

# **Economic Survey**

## **October 2010**

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Ministry of Finance, the Economy and Investment  
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The following symbols have been used throughout this document:

- ... to indicate that data are not available;
- 0 to indicate that the figure is zero;
- to indicate that data are not applicable or cannot be determined;
- to indicate that the figure is negligible;

National Accounts estimates and other statistics which appear in this Economic Survey are provisional and subject to revision. Figures may not add up due to rounding. This document is based on statistical information available up to 13<sup>th</sup> October 2010.

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# **1. State of the Economy**

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# 1. State of the Economy

The global financial and economic crisis had severe repercussions on global economic activity, thereby also negatively affecting world trade and the economies of Malta's main trading partners. As a result, Malta was also negatively affected by the global developments, particularly in the local manufacturing and tourism industries, as well as in the labour market. The global economy started to recover during the second half of 2009. This recovery was led by strong growth in Asian economies as well as by the fiscal and monetary stimulus by governments and central banks worldwide in response to the crisis. This incipient recovery in the global economy has strengthened during the first half of 2010 and consequently, the Maltese economy has also benefited as growth in the Maltese economy was relatively buoyant mainly underpinned by positive developments in the external sector. Meanwhile, the labour market has also shown signs of improvement over the twelve months to June 2010.

During the first half of 2010, GDP increased by 4.0 per cent in real terms. Although the growth in GDP was broad-based, the external sector underpinned the expansion in GDP as exports increased by 25.9 per cent while imports increased by 19.6 per cent.

Following the decrease recorded in 2009 encouraging signs were recorded in the gainfully occupied population in June 2010, following the increase recorded over June 2009. This was evidenced in a higher level for the gainfully occupied population and decreasing unemployment levels. During the first six months of 2010, market services employment continued to increase such that the shift towards a more services-oriented economy was sustained. Furthermore, private sector employment continued to increase, albeit at a slower pace than that registered in recent years, as public sector employment declined. Part-time employment continued with its upward trend with increases mainly concentrated amongst persons with a part-time job as their primary employment.

During the first six months of 2010 the total turnover index for the total industry rose by 21.7 per cent when compared to the same period of last year. This was owing to significant rises in the water and electricity supply and manufacturing whilst the mining and quarrying sector registered negative growth in turnover.

Meanwhile, during the period January-August 2010, tourist departures increased by 12.1 per cent over the previous comparable period, to reach 903,314 visitors. In line with this development, gross foreign exchange earnings from

tourism registered an increase of 15.6 per cent during the first half of 2010. This development reflects the recovery in Malta's main tourism markets and initiatives to improve airline accessibility.

The inflation rate, as measured by the twelve-month moving average Retail Price Index was on a decreasing trend during 2010, reaching 0.74 per cent in June 2010. Subsequently, it slightly increased to 0.80 per cent in September 2010.

The current account deficit stood at €51.4 million during the first two quarters of 2010, thus underscoring the improved external performance with respect to the same period of 2009, where a deficit of €75.2 million was recorded. This improvement was primarily attributable to a decline of €131.9 million in the goods account deficit. An improvement in the services account surplus and a decrease in the income account deficit also contributed to the improvement in the current account deficit. On the other hand, current transfers turned from a net inflow position to a net outflow position in the period under review.

During the nine months to September 2010, the shortfall between recurrent revenue and total expenditure of central Government stood at €299.8 million from €333.9 million recorded in the same period last year. This was mainly underpinned by an increase in recurrent revenue which more than offset increases in total expenditure outlays.

Summing up, while the improvement in the local economic scenario remains inextricably linked to global economic developments, it is evident that the Maltese economy has demonstrated an element of resilience with respect to the external shocks, especially in view of the more severe developments reported by other small open economies. This also reflects the policy response of Government to mitigate the impact of the crisis on economic activity and jobs.

However, an element of uncertainty remains associated with global economic developments during the second half of 2010 and beyond. The global economy is expected to expand at a slower pace in the second half of 2010. At the same time, while financial markets have started to show sign of normalization, the situation remains fragile. In addition, while during the first eight months of 2010, oil and food prices have shown signs of stabilization, food prices have recently picked up again during the last two months to August while metal prices have also responded strongly to changes in expectations concerning the global recovery.

When set against this context, it remains crucial for any Euro Area economy like Malta to remain vigilant in ensuring flexibility to adjust to external shocks. Price stability remains a cornerstone of economic policy in conjunction with efforts directed towards strengthening Malta's competitive edge. Economic adjustment also requires flexibility in the labour and capital markets. From a medium to longer term point of view, the goal of attaining convergence to EU income levels is linked to the process of transformation towards an economy based on higher value added activities and the attainment of higher levels of productivity. In order to attain this vision, the labour market remains key, particularly in view of the need to raise participation rates and continue to upgrade education and skill levels.

## **Local Scene**

### **Economic Growth**

In the first six months of 2010, real GDP increased by 4.0 per cent mainly underpinned by a strong performance in the external sector where exports increased by 25.9 per cent in real terms with imports increasing by 19.6 per cent. Growth in the domestic sector was also positive, with household consumption increasing by 0.9 per cent in real terms, equivalent to 2.9 per cent in nominal terms. Gross fixed capital formation increased by 3.0 per cent, with private investment underpinning the expansion in overall investment. On the other hand, the increase in Government expenditure was rather subdued, with a real growth rate of 0.5 per cent.

### **Sectoral Contributions to Gross Value Added**

In the first half of 2010, GVA at basic prices increased by 8.3 per cent in nominal terms and reached €2,612.5 million. The main contributors towards this growth were the financial intermediation and to a lesser extent the community, social and personal services and real estate, renting and business activities. Conversely, declines in growth in GVA were registered in the agriculture and fishing and the transport, storage and communication sectors.

Meanwhile, GVA in the manufacturing industry increased, mainly reflecting rises in the manufacture of chemicals and chemical products and to a lesser extent in the manufacture of rubber and plastic products, manufacture of electrical machinery and apparatus and the manufacture of radio, TV and communication equipment.

## Labour Market

During the twelve months to June 2010, encouraging signs of recovery were reported in the labour market. Similarly, trends of increasing unemployment emerging during 2009 were halted and reversed during 2010, indicating that the domestic economy's expansion in the first half of this year is starting to generate employment opportunities. In June 2010, the gainfully occupied population stood at 145,690, an increase of 227 or 0.2 per cent over June 2009. At the same time, the number of persons registering for employment (under Part I and Part II of the Register) decreased by 498 such that the unemployment rate stood at 4.4 per cent compared to 4.8 per cent a year earlier. These developments resulted in a marginal decline in the labour force, which at the end of June 2010 stood at 152,465, a decrease of 271 or 0.2 per cent over the same month the previous year. Meanwhile, in June 2010, part-time employment as a primary job increased by 1,683 or 6.1 per cent to 29,451.

As in previous years, a shift away from direct production towards market services employment was observed. Indeed, total direct production employment (exclusive of temporary employees) fell by 1,141 or 2.9 per cent to 38,172. On the other hand, market services employment recorded an increase of 1,435 or 1.4 per cent to 106,888. Consequently, the share of direct production in total employment fell from 27.0 per cent in June 2009 to 26.2 per cent in June 2010, reflecting a 0.9 percentage point increase in the share of market services employment. Meanwhile, public sector employment continued to follow a downward trend to stand at 40,520. At the same time, private sector employment increased by 387 or 0.4 per cent to 105,170. Consequently, by the end of the period, the share of public and private sector employment in the total gainfully occupied population amounted to around 28 per cent and 72 per cent, respectively.

## Productive Activities

During the first six months of 2009, the total industry turnover index increased significantly by 21.7 per cent when compared to the same period of last year. This was underpinned by an increase of 27.0 per cent in total exports of the industry coupled with a rise of 16.4 per cent in domestic sales. At a sectoral level, the increase in the total industry turnover index reflected increases in electricity and water supply and manufacturing. On the other hand, growth in wages and salaries of total industry dropped, reflecting a decline in the average hours worked and to some extent also lower employment levels.

Moreover, the recovery in the turnover index of the manufacturing sector was



underpinned by a significant increase in the export index of 27.0 per cent which was partially offset by a further drop in domestic sales of 4.2 per cent.

The importance of the local agricultural and fisheries sector within the local economy transcends its size, and retains an important socio-economic role. During 2009, agricultural factor income at current prices increased by 13.9 per cent when compared to 2008. Final production at basic prices declined by 5.4 per cent in 2009 when compared to 2008, driven mainly by lower prices for livestock, other animal, as well as crop products. The share of agriculture and fisheries in gross value added of the total economy declined to 1.8 per cent during the first half of 2010 when compared to 2.1 per cent recorded in the same period during the previous year. During the period January-August 2010, the wholesale value of fruit and vegetables sold through organised markets declined by 10.1 per cent. Meanwhile during the same period the volume of slaughtering declined by 3.5 per cent.

## **Services Activities**

During January-August 2010, tourist departures increased by 12.1 per cent over the previous comparable period, to 903,314 visitors. Earnings from tourism registered an increase of 15.6 per cent during the first half of 2010, to €286.3 million. On a per capita basis, expenditure by tourists increased by 4.4 per cent to €519.8 during this period, while earnings per night spent increased from €65.5 to €69.6. The cruise liner industry also registered a positive performance, increasing from a level of 294,795 arrivals during January-September 2009 to 344,817 arrivals in the corresponding 2010 period. However, full-time employment in hotels and restaurants declined from 9,968 as at the end of June 2009 to 9,677 at the end of June 2010.

The Malta Financial Services Authority (MFSA) is the single regulator and supervisory authority for the financial services sector in Malta. The MFSA also manages the Registry of Companies and has the responsibility of the Listing Authority. In spite of a significant challenging year, during the first nine months of 2010, the MFSA has continued to spearhead developments in the financial services framework both as regards regulation and new licensing activity.

The role of the Malta Enterprise (ME) is to attract inward investment and support enterprises in Malta. It provides pre-investment advice and support, start-up assistance as well as post investment services and aftercare facilities. ME also offers trade promotion services aimed at introducing foreign companies to suitable manufacturers, service providers, suppliers and potential strategic

partners in Malta. During the first three quarters of 2010, ME approved new and expansion projects and approved financial assistance through various incentive schemes. ME has also coordinated a number of projects aimed at promoting innovation, technology transfers and providing more technological infrastructure support to businesses.

## **Prices and Incomes**

The domestic price level, as measured by the 12-month moving average for the Retail Price Index (RPI), decreased significantly from 2.99 per cent in October 2009 to 0.74 per cent in June 2010. Subsequently, it rose slightly to 0.80 per cent in September 2010. The main contributors to inflation were Water, Electricity, Gas and Other fuels and to a lesser extent Personal Care and Health, Housing and Beverages and Tobacco sub-sectors.

As regards to incomes, the study reviewed the average weekly wages derived from collective agreements of 204 companies with a total workforce of 25,586 employees, where 9,552 employees are engaged in direct production and 16,034 employees in the market services sector. The overall rate of weekly wage increase resulted to be €6.75 or 2.5 per cent. Moreover, the Hotel and Catering establishments sub-sector registered the highest wage rise of 3.0 per cent, while around 21.5 per cent of all employees earned an average weekly wage of more than €320.01.

## **Foreign Trade and Payments**

During the first six months of 2010, the current account deficit decreased by €23.8 million to €51.4 million or 1.7 per cent of GDP. The main contributor to this performance was a decline of €131.9 million (equivalent to 5.6 percentage points of GDP) in the goods account deficit.

A recovery in total exports was registered in the first eight months of 2010, while total imports increased by a smaller amount so that the trade gap narrowed from €1,035.7 million to €856.4 million. The recovery in exports was quite broad-based as the majority of commodity groups registered increases in exports, with machinery and transport equipment exports and exports of fuels recording particularly strong performances. Industrial supply imports were the main factor behind the increase in total imports.

Service account net receipts registered an improvement of €34.7 million or 0.1 percentage points of GDP in the January-June 2010 period. This occurred as

tourism earnings recovered from the level recorded in the comparable period of the previous year and other services net receipts also recorded a significant increase.

Higher receipts on bond and note holdings and decreased outflows related to lower profits by foreign-owned companies registered in Malta meant that the income account deficit decreased by €27.2 million or 1.4 percentage points of GDP.

Current transfers turned from a net inflow of €143.9 million in the first half of 2009 to a net outflow of €26.3 million during the same period of 2010. This represents a deterioration of 6.1 percentage points of GDP.

An inflow of 1.2 per cent of GDP was recorded in the capital account during the first half of 2010. However, outflows in the financial account equivalent to 2.2 per cent of GDP (including net errors and omissions) meant that the current account deficit was not entirely financed, such that reserve assets declined by 2.8 per cent of GDP.

## **Financial Developments**

During the nine months to September 2010, the shortfall between recurrent revenue and total expenditure of central Government declined to €299.8 million, reflecting an increase in recurrent revenue which more than offset increases in total expenditure outlays.

Total expenditure outlays increased by €99.1 million to €1,986.6 million. This increase was mainly attributable to a rise in recurrent expenditure, which increased from €1,559.9 million to €1,635.1 million, and to a lesser extent to higher capital expenditure which more than offset lower interest on public debt. During the first nine months of 2010, higher outlays on Programmes and Initiatives accounted for almost half of the increase in recurrent expenditure. Higher outlays were directed particularly towards social assistance, higher budgetary compensation in respect of Energy Support Measures, and education. Moreover, capital expenditure increased by €40.6 million to €209.6 million on account of higher capital expenditure on infrastructural investment which more than outweighed lower outlays registered with respect to productive and social investment. On the other hand, interest on public debt decreased by €16.7 million to €141.9 million. Meanwhile, Government recurrent revenue increased by €133.2 million, on account of higher proceeds from both direct and indirect tax revenue, as well as increased non-tax revenue.

Malta's contribution to Euro Area broad money (M3), which includes deposit liabilities to both Maltese residents as well as to other Euro Area residents, reached €8,882.6 million at the end of August 2010 thus representing an increase when compared to the same period a year earlier. This increase was driven by increases in the external and credit counterparts which more than offset a decline in other counterparts.

During the first half of 2010, the Euro experienced an overall weakening against the US Dollar, the British Pound, as well as the Japanese Yen. Subsequently, the Euro appreciated sharply vis-à-vis the US Dollar during the third quarter of 2010, and by the end of September traded roughly at the same levels recorded during February of the same year. In the third quarter of 2010, the Euro also gained strength against the British Pound. The value of the Euro against the Japanese Yen varied in the third quarter of 2010, edging up against the Yen during September.

## **International Scene**

The global economic recovery has continued to gain momentum during the first half of 2010. Nevertheless, while the positive signs of the recovery have become increasingly evident, the extent of the recovery has varied across regions, being driven primarily by Asian economies. In particular, growth in advanced economies has started to slow down as the effect of stimulus measures following the economic and financial crisis has started to wane. On the other hand, policies implemented in emerging and developing economies in response to the crisis have contributed to their improved outlook. Nevertheless, growth in emerging and developing countries still remains dependent on demand from advanced economies.

Additionally, while the global economic recovery picked up in the first half of 2010, global financial stability suffered in lieu of the turmoil experienced in sovereign debt markets during the second quarter. Overall, according to the IMF World Economic Outlook of October 2010, the global economy is expected to come to a temporary slowdown in the second half of 2010. For 2010 as a whole, world GDP growth is expected to reach 4.8 per cent in real terms, compared to a contraction of 0.6 per cent experienced in the previous year. While financial markets have started to show signs of normalization, the situation remains fragile.

After bottoming out in early 2009, commodity prices picked up strongly during the remainder of the year supported mainly by developments in oil and metal

prices that stemmed from improving global economic and financial conditions. Subsequently, although during the first eight months of 2010, oil and food prices have shown signs of stabilization, the latter have recently picked up again during the last two months to August. Metal prices have varied widely in the first eight months of 2010, responding strongly to changes in expectations concerning the global recovery.

The information contained within this Section is based on macroeconomic projections as published by the European Commission in its Interim Economic Forecast of September 2010, as well as the International Monetary Fund's (IMF) World Economic Outlook of October 2010. Tables 1.1 to 1.3 and Charts 1.1 and 1.2 portray a number of relevant economic indicators.

The recovery of the US economy has continued in 2010 thanks to a sizeable fiscal as well as monetary policy stimuli. Nevertheless, the rate of growth of the

**World GDP, Volume**  
annual percentage change

Table 1.1

	2007	2008	2009	2010*
<b>World</b>	5.2	2.8	-0.6	4.8
Advanced Economies	2.7	0.2	-3.2	2.7
EU 27	3.0	0.5	-4.2	1.8
Euro Area	2.8	0.5	-4.1	1.7
Germany	2.7	1.0	-4.7	3.4
France	2.4	0.2	-2.6	1.6
Italy	1.5	-1.3	-5.0	1.1
United Kingdom	2.7	-0.1	-5.0	1.7
United States	2.1	0.0	-2.6	2.6
Japan	2.3	-1.2	-5.2	2.8
Canada	2.5	0.5	-2.5	3.1
Emerging and Developing Economies	8.3	6.0	2.5	7.1
Russia	8.1	5.2	-7.9	4.0
China	13.0	9.6	9.1	10.5

\*Projections

Source: Eurostat, European Commission, IMF

## Inflation: Harmonised Index of Consumer Prices\*

percentage change on preceeding year

Table 1.2

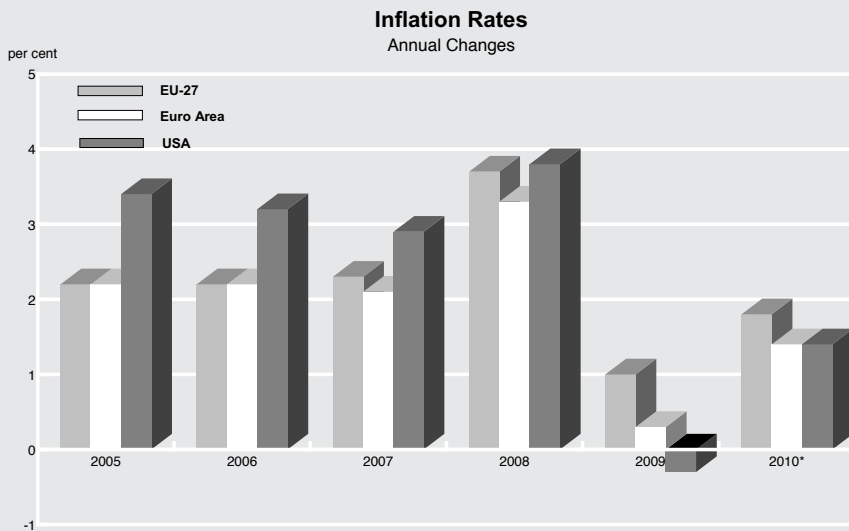
	2007	2008	2009	2010**
EU 27	2.3	3.7	1.0	1.8
Euro Area	2.1	3.3	0.3	1.4
Germany	2.3	2.8	0.2	1.1
France	1.6	3.2	0.1	1.6
Italy	2.0	3.5	0.8	1.6
United Kingdom	2.3	3.6	2.2	3.0
United States	2.9	3.8	-0.3	1.4
Japan	0.0	1.4	-1.4	-1.0

\*National index if not available

\*\*Projections

Source: Eurostat, European Commission, IMF

Chart 1.1



\*Projections

## Unemployment Rate\*

per cent of labour force

Table 1.3

	2007	2008	2009	2010**
Euro Area	7.5	7.5	9.4	10.1
Germany	8.4	7.3	7.5	7.1
France	8.4	7.8	9.5	9.8
Italy	6.1	6.7	7.8	8.7
United Kingdom	5.3	5.6	7.6	7.9
United States	4.6	5.8	9.3	9.7
Japan	3.8	4.0	5.1	5.1

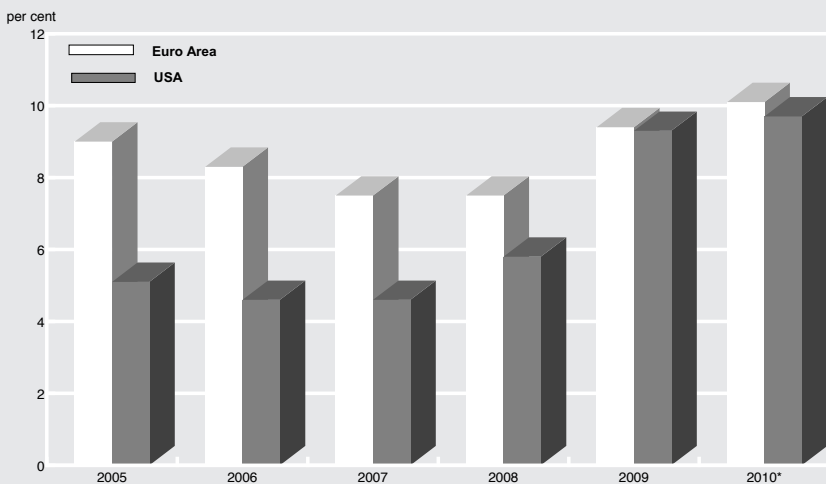
\*Series following Eurostat definition, based on the labour force survey

\*\*Projections

Source: Eurostat, European Commission, IMF

Chart 1.2

## Unemployment Rates



\*Projections

economy has started to moderate. The moderation in economic growth in the US during the first half of 2010 mainly reflects sluggish personal consumption. Private investment, on the other hand, has been buoyant in the US in the first half of this year. In Japan, the export-oriented recovery strengthened in early 2010 thanks to a stronger recovery in Western advanced economies and to rising demand from China. Economic growth in China moderated somewhat in the first half of 2010, albeit growth remained strong on the back of sustained growth in retail sales as well as in industrial production.

While remaining fragile, the recovery in the EU and Euro Area during the first half of 2010 has progressed more quickly than expected in the May 2010 publication of the European Commission Spring Forecast. The better than expected recovery was primarily driven by the external sector which benefited from buoyant global growth and trade conditions.

## **Recent Developments<sup>1</sup>**

Economic growth picked up in both the EU and Euro Area during the second quarter of 2010. In fact, for both areas, real GDP growth in the second quarter increased by 0.7 percentage points to 1.0 per cent from a growth rate of 0.3 per cent which was registered during the first quarter of the year. The pick up in economic activity during 2010 has been better than previously expected in both the EU and Euro Area, in particular, in the second quarter of the year. This strong performance was the result of an export driven rebound in industrial activity which reflected the performance of global growth and trade throughout the first half of 2010. Additionally, the contribution to growth of private investment and consumption also picked up in the second quarter. Nevertheless, the growth registered in the second quarter also reflects temporary factors, such as the rebound in construction activity following a harsh winter.

HICP inflation in the EU increased by 0.3 percentage points, reaching 2.0 per cent in the second quarter of 2010 when compared to a rate of 1.7 per cent registered in the previous quarter. HICP inflation in the EU surprised on the upside during the second quarter of the year, mainly reflecting developments in the UK. In the Euro Area, HICP inflation reached 1.5 per cent in the second quarter of 2010, representing an increase of 0.4 percentage points from the rate of 1.1 per cent registered in the first quarter of the year. The increase in inflation during the first half of 2010 reflected higher commodity prices, as well as base effects related to the food and energy components.

The labour market remained weak during the first half of 2010 in both the EU



and Euro Area. In June 2010, the rate of unemployment in the EU stood at 9.6 per cent, thus remaining practically unchanged from the rate recorded during the first six months of 2009. On the other hand, the unemployment rate in the Euro Area stood at 10.1 per cent in June 2010, a minor increase over the rate of 9.9 per cent registered in January.

The German economy registered a real growth rate of 0.5 per cent during the first quarter of 2010, on the back of continued strong momentum from the rebound in world trade as well as expansionary fiscal and monetary policy which underlined the turnaround in growth since the second quarter of last year. Additionally, real GDP growth in the German economy reached 2.2 per cent during the second quarter of this year, driven by a sizeable increase in exports and a boost in construction activity. Despite higher energy prices and a depreciation of the euro, year-on-year HICP inflation in Germany remained contained during the first two quarters of 2010 reaching 0.8 per cent and 1.0 per cent respectively. The labour market has remained robust being only mildly affected by the economic downturn.

