

5. Services Activities

The tourism industry during 2004 saw an improvement from the decline in departures registered in the previous two years. Indeed, there are positive indications regarding Malta's performance during 2004, within the context of the international scene. In particular, Malta seems to have fared well when compared to competing resorts. Growth in 2005 internationally is expected to be slower than that in 2004.

This is reflected in the Maltese scenario where, during the Survey period, tourist departures increased by 1.2 per cent from 2.3 per cent recorded in the first nine months of 2004. Gross foreign exchange earnings stood at Lm204.7 million during the Survey period, an increase of 1.3 per cent over the same period of 2004. Per capita earnings remained stable at a level of Lm219.8, whilst earnings per night spent increased from Lm22.3 during the first nine months of 2004 to Lm22.9 during the Survey period. There was a decrease of 158 or 1.9 per cent in employment with hotels and restaurants between September 2004 and September 2005. This was mainly attributable to layoffs by tourism operators who converted their investment to service a different type of industry. However, a number of high quality hotels shall be opening during 2005 while a number of other hotels have embarked on refurbishment projects. Cruise liner passengers recorded an increase of 10.7 per cent during the Survey period over the 2004 period, thus recouping part of the decline registered in the previous year.

The Malta Financial Services Authority (MFSA) is the supervisor and single regulator for financial services in Malta, including banking, investment and insurance, and is also responsible for the Registry of Companies and the Listing Authority. An overall promising situation in this sector reflected favourable developments brought about by EU membership and the coming into force of the Trusts (Amendment) Act.

Malta Enterprise, as Government's main agency focused on attracting Foreign Direct Investment (FDI) and supporting enterprises in Malta, provides a comprehensive package of assistance and advisory services to local and foreign businesses considering starting operations in Malta. Assistance provided is in terms of pre-investment advice and support, start-up assistance and post-investment services.

Tourism

Following the removal of embarkation cards in April 2004, the National Statistics Office (NSO) introduced a new system for compiling tourist data on the basis of an Inbound Tourism Survey. Therefore, tourist data in this Chapter are not directly comparable with that published in previous issues of the Economic Survey, which were based on a different methodology. Moreover, it is pertinent to note that data regarding tourist arrivals by sea until March 2004 are taken from information provided in embarkation cards. Thereafter, data for tourist sea departures refer to information taken from the Inbound Tourism Survey.

There are indications that the effects of the negative international conditions in 2001 did not have a lasting impact on Malta's potential for growth within the tourism sector. Indeed, the decline in tourism departures registered during the first three quarters of 2002 was partly reversed during the nine months ending September 2003 and further gains were recorded in the corresponding 2004 and 2005 period. Tourist departures during the period under review increased by 1.2 per cent over the same period of 2004. Nevertheless, these growth rates remain modest and the domestic tourism industry continues to face challenges from international competition. Gross foreign exchange earnings from tourism increased by 1.3 per cent to Lm204.7 million during the first nine months of 2005.

Cruise liner passengers reached 217,281 thus recording an increase of 10.7 per cent during the Survey period over the 2004 period. This represents a recovery from 2004 when cruise passengers recorded a significant decline of 31.7 per cent over the 2003 period. Full-time employment in hotels and restaurants amounted to 8,360 as at the end of September 2005, a decline of 1.9 per cent over September 2004. During the Survey period the bed-stock capacity in hotels, complexes, guesthouses, and hostels declined by 1,885 beds to 37,885 over December 2004. The main tourism indicators are presented in Table 5.1.

The performance of the Maltese tourism industry should be seen against a background of sustained growth in tourism demand especially in Asia, the Pacific and in the Americas. While there are continuing concerns with safety in some markets, it is clear that people are getting more used to living in an unsafe world. People are continuing to take shorter and more frequent trips but long-haul travel demand is expanding. The attractiveness of exotic destinations is being enhanced from cheaper long-haul travel.

