4.6	6.9	10.9	27.5	55.3
2014									
Mar.	0.2	0.7	1.7	2.7	4.6	6.8	10.7	27.6	55.0
June	0.2	0.8	1.8	2.8	4.7	7.1	11.1	28.6	57.1
Sep.	0.2	0.8	1.9	2.9	4.9	7.4	11.4	30.1	59.5

Table 1.8 Deposits held with other monetary financial institutions by sector

EUR millions

End of period	Resident deposits						Deposits held by non-residents of Malta		Total deposits
	General government[1]	Financial corporations[2,3]	Insurance companies and pension funds[3]	Non-financial corporations	Households & non-profit institutions	Total	Other euro area residents	Non-residents of the euro area[3]	
2005	118.3	285.2	49.6	1,042.9	5,361.3	6,857.3	5,575.2	9,976.4	22,409.0
2006	218.2	163.1	99.1	1,112.8	5,687.3	7,280.4	6,688.4	12,055.0	26,023.8
2007	126.8	243.9	198.6	1,342.5	6,541.8	8,453.7	8,090.1	16,239.9	32,783.8
2008	101.5	1,024.9	249.2	1,282.9	6,727.0	9,385.6	9,276.9	17,640.5	36,303.0
2009	123.4	1,697.8	263.9	1,417.1	6,678.8	10,181.0	7,839.7	17,544.2	35,564.9
2010	227.0	2,545.5	234.9	1,694.9	6,935.0	11,637.3	6,632.2	20,123.3	38,392.8
2011	239.0	1,665.4	281.8	1,912.7	7,244.8	11,343.7	8,046.4	20,074.3	39,464.4
2012	219.2	1,857.3	285.7	2,002.3	7,634.0	11,998.6	8,031.1	20,866.1	40,895.8
2013									
Jan.	218.0	1,754.9	285.9	2,028.7	7,688.0	11,975.6	7,640.7	21,194.2	40,810.5
Feb.	222.3	1,944.3	247.3	1,980.5	7,703.9	12,098.3	8,346.7	21,143.7	41,588.6
Mar.	211.2	1,930.7	238.4	2,066.9	7,812.3	12,259.4	8,822.9	21,014.4	42,096.7
Apr.	219.6	1,775.3	209.3	1,962.5	7,839.8	12,006.5	9,113.7	19,032.0	40,152.2
May	227.9	1,851.3	207.4	2,020.0	7,872.0	12,178.7	9,726.5	20,316.2	42,221.4
June	233.5	1,834.7	210.2	2,040.3	7,919.6	12,238.2	8,980.8	21,129.7	42,348.8
July	220.8	1,763.9	216.1	2,095.2	7,946.0	12,242.0	9,427.2	21,219.6	42,888.8
Aug.	234.1	1,804.0	248.7	2,147.8	8,002.0	12,436.6	9,432.8	22,271.2	44,140.6
Sep.	233.0	1,693.4	277.5	2,134.1	8,035.7	12,373.7	9,882.8	21,016.6	43,273.0
Oct.	237.2	1,711.9	273.5	2,216.2	8,094.8	12,533.5	9,684.3	20,830.3	43,048.2
Nov.	238.1	1,696.1	304.6	2,313.6	8,152.8	12,705.2	8,101.4	20,695.6	41,502.2
Dec.	206.2	1,718.8	334.5	2,274.4	8,220.2	12,754.1	7,841.8	20,367.0	40,962.9
2014									
Jan.	209.0	1,878.7	346.7	2,317.2	8,286.1	13,037.7	8,521.7	21,329.9	42,889.3
Feb.	210.6	1,698.3	358.6	2,320.5	8,229.9	12,818.0	8,457.0	20,027.1	41,302.1
Mar.	214.2	1,729.2	393.9	2,374.1	8,348.1	13,059.5	8,199.6	20,341.7	41,600.8
Apr.	224.9	1,710.6	379.7	2,451.2	8,361.0	13,127.4	8,284.4	20,404.5	41,816.3
May	230.3	1,770.6	373.1	2,498.9	8,394.5	13,267.4	7,523.9	20,151.9	40,943.2
June	225.2	1,922.5	414.2	2,215.0	8,492.3	13,269.1	8,133.6	20,399.2	41,802.0
July	172.0	1,848.5	420.1	2,264.0	8,634.5	13,339.1	8,108.2	20,542.9	41,990.2
Aug.	241.9	1,803.5	451.7	2,515.3	8,638.6	13,651.0	8,234.0	21,255.1	43,140.2
Sep.	240.5	1,842.5	443.6	2,492.6	8,756.6	13,775.9	8,800.1	21,882.1	44,458.1

[1] Including extra-budgetary units.

[2] Financial corporations consist of other monetary financial institutions (OMFIs), MMFs, Non-MMF Investment Funds, other financial intermediaries and financial auxiliaries and Captive Financial Institutions and Money Lenders. Loans exclude OMFIs' deposits and reverse repos placed with the Central Bank of Malta and with other OMFIs.

[3] As from June 2010, statistics are in line with ESA 2010.

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[3]	
	MTL[2,3]	EUR[3]	GBP[3]	USD[3]	Other[3]	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	17,544.2	35,564.9
2010		10,154.9	459.5	870.6	152.3		4,764.3	1,868.0	20,123.3	38,392.8
2011		9,950.4	558.9	688.6	145.8		5,857.6	2,188.8	20,074.3	39,464.4
2012		10,466.2	537.7	816.6	178.0		5,276.0	2,755.1	20,866.1	40,895.8
2013										
Jan.		10,449.6	504.6	847.0	174.4		5,149.1	2,491.6	21,194.2	40,810.5
Feb.		10,543.2	515.1	847.0	193.0		5,276.1	3,070.6	21,143.7	41,588.6
Mar.		10,649.8	572.6	837.1	199.9		5,326.6	3,496.3	21,014.4	42,096.7
Apr.		10,574.5	528.5	718.3	185.3		5,487.1	3,626.6	19,032.0	40,152.2
May		10,627.0	561.1	800.3	190.3		5,346.8	4,379.7	20,316.2	42,221.4
June		10,760.3	538.1	762.3	177.5		4,965.4	4,015.3	21,129.7	42,348.8
July		10,775.9	539.2	741.4	185.4		5,198.8	4,228.4	21,219.6	42,888.8
Aug.		10,893.8	553.1	797.0	192.7		5,425.8	4,007.0	22,271.2	44,140.6
Sep.		10,890.7	561.9	740.5	180.6		5,296.5	4,586.3	21,016.6	43,273.0
Oct.		10,991.1	546.5	831.6	164.5		5,092.9	4,591.4	20,830.3	43,048.2
Nov.		11,177.5	580.6	758.1	189.0		3,854.1	4,247.3	20,695.6	41,502.2
Dec.		11,186.6	587.3	768.3	212.0		3,623.0	4,218.7	20,367.0	40,962.9
2014										
Jan.		11,354.4	602.7	836.0	244.5		3,726.2	4,795.4	21,329.9	42,889.3
Feb.		11,225.6	630.5	740.4	221.5		3,526.8	4,930.2	20,027.1	41,302.1
Mar.		11,400.6	692.8	740.6	225.6		3,335.5	4,864.1	20,341.7	41,600.8
Apr.		11,449.2	685.2	783.9	209.2		3,254.3	5,030.1	20,404.5	41,816.3
May		11,581.0	673.3	795.9	217.3		2,439.7	5,084.2	20,151.9	40,943.2
June		11,613.7	700.1	744.8	210.6		2,959.0	5,174.7	20,399.2	41,802.0
July		11,681.5	677.3	765.2	215.2		2,771.3	5,337.0	20,542.9	41,990.2
Aug.		11,985.5	674.2	771.0	220.2		2,783.1	5,450.9	21,255.1	43,140.2
Sep.		12,040.8	713.2	794.0	227.8		3,208.0	5,592.1	21,882.1	44,458.1

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

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

[3] As from June 2010, statistics are in line with ESA 2010.

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	760.5	3,421.3	2,151.5	16,797.3	23,130.7
2012	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
Apr.	745.6	3,610.1	2,186.9	14,559.4	21,102.0
May	748.5	3,630.3	2,143.6	14,196.4	20,718.8
June	752.1	3,636.7	2,139.0	13,751.0	20,278.8
July	749.2	3,648.6	2,086.2	13,553.4	20,037.4
Aug.	748.7	3,654.6	2,043.4	13,578.8	20,025.5
Sep.	753.3	3,672.1	2,021.4	13,342.3	19,789.1
Oct.	756.1	3,679.6	1,979.4	11,898.4	18,313.5
Nov.	757.1	3,691.6	1,934.7	11,373.3	17,756.6
Dec.	757.4	3,694.2	1,892.7	10,688.5	17,032.8
2014					
Jan.	756.6	3,696.2	1,873.6	10,514.2	16,840.5
Feb.	757.8	3,716.3	1,870.7	9,910.9	16,255.7
Mar.	759.2	3,729.2	1,897.3	9,766.2	16,151.9
Apr.	760.5	3,769.5	1,844.0	9,878.3	16,252.3
May	763.6	3,786.9	1,831.6	9,932.0	16,314.1
June	714.3	3,803.2	1,824.6	8,937.1	15,279.3
July	710.8	3,813.1	1,805.0	8,966.1	15,295.0
Aug.	709.9	3,833.5	1,794.6	9,128.4	15,466.5
Sep.	713.7	3,845.1	1,788.5	9,363.8	15,711.1

[1] For the purposes of this classification, these include loans extended to residents and non-residents in both domestic and foreign currencies. Loans exclude interbank claims.
[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[3,4]	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	1,027.6	740.5	7,716.7
2011	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	1,197.0	826.1	8,104.7
2012	280.1	502.0	308.8	1,024.0	468.2	829.9	423.4	3,088.2	387.1	301.5	3,776.8	1,443.6	794.4	8,262.4
2013														
Jan.	291.7	495.0	302.0	1,006.6	473.8	836.3	423.6	3,099.2	382.7	300.8	3,782.6	1,418.1	802.2	8,227.6
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	1,466.6	808.6	8,288.8
Mar.	291.8	506.8	335.2	997.7	476.6	837.7	445.7	3,123.3	378.8	302.0	3,804.2	1,491.1	810.9	8,375.9
Apr.	277.3	479.2	327.4	984.2	473.7	806.7	441.8	3,132.8	378.6	300.3	3,811.7	1,514.6	789.9	8,326.7
May	273.4	480.9	304.0	974.1	544.0	742.3	434.5	3,153.7	379.9	298.2	3,831.8	1,497.6	788.2	8,294.3
June	264.8	478.6	329.0	968.2	527.1	745.2	412.2	3,176.1	382.3	301.1	3,859.6	1,492.1	778.5	8,298.3
July	268.0	479.9	303.3	958.2	523.0	727.5	432.1	3,193.3	381.6	298.4	3,873.4	1,467.9	772.5	8,260.7
Aug.	304.3	479.2	301.0	949.5	471.3	775.9	444.0	3,209.8	381.5	296.1	3,887.4	1,440.7	801.3	8,252.0
Sep.	294.0	489.7	304.6	909.0	460.8	794.5	452.9	3,224.0	383.5	297.8	3,905.3	1,429.8	794.5	8,246.3
Oct.	294.0	484.1	294.2	899.1	455.4	791.7	456.8	3,244.3	381.5	297.9	3,923.6	1,413.8	795.2	8,217.5
Nov.	293.6	480.7	295.0	890.1	459.5	790.8	459.3	3,261.2	382.4	298.8	3,942.5	1,401.8	790.9	8,222.4
Dec.	293.1	478.0	297.3	894.7	462.5	782.2	455.4	3,278.4	382.4	298.6	3,959.4	1,407.1	792.0	8,237.5
2014														
Jan.	297.0	463.3	294.8	887.9	460.2	760.8	454.2	3,296.9	381.0	296.7	3,974.6	1,412.1	795.3	8,209.5
Feb.	294.0	472.2	288.0	891.0	462.3	768.9	466.0	3,315.3	383.8	295.3	3,994.5	1,374.0	786.0	8,225.0
Mar.	299.2	473.8	289.0	882.9	467.6	784.7	465.0	3,341.0	383.4	293.9	4,018.4	1,375.3	792.3	8,263.6
Apr.	309.6	508.1	286.9	876.6	459.4	778.9	453.0	3,360.5	381.9	295.4	4,037.9	1,375.7	844.8	8,241.3
May	306.1	500.0	290.4	867.7	458.1	792.7	452.4	3,389.9	380.1	294.7	4,064.7	1,381.4	829.3	8,284.3
June	306.6	493.1	292.4	854.9	457.6	786.8	450.1	3,416.1	381.9	293.8	4,091.9	1,413.0	612.4	8,534.0
July	403.8	492.2	290.5	845.6	445.5	762.5	449.6	3,442.6	378.6	292.6	4,113.9	1,198.3	636.2	8,365.6
Aug.	427.2	492.5	378.9	840.1	440.6	754.0	450.2	3,460.7	379.2	290.1	4,130.1	1,105.0	734.2	8,284.4
Sep.	423.1	484.3	295.1	844.1	439.8	843.6	461.7	3,478.8	378.1	290.6	4,147.5	1,105.2	721.7	8,322.7

[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.

[4] As from June 2010, statistics are in line with ESA 2010.

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]	Financial corporations[2,3]	Insurance companies and pension funds	Non-financial corporations	Households & non-profit institutions	Total	Other euro area residents	Non-residents of the euro area[3]	
2005	123.5	661.9	16.7	2,738.2	2,166.4	5,706.7	1,955.8	6,379.0	14,041.5
2006	118.4	754.3	20.0	3,092.7	2,542.9	6,528.2	2,348.2	8,601.4	17,477.8
2007	126.8	1,578.8	23.0	3,265.6	2,898.4	7,892.6	2,439.4	15,373.9	25,706.0
2008	111.4	627.3	21.6	3,801.0	3,202.2	7,763.4	3,454.6	20,129.5	31,347.5
2009	111.0	659.8	22.3	4,034.6	3,498.5	8,326.1	2,900.0	16,825.4	28,051.5
2010	118.6	547.5	14.0	4,052.4	3,724.8	8,457.2	5,218.5	11,321.5	24,997.2
2011	150.5	671.7	2.6	4,153.9	3,952.2	8,930.9	4,974.9	9,224.9	23,130.7
2012	130.3	912.9	4.0	3,886.4	4,123.3	9,056.8	3,757.3	9,101.4	21,915.6
2013									
Jan.	129.7	897.4	2.1	3,877.6	4,123.1	9,029.8	3,754.8	9,053.7	21,838.3
Feb.	130.6	942.0	2.4	3,894.0	4,128.4	9,097.4	3,817.3	9,086.3	22,000.9
Mar.	131.0	961.0	2.1	3,944.4	4,148.3	9,186.8	3,514.8	9,099.3	21,801.0
Apr.	132.6	980.9	2.1	3,848.7	4,152.3	9,116.6	3,252.8	8,732.6	21,102.0
May	133.9	960.7	2.1	3,813.5	4,172.4	9,082.5	3,227.2	8,409.1	20,718.8
June	134.7	953.1	2.4	3,789.5	4,197.1	9,076.8	3,181.3	8,020.7	20,278.8
July	134.9	932.4	2.1	3,753.1	4,210.8	9,033.2	3,109.4	7,894.8	20,037.4
Aug.	137.7	924.6	2.1	3,766.2	4,222.6	9,053.3	3,061.3	7,910.9	20,025.5
Sep.	138.7	910.7	3.3	3,746.2	4,241.9	9,040.7	2,436.3	8,312.1	19,789.1
Oct.	139.3	893.2	6.9	3,714.2	4,259.1	9,012.7	2,406.4	6,894.4	18,313.5
Nov.	140.9	882.8	3.7	3,710.3	4,275.5	9,013.3	2,233.4	6,509.9	17,756.6
Dec.	142.8	884.8	2.4	3,711.0	4,288.9	9,029.8	2,138.5	5,864.5	17,032.8
2014									
Jan.	143.6	892.4	2.4	3,665.1	4,301.2	9,004.8	2,077.7	5,758.1	16,840.5
Feb.	144.8	857.5	2.1	3,686.8	4,319.8	9,010.9	2,089.9	5,154.8	16,255.7
Mar.	145.2	850.1	3.0	3,703.3	4,354.4	9,055.9	2,094.5	5,001.4	16,151.9
Apr.	146.3	850.1	2.1	3,727.6	4,359.9	9,086.1	1,697.3	5,468.9	16,252.3
May	143.0	859.5	2.0	3,721.9	4,387.3	9,113.5	1,708.7	5,491.8	16,314.1
June	141.2	892.1	3.0	3,679.9	4,430.2	9,146.4	1,665.7	4,467.2	15,279.3
July	139.1	677.8	3.0	3,660.0	4,522.0	9,001.9	1,681.2	4,611.9	15,295.0
Aug.	155.4	581.7	2.9	3,817.4	4,461.2	9,018.6	1,669.3	4,778.6	15,466.5
Sep.	163.8	586.2	3.3	3,809.0	4,482.1	9,044.4	1,734.8	4,931.9	15,711.1

[1] Includes the extra-budgetary units.