Growth in the French economy reached 0.6 per cent in real terms during the second quarter of 2010, thus increasing only moderately by 0.4 percentage points from a growth rate of 0.2 per cent registered in the first quarter of the year. GDP growth during the first half of 2010 was supported by domestic demand as well as the impact of the deceleration in de-stocking. At the same time, despite the recovery in world trade and the depreciation of the euro, the external sector contributed negatively to economic growth as imports grew more than exports. Year-on-year HICP inflation reached 1.5 per cent and 1.8 per cent respectively during the first and second quarters of 2010 as a result of higher oil prices combined with a base effect from 2009. The unemployment rate remained high at around 9.9 per cent throughout the first half of the year, also threatening to weigh negatively on prices.

GDP growth in Italy remained stable at 0.4 per cent during the first and second quarters of 2010. The moderate recovery experienced by the Italian economy was driven by the external sector which supported the industrial sector and investment in equipment. Additionally, the industrial sector was also supported by tax incentives which have, however, ceased as from mid-2010. The year-on-year HICP inflation rate picked up in the first half of 2010 and reached 1.6 per cent in the second quarter of the year when compared to a rate of 1.3 per cent registered in the previous quarter. The increase in inflation was the result of diminishing base effects from energy prices. Meanwhile, the labour market remained fragile during the first half of 2010 and continued to weigh negatively

on private consumption.

GDP in the UK grew by 0.3 per cent in real terms in the first quarter of 2010, before rebounding by 0.9 percentage points in the second quarter and reaching a growth rate of 1.2 per cent. The better than expected growth rate registered during the second quarter was the result of the turnaround in the inventory cycle as well as resilient spending from the household sector. Net trade contributed negatively to growth in the first quarter while its contribution to growth was neutral in the second quarter as the external sector started to pick up. The inflation rate, as measured by the year-on-year HICP, reached 3.3 per cent and 3.4 per cent respectively during the first and second quarters of 2010. Inflation during this period was the result of a number of factors, namely, higher retail energy prices, the depreciation of the British Pound, as well as the effect of a rise in the VAT rate.

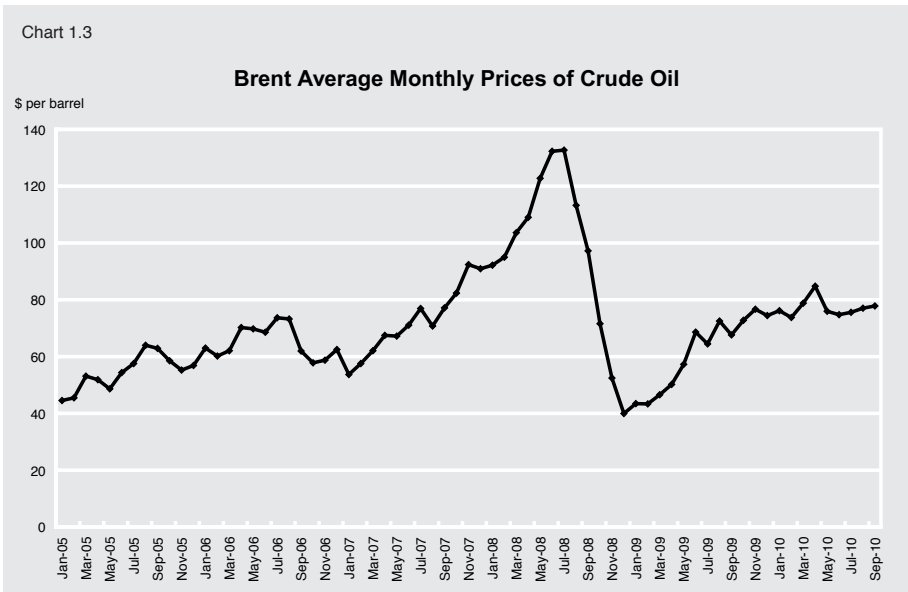
In the US, real GDP growth reached 3.7 per cent in the first quarter of 2010, following the macroeconomic stimulus and financial stabilization measures. Nevertheless, growth in the US economy started to moderate during the second quarter of the year. In fact, a rate of growth of 1.7 per cent was registered during this period, thus representing a decrease of 2 percentage points compared to the previous quarter. The moderation of growth was mainly due to sluggish private consumption, the largest component of US GDP. Despite a moderate decrease in the unemployment rate in the first half of 2010, the US labour market remained weak and unemployment remained relatively high. The unemployment rate stood at 9.5 per cent in June 2010 when compared to a rate of 9.7 recorded in January 2010.

Real GDP growth in China remained strong during the first half of 2010 albeit declining somewhat in the second quarter of the year. In fact, the Chinese economy grew by 10.3 per cent in the second quarter when compared to a growth rate of 11.9 per cent registered in the previous quarter. Economic growth in China was driven by domestic demand which was also aided by the Government's stimulus measures. Nevertheless, the sustained expansion of retail sales and industrial production also revealed that the expansion of private sector activity has moved ahead of the effect of the government stimulus. Growth in Japan during the first quarter of 2010 was supported by the continued buoyant performance of the export sector since the second quarter of the previous year. The export-led recovery of Japan continued into 2010 supported by stronger performance of Western advanced economies and buoyant demand from China.

## Commodity Markets

After reaching a low of \$40 per barrel in December 2008, the monthly average price of crude oil started to rise again in 2009. In fact, the price of crude oil increased substantially in the first half of 2009, subsequently fluctuating during the third quarter and following a more moderate increase towards the last quarter of the year. Overall, during January-December 2009, the monthly average price of crude oil increased by 71.4 per cent. Comparatively, the price of crude oil adjusted by the Euro to US\$ bilateral exchange rate increased by 55.3 per cent over the same period, thus reflecting a strengthening of the Euro vis-à-vis the US Dollar. In December 2009, the average monthly price of crude oil stood at \$74.5 per barrel. Thereafter, the price of crude oil remained fairly stable during the first two months of 2010, before edging up in the following two months and subsequently declining again and remaining at around \$76 per barrel throughout the third quarter of 2010, which was roughly the same level recorded at the beginning of the year. Conversely, during the first nine months of 2010, the monthly average price of crude oil adjusted by the Euro to US\$ bilateral exchange rate increased by 11.6 per cent, in reflection of exchange rate developments.

During the first half of 2010, demand for oil strengthened on the back of buoyant global economic activity as well as higher demand for oil stemming from China. On the supply side, oil production increases in the first half of 2010 almost matched the rise in demand. Over the forecast period, oil demand is expected to continue increasing in line with the progress of the global economic



recovery. Nevertheless, despite the rapid increases in demand from emerging and developing economies, subdued increases in demand from advanced economies should help moderate the global demand for oil. According to the IMF's World Economic Outlook of October 2010, the price of crude oil is expected to average around \$76.2 and \$78.8 per barrel in 2010 and 2011 respectively. Chart 1.3 displays the Brent average monthly price of crude oil between January 2005 and September 2010.

After bottoming out in December 2008, when compared to other commodities, food prices experienced only a moderate increase in the course of 2009 as a result of supply developments. In fact, the increase in food prices during 2009 was mainly the result of negative supply shocks for a number of food commodities, as the production of most food products increased to match structurally higher demand. As a result, the IMF food price index increased from a low of 119.6 in December 2008 to 143.2 recorded in June 2009, and then reached 139.5 towards the end of the year. Overall the IMF food price index experienced an increase of 9.1 per cent in the period January-December 2009. Food price increases in the first nine months of 2010 have also been contained relative to the prices of other commodities, showing little sensitivity to changing expectations of global growth and to changing conditions in financial markets. During January-September 2010, the IMF food price index experienced an increase of 11.6 per cent as food prices are returning to more normal levels mainly as a result of commodity-specific supply developments for a number of major food crops. Prospects for supply remain relatively buoyant for the rest of 2010. Additionally, demand growth is expected to remain modest with emerging economies accounting for most of the demand over the forecast horizon and demand from advanced economies remaining relatively sluggish.

Metal prices increased substantially throughout 2009 led by a stronger than anticipated recovery in emerging economies. In fact, the IMF metal price index increased by 54.3 per cent in the period January-December 2009. During the first nine months of 2010, metal prices registered wide fluctuations as a result of strong responses to changes in economic conditions and in expectations regarding the global recovery. In fact, the IMF metal price index edged up by 20.8 per cent during February-April 2010 from a level of around 146 registered in February, on the back of a faster than expected pace of recovery in the global economy. Subsequently, the IMF metal price index declined by 14.2 per cent to 151.2 in mid-2010, when compared to the high of 176.3 experienced in April, as economic expectations worsened in view of renewed turbulence in financial markets. Thereafter, the IMF metal price index increased again sharply, reaching 179.2 in September 2010, thus representing an overall increase of 15.8 per cent when compared to the level registered in January of the same

year. When compared to the low registered in February of 2009, the IMF metal price index in September 2010 represents an increase of 91.3 per cent. While 2010 has shown signs of recovering metal demand from advanced economies, the pace of expansion of these economies suggests that emerging economies will remain the main drivers for metal demand over the forecast horizon. In particular, the outlook for metal demand depends heavily on growth prospects in the Chinese economy.

## Future Economic Prospects

Table 1.4 portrays projections for the main economic indicators. Real GDP growth in the EU and Euro Area is expected to moderate during the second half of 2010. In fact, according to the European Commission's September 2010 Interim Forecast, real GDP growth is expected to reach 0.5 per cent in both areas during the third quarter of 2010. Subsequently, growth in the fourth quarter of 2010 is expected to reach 0.4 per cent and 0.3 per cent in the EU

<b>Projections</b>			
Table 1.4			
	<b>2009</b>	<b>2010*</b>	<b>2011*</b>
Real GDP (% change)			
Euro Area	-4.1	1.7	1.5
United States	-2.6	2.6	2.3
Japan	-5.2	2.8	1.5
Inflation (% change)			
Euro Area	0.3	1.4	1.5
United States	-0.3	1.4	1.0
Japan	-1.4	-1.0	-0.3
Unemployment Rate (% of labour force)			
Euro Area	9.4	10.1	10.0
United States	9.3	9.7	9.6
Japan	5.1	5.1	5.0
*Projections			
<i>Source: Eurostat, European Commission, IMF</i>			

and Euro Area respectively. The slowdown in growth during the second half of the year is accounted for by the expected moderation in the global economy, as well as to the fading off of temporary factors. Nevertheless, the quarterly forecast for the second half of 2010 also represents a more buoyant picture when compared to the May 2010 European Commission Spring Forecast, as a result of momentum registered in the second quarter of the year.

According to the European Commission's September 2010 Interim Forecast, real GDP growth in 2010 in the EU and Euro Area is expected to reach 1.8 per cent and 1.7 per cent, respectively; a more positive outlook when compared to growth rates of 1.0 per cent and 0.9 per cent projected in both areas respectively by the May 2010 European Commission Spring Forecast. Nevertheless, the aggregate figures conceal uneven developments across Member States. Moving into 2011, growth in the Euro Area is expected to reach 1.5 per cent in real terms according to the IMF's World Economic Outlook of October 2010. Inflation is expected to be somewhat volatile in the second half of 2010 reflecting adjustments in commodity prices due to changes in the outlook for advanced economies as well as base effects. Nevertheless, the remaining spare capacity and a weak labour market should contain core inflation at low levels during the second half of 2010. According to the European Commission's September 2010 Interim Forecast, HICP inflation is expected to reach 1.8 per cent and 1.4 per cent respectively in the EU and Euro Area in 2010, while for 2011, according to the IMF's World Economic Outlook of October 2010, HICP inflation in the Euro Area is expected to reach 1.5 per cent. Labour market conditions are expected to remain weak during the second half of 2010 reflecting the phasing out of support measures as well as ongoing structural adjustments. According to the IMF, the unemployment rate in the Euro Area is expected to remain high at around 10 per cent during 2010 and 2011.

The recovery of the US economy is expected to moderate in the second half of 2010 mainly as a result of a combination of factors leading to sluggish personal consumption. In particular, the deterioration in household net worth, high unemployment and bank's reluctance to lend to consumers are expected to weigh negatively on personal consumption. On the other hand, fixed investment is expected to drive domestic demand as inventory accumulation starts to moderate. Real GDP growth in the US economy is expected to reach 2.6 per cent and 2.3 per cent respectively for 2010 and 2011 according to the IMF's World Economic Outlook of October 2010. At the same time, inflation in the US is expected to remain low over the forecast horizon, reaching 1.4 per cent in 2010 before declining to 1.0 per cent in 2011. On the other hand, the unemployment rate is forecasted to remain high at around 9.7 per cent during

both 2010 and 2011 as the gap between actual and potential output is also expected to remain large.

*Footnote:*

<sup>1</sup> Quarterly GDP growth rates referred to in this Section relate to quarter-on-quarter growth rates.





## **2. Economic Growth**

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## 2. Economic Growth

Following the adverse developments prevailing in the international economic scene since Autumn 2008, the global economy seems to have stabilised with positive growth registered in most of the major economies, although uncertainty remains. Industrial production in the US and the Euro Area are on the up-rise, however, there still remain differences in growth in private consumption, with the Euro Area showing rather contained signs of recovery in private consumption. The fall out of the international economic crisis impacted heavily on the Maltese economy especially during 2009. Indeed, most of the sectors of the economy were adversely affected, especially tourism, trade, and investment, resulting in a contraction of GDP in 2009. Nonetheless, following encouraging signs of a global recovery and the subsequent improvement in international trade, Malta's economy improved gradually and positive growth was registered in the last quarter of 2009.

These positive developments were reflected in the Maltese economy in the first half of 2010. Indeed, real Gross Domestic Product (GDP) expanded by 4.2 per cent and 3.9 per cent in the first quarter and second quarter of 2010, respectively. This resulted in an overall growth rate of 4.0 per cent for the first half of 2010, compared to a contraction of 3.2 per cent registered in the same period of 2009. In nominal terms, GDP improved by 7.5 per cent in the first two quarters of 2010, compared with a slight decline of 0.6 per cent registered during the same period of 2009.

### Box 2.1

#### **Forecast Estimates for January–December 2010**

National Accounts data on the expenditure components of GDP is available up to the second quarter of 2010. Nevertheless, forecast figures can still be estimated for the year ending December 2010. This Box presents preliminary forecast figures on the basis of a short-term macroeconomic model of the Maltese economy.

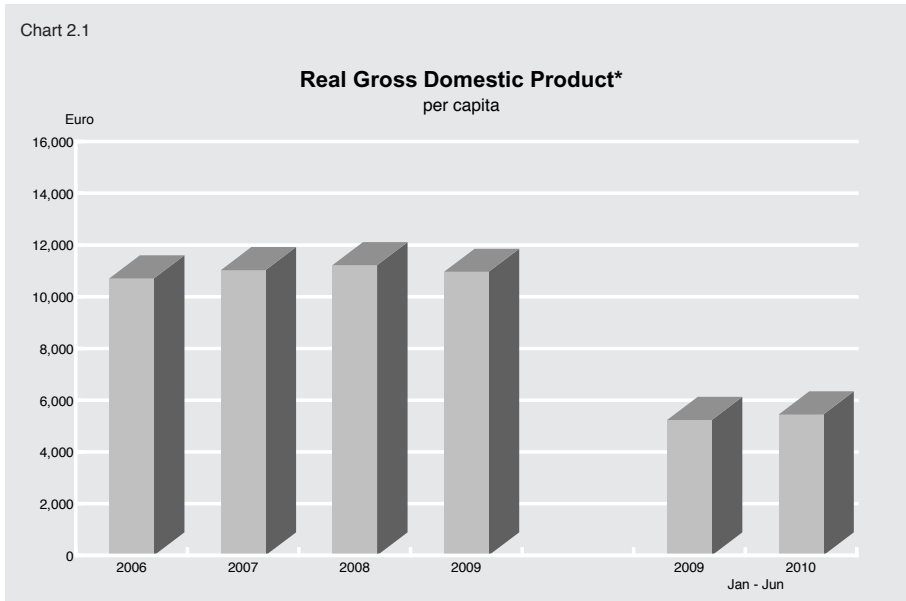
Forecast estimates suggest that GDP will continue to expand during the next two quarters of 2010, albeit at a slightly slower pace. Indeed, nominal GDP growth for 2010 is forecasted at 6.7 per cent. The external sector is expected to remain the main driver of economic growth, with both exports and imports registering relatively significant growth rates. Investment is expected to contribute positively to GDP, with private investment underpinning the expansion in overall investment. Modest growth is forecasted in private consumption, with the growth rate of this expenditure component expected to remain broadly in line with that displayed during the first half of 2010. On the other hand, Government expenditure is expected to decline marginally from that exhibited during the first two quarters of 2010.

It is to be noted that data presented in this Chapter is based on national accounts data compiled according to the European Systems of Accounts (ESA95) methodology. This accounting framework enables comparability with EU Member States as well as a systematic and detailed description of the economy and its core components. Gross Domestic Product at current market prices is estimated by the National Statistics Office (NSO) from the production side, involving the aggregation of the output of various productive sectors net of the cost of intermediate inputs. A reconciliation of the production side with estimates of expenditure on output produced is then carried out.

## National Expenditure

In the first half of 2010, GDP expanded by 7.5 per cent in nominal terms, standing at €2,963.2 million. In real terms, the growth rate was 4.0 per cent, a relatively high rate by historical trends. This performance should also be viewed against the contraction recorded in the same period of 2009, where nominal and real GDP declined by 0.6 per cent and 3.2 per cent respectively.

The growth registered in the first two quarters of 2010 is attributable to an increase in all expenditure aggregates. A positive contribution from the external sector was registered as exports increased significantly by 25.9 per cent in



\*Based on total population

## GDP by Category of Expenditure

Table 2.1

€ million

	2007	2008	2009	2009	2010
				Jan-Jun	Jan-Jun
<b>At Current Market Prices</b>					
Private Final Consumption Expenditure <sup>(1)</sup>	3,350.8	3,616.1	3,636.0	1,746.6	1,798.0
General Government Final					
Consumption Expenditure	1,039.4	1,219.6	1,246.7	618.7	639.1
Gross Fixed Capital Formation	1,196.0	957.2	848.6	393.0	417.9
Changes in Inventories	-44.3	140.5	0.2	27.5	-11.9
Acquisitions less Disposals of Valuables	-6.3	-18.9	-12.3	-4.9	-11.8
Exports of Goods and Services	4,959.3	4,815.2	4,265.1	1,946.6	2,287.4
Total Final Expenditure	10,494.8	10,729.8	9,984.4	4,727.5	5,118.7
Less Imports of Goods and Services	5,015.0	4,986.3	4,234.7	1,970.5	2,155.5
Gross Domestic Product	5,479.8	5,743.5	5,749.7	2,757.0	2,963.2
<b>At Constant 2000 Prices</b>					
Private Final Consumption Expenditure <sup>(1)</sup>	2,913.6	3,043.3	3,042.7	1,453.8	1,467.6
General Government Final					
Consumption Expenditure	835.9	942.6	935.9	463.2	465.6
Gross Fixed Capital Formation	987.6	716.4	599.8	284.9	293.4
Changes in Inventories	-38.5	122.3	-0.2	22.0	-7.1
Acquisitions less Disposals of Valuables	-5.6	-16.4	-9.8	-3.9	-9.1
Exports of Goods and Services	4,277.2	4,150.1	3,834.1	1,726.4	2,172.9
Total Final Expenditure	8,970.2	8,958.3	8,402.5	3,946.4	4,383.3
Less Imports of Goods and Services	4,459.6	4,331.5	3,874.0	1,780.8	2,130.5
Gross Domestic Product	4,510.7	4,626.8	4,528.5	2,165.5	2,252.8

<sup>(1)</sup>Includes NPISH final consumption expenditure

Source: National Statistics Office

real terms while imports increased by 19.6 per cent. Real GDP per capita also increased from €5,236 in the first half of 2009 to €5,448 in the comparable period of 2010, as illustrated in Chart 2.1. Table 2.1 provides GDP data by category of expenditure at current and constant market prices, while Table 2.2 shows the relevant percentage changes.

## Private Final Consumption Expenditure

The private final consumption expenditure category defined as household final consumption expenditure and non-profit institutions serving households

## GDP by Category of Expenditure

Percentage Changes

Table 2.2

	2007	2008	2009	2009	2010
				Jan-Jun	Jan-Jun
<b>At Current Market Prices</b>					
Private Final Consumption Expenditure <sup>(1)</sup>	2.8	7.9	0.6	0.9	2.9
General Government Final					
Consumption Expenditure	2.5	17.3	2.2	5.3	3.3
Gross Fixed Capital Formation	10.7	-20.0	-11.3	-26.2	6.3
Changes in Inventories	-	-	-	-	-
Acquisitions less Disposals of Valuables	-	-	-	-	-
Exports of Goods and Services	11.4	-2.9	-11.4	-16.0	17.5
Total Final Expenditure	6.7	2.2	-6.9	-11.0	8.3
Less Imports of Goods and Services	6.6	-0.6	-15.1	-22.3	9.4
Gross Domestic Product	6.8	4.8	0.1	-0.6	7.5
<b>At Constant 2000 Prices</b>					
Private Final Consumption Expenditure <sup>(1)</sup>	0.9	4.4	0.0	-1.5	0.9
General Government Final					
Consumption Expenditure	-0.0	12.8	-0.7	1.3	0.5
Gross Fixed Capital Formation	5.9	-27.5	-16.3	-28.7	3.0
Changes in Inventories	-	-	-	-	-
Acquisitions less Disposals of Valuables	-	-	-	-	-
Exports of Goods and Services	2.7	-3.0	-7.6	-12.9	25.9
Total Final Expenditure	1.4	-0.1	-6.2	-11.1	11.1
Less Imports of Goods and Services	-0.8	-2.9	-10.6	-19.1	19.6
Gross Domestic Product	3.7	2.6	-2.1	-3.2	4.0

<sup>(1)</sup>Includes NPISH final consumption expenditure

Source: National Statistics Office

(NPISH) final consumption expenditure improved slightly during the Survey period, reflecting in part an improvement in economic conditions. Indeed, private final consumption increased by 2.9 per cent in nominal terms in the first half of 2010, compared to an increase of 0.9 per cent registered in the same period of 2009. In real terms, the increase in private final consumption amounted to 0.9 per cent following a decline of 1.5 per cent registered in the first six months of 2009. The consumption deflator decreased slightly from 2.5 per cent in the first two quarters of 2009 to 2.0 per cent in the same period of 2010.

On a more disaggregated level, the change in nominal private consumer's expenditure during the Survey period is attributable to both a price effect as well as increased consumption. An overall drop in nominal consumption was registered in the clothing and footwear subcategory, the transport subcategory as well as in the communication subcategory. On the other hand, increases were registered in all the remaining subcategories, with notable increases registered in the education subcategory and furnishings, household equipment and routine maintenance of the household subcategory with growth of 9.8 per cent and 9.4 per cent, respectively.

Private consumers' expenditure also includes expenditure by Maltese tourists abroad. In order to avoid double counting, the expenditure by foreign tourists in Malta is deducted from this item and instead is recorded as a component of exports of goods and services. During the Survey period, expenditure outside the national territories by residents increased by 4.2 per cent in the first two quarters of 2010. It is also to be noted that during the first half of 2010, the proportion of private consumption in real GDP declined from 67.1 per cent in 2009 to 65.1 per cent.

Table 2.3 outlines data on Gross National Income in per capita terms (GNI), private final consumption expenditure and expenditure by tourists in nominal

<b>GNI, Private Final Consumption Expenditure and Expenditure by Tourists</b> (at Current Market Prices)					
Table 2.3					
	2007	2008	2009	2009	2010
				Jan-Jun	Jan-Jun
<b>Per Capita (€)</b>					
GNI*	12,890	13,383	12,995	6,185	6,760
Private Final Consumption Expenditure*	8,193	8,771	8,800	4,226	4,348
Expenditure by Tourists	564.7	562.2	539.3	497.8	519.8
<b>Per Capita (% change)</b>					
GNI*	6.7	3.8	-2.9	-4.0	9.3
Private Final Consumption Expenditure*	2.0	7.1	0.3	0.4	2.9
Expenditure by Tourists	4.6	-0.5	-4.1	0.2	4.4
*Based on Average Total Population					
Source: National Statistics Office					

terms. During the period under review GNI per capita increased significantly by 9.3 per cent compared with a decline of 4.0 per cent in the same period of 2009. Private final consumption per capita also increased by 2.9 per cent compared with a modest increase of 0.4 per cent in the first two quarters of 2009. Furthermore, tourist's expenditure per capita continued to improve, increasing by 4.4 per cent during the Survey period in comparison to the negative performance recorded during 2008 and 2009.