Table 5.1

Main Tourism Indicators

| | 2002 | | 2003 | | 2004 | | 2005 |
|---|-------------|---------|-------------|---------|-------------|---------|-------------|
| | Jan/Sep | Oct/Dec | Jan/Sep | Oct/Dec | Jan/Sep | Oct/Dec | Jan/Sep |
| Tourist Departures* | 887,282 | 244,995 | 899,147 | 219,087 | 919,728 | 237,956 | 931,213 |
| Gross foreign exchange earnings (Lm million) | 182.7 | 63.0 | 196.7 | 64.7 | 202.1 | 67.0 | 204.7 |
| Nights spent (000's)** | 8,553 | 2,046 | 9,423 | 1,870 | 9,054 | 2,121 | 8,926 |
| Cruise Passengers*** | 257,294 | 84,338 | 287,525 | 96,074 | 196,358 | 88,594 | 217,281 |
| Total full-time employment in hotels and restaurants**** | 8,661 | 8,378 | 8,613 | 8,360 | 8,518 | 8,166 | 8,360 |
| Beds in hotels, complexes, guesthouses, and hostels | 39,348 | 39,940 | 42,123 | 41,443 | 41,793 | 39,770 | 37,885 |

*Until March 2004, data for sea arrivals taken from embarkation cards. Thereafter, data for sea departures taken from Inbound Tourism Survey

**For 2004 includes April - September sea nights from Inbound Tourism Survey

***Excluding Maltese cruise passengers

****The data presented is based on the distribution of the administrative records of the ETC of the gainfully occupied population according to the standard NACE classification of economic activities. As a result, the data is not directly comparable to those presented in previous issues of the Economic Survey. Moreover, the gainfully occupied statistics for September 2005 are published on a provisional basis.

Source: National Statistics Office
Employment and Training Corporation

It is too early to fully assess the likely impact of the most recent hurricanes in the Gulf of Mexico, but in the short term, one sector that will definitely be negatively affected by these events is the cruise business in the area. A number of cruise liners have moved ships from the Caribbean to the Mediterranean for this Winter due to the effects of the hurricanes as, for example, some of the berths had to accommodate the homeless.

Another issue, which is impacting on the tourism industry, relates to energy prices. Although airline fuel surcharges are now increasingly widespread, airlines have refrained over the last few months from passing on fuel energy price rises to consumers due to the high competition in their sector. However, further rises in energy prices are likely to lead to higher costs for consumers. Consumer indicators remain subdued around the world due to energy prices, exchange rate volatility and fears of economic slowdown. Thus, the forecast for 2005 reflects a slowdown in the growth of international tourism in line with the deceleration of growth of world economic output. Therefore, growth in 2005 will tend to be slower than that in 2004.

Malta's performance has to be seen also within the context of international tourism trends. Mass-market destinations such as Turkey, Egypt, Tunisia and Morocco are gaining market share, in most cases because they are cheaper in price. New Eastern European destinations such as Croatia, Bulgaria, Romania, Montenegro, Slovenia have also come onto the scene very strongly, again competing primarily on price. These destinations are putting pressure not only on Malta but also on other traditional Mediterranean destinations such as Cyprus, Greece and Spain as well as European markets such as Portugal, France and Austria.

Within this context for the global tourism industry, the Malta Tourism Authority continued its marketing efforts. In particular, the UK, Dutch, French, Italian, Spanish, Russian and German markets were targeted, stressing Malta's water and adventure sports, culture, sea and natural environment, archaeology, historic cities, artistic treasures as well as culinary traditions. Meanwhile, the Malta branding process, upon which the Malta Tourism Authority has embarked, is rapidly gaining momentum. Steps are already being taken to streamline the Malta Tourism Authority's advertising in all source markets, to be in line with the brand's core values which were established by the Malta Tourism Authority, together with the industry stakeholders.