[2] Financial corporations consist of other monetary financial institutions (OMFIs), MMFs, Non-MMF Investment Funds, other financial intermediaries and financial auxiliaries and Captive Financial Institutions and Money Lenders. Loans exclude OMFIs' deposits and reverse repos placed with the Central Bank of Malta and with other OMFIs.

[3] As from June 2010, statistics are in line with ESA 2010.

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			
	MTL[2]		EUR		Other		MTL[2]		EUR		Other		MTL[1]	EUR[2]	Other[2]	
	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		355.1	325.0	8,457.2
2011			1,050.2	2,966.3	87.7	49.7			277.2	3,662.6	2.5	9.9		480.2	344.6	8,930.9
2012			964.3	2,787.9	88.1	46.1			270.6	3,845.8	3.1	3.7		728.6	318.6	9,056.8
2013																
Jan.			974.0	2,771.7	87.9	44.1			264.0	3,853.1	2.3	3.8		722.5	306.6	9,029.8
Feb.			988.2	2,764.5	118.4	22.9			262.8	3,859.5	2.4	3.6		728.1	346.9	9,097.4
Mar.			1,019.2	2,786.7	115.8	22.8			264.1	3,877.7	2.9	3.6		730.9	363.2	9,186.8
Apr.			989.9	2,745.4	91.3	22.0			262.4	3,883.7	2.7	3.6		726.9	388.7	9,116.6
May			971.2	2,725.0	73.2	44.0			262.8	3,903.4	2.7	3.5		724.1	372.5	9,082.5
June			948.7	2,730.0	67.1	43.7			263.1	3,927.6	2.9	3.5		719.8	370.4	9,076.8
July			931.3	2,712.6	69.7	39.5			259.6	3,945.0	2.8	3.4		713.9	355.4	9,033.2
Aug.			948.5	2,708.0	70.0	39.7			255.2	3,961.3	2.8	3.3		714.0	350.5	9,053.3
Sep.			954.2	2,683.6	67.3	41.2			257.8	3,977.9	2.7	3.5		721.4	331.3	9,040.7
Oct.			933.7	2,670.7	69.6	40.1			256.7	3,996.3	2.6	3.4		724.6	314.8	9,012.7
Nov.			940.5	2,664.5	65.0	40.3			256.5	4,013.0	2.6	3.5		721.8	305.6	9,013.3
Dec.			947.6	2,655.4	71.1	36.8			255.4	4,027.5	2.5	3.5		721.4	308.5	9,029.8
2014																
Jan.			912.7	2,650.6	64.6	37.2			253.1	4,041.9	2.7	3.5		725.0	313.4	9,004.8
Feb.			915.7	2,667.9	65.9	37.3			254.0	4,059.8	2.6	3.5		706.3	298.1	9,010.9
Mar.			923.9	2,676.9	65.2	37.2			251.9	4,096.6	2.4	3.5		709.1	289.2	9,055.9
Apr.			927.8	2,658.2	104.9	36.8			250.8	4,103.3	2.4	3.4		709.8	288.8	9,086.1
May			939.8	2,637.7	106.9	37.3			250.6	4,130.7	2.4	3.5		710.9	293.5	9,113.5
June			925.0	2,608.0	110.8	36.1			177.9	4,245.0	2.5	4.7		745.7	290.6	9,146.4
July			932.7	2,583.2	107.9	36.2			199.6	4,314.5	2.7	5.2		649.9	169.9	9,001.9
Aug.			960.5	2,720.1	99.6	37.3			169.6	4,283.6	2.8	5.2		602.6	137.4	9,018.6
Sep.			967.9	2,704.0	100.5	36.5			173.9	4,300.1	3.0	5.1		612.4	140.9	9,044.4

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

[2] As from June 2010, statistics are in line with ESA 2010.

Table 1.14 Aggregated statement of assets and liabilities - investment funds[1,7] *(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	53.9	34.7	624.0	7.9	236.2	2,443.9	32.7	3,433.4
2006	23.4	51.2	690.3	7.0	210.1	3,571.8	16.6	4,570.4
2007	36.9	4.0	498.9	6.4	205.1	5,792.8	12.0	6,556.2
2008	21.8	2.8	421.8	3.9	134.7	3,989.6	9.4	4,583.9
2009	37.8	16.0	403.4	4.8	149.5	5,922.5	5.6	6,539.6
2010	63.1	9.2	420.0	6.0	185.5	6,670.1	6.9	7,360.7
2011	59.8	0.0	400.5	240.8	141.5	6,477.5	8.0	7,328.2
2012	65.8	0.5	418.9	1,217.7	158.2	11,561.8	9.7	13,432.5
2013	86.9	11.3	389.3	318.8	506.0	6,557.4	4.1	7,873.8
2014								
Mar.	77.9	15.0	483.1	380.9	545.4	7,086.2	12.2	8,600.6
June	173.7	13.0	496.6	385.5	264.6	8,012.1	7.5	9,353.0
Sep.	145.5	5.0	533.7	392.4	290.6	6,900.2	3.0	8,270.5

Table 1.14 Aggregated statement of assets and liabilities - investment funds[1,7] *(liabilities)*

EUR millions

End of period	Loans	Shareholders' units/ funds[4]	External liabilities[5]	Other liabilities[6]	Total liabilities
2005	0.2	3,292.2	133.6	7.4	3,433.4
2006	0.4	4,361.1	205.3	3.6	4,570.4
2007	0.3	6,211.8	340.8	3.3	6,556.2
2008	1.9	4,342.6	235.2	4.2	4,583.9
2009	2.1	6,219.3	312.9	5.3	6,539.6
2010	1.8	6,932.3	422.2	4.4	7,360.7
2011	0.1	6,925.9	398.7	3.5	7,328.2
2012	0.2	12,776.4	651.5	4.4	13,432.5
2013	0.2	7,479.6	392.3	1.7	7,873.7
2014					
Mar.	0.2	8,229.9	369.0	1.4	8,600.6
June	0.2	9,004.9	347.0	1.0	9,353.0
Sep.	0.2	7,915.4	353.9	1.1	8,270.5

[1] 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.

[7] Statistics are in line with ESA 2010.

Table 1.15 Aggregated statement of assets and liabilities - insurance corporations[1,9] *(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
2005	88.6	353.9	165.0	666.2	180.0	1,453.6
2006	114.2	359.9	168.8	960.8	168.5	1,772.2
2007	169.2	389.2	183.2	1,222.1	180.0	2,143.7
2008	280.4	438.7	202.3	1,475.9	205.5	2,602.8
2009	411.2	486.6	184.6	2,644.7	182.0	3,909.1
2010	383.6	550.6	192.8	4,014.6	167.4	5,308.9
2011	408.7	514.6	181.1	8,685.0	177.9	9,967.4
2012	377.0	575.4	191.5	8,890.3	367.3	10,401.5
2013	416.1	525.0	218.8	9,563.3	386.3	11,109.5
2014						
Mar.	485.3	531.8	228.5	9,691.4	385.1	11,322.1
June	462.0	551.5	216.8	9,738.5	390.4	11,359.2

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

EUR millions

End of period	Loans	Shares and other equity	Insurance technical reserves[5]	External liabilities[6,8]	Other liabilities[7,8]	Total liabilities
2005	16.5	283.1	891.5	206.8	55.8	1,453.6
2006	15.9	384.0	918.7	387.9	65.7	1,772.2
2007	19.6	465.5	1,097.4	483.5	77.7	2,143.7
2008	19.4	579.1	1,288.5	626.1	89.7	2,602.8
2009	20.6	970.8	1,429.4	1,366.1	122.3	3,909.1
2010	25.1	1,962.4	1,627.3	1,519.9	174.2	5,308.9
2011	17.2	2,571.7	1,680.9	5,413.7	283.9	9,967.4
2012	19.1	2,770.5	6,720.5	541.8	349.6	10,401.5
2013	18.7	2,450.4	7,615.9	663.4	361.1	11,109.5
2014						
Mar.	18.8	2,504.6	7,736.7	633.9	428.1	11,322.1
June	28.0	2,409.2	7,859.5	707.5	355.0	11,359.2

[1] Comprising the resident insurance companies.

[2] Includes loans.

[3] Includes deposits, securities, investment fund shares/units, financial derivatives and other assets with non-resident counterparties.

[4] Mainly includes financial derivatives with resident counterparties, non-financial assets including fixed assets, other assets and accruals.

[5] Comprising investment linked life-assurance policies, prepayments of premiums, reserves for outstanding claims and other insurance technical reserves.

[6] Includes loans, securities, financial derivatives and other accounts payable to non-resident counterparties.

[7] Mainly includes financial derivatives with resident counterparties, other liabilities and accruals.

[8] Following a reclassification exercise, as from Q1 2009, certain instruments were shifted from "External Assets" to the "Fixed and other assets" column.

[9] Statistics are in line with ESA 2010.

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	Non-financial corporations	Total	General government	Financial corporations	Non-financial corporations	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[2]	3,989.2	858.9	331.3	5,179.4	290.9	-429.7	14.5	-124.2	666.5
2011	4,312.1	1,596.5	334.3	6,242.9	322.9	736.6	-3.4	1,056.1	7.4
2012	4,505.8	1,210.2	316.8	6,032.8	193.7	-386.3	-14.0	-206.6	-3.5
2013	4,859.0	1,853.8	288.4	7,001.2	353.2	644.3	-20.0	977.6	-9.1
2014									
Q1	5,113.5	2,065.4	288.0	7,466.9	254.5	211.5	-0.5	465.6	0.2
Q2	5,388.4	2,192.9	326.9	7,908.3	274.9	126.7	36.9	438.5	2.9
Q3	5,231.0	1,795.7	342.9	7,369.6	-157.4	-401.2	0.0	-558.7	19.9

[1] Amounts are at nominal prices.
[2] As from June 2010, statistics are in line with ESA 2010.
[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 corporations	Total	Financial corporations	Non-financial corporations	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[3]	3,443.3	562.4	4,005.7	0.3	96.4	96.7	1,065.0
2011	3,555.0	462.5	4,017.5	15.2	0.0	15.2	-3.5
2012	4,820.3	508.1	5,328.4	243.3	15.3	258.6	1,052.3
2013	5,657.7	723.5	6,381.2	148.4	29.7	178.2	874.6
2014							
Q1	5,400.1	754.9	6,155.0	0.1	0.0	0.1	-226.3
Q2	5,411.9	773.0	6,184.8	139.0	0.0	139.0	-109.2
Q3	6,112.0	840.1	6,952.1	78.7	0.0	78.7	688.6

[1] Amounts are at market prices.
[2] Net valuation changes reflect market price and exchange rate changes.
[3] As from June 2010, statistics are in line with ESA 2010.
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	2014 July	2014 Aug.	2014 Sep.
NEW BUSINESS									
Deposits	**3.04**	**1.74**	**2.10**	**2.55**	**2.11**	**1.95**	**1.37**	**0.92**	**0.95**
Households and NPISH									
Time deposits with agreed maturity	3.31	2.23	2.50	2.85	2.38	2.11	1.70	2.10	1.56
up to 1 year	3.06	1.95	2.03	1.99	1.91	1.84	1.46	1.48	1.32
over 1 and up to 2 years	4.60	3.00	3.00	3.41	3.49	2.70	2.19	2.47	2.45
over 2 years	4.77	3.44	3.86	3.65	3.80	3.11	2.57	2.56	2.35
Non-financial corporations									
Time deposits with agreed maturity	2.60	0.85	1.51	1.93	1.72	1.60	0.93	0.53	0.51
Loans (excluding credit card debt, revolving loans & overdrafts)	**4.88**	**4.49**	**4.71**	**4.10**	**4.22**	**3.77**	**3.65**	**4.07**	**3.62**
Households and NPISH	4.88	4.49	4.20	3.82	4.00	3.54	3.37	3.36	3.42
Lending for house purchase	3.84	3.51	3.43	3.38	3.40	3.03	2.83	2.91	2.80
Consumer credit	6.12	6.02	5.81	5.04	5.66	5.32	5.38	5.36	5.11
Other lending	6.44	5.56	5.86	5.60	5.61	5.21	5.04	5.40	5.50
APRC[2] for loans to households and NPISH	4.63	4.05	3.94	3.78	3.82	3.52	4.06	4.48	4.08
Lending for house purchase	4.35	3.70	3.63	3.60	3.56	3.28	3.87	4.37	3.94
Consumer credit	6.25	6.10	5.89	5.12	5.64	5.34	5.40	5.38	5.20
Non-financial corporations									
Loans	5.50	4.95	4.86	4.28	4.26	3.89	3.70	4.82	3.31
OUTSTANDING AMOUNTS									
Deposits	**2.60**	**1.46**	**1.38**	**1.41**	**1.42**	**1.41**	**1.26**	**1.19**	**1.14**
Households and NPISH	2.74	1.57	1.50	1.54	1.56	1.57	1.42	1.37	1.31
Overnight deposits[3]	0.57	0.30	0.28	0.31	0.32	0.35	0.26	0.20	0.17
Savings deposits redeemable at notice[3,4]	2.05	1.68	1.59	1.51	1.54	1.93	1.79	1.56	1.44
up to 3 months	2.09	1.70	1.69	1.61	1.60	1.55	1.41	1.05	1.09
Time deposits with agreed maturity	3.82	2.35	2.30	2.38	2.47	2.52	2.40	2.37	2.34
up to 2 years	3.90	2.22	2.08	2.05	2.07	2.07	1.91	1.88	1.85
over 2 years	3.19	3.06	3.16	3.21	3.42	3.55	3.55	3.53	3.52
Non-financial corporations	1.73	0.86	0.81	0.84	0.79	0.72	0.60	0.53	0.48
Overnight deposits[3]	0.64	0.23	0.24	0.30	0.28	0.30	0.24	0.22	0.18
Time deposits with agreed maturity	3.38	1.99	2.09	2.09	2.11	2.04	1.78	1.33	1.40
up to 2 years	3.39	1.89	1.97	2.00	1.99	1.91	1.65	1.21	1.26
over 2 years	3.26	3.35	3.24	3.13	3.06	3.12	2.92	2.97	2.93
Loans	**5.03**	**4.58**	**4.38**	**4.44**	**4.32**	**4.24**	**4.11**	**4.09**	**4.06**
Households and NPISH	4.57	4.15	4.06	4.02	3.95	3.86	3.78	3.76	3.72
Lending for house purchase	4.03	3.51	3.46	3.43	3.40	3.34	3.29	3.28	3.26
Consumer credit and other lending[5]	5.80	5.67	5.58	5.66	5.59	5.55	5.46	5.47	5.34
Non-financial corporations[5]	5.43	4.96	4.67	4.85	4.73	4.70	4.52	4.48	4.48
Revolving loans and overdrafts									
Households and NPISH	7.16	6.44	5.75	6.12	5.84	5.78	5.71	5.71	5.24
Non-financial corporations	5.30	5.08	5.03	5.07	5.26	5.18	5.01	4.99	5.11