## **General Government Final Consumption Expenditure**

In the first six months of 2010, general Government expenditure expanded by 3.3 per cent in nominal terms compared with an increase of 5.3 per cent registered in the same period of 2009. In real terms, general Government expenditure increased by 0.5 per cent compared to 1.3 per cent in the first half of 2009.

General Government final consumption expenditure as a ratio of real GDP decreased by 0.7 percentage points from 21.4 per cent in first half of 2009 to 20.7 per cent in corresponding period of 2010. It is noteworthy to mention that general Government final consumption expenditure excludes outlays which finance transfer payments, such as National Insurance benefits, subsidies and grants. Such items of expenditure do not reflect the production of goods and services but constitute a redistribution of funds between different sectors of the economy.

## **Gross Capital Formation**

Gross Capital Formation comprises gross fixed capital formation, changes in inventories and acquisitions less disposals of valuables. The main item within this component, gross fixed capital formation (GFCF), registered an increase from €393.0 million in the first half of 2009 to €417.9 million in the same period of 2010, an increase of €24.9 million or 6.3 per cent in nominal terms. In real terms, the increase amounted to 3.0 per cent or €8.5 million from €284.9 million to €293.4 million. These developments in investment are attributable to contrasting trends in public and private investment. Indeed, Government investment declined by 15.8 per cent in the first half of 2010 while private investment increased by 9.8 per cent over the same period of 2009. There is a further subdivision of investment into three main categories: metal products and machinery, transport equipment category; construction category; and other products category. This breakdown shows that a significant increase of 15.4 per cent was registered in metal products and machinery, transport equipment. The remaining two categories registered only modest growth.



## Gross Fixed Capital Formation

Table 2.4

	2007	2008	2009	2009	2010
				Jan-Jun	Jan-Jun
<b>At Current Market Prices</b>					
Gross Fixed Capital Formation (€ million)	1,196.0	957.2	848.6	393.0	417.9
% change	10.7	-20.0	-11.3	-26.2	6.3
GDP (€ million)	5,479.8	5,743.5	5,749.7	2,757.0	2,963.2
(GFCF/GDP) %	21.8	16.7	14.8	14.3	14.1
<b>At Constant 2000 Prices</b>					
Gross Fixed Capital Formation (€ million)	987.6	716.4	599.8	284.9	293.4
% change	5.9	-27.5	-16.3	-28.7	3.0
GDP (€ million)	4,510.7	4,626.8	4,528.5	2,165.5	2,252.8
(GFCF/GDP) %	21.9	15.5	13.2	13.2	13.0

Source: National Statistics Office

The ratio of investment to real GDP remained fairly constant at 13.0 per cent during the January-June 2010 period, while in nominal terms the ratio was 14.1 per cent. Gross fixed capital formation in both nominal and constant terms as well as the ratio to GDP is presented in Table 2.4.

## Foreign Demand and Supply

Following the negative shocks to trade witnessed in the last two years as a result of the international recessionary environment, the external sector recovered strongly with nominal exports increasing by 17.5 per cent in the first half of 2010. Given the high import content of exports, imports of goods and services consequently increased by 9.4 per cent. In real terms, exports and imports increased by 25.9 per cent and 19.6 per cent respectively. Given that the growth in exports exceeded the growth in imports, the net contribution of the external sector was positive.

A more disaggregated analysis reveals that during the Survey period imports of goods increased by 14.4 per cent while imports of services increased by 2.7 per cent. With regards to exports, services increased by 4.7 per cent while the increase in exports of goods was much more accentuated at 39.4 per cent. In view of these developments, the current account improved by 31.6 per cent during

the first half of 2010 but still remained negative with a deficit of €51.4 million.

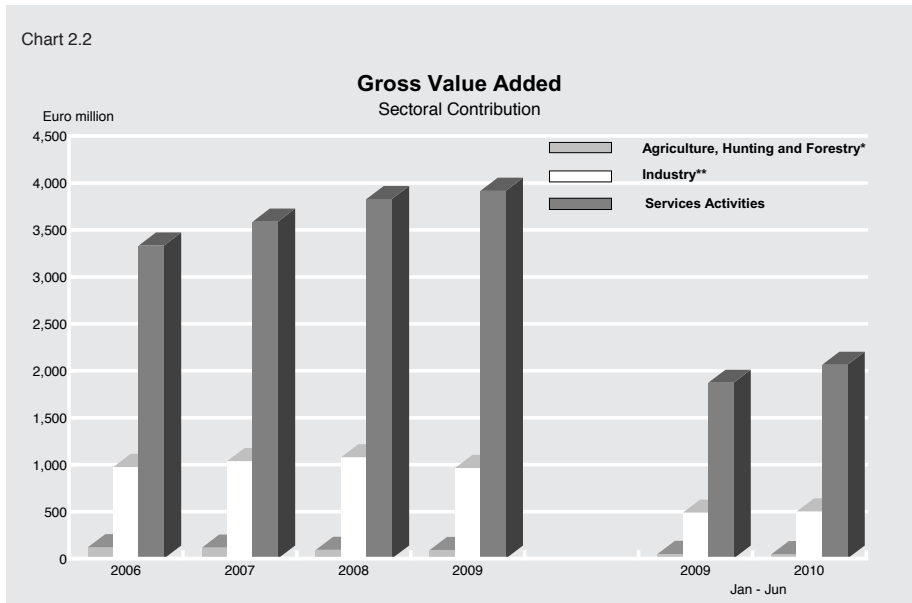
## **Sectoral Contribution to Gross Value Added**

Gross Value Added (GVA) is defined as the value generated by any unit engaged in a production activity and is obtained as the excess of output over intermediate consumption. Intermediate consumption consists of the value of the goods and services consumed as inputs in the process of production, excluding the consumption of fixed assets. Gross value added at basic prices does not include taxes less subsidies on products as output is valued at basic prices, while intermediate consumption is measured at purchaser's prices.

Following the decline evidenced in the first six months of 2009, the gross value added between January and June 2010 rose by 8.3 per cent and reached €2,612.5 million. This is mainly owing to a significant increase in the financial intermediation sector and to a lesser extent to rises in the community, social and personal services and real estate, renting and business activities. Nonetheless, drops were recorded mainly in the agriculture and fishing and the transport, storage and communication sectors.

Chart 2.2 illustrates the sectoral contribution of agriculture, hunting and forestry, industry and services activities to GVA at basic prices for the years between 2006 and 2010. In recent years the Maltese economy has become more service-oriented, as both the agriculture and fishing and industry sectors reported decreases in their share in GVA. Indeed, in the four year period to 2009, the share of agriculture and fishing dropped by 0.9 percentage points and stood at 1.8 per cent while the share of manufacturing sector dropped by 1.6 percentage points and stood at 19.4 per cent. On the other hand, the share of services sector increased from 75.2 per cent in 2006 to 78.8 per cent in 2009. In the first six months of 2010, the services sector remained the main contributor to the Maltese economy as its share rose by 1.6 per cent and reached 79.0 per cent when compared to the previous period. Meanwhile, both the agriculture and fishing sectors and the industry lost some share in the same period and their contribution stood at 1.8 per cent and 9.2 per cent respectively.

Table 2.5 shows the sectoral contribution to GVA at basic prices for the period between 2007 and 2010. During the first six months of 2010, GVA at basic prices of agriculture and fishing decreased by €2.8 million and stood at €46.7 million. This drop is mainly owing to the agriculture sub-sector. On the other hand, there were increases in GVA at basic prices generated in industry and the services sector. GVA at basic prices in industry increased by €12.4 million and reached €502.5 million, mainly reflecting rises in the electricity and water



\*Includes fishing and operation of fish hatcheries and fish farms

\*\*Includes energy and construction

supply sector and to a lesser extent increases in the manufacturing sector.

The GVA at basic prices of the services sector stood at €2,063.3 million, increasing by €191.4 million during the first six months of 2010, when compared to the previous comparable period. The main contributor towards this growth was the financial intermediation sector and to a lesser extent the other community, social and personal services sector, and real estate, renting and other business activities. At sectoral level the only drop in GVA at basic prices of the services sector was registered in the transport, storage and communication sub-sector.

In the first six months of 2010, the GVA at basic prices of agriculture, hunting and forestry decreased by €2.4 million and stood at €43.0 million. This reflects a larger drop in output which more than offset the drop in intermediate consumption. The share of agriculture, hunting and forestry in total GVA dropped by 0.2 percentage points when compared to January-June 2009 and stood at 1.6 per cent

Meanwhile, there was a rise in the manufacturing sector of €3.2 million reaching €343.6 million during the first half of 2010. This increase was underpinned by a rise in output which was partially offset by an increase in intermediate

## Sectoral Contribution to Gross Value Added

(at basic prices)

Table 2.5

€ million

	2007	2008	2009	2009	2010
				Jan-Jun	Jan-Jun
Agriculture, Hunting and Forestry	80.8	80.0	88.3	45.4	43.0
Fishing	35.8	13.5	2.7	4.1	3.7
Mining and Quarrying	13.3	15.9	16.3	8.3	7.8
Manufacturing	772.3	819.5	675.2	340.4	343.6
Electricity, Gas and Water Supply	80.2	65.0	102.9	54.9	62.8
Construction	172.2	178.2	170.2	86.5	88.3
Wholesale and Retail Trade <sup>(1)</sup>	561.0	570.8	523.8	251.0	261.1
Hotels and Restaurants	241.5	254.2	219.2	91.2	98.2
Transport, Storage and Communication	448.3	462.1	413.3	198.7	197.7
Financial Intermediation	200.5	215.2	290.4	123.6	214.0
Real Estate, Renting and Business Activities	802.6	873.0	918.5	443.9	467.7
Public Administration and Defence <sup>(2)</sup>	315.8	334.5	351.8	173.4	177.7
Education	270.9	285.1	295.5	147.8	159.7
Health and Social Work	285.5	316.9	339.6	170.3	181.1
Other Community, Social and Personal Service Activities	447.0	501.1	548.4	263.9	297.7
Private Households with Employed Persons	14.6	15.9	16.2	8.1	8.4
<b>Gross Value Added</b>	<b>4,742.3</b>	<b>5,001.0</b>	<b>4,972.2</b>	<b>2,411.6</b>	<b>2,612.5</b>

<sup>(1)</sup>Includes Repair of Motor Vehicles, Motorcycles and Personal and Household Goods

<sup>(2)</sup>Includes Compulsory Social Security

Source: National Statistics Office

consumption. The main increase was registered in the manufacture of chemicals and chemical products (€11.9 million) sub-sector. Other significant rises were evidenced in the manufacture of rubber and plastic products (€4.8 million), the manufacture of electrical machinery and apparatus (€4.7 million) and the manufacture of radio, TV and communication equipment (€4.5 million) sub-sectors. Nevertheless, this increase in GVA at basic prices was partly offset by declines, mainly in the manufacture of other transport equipment (€21.9 million) sub-sector. It is noteworthy that this decrease is partly a result of the re-classification within this sector that took place last year. Despite the improvement recorded in the period under review, the share of the manufacturing sector dropped from 14.1 per cent in January-June 2009 to 13.2 per cent in the same period of 2010.

GVA at basic prices in the electricity and water supply sector has increased by €7.9 million and stood at €62.8 million in the period under review. This is due to a rise in the output of this sector which was partially offset by an increase in intermediate consumption. The improved output performance reflects the upwards revision in utility prices as from the beginning of 2010. Additionally, the rise in international fuel prices also contributed to higher intermediate consumption in this sector.

Following a drop in the first half of 2009 in the construction sector, GVA at basic prices increased by €1.8 million in the same period of 2010 and reached €88.3 million. This reflects an increase in output that exceeded the rise in intermediate consumption. Nonetheless, the share of the construction sector in the Maltese economy dropped marginally by 0.2 percentage points and stood at 3.4 per cent.

The wholesale and retail trade sector registered a rise of €10.1 million in its GVA at basic prices for the January-June 2010 period, recovering from the downturn evidenced in the previous comparable period, and stood at €261.1 million. This result mainly reflects a rise in the output of the sector which was partially offset by an increase in intermediate consumption. Furthermore, this improvement is mostly due to a rise in the GVA at basic prices of the wholesale trade sub-sector as the retail trade sub-sector recorded negative growth. However, the share of this sector in total GVA has dropped from 10.4 per cent in January-June 2009 to 10.0 per cent in January-June 2010.

The hotels and restaurants sector recovered from the negative growth registered in the first six months of 2009, as its GVA at basic prices increased by €7.0 million and reached €98.2 million. This improvement, which reflects the overall improvement in the tourism industry, was mainly underpinned by a rise in output which was partially offset by an increase in intermediate consumption. The share of this sector remained unchanged over the previous period standing at 3.8 per cent.

The GVA at basic prices generated in the transport, storage and communication sector dropped marginally in January-June 2010 and stood at €197.7 million. This was mainly underpinned by a rise in intermediate consumption which completely offset the rise in output. At a sub-sectoral level, this decline was mainly due to a sharp decline in the GVA at basic prices of air transport services which declined by €6.2 million, despite significant increases in support and auxiliary transport services; travel agencies (€5.0 million) and to a lesser extent in land transport and transport via pipeline services (€1.4million). The share of this sector decreased by 0.7 percentage points and stood at 7.6 per cent in the

period January to June 2010.

The financial intermediation sector was the largest contributor to total growth in the first six months of 2010. Indeed, as a result of an increase in output coupled with a decline in intermediate consumption, its GVA at basic prices rose by €90.4 million and reached €214.0 million. At a sub-sectoral level this increase is attributable to rises in both financial intermediation services (€62.1 million) and in insurance and pension funding services (€23.5 million). Consequently, the share of this sector increased significantly by 3.1 percentage points and stood at 8.2 per cent.

The real estate, renting and other business activities sector registered significant growth in January to June 2010 as its GVA at basic prices increased by €23.8 million and reached €467.7 million. This was mainly underpinned by an increase in output which was partially mitigated by a rise in intermediate consumption. At a sub-sectoral level, significant increases were recorded in other business activities (€16.0 million) and real estate services (€6.4 million). Furthermore, although its share declined by 0.5 percentage points to 17.9 per cent, real estate, renting and other business activities remained the largest sector within the Maltese economy.

GVA at basic prices in the public administration and defence sector rose by €4.3 million reaching €177.7 million during the first half of 2010. This reflected an increase in output which was partially offset by a rise in intermediate consumption. During the period under review, the share of this sector in total GVA dropped by 0.4 percentage points and stood at 6.8 per cent.

In the first six months of 2010, GVA at basic prices in the education sector increased by €11.9 million and reached €159.7 million. This reflects a larger increase in output than the increase in intermediate consumption. At the same time, the share of this sector in total GVA remained unchanged at 6.1 per cent.

The GVA at basic prices generated in the health and social work sector rose by €10.8 million in the period January-June 2010 and reached €181.1 million. This was underpinned by an increase in output which was partially offset by a rise in intermediate consumption. The share of this sector in total GVA decreased marginally in the period under review and stood at 6.9 per cent.

GVA at basic prices in the other community, social and personal services activities continued with the trend evidenced in recent years and recorded

a substantial increase of €33.8 million during January-June 2010, reaching €297.7 million in the first half of 2010. This growth is owing to a rise in output which was partially offset by an increase in intermediate consumption. These developments reflect the performance of the recreational, cultural and sporting activities (including remote gaming activities) sub-sector. The share of this sector in total GVA continued to rise and stood at 11.4 per cent, 0.5 percentage points higher than the share recorded in the same period of 2009.

## Gross National Income

Gross National Income (GNI) at market prices represents the total primary income receivable by resident institutional units and is the aggregate of the Gross Domestic Product at market prices, net compensation received from the rest of the world, subsidies less taxes from/to the European Union and net property income from the rest of the world.

During the January-June 2010 period, GNI at market prices increased by €239.0 million, or by 9.3 per cent, from €2,556.2 to €2,795.2 million. This increase was underpinned by a lower net outflow of property income, from a net outflow of €195.1 million in the first half of 2009 to a net outflow of €164.8 million in the same period of 2010. This can be mainly attributed to a fall in income on equity of foreign owned firms registered in Malta and to higher receipts on bond and note holdings. Table 2.6 provides more detailed information on the components of GNI at market prices for the 2007-2010 period.

Chart 2.3 illustrates the developments in compensation of employees and GDP at market prices over the period 2006-2009 and the first half of 2010. In the first six months of 2010, the share of employee compensation to GDP at market prices declined by 3.1 percentage points, from a ratio of 46.0 per cent to 42.9 per cent, as compensation of employees increased at a slower pace relative to growth in GDP. However, notable positive contributions to compensation of employees were still registered, especially increases in the Health and social work services sub-level, Other business services sub-level, and Public Administration and defence services sub-level.

Chart 2.4 and Table 2.7 illustrate developments in compensation of employees and total employment through an analysis of average weekly compensation per employee. Data in respect of wages and salaries relates to national accounts data and hence incorporate the earnings of both full-time and part-time employees. In estimating average weekly wage per employee, aggregate wages and salaries are divided by the employment level according to the national accounts definition. Moreover, in estimating average weekly wages per employee the

## Gross National Income

Table 2.6

€ million

	2007	2008	2009	2009	2010
				Jan-Jun	Jan-Jun
Compensation of Employees	2,350.0	2,498.2	2,531.1	1,269.0	1,269.9
Gross Operating Surplus and Mixed income	2,414.9	2,512.7	2,448.4	1,156.2	1,347.8
Taxes on Production and imports	826.9	857.7	833.4	374.4	375.2
Less Subsidies	112.1	125.1	63.3	42.6	29.7
<b>Gross Domestic Product at Current Market Prices</b>	<b>5,479.8</b>	<b>5,743.5</b>	<b>5,749.7</b>	<b>2,757.0</b>	<b>2,963.2</b>
Net Compensation of Employees from the rest of the World	2.1	-10.4	0.9	-0.1	0.2
Subsidies less Taxes on Products from/to the rest of the EU	-16.7	-21.5	-9.8	-5.7	-3.4
Net Property income from the rest of the World	-193.0	-194.2	-371.5	-195.1	-164.8
<b>Gross National Income at Current Market Prices</b>	<b>5,272.1</b>	<b>5,517.5</b>	<b>5,369.3</b>	<b>2,556.2</b>	<b>2,795.2</b>

Source: National Statistics Office

Chart 2.3

### Compensation of Employees and GDP

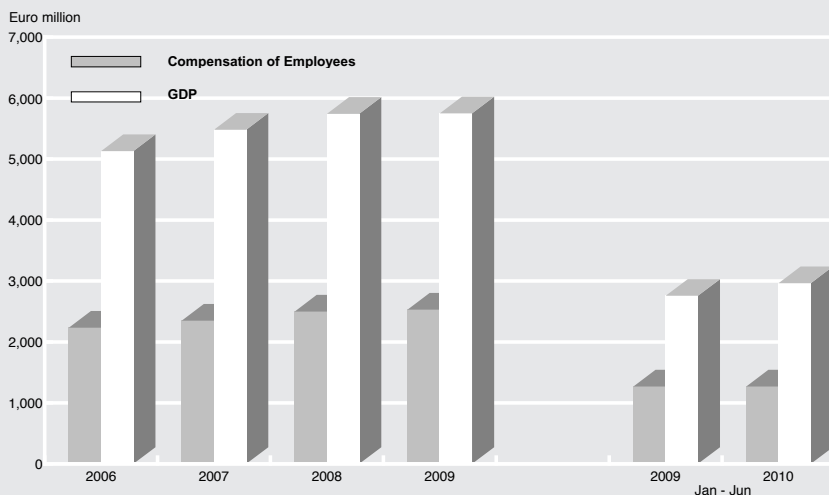
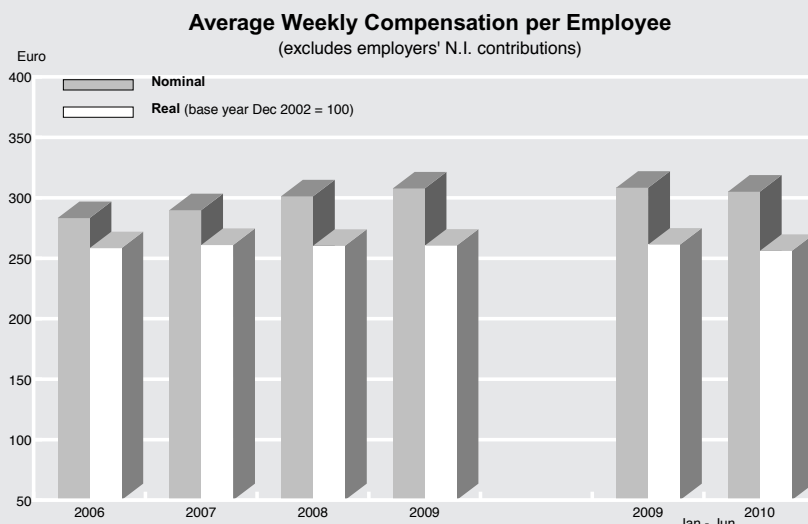




Chart 2.4



Average Weekly Wage per Employee\*

Table 2.7

	Nominal		Real**	
	Value	Change	Value	Change
	€	%	€	%
<b>2006</b>	283.22	3.7	258.34	0.9
<b>2007</b>	289.69	2.3	260.98	1.0
<b>2008</b>	301.23	4.0	260.29	-0.3
<b>2009</b>	307.70	2.1	260.45	0.1
<b>2009 (Jan-Jun)</b>	308.36	3.5	261.32	-0.2
<b>2010 (Jan-Jun)</b>	305.09	-1.1	256.06	-2.0

*Excluding the Malta Shipyards Ltd Voluntary Redundancy Scheme:*

<b>2006</b>	283.22	3.7	258.34	0.9
<b>2007</b>	289.69	2.3	260.98	1.0
<b>2008</b>	296.02	2.2	255.79	-2.0
<b>2009</b>	305.39	3.2	258.50	1.1
<b>2009 (Jan-Jun)</b>	303.73	2.0	257.40	-1.7
<b>2010 (Jan-Jun)</b>	305.09	0.4	256.06	-0.5

\*Excludes employers' National Insurance contributions

\*\*Base year of RPI index (December 2002=100)

Source: National Statistics Office

segment of National Insurance contribution paid by employers is excluded from calculations. Real average weekly wage figures were obtained by deflating them by the Retail Price Index.

During the Survey period, the average weekly compensation per employee in nominal terms stood at €305.09. It is pertinent to note that for national accounting purposes, wages and salaries for 2008 and 2009 were inclusive of the one-off shipyards' voluntary redundancy payments. The inclusion of these payments might have affected the quality of wage statistics presented in Table 2.7, thus hindering a proper analysis of wage developments.

After excluding the scheme's payments from wages and salaries, nominal wage growth in January-June 2010 stood at 0.4 per cent while in real terms, the average weekly wage declined by 0.5 per cent.

Whereas growth in compensation of employees was rather subdued, growth in gross operating surplus and mixed income increased significantly by 16.6 per cent over the January-June 2010 period, following a decline of 6.1 per cent in the corresponding period of 2009. This resulted in an increase in the ratio of gross operating surplus to GDP at market prices from 41.9 per cent in the first half of 2009 to 45.5 per cent in the same period of 2010.

Taxes on production and imports remained broadly unchanged at €375.2 million while subsidies declined by €12.9 million from €42.6 million to €29.7 million during the period under review.