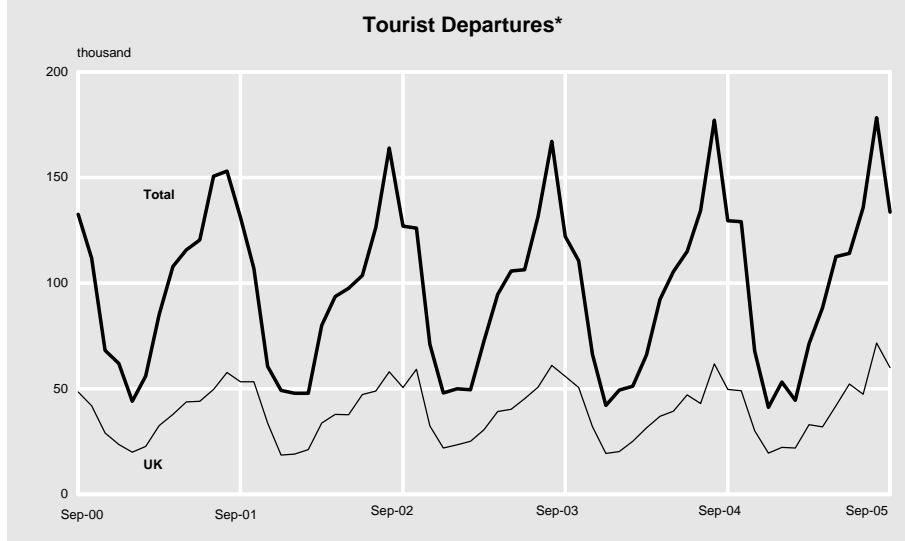
54 enterprises have been allocated funds from the Malta Tourism Authority's Grant Scheme for Tourism Enterprises, which was launched in August 2004, under the Structural Funds Programme for Malta 2004-2006 (through the European Regional Development Fund). The Malta Tourism Authority is also using EU funds to finance the embellishment of Crucifix Hill and Giloramo Cassar Avenue as part of the Cruise Liner Terminal project. Another project financed through EU funds will see the restoration of Howard Gardens in Mdina.

Monthly Distribution

Data on the monthly distribution of tourist departures are shown in Table 5.2. Chart 5.1 indicates clearly that the local tourism industry is characterised by significant seasonality patterns.

On a monthly basis, lower tourist inflows were recorded in February, April and June when compared to the same months of 2004. February recorded the major decline, whereby tourist departures declined by 13.2 per cent over February 2004. By contrast, January and March recorded the highest increase in tourist departures of 7.8 per cent and 8.0 per cent, respectively. The notable increase in March is largely explained by the timing of Easter. In May tourist departures

Chart 5.1



*As from 2001 tourism data is based on the Inbound Tourism Survey, and therefore is not strictly comparable to previous periods. Until March 2004, data for sea arrivals taken from embarkation cards. Thereafter, data for sea departures taken from Inbound Tourism Survey

increased by 6.8 per cent over the comparable month of 2004. From July to September tourist departures continued to be higher than the previous comparable period. During the period under review, August continued to be the peak month accounting for 19.1 per cent of total departures during the first nine months of the year.

The distribution of tourist departures on a quarterly basis is shown in Table 5.3. The distribution of tourist departures in the first quarter of 2005 remained unchanged when compared to the same quarter in 2004. The second quarter of the Survey period registered a 0.2 percentage points decline to 33.8 per cent attributable to lower departures in April and June. The third quarter recorded an increase in tourist departures of 0.2 percentage points to 48.1 per cent.

Tourist Nationality

While the UK remains the major market in the tourism sector, its share has declined over the years while other markets have gained importance. Chart 5.2 illustrates the market share of Malta's main source markets for the first three quarters of the year from 1990 to 2005. The UK represents the highest proportion of tourists. However, its relative share has declined from 51.8 per cent during January-September 1990 to 41.0 per cent during the Survey period. Meanwhile,

Monthly Tourist Departures*

Table 5.2

| | 2002 | 2003 | 2004 | 2005 |
|-------------------|-----------|-----------|-----------|---------|
| January | 47,868 | 50,000 | 49,262 | 53,125 |
| February | 47,781 | 49,418 | 51,132 | 44,393 |
| March | 79,859 | 72,501 | 65,999 | 71,277 |
| April | 93,559 | 94,640 | 92,166 | 88,279 |
| May | 97,492 | 105,736 | 105,402 | 112,559 |
| June | 103,557 | 106,226 | 114,879 | 113,931 |
| July | 126,293 | 131,438 | 134,366 | 135,751 |
| August | 163,893 | 167,112 | 177,097 | 178,307 |
| September | 126,980 | 122,076 | 129,425 | 133,591 |
| January/September | 887,282 | 899,147 | 919,728 | 931,213 |
| % change** | -6.7 | 1.3 | 2.3 | 1.2 |
| October | 126,040 | 110,589 | 129,027 | |
| November | 70,927 | 66,368 | 67,744 | |
| December | 48,028 | 42,130 | 41,185 | |
| Total | 1,132,277 | 1,118,234 | 1,157,684 | |
| % change** | -4.1 | -1.2 | 3.5 | |