[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	2014 July	2014 Aug.	2014 Sep.
NEW BUSINESS									
Deposits	**2.72**	**1.90**	**1.65**	**2.57**	**2.13**	**2.47**	**1.51**	**1.18**	**1.21**
Households and NPISH									
Time deposits with agreed maturity	3.31	2.24	2.44	2.83	2.38	2.10	1.74	2.13	1.60
up to 1 year	3.05	1.97	1.96	1.99	1.93	1.84	1.49	1.62	1.35
over 1 and up to 2 years	4.60	3.00	3.01	3.41	3.49	2.73	2.21	2.48	2.49
over 2 years	4.77	3.44	3.86	3.65	3.80	3.11	2.63	2.64	2.41
Non-financial corporations									
Time deposits with agreed maturity	2.06	1.44	1.11	2.17	1.80	2.67	1.25	0.87	0.98
Loans (excluding credit card debt, revolving loans & overdrafts)	**4.88**	**4.48**	**4.45**	**4.09**	**4.15**	**3.51**	**3.50**	**3.90**	**3.79**
Households and NPISH	4.88	4.48	4.20	3.81	4.00	3.48	3.36	3.36	3.42
Lending for house purchase	3.84	3.51	3.42	3.38	3.40	3.05	2.83	2.92	2.80
Consumer credit	6.12	6.01	5.81	5.04	5.66	4.40	5.38	5.36	5.11
Other lending	6.43	5.56	5.86	5.60	5.61	5.13	5.04	5.40	5.50
APRC[2] for loans to households and NPISH	4.63	4.05	3.94	3.78	3.82	3.45	4.05	4.48	4.08
Lending for house purchase	4.35	3.70	3.63	3.60	3.56	3.30	3.86	4.37	3.94
Consumer credit	6.25	6.09	5.89	5.12	5.64	4.41	5.39	5.38	5.20
Non-financial corporations									
Loans	4.93	4.42	4.52	4.20	4.18	3.53	3.34	4.32	3.69
OUTSTANDING AMOUNTS									
Deposits	**2.62**	**1.47**	**1.37**	**1.41**	**1.43**	**1.39**	**1.28**	**1.20**	**1.14**
Households and NPISH	2.74	1.58	1.49	1.54	1.56	1.57	1.42	1.37	1.31
Overnight deposits[3]	0.57	0.30	0.28	0.30	0.32	0.35	0.26	0.20	0.17
Savings deposits redeemable at notice[3,4]	2.09	1.70	1.69	1.63	1.61	2.04	1.86	1.64	1.47
up to 3 months	2.09	1.70	1.69	1.63	1.61	1.55	1.41	1.05	1.09
Time deposits with agreed maturity	3.82	2.36	2.29	2.39	2.48	2.52	2.40	2.38	2.34
up to 2 years	3.89	2.21	2.08	2.05	2.09	2.08	1.92	1.88	1.85
over 2 years	3.24	3.10	3.16	3.22	3.44	3.56	3.55	3.55	3.54
Non-financial corporations	2.00	0.92	0.84	0.90	0.85	0.77	0.73	0.60	0.54
Overnight deposits[3]	0.65	0.23	0.25	0.30	0.29	0.30	0.23	0.21	0.17
Time deposits with agreed maturity	3.56	2.04	1.88	2.02	2.06	1.55	1.99	1.49	1.53
up to 2 years	3.57	1.93	1.71	1.93	1.96	1.45	1.92	1.38	1.42
over 2 years	3.28	3.13	3.33	2.99	2.95	2.81	2.64	2.67	2.65
Loans	**4.94**	**4.29**	**4.32**	**4.38**	**4.19**	**4.19**	**4.08**	**4.06**	**4.03**
Households and NPISH	4.57	4.15	4.06	4.02	3.95	3.86	3.77	3.76	3.72
Lending for house purchase	4.03	3.51	3.46	3.43	3.40	3.34	3.29	3.28	3.26
Consumer credit and other lending[5]	5.79	5.67	5.58	5.66	5.59	5.53	5.44	5.44	5.31
Non-financial corporations[5]	5.20	4.40	4.54	4.66	4.39	4.51	4.38	4.35	4.35
Revolving loans and overdrafts									
Households and NPISH	7.16	6.45	5.76	6.12	5.84	5.79	5.71	5.71	5.24
Non-financial corporations	5.14	5.08	5.02	5.07	5.25	5.16	5.01	5.00	5.07

[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	2014 Mar.	2014 June	2014 Sep.
INTEREST RATES (%)[1]									
Key ECB interest rates[2]									
Marginal lending facility	3.00	1.75	1.75	1.75	1.50	0.75	0.75	0.40	0.30
Main refinancing operations - minimum bid rate	2.50	1.00	1.00	1.00	0.75	0.25	0.25	0.15	0.05
Deposit facility	2.00	0.25	0.25	0.25	0.00	0.00	0.00	-0.10	-0.20
Money market rates (period averages)									
Overnight deposit (EONIA)	3.86	0.72	0.44	0.87	0.23	0.09	0.18	0.19	0.02
Rates for fixed term deposits (EURIBOR)									
1 month	4.27	0.90	0.57	1.18	0.33	0.13	0.22	0.22	0.07
3 months	4.63	1.23	0.81	1.39	0.57	0.22	0.30	0.30	0.17
6 months	4.72	1.44	1.08	1.64	0.83	0.34	0.40	0.39	0.26
1 year	4.81	1.62	1.35	2.01	1.11	0.54	0.56	0.57	0.44
Government securities									
Treasury bills (primary market)									
1 month	-	-	-	1.20	-	-	-	0.17	-
3 month	3.65	1.40	0.99	0.82	0.85	0.39	0.37	0.21	0.12
6 month	2.75	1.52	1.10	1.33	1.15	0.44	0.64	0.38	0.15
1 year	-	-	-	-	-	-	-	-	-
Treasury bills (secondary market)									
1 month	2.64	1.36	0.77	0.85	0.94	0.40	0.32	0.19	0.04
3 month	2.64	1.40	0.94	0.97	1.00	0.40	0.37	0.29	0.09
6 month	2.65	1.46	1.23	0.99	1.05	0.54	0.61	0.40	0.12
1 year	2.73	1.69	1.28	1.26	1.26	0.70	0.66	0.43	0.18
Government long-term debt securities (period averages)									
2 year	3.43	2.41	1.88	2.41	1.90	1.00	0.85	0.77	0.49
5 year	4.01	3.66	3.05	3.48	3.01	2.13	2.00	1.78	1.24
10 year	4.53	4.54	4.19	4.49	4.13	3.36	3.01	2.87	2.49
15 year	4.76	4.96	n/a	n/a	n/a	4.35	4.16	3.89	3.34
MALTA STOCK EXCHANGE SHARE INDEX	3,208	3,461	3,781	3,095	3,212	3,686	3,424	3,298	3,333

[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 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.

Monetary, Banking and Financial Markets

Table 1.21 Non-consolidated financial accounts of the Maltese economy *(financial assets)*

EUR millions

Issuing sectors broken down by financial instrument	2006	2007	2008	2009	2010	2011	2012
Total economy	**86,050**	**102,816**	**113,280**	**114,011**	**133,724**	**136,499**	**142,643**
Monetary gold and SDRs	42	50	17	110	115	118	120
Currency	1,134	630	671	721	747	798	814
Deposits	23,965	31,551	39,137	38,493	41,515	42,547	43,875
Debt securities	15,873	14,962	14,447	17,045	20,753	22,917	26,207
Loans	25,355	33,958	36,357	33,476	39,760	38,863	38,485
Shares and other equity	13,427	14,029	13,637	15,462	21,584	21,415	22,116
Insurance technical reserves	1,021	1,199	1,222	1,423	1,623	1,678	1,821
Other accounts receivable	5,232	6,437	7,792	7,281	7,628	8,164	9,206
Financial corporations[1]	**34,863**	**42,566**	**47,223**	**47,277**	**55,899**	**56,680**	**59,468**
Monetary gold and SDRs	42	50	17	110	115	118	120
Currency	82	86	83	87	82	92	94
Deposits	3,506	5,868	6,897	7,825	2,488	2,574	2,886
Debt securities	14,081	13,057	12,038	14,453	17,856	19,748	22,752
Loans	15,336	21,675	26,487	22,735	33,350	32,207	31,587
Shares and other equity	1,533	1,464	1,231	1,524	1,605	1,566	1,622
Insurance technical reserves	3	2	1	2	3	2	2
Other accounts receivable	279	364	469	541	401	374	405
General government	**1,510**	**1,662**	**1,610**	**1,780**	**1,943**	**2,161**	**2,461**
Currency	0	0	0	0	0	0	0
Deposits	432	488	476	577	589	655	424
Debt securities	0	0	0	0	0	0	0
Loans	26	27	33	30	63	148	268
Shares and other equity	843	836	740	798	856	844	1,097
Insurance technical reserves	-	-	-	-	-	-	-
Other accounts receivable	209	311	361	375	435	514	671
Non-financial corporations[2]	**10,483**	**11,828**	**12,695**	**14,080**	**15,203**	**16,200**	**16,341**
Currency	20	25	34	57	40	36	36
Deposits	1,196	1,486	1,432	1,620	1,932	2,235	2,430
Debt securities	71	82	80	80	80	87	91
Loans	2,349	2,670	3,228	3,771	4,338	4,735	4,761
Shares and other equity	3,281	3,722	3,852	4,220	4,412	4,727	4,528
Insurance technical reserves	29	18	17	59	57	48	49
Other accounts receivable	3,536	3,826	4,051	4,273	4,344	4,333	4,446
Households and non-profit institutions	**13,178**	**13,523**	**13,815**	**14,805**	**15,608**	**15,911**	**16,673**
Currency	1,032	520	553	576	626	670	684
Deposits	6,140	7,000	7,246	7,163	7,406	7,698	8,068
Debt securities	1,445	1,516	1,650	1,970	2,179	2,392	2,573
Loans	431	456	440	572	683	581	581
Shares and other equity	2,986	2,674	2,546	3,016	2,958	2,726	2,803
Insurance technical reserves	989	1,179	1,204	1,362	1,562	1,628	1,770
Other accounts receivable	155	178	176	144	194	216	195
Rest of the world	**26,017**	**33,237**	**37,937**	**36,070**	**45,072**	**45,546**	**47,699**
Currency	-	-	-	-	-	-	-
Deposits	12,691	16,708	23,086	21,308	29,101	29,384	30,067
Debt securities	275	308	679	542	638	690	791
Loans	7,212	9,129	6,169	6,368	1,325	1,192	1,287
Shares and other equity	4,785	5,333	5,269	5,905	11,754	11,552	12,065
Insurance technical reserves	-	-	-	-	-	-	-
Other accounts receivable	1,053	1,758	2,734	1,948	2,254	2,727	3,489

[1] Including the international banking institutions.

[2] Including the subsidiary holding corporations.

Table 1.21 Non-consolidated financial accounts of the Maltese economy *(liabilities)*

EUR millions

Issuing sectors broken down by financial instrument	2006	2007	2008	2009	2010	2011	2012
Total economy	**86,008**	**102,766**	**113,263**	**113,901**	**133,609**	**136,381**	**142,523**
Currency	1,134	630	671	721	747	798	814
Deposits	23,965	31,551	39,137	38,493	41,515	42,547	43,875
Debt securities	15,873	14,962	14,447	17,045	20,753	22,916	26,207
Loans	25,355	33,958	36,357	33,476	39,760	38,863	38,485
Shares and other equity	13,427	14,029	13,637	15,462	21,584	21,415	22,115
Insurance technical reserves	1,021	1,198	1,222	1,423	1,623	1,678	1,821
Other accounts payable	5,232	6,437	7,792	7,281	7,628	8,164	9,207
Net Financial Assets/Liabilities	*42*	*50*	*17*	*110*	*115*	*118*	*120*
Financial corporations[1]	**35,777**	**43,408**	**47,699**	**47,604**	**56,356**	**57,061**	**59,421**
Currency	1,113	610	629	673	701	738	758
Deposits	20,865	26,683	33,428	32,557	40,573	41,499	42,845
Debt securities	143	221	506	478	612	752	865
Loans	6,289	7,969	5,040	5,176	52	57	70
Shares and other equity	5,997	5,777	5,436	6,667	12,221	11,797	12,462
Insurance technical reserves	1,021	1,198	1,222	1,423	1,623	1,678	1,821
Other accounts payable	349	950	1,437	629	574	541	600
Net Financial Assets/Liabilities	*-915*	*-842*	*-476*	*-327*	*-458*	*-381*	*47*
General government	**3,923**	**4,015**	**4,513**	**4,800**	**5,134**	**5,566**	**5,961**
Currency	-	8	31	37	41	46	50
Deposits	-	-	-	-	-	-	-
Debt securities	3,297	3,309	3,663	3,994	4,307	4,625	4,890
Loans	266	273	284	237	237	260	346
Shares and other equity	-	-	-	-	-	-	-
Insurance technical reserves	-	-	-	-	-	-	-
Other accounts payable	360	425	535	532	549	634	674
Net Financial Assets/Liabilities	*-2,413*	*-2,352*	*-2,903*	*-3,021*	*-3,192*	*-3,404*	*-3,499*
Non-financial corporations[2]	**15,533**	**17,357**	**18,757**	**20,219**	**21,800**	**22,755**	**22,623**
Currency	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-
Debt securities	507	550	522	690	776	757	750
Loans	6,404	7,056	7,963	8,929	9,747	10,152	9,863
Shares and other equity	5,839	6,626	6,820	7,094	7,510	7,870	7,824
Insurance technical reserves	-	1	-	-	-	-	-
Other accounts payable	2,783	3,124	3,453	3,507	3,766	3,976	4,185
Net Financial Assets/Liabilities	*-5,051*	*-5,529*	*-6,063*	*-6,140*	*-6,597*	*-6,555*	*-6,282*
Households and non-profit institutions	**3,415**	**3,749**	**4,147**	**4,561**	**4,820**	**5,047**	**5,164**
Currency	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-
Loans	2,636	2,977	3,308	3,649	3,884	4,092	4,262
Shares and other equity	-	-	-	-	-	-	-
Insurance technical reserves	-	-	-	-	-	-	-
Other accounts payable	779	771	839	912	936	955	902
Net Financial Assets/Liabilities	*9,762*	*9,774*	*9,668*	*10,243*	*10,788*	*10,864*	*11,510*
Rest of the world	**27,359**	**34,238**	**38,146**	**36,716**	**45,498**	**45,952**	**49,355**
Currency	21	12	10	10	5	14	6
Deposits	3,100	4,868	5,709	5,935	942	1,047	1,029
Debt securities	11,926	10,883	9,756	11,883	15,056	16,782	19,702
Loans	9,760	15,683	19,762	15,484	25,840	24,303	23,944
Shares and other equity	1,592	1,626	1,381	1,702	1,853	1,748	1,829
Insurance technical reserves	-	-	-	-	-	-	-
Other accounts payable	960	1,167	1,527	1,702	1,802	2,058	2,845
Net Financial Assets/Liabilities	*-1,342*	*-1,001*	*-209*	*-647*	*-426*	*-406*	*-1,656*

[1] Including the international banking institutions.