Significant changes were registered in the net property income from the rest of the world which measures the difference between income receivable by Maltese owners in respect of financial assets held abroad and income receivable by foreign residents in respect of Maltese financial assets. Indeed, the net property income improved by €30.3 million in the first half of 2010. Net compensation of employees from the rest of the world changed only marginally by €0.3 million. Furthermore, net taxes to the EU declined from €5.7 million to €3.4 million. As a result, GNI increased by €239.0 million or 9.3 per cent during the Survey period.

## **3. Employment**

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### 3. Employment

The impact of the international economic crisis was noticeable on the real economy during 2009. Export-oriented sectors, particularly manufacturing and tourism activities faced significant challenges as external demand declined noticeably. Employment levels in 2009 did not sustain the levels reached a year earlier and unemployment followed an upward trend. Similar developments must be seen against the backdrop of significant labour market challenges faced during the same period by most of the advanced economies worldwide, particularly those which had registered unbalanced growth over the past decade. Similar trends in the labour market lend support to the notion that the economic contraction experienced in Malta was milder than that experienced by a number of economies.

It is encouraging to note signs of a recovery in employment levels during the first months of 2010. Similarly, trends of increasing unemployment emerging during last year were halted and even reversed during 2010, indicating that the domestic economy's expansion in the first half of this year is generating employment opportunities.

Table 3.1 shows that in June 2010, the gainfully occupied population stood at 145,690, an increase of 227 or 0.2 per cent over June 2009. At the same time, the number of persons registering for employment (under Part I and Part II of the Register) decreased by 498 such that the unemployment rate stood at 4.4 per cent compared to 4.8 per cent a year earlier. These developments resulted in a marginal decline in the labour force, which at the end of June 2010 stood at 152,465, a decrease of 271 or 0.2 per cent over the previous corresponding period. At the same time, in June 2010, part-time employment as a primary job increased by 1,683 or 6.1 per cent to 29,451 over the comparable month of 2009.

Since data in this Chapter is in line with the latest revisions of the Employment and Training Corporation (ETC) it may not be directly comparable to data presented in previous Economic Surveys. Data is based on the standard NACE classifications of economic activities. The latest available data for unemployment relates to September 2010, whilst the analysis for employment is based on provisional data for June 2010 and is subject to revision.

## Labour Market Performance

Table 3.1

	2006	2007	2008	2009	2010
	Jun	Jun	Jun	Jun	Jun
Labour Supply	147,390	148,852	151,956	152,736	152,465
Males	103,757	103,713	104,621	104,356	103,240
Females	43,633	45,139	47,335	48,380	49,225
Gainfully Occupied	140,329	142,515	146,095	145,463	145,690
Males	98,245	98,739	100,090	98,764	97,857
Females	42,084	43,776	46,005	46,699	47,833
Total Private Sector	97,069	99,831	104,100	104,783	105,170
Private Direct Production	33,345	33,585	32,946	32,012	31,407
Private Market Services	63,143	65,695	70,520	72,227	73,262
Temporary Employment	581	551	634	544	501
Total Public Sector	43,260	42,684	41,995	40,680	40,520
Public Sector	43,070	42,498	41,846	40,527	40,391
Temporary Employment	190	186	149	153	129
Registered Unemployed*	7,061	6,337	5,861	7,273	6,775
Males	5,512	4,974	4,531	5,592	5,383
Females	1,549	1,363	1,330	1,681	1,392
% of Labour Supply	4.8	4.3	3.9	4.8	4.4
of which unemployment					
under Part I (%)	4.5	3.8	3.5	4.4	4.0
Self-Employed**	16,718	16,905	17,177	17,418	17,483
Males	14,356	14,435	14,569	14,724	14,675
Females	2,362	2,470	2,608	2,694	2,808
% of Gainfully Occupied	11.9	11.9	11.8	12.0	12.0
Memorandum:					
Total Direct Production***	43,011	42,860	41,909	39,313	38,172
Total Market Services***	96,547	98,918	103,403	105,453	106,888
Total Private Sector Share	69.2%	70.0%	71.3%	72.0%	72.2%
Total Public Sector Share	30.8%	30.0%	28.7%	28.0%	27.8%
Part-time Employment as					
Primary Job	23,584	25,542	26,917	27,768	29,451

\*Includes both Parts I and II of the registered unemployed

\*\*Included in the Private Sector

\*\*\*Excluding temporary employees

Source: Employment and Training Corporation

### Box 3.1

#### **The Labour Force Survey**

The Labour Force Survey (LFS) is a household survey carried out by the National Statistics Office (NSO) in accordance with the methodologies of Eurostat and the International Labour Organisation (ILO). The LFS provides information regarding the labour market, salary conditions and other indicators related to the labour market. However, it is not directly comparable to statistics emanating from the Employment and Training Centre (ETC) mainly due to differences in definitions and methodology of the two databases. Additionally, one must express caution in interpreting LFS results over time as absolute changes of 1,800 or less may be the result of a sampling error. A review of the developments in the labour market occurring during the year to the second quarter of 2010 based on LFS data is presented below.

During the year to the second quarter of 2010, the labour supply increased by 4,144 or 2.4 per cent to 177,532. At the same time, employment increased by 4,164 or 2.6 per cent to 165,443. This reflects an increase in male employment from 107,177 in the second quarter of 2009 to 111,313 in the second quarter of 2010 while the female employment remained practically unchanged at 54,130. Consequently, at the end of this period, male employment accounted for 67.3 per cent of total employment while females accounted for the remaining 32.7 per cent. Unemployment decreased marginally by 20 or 0.2 per cent, reflecting an increase in female unemployment from 3,980 in the second quarter of 2009 to 4,785 in the corresponding 2010 period and a reduction in male unemployment of 825.

At the end of the April-June quarter of 2010, the activity rate (defined as the labour force as a percentage of the population of working age) stood at 59.9 per cent, an increase of 0.9 percentage points over the same quarter of 2009. This reflected an increase in the activity rate of both males and females, whereby the male activity rate recorded an increase of 1.4 percentage points to 78.3 per cent, while the female activity rate increased by 0.4 percentage points to 40.8 per cent. At the same time, the number of inactive persons decreased by 1,214 or 0.7 per cent to 174,474. Females accounted for 68.0 per cent of the inactive persons, while the male counterpart accounted for 32.0 per cent of the inactive persons.

Throughout the same period, the employment rate (showing the number of persons engaged in employment as a per cent of the total working age population) increased by 1.0 percentage point to 55.9 per cent. This increase is attributable to an increase of 2.0 percentage points in the male employment rate, which stood at 73.5 at the end of the April-June quarter of 2010, while the female employment rate declined by 0.1 percentage point to 37.5 per cent.

During the second quarter of 2010, the unemployment rate declined by 0.2 percentage points, to 6.8 per cent. This development in this indicator reflects a decrease in the male unemployment rate of 0.8 percentage points, to 6.2 per cent. Meanwhile, the female unemployment rate increased from 6.9 per cent in the second quarter of 2009, to 8.1 per cent in the corresponding 2010 period. An age distribution analysis shows that the female unemployment rate increased both for people aged between 15 and 24 years and those aged 25 years and more, whereby the increase of the former age group was of 4.5 percentage points, while that of the latter age bracket was of 0.2 percentage points. By contrast, the male unemployment rate decreased in both age groups, with the major decrease recorded in the young age bracket, which amounted to 5.2 percentage points. As a result of these

Box 3.1 cont.

developments, the unemployment rate for people aged between 15 and 24 years stood at 14.9 per cent while that for persons aged 25 or more stood at 5.1 per cent.

From a sectoral perspective, the largest share in total employment was accounted for by the wholesale and retail trade sectors and manufacturing, which together accounted for 32.8 per cent of total employment. During the period under review, average gross annual salaries improved in almost all sectors of economic activity except for the transport, storage and communication sector. The average salary increased from €13,896 in the second quarter of 2009 to €14,408 in the second quarter of 2010. During the period under review, the highest average gross annual salaries were those for legislators, senior officials and managers at €23,628 followed by that for professionals at €19,329. Meanwhile, the lowest average wages were accounted for by persons employed in elementary occupations at around €11,000.

## Labour Market Developments

This section presents an overview of major labour market developments during the period between June 2006 and June 2010. As shown in Chart 3.1 the labour supply increased by 5,075 or 3.4 per cent between June 2006 and June 2010 reaching a level of 152,465. Labour supply developments were characterised by different trends in the male and female components. In fact, whilst the female labour supply registered a continuous increase during this period, recording a growth rate of 12.8 per cent, the male component increased in the twelve months to June 2008 and declined thereafter, thus reaching in June 2010 almost the same level recorded in June 2006. The increase in the female labour supply may reflect the impact of Government incentives aimed at raising the female participation rate in the labour market.

The gainfully occupied population increased by 5,361 or 3.8 per cent during the period between June 2006 and June 2010, reflecting a marginal decrease of 0.4 per cent in the male gainfully occupied population, which was offset by the 13.7 per cent increase in the female employment. Consequently, the total gainfully occupied population stood at 145,690, of which 97,857 or 67.2 per cent were males and 47,833 or 32.8 per cent were females.

By the end of June 2010, public sector employment recorded a decline of 6.3 per cent over June 2006, to stand at 40,520. By contrast, private sector employment recorded a continuous increase during this four-year period reaching 105,170 by the end of June 2010, an increase of 8.3 per cent when compared to June 2006. As shown in Chart 3.2, by the end of this period, the share of public and private sector employment in the total gainfully occupied population amounted



Chart 3.1

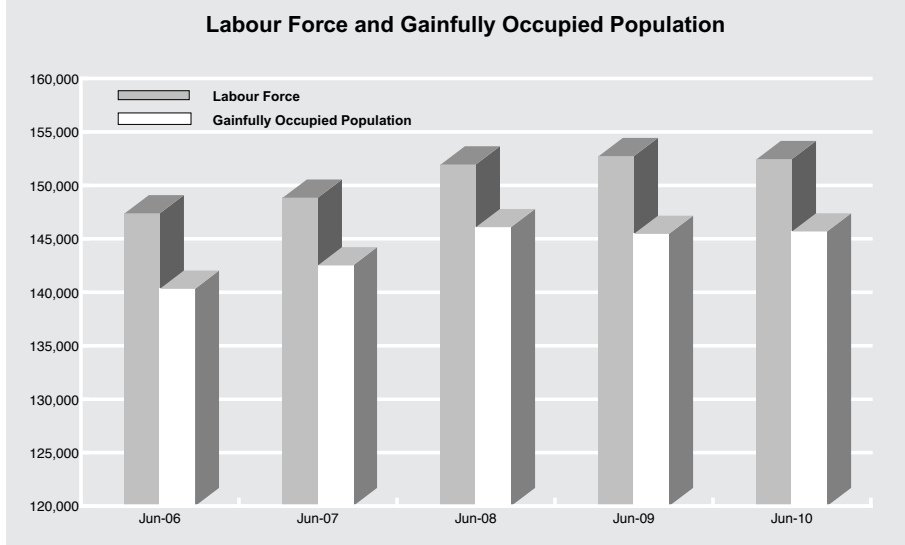
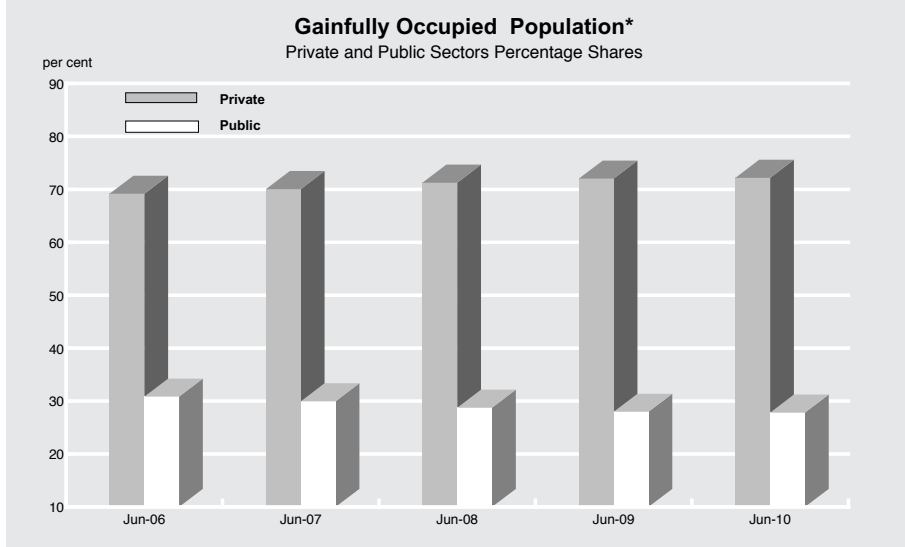


Chart 3.2



\*Including temporary employees

to around 28 per cent and 72 per cent, respectively.

The developments in the number of unemployed persons over the period 2006-2009 reflected trends in the economic cycle. In fact, the number of registered unemployed decreased by 1,200 over the twenty four months to June 2008 to 5,861. As a result of the unfavourable economic conditions, the number of unemployed persons increased to 7,273 by June 2009. However, in line with the economic recovery, the number of unemployed persons decreased to 6,775 persons by the end of June 2010. Consequently, by June 2010 the unemployment rate stood at 4.4 per cent, 0.4 percentage points below June 2006.

## **Private Sector Employment**

Employment in the private sector, inclusive of temporary employment, recorded a positive performance throughout the four-year period to June 2010. During this period, higher private sector employment was entirely driven by expansions in employment in private market services, which increased by 10,119 persons or 16.0 per cent to 73,262 in June 2010. In comparison, employment in private direct production followed a generally downward trend after June 2007 and stood at 31,407 employees in June 2010. Consequently, the share of private direct production in private sector employment fell from 34.4 per cent in June 2006 to 29.9 per cent in June 2010. Meanwhile, the share of private market services to private sector employment increased from 65.0 per cent in June 2006 to 69.7 per cent in June 2010. Temporary private sector employment amounted to 501 in June 2010, accounting for the remaining 0.5 per cent of the total private sector employment.

At the end of June 2010, the share of self-employed persons within private sector employment amounted to 16.6 per cent, a decrease of 0.6 percentage points over June 2006. Despite this decline in the share of private sector employment, the number of self-employed persons increased throughout the four-year period reaching 17,483 in June 2010, an increase of 765 self-employed persons over June 2006. On a gender basis, the number of male and female self-employed increased by 319 or 2.2 per cent and 446 or 18.9 per cent, respectively. Therefore, by the end of June 2010, the female share in total self-employed persons stood at 16.1 per cent, up from 14.1 per cent in June 2006, whilst that for males stood at 83.9 per cent compared to 85.9 per cent in June 2006. Despite these developments, the share of females in total self-employed persons remained relatively low in comparison to the share of females in the gainfully occupied population.

## Public Sector Employment

Over the period June 2006 to June 2010, public sector employment followed a general downward trend, declining by 2,740 persons or 6.3 per cent to 40,520 employees. As indicated in Table 3.2, this development reflects privatisation initiatives, the restructuring of public sector entities as well as Government's policy to restrict employment into non-essential categories in the public sector. As a result of these initiatives, the share of public sector employment in the gainfully occupied population declined from 30.8 per cent in June 2006 to 27.8 per cent in June 2010.

Employment in Government Departments stood at 29,887 in June 2010, a decline of 771 persons or 2.5 per cent from June 2006. This reflects Government's policy to restrict employment into non-essential categories of Government Departments as well as the setting up of new entities that took over responsibilities carried out by Government Departments. However, throughout this period, the share of employment in Government Departments in total public sector employment increased from 70.9 per cent in June 2006 to 73.8 per cent in June 2010, reflecting the fact that the employment levels in other categories of public sector employment declined more sharply.

As at the end of June 2010, employment in companies with a public majority shareholding stood at 2,145, a decline of 1,446 or 40.3 per cent over June 2006. This development during this four-year period is attributable to the privatisation of Tug Malta Ltd and Maltacom plc and due to the fact that a number of companies with public majority shareholding undertook a number

**Public Sector Employment**

Table 3.2

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
	Jun	Jun	Jun	Jun	Jun
Government Departments	30,658	30,377	30,235	29,979	29,887
Companies with public sector majority shareholding	3,591	3,192	2,607	2,228	2,145
Independent Statutory Bodies	8,821	8,929	9,004	8,320	8,359
Temporary Employees	190	186	149	153	129
<b>Total</b>	<b>43,260</b>	<b>42,684</b>	<b>41,995</b>	<b>40,680</b>	<b>40,520</b>

Source: Employment and Training Corporation

of labour-saving restructuring initiatives. Consequently, this category's share in total public sector employment fell from 8.3 per cent in June 2006 to 5.3 per cent in June 2010.

In June 2010, employment in independent statutory bodies stood at 8,359, reflecting a decrease of 462 persons or 5.2 per cent over the corresponding month of 2006. During the period June 2006 to June 2008, employment in this category followed a gradually increasing trend as a result of the shifting of certain activities from Government Departments to independent statutory bodies. Subsequently, due to the restructuring of Malta Shipyards Ltd, employment in independent statutory bodies declined by 684 or 7.6 per cent by the end of June 2009 when compared to June 2008. Following these developments, employment in this sub-sector accounted for 20.6 per cent of total public sector employment at the end of June 2010, a marginal increase of 0.2 percentage points from June 2006.

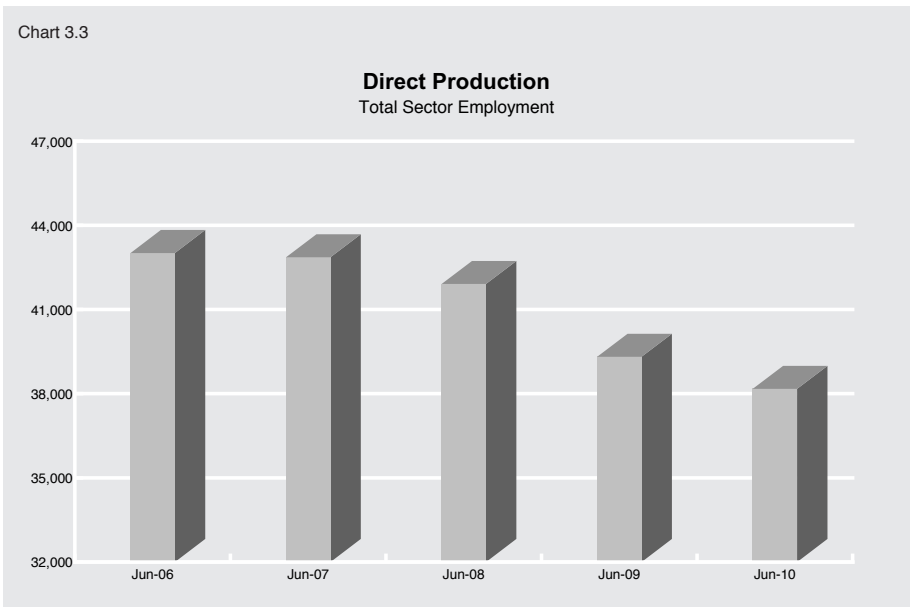
## **Sectoral Employment**

At the end of June 2010, the share of direct production employment in the total gainfully occupied population stood at 26.2 per cent, 4.5 percentage points lower than June 2006. Meanwhile, the share of market services rose to 73.4 per cent, an increase of 4.6 percentage points from June 2006. These developments reflect the ongoing shift towards a more services-oriented economy. In fact, during this four-year period, total direct production employment (exclusive of temporary employees) fell by 4,839 or 11.3 per cent to 38,172. On the other hand, market services employment recorded an increase of 10,341 or 10.7 per cent to 106,888 by the end of June 2010. This Section provides a detailed overview of the employment performance of major economic activities in both direct production and market services categories.

### **Direct Production**

As shown in Chart 3.3, a significant decrease in direct production employment was recorded over the four-year period to June 2010. The decline largely reflected developments in the manufacturing sector. In fact, over the period from June 2006 to June 2010, the manufacturing sector recorded a decline of 3,449 or 14.3 per cent to 20,673.

As presented in Table 3.3, during this period, employment in the agriculture, hunting and forestry sector also recorded a significant decline of 1,272 employees or 41.6 per cent. However, this development reflects the reclassification of a



number of public sector employees from the agricultural, hunting and forestry sector to the construction sector which during the period under review increased by 4.2 per cent. The electricity, gas and water supply sector also registered a drop in employment levels of 565 persons or 17.3 per cent when compared to June 2006, reflecting restructuring activity within utility companies to attain higher productivity levels. Meanwhile, employment in the fishing sector registered an increase of 40 or 8.9 per cent during the four-year period, whilst employment in mining and quarrying decreased by 80 persons or 15.8 per cent from June 2006.

By the end of June 2010, total employment in direct production stood at 38,172, a decline of 1,141 employees or 2.9 per cent over June 2009. The major contributor towards the decrease in total direct production employment was the construction sector with a decline of 549 jobs or 4.3 per cent followed by the manufacturing sector with a decline of 278 jobs or 1.3 per cent. While the share of the construction sector in total direct production employment declined to 31.7 per cent in June 2010 from 32.2 per cent in June 2009, the manufacturing's share increased from 53.3 per cent in June 2009 to 54.2 per cent by the end of June 2010.

As illustrated in Table 3.4, in the twelve months to June 2010, total private sector declines in manufacturing employment amounted to 513, which were almost completely offset by total private sector increases of 504 employees. Meanwhile, employment in public sector manufacturing recorded a decrease

### Employment in Direct Production\*

Table 3.3

	2006	2007	2008	2009	2010
	Jun	Jun	Jun	Jun	Jun
Agriculture, Hunting and Forestry	3,055	2,989	2,997	1,805	1,783
Private	1,647	1,649	1,640	1,641	1,624
Public	1,408	1,340	1,357	164	159
Fishing	447	511	535	513	487
Private	447	511	535	513	487
Public	0	0	0	0	0
Mining and Quarrying	507	492	474	477	427
Private	507	492	474	477	427
Public	0	0	0	0	0
Manufacturing	24,122	24,040	23,198	20,951	20,673
Private	22,370	22,274	21,449	20,525	20,516
Public	1,752	1,766	1,749	426	157
Electricity, Gas and Water	3,259	3,109	2,993	2,910	2,694
Private	5	8	8	11	11
Public	3,254	3,101	2,985	2,899	2,683
Construction	11,621	11,719	11,712	12,657	12,108
Private	8,369	8,651	8,840	8,845	8,342
Public	3,252	3,068	2,872	3,812	3,766
Total Employment in Direct Production	43,011	42,860	41,909	39,313	38,172
Private	33,345	33,585	32,946	32,012	31,407
Public	9,666	9,275	8,963	7,301	6,765

\* Excluding temporary employees

Source: *Employment and Training Corporation*

### Changes in Manufacturing Employment\*

Table 3.4

	2007-06	2008-07	2009-08	2010-09
	Jun	Jun	Jun	Jun
Total Change	-82	-842	-2,247	-278
Private	-96	-825	-924	-9
Public	14	-17	-1,323	-269
Total Private Increases	247	308	452	504
Total Public Increases	15	1	0	4
Total Private Decreases	-343	-1,133	-1,376	-513
Total Public Decreases	-1	-18	-1,323	-273

\* Excluding temporary employees

Source: *Compiled from Employment and Training Corporation data*

## Manufacturing Employment\*

Table 3.5

	2006	2007	2008	2009	2010
	Jun	Jun	Jun	Jun	Jun
Mfg of Food Products, Beverages and Tobacco	3,678	3,598	3,656	3,548	3,427
Private	3,678	3,598	3,656	3,548	3,427
Public	0	0	0	0	0
Mfg of Textiles and Textile Products	1,718	1,541	931	870	821
Private	1,718	1,541	931	870	821
Public	0	0	0	0	0
Mfg of Leather and Leather Products	215	207	145	130	95
Private	215	207	145	130	95
Public	0	0	0	0	0
Mfg of Wood and Wood Products	191	169	164	161	155
Private	191	169	164	161	155
Public	0	0	0	0	0
Mfg of Pulp, Paper and Paper Products;					
Publishing and Printing	2,020	2,012	2,000	2,055	2,027
Private	1,963	1,956	1,943	2,000	1,968
Public	57	56	57	55	59
Mfg of Coke, Refined Petroleum Products and Nuclear Fuel	3	5	4	4	5
Private	3	5	4	4	5
Public	0	0	0	0	0
Mfg of Chemicals, Chemical Products and Man-Made Fibres	963	1,037	1,192	1,233	1,334
Private	963	1,037	1,192	1,233	1,334
Public	0	0	0	0	0
Mfg of Rubber and Plastic Products	1,645	1,670	1,589	1,229	1,344
Private	1,645	1,670	1,589	1,229	1,344
Public	0	0	0	0	0
Mfg of Other Non-Metallic Mineral Products	1,246	1,279	1,283	1,273	1,200
Private	1,246	1,279	1,283	1,273	1,200
Public	0	0	0	0	0
Mfg of Basic Metals and Fabricated Metal Products	1,310	1,294	1,306	1,359	1,403
Private	1,310	1,294	1,306	1,359	1,403
Public	0	0	0	0	0
Mfg of Machinery and Equipment n.e.c	528	568	526	472	521
Private	528	568	526	472	521
Public	0	0	0	0	0
Mfg of Electrical and Optical Equipment	5,512	5,492	5,276	4,567	4,370
Private	5,512	5,492	5,276	4,567	4,370
Public	0	0	0	0	0
Mfg of Transport Equipment	2,142	2,230	2,291	1,271	1,064
Private	447	520	599	900	966
Public	1,695	1,710	1,692	371	98
Manufacturing n.e.c.	2,951	2,938	2,835	2,779	2,907
Private	2,951	2,938	2,835	2,779	2,907
Public	0	0	0	0	0
<b>Total Manufacturing Employment</b>	<b>24,122</b>	<b>24,040</b>	<b>23,198</b>	<b>20,951</b>	<b>20,673</b>

\* Excluding temporary employees

Source: Employment and Training Corporation

of 269. Table 3.5 provides data on employment developments in the major sub-sectors of the manufacturing industry covering the period of June 2006 to June 2010. The subsequent Section proceeds by reviewing developments in manufacturing sub-sectors that contributed to changes in total manufacturing employment.