*Until March 2004, data for sea arrivals taken from embarkation cards. Thereafter, data for sea departures taken from Inbound Tourism Survey

**Figures for 2001 are not available due to a change in the methodology of compiling tourism statistics, which is now based on the Inbound Tourism Survey

Source: National Statistics Office

Quarterly Distribution of Tourist Departures*

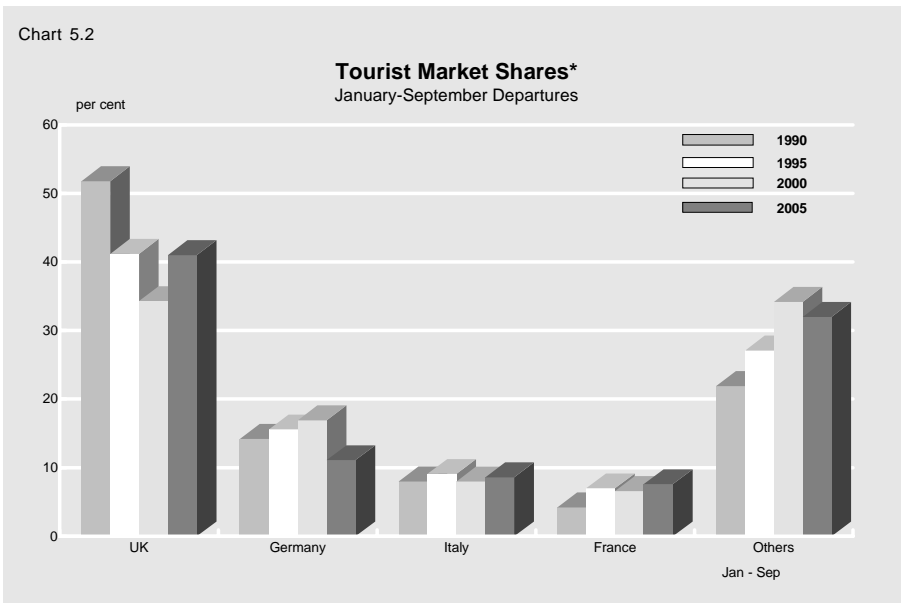
Table 5.3

per cent

| | 2002 | 2003 | 2004 | 2005 |
|-----------|------|------|------|------|
| March | 19.8 | 19.1 | 18.1 | 18.1 |
| June | 33.2 | 34.1 | 34.0 | 33.8 |
| September | 47.0 | 46.8 | 47.9 | 48.1 |

*Until March 2004, data for sea arrivals taken from embarkation cards. Thereafter, data for sea departures taken from Inbound Tourism Survey

Source: National Statistics Office



*As from 2001 tourism data is based on the Inbound Tourism Survey, and therefore is not strictly comparable to previous periods. Until March 2004, data for sea arrivals taken from embarkation cards. Thereafter, data for sea departures taken from Inbound Tourism Survey

after increasing up to 17.0 per cent in 2000, the share of the German market recorded a decline to 11.1 per cent in 2005. The share of the Italian source market remained relatively stable between 1990 to 2005 reaching 8.6 per cent in January-September 2005. The share of the French market increased to 7.6 per cent in 2005, compared to 4.2 per cent in 1990. The share of the other markets category increased from 21.9 per cent in the first three quarters of 1990 to 31.7 per cent during the Survey period.

A detailed breakdown of tourist departures by nationality is presented in Table 5.4. Tourists from the UK increased by 27,639 or 7.8 per cent, to 382,017 during January-September 2005. After the decline in the first three quarters of 2003, tourists from Germany rose by 4.3 per cent in 2004. The increase continued to be sustained during the period under review with this market growing by 2.8 per cent to reach 103,315.