[2] Including the subsidiary holding corporations.

Government Finance

Table 2.1 General government revenue and expenditure[1]

EUR millions

Period	Revenue			Expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)[2]
	Current	Capital	Total	Current	Capital	Total		
2005	1,872.7	163.0	2,035.7	1,933.5	241.0	2,174.5	-138.9	55.3
2006	1,978.8	158.9	2,137.7	2,031.7	246.8	2,278.5	-140.8	58.6
2007	2,174.4	63.7	2,238.1	2,142.9	225.7	2,368.6	-130.5	69.7
2008	2,311.0	40.0	2,351.0	2,429.8	179.4	2,609.2	-258.2	-53.2
2009	2,306.3	58.9	2,365.3	2,382.7	186.8	2,569.5	-204.2	-3.4
2010	2,379.9	110.0	2,489.9	2,484.7	223.1	2,707.8	-217.9	-14.7
2011	2,525.0	113.2	2,638.2	2,586.5	233.7	2,820.2	-182.0	35.9
2012	2,653.9	145.4	2,799.3	2,757.6	304.9	3,062.5	-263.2	-46.8
2013	2,847.5	144.1	2,991.6	2,889.3	304.2	3,193.5	-202.0	18.2
2013								
Q1	657.6	20.3	677.9	696.3	90.4	786.7	-108.8	-52.1
Q2	697.3	31.1	728.4	711.3	52.3	763.7	-35.3	18.6
Q3	654.7	37.4	692.1	717.0	69.7	786.7	-94.6	-36.6
Q4	837.8	55.3	893.1	764.7	91.8	856.5	36.7	88.3
2014								
Q1	662.9	37.2	700.1	747.0	84.3	831.3	-131.2	-75.3
Q2	751.2	49.7	800.9	774.8	82.7	857.5	-56.6	1.5

Table 2.2 General government revenue by main components[1]

EUR millions

Period	Current revenue							Capital revenue			Total	Memo: Fiscal burden[3]
	Direct taxes	Indirect taxes	Social security contributions	Sales	Property income	Other	Total	Capital taxes	Capital transfers	Total		
2005	559.5	725.1	380.2	120.9	73.1	14.0	1,872.7	17.5	145.5	163.0	2,035.7	1,682.2
2006	609.8	767.0	389.8	124.6	68.8	18.9	1,978.8	14.7	144.3	158.9	2,137.7	1,781.1
2007	726.0	811.3	398.3	139.3	78.0	21.6	2,174.4	15.7	48.0	63.7	2,238.1	1,951.2
2008	742.8	844.0	432.0	191.2	74.5	26.6	2,311.0	15.1	24.9	40.0	2,351.0	2,033.8
2009	795.4	819.5	434.9	164.2	71.4	20.9	2,306.3	14.0	44.9	58.9	2,365.3	2,063.9
2010	807.8	853.8	456.5	153.5	86.8	21.5	2,379.9	14.7	95.3	110.0	2,489.9	2,132.8
2011	849.4	916.5	486.7	165.9	81.7	24.8	2,525.0	14.8	98.4	113.2	2,638.2	2,267.4
2012	934.9	927.5	504.3	158.6	92.1	36.5	2,653.9	16.1	129.3	145.4	2,799.3	2,382.9
2013	1,043.3	978.5	524.8	168.6	100.8	31.4	2,847.5	12.7	131.3	144.1	2,991.6	2,559.4
2013												
Q1	246.6	206.1	122.3	39.4	35.8	7.5	657.6	2.7	17.6	20.3	677.9	577.6
Q2	278.2	231.0	125.8	37.4	18.3	6.7	697.3	3.1	27.9	31.1	728.4	638.1
Q3	203.5	263.3	121.1	40.1	18.2	8.5	654.7	2.3	35.1	37.4	692.1	590.2
Q4	315.0	278.2	155.7	51.7	28.6	8.7	837.8	4.6	50.7	55.3	893.1	753.4
2014												
Q1	207.6	240.3	131.8	39.3	36.2	7.8	662.9	2.5	34.7	37.2	700.1	582.2
Q2	297.5	247.1	136.6	44.3	16.4	9.3	751.2	3.1	46.6	49.7	800.9	684.3

[1] Based on ESA 2010 methodology. Data are provisional.

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

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

Sources: Eurostat; NSO.

Government Finance

Table 2.3 General government expenditure by main components[1]

EUR millions

Period	Current expenditure							Capital expenditure			Total
	Compensation of employees	Social benefits	Interest	Intermediate consumption	Subsidies	Other	Total	Investment	Capital transfers	Total [2]	
2005	676.3	642.7	194.2	247.0	85.2	88.1	1,933.5	234.7	40.9	241.0	2,174.5
2006	686.5	666.5	199.3	295.2	93.8	90.2	2,031.7	214.5	40.3	246.8	2,278.5
2007	715.8	718.6	200.3	305.5	97.9	104.9	2,142.9	217.4	35.4	225.7	2,368.6
2008	846.2	756.6	205.0	390.6	115.1	116.3	2,429.8	149.4	41.9	179.4	2,609.2
2009	838.3	809.4	200.8	362.9	50.0	121.3	2,382.7	148.3	53.8	186.8	2,569.5
2010	855.1	845.1	203.2	400.4	52.8	128.1	2,484.7	146.6	76.5	223.1	2,707.8
2011	882.2	882.7	217.9	425.1	51.0	127.5	2,586.5	191.4	45.8	233.7	2,820.2
2012	923.3	929.7	216.4	475.8	76.9	135.6	2,757.6	227.7	67.0	304.9	3,062.5
2013	977.8	969.2	220.2	462.7	80.3	179.2	2,889.3	208.8	92.1	304.2	3,193.5
2013											
Q1	239.0	230.5	56.7	113.1	17.6	39.4	696.3	44.4	47.1	90.4	786.7
Q2	242.2	255.3	53.9	104.6	16.8	38.6	711.3	47.8	5.7	52.3	763.7
Q3	250.3	241.5	57.9	109.2	22.4	35.7	717.0	53.9	14.2	69.7	786.7
Q4	246.4	241.9	51.6	135.8	23.5	65.5	764.7	62.7	25.1	91.8	856.5
2014											
Q1	258.0	251.6	55.9	110.6	21.3	49.6	747.0	62.2	20.6	84.3	831.3
Q2	263.2	261.0	58.1	134.9	20.7	37.0	774.8	67.0	12.7	82.7	857.5

[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	330.1	44.2	77.0	308.3	74.5	36.1	312.4	31.9	275.6	684.4	2,174.5
2006	352.9	37.7	77.0	314.8	83.2	37.6	330.2	29.5	291.1	724.6	2,278.5
2007	357.5	36.2	81.6	324.8	94.7	34.2	320.9	32.1	300.9	785.7	2,368.6
2008	403.2	38.6	87.1	439.6	95.5	40.6	326.7	36.8	315.4	825.8	2,609.2
2009	441.2	54.7	90.9	293.4	97.9	17.2	320.0	43.7	326.2	884.3	2,569.5
2010	411.6	51.4	94.1	305.0	130.8	17.8	353.2	50.9	369.2	923.7	2,707.7
2011	447.4	57.1	96.4	323.2	89.1	20.1	376.6	58.0	389.0	963.3	2,820.2
2012	471.1	52.3	105.5	368.4	103.7	28.9	410.4	65.4	418.4	1038.4	3,062.5

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

Sources: Eurostat; NSO.

Government Finance

Table 2.5 General government financial balance sheet[1]

EUR millions

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	406.3	0.0	17.9	1,127.6	205.1	1,757.0	0.0	3,420.1	555.3	342.7	4,318.1	-2,561.1
2006	441.2	0.0	15.1	854.7	197.8	1,508.8	0.0	3,296.7	492.1	383.8	4,172.7	-2,663.9
2007	518.7	0.0	16.1	832.3	296.6	1,663.8	8.3	3,308.6	479.9	467.1	4,264.0	-2,600.1
2008	498.0	0.0	21.5	735.9	328.0	1,583.4	31.2	3,662.9	497.1	543.8	4,734.9	-3,151.5
2009	604.5	0.0	18.2	793.9	363.7	1,780.3	37.2	3,994.3	436.4	604.8	5,072.6	-3,292.3
2010	607.5	0.0	51.7	851.5	431.0	1,941.7	41.0	4,307.5	441.9	592.4	5,382.7	-3,441.1
2011	669.8	0.0	136.6	839.7	516.9	2,163.0	45.8	4,625.0	462.0	666.8	5,799.6	-3,636.6
2012	429.8	0.0	256.8	1,094.0	693.1	2,473.7	50.5	4,889.6	346.6	754.7	6,041.4	-3,567.7
2013												
Mar.	545.9	0.0	268.5	1,102.3	744.9	2,661.6	50.8	5,242.7	351.7	716.4	6,361.7	-3,700.1
June	610.2	0.0	289.2	1,116.0	782.7	2,798.1	52.3	5,370.1	366.0	769.8	6,558.2	-3,760.1
Sep.	656.1	0.0	292.9	1,136.6	761.9	2,847.5	54.3	5,486.0	368.6	753.9	6,662.7	-3,815.3
Dec.	406.4	0.0	293.0	1,167.3	779.9	2,646.5	55.3	5,294.2	373.8	718.6	6,441.8	-3,795.4
2014												
Mar.	413.2	0.0	293.3	1,151.2	844.3	2,702.0	55.1	5,613.0	374.4	633.9	6,676.3	-3,974.3
June	933.8	0.0	300.1	1,155.6	852.0	3,241.4	57.1	6,002.8	379.7	954.6	7,394.2	-4,152.8

[1] Based on ESA 2010 methodology. Data are quoted at market prices and should be considered as provisional.

Sources: Eurostat; NSO.

Government Finance

Table 2.6 General government deficit-debt adjustment[1]

EUR millions

Period	Change in debt	Deficit (-)/ surplus (+)	Deficit-debt adjustment						
			Transactions in main financial assets				Valuation effects and other changes in volume	Other[2]	Total
			Currency and deposits	Loans	Debt securities	Shares and other equity			
2005	117.9	-138.9	86.6	0.1	0.0	-55.4	7.8	-60.1	-21.0
2006	-129.8	-140.8	69.6	-2.8	0.0	-220.0	-25.4	-92.0	-270.6
2007	111.8	-130.5	83.3	1.1	0.0	-48.3	-31.8	-23.0	-18.7
2008	253.4	-258.2	-16.3	5.3	0.0	-5.4	32.1	-20.6	-4.8
2009	316.1	-204.2	141.5	-3.3	0.0	-1.0	-7.5	-18.0	111.9
2010	300.6	-217.9	43.2	33.5	0.0	-0.8	15.3	-8.6	82.7
2011	346.9	-182.0	65.3	84.8	0.0	15.6	10.0	-10.9	164.9
2012	62.9	-263.2	-228.4	120.2	0.0	39.8	-201.0	69.1	-200.3
2013	369.0	-202.0	-20.1	36.2	0.0	27.5	2.5	121.0	167.1
2013									
Q1	300.2	-108.8	117.3	11.7	0.0	2.6	-4.8	64.7	191.4
Q2	123.9	-35.3	66.4	20.7	0.0	11.9	3.8	-14.2	88.6
Q3	112.9	-94.6	45.9	3.7	0.0	0.3	-2.6	-28.9	18.4
Q4	-168.0	36.7	-249.7	0.1	0.0	12.7	6.1	99.4	-131.3
2014									
Q1	256.6	-131.2	6.9	0.3	0.0	-4.5	-3.2	125.9	125.4
Q2	262.2	-56.6	519.9	6.8	0.0	10.8	-8.7	-323.1	205.6

[1] Based on ESA 2010 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	88.6	464.0	552.6	3,610.1	371.6
2006	-	373.8	2,617.4	2,991.2	34.9	454.1	489.1	3,480.3	322.1
2007	8.3	354.9	2,753.3	3,108.3	39.8	435.7	475.5	3,592.1	371.8
2008	31.2	365.8	2,954.4	3,320.2	75.6	418.5	494.1	3,845.5	460.1
2009	37.2	474.1	3,216.4	3,690.5	42.5	391.4	433.9	4,161.5	639.6
2010	41.0	377.8	3,603.6	3,981.4	47.9	391.9	439.9	4,462.2	779.0
2011	45.8	257.1	4,046.3	4,303.5	55.4	404.4	459.7	4,809.1	864.2
2012	50.4	154.1	4,322.8	4,476.9	79.7	264.9	344.6	4,871.9	1,186.0
2013									
Mar.	50.8	288.6	4,483.1	4,771.7	78.3	271.3	349.6	5,172.2	1,190.5
June	52.3	335.9	4,543.1	4,879.0	80.4	284.3	364.8	5,296.1	1,185.4
Sep.	54.3	422.7	4,564.7	4,987.3	80.1	287.3	367.4	5,409.0	1,197.7
Dec.	55.3	248.1	4,565.6	4,813.7	20.2	351.8	372.0	5,241.0	1,192.8
2014									
Mar.	55.0	367.2	4,702.7	5,069.9	20.9	351.8	372.7	5,497.6	1,153.6
June	57.1	407.2	4,916.9	5,324.1	29.3	349.3	378.6	5,759.8	1,197.1

[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.

Government Finance

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
2012	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
Apr.	98.1	101.8	0.0	101.8	247.5	44.8	292.3
May	22.3	71.0	8.2	79.2	299.5	49.7	349.2
June	49.8	36.5	0.0	36.5	289.5	46.4	335.9
July	129.8	74.1	0.0	74.1	236.5	43.7	280.2
Aug.	64.8	176.4	0.4	176.8	340.0	52.2	392.2
Sep.	66.5	96.9	0.0	96.9	366.0	56.7	422.7
Oct.	98.4	120.2	0.0	120.2	384.0	60.5	444.5
Nov.	212.1	96.0	0.0	96.0	284.5	43.9	328.4
Dec.	166.9	86.3	0.4	86.7	217.0	31.1	248.1
2014							
Jan.	69.0	106.5	0.0	106.5	259.0	26.7	285.7
Feb.	13.0	91.0	0.0	91.0	314.5	49.2	363.7
Mar.	67.7	71.2	0.0	71.2	315.0	52.2	367.2
Apr.	89.5	93.1	0.7	93.8	316.2	55.3	371.5
May	93.0	88.0	0.4	88.4	318.6	48.3	366.9
June	39.2	79.8	0.0	79.5	368.1	39.1	407.2
July	47.1	47.0	0.0	47.0	369.0	38.1	407.1
Aug.	120.0	65.0	0.0	65.0	319.5	32.6	352.1
Sep.	83.5	40.0	0.0	40.0	277.5	31.0	308.6

[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.