### **Manufacturing of Transport Equipment**

During the twelve months to June 2010, employment in the manufacture of transport equipment decreased by 207 persons or 16.3 per cent, to a level of 1,064 jobs. This decline is attributable to developments in the public sector, which from June 2008 recorded a declining trend. This mainly reflects the restructuring process of the Malta Shipyards Ltd, which included the implementation of voluntary early retirement schemes and the subsequent privatisation of the enterprise. Following these developments, the manufacturing of transport equipment sector's share in total manufacturing employment fell from 8.9 per cent in June 2006 to 5.1 per cent in June 2010.

### **Manufacturing of Electrical and Optical Equipment**

Employment in the manufacturing of electrical and optical equipment followed a general downward trend between June 2006 and June 2010. The decline in this sub-sector was particularly pronounced in the twelve months to June 2009, as employment in this sector declined by 709 jobs or 13.4 per cent over June 2008. Subsequently, over the twelve months to June 2010, employment in the manufacturing of electrical and optical equipment declined to 4,370, a decrease of 197 jobs or 4.3 per cent over June 2009. Employment in this sector accounted for 21.1 per cent of total manufacturing employment in June 2010, a decline of 1.8 percentage points over June 2006.

### **Manufacturing of Food Products, Beverages and Tobacco**

During the twelve months to June 2010, employment in the food products, beverages and tobacco persisted with the declining trend recorded in June 2009, decreasing by 121 jobs or 3.4 per cent to 3,427. Consequently, by the end of June 2010 the share of employment in food products, beverages and tobacco in total manufacturing employment stood at 16.6 per cent compared to 15.2 per cent in June 2006.

### **Manufacturing n.e.c.**

The major sub-sectors which are classified in this category mainly include the manufacture of furniture, games and toys as well as recycling. Following



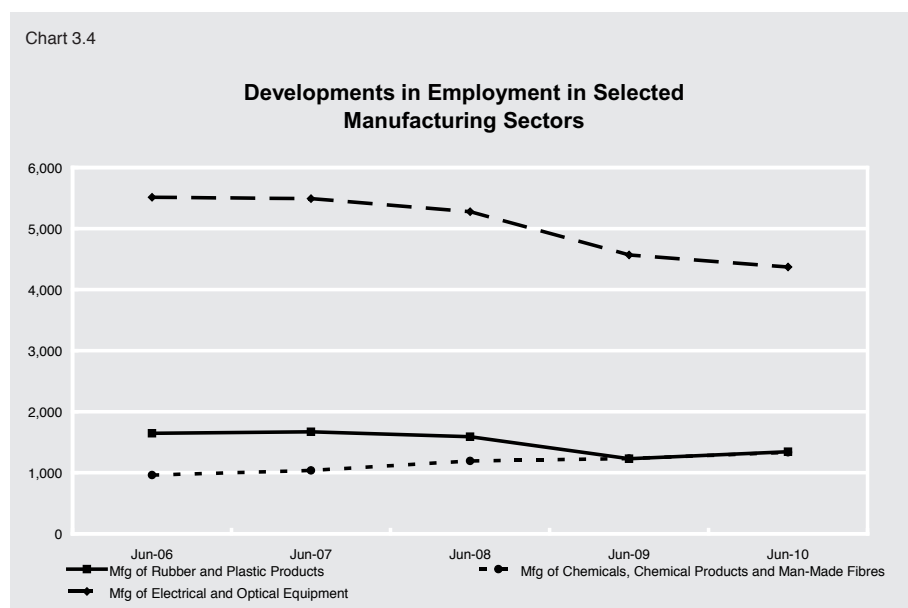
a general declining trend during June 2006 to June 2009, employment in this sub-sector recorded an increase of 128 persons or 4.6 per cent to 2,907 during the twelve months to June 2010. This led to a 1.8 percentage points increase in the sub-sector's share in total manufacturing employment during the four-year period, such that employment in this sub-sector accounted for 14.1 per cent of total manufacturing employment by the end of June 2010.

## Manufacturing of Rubber and Plastic Products

Employment in the manufacturing of rubber and plastic products was generally on a downward trend in recent years. However, during the twelve months to June 2010, the labour complement in this sector increased by 115 persons or 9.4 per cent, to 1,344. Consequently, by the end of the period under observation, employment in manufacturing of rubber and plastic products as a share of total manufacturing employment decreased to 6.5 per cent from 6.8 per cent in June 2006.

## Manufacturing of Chemicals, Chemical Products and Man-Made Fibres

Chart 3.4 shows that during the year to June 2010, the labour complement within the manufacture of chemicals, chemical products and man-made fibres sector increased by 101 persons or 8.2 per cent to 1,334. This increase is reflected in the share of the sub-sector in total manufacturing employment,



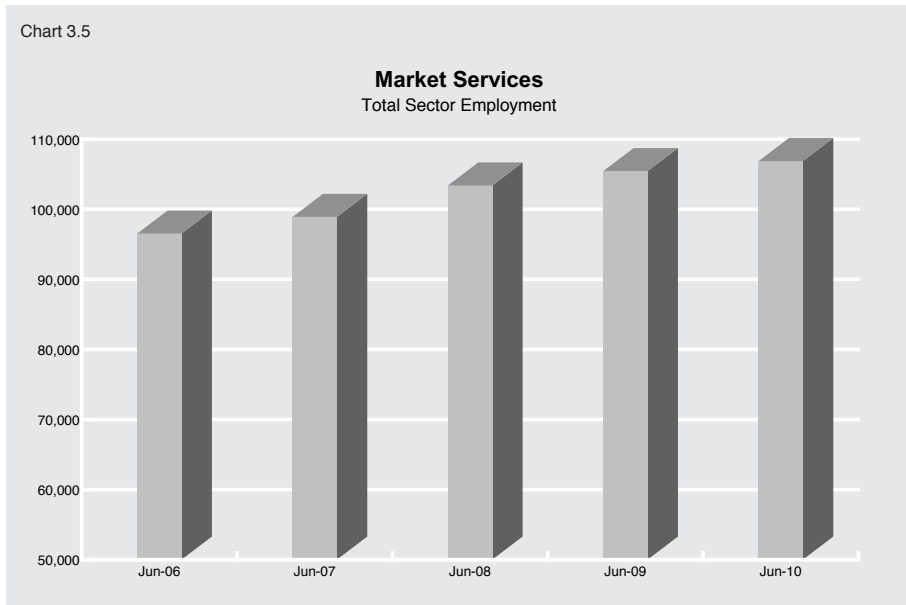
which increased from 4.0 per cent in June 2006 to 6.5 per cent in June 2010. Increases in employment in this sector have been evidenced throughout the period under review, where such an increase reflects the fact that this is one of the emerging growth sectors in the Maltese economy.

## Market Services

Market services activities have been the main generator of employment over the period between June 2006 and June 2010. Chart 3.5 shows that yearly increases were consistent throughout this period, recording a growth rate of 10.7 per cent between June 2006 and June 2010. During the year to June 2010, market services employment increased by 1,435 persons or 1.4 per cent to 106,888. This increase was due to an overall expansion in both the private and public sector of 1,035 jobs and 400 jobs, respectively.

In fact, as shown in Table 3.6, during the twelve months to June 2010, job gains by the private sector amounted to 1,686 while job losses amounted to 651. During the same period, job gains in the public sector stood at 635 whilst job losses stood at 235. However, it is pertinent to point out that the total private sector increases were below that recorded in previous years, whilst in comparison, job gains in the public sector in June 2010 were the highest during the period under review.

The major contributor to growth in market services employment between



### Changes in Employment in Market Services\*

Table 3.6

	2007-06	2008-07	2009-08	2010-09
	Jun	Jun	Jun	Jun
Total Change	2,371	4,485	2,050	1,435
Private	2,552	4,825	1,707	1,035
Public	-181	-340	343	400
Total Private Increases	2,682	4,825	2,118	1,686
Total Public Increases	248	457	436	635
Total Private Decreases				
Total Public Decreases	-130	0	-411	-651
	-429	-797	-93	-235

\*Excluding temporary employees

Source: Compiled from Employment and Training Corporation data

June 2006 and June 2010 was the real estate, renting and business activities sub-sector. Only the hotels and restaurant sub-sector recorded a decline in employment during the period under review, whilst all the other sub-sectors recorded an increase in employment. During the twelve months to June 2010, increases in employment in market services were mainly concentrated in real estate, renting and business activities, other community, social and personal activities, health and social work and education. The developments in the respective market services sectors are presented in Table 3.7 and are further analysed in this section.

### Real Estate, Renting and Business Activities

During the four years to June 2010, employment in the real estate, renting and business activities followed a consistent gradual upward trend, primarily underpinned by developments in the other business activities sector and the computer and related activities sub-sectors. During this period under review, employment in this sub-sector of market services increased by 4,963 or 46.9 per cent. This increase was sustained in the twelve months to June 2010, during which an increase of 1,181 or 8.2 per cent was recorded. This was almost entirely attributable to higher private sector employment. By the end of this period, employment in real estate, renting and business activities accounted for 14.6 per cent of the total employment in market services, 3.6 percentage points higher than that for June 2006.

## Employment in Market Services\*

Table 3.7

	2006	2007	2008	2009	2010
	Jun	Jun	Jun	Jun	Jun
Wholesale and Retail (including Repair of Motor Vehicles, Motorcycles and Personal and Household Goods)	21,387	21,454	21,945	22,114	22,134
Private	21,362	21,432	21,926	22,097	22,118
Public	25	22	19	17	16
Hotels and Restaurants	9,796	9,758	10,381	9,968	9,677
Private	9,556	9,643	10,270	9,859	9,602
Public	240	115	111	109	75
Transport, Storage and Communications	11,173	10,812	11,123	11,432	11,307
Private	8,176	8,048	8,992	9,390	9,013
Public	2,997	2,764	2,131	2,042	2,294
Financial Intermediation	5,186	5,398	5,637	5,713	5,755
Private	4,708	4,912	5,148	5,204	5,221
Public	478	486	489	509	534
Real Estate, Renting and Business Activities	10,592	11,976	13,370	14,374	15,555
Private	9,424	10,828	12,207	13,179	14,269
Public	1,168	1,148	1,163	1,195	1,286
Public Administration and Defence (including Compulsory Social Security)	10,645	10,789	10,801	10,980	10,794
Private	0	0	0	0	0
Public	10,645	10,789	10,801	10,980	10,794
Education	12,223	12,401	12,513	12,658	12,871
Private	3,012	3,198	3,443	3,499	3,493
Public	9,211	9,203	9,070	9,159	9,378
Health and Social Work	9,276	9,489	10,053	10,341	10,507
Private	1,497	1,614	1,751	1,931	2,049
Public	7,779	7,875	8,302	8,410	8,458
Other Community, Social and Personal Service Activities**	6,116	6,690	7,414	7,696	8,122
Private	5,255	5,869	6,617	6,891	7,331
Public	861	821	797	805	791
Extra-Territorial Organisations and Bodies	153	151	166	177	166
Private	153	151	166	177	166
Public	0	0	0	0	0
<b>Total Employment in Market Services</b>	<b>96,547</b>	<b>98,918</b>	<b>103,403</b>	<b>105,453</b>	<b>106,888</b>

\* Excluding temporary employees

\*\*Includes Private Households with Employed Persons

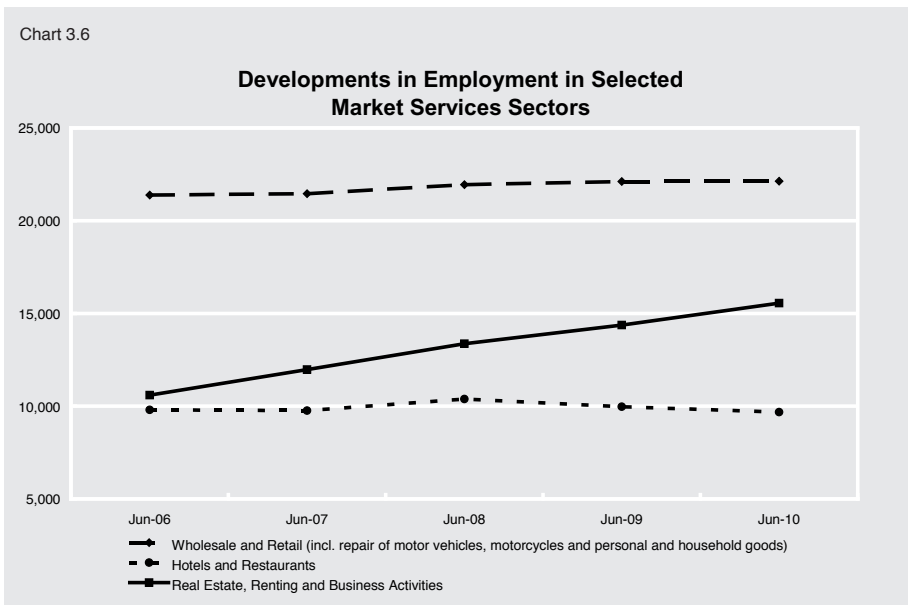
Source: Employment and Training Corporation

## Financial Intermediation

At the end of June 2010, employment in the financial intermediation sector stood at 5,755, reflecting an increase of 42 persons or 0.7 per cent over June 2009. This marginal increase is noteworthy particularly in view of the significant challenges the sector is facing worldwide. These increases consolidate the emergence of financial intermediation as a growth area with employment recording an increase of 569 persons or 11.0 per cent during the four years to June 2010. Following these developments, employment in financial intermediation as a share of employment in market services remained relatively stable at 5.4 per cent.

## Wholesale and Retail (including Repair of Motor Vehicles, Motorcycles and Personal and Household Goods)

During the period between June 2006 and June 2010 employment in the wholesale and retail sector increased by 747 jobs or 3.5 per cent. Chart 3.6 shows that employment growth experienced throughout this period continued in the twelve months to June 2010, albeit at a slower pace whereby it increased marginally by 20 persons or 0.1 per cent. Consequently, employment in the wholesale and retail sector accounted for 20.7 per cent of total market service employment in June 2010, a decline of 1.5 percentage points from June 2006.



## **Other Community, Social and Personal Service Activities**

Employment in the other community, social and personal service activities has been increasing its share in total market services employment throughout the period under observation such that at the end of June 2010 it stood at 7.6 per cent, 1.3 percentage points above June 2006. During the four-year period to June 2010, it recorded an increase of 2,006 persons or 32.8 per cent to 8,122. This positive performance was sustained in the twelve months to June 2010, whereby it recorded an increase of 426 persons or 5.5 per cent. Increases in employment were only recorded in the private sector as the public sector recorded relatively small declines by the end of June 2010.

## **Transport, Storage and Communication**

In June 2010, employment in the transport, storage and communication sector decreased by 125 persons or 1.1 per cent over the previous comparable period, thus reversing the increase registered in this market services sub-sector since June 2008. This development reflected a decline of 377 employees in the private sector while the public sector employment increased by 252 employees, compared to June 2009. Employment in the transport, storage and communication sector as a share of total market services employment declined from 11.6 per cent in June 2006 to 10.6 per cent in June 2010.

## **Hotels and Restaurants**

In June 2010, employment in hotels and restaurants stood at 9,677, a decrease of 291 or 2.9 per cent over June 2009. During the four years to June 2010 employment in hotels and restaurants recorded a relatively volatile performance with a significant increase of 6.4 per cent being registered in the twelve months to June 2008. However, this increase was reversed in the subsequent year reflecting the international economic conditions that led to a weakening demand from Malta's major tourist source markets. Following these developments, the share of employment in hotels and restaurant in total market services employment fell from 10.1 per cent in June 2006 to 9.1 per cent in June 2010.

## **Unemployment**

In contrast to previous sections, the latest available data on unemployment analysed in this section pertains to September 2010, and relates only to persons listed under Part I of the Register. It therefore includes new job-seekers who left school, re-entrants into the labour market and job losses who have been made redundant by their former employers. Workers who have been dismissed from work due to disciplinary action, those who left work on their own free

will, refuse work or training opportunities or were struck off the Part I register after an inspection by the law enforcement personnel are not included in the analysis as these fall under Part II of the Register.

During the year to September 2010, unemployment decreased by 695 or 10.4 per cent to 5,998. This decline was mainly the result of a decline in both male and female registrants, whereby the number of males registering for employment fell by 394, while the number of female registrants fell by 301. Consequently, females accounted for 20.4 per cent of the total registered unemployed (under Part I of the Register) down from 22.8 per cent in September 2009, while males accounted for 79.6 per cent up from 77.2 per cent in September 2009.

Table 3.8 shows that out of the 5,998 persons registering for employment in September 2010, 35.5 per cent have been registering for a period between 9 to 48 weeks, 4.2 percentage points lower compared to September 2009. A similar performance was registered in the share of people registering for less than 9 weeks, which fell from 21.8 per cent in September 2009 to 20.4 in September 2010. However, a higher share of persons which fall within the long-term unemployed category was recorded, as the percentage in total unemployed persons registering for over 48 weeks increased from 38.5 per cent in September 2009 to 44.1 per cent in September 2010, an increase of 5.6 percentage points.

With reference to the registered unemployed by age distribution, Table 3.9 shows

<b>Registered Unemployed*</b>				
by duration of registration				
Table 3.8				
	Registered Unemployed	under 9 weeks %	9 - 48 weeks %	over 48 weeks %
<b>2005</b>	6,696	21.6	37.0	41.4
<b>2006</b>	6,446	20.9	36.5	42.7
<b>2007</b>	5,469	19.6	37.4	43.0
<b>2008</b>	5,785	21.0	39.1	39.9
<b>2009</b>	6,952	20.4	40.3	39.3
<b>2009 (Sep)</b>	6,693	21.8	39.7	38.5
<b>2010 (Sep)</b>	5,998	20.4	35.5	44.1

\*Includes Part I of the Registered Unemployed

Source: Employment and Training Corporation

**Registered Unemployed\***  
by age distribution

Table 3.9

	Registered Unemployed	16 - 24 years %	25 - 49 years %	over 49 years %
<b>2005</b>	6,696	28.2	55.1	16.7
<b>2006</b>	6,446	26.1	55.9	18.0
<b>2007</b>	5,469	20.6	58.9	20.5
<b>2008</b>	5,785	18.6	58.1	23.3
<b>2009</b>	6,952	19.5	55.5	25.0
<b>2009 (Sep)</b>	6,693	19.3	56.3	24.4
<b>2010 (Sep)</b>	5,998	17.9	54.7	27.4

\*Includes Part I of the Registered Unemployed

Source: Employment and Training Corporation

**Registered Unemployed Classified by Occupation\***  
at September 2010

Table 3.10

	Registered Unemployed			Percentage Share		
	Males	Females	Total	Males	Females	Total
<b>Non-Manual</b>						
Clerical & related workers	437	394	831	9.2	32.2	13.9
Supervisory	42	1	43	0.9	0.1	0.7
Technological & professional	631	120	751	13.2	9.8	12.5
Miscellaneous non-manual	559	326	885	11.7	26.7	14.8
<b>Total Non-Manual</b>	<b>1,669</b>	<b>841</b>	<b>2,510</b>	<b>35.0</b>	<b>68.8</b>	<b>41.8</b>
<b>Manual</b>						
Agriculture	218	0	218	4.6	0.0	3.6
Construction	506	0	506	10.6	0.0	8.4
Textiles	3	8	11	0.1	0.7	0.2
Printing	8	0	8	0.2	0.0	0.1
Metal working	191	0	191	4.0	0.0	3.2
Catering	160	24	184	3.4	2.0	3.1
Other services	386	141	527	8.1	11.5	8.8
Labouring	484	48	532	10.1	3.9	8.9
Miscellaneous	785	91	876	16.4	7.4	14.6
<b>Total Manual</b>	<b>2,741</b>	<b>312</b>	<b>3,053</b>	<b>57.4</b>	<b>25.5</b>	<b>50.9</b>
Disabled persons	365	70	435	7.6	5.7	7.3
<b>Total</b>	<b>4,775</b>	<b>1,223</b>	<b>5,998</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

\*Includes Part I of the Registered Unemployed

Source: Employment and Training Corporation



that the share of the unemployed within the young (16-24 years) and within those aged between 25 and 49 years declined during the year to September 2010. In fact the share of those aged between 16 to 24 years in total unemployment decreased from 19.3 per cent in September 2009 to 17.9 per cent in September 2010. Similarly, the share of those persons registering for employment aged between 25 and 49 years decreased by 1.6 percentage points to 54.7 per cent, during the same period. Meanwhile, the share of those aged over 49 years increased by 3.0 percentage points to 27.4 per cent.

Data on the registered unemployed classified by occupation for September 2010 is shown in Table 3.10. The drop in unemployment during the twelve months to September 2010 is mainly attributable to the decline in the manual category, reflecting significant declines in the miscellaneous and labour categories. The share of manual unemployed in total unemployment stood at 50.9 per cent compared to 52.1 per cent in September 2009. During the same period, the non-manual category registered a decline of 290 persons, primarily in clerical and related work and in miscellaneous non-manual. By the end of September 2010, the non-manual category's share in total unemployment remained relatively unchanged at 41.8 per cent.

## Part-Time Activity

As shown in Table 3.11, since June 2006, total part-time employment followed an upward trend, increasing from 41,869 in June 2006 to 51,551 in June 2010, an increase of 9,682 persons or 23.1 per cent. This persistent increase was evident also in the twelve months to June 2010, which recorded an increase in total part-time employment of 5.2 per cent or 2,571 jobs over the previous comparable period.

The increase during the four-year period to June 2010 was registered in both part-timers holding a full-time job and the number of persons holding a part-time job as their primary occupation. The share of persons holding a part-time job as their main occupation stood at 57.1 per cent of the total part-time employment, while the share of persons holding a full-time job amounted to 42.9 per cent of total part-time employment. Given that the increase in part-time employment as a primary occupation was sustained by both males and females, this may be indicative of an increased demand for part-timers by employers as well as flexibility of labour supply to match labour demand.