Tourists from Italy, France, Netherlands, Libya, Belgium, and Switzerland registered a decline during the Survey period. In contrast, a relatively high advance was recorded in the Scandinavian source market, which consists of Denmark, Finland, Norway and Sweden. Departures to this market amounted to 53,976 during the Survey period, an increase of 4,013 or 8.0 per cent over

Tourist Departures by Nationality*

Table 5.4

| | 2002 | | 2003 | | 2004 | | 2005 |
|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Jan/Sep | Oct/Dec | Jan/Sep | Oct/Dec | Jan/Sep | Oct/Dec | Jan/Sep |
| United Kingdom | 354,042 | 113,363 | 371,154 | 101,943 | 354,378 | 98,601 | 382,017 |
| Germany | 112,446 | 36,025 | 96,394 | 29,021 | 100,508 | 34,652 | 103,315 |
| Italy | 77,778 | 10,452 | 81,431 | 11,249 | 89,606 | 13,035 | 80,354 |
| France | 68,928 | 11,345 | 65,432 | 11,950 | 75,419 | 11,727 | 70,567 |
| Netherlands | 33,745 | 8,630 | 32,468 | 7,576 | 30,564 | 7,896 | 29,715 |
| Scandinavia** | 29,792 | 10,240 | 35,280 | 11,677 | 49,963 | 18,785 | 53,976 |
| Libya | 19,482 | 5,564 | 14,312 | 3,151 | 10,115 | 2,717 | 8,660 |
| Belgium | 19,813 | 4,796 | 22,025 | 4,374 | 25,678 | 5,675 | 22,497 |
| Austria | 15,166 | 3,787 | 19,999 | 4,597 | 18,690 | 5,387 | 20,690 |
| Switzerland | 16,064 | 6,309 | 17,446 | 4,564 | 16,480 | 6,394 | 14,891 |
| USA | 10,269 | 2,588 | 11,734 | 3,440 | 14,061 | 4,835 | 14,662 |
| Others | 129,757 | 31,895 | 131,472 | 25,545 | 134,266 | 28,525 | 129,869 |
| TOTAL | 887,282 | 244,994 | 899,147 | 219,087 | 919,728 | 237,956 | 931,213 |

*Until March 2004, data for sea arrivals taken from embarkation cards. Thereafter, data for sea departures taken from Inbound Tourism Survey

**Includes Denmark, Finland, Norway, Sweden

Source: National Statistics Office

January-September 2004. Tourists from the US, have followed an upward trend since 2002, reaching 14,662 in the first nine months of 2005. Tourist departures to the other countries category were lower during the period under review, with a decline of 4,397 to 129,869.

Cruise Passengers

During the Survey period, the number of foreigners visiting Malta on cruise liners registered an increase of 10.7 per cent. This compares with a decline in cruise passengers of 31.7 per cent in the first nine months of 2004.

This performance is attributable to the fact that more cruise liner companies started using Malta as a home port. Since this concept involves tourists flying to Malta from where they start and end their cruise, it should provide high value added to the economy that goes beyond the cruise liner industry. The new Cruise Liner Terminal, which should open in the very near future, will continue to bolster Malta as an important cruise liner destination in the Mediterranean.

Accommodation

Table 5.5 provides data concerning Malta's accommodation capacity by category of units and beds. It is pertinent to point out that the change in accommodation levels reflects new accommodation, closure of existing accommodation as well as re-classifications.

By the end of September 2005, the number of hotels decreased by 3 compared to that of December 2004. This was attributable to declines in the 4 and 2-Star categories. In terms of bed-stock, capacity in September 2005 stood at 30,926 beds, a decline of 760 beds when compared to December 2004 levels. The 5-Star accommodation category remained unchanged. The 3-Star accommodation recorded an increase of 374 beds over December 2004.