Table 2.9 Treasury bills issued and outstanding[1] *(end-September 2014)*

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/Jul/2014	03/Oct/2014	0.316	N/A	13.5	0.0	13.5	0.0	13.5
04/Apr/2014	03/Oct/2014	0.667	N/A	10.0	0.0	0.0	10.0	10.0
03/Jan/2014	03/Oct/2014	0.520	N/A	3.0	0.0	3.0	0.0	3.0
11/Jul/2014	10/Oct/2014	0.303	0.036	8.5	0.0	8.5	0.0	8.5
11/Apr/2014	10/Oct/2014	0.662	0.036	20.0	0.0	18.0	2.0	20.0
10/Jan/2014	10/Oct/2014	0.500	0.036	2.0	0.0	2.0	0.0	2.0
18/Jul/2014	17/Oct/2014	0.296	0.036	12.0	0.0	12.0	0.0	12.0
17/Apr/2014	17/Oct/2014	0.666	0.036	13.0	0.7	13.0	0.7	13.7
25/Jul/2014	24/Oct/2014	0.294	0.036	8.0	0.0	8.0	0.0	8.0
25/Apr/2014	24/Oct/2014	0.656	0.036	17.0	0.0	15.0	2.0	17.0
01/Aug/2014	31/Oct/2014	0.280	0.039	15.0	0.0	15.0	0.0	15.0
02/May/2014	31/Oct/2014	0.649	0.039	13.5	0.0	13.5	0.0	13.5
09/May/2014	07/Nov/2014	0.650	0.045	23.0	0.4	23.0	0.4	23.4
14/Aug/2014	14/Nov/2014	0.257	0.051	20.0	0.0	20.0	0.0	20.0
22/Aug/2014	21/Nov/2014	0.240	0.057	10.0	0.0	0.0	10.0	10.0
23/May/2014	21/Nov/2014	0.623	0.057	6.0	0.0	6.0	0.0	6.0
29/Aug/2014	28/Nov/2014	0.209	0.063	6.0	0.0	6.0	0.0	6.0
05/Sep/2014	05/Dec/2014	0.175	0.069	5.0	0.0	5.0	0.0	5.0
06/Jun/2014	05/Dec/2014	0.612	0.069	12.0	0.0	12.0	0.0	12.0
12/Sep/2014	12/Dec/2014	0.146	0.075	8.5	0.0	6.5	2.0	8.5
13/Jun/2014	12/Dec/2014	0.399	0.075	17.0	0.0	17.0	0.0	17.0
19/Sep/2014	19/Dec/2014	0.119	0.081	10.0	0.0	10.0	0.0	10.0
20/Jun/2014	19/Dec/2014	0.395	0.081	15.0	0.0	15.0	0.0	15.0
26/Sep/2014	24/Dec/2014	0.068	0.085	13.0	0.0	13.0	0.0	13.0
27/Jun/2014	24/Dec/2014	0.375	0.085	6.0	0.0	6.0	0.0	6.0
25/Jul/2014	23/Jan/2015	0.350	0.098	2.0	0.0	2.0	0.0	2.0
08/Aug/2014	06/Feb/2015	0.322	0.103	10.0	0.0	6.0	4.0	10.0
22/Aug/2014	20/Feb/2015	0.290	0.108	2.0	0.0	2.0	0.0	2.0
12/Sep/2014	13/Mar/2015	0.203	0.116	1.5	0.0	1.5	0.0	1.5
26/Sep/2014	27/Mar/2015	0.150	0.121	2.0	0.0	2.0	0.0	2.0
11/Jul/2014	10/Apr/2015	0.488	0.124	3.0	0.0	3.0	0.0	3.0
Total				307.5	1.1	277.5	31.0	308.6

[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.

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Table 2.10 Malta government long-term debt securities outstanding[1] *(end-September 2014)*

EUR millions

Coupon rate (%)	Year of maturity	Year of issue	Issue price[2]	ISMA Yield (%)[5]	Interest dates	Held by		Amount
						MFIs[6]	Others	
6.45	2014 (II)[4]	2001	100	N/A	24/05 - 24/11	45.1	24.8	69.9
7.00	2014 (IV)[3]	2004	100	N/A	30/06 - 30/12	0.0	4.0	4.0
6.10	2015 (I)[4]	2000	100	0.19	10/06 - 10/12	42.3	27.6	69.9
5.90	2015 (II)[4]	02/03/07	100/102/105	0.20	09/04 - 09/10	56.0	60.5	116.5
7.00	2015 (III)[3]	2005	100	0.23	30/06 - 30/12	0.0	0.7	0.7
7.00	2015 (IV)[3]	2005	100	0.23	03/05 - 03/11	0.0	0.8	0.8
3.75	2015 (VI)[4]	2010	100	0.22	03/06 - 03/12	34.8	96.8	131.5
6.65	2016 (I)[4]	2001	100	0.25	28/03 - 28/09	13.3	56.6	69.9
4.80	2016 (II)[4]	03/04/06	100/101/104	0.34	26/05 - 26/11	83.0	103.4	186.4
7.00	2016 (III)[3]	2006	100	0.36	30/06 - 30/12	0.0	3.4	3.4
4.30	2016 (IV)[3]	2011	100.93	0.29	16/02 - 16/08	133.5	24.6	158.1
3.75	2017 (IV)[4]	2012	102	0.47	20/02 - 20/08	42.4	29.6	72.0
7.00	2017 (I)[3]	2007	100	0.55	18/02 - 18/08	0.0	0.7	0.7
7.00	2017 (II)[3]	2007	100	0.55	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	0.52	06/05 - 06/11	166.6	97.2	263.9
3.85	2018 (V)[4]	2012	105.26	0.63	18/04 - 18/10	116.1	5.3	121.4
7.80	2018 (I)	1998	100	0.69	15/01 - 15/07	78.1	84.9	163.1
7.00	2018 (II)[3]	2008	100	0.81	18/04 - 18/10	0.0	0.3	0.3
7.00	2018 (III)[3]	2008	100	0.81	30/06 - 30/12	0.0	6.5	6.5
3.20	2019 (V)[4]	2013	105.12	0.97	31/01 - 31/07	79.8	41.7	121.5
6.60	2019 (I)	1999	100	1.00	01/03 - 01/09	46.1	56.4	102.5
3.00	2019 (III)	2013	100	1.02	22/03 - 22/09	87.1	35.3	122.5
7.00	2019 (II)[3]	2009	100	1.12	30/06 - 30/12	0.0	13.7	13.7
5.20	2020 (I)[4]	2007	100	1.27	10/06 - 10/12	12.5	39.9	52.4
4.60	2020 (II)[4]	2009	100	1.24	25/04 - 25/10	62.9	95.5	158.3
3.35	2020 (IV)[4]	2013	105.06	1.30	31/01 - 31/07	64.0	0.0	64.0
2.00	2020 (V)[4]	2014	101.75	1.34	26/03 - 26/09	0.2	5.8	6.0
7.00	2020 (III)[3]	2010	100	1.41	30/06 - 30/12	0.0	0.4	0.4
5.00	2021 (I)[4]	04/05/07/08	98.5/100	1.59	08/02 - 08/08	145.9	312.9	458.8
7.00	2021 (II)[4]	2011	100	1.71	18/06 - 18/12	0.0	0.5	0.5
7.00	2021 (III)[4]	2011	100	1.71	30/06 - 30/12	0.0	2.9	2.9
5.10	2022 (I)[4]	2004	100	1.87	16/02 - 16/08	10.9	60.1	71.0
4.30	2022 (II)[4]	2012	100.31	1.82	15/05 - 15/11	125.4	114.8	240.2
7.00	2022 (III)[3]	2012	100	1.94	01/09 - 01/03	0.0	1.3	1.3
5.50	2023 (I)[4]	2003	100	2.03	06/01 - 06/07	17.4	61.4	78.8
7.00	2023 (II)[3]	2013	100	2.12	18/05 - 18/11	0.0	2.4	2.4
3.30	2024 (I)[4] R	2014	100.25	2.26	12/05 - 12/11	4.0	20.1	24.1
7.00	2024 (II)[4]	2014	100	2.28	18/02 - 18/08	0.0	1.1	1.1
4.80	2028 (I)	2012	101.04	2.85	11/03 - 11/09	25.6	81.5	107.0
4.50	2028 (II)	2013	100	2.88	25/04 - 25/10	65.1	221.6	286.7
5.10	2029 (I)[4]	2012	101.12/101	3.01	01/04 - 01/10	9.5	69.6	79.1
5.25	2030 (I)[4]	2010	100	3.13	23/06 - 23/12	106.6	333.6	440.2
5.20	2031 (I)[4] I	2011	102.88	3.33	16-03 - 16/09	25.1	176.3	201.3
4.65	2032 (I)[4] R	2013	103.03	3.46	22/01 - 22/07	15.3	125.2	140.5
4.45	2032 (II)[3]	2014	110.41	3.48	03/03 - 03/09	5.9	147.2	153.1
4.30	2033 (I)[4]	2014	104.55	3.53	01/02 - 01/08	3.1	147.6	150.7
4.10	2034 (I)[4] R	2014	100.75	3.56	18/04 - 18/10	1.6	171.3	172.9
F.R. 6-mth Euribor[7]	2014 (V)[4]	2011	100.28	0.857[8], (25.56)[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], (67.75)[9]	25/04 - 25/10	13.5	16.3	29.8
F.R. 6-mth Euribor[7]	2017 (V)[4]	2012	100.2	1.150[8], 20.15[9]	05/03 - 05/09	25.0	0.0	25.0
F.R. 6-mth Euribor[7]	2018 (IV)[4]	2012	99.33	1.350[8], 35.85[9]	05/03 - 05/09	30.5	0.9	31.4
F.R. 6-mth Euribor[7]	2018 (VI)[4]	2013	100.09	1.085[8], 37.44[9]	25/03 - 25/09	26.3	12.7	39.0
F.R. 6-mth Euribor7	2018 (VII)	2014	100.45	1.253[8], 40.02[9]	12/06 - 12/12	29.3	0.0	29.3
F.R. 6-mth Euribor[7]	2019 (IV)[4]	2013	100.31	1.185[8], 45.58[9]	25/03 - 25/09	34.8	6.0	40.8
Total						1,908.4	3,014.0	4,922.5

[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. The Treasury reserves the right to issue, in future, additional amounts of the present stock which 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.

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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	370.3	1,650.1	1,424.8	78.8	827.7	4,351.6
2013	361.3	1,500.6	1,494.3	393.7	861.1	4,610.9
2014						
Mar.	336.8	1,541.3	1,460.7	417.7	989.8	4,746.3
June	406.7	1,500.7	1,491.2	496.9	1,085.8	4,981.3
Sep.	167.8	1,847.1	1,150.8	418.9	1,337.8	4,922.5

[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	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]	0.3	196.8	0.0	0.5	0.1	0.2	197.9
2013[3]	0.0	216.6	0.0	0.4	0.0	0.2	217.2
2014[3]							
Mar.	0.0	222.8	0.0	0.4	0.0	0.2	223.4
June	0.0	222.6	0.0	0.3	0.0	0.2	223.0

[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.

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	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
Apr.	1.3072	0.8443	127.35	1.2238	1.2649	1.3213
May	1.3006	0.8537	130.47	1.2406	1.3540	1.3434
June	1.3080	0.8572	129.39	1.2338	1.4171	1.3714
July	1.3275	0.8735	130.00	1.2317	1.4725	1.3669
Aug.	1.3235	0.8540	130.01	1.2310	1.4820	1.3936
Sep.	1.3505	0.8361	131.78	1.2225	1.4486	1.3912
Oct.	1.3641	0.8502	133.99	1.2333	1.4353	1.4251
Nov.	1.3611	0.8328	139.21	1.2298	1.4934	1.4394
Dec.	1.3791	0.8337	144.72	1.2276	1.5423	1.4671
2014						
Jan.	1.3516	0.8214	138.13	1.2220	1.5516	1.5131
Feb.	1.3813	0.8263	140.63	1.2153	1.5414	1.5357
Mar.	1.3788	0.8282	142.42	1.2194	1.4941	1.5225
Apr.	1.3850	0.8230	142.07	1.2200	1.4947	1.5191
May	1.3607	0.8131	138.36	1.2204	1.4635	1.4745
June	1.3658	0.8015	138.44	1.2156	1.4537	1.4589
July	1.3379	0.7928	137.66	1.2169	1.4396	1.4610
Aug.	1.3188	0.7953	137.11	1.2061	1.4123	1.4314
Sep.	1.2583	0.7773	138.11	1.2063	1.4442	1.4058
Oct.	1.2524	0.7843	140.18	1.2067	1.4249	1.4120

[1] Denote units of currency per one euro.

Source: ECB.

Exchange Rates, External Transactions and Positions

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
2013	1.3281	0.8493	129.66	1.2311	1.3777	1.3684
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
Apr.	1.3026	0.8508	127.54	1.2199	1.2539	1.3268
May	1.2982	0.8491	131.13	1.2418	1.3133	1.3257
June	1.3189	0.8519	128.40	1.2322	1.3978	1.3596
July	1.3080	0.8619	130.39	1.2366	1.4279	1.3619
Aug.	1.3310	0.8590	130.34	1.2338	1.4742	1.3853
Sep.	1.3348	0.8417	132.41	1.2338	1.4379	1.3817
Oct.	1.3635	0.8472	133.32	1.2316	1.4328	1.4128
Nov.	1.3493	0.8378	134.97	1.2316	1.4473	1.4145
Dec.	1.3704	0.8364	141.68	1.2245	1.5243	1.4580
2014						
Jan.	1.3610	0.8267	141.47	1.2317	1.5377	1.4884
Feb.	1.3658	0.8251	139.35	1.2212	1.5222	1.5094
Mar.	1.3823	0.8317	141.48	1.2177	1.5217	1.5352
Apr.	1.3813	0.8252	141.62	1.2189	1.4831	1.5181
May	1.3732	0.8153	139.74	1.2204	1.4755	1.4951
June	1.3592	0.8041	138.72	1.2181	1.4517	1.4728
July	1.3539	0.7931	137.72	1.2150	1.4420	1.4524
Aug.	1.3316	0.7973	137.11	1.2118	1.4306	1.4548
Sep.	1.2901	0.7911	138.39	1.2076	1.4246	1.4196
Oct.	1.2673	0.7886	136.85	1.2078	1.4436	1.4214

[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[1]	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[1]	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[1]	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[1]	2,526.0	3,759.7	2,929.2	1,825.2	2,212.8	2,374.3	902.6	909.1	-297.8	32.4	11.6
2009[1]	2,030.2	3,127.9	2,817.5	1,836.4	1,653.4	2,088.7	1,428.3	1,387.9	-511.6	80.8	9.1
2010[1]	2,607.0	3,793.9	3,246.8	2,095.9	1,633.9	2,060.5	1,295.2	1,255.4	-422.9	150.0	25.6
2011[1]	2,924.8	4,069.9	3,566.4	2,231.9	1,657.8	2,000.9	892.8	863.0	-123.9	98.9	21.8
2012[1]	3,292.1	4,298.2	3,771.3	2,327.4	1,841.9	2,284.1	949.3	884.9	60.1	141.4	6.8
2013[1]	2,945.6	3,967.2	3,786.1	2,326.7	1,662.6	2,104.8	932.4	862.7	65.3	136.2	6.7
2013[1]											
Q1	749.6	996.9	793.2	559.3	432.5	560.1	259.1	235.3	-117.3	18.5	1.8
Q2	692.5	936.1	965.9	584.7	413.5	520.7	228.2	205.9	52.7	29.7	1.6
Q3	792.4	1,116.8	1,151.5	608.6	425.6	488.5	214.3	206.9	162.9	36.8	1.6
Q4	711.1	917.4	875.6	574.0	391.0	535.5	230.9	214.6	-33.0	51.2	1.6
2014[1]											
Q1	643.1	927.2	807.5	557.8	368.3	410.0	226.3	212.7	-62.6	30.7	1.8

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[2]	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]	-312.0	644.0	201.6	167.0	27.9	-372.2	-4,416.4	4,170.2	108.7	218.7	58.3
2009[2]	-98.2	296.3	-1,906.6	-25.7	-6.7	-112.1	4,093.2	-2,253.4	-2.4	-15.6	455.5
2010[1]	-98.1	697.8	-3,212.0	1.8	-40.0	67.8	550.9	1,769.1	-23.6	-286.3	584.7
2011[1]	-2.8	200.4	-3,104.0	-0.4	-13.3	37.6	1,497.1	1,062.9	52.9	-269.7	316.5
2012[1]	35.6	70.0	-1,611.7	11.0	-19.1	44.4	20.2	1,033.2	-121.4	-537.8	343.1
2013[2]	13.9	-1,574.7	-2,358.1	61.1	-103.0	25.8	1,110.5	2,706.2	38.8	-79.4	-115.4
2013[2]											
Q1	-5.2	-53.5	-481.7	45.7	24.0	-12.0	-933.6	1,330.1	45.8	-40.4	141.0
Q2	20.5	111.5	-1,754.8	2.7	20.1	5.0	165.5	1,438.3	15.2	23.9	-104.7
Q3	-0.1	188.4	-1,751.2	10.2	-159.2	59.3	-697.0	2,114.2	0.9	-234.4	36.3
Q4	-1.3	-1,821.1	1,629.6	2.5	12.1	-26.5	2,575.7	-2,176.4	-23.1	171.5	-188.0
2014[2]											
Q1	86.8	-1,267.4	-1,306.2	3.8	-2.7	59.0	1,720.9	898.3	-263.6	-71.1	104.8

[1] A negative sign implies an increase in assets or a decrease in liabilities. A positive sign implies a decrease in assets or an increase in liabilities.
[2] Provisional.
Source: NSO.