It is noteworthy that female part timers holding a full-time job increased by 1,984 or 42.3 per cent over the four-year period, while during the twelve months

## Part-Time Employment

Table 3.11

	2006	2007	2008	2009	2010
	Jun	Jun	Jun	Jun	Jun
Part-Timers holding a full-time job	18,285	19,596	20,490	21,212	22,100
Males	13,597	14,317	14,709	14,954	15,428
Females	4,688	5,279	5,781	6,258	6,672
Part-Timers as a primary job	23,584	25,542	26,917	27,768	29,451
Males	9,311	10,286	10,929	11,246	12,031
Females	14,273	15,256	15,988	16,522	17,420
Total Part-Time Employment	41,869	45,138	47,407	48,980	51,551
Males	22,908	24,603	25,638	26,200	27,459
Females	18,961	20,535	21,769	22,780	24,092

*Source: Employment and Training Corporation*

to June 2010 it increased by 6.6 per cent to reach 6,672. Similarly, over the four-year period ending June 2010, the number of male part-timers holding a full-time job increased by 1,831 or 13.5 per cent. During this period under review, males holding a part-time as their primary job increased by 2,720 or 29.2 per cent, while females holding a part-time as a primary job increased by 3,147 or 22.0 per cent. It is interesting to note that the share of females in total part-time employment has increased from 45.3 per cent in June 2006 to 46.7 per cent in June 2010, whilst the share of males has decreased from 54.7 per cent in June 2006 to 53.3 per cent in June 2010.

## **4. Productive Activities**

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## 4. Productive Activities

The sharp deterioration in international trade in the aftermath of the severe international recession had a strong impact on the Maltese industry particularly in 2009, especially within the manufacturing sectors which are mostly export-oriented. However, one notes positive signs of recovery as the performance of the industry generally improved during the first six months of 2010.

The data for the first part of the Chapter, which includes an analysis on the performance of the local industry, is based on the Industrial Index. Turnover is deflated by use of Industrial Producer Prices. The number of hours worked are used for those enterprises for which no production quantities are collected. It is important to note that these indicators are classified according to NACE Rev. 2 and are presented as indices using 2005 as the base year.

Activity in the local industry could be subdivided into three main sectors: mining and quarrying, manufacturing and electricity and water supply. Total turnover in the industry increased significantly by 21.7 per cent in January-June 2010, following the contraction recorded in the previous two comparable periods. This is due to an increase in both the electricity and water supply and manufacturing. This rise in turnover reflects an increase of 27.0 per cent in total exports of the industry coupled with an increase of 16.4 per cent in domestic sales in the period under review. These developments are illustrated in Chart 4.1 and Chart 4.2 respectively. Chart 4.1 and Chart 4.2, alongside the remaining charts in this Chapter show trends over the January-June period in order to put the latest developments in the context of comparable periods in recent years.

On the other hand, growth in wages and salaries of the total industry declined further by 5.5 per cent in January-June 2010. This reflects a decline in the average hours worked and to some extent also to lower employment levels as a number of companies continued reducing the number of hours worked in a bid to reduce production costs. In this regard, hours worked in the industry fell further in the 2010 period by 3.9 per cent, albeit at a slower rate when compared to the 2009 January-June period. Chart 4.3 depicts the growth rates of compensation for employees and hours worked.

The performance of the mining and quarrying sector continued to deteriorate in the first six months of 2010. Indeed, the total turnover index decreased by 11.9 per cent, whilst drops in employment were registered. Nevertheless, wages and salaries rose by 5.6 per cent for the sector while hours worked remained

Chart 4.1

### Developments in the Industrial Turnover (January-June)

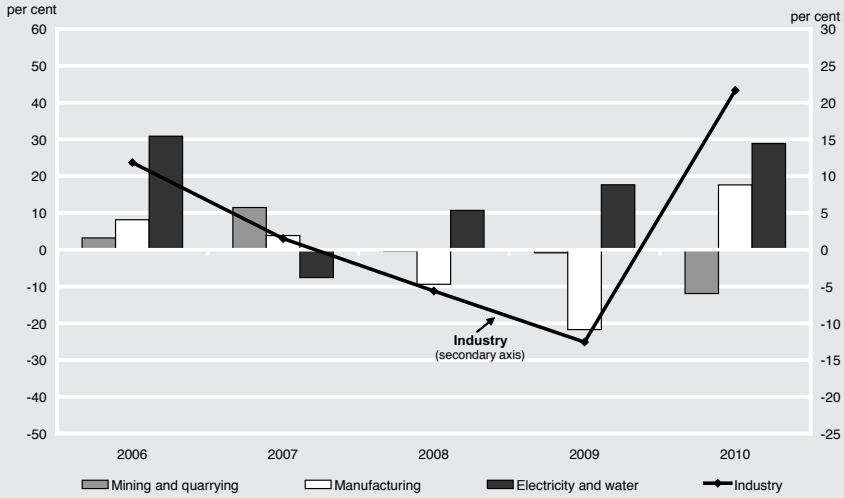


Chart 4.2

### Developments in Exports and Domestic Sales (January-June)

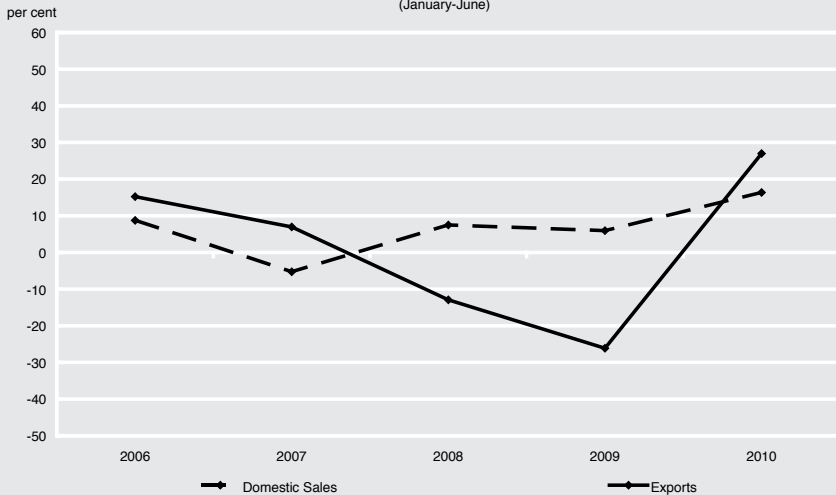
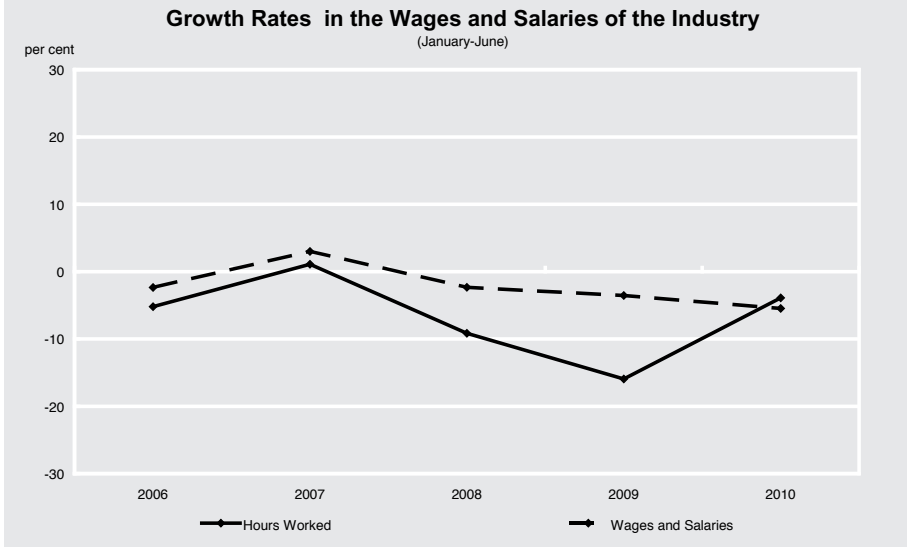


Chart 4.3



practically stable.

The manufacturing sector has shown signs of recovery during the period under review as the total turnover index increased. The increase in turnover reflected a significant growth rate of 27.0 per cent in the exports index which was partially offset by a drop of 4.2 per cent in domestic sales, as depicted in Chart 4.4. Despite this improvement in the production side, wages and salaries of the manufacturing sector continued to drop in the January-June 2010 period, underpinned by a further decline in employment levels. Chart 4.5 illustrates the developments in wages and salaries and the hours worked for this sector over the period January-June 2006-2010.

In the first six months of 2010, in light of the revision of utility tariffs as from January 2010, there was a significant rise in the total turnover index of the electricity and water supply sector of 28.9 per cent in the same period. Meanwhile, wages and salaries rose by 0.6 per cent being marginally positive as levels of employment increased and hours worked decreased by 7.5 per cent when compared to the same period of 2009.

The wealth generation capability of the manufacturing industry can be measured by value added at factor cost. Value added at factor cost per capita for the total industry increased by 3.9 per cent between 2008 and 2009 translating into higher personnel costs per capita. Lower gross operating surplus per capita

Chart 4.4

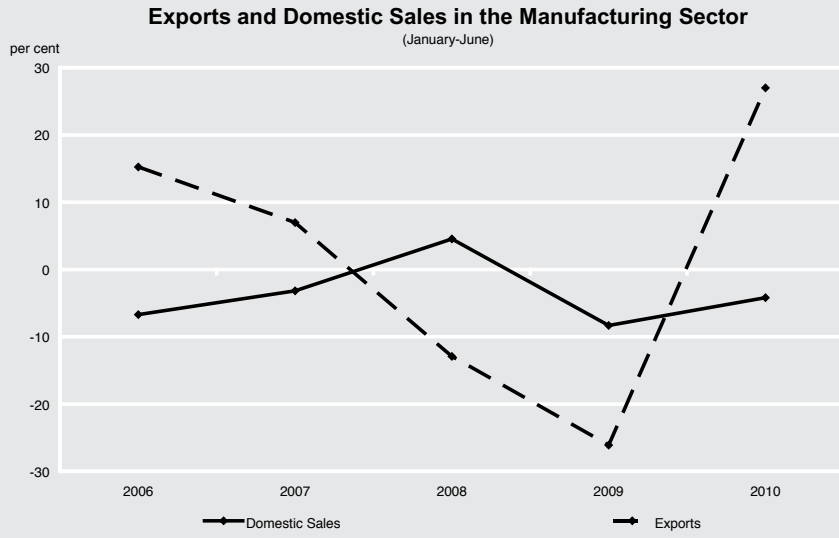
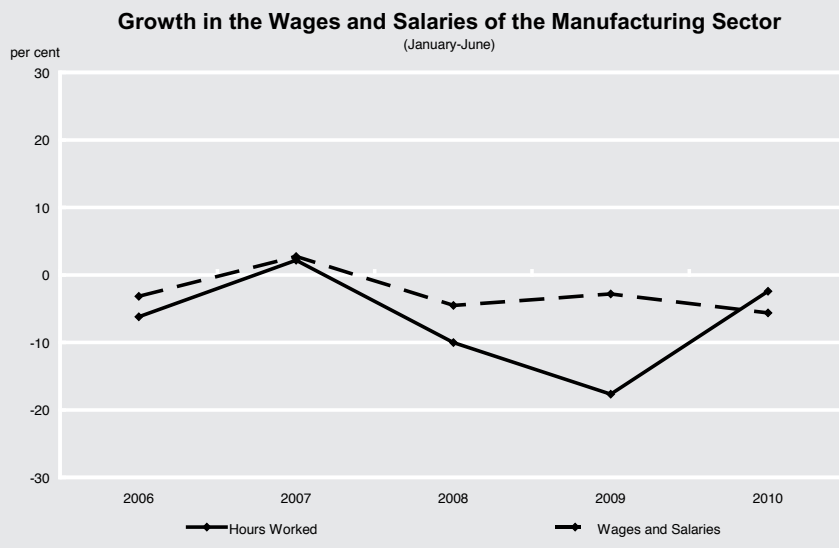


Chart 4.5





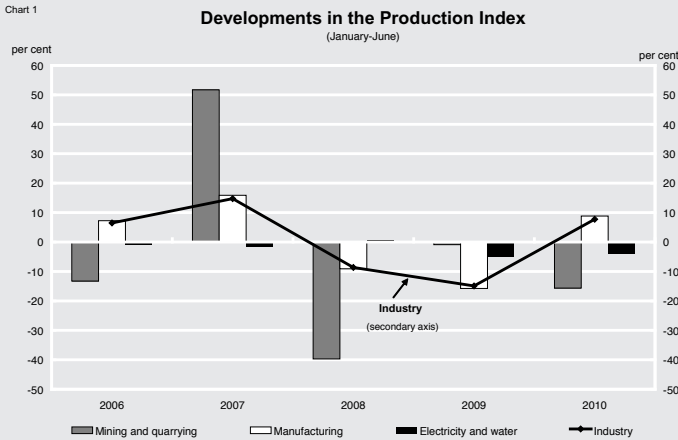
was registered. The chemicals and chemical products sector became the largest contributor to value added at factor cost. Other sectors such as food, beverages and tobacco products and radio, TV and communication equipment sectors also contributed significantly towards aggregate value added in the manufacturing sector.

Box 4.1

**The Production Index**

The Production Index is a measure of economic activity and developments in this index can be used to describe the economic cycles of industry. The index monitors the changes in production in leading products from a sample of industrial enterprises and is compiled with 2005 as a base year. These sampled enterprises cover over 95 per cent of total industrial production. This index is classified according to Nace Rev. 2.

The overall industrial production index increased by 7.7 per cent in the first half of 2010 when compared to the same previous comparable period. This was mainly underpinned by increases in the production index of the manufacturing sector, as the other sectors registered decreases. Chart 1 shows the growth performance in the industrial production index for the period January-June 2007-2010.



The manufacturing sector’s production index has increased by 8.8 per cent in January-June 2010, following declines in the two previous comparable periods. This mainly reflects significant rises in the manufacture of computer, electronic and optical products (33.6 per cent), in the manufacture of rubber and plastic products (28.6 per cent) and in the manufacture of basic pharmaceuticals products (22.2 per cent) sub-sectors. These increases were partly offset by drops in other sub-sectors especially in the manufacture of wearing apparel (32.4 per cent), in the printing and reproduction of recorded media (20.7 per cent) and in the manufacture of food products (12.4 per cent).

The importance of the local agricultural and fisheries sector within the local economy transcends its size, and retains an important socio-economic role. During 2009, agricultural factor income at current prices increased by 13.9 per cent when compared to 2008. Final production at basic prices declined by 5.4 per cent in 2009 when compared to 2008, driven mainly by lower prices for livestock, other animal, as well as crop products. The share of agriculture and fisheries in gross value added of the total economy declined to 1.8 per cent during the first half of 2010 when compared to 2.1 per cent in the same period during the previous year. During the period January-August 2010, the wholesale value of fruit and vegetables sold through organised markets declined by 10.1 per cent. Meanwhile during the same period the volume of slaughtering declined by 3.5 per cent. The value of fish landings during the first eight months of 2010 increased by 10.3 per cent when compared to the same period in the previous year.

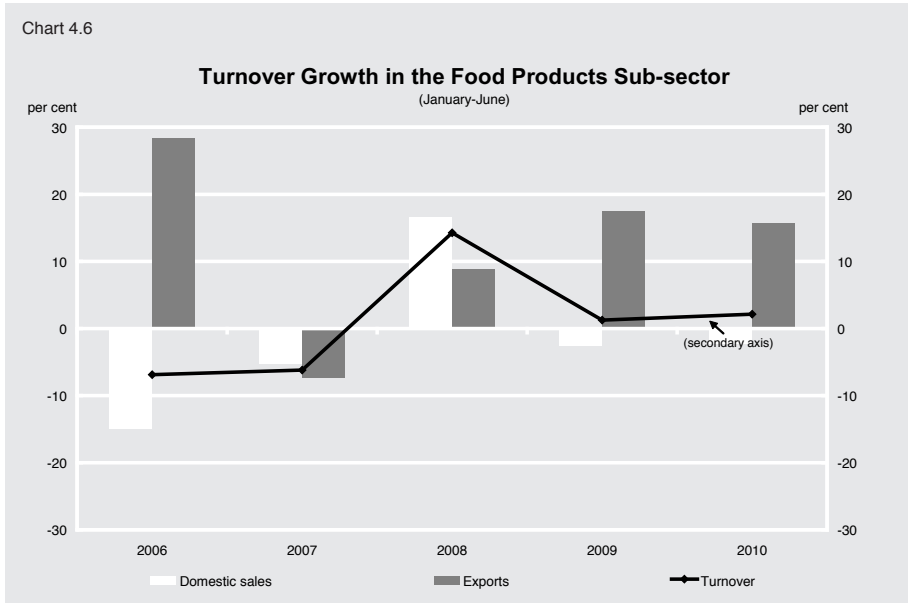
This Chapter proceeds with an analysis of the performance of the main sub-sectors of the manufacturing industry on the basis of short-term indicators. Appendix Table 4.1 provides percentage growth rates of various indicators for the industry while Appendix Table 4.2 provides percentage growth rates of various indicators for the manufacturing sector at sub-sectoral level. Data is provided for the years 2007 up to 2009 and for the January-June 2009 and 2010 period. The Chapter continues with a review on sectoral value added at factor cost for the manufacturing sector. Data for this sector is compiled by the NSO from annual business surveys and is classified according to NACE Rev 1.1. The methodology adopted by the NSO in collection and compilation of value added at factor cost is in line with the structural Business Council Regulation 58/97, thereby being comparable to European Union (EU) methodology. This Chapter then concludes with a review of the activity in the agriculture and fisheries sector.

## **Domestic Manufacturing Performance**

### **Food Products**

The larger part of production in the manufacture of food products sub-sector is oriented towards the domestic market. The total turnover index continued to increase and registered a growth rate of 2.1 per cent in the period under review. This mainly reflected a rise in exports of 15.7 per cent which was partially offset by a drop in domestic sales of 2.4 per cent.

Furthermore, wages and salaries decreased by 1.0 per cent, following a rise



in the same period of 2009. This was also underpinned by further declines in employment levels while hours worked continued on their downward trend dropping by 5.5 per cent in the first six months of 2010. These developments are illustrated in Chart 4.6.

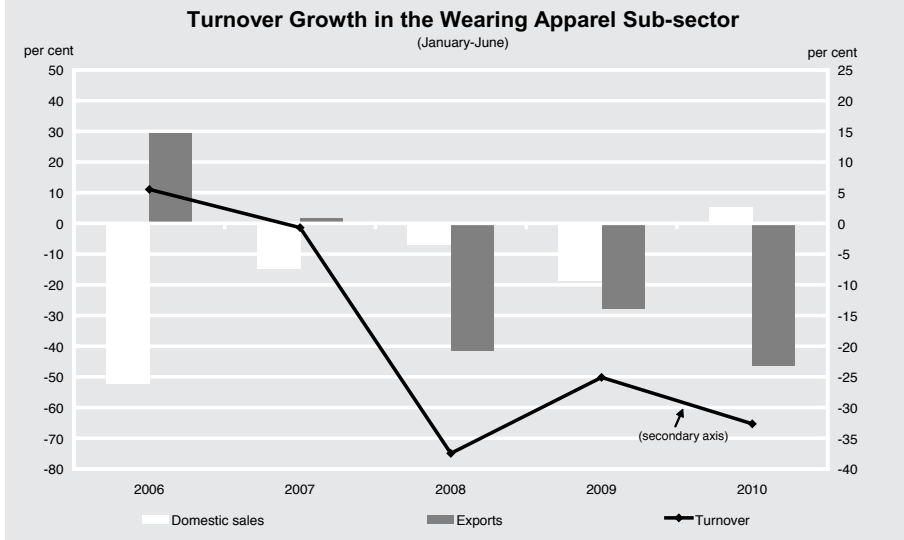
## Beverages

The manufacture of beverages is nearly wholly oriented towards the local market. During the period under review, the total turnover index rose by 3.6 per cent reflecting significant increases in the export sales while the domestic sales increased only marginally. Hours worked continued to fall registering a 6.7 per cent decline over January-June 2009. Together with a decline in the employment index, wages and salaries decreased by 2.0 per cent following significant growths in the comparable periods of 2008 and 2009.

## Wearing Apparel

The manufacture of wearing apparel sub-sector is largely export-oriented and it has been facing increased international competition especially from manufacturers in low-cost locations. As shown in Chart 4.7, the performance of this sector continued to deteriorate as the total turnover index dropped significantly by 32.6 per cent. This was mainly underpinned by drops in the export sales amounting to 46.6 per cent as domestic sales recorded a rise of 5.4 per cent. On the other hand, wages and salaries declined by 2.7 per cent,

Chart 4.7



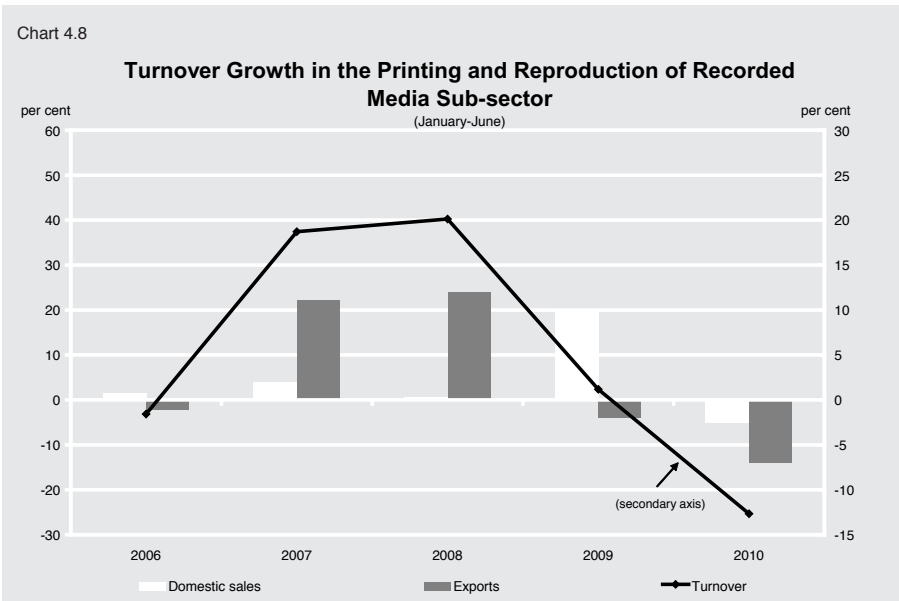
albeit at a slower rate when compared to the previous period. At the same time, hours worked increased significantly by 13.0 per cent in the same period while employment levels also rose by 1.6 per cent.

## Printing and Reproduction of Recorded Media

A larger part of the production of the printing and reproduction of recorded media sector is directed towards the international market. Following increases for the six months between June of 2007 and the same period of 2009 the total turnover index, as shown in Chart 4.8, dropped by 12.7 per cent. This is mainly owing to a decline of 13.9 per cent in export sales coupled with a decrease of 5.1 per cent in the domestic sales. During the period under review, wages and salaries decreased by 1.0 per cent. This reflected decreases in the employment index for this sub-sector alongside a drop of around 6.2 per cent in the hours worked.

## Basic Pharmaceutical Products

Since its emergence in 2005, the manufacture of the basic pharmaceutical products has recorded rapid growth rates, doubling its turnover in the period under review. However, in January-June 2009, its turnover declined reflecting the repercussions of the crisis in the international market given that this sector is nearly wholly export-oriented.



In the first six months of 2010, the pharmaceuticals sub-sector embarked on a strong recovery as the total turnover index increased by 39.2 per cent owing to positive developments in its export sales. Meanwhile, during January-June 2010 the employment index for this sub-sector continued with its upward trend. This resulted in a further increase of 17.7 per cent in wages and salaries as hours worked increased at a slower rate of 1.8 per cent.

## Rubber and Plastic Products

The production of the rubber and plastic products sub-sector is mainly directed towards the international market. As illustrated in Chart 4.9, this sub-sector somehow reversed the downfall experienced in the first six months of 2009 as the total turnover index rose by 41.9 per cent in the period under review. This positive performance was mostly underpinned by a considerable rise in export sales of 55.0 per cent coupled with an increase in the domestic sales index.