| Main Types of Tourist Accommodation | | | | | | |
|-------------------------------------|------------|--------|------------|--------|------------|--------|
| Table 5.5 | | | | | | |
| | 2003 (Dec) | | 2004 (Dec) | | 2005 (Sep) | |
| | Units | Beds | Units | Beds | Units | Beds |
| Hotels | | | | | | |
| Five Star | 13 | 5,040 | 13 | 5,040 | 13 | 5,040 |
| Four Star | 47 | 15,906 | 44 | 15,315 | 42 | 14,428 |
| Three Star | 51 | 11,074 | 45 | 10,272 | 47 | 10,646 |
| Two Star | 18 | 1,174 | 16 | 1,059 | 13 | 812 |
| Total | 129 | 33,194 | 118 | 31,686 | 115 | 30,926 |
| Villages/ Aparthotels | | | | | | |
| Four Star | 8 | 1,920 | 8 | 1,860 | 7 | 1,292 |
| Three Star | 12 | 2,642 | 10 | 2,350 | 11 | 2,634 |
| Two Star | 15 | 2,407 | 15 | 2,407 | 13 | 1,591 |
| Total | 35 | 6,969 | 33 | 6,617 | 31 | 5,517 |
| Guesthouses | | | | | | |
| Comfort | 12 | 295 | 12 | 295 | 11 | 281 |
| Standard | 28 | 749 | 26 | 684 | 25 | 673 |
| Total | 40 | 1,044 | 38 | 979 | 36 | 954 |
| Hostels | | | | | | |
| Standard | 3 | 236 | 5 | 488 | 5 | 488 |
| Total | 3 | 236 | 5 | 488 | 5 | 488 |
| Source: National Statistics Office | | | | | | |

It should be noted that there were some tourism operators who converted their investment to service a different type of industry. However, five new 5-Star hotels will be opening during 2005 while a number of other hotels have embarked on refurbishment projects.

The total number of tourist villages and apart-hotels at the end of the Survey period stood at 31 with a bed-stock capacity of 5,517, compared to 33 units and 6,617 beds in December 2004. The accommodation capacity of guesthouses declined to 36 units with 954 beds from 38 units with 979 beds in December 2004. Meanwhile, accommodation in hostels remained unchanged at a level of 5 units and 488 beds when compared to December 2004.

The occupancy rates, as illustrated in Table 5.6, are another important element of consideration in the analysis of the tourism industry. The 5-Star, 4-Star and 2-Star category of hotel accommodation reached their peak inflow in September. The 5-Star and 4-Star category recorded similar occupancy rates of 94 per cent, while the 2-Star category registered an occupancy rate of 65 per cent. August proved to be the peak month for the 3-Star with 91 per cent and for the

| Monthly Accommodation Occupancy Levels - 2005* | | | | | |
|---|--------|--------|--------|--------|---|
| Table 5.6 | | | | | per cent |
| | Hotels | | | | Complexes Villages & Apart-hotels Hostels & Guesthouses |
| | 5 Star | 4 Star | 3 Star | 2 Star | |
| January | 28 | 42 | 36 | 11 | 25 |
| February | 32 | 58 | 41 | 15 | 23 |
| March | 44 | 59 | 43 | 28 | 29 |
| April | 44 | 60 | 45 | 32 | 30 |
| May | 55 | 72 | 51 | 31 | 42 |
| June | 65 | 80 | 61 | 26 | 51 |
| July | 76 | 88 | 84 | 36 | 67 |
| August | 90 | 91 | 91 | 39 | 70 |
| September | 94 | 94 | 72 | 65 | 42 |
| Average | 59 | 72 | 58 | 31 | 42 |
| *Occupancy levels for January - June period are based on the Collective Accommodation Establishments Occupancy levels for July - September are estimated on the basis of the Inbound Tourism Survey and the official bed-stock as supplied by the Malta Tourism Authority | | | | | |
| Source: National Statistics Office | | | | | |

complexes, villages and aparthotels together with hostels and guesthouses with 70 per cent.

Another important indicator of the performance of the tourist industry is that related to the average length of stay by tourists. During the Survey period, the average length of nights spent stood at 9.6 nights, from 9.8 nights over the same period of 2004. This must be viewed in the context that internationally the growth in short breaks continues to outpace the growth in outbound travel generally. In fact, in the last years growth rates in tourist departures on an international level have tended to outpace nights spent.

Employment

Data for employment in hotels and restaurants is based on the distribution of the administrative records of the Employment and Training Corporation of the gainfully occupied population according to the standard NACE classification of economic activities. As a result, the employment data in this Chapter is not directly comparable to that presented in previous issues of the Economic Survey.

Full-time employment in hotels and restaurants as at September 2005 stood at 8,360 persons, representing 6.1 per cent of the gainfully occupied population. Private sector employment in hotels and restaurants amounted to 8,083, or 13.7 per cent of the persons employed in private market services.