Table 3.3 Official reserve assets[1]

EUR millions

End of period	Monetary gold	Special Drawing Rights	Reserve position in the IMF	Foreign exchange: Currency and deposits	Foreign exchange: Securities other than shares	Foreign exchange: Other reserve assets[2]	Total
2005	1.9	38.9	48.8	676.9	1,420.3	2.0	2,188.9
2006	3.1	39.0	46.2	827.6	1,325.3	-0.6	2,240.6
2007	8.8	40.8	43.5	1,491.0	966.5	10.8	2,561.4
2008	3.7	12.9	44.6	107.5	88.7	10.9	268.3
2009	4.5	104.3	36.1	90.2	145.7	-7.0	373.7
2010	3.3	111.0	35.8	75.2	178.5	1.1	404.9
2011	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
2013[3]	11.1	100.1	57.7	32.2	230.0	4.3	435.4
2014[3]							
Jan.	11.7	101.5	58.5	51.5	268.8	-2.3	489.7
Feb.	12.2	100.3	57.7	26.9	284.6	3.4	485.1
Mar.	11.9	100.3	57.7	236.6	284.8	3.3	694.6
Apr.	6.6	100.2	57.6	204.9	286.1	3.1	658.5
May	6.6	101.3	58.2	366.4	310.7	-4.7	838.5
June	6.8	101.3	58.3	376.7	317.2	-2.5	857.8
July	6.9	88.4	58.9	29.8	323.5	-7.2	500.3
Aug.	6.9	108.6	57.5	20.8	316.5	-9.3	500.9
Sep.	6.8	79.5	58.8	189.9	330.6	-18.6	647.1

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

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

[3] Provisional.

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

EUR millions

Period	Direct investment: Abroad	Direct investment: In Malta	Portfolio investment: Assets	Portfolio investment: Liabilities	Financial derivatives: Assets	Financial derivatives: Liabilities	Other investments: Assets	Other investments: Liabilities	Official reserve assets	IIP (net)
2005[1]	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]	900.2	5,704.0	10,188.1	551.0	276.8	281.7	25,890.5	30,709.6	268.3	277.6
2009[1]	1,212.2	6,287.5	12,441.5	502.1	138.2	177.8	21,677.1	28,126.0	373.7	749.2
2010[1]	1,286.2	12,173.3	15,577.4	506.2	217.3	307.6	26,987.9	30,961.1	404.9	525.6
2011[1]	1,081.3	12,024.3	17,169.4	472.0	301.4	377.3	25,702.3	31,323.7	395.9	452.9
2012[1]	1,118.3	12,605.1	20,040.0	458.9	302.9	455.1	25,531.8	32,421.3	533.8	1,586.4
2013[1]										
Mar.	1,127.9	12,500.8	20,524.1	528.6	272.1	434.0	26,732.6	34,207.3	486.7	1,472.6
June	1,098.4	11,763.7	21,039.8	532.2	228.5	379.9	25,919.2	34,650.8	449.3	1,408.6
Sep.	1,110.5	11,731.6	21,797.5	530.5	364.3	412.5	26,169.2	35,533.5	433.7	1,667.1
Dec.	1,111.9	9,613.2	19,688.0	528.9	343.0	358.5	23,300.8	32,664.1	435.4	1,714.4

[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]	2014[2] Mar.
General Government	393.8	376.7	420.5	592.8	652.6	603.0
Short-term	193.4	185.1	222.4	276.8	265.3	213.2
Money market instruments	31.4	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	162.0	185.1	222.4	276.8	265.3	213.2
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	200.4	191.6	198.1	316.0	387.3	389.8
Bonds and notes	98.1	103.9	106.6	116.9	162.9	165.5
Loans	102.3	87.7	90.1	197.9	223.5	223.5
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	1.4	1.1	0.9	0.8
Monetary Authorities	826.3	1,228.9	426.0	206.0	674.6	1,014.3
Short-term	826.3	1,228.9	426.0	206.0	674.6	1,014.3
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	0.0
Currency and deposits (incl. repos)	826.3	1,228.9	426.0	206.0	674.6	1,013.9
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.5
Long-term	0.0	0.0	0.0	0.0	0.0	0.0
OMFIs[3]	25,835.3	28,068.4	29,077.6	30,059.4	29,595.0	29,998.1
Short-term	20,616.8	21,558.3	22,525.7	24,315.0	24,747.2	25,552.8
Money market instruments	3.4	0.0	0.0	0.0	0.0	0.0
Loans	7,299.9	4,753.7	6,865.8	6,687.6	7,027.2	7,318.6
Currency and deposits	13,181.4	16,623.0	15,544.7	17,499.2	17,422.4	17,863.0
Other debt liabilities	132.1	181.6	115.2	128.2	297.6	371.1
Long-term	5,218.5	6,510.1	6,551.9	5,744.4	4,847.8	4,445.3
Bonds and notes	13.9	14.9	4.0	4.5	6.8	9.3
Loans	5,111.1	6,495.2	6,548.0	5,739.8	4,841.0	4,436.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	93.4	0.0	0.0	0.0	0.0	0.0
Other Sectors[4]	1,426.0	1,618.2	1,728.8	1,901.7	2,124.7	2,209.1
Short-term	726.6	864.3	958.1	1,144.0	1,363.1	1,439.4
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0
Loans	30.7	14.1	18.3	25.7	32.2	32.1
Currency and deposits	112.0	112.9	123.2	133.8	144.4	147.0
Trade credits	583.9	737.4	816.6	984.5	1,186.5	1,260.3
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	699.4	753.9	770.7	757.7	761.6	769.8
Bonds and notes	210.6	212.4	218.6	217.1	213.2	216.4
Loans	453.7	527.7	542.1	524.9	523.5	530.2
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	35.0	13.8	10.0	15.7	24.9	23.2
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Direct Investment: Intercompany lending	1,485.0	1,714.0	1,981.1	2,428.7	2,823.7	2,908.1
Debt liabilities to affiliated enterprises	92.8	112.5	129.0	139.4	158.7	165.7
Debt liabilities to direct investors	1,392.2	1,601.5	1,852.1	2,289.3	2,665.0	2,742.4
Gross External Debt	**29,966.5**	**33,006.2**	**33,634.0**	**35,188.6**	**35,870.6**	**36,732.7**
of which: OMFIs	**25,835.3**	**28,068.4**	**29,077.6**	**30,059.4**	**29,595.0**	**29,998.1**
Gross External Debt excluding OMFIs' debt liabilities	**4,131.2**	**4,937.8**	**4,556.4**	**5,129.2**	**6,275.6**	**6,734.6**

[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

	2009[2]	2010[2]	2011[2]	2012[2]	2013[2]	2014[2] Mar.
General Government	369.0	288.3	294.8	246.4	259.3	248.4
Short-term	168.6	129.9	177.2	153.7	154.1	93.7
Money market instruments	31.4	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	-0.1	-0.3	-0.2	-0.2	-0.2	-0.1
Trade credits	137.2	130.2	177.4	153.8	154.3	93.8
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	200.4	158.4	117.6	92.8	105.1	154.7
Bonds and notes	98.1	103.9	106.6	116.9	162.9	165.5
Loans	102.3	67.9	23.9	11.3	0.3	0.3
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	-13.4	-12.7	-11.0	-9.7	-9.4
Other Debt Liabilities	0.0	0.0	-0.3	-24.5	-48.4	-1.7
Monetary Authorities	-678.4	-754.8	-1,942.8	-2,394.5	-1,998.7	-2,054.3
Short-term	557.2	968.6	119.4	-19.3	382.1	561.5
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	0.0
Currency and deposits (incl. repos)	557.2	968.6	119.4	-19.3	382.1	561.1
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.5
Long-term	-1,235.5	-1,723.4	-2,062.2	-2,375.2	-2,380.8	-2,615.9
Bonds and notes	-1,222.3	-1,709.2	-2,045.8	-2,359.5	-2,365.2	-2,599.8
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	-13.2	-14.2	-16.3	-15.8	-15.6	-16.1
OMFIs	-4,047.9	-9,690.0	-8,388.6	-9,451.3	-6,775.4	-5,754.8
Short-term	14,057.2	12,029.9	13,046.0	14,210.7	13,037.1	15,105.5
Money market instruments	-198.8	-173.3	-2.0	-0.1	-20.2	-58.4
Loans	6,049.5	3,669.3	8,391.3	7,692.4	7,632.4	8,459.6
Currency and deposits	8,167.8	8,457.6	4,590.3	6,482.1	5,214.8	6,409.4
Other debt liabilities	38.7	76.3	66.4	36.3	210.1	295.0
Long-term	-18,105.1	-21,719.9	-21,434.6	-23,661.9	-19,812.5	-20,860.3
Bonds and notes	-9,535.1	-12,141.3	-13,568.9	-16,079.8	-15,497.2	-16,526.8
Loans	-8,598.3	-9,578.6	-7,865.7	-7,582.1	-4,315.3	-4,333.5
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	28.3	0.0	0.0	0.0	0.0	0.0
Other Sectors[3]	-708.6	-487.9	-595.3	-702.2	-514.1	-769.6
Short-term	-554.0	-357.5	-420.9	-426.6	-394.7	-493.2
Money market instruments	-0.8	-0.9	0.0	0.0	0.0	0.0
Loans	-15.2	-20.7	-29.8	-33.6	-18.4	-17.1
Currency and deposits	-550.9	-569.1	-625.0	-657.9	-732.4	-877.9
Trade credits	12.9	233.2	233.9	264.9	356.1	401.8
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	-154.6	-130.4	-174.3	-275.6	-119.3	-276.4
Bonds and notes	-560.1	-585.8	-641.4	-731.1	-582.5	-743.3
Loans	377.1	450.1	464.6	447.1	446.6	452.1
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	35.0	11.9	9.1	15.0	23.2	21.4
Other debt liabilities	-6.6	-6.6	-6.6	-6.6	-6.6	-6.6
Direct Investment: Intercompany Lending	170.2	244.9	391.2	440.3	642.0	613.4
Debt Liabilities to affiliated enterprises	-369.3	-367.2	-229.8	-245.1	-230.7	-230.9
Debt Liabilities to direct investors	539.4	612.1	621.0	685.4	872.7	844.3
Net External Debt	**-4,895.7**	**-10,399.6**	**-10,240.7**	**-11,861.3**	**-8,386.9**	**-7,717.0**
of which: OMFIs	**-4,047.9**	**-9,690.0**	**-8,388.6**	**-9,451.3**	**-6,775.4**	**-5,754.8**
Net External Debt Excluding OMFIs	**-847.8**	**-709.6**	**-1,852.1**	**-2,410.0**	**-1,611.5**	**-1,962.2**

[1] A negative figure denotes a net asset position.
[2] Provisional.
[3] Comprising the non-monetary financial institutions, insurance companies, non-financial corporations, households and NPISH.

Table 3.6 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	2,597.4	3,603.9	(1,006.5)
2008[2]	2,455.8	3,897.2	(1,441.4)
2009[2]	2,087.4	3,475.2	(1,387.8)
2010[2]	2,809.3	4,330.3	(1,520.9)
2011[2]	3,819.0	5,339.4	(1,520.4)
2012[2]	4,438.6	6,187.5	(1,748.9)
2013[2]	3,925.4	5,684.3	(1,758.9)
2013[2]			
Jan.	301.1	413.7	(112.6)
Feb.	322.0	417.3	(95.4)
Mar.	378.1	455.3	(77.2)
Apr.	365.8	655.2	(289.3)
May	343.8	515.9	(172.2)
June	264.5	455.6	(191.1)
July	294.9	594.5	(299.7)
Aug.	303.4	456.4	(152.9)
Sep.	404.9	464.0	(59.1)
Oct.	242.9	415.6	(172.7)
Nov.	356.0	377.8	(21.8)
Dec.	348.1	462.9	(114.8)
2014[2]			
Jan.	346.6	452.9	(106.3)
Feb.	279.1	413.7	(134.6)
Mar.	323.2	471.7	(148.5)
Apr.	326.4	453.4	(127.0)
May	354.1	470.5	(116.5)
June	281.1	639.6	(358.5)
July	315.3	607.1	(291.7)
Aug.	262.8	548.9	(286.1)
Sep.	331.7	585.0	(253.3)

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

[2] Provisional.

Source: NSO.