There are signs of recovery even from the supply-side of this sub-sector as developments in employment levels and hours worked resulted in an increase in wages and salaries of 26.2 per cent.

## Computer, Electronic and Optical Products

The manufacture of computer, electronic and optical products sub-sector is almost exclusively export-oriented. This sub-sector mainly consists of a

Chart 4.9

**Turnover Growth in the Rubber and Plastic Products Sub-sector**  
(January-June)

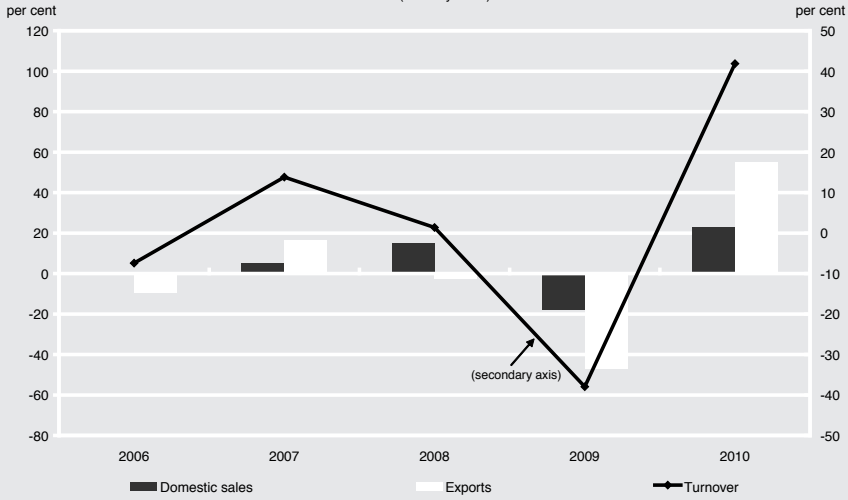
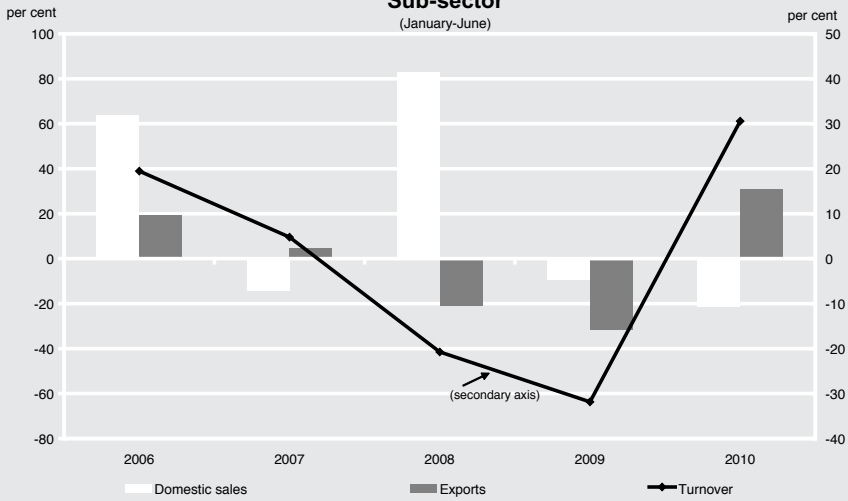


Chart 4.10

**Turnover Growth in the Computer, Electronic and Optical Products Sub-sector**  
(January-June)



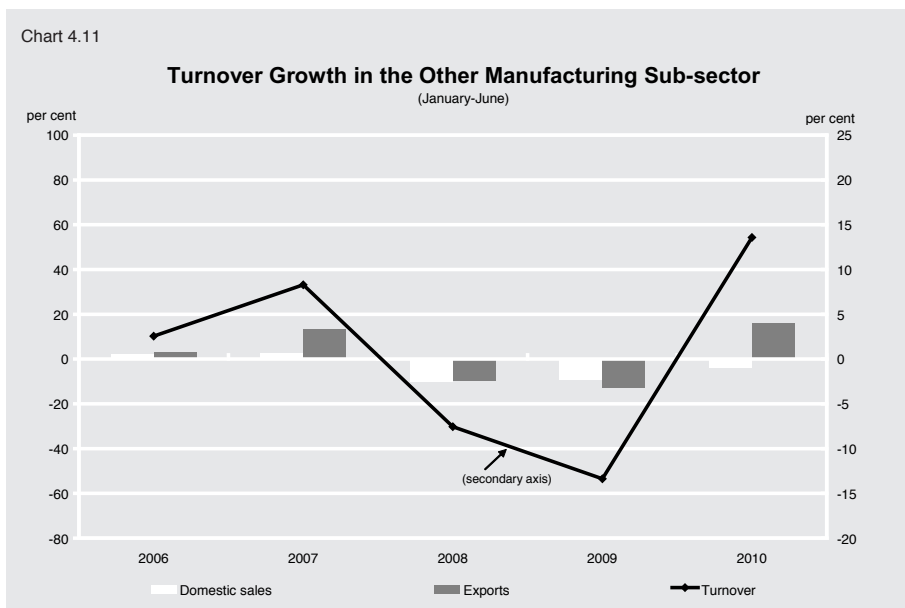
small number of relatively large foreign subsidiaries whose main activity involves electronic products that are very sensitive to international economic developments.

Indeed, the performance of this sub-sector began to deteriorate in 2008, as the total turnover index registered negative growth, reflecting adverse exchange rate developments in the same period. Meanwhile, during January-June 2009, the sub-sector’s performance continued to worsen also in reflection of the international economic downturn.

Indications for the first six months of 2010 show a recovery in this sub-sector as the total turnover index increased substantially by 30.6 per cent when compared to the same period of 2009. The growth in the latter mainly reflected increases in the export sales. These developments are depicted in Chart 4.10. Despite this improvement, employment levels and hours worked continued to drop in the period under review while wages and salaries increased by 1.4 per cent.

## Other Manufacturing

This sub-sector mainly consists of firms engaged in the manufacture of toys, games and jewellery items which are mostly directed towards the export market. Following a decline in the previous comparable period, the total turnover index increased by 13.6 per cent in the first six months of 2010, as illustrated in Chart 4.11. This reflects growth in export sales which was partly offset by a decrease



in domestic sales. Moreover, wages and salaries increased significantly by 13.0 per cent underpinned by rises in both employment levels and hours worked.

## Value Added in Manufacturing

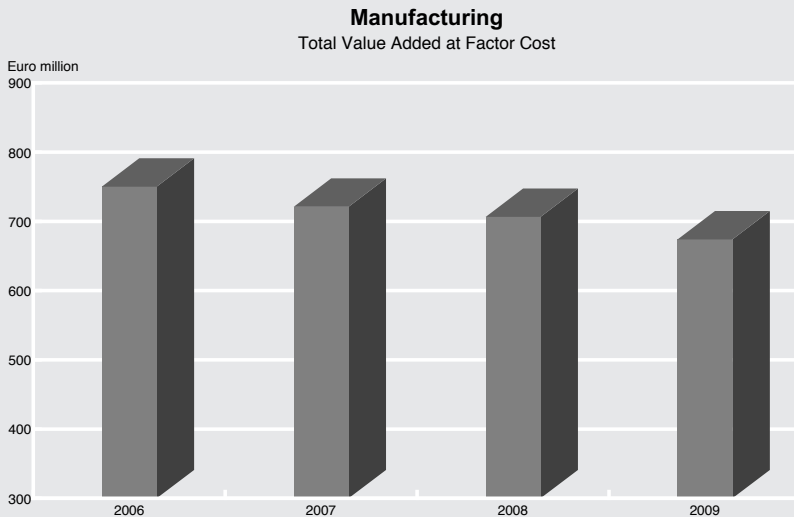
This section analyses developments in value added of the manufacturing industry during the 2006-2009 period. The data compiled for this analysis is based on the manufacturers' responses to an annual business statistics questionnaire, in line with the Structural Business Statistics Council Regulation 58/97. This section is not comparable with the previous section on industrial indices. Moreover, the latest data available for value added at factor cost is for the year 2009 and therefore excludes recent developments in 2010. According to this methodology, value added at factor cost is distributed between personnel costs and gross operating surplus. Personnel costs comprise wages and salaries and employers' social security costs, whilst gross operating surplus is the surplus generated by operating activities net of labour cost.

Value added data gives an indication of the contribution of sectoral performance to developments in the total manufacturing industry. Chart 4.12 depicts total manufacturing value added at factor cost for the period under review. Total value added at factor cost has been on a downward trend throughout the whole period, dropping in 2009 by 4.6 per cent when compared to the previous period. This decline led to a substantial drop in total gross operating surplus whilst total personnel costs increased. It is noteworthy that the increase in personnel costs is biased upwards due to the inclusion in 2008 and 2009 of the voluntary redundancy scheme granted to Malta Shipyard employees. If we exclude the other transport equipment, an increase in the total personnel cost per capita is still observed. Table 4.1 shows a sectoral analysis of value added at factor cost per capita of the manufacturing industry.

In 2009, value added at factor cost per capita increased further by 3.9 per cent when compared to that recorded a year earlier. This is owing to higher personnel costs per capita which were partially offset by a drop in gross operating surplus per capita. As shown in Table 4.2, after remaining relatively stable in 2008, personnel costs per capita rose significantly by 11.3 per cent in the following year. This reflects an increase in personnel costs coupled with a decline in the number of employees. On the other hand, gross operating surplus per capita which is exhibited in Table 4.3, dropped by 4.2 per cent in 2009, following an increase of 8.9 per cent in the previous comparable period. This development was underpinned by a considerable drop in gross operating surplus that exceeded the effect of a lower number of persons employed.



Chart 4.12



Value Added at Factor Cost per capita

Table 4.1

€

	2006	2007	2008	2009*
Food, Beverages and Tobacco Products	27,133	26,207	28,562	28,786
Textiles and Textile Products	42,729	50,565	51,267	55,419
Wearing Apparel and Clothes	16,414	11,924	11,888	12,970
Leather and Leather Products	7,854	11,512	5,910	6,904
Wood and Wood Products	12,830	15,329	17,987	16,339
Paper and Paper Products	24,260	20,261	20,208	17,906
Publishing and Printing	26,274	28,109	27,772	30,230
Chemicals and Chemical Products	90,851	112,473	110,296	87,015
Rubber and Plastic Products	25,438	23,709	28,862	24,582
Other Non-Metallic Mineral Products	23,427	24,715	23,999	23,260
Fabricated Metal Products	18,363	19,567	19,732	19,512
Machinery and Equipment n.e.c.	27,359	20,407	20,927	20,757
Electrical Machinery and Apparatus	41,266	39,239	31,914	43,329
Radio, TV and Communication Equipment	43,193	38,963	42,927	38,387
Medical, Precision and Optical Instruments	21,297	25,164	31,726	26,165
Motor Vehicles, Trailers and Semi-Trailers	16,893	15,071	16,463	15,923
Other Transport Equipment	14,046	2,077	3,370	18,188
Furniture and Other Manufacturing n.e.c.	25,375	24,046	24,242	26,060
Recycling	57,940	76,728	74,002	90,376
<b>Total Manufacturing</b>	<b>29,663</b>	<b>29,595</b>	<b>30,796</b>	<b>31,995</b>

\* Provisional

Source: National Statistics Office

### Personnel Costs per capita

Table 4.2

€

	2006	2007	2008	2009*
Food, Beverages and Tobacco Products	13,743	13,991	14,557	15,355
Textiles and Textile Products	16,943	16,702	19,874	17,473
Wearing Apparel and Clothes	12,092	7,576	12,016	11,295
Leather and Leather Products	8,288	10,752	10,025	12,815
Wood and Wood Products	9,382	9,800	11,755	11,943
Paper and Paper Products	15,985	16,745	17,222	16,696
Publishing and Printing	16,276	16,712	16,991	17,759
Chemicals and Chemical Products	17,477	19,705	19,993	24,449
Rubber and Plastic Products	15,455	16,158	16,482	15,675
Other Non-Metallic Mineral Products	11,627	11,831	11,889	12,383
Fabricated Metal Products	12,412	13,036	13,167	13,440
Machinery and Equipment n.e.c.	13,660	13,415	13,573	15,444
Electrical Machinery and Apparatus	15,669	18,197	16,852	17,222
Radio, TV and Communication Equipment	19,055	20,127	16,652	19,516
Medical, Precision and Optical Instruments	16,698	17,419	16,517	16,329
Motor Vehicles, Trailers and Semi-Trailers	12,572	12,710	12,159	13,393
Other Transport Equipment	20,753	22,255	22,314	40,270
Furniture and Other Manufacturing n.e.c.	14,032	14,017	13,793	14,755
Recycling	12,358	13,138	13,329	12,917
<b>Total Manufacturing</b>	<b>15,546</b>	<b>16,083</b>	<b>16,084</b>	<b>17,904</b>

\* Provisional

Source: National Statistics Office

Chart 4.13 shows the trend followed between 2006 and 2009 in the two components of value added at factor cost per capita. Personnel costs per capita have the larger share of value added per capita, throughout the period. Indeed, its share increased from 52.4 per cent in 2006 to 56.0 per cent in 2009.

## Sectoral Analysis

The following section provides a review of the largest sectoral contributions to value added at factor cost generated within the manufacturing industry. Table 4.4 shows the shares of the sectors in total value added at factor cost for the manufacturing industry. The chemicals and chemical products sector became the highest contributor towards value added at factor cost in the manufacturing industry. Meanwhile, the share of value added at factor cost of radio, TV and communication equipment dropped significantly from 18.2 per cent in 2008 to 14.0 per cent in 2009.

### Gross Operating Surplus per capita

Table 4.3

€

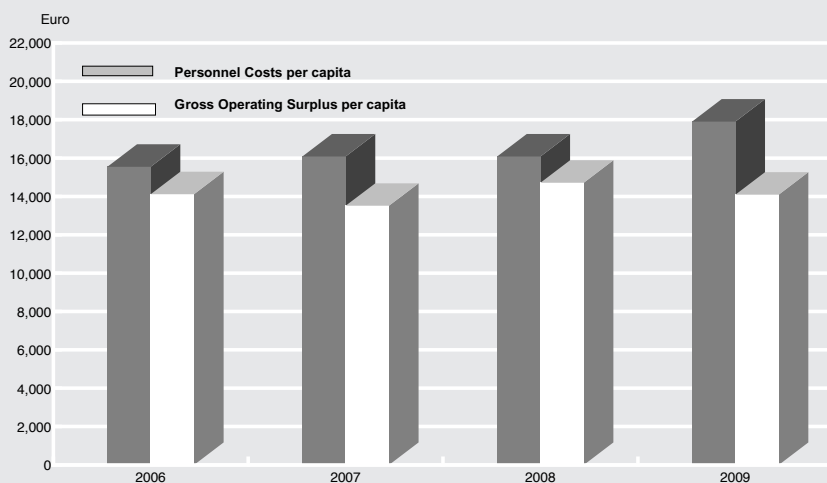
	2006	2007	2008	2009*
Food, Beverages and Tobacco Products	13,390	12,216	14,005	13,431
Textiles and Textile Products	25,786	33,863	31,393	37,945
Wearing Apparel and Clothes	4,322	4,348	-129	1,675
Leather and Leather Products	-433	760	-4,115	-5,912
Wood and Wood Products	3,447	5,529	6,232	4,396
Paper and Paper Products	8,274	3,516	2,986	1,209
Publishing and Printing	9,999	11,397	10,781	12,470
Chemicals and Chemical Products	73,374	92,769	90,303	62,567
Rubber and Plastic Products	9,983	7,551	12,379	8,907
Other Non-Metallic Mineral Products	11,800	12,883	12,110	10,877
Fabricated Metal Products	5,951	6,531	6,565	6,071
Machinery and Equipment n.e.c.	13,699	6,992	7,354	5,313
Electrical Machinery and Apparatus	25,597	21,042	15,062	26,107
Radio, TV and Communication Equipment	24,139	18,836	26,275	18,871
Medical, Precision and Optical Instruments	4,600	7,745	15,208	9,836
Motor Vehicles, Trailers and Semi-Trailers	4,321	2,361	4,304	2,530
Other Transport Equipment	-6,707	-20,178	-18,944	-22,082
Furniture and Other Manufacturing n.e.c.	11,342	10,029	10,449	11,305
Recycling	45,582	63,590	60,673	77,459
<b>Total Manufacturing</b>	<b>14,117</b>	<b>13,512</b>	<b>14,712</b>	<b>14,091</b>

\* Provisional

Source: National Statistics Office

Chart 4.13

### Composition of Value Added at Factor Cost



### Composition of Value Added at Factor Cost

Table 4.4 per cent

	2006	2007	2008	2009*
Food, Beverages and Tobacco Products	14.6	13.9	14.5	14.9
Textiles and Textile Products	2.7	3.1	3.1	3.3
Wearing Apparel and Clothes	2.6	1.8	0.7	0.7
Leather and Leather Products	0.3	0.3	0.1	0.1
Wood and Wood Products	0.5	0.7	0.7	0.6
Paper and Paper Products	0.9	0.8	0.7	0.7
Publishing and Printing	7.4	8.4	8.1	9.3
Chemicals and Chemical Products	13.2	17.9	17.0	15.6
Rubber and Plastic Products	6.0	5.8	6.9	5.2
Other Non-Metallic Mineral Products	4.0	4.4	4.5	4.3
Fabricated Metal Products	3.1	3.4	3.5	3.6
Machinery and Equipment n.e.c.	1.9	1.4	1.6	1.4
Electrical Machinery and Apparatus	7.8	7.3	6.2	9.4
Radio, TV and Communication Equipment	18.8	17.8	18.2	14.0
Medical, Precision and Optical Instruments	2.8	3.1	4.1	3.4
Motor Vehicles, Trailers and Semi-Trailers	0.2	0.2	0.2	0.2
Other Transport Equipment	3.9	0.4	0.8	3.0
Furniture and Other Manufacturing n.e.c.	8.6	8.5	8.5	8.9
Recycling	0.6	0.8	0.8	1.3
<b>Total Manufacturing</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

\* Provisional

Source: National Statistics Office

The value added at factor cost of the food, beverages and tobacco products decreased in 2009, following a rise in 2008. Nonetheless, its share in total value added at factor cost increased by 0.4 percentage points to 14.9 per cent, also overtaking the radio, TV and communication equipment sector. Value added at factor cost per capita rose minimally with growth in personnel costs per capita nearly completely offset by a drop in gross operating surplus per capita. In addition, personnel costs per capita generally accounted for the larger share in value added at factor cost per capita throughout the years in the period under review.

The share of value added at factor cost in the publishing and printing sector increased in 2007, suffered a decrease in 2008 and recovered during 2009 with an increase of 1.2 percentage points in its share which stood at 9.3 per cent. Meanwhile, value added at factor cost per capita followed a similar trend, rising by 8.9 per cent in 2009. This development led to an increase of 15.7 per cent in gross operating surplus per capita coupled with a rise in personnel costs per

capita of 4.5 per cent. Personnel costs per capita maintained the larger share within the value added per capita though it dropped from 61.9 per cent in 2006 to 58.7 per cent in 2009.

The chemicals and chemical products sector registered periods of growth till 2008. As a result, the share of this sector in total value added at factor cost increased as well. In 2009, value added at factor cost of this sector dropped. Similarly, its share in total value added declined by 1.4 percentage points and stood at 15.6 per cent. Despite this decline, the chemicals and chemical products became the largest sector within the manufacturing industry. Gross operating surplus per capita accounted for around 70 per cent of value added at factor cost per capita in 2009. This share has been dropping throughout the period under review.

Another significant contributor towards the value added at factor cost of the manufacturing industry was electrical machinery and apparatus, whose share, after dropping in 2008, rose by 3.2 percentage points to 9.4 per cent in 2009. The value added at factor cost per capita increased by 35.8 per cent over the previous year. This was translated into an increase in gross operating surplus per capita by around 73 per cent while personnel costs per capita rose by 2.2 per cent. In 2009 the share of gross operating surplus per capita in value added at factor cost per capita stood at 60.3 per cent, 1.8 percentage points lower than its share of 2006.

Following a drop in the contribution of radio, TV and communication equipment to total value added at factor cost in 2008, value added at factor cost continued to decrease during 2009. Consequently, its share dropped by 4.2 percentage points in 2009 over the previous year and stood at 14.0 per cent. In per capita terms, value added at factor cost declined by 10.6 per cent leading to a drop in the gross operating surplus per capita which was partially offset by a rise in its personnel costs per capita. The share of gross operating surplus per capita in value added at factor cost per capita has fluctuated significantly over the period under review. Indeed, whilst in 2006 it stood at 55.9 per cent, this ratio dropped to 49.2 per cent in 2009.

Value added at factor cost of furniture and other manufacturing n.e.c. was on a downward trend over the period under review. However, its share in total value added at factor cost was practically stable. In 2009, the share of value added at factor cost of furniture and other manufacturing n.e.c in total value added stood at 8.9 per cent, an increase of 0.4 percentage points over the preceding year. Value added at factor cost per capita increased by 7.5 per cent in 2009

translating into a rise of 8.2 per cent in gross operating surplus per capita coupled with a rise in personnel costs per capita of 7.0 per cent. Furthermore, personnel costs per capita registered the larger share in value added at factor cost per capita throughout the period under review, increasing overall by 1.3 percentage points and stood at 56.6 per cent in 2009.

## **Agriculture and Fisheries**

The agricultural and fisheries sectors make up a small share of the Maltese economy. Nevertheless, they both constitute an important medium through which characteristic qualities of our unique rural environment can be preserved. At the same time, agriculture also safeguards the welfare of the farming community by providing a framework within which the varied produce of the sector can be marketed and distributed. Fishing activities also constitute an integral part of our local heritage, especially the fishing villages which serve as a tourist attraction. The share of the agriculture and fisheries sectors in gross value added remained stable at 2.7 per cent in both 2005 and 2006, before subsequently declining progressively to 1.8 per cent in 2009. These sectors' share of gross value added also declined during the first two quarters of 2010, reaching 1.8 per cent when compared to a share of 2.1 per cent registered in the same comparative period of 2009. This Section reviews the Economic Accounts for agriculture for 2009, as well as the recent developments in the agriculture and fisheries sector on the basis of the latest available data for 2010.

## **Economic Accounts for Agriculture**

Agricultural activities in Malta mainly reflect the production of fruit and vegetables, as well as livestock and dairy products. In turn, the produce from the local agricultural sector also serves as an input for other activities, such as the processing of meat and meat preparations, the canning of fruit and vegetables, animal feeds, as well as the production of wine. Nevertheless, as a result of its small size, the local agricultural sector lacks economies of scale. At the same time, operators in this sector also face difficulties stemming from scarce water supply and fragmented land ownership.

The Economic Accounts for Agriculture which are published by the National Statistics Office (NSO) comprise agricultural statistics based on methodologies according to the European Accounts for Agriculture and Forestry (EAA/EAF 97, rev. 1.1), as well as ESA 95 (European System of Accounts), and the revised methodology on Agriculture Labour Input Statistics. The following analysis is based on agriculture statistics which cover private enterprises and is thus

not comparable with data on this sector presented in other Chapters in this Economic Survey.

As portrayed in Table 4.5, agricultural factor income at current market prices increased by 13.9 per cent in 2009 when compared to the previous year, reaching €69.9 million. This increase was mainly the result of lower intermediate consumption. This was only partly offset by lower total final production at producer prices and lower subsidies on production and to a lesser extent an increase in other subsidies not directly linked with production.

Table 4.6 displays the distribution of factor income at current prices. In 2009, entrepreneurial income increased by 15.0 per cent when compared to 2008, reaching €65.5 million. During 2009, the share of entrepreneurial income in factor income at market prices was around 94 per cent, increasing only marginally by around 1 percentage point over the previous year. Compensation of employees increased slightly in 2009 over the previous year reaching €3 million, while interest and rents remained broadly stable at €0.7 million in 2009.