There was a decrease of 158 or 1.9 per cent in employment with hotels and restaurants between September 2004 and 2005. This was mainly due to layoffs by tourism operators who preferred to convert their investment to service a different type of industry. However, five new 5-Star hotels shall be opening during 2005 while a number of other hotels have embarked on refurbishment projects.

Foreign Exchange Earnings

The generation of foreign exchange earnings gives a good indication of the performance of the domestic tourism industry. Tourism earnings are one of the most important forms of foreign exchange generation in the local economy while it also helps to bridge the gap in the domestic merchandise account. The tourism industry thus provides an important contribution to the external payments position of the domestic economy.

Earnings from Tourism

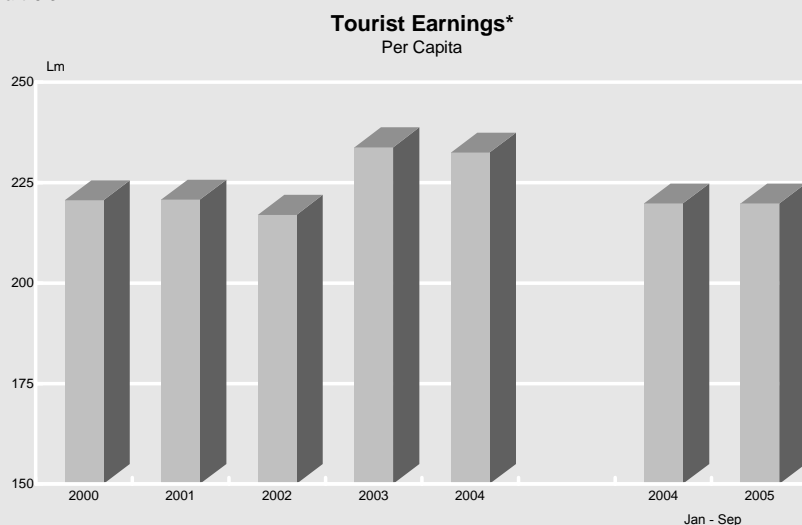
Table 5.7

| | Gross Earnings (Lm million) | Per Capita Earnings (Lm) | Earnings Per Nights Spent* (Lm) | Ratio to exports of goods and services (%) | Ratio to exports of manufactured goods (%) |
|-----------------------|--------------------------------|-----------------------------|---------------------------------------|---|---|
| 2002 | 245.7 | 217.0 | 23.2 | 16.5 | 27.4 |
| 2003 | 261.5 | 233.8 | 23.2 | 18.1 | 28.7 |
| 2004 | 269.1 | 232.5 | 24.1 | 19.4 | 30.3 |
| 2004 (Jan/Sep) | 202.1 | 219.8 | 22.3 | 19.3 | 29.9 |
| 2005 (Jan/Sep) | 204.7 | 219.8 | 22.9 | 20.7 | 34.7 |

*For 2004 includes April - September sea nights from Inbound Tourism Survey

Source: National Statistics Office

Chart 5.3



*As from 2001 tourism data is based on the Inbound Tourism Survey, and therefore is not strictly comparable to previous periods

Gross foreign exchange earnings for the first nine months of 2005 amounted to Lm204.7 million, an increase of 1.3 per cent from Lm202.1 million registered during the same period in 2004. This increase in tourism earnings is mainly due to a higher number of tourist departures. Per capita earnings remained stable at a level of Lm219.8. Earnings per nights spent increased to Lm22.9 for the period under review from Lm22.3 for the corresponding period in 2004. Data on foreign exchange earnings from tourism are provided in Table 5.7, while Chart 5.3 depicts tourism earnings per capita.

During the Survey period, gross earnings from tourism accounted for 20.7 per cent of exports of goods and services. This compares with 19.3 per cent registered in the first nine months of 2004. An increase in the ratio of foreign exchange earnings from tourism to exports of manufactured goods was also registered. This ratio increased from 29.9 per cent in the first three quarters of 2004 to 34.7 per cent during the Survey period. This result was influenced by the significant drop in manufacturing exports recorded during the period under review.

Malta Financial Services Authority

The Malta Financial Services Authority (MFSA) is the supervisor and single regulator for the financial services sector in Malta. The sector incorporates all financial activity including banking, investment and insurance. The MFSA also manages the Registry of Companies and has also the responsibility of the Listing Authority.