Table 3.7 Direction of trade - exports[1]

EUR millions

Period	EU (of which):								All others (of which):			Total
	euro area (of which):					UK	Other EU	Total	Asia	USA	Others	
	France	Germany	Italy	Other euro area	Total							
2005	283.8	236.3	100.5	92.9	713.5	216.2	75.0	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	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	157.6	229.0	906.8	131.4	111.0	1,149.1	686.5	196.1	777.6	2,809.3
2011[2]	244.9	326.2	171.2	291.3	1,033.6	150.4	117.8	1,301.9	1,092.1	169.0	1,256.0	3,819.0
2012[2]	296.9	358.3	174.2	212.6	1,042.0	124.6	129.2	1,295.8	1,020.4	198.0	1,924.4	4,438.6
2013[2]	253.0	348.6	154.1	197.8	953.5	107.8	184.7	1,246.0	1,059.6	170.0	1,449.8	3,925.4
2014[2]												
Apr.	12.9	25.0	17.8	16.0	71.8	8.7	16.0	96.5	46.2	11.2	172.5	326.4
May	11.9	28.4	9.8	11.5	61.5	8.6	12.1	82.2	68.9	8.9	194.1	354.1
June	13.1	23.8	9.8	8.8	55.5	7.8	14.1	77.4	69.1	9.0	125.7	281.1
July	10.4	30.5	8.0	9.7	58.6	8.0	15.1	81.8	38.9	10.4	184.3	315.3
Aug.	25.1	22.7	6.1	7.5	61.3	8.1	15.9	85.3	37.6	8.3	131.6	262.8
Sep.	21.4	21.6	14.2	23.8	81.0	6.9	14.9	102.8	53.5	10.9	164.5	331.7

[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):					UK	Other EU	Total	Asia	USA	Others	
	France	Germany	Italy	Other euro area	Total							
2005	291.3	280.1	956.7	334.8	1,862.9	335.9	67.1	2,266.0	417.6	162.3	271.3	3,117.2
2006	405.9	263.2	1,015.2	370.2	2,054.5	344.5	72.6	2,471.6	635.0	179.5	250.9	3,537.1
2007	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	1,027.5	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	861.3	463.3	1,936.0	380.3	109.6	2,425.8	457.7	124.7	467.0	3,475.2
2010[2]	338.5	295.2	1,066.2	495.2	2,195.1	359.7	161.8	2,716.6	611.7	92.8	909.2	4,330.3
2011[2]	376.1	317.6	1,445.9	525.5	2,665.2	362.6	329.7	3,357.5	641.9	225.3	1,114.7	5,339.4
2012[2]	369.1	319.9	1,987.2	659.3	3,335.6	372.6	242.0	3,950.1	769.9	134.1	1,333.3	6,187.5
2013[2]	285.6	321.1	1,406.7	671.5	2,684.8	308.8	296.1	3,289.7	827.6	187.9	1,379.1	5,684.3
2014[2]												
Apr.	15.5	26.6	78.5	36.8	157.4	28.0	13.4	198.9	63.0	65.6	126.0	453.4
May	26.3	27.5	86.8	30.4	171.0	24.2	29.5	224.7	69.3	66.4	110.1	470.5
June	25.3	24.6	98.0	86.7	234.6	23.6	15.9	274.2	54.8	77.0	233.6	639.6
July	17.6	23.1	98.3	125.6	264.6	27.1	25.2	317.0	70.6	52.1	167.4	607.1
Aug.	16.0	20.4	132.4	75.3	244.1	21.5	45.2	310.8	61.5	37.2	139.4	548.9
Sep.	17.6	20.2	82.4	27.5	147.6	75.8	19.7	243.0	57.5	119.1	165.3	585.0

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

[2] Provisional.

Source: NSO.

Real Economy Indicators

Table 4.1a Gross domestic product, gross national income and expenditure components (in line with ESA 2010) *(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	3,243.8	932.4	1,132.9	-33.7	5,275.2	5,374.4	5,500.3	-125.9	5,149.3	4,966.1
2006	3,419.1	1,002.7	1,183.2	-37.1	5,567.9	6,649.4	6,831.2	-181.8	5,386.1	5,170.0
2007	3,485.0	1,032.7	1,288.2	-80.9	5,725.0	7,458.1	7,425.6	32.5	5,757.5	5,600.7
2008	3,605.5	1,209.4	1,203.1	126.0	6,143.9	9,099.7	9,114.9	-15.2	6,128.7	6,032.6
2009	3,742.3	1,213.9	1,114.8	159.9	6,230.9	9,068.9	9,161.2	-92.3	6,138.6	5,805.4
2010	3,814.9	1,286.4	1,411.6	146.6	6,659.6	10,114.1	10,174.2	-60.1	6,599.5	6,321.3
2011	4,003.5	1,340.1	1,226.0	167.2	6,736.7	10,933.8	10,776.2	157.6	6,894.4	6,647.5
2012	4,120.2	1,443.7	1,259.7	-28.5	6,795.0	11,772.9	11,389.1	383.8	7,178.9	6,844.3
2013	4,237.1	1,487.6	1,314.1	41.3	7,080.0	11,614.3	11,184.3	430.0	7,510.1	7,170.1
2013										
Q1	1,014.7	367.2	325.2	55.8	1,762.9	2,754.8	2,774.6	-19.8	1,743.1	1,646.7
Q2	1,047.0	367.3	322.2	14.9	1,751.4	2,864.0	2,732.2	131.9	1,883.3	1,799.5
Q3	1,095.7	370.1	312.9	-10.2	1,768.5	3,164.9	2,950.4	214.5	1,983.0	1,941.5
Q4	1,079.7	383.0	353.9	-19.4	1,797.2	2,830.6	2,727.1	103.5	1,900.7	1,782.5
2014										
Q1	1,038.2	385.7	374.4	23.8	1,822.1	2,710.0	2,695.3	14.7	1,836.8	1,727.0
Q2	1,072.3	411.1	338.4	-34.7	1,787.0	2,886.1	2,718.9	167.1	1,954.2	1,904.7

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

Table 4.1b Gross domestic product and expenditure components – chain-linked volumes 2010 prices (in line with ESA 2010)[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	
2005	3,634.5	1,102.2	1,286.2	-11.1	4,620.5	6,109.7	6,156.6	5,971.4
2006	3,738.1	1,155.7	1,319.6	25.9	4,822.2	7,179.5	7,291.4	6,080.6
2007	3,762.7	1,166.4	1,393.9	23.4	4,867.0	7,959.6	7,884.3	6,323.0
2008	3,755.0	1,309.9	1,266.3	82.1	5,016.3	9,504.5	9,424.0	6,534.6
2009	3,822.7	1,266.2	1,116.4	63.8	4,866.9	9,462.8	9,452.5	6,373.7
2010	3,814.9	1,286.4	1,411.6	49.1	5,002.6	10,114.1	10,174.2	6,599.5
2011	3,908.9	1,323.4	1,170.5	88.7	4,947.6	10,298.6	10,125.1	6,747.5
2012	3,927.6	1,405.8	1,161.6	-27.5	4,871.6	10,952.2	10,555.1	6,879.9
2013	3,992.6	1,413.4	1,187.3	54.5	5,022.9	10,776.4	10,379.4	7,052.5
2013								
Q1	959.1	348.9	294.4	62.7	1,278.5	2,582.9	2,661.0	1,579.4
Q2	982.7	350.8	290.9	22.3	1,237.4	2,567.1	2,488.6	1,721.3
Q3	1,035.2	349.5	282.3	-2.9	1,243.9	3,001.7	2,730.5	1,937.7
Q4	1,015.6	364.2	319.6	-27.7	1,263.1	2,624.7	2,499.3	1,814.2
2014								
Q1	973.6	358.8	335.9	48.9	1,318.4	2,515.2	2,569.3	1,640.0
Q2	1,007.7	388.3	304.3	48.9	1,318.4	2,564.4	2,476.1	1,766.3

[1] Provisional.
[2] Consumption by households and NPISH.
[3] Chain-linking components of GDP may not add up to the aggregate series mainly because chain-linked volumes are calculated by separately extrapolating both totals and their sub-components. Moreover, results could prove to be erratic when chain-linking for variables with a potentially changing sign. Thus, variables that are regularly susceptible to this phenomenon are not compiled by the NSO.
Sources: NSO; Eurostat.

Real Economy Indicators

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	103.7	134.4	201.6	213.1	652.8	438.7	116.7	1,208.2	206.8	1,415.0
2012	107.9	137.5	202.2	206.3	654.0	441.3	131.4	1,226.7	216.8	1,443.4
2013	116.5	147.1	233.8	210.8	708.3	454.6	153.8	1,316.7	265.4	1,582.2
2013										
Jan.	3.7	7.9	12.1	7.1	30.9	18.3	4.1	53.3	11.6	64.9
Feb.	2.6	7.7	9.9	5.9	26.1	21.9	2.9	51.0	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
Apr.	11.2	13.1	21.0	20.5	65.8	39.1	12.8	117.7	15.5	133.2
May	16.0	11.9	18.0	25.2	71.1	43.1	17.6	131.8	23.6	155.4
June	12.2	13.0	21.5	21.4	68.0	48.4	17.2	133.5	29.3	162.9
July	12.4	10.9	26.4	26.5	76.1	48.6	21.0	145.7	36.2	181.9
Aug.	19.7	16.6	42.4	30.9	109.6	55.0	20.3	185.0	33.3	218.3
Sep.	11.6	17.5	25.3	24.3	78.7	49.2	19.7	147.5	28.9	176.4
Oct.	11.2	19.2	17.8	20.6	68.8	51.6	21.6	142.0	31.3	173.3
Nov.	5.9	11.6	13.8	11.2	42.5	30.6	8.4	81.5	18.4	99.9
Dec.	3.8	5.5	13.1	6.3	28.8	19.1	3.7	51.5	13.8	65.3
2014										
Jan.	3.6	5.6	11.3	7.7	28.1	19.7	4.9	52.7	16.8	69.5
Feb.	3.4	4.6	9.9	7.1	25.0	23.7	3.7	52.5	12.8	65.3
Mar.	7.1	12.5	16.4	9.7	45.8	29.5	5.9	81.2	16.6	97.8
Apr.	12.5	13.5	24.7	17.9	68.6	43.9	14.2	126.7	21.5	148.2
May	18.3	10.2	19.8	24.5	72.9	48.9	17.8	139.5	27.0	166.5
June	13.9	14.5	23.8	24.1	76.3	51.4	19.1	146.7	30.7	177.4
July	13.5	9.4	30.2	29.2	82.2	50.7	29.3	162.2	35.2	197.4
Aug.	20.7	18.0	47.9	32.7	119.2	60.0	24.3	203.4	31.7	235.1
Sep.	11.0	17.5	28.3	25.3	82.0	55.5	21.0	158.5	26.9	185.4

[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	152.8	98.6	46.8	145.5	5.7	5.5	1.7	3.5	7.4	4.8
2010	104.0	49.7	153.7	98.6	48.3	146.8	5.4	5.2	1.5	2.9	6.9	4.5
2011[3]	104.5	51.9	156.3	99.3	50.5	149.8	5.2	5.0	1.4	2.7	6.6	4.2
2012[3]	105.1	54.0	159.1	99.8	52.5	152.3	5.3	5.0	1.5	2.8	6.8	4.3
2013[3]	107.1	57.5	164.6	101.5	55.7	157.2	5.6	5.3	1.8	3.1	7.4	4.5
2013[3]												
Jan.	106.2	56.1	162.3	100.7	54.4	155.1	5.6	5.2	1.7	3.0	7.2	4.5
Feb.	106.4	56.3	162.7	100.8	54.6	155.4	5.6	5.3	1.7	3.0	7.3	4.5
Mar.	106.2	56.4	162.6	100.6	54.7	155.3	5.6	5.3	1.7	3.1	7.4	4.5
Apr.	106.5	56.9	163.4	101.0	55.2	156.2	5.5	5.2	1.7	3.0	7.2	4.4
May	106.9	57.1	164.0	101.3	55.4	156.7	5.6	5.2	1.7	3.0	7.3	4.4
June	107.4	57.6	164.9	101.8	55.8	157.7	5.6	5.2	1.7	3.0	7.3	4.4
July	107.1	57.8	164.9	101.6	56.0	157.6	5.5	5.2	1.8	3.1	7.3	4.4
Aug.	107.3	57.9	165.2	101.6	56.1	157.7	5.7	5.3	1.8	3.1	7.5	4.5
Sep.	107.3	58.0	165.3	101.6	56.1	157.7	5.7	5.3	1.9	3.3	7.6	4.6
Oct.	108.0	58.6	166.6	102.2	56.7	159.0	5.7	5.3	1.9	3.2	7.6	4.6
Nov.	108.0	58.6	166.7	102.2	56.8	159.1	5.8	5.4	1.8	3.1	7.6	4.6
Dec.	107.7	58.6	166.3	102.1	56.8	158.9	5.6	5.2	1.8	3.0	7.4	4.4
2014[3]												
Jan.	108.5	59.2	167.7	102.6	57.3	159.9	5.9	5.4	1.9	3.2	7.8	4.6
Feb.	108.8	59.5	168.3	103.0	57.6	160.5	5.8	5.4	1.9	3.2	7.8	4.6
Mar.	108.9	59.6	168.5	103.1	57.8	160.8	5.8	5.3	1.9	3.1	7.6	4.5
Apr.	109.1	59.8	168.8	103.5	58.0	161.6	5.6	5.1	1.7	2.9	7.3	4.3
May	109.3	60.0	169.3	103.8	58.3	162.2	5.4	5.0	1.7	2.8	7.1	4.2
June	109.9	60.7	170.5	104.7	59.1	163.8	5.2	4.7	1.6	2.6	6.8	4.0

[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
2013[3]	118.4	70.5	188.9	110.7	66.1	176.7	7.7	6.5	4.5	6.3	12.2	6.4
2014[3]												
Q1	116.5	70.3	186.9	109.1	66.5	175.6	7.4	6.4	3.8	5.4	11.3	6.0
Q2	116.6	71.3	187.9	109.6	67.3	177.0	7.0	6.0	4.0	5.6	10.9	5.8

[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
2013	173.7	175.1	184.5	193.0	179.7
2013					
Q1	171.8	176.8	177.3	185.1	174.1
Q2	169.2	170.1	188.4	186.0	169.4
Q3	173.5	176.9	183.7	194.5	174.4
Q4	180.1	176.7	188.5	206.3	201.0
2014					
Q1	183.4	187.3	180.8	205.6	196.0
Q2	184.3	183.9	185.9	206.8	206.7

[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
2013	123	33	266	15	49	43	47	576	964	1,540

[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
2013	1,004	808	1,812	2,062	350	209	84	2,705

[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 (%)	Year	Index	Inflation rate (%)
			(continued)		
1946	100.00	-	1980	366.06	15.76
1947	104.90	4.90	1981	408.16	11.50
1948	113.90	8.58	1982	431.83	5.80
1949	109.70	-3.69	1983	428.06	-0.87
1950	116.90	6.56	1984	426.18	-0.44
1951	130.10	11.29	1985	425.17	-0.24
1952	140.30	7.84	1986	433.67	2.00
1953	139.10	-0.86	1987	435.47	0.42
1954	141.20	1.51	1988	439.62	0.95
1955	138.80	-1.70	1989	443.39	0.86
1956	142.00	2.31	1990	456.61	2.98
1957	145.70	2.61	1991	468.21	2.54
1958	148.30	1.78	1992	475.89	1.64
1959	151.10	1.89	1993	495.59	4.14
1960	158.80	5.10	1994	516.06	4.13
1961	164.84	3.80	1995	536.61	3.98
1962	165.16	0.19	1996	549.95	2.49
1963	168.18	1.83	1997[2]	567.95	3.27
1964	172.00	2.27	1998	580.61	2.23
1965	174.70	1.57	1999	593.00	2.13
1966	175.65	0.54	2000	607.07	2.37
1967	176.76	0.63	2001	624.85	2.93
1968	180.42	2.07	2002	638.54	2.19
1969	184.71	2.38	2003	646.84	1.30
1970	191.55	3.70	2004	664.88	2.79
1971	196.00	2.32	2005	684.88	3.01
1972	202.52	3.33	2006	703.88	2.77
1973	218.26	7.77	2007	712.68	1.25
1974	234.16	7.28	2008	743.05	4.26
1975	254.77	8.80	2009	758.58	2.09
1976	256.20	0.56	2010	770.07	1.51
1977	281.84	10.01	2011	791.02	2.72
1978	295.14	4.72	2012	810.16	2.42
1979	316.21	7.14	2013	821.34	1.38

[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
2013	108.1	1.4	4.8	4.2	0.4	1.1	-0.5	1.4	-2.3	2.3	2.2	0.5
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
Apr.	108.1	2.3	4.8	4.0	0.0	1.0	1.1	1.9	0.9	1.7	2.2	3.2
May	108.6	2.3	4.9	4.0	0.2	1.2	0.9	2.0	0.7	1.8	2.3	2.9
June	108.5	2.3	5.3	4.0	0.4	1.4	0.6	1.7	0.2	1.8	2.3	2.6
July	108.3	2.3	5.5	3.9	0.9	1.3	0.4	1.5	0.0	1.9	2.3	2.2
Aug.	108.1	2.2	5.8	3.9	0.5	1.2	0.3	1.5	-0.3	2.0	2.2	2.0
Sep.	108.3	2.0	5.8	3.9	0.5	1.2	0.2	1.3	-0.9	2.1	2.2	1.5
Oct.	108.5	1.8	5.5	3.9	0.2	1.1	0.0	1.3	-1.5	2.2	2.2	1.2
Nov.	108.6	1.5	5.1	3.9	0.4	1.1	-0.2	1.3	-2.0	2.2	2.2	0.9
Dec.	109.5	1.4	4.8	4.2	0.4	1.1	-0.5	1.4	-2.3	2.3	2.2	0.5
2014												
Jan.	107.3	1.2	4.4	4.5	0.0	1.0	-0.6	1.4	-2.4	2.2	2.2	0.3
Feb.	107.8	1.2	4.0	4.8	-0.1	0.9	-0.6	1.4	-2.2	2.1	2.2	0.1
Mar.	108.4	1.1	3.7	5.1	-0.1	0.8	-0.6	1.5	-2.2	2.0	2.2	-0.1
Apr.	108.1	1.0	3.2	5.3	-0.6	0.7	-2.0	1.5	-1.9	1.9	2.2	-0.2
May	108.2	0.8	2.8	5.2	-0.5	0.6	-3.5	1.6	-2.1	1.8	2.3	-0.2
June	108.4	0.7	2.2	5.2	-0.3	0.5	-4.9	1.9	-2.0	1.7	2.5	-0.2
July	108.3	0.5	1.7	5.1	-0.7	0.5	-6.4	2.0	-1.9	1.6	2.6	-0.2
Aug.	108.1	0.4	1.1	5.0	-0.5	0.6	-7.9	2.1	-1.8	1.5	2.8	-0.1
Sep.	108.4	0.3	0.7	4.9	0.1	0.6	-9.4	2.0	-1.5	1.4	2.9	0.0

[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
2013	120.1	1.0	4.4	6.1	0.9	0.6	1.8	1.8	-0.9	-8.8	2.2	4.4	-1.0	1.7
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
Apr.	120.6	2.9	5.4	3.8	0.4	0.7	3.2	2.1	3.0	-7.2	1.8	2.8	4.7	1.9
May	121.9	2.6	5.4	4.1	0.6	0.8	3.2	2.1	2.5	-7.4	2.1	2.8	3.5	1.8
June	123.0	2.3	5.4	4.3	0.9	0.8	3.0	2.1	1.9	-7.8	2.3	2.9	2.2	1.8
July	123.1	2.0	5.5	4.5	1.4	0.8	2.8	2.1	1.7	-8.1	2.4	2.9	0.9	1.8
Aug.	122.9	1.8	5.6	4.7	1.2	0.7	2.6	2.0	1.3	-8.4	2.4	2.9	0.2	1.8
Sep.	122.0	1.6	5.5	4.9	1.1	0.6	2.3	2.0	0.7	-8.7	2.4	3.0	0.1	1.7
Oct.	121.2	1.4	5.2	5.1	0.8	0.6	2.1	2.0	0.1	-9.2	2.4	3.5	-0.1	1.7
Nov.	118.5	1.1	4.8	5.3	1.0	0.7	1.9	1.9	-0.4	-9.7	2.3	3.9	-0.7	1.8
Dec.	118.8	1.0	4.4	6.1	0.9	0.6	1.8	1.8	-0.9	-8.8	2.2	4.4	-1.0	1.7
2014														
Jan.	116.9	0.9	4.0	6.9	0.5	0.6	1.7	1.7	-1.2	-8.1	2.0	4.9	-1.1	1.5
Feb.	117.8	0.8	3.6	7.7	0.3	0.6	1.7	1.6	-1.2	-7.4	1.9	5.4	-0.9	1.2
Mar.	118.9	0.8	3.3	8.4	0.4	0.6	1.8	1.5	-1.3	-6.6	1.7	5.9	-0.7	1.1
Apr.	121.2	0.8	2.8	8.9	-0.1	-0.1	1.8	1.4	-1.1	-6.0	1.6	6.0	-0.4	1.0
May	122.4	0.8	2.5	8.9	-0.1	-0.9	1.8	1.3	-1.3	-5.3	1.4	6.2	0.1	0.9
June	123.8	0.8	2.0	8.9	0.0	-1.6	2.1	1.3	-1.2	-4.6	1.4	6.3	0.6	0.9
July	123.8	0.8	1.4	8.8	-0.5	-2.3	2.3	1.2	-1.1	-4.0	1.3	6.5	1.1	0.8
Aug.	124.0	0.8	0.9	8.7	-0.3	-2.9	2.4	1.2	-1.0	-3.3	1.3	6.6	1.6	0.8
Sep.	122.7	0.8	0.5	8.6	0.2	-3.6	2.2	1.1	-0.7	-2.5	1.3	6.7	1.8	0.8

Sources: NSO; Eurostat.

GENERAL NOTES

MONETARY, BANKING, INVESTMENT FUNDS, FINANCIAL MARKETS

General monetary statistical standards

Prior to January 2008, the compilation of monetary statistics was broadly in line with the IMF's Monetary and Financial Statistics Manual (2000). 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 of 19 December 2008 concerning the consolidated balance sheet of the monetary financial institutions (MFI) sector and the European System of National and Regional Accounts (ESA 1995). As from September 2014, ESA 1995 was replaced by the European System of National and Regional Accounts (ESA 2010).

Institutional balance sheets and financial statements

The "Financial statement of the Central Bank of Malta" is based on accounting principles as established in ECB Guideline 2010/20 (as amended) of 11 November 2010 on the legal framework for accounting and reporting in the ESCB. Consequently, the data in this table may differ from those shown in the "Balance sheet of the Central Bank of Malta based on statistical principles", which are compiled according to a statistical description of instrument categories as stipulated in ECB Regulation 2008/32. 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 Regulation ECB/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. ESA 2010 stipulates that the units which constitute the economy of a country are those which are resident in the economy. An institutional unit is resident in a country when it has its "centre of predominant economic interest" in the economic territory of that country. Such units are known as resident units, irrespective of nationality, legal form or presence on the economic territory at the time they carry out a transaction. "Centre of predominant economic interest" indicates that a location exists within the economic territory of a country where a unit engages in economic activities and transactions on a significant scale, either indefinitely or over a finite but long period of time (a year or more). The ownership of land and buildings within the economic territory is deemed to be sufficient for the owner to have a centre of predominant economic interest there. In the absence of any physical dimension to an enterprise, its residence is determined according to the economic territory under whose laws the enterprise is incorporated or registered.

Whereas special purposes entities (SPE) were classified as non-residents, in accordance with ESA 1995, ESA 2010 requires that these are classified as residents of Malta. Data has been revised at least as from June 2010. An SPE is usually a limited company or a limited partnership, created to fulfil narrow, specific or temporary objectives and to isolate a financial risk, a specific taxation or a regulatory risk. There is no common definition of an SPE, but the following characteristics are typical: they have only few employees and do not have non-financial assets; they have little physical presence beyond a "brass plate" or sign confirming their place of registration; they are always related to another corporation, often as a subsidiary; and they are resident in a different territory from the territory of residence of the related corporations.

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 between residents and non-residents of Malta remains relevant for national statistical purposes. After Malta joined the euro area, the key distinction, in particular for the purposes of the table entitled, "The contribution of resident MFIs to the euro area monetary aggregates" 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 2010 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) Financial corporations
- (1) Monetary financial institutions (MFIs)
  - i. Central bank
  - ii. Other monetary financial institutions
- (2) Other financial corporations
  - i. Non-MMF Investment Funds
  - ii. Other financial intermediaries and financial auxiliaries
  - iii. Captive Financial Institutions and money lenders

(b) Insurance corporations and pension funds

(c) General government
- i. Central government
- ii. Other General Government

(d) Non-financial corporations
- i. Public non-financial corporations
- ii. Private non-financial corporations

(e) 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, 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 subclassified by sector according to their primary activity).

(a) Financial corporations

The financial corporations sector comprises the monetary financial institutions (MFIs) sector and the rest of the financial corporations sector, the latter known as the other financial corporations (OFIs) sector:

(1) 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 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 Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/, a credit institution is an undertaking the business of which is to take deposits or other repayable funds from the public and to grant credits for its own account. OMFIs include the resident 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.

(2) Other financial corporations consist of:

i. Non-MMF Investment Funds

The non-MMF Investment Funds subsector consists of all collective investment schemes which are principally engaged in financial intermediation. MMFs are excluded from this sub-sector. The business of the non-MMF Investment Funds sector is to issue investment fund shares or units which are not close substitutes for deposits and on their own account to make investments primarily in financial assets other than short-term financial assets and in non-financial assets (usually real estate)

ii. 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: financial vehicle corporations engaged in securitisation transactions, long-term financing, financial leasing, factoring, security and derivative dealing.

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: Payment institutions 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, companies providing stock exchange and insurance exchange services and Head Offices whose subsidiaries are all or mostly financial corporations.

iii. Captive Financial Institutions and money lenders
In accordance with ESA 2010, holding corporations are to be classified within the financial sector as captive financial institutions. The adoption of ESA 2010 in the domestic context required a reclassification resulting in a shift of financial assets and liabilities from the non-financial corporations sector to the financial corporations sector. Special Purpose Entities (SPEs) are to be classified under this subsector with the exception of captive insurance companies and professional investment funds which will be classified in the insurance sector and investment funds categories, respectively.

(b) 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 are principally engaged in such activities mainly in the form of direct insurance or reinsurance. They 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. This sector also includes services of reinsurance to other insurance corporations and captive insurance companies. The latter consists of insurers which are normally owned by a non-financial corporation and mostly insure the risks of their shareholders.

Pension funds are principally engaged in financial intermediation as the consequence of the pooling of social risks and needs of the insured persons (social insurance). Pension funds as social insurance schemes provide income in retirement, and often benefits for death and disability.

(c) General government
General government includes all institutional units principally engaged in the production of non-market goods and services intended for individual and collective consumption and/or in the redistribution of national income and wealth. 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 2010) comprises the general government sector and public corporations (which may be financial or non-financial corporations in the ESA 2010), 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).

(d) 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 non-monetary 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.

(e) 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. They are separate legal entities, serving households and which are private non-market producers. Their principal resources are voluntary contributions in cash or in kind from households in their capacity as consumers, from payments made by general government and from property income. They are 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

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 (comprising the ECB and the national central banks of the other EU Member States in the euro area) 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 Table entitled "The contribution of resident MFIs to the euro area monetary aggregates" 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, temporarily, 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, in the Table entitled "The contribution of resident MFIs to selected counterparts to euro area M3", the "credit counterpart" to euro area M3 contributed by Maltese MFIs 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. The computation of the net claims on non-residents of the euro area consist of 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. "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. 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 report monthly financial information to the Central Bank of Malta in line with ECB Regulation 2008/32 (Recast) and (recast) Guideline of the ECB of 4 April 2014 on monetary and financial statistics (ECB/2014/15). 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. Claims include assets in the form of loans, deposits and repurchase agreements (or repos). 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

In line with ESA 2010 the Table entitled "Aggregated statement of assets and liabilities – investment funds" comprise the statistics submitted to the Central Bank of Malta by all IF registered by the Malta Financial Services Authority (MFSA). IF submit such data to the CBM on a monthly, quarterly or annual basis depending on the size of their balance sheet. The definitions, methodology and standards of reporting are in line with Regulation (EU) No 1073/2013 of the ECB of 18 October 2013 concerning statistics on the assets and liabilities of IF (recast). Accounting rules followed by IF for reporting under this Regulation are those laid down in the relevant national law implementing Council Directive 86/635/EEC of December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions or, if the former is not applicable, in any other national or international standards that apply to IFs.

The IF sector 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

The table entitled "Aggregated statement of assets and liabilities – insurance corporations" shows the aggregated statement of assets and liabilities of all the IC registered in Malta by the MFSA. The IC 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, reinsurance and/or other forms of insurance. Such statistics are based on standards specified in ESA 2010, 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

Tables 1.16 and 1.17 show, respectively, the debt securities and quoted shares issued by sectors of resident issuers. As from June 2010, statistics are in line with ESA 2010 and include all issuances of securities and shares in foreign exchanges. Debt securities comprise all financial assets that are usually negotiable and traded on recognised exchanges and do not grant the holder any ownership rights in the institutional unit issuing them. Quoted shares cover all shares whose prices are quoted on a recognised stock exchange or other form of regulated market. They comprise all financial assets that represent property rights in corporations. Issues of unquoted shares, investment fund shares/units and financial derivatives are excluded.

Monetary financial institutions interest rate (MIR) statistics 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 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.

FINANCIAL ACCOUNTS STATISTICS

Financial accounts statistics form part of the general statistical framework of a country's economy known as the "national accounts". Such statistics show the most relevant financial assets and liabilities of the total economy and such instruments vis-à-vis their counterpart institutional sector i.e. financial corporations, general government, non-financial corporations, households & non-profit institutions and the rest of the world (the rest of the world account shows the financial claims of residents on non-residents, or vice versa). Institutional sector classification is fundamental since, for instance, it identifies those sectors that hold or issue financial instruments. Statistics are being presented in non-consolidated matrix format and all information is being presented in the form of a balance sheet i.e. in outstanding stock positions. The two tables in this section are compiled on an annual basis and in accordance with the methodological framework established in the European System of Accounts 1995 (ESA 1995). Regulating the compilation of these statistics is also the (recast) Guideline of the European Central Bank of 25 July 2013 (ECB/2013/24) on the statistical reporting requirements in the field of quarterly financial accounts as well as Regulation (EC) No 1392/2007 of the European Parliament and of the Council of 13 November 2007 with respect to the transmission of national accounts' data.

GOVERNMENT FINANCE STATISTICS

Tables in this section show the general government fiscal position compiled on the basis of ESA 10 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 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.

The Table 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 privatization receipts or the utilization 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, 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 is generally consistent with the IMF's External debt statistics - guide for compilers and users. Debt is recognised when disbursement of funds is effected.

EXTERNAL STATISTICS

The concepts and definitions used in the compilation of balance of payments and international investment position (IIP) statistics are generally in line with the IMF Balance of Payments Manual (BPM05) and in accordance with Guideline ECB/2011/23. 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.

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 and other supplementary information received from the NSO. Historical data are updated by the Central Bank of Malta on a monthly basis, going back at least thirteen months, while every calendar quarter data are revised going back three years.

REAL ECONOMY INDICATORS (SELECTED)

National accounts and other general economic statistics are mostly produced by the NSO in accordance with ESA 2010 standards. Labour market statistics are also compiled on the basis of the NSO's Labour Force Survey (LFS). 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 the 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 Part 1 and Part 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 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 significantly for the monthly disparities between the RPI and the HICP. The sources of the data used in the compilation of the Central Bank of Malta's property prices index are the advertisements for the sale of properties in all localities in Malta and Gozo published in a local Sunday newspaper. Data for a particular quarter are derived from the newspapers published on the first Sunday of each month within the 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.