On January 1, 2005, a new Trusts and Trustees Act 2004 came into force, which is expected to generate employment and foreign earnings dividends as the trusts sector grows alongside the country's well established banking, investments and insurance industries. The MFSA has already licensed 41 trustees under the new Act.

During the year, the MFSA has also signed a memorandum of understanding with the Isle of Man Insurance and Pensions Authority to establish a framework for mutual assistance and to facilitate the exchange of information between the two regulatory authorities.

New banks and financial institutions have been licensed during the period under review, such that as at 30th September 2005, there were 17 Credit Institutions

licensed under the Banking Act (1994) and 12 financial institutions licensed under the Financial Institutions Act (1994).

During the first nine months of this year, the MFSA issued 12 new Collective Investment Scheme (CISs) licenses including seven professional investor fund licenses. The total number of CISs at the end of September 2005 stood at 107. Since Malta joined the EU in May 2004 the European Passport Rights were applicable to Malta and consequently, a number of CISs have surrendered their license and requested authorization from the MFSA to market their units in Malta. The MFSA also issued 4 new Investment Services (IS) licenses during this period, such that the number of IS licenses at the end of September 2005 totaled 87.

EU membership has enabled the Maltese insurance industry to move onto the international scene. In fact this year, the MFSA licensed the sixth Insurance Manager and three affiliated insurance companies. As at the end of September 2005, the number of foreign principals authorized to carry on insurance business in Malta decreased to 10. The number of local principles remained at 8 during the period under review. The number of companies operating as brokers at the end of the third quarter of this year remained at 24, whereas the number of individuals operating as brokers increased to 39. On the other hand, the number of insurance agents declined to 22 from 25 local and foreign insurers registered during the previous Survey period.

During the first nine months of the year under review, the registry of companies registered 1,711 new commercial partnerships, representing a 2.9 per cent decrease over the corresponding 2004 period.

Malta Enterprise Corporation

Malta Enterprise is Government's agency focused on attracting inward direct investment and supporting enterprises in Malta. The Corporation provides a comprehensive package of assistance and advisory services to both local and international companies and investors considering operations in Malta, such as professional pre-investment advice and support, start-up assistance as well as a suite of post investment services and aftercare facilities. In fact, during the period under review, Malta Enterprise approved 22 new projects and 30 expansion projects, of which 9 new projects and 5 expansion projects originated from abroad. In line with previous years' developments, Germany has been the country with the highest number of approvals for new projects.

While the majority of foreign capital investment for new projects is linked to the electrical and electronic machinery and equipment sector (including transport equipment), a substantial part of local capital investment for new projects is hotels and tourism related. Meanwhile, the majority of foreign investment on expansion projects is related to the plastics and medical, pharmaceutical, and biotechnological sectors. On the other hand, the majority of capital investment by locally owned concerns on expansion projects is earmarked for the food, beverages and tobacco and aquaculture and livestock rearing sector.

Malta Enterprise supports enterprises through loans at low interest rates for part-financing investment. Between January and September 2005, a total of Lm2.5 million of soft loans were granted to 10 different companies, of which the majority funded investments by the medical, pharmaceutical and biotechnology sector.

The first nine months of 2005 witnessed an increased interest from operators within the Information and Communications Technology (ICT) and pharmaceutical industries. The major motivation behind potential companies' interest appears to be the search for improved competitiveness through cost reduction and/or improved quality. As regards the pharmaceutical industry, the favourable patent climate, which permits companies to carry out research and development before a branded pharmaceutical's patent expires, further adds to these advantages. In consideration of the important role of the services industry in Malta, focus is being shifted towards back office operations, logistics and warehousing, provision of training in ICT and management, oil and gas, and support operations.

As part of Malta Enterprise's commitment towards enterprise support, between January and September 2005, the Corporation has organised a significant number of events and meetings designed to reduce some of the inherent risks of entrepreneurs, to improve quality standards and to enhance their potential growth. Malta Enterprise is also co-ordinating the MARIS project, sponsored by the EU Commission, with the aim of fostering a favourable environment and increasing the capacity for the creation and diffusion of innovation. The Innovation Relay Centre promotes innovative technologies and technology co-operation, while the Kordin Business Incubation Centre provides the physical space and technology infrastructure required by incubating businesses.