As can be seen in Table 4.7, final production at basic prices declined by 5.4 per cent in 2009 when compared to 2008, reaching €130.5 million. This decline was

<b>Agriculture Factor Income at Current Prices</b>				
Table 4.5	€ thousand			
	2006	2007	2008	2009
Total final production at producer prices	111,894	115,231	126,495	123,572
add subsidies on production	13,200	11,800	11,444	6,942
Total final production at basic prices	125,094	127,031	137,939	130,513
less intermediate consumption	66,546	71,609	80,221	69,724
Gross value added at basic prices	58,548	55,422	57,718	60,789
less fixed capital consumption	4,029	3,912	3,992	4,069
Net value added at basic prices	54,519	51,509	53,726	56,720
add other subsidies not directly linked with production	6,153	11,230	7,582	13,140
Factor income at current prices	60,672	62,739	61,308	69,860

*Source: National Statistics Office*

## Distribution of Factor Income

(at Current Prices)

Table 4.6

€ thousand

	2006	2007	2008	2009
Factor Income	60,672	62,739	61,308	69,860
Entrepreneurial income (profits)	56,503	58,504	56,916	65,457
Compensation of employees (wages)	2,839	2,897	2,947	3,005
Interest	619	635	684	651
Rents	711	703	761	747

*Source: National Statistics Office*

## Final Production at Basic Prices by Type of Product

(at Current Market Prices)

Table 4.7

€ thousand

	2006	2007	2008	2009
Final production at basic prices	125,094	127,031	137,938	130,513
Livestock products	46,161	46,510	49,541	45,957
Other animal products	24,322	24,938	28,180	26,015
Crop products	45,342	47,956	52,707	51,297
Secondary activities	9,270	7,627	7,511	7,245

*Source: National Statistics Office*



mainly the result of a decrease in livestock production that declined by 7.2 per cent, followed by a decline in other animal products and lower crop products that decreased by 7.7 per cent and 2.7 per cent, respectively. Crop products and livestock products had the largest share of total final production at basic prices during 2009, comprising around 39 per cent and 35 per cent respectively, while other animal products had a share of around 20 per cent. Secondary activities also declined by 3.5 per cent in 2009 over the previous year. Nevertheless, due to their low share in total final production at basic prices, they exerted minimal negative contribution.

Table 4.8 presents the annual producer price indices related to agricultural products for the 2007-2009 period. Output price indices reflect developments in the price of fruit, vegetables and animal products, while input price indices follow changes in the purchase prices of raw materials and services derived

### Annual Producer Price Indices for Agricultural Products

(2005 = 100)

Table 4.8

	Weight	2007	2008	2009
<b>Output Index at Producer Prices</b>	<b>100.0</b>	<b>107.6</b>	<b>111.1</b>	<b>116.4</b>
Forage	2.8	134.2	121.4	119.5
Potatoes	6.5	152.9	101.7	125.4
Fresh vegetables	22.0	101.1	110.2	117.8
Fruit	4.8	121.7	119.6	117.1
Animals	42.9	101.7	103.5	109.7
Animal products	21.0	105.6	127.1	125.2
<b>Input Index at Producer Prices</b>	<b>100.0</b>	<b>108.8</b>	<b>128.4</b>	<b>120.2</b>
<b>Goods and Services Currently Consumed in Agriculture</b>	<b>91.7</b>	<b>108.7</b>	<b>130.3</b>	<b>120.9</b>
Seeds and planting stock	4.1	111.4	112.7	120.3
Energy; lubricants	11.1	108.7	129.0	115.9
Fertilisers and soil improvers	1.7	118.0	154.8	160.4
Plant protection products and pesticides	0.9	105.3	106.2	127.1
Veterinary expenses	2.3	108.4	114.6	117.3
Animal feeding stuffs	46.7	109.7	139.6	119.5
Maintenance of materials	9.0	107.2	127.1	127.5
Maintenance of buildings	4.1	102.9	105.7	105.5
Other goods and services	11.9	106.0	113.2	126.3
<b>Goods and Services Contributing to Agricultural Investment</b>	<b>8.3</b>	<b>109.7</b>	<b>107.3</b>	<b>112.2</b>

Source: National Statistics Office

## Box 4.2

### Recent Developments in the Agricultural Sector

During the January-September 2010 period, the Government provided €7.8 million in aid through agricultural support schemes. The financial and incentive schemes provided under the Special Market Programme for Maltese Agriculture are aimed at assisting the local agricultural sector in adapting to the liberalized trade environment which followed the removal of levies on imported agricultural and agro-food products in 2004.

Table 4a displays the main indicators for the agricultural sector. The total volume of beef, pork and broilers slaughtering declined by 310 tonnes in the period January-August of 2010 when compared to the same period in the previous year, thus representing a decline of 3.5 per cent. This decline was mainly brought about by a decline of 8.2 per cent in broiler slaughtering which was also accompanied by a marginal decline in pork slaughtering of 1.5 per cent. Beef slaughtering, on the other hand, increased by 1.7 per cent over the same period.

#### Agricultural Indicators

Table 4a

	2009	2010
	Jan-Aug	Jan-Aug
Slaughtering (tonnes)		
Beef	1,010	1,027
Pork	4,786	4,712
Broilers	3,075	2,822
	(2005 = 100)	
Fresh Fruit		
Price Index	157.9	157.8
Volume Index	122.9	106.5
Fresh Vegetables		
Price Index	133.4	100.5
Volume Index	105.2	111.6

Source: National Statistics Office

The total volume of fresh fruit and vegetables sold through organised markets during the first eight months of 2010 amounted to €32.0 million, representing an increase of 4.6 per cent when compared to the same period in 2009. During this period, the average price of fruit and vegetables declined. In the period January-August 2010, the wholesale value of fruit and vegetables registered a decline of 10.1 per cent when compared to the same period in the previous year, reaching €14.2 million and indicating a price inelastic demand for fresh fruit and vegetables.

The fresh fruit price index for the period January-August 2010 was around 158, thus remaining practically unchanged when compared to the same period in the previous year. At the same time, the volume index for fresh fruit declined by 13.4 per cent. This was mainly the result of a notable decline in peaches, followed by declines in cherry plums,

Box 4.2 cont.

nectarines, grapes, and other fruit. This decline was partly mitigated by the increase in the volume of strawberries, lemons and bambinella.

The vegetables price index declined by 24.6 per cent in the period January-August 2010 when compared to the same period in 2009 while the volume index for vegetables for the same comparative period increased by 6.0 per cent. The increase in the vegetables volume index was relatively broad based with primary positive contributions from increases in tomatoes, cauliflowers, carrots, and other vegetables. At the same time, sugar and water melons contributed negatively.

Data for imports of major agricultural commodities is presented in Table 4b. In the first eight months of 2010, the total value of imports of major agricultural commodities declined by 3.2 per cent when compared to the same period in the previous year, reaching €240.0 million. This decline was mainly the result of a decrease in imports of fish, meat and edible offals and cereals which declined by 27.2 per cent, 11.5 per cent and 20.3 per cent respectively. At the same time, imports of animals, edible fruits and nuts, cereal prep., vegetable and fruit prep., and feeds also declined albeit their negative contribution was lower. On the other hand, the main increases in imports of major agricultural commodities during the period January-August 2010 were registered in imports of sugar and confectionary and preparations of meat and fish which registered increases of 46.7 per cent and 11.9 per cent respectively. Imports of dairy produce, misc. edible prep., and beverages, spirits and vinegar registered marginal increases.

**Imports of Major Agricultural Commodities**

Table 4b	€ million				
	2007	2008	2009	2009 Jan-Aug	2010 Jan-Aug
Live Animals	1.0	0.6	0.9	0.5	0.4
Meat and Edible Offals	42.2	47.9	46.5	31.4	27.8
Fish*	72.1	49.9	21.8	13.6	9.9
Dairy Produce	33.8	39.5	36.0	22.8	23.2
Edible Fruits and Nuts	26.6	28.4	26.6	17.7	17.0
Cereals	40.1	48.7	22.5	14.8	11.8
Preparations of Meat, Fish	26.2	33.1	33.7	21.9	24.5
Sugar & Confectionery	20.1	15.7	14.8	9.0	13.2
Cereal Prep.	43.2	49.9	53.0	33.0	30.9
Veg. and Fruit Prep.	20.2	21.6	22.1	14.7	13.5
Misc. Edible Prep.	28.5	33.1	32.8	21.1	21.5
Beverages, Spirits, Vinegar	33.3	42.4	42.6	28.8	29.9
Feeds	21.6	27.4	27.6	18.7	16.4
<b>Total</b>	<b>408.9</b>	<b>438.1</b>	<b>380.9</b>	<b>248.0</b>	<b>240.0</b>

\*Imports of fish for 2007 have been revised downwards. Imports data for the first half of 2008 have been revised upwards, as a result of information on fish-farming made available from the Aquaculture Census carried out by NSO, for reference year 2008.

Source: National Statistics Office

from other industries. Developments in these two indices have a direct impact on the performance and profitability of the agricultural sector. It is worth noting that the increase in prices of agricultural products in 2009 do not appear to have been the result of higher input costs.

In 2009, the output index registered an increase of 4.8 per cent when compared to the previous year. The main contributor to growth was the animals index, which also has the largest weight in the total output index, followed by increases in the fresh vegetables and potatoes indices. While the animals index grew by 6.0 per cent in 2009 when compared to the previous year, the fresh vegetables and potatoes indices grew by 6.9 per cent and 23.3 per cent respectively. On the other hand, the forage, fruit, and animal products indices registered declines in 2009. Nevertheless, their negative contribution to the output index was small.

The input index declined by 6.4 per cent in 2009, mainly as a result of a decline of 14.4 per cent in the animal feeding stuffs index followed by a decline of 10.2 per cent in the energy and lubricants index. The main positive contributor to the input index was the other goods and services index which increased by 11.6 per cent in 2009 when compared to the previous year. Increases were also registered in the other remaining sub-indices albeit their contribution to the input index was low. The veterinary expenses, maintenance of materials and maintenance of buildings sub-indices had a negligible contribution.

## Fisheries

Notwithstanding its small size, the local fisheries sector maintains an important role within the social, economic, and environmental wellbeing of the Maltese economy. Activities within this sector cover both traditional fishing methods, as well as fish farming aquaculture techniques. On the one hand, traditional fishing methods provide for the local fish markets, supplying primarily dolphin-fish (*lampuki*), blue fin tuna, and swordfish. Aquaculture fish farming techniques serve mainly for the export market.

Price and volume indices for fresh fish for the period January-August 2009 and 2010 are presented in Table 4.9. The fresh fish price index increased by 11.8 per cent in the period January-August 2010 when compared to the same comparative period in the previous year. During the same period, the average volume of fresh fish declined by 7.2 per cent in 2010. The category that contributed most to the decline in total volume of fish landings during the first eight months of 2010 was the other species category, followed by blue fin tuna which both declined by around 30 per cent.

## Fresh Fish Indices

Table 4.9

2005 = 100

	<b>2009</b>	<b>2010</b>
	Jan-Aug	Jan-Aug
Price Index	123.48	138.04
Volume Index	92.60	85.95

*Source: National Statistics Office*

## Indicators of Industrial Activity

(2005=100)

Appendix Table 4.1

% of growth indices

	2007*	2008	2009	Jan-Jun 09	Jan-Jun 10
<b>TOTAL INDUSTRY</b>					
Turnover	-1.2	-0.8	-10.6	-12.6	21.7
Domestic	-4.2	16.1	0.1	6.0	16.4
Exports	5.4	-14.9	-19.2	-26.1	27.0
Employment	-4.5	-6.0	-9.4	-9.2	-4.9
Hours Worked	-1.1	-10.5	-14.1	-16.0	-3.9
Wages and salaries	-11.3	5.6	-11.6	-3.6	-5.5
<b>MINING AND QUARRYING</b>					
Turnover	8.7	-0.6	-8.2	-0.8	-11.9
Domestic	8.7	-0.6	-8.2	-0.8	-11.9
Exports	-	-	-	-	-
Employment	-0.7	-6.8	-14.5	-15.3	-2.1
Hours Worked	-1.6	-8.0	-14.4	-16.4	0.1
Wages and salaries	-1.6	-0.3	-12.9	-14.7	5.6
<b>MANUFACTURING TOTAL</b>					
Turnover	-0.2	-8.4	-16.6	-21.7	17.6
Domestic	-3.2	2.7	-7.7	-8.3	-4.2
Exports	5.4	-14.9	-19.2	-26.1	27.0
Employment	-4.6	-6.2	-10.0	-9.8	-4.9
Hours Worked	-0.6	-11.5	-15.5	-17.7	-2.4
Wages and salaries	-12.5	5.9	-13.1	-2.8	-5.6
<b>ELECTRICITY AND WATER SUPPLY</b>					
Turnover	-5.4	29.6	4.6	17.7	28.9
Domestic	-5.4	29.6	4.6	17.7	28.9
Exports	-	-	-	-	-
Employment	-1.2	-3.6	0.2	-1.1	1.4
Hours Worked	1.3	-2.2	0.9	0.0	-7.5
Wages and salaries	6.9	3.6	0.7	-3.4	0.6

\*Indices for 2007 include the manufacture of tobacco products, which ceased to operate in the manufacturing sector in the years thereafter.

Source: National Statistics Office

## Short-term Activity Indicators for Manufacturing

(2005=100)

Appendix Table 4.2

% of growth indices

<b>SECTORAL MANUFACTURING INDICES</b>	<b>2007*</b>	<b>2008</b>	<b>2009</b>	<b>Jan-Jun 09</b>	<b>Jan-Jun 10</b>
<b>MANUFACTURE OF FOOD PRODUCTS</b>					
Turnover	-0.9	11.6	-5.2	1.2	2.1
Domestic	-1.6	13.8	-3.9	-2.6	-2.4
Exports	3.1	5.7	-8.6	17.4	15.7
Employment	-8.3	-3.2	-3.1	-3.6	-5.9
Hours Worked	-7.8	-4.3	-2.0	-2.5	-5.5
Wages and salaries	2.7	-0.6	6.0	5.7	-1.0
<b>MANUFACTURE OF BEVERAGES</b>					
Turnover	6.6	0.0	-1.9	-7.0	3.6
Domestic	6.4	-0.1	-2.8	-7.7	0.6
Exports	107.3	31.2	149.4	82.8	212.6
Employment	-4.8	3.2	-0.7	0.9	-4.6
Hours Worked	-3.3	3.8	-6.2	-1.8	-6.7
Wages and salaries	-51.4	22.3	2.7	9.4	-2.0
<b>MANUFACTURE OF TEXTILES</b>					
Turnover	5.0	2.1	-5.7	-17.7	16.0
Domestic	-4.6	38.0	-1.6	-2.7	3.1
Exports	5.5	1.9	-5.8	-18.1	16.3
Employment	-6.6	-6.0	-2.1	2.0	-4.2
Hours Worked	-9.3	-6.6	-10.8	-6.3	-2.4
Wages and salaries	-59.1	-4.2	-1.9	-5.0	-11.8
<b>MANUFACTURE OF WEARING APPAREL</b>					
Turnover	-23.1	-32.2	-23.3	-25.1	-32.6
Domestic	-13.0	-15.3	1.5	-18.7	5.4
Exports	-24.7	-35.0	-31.1	-27.7	-46.6
Employment	-37.4	-52.8	-4.7	-8.5	1.6
Hours Worked	-34.5	-55.5	-13.3	-18.1	13.0
Wages and salaries	-37.6	-50.9	-14.6	-16.8	-2.7

## Short-term Activity Indicators for Manufacturing

(2005=100)

Appendix Table 4.2

continued

	2007*	2008	2009	Jan-Jun 09	Jan-Jun 10
<b>MANUFACTURE OF LEATHER AND RELATED PRODUCTS</b>					
Turnover	-26.8	-55.1	-12.3	-24.5	11.4
Domestic	80.6	48.1	26.0	12.4	6.4
Exports	-31.0	-65.9	-27.6	-38.0	14.7
Employment	-10.0	-42.4	-15.3	-13.4	-3.9
Hours Worked	-6.2	-37.7	-12.9	-11.3	-2.5
Wages and salaries	-52.5	-43.9	-7.6	-8.2	-4.4
<b>MANUFACTURE OF WOOD AND WOOD PRODUCTS</b>					
Turnover	-34.0	-9.6	-4.9	-7.0	11.1
Domestic	-34.4	-11.8	-2.2	3.0	-2.5
Exports	546.0	-	-	-	-
Employment	-18.1	-13.3	-8.1	-14.0	-9.3
Hours Worked	-4.1	-22.0	-15.5	-25.8	-2.5
Wages and salaries	-82.2	-6.9	-3.8	-10.5	2.9
<b>MANUFACTURE OF PAPER AND PAPER PRODUCTS</b>					
Turnover	4.8	-6.1	-11.5	-15.0	4.0
Domestic	3.0	-4.2	-11.1	-14.8	4.0
Exports	146.5	-66.6	-34.4	-25.5	9.7
Employment	2.3	-2.6	-1.1	-0.8	-2.4
Hours Worked	-1.1	-1.0	-3.9	-5.4	-1.9
Wages and salaries	361.0	2.5	-7.1	-9.4	6.5
<b>PRINTING AND REPRODUCTION OF RECORDED MEDIA</b>					
Turnover	10.7	9.9	10.6	1.2	-12.7
Domestic	6.2	-1.4	16.8	20.2	-5.1
Exports	11.7	12.1	7.3	-3.9	-13.9
Employment	-0.7	4.7	13.3	13.6	-0.9
Hours Worked	-1.1	4.9	4.9	3.5	-6.2
Wages and salaries	7.8	6.5	15.7	15.2	-1.0



**Short-term Activity Indicators for Manufacturing**  
(2005=100)

Appendix Table 4.2

continued

	2007*	2008	2009	Jan-Jun 09	Jan-Jun 10
<b>MANUFACTURE OF CHEMICALS AND CHEMICAL PRODUCTS</b>					
Turnover	-8.8	0.7	-13.9	-14.6	-7.2
Domestic	-8.4	9.5	0.1	-5.7	-1.2
Exports	-21.2	-30.6	-26.2	-24.3	29.0
Employment	-7.0	-14.5	-6.5	-7.1	-2.3
Hours Worked	-6.2	-13.7	-7.7	-8.7	-0.7
Wages and salaries	26.3	-10.4	-3.7	-3.1	2.3
<b>MANUFACTURE OF BASIC PHARMACEUTICAL PRODUCTS</b>					
Turnover	34.4	2.2	-22.3	-27.9	39.2
Domestic	1915.5	-23.3	-17.3	-44.2	-47.1
Exports	33.2	2.6	-22.3	-27.8	39.7
Employment	9.6	12.6	4.0	5.8	6.0
Hours Worked	7.5	-3.3	7.4	12.3	1.8
Wages and salaries	-12.4	18.5	18.0	10.3	17.7
<b>MANUFACTURE OF RUBBER AND PLASTIC PRODUCTS</b>					
Turnover	8.6	-3.0	-26.2	-38.0	41.9
Domestic	-0.9	15.5	-12.5	-17.8	22.7
Exports	11.5	-9.4	-33.2	-47.1	55.0
Employment	0.1	-5.2	-15.8	-16.8	2.6
Hours Worked	-2.8	-5.3	-15.8	-19.5	11.5
Wages and salaries	-13.3	-4.4	-18.4	-26.2	26.2
<b>MANUFACTURE OF OTHER NON-METALLIC PRODUCTS</b>					
Turnover	9.2	2.3	-11.9	1.3	-1.2
Domestic	9.5	4.3	-12.5	1.0	-5.0
Exports	6.7	-20.6	-3.1	4.9	48.1
Employment	4.0	-2.0	-0.3	0.9	-3.7
Hours Worked	2.9	-0.4	-3.8	-2.7	-2.6
Wages and salaries	53.7	1.2	-0.7	0.8	0.3

**Short-term Activity Indicators for Manufacturing**  
(2005=100)

Appendix Table 4.2

continued

	2007*	2008	2009	Jan-Jun 09	Jan-Jun 10
<b>MANUFACTURE OF FABRICATED METAL PRODUCTS</b>					
Turnover	-12.6	33.4	-23.9	-23.5	-10.7
Domestic	-13.5	53.8	-26.7	-24.3	-14.1
Exports	-10.3	-2.9	-15.2	-20.9	-1.4
Employment	-15.8	1.3	-0.4	-0.9	2.4
Hours Worked	-17.8	4.0	0.4	0.5	1.2
Wages and salaries	54.5	4.4	0.3	-2.6	8.3
<b>MANUFACTURE OF COMPUTER, ELECTRONIC AND OPTICAL PRODUCTS</b>					
Turnover	-2.7	-16.9	-27.3	-31.8	30.6
Domestic	-6.8	103.3	-18.5	-9.6	-21.3
Exports	-2.6	-17.2	-27.3	-31.9	30.8
Employment	-2.1	-8.7	-18.3	-15.6	-15.7
Hours Worked	-1.6	-15.6	-24.8	-28.9	-3.9
Wages and salaries	-0.2	-8.2	-21.1	-26.1	1.4
<b>MANUFACTURE OF ELECTRICAL EQUIPMENT</b>					
Turnover	-2.3	-2.1	120.7	52.0	35.2
Domestic	-30.3	-8.7	24.0	28.5	20.8
Exports	0.1	-1.2	134.8	59.2	36.0
Employment	0.2	4.1	-15.5	-6.7	-20.4
Hours Worked	-3.0	2.4	-15.3	-5.1	-18.4
Wages and salaries	88.7	3.7	-2.6	1.1	-8.4
<b>MANUFACTURE OF MACHINERY AND EQUIPMENT N.E.C.</b>					
Turnover	-22.2	4.6	-35.1	-42.5	22.3
Domestic	10.9	-37.0	19.5	52.0	-7.1
Exports	-24.3	8.2	-43.6	-52.5	31.7
Employment	-5.5	-16.2	-17.2	-16.0	0.4
Hours Worked	-14.0	-16.2	-19.5	-20.3	10.0
Wages and salaries	18.1	-8.5	-12.5	-11.8	6.9

**Short-term Activity Indicators for Manufacturing**  
(2005=100)

Appendix Table 4.2

continued

	2007*	2008	2009	Jan-Jun 09	Jan-Jun 10
<b>MANUFACTURE OF MOTOR VEHICLES, TRAILERS AND SEMI-TRAILERS</b>					
Turnover	72.2	-15.0	-14.0	-34.8	51.5
Domestic	11.2	-31.1	-24.1	-39.0	49.1
Exports	72.5	-14.9	-14.0	-34.8	51.5
Employment	26.0	-3.9	-8.1	-16.2	17.4
Hours Worked	18.8	-10.1	-10.3	-20.0	27.2
Wages and salaries	16.5	-9.0	-13.5	-24.2	37.6
<b>MANUFACTURE OF OTHER TRANSPORT EQUIPMENT</b>					
Turnover	72.2	-15.0	-14.0	79.3	-49.0
Domestic	0.0	71.0	27.0	79.3	-49.0
Exports	-	-	-	-	-
Employment	0.0	0.0	0.0	0.0	20.0
Hours Worked	0.0	29.3	-1.6	-3.2	22.9
Wages and salaries	0.0	83.3	5.5	5.2	21.3
<b>MANUFACTURE OF FURNITURE</b>					
Turnover	-1.3	-21.3	-19.7	-19.9	-2.1
Domestic	-1.9	-19.5	-16.3	-16.6	-1.4
Exports	-17.8	-38.7	-74.2	-71.2	-26.0
Employment	-10.0	-8.4	-15.4	-14.2	-5.2
Hours Worked	-8.6	-10.6	-13.0	-12.3	-1.9
Wages and salaries	-40.5	-8.5	-14.0	-11.7	-3.7
<b>OTHER MANUFACTURING</b>					
Turnover	-0.4	3.4	-12.5	-13.4	13.6
Domestic	-1.1	-10.5	-9.0	-8.9	-3.9
Exports	1.2	4.0	-12.0	-12.6	15.9
Employment	-2.2	-1.9	-3.0	-4.6	3.2
Hours Worked	-0.9	-4.7	-5.1	-6.3	2.6
Wages and salaries	-23.3	-2.2	-2.7	-7.8	13.0

**Short-term Activity Indicators for Manufacturing**  
(2005=100)

Appendix Table 4.2

continued

	2007*	2008	2009	Jan-Jun 09	Jan-Jun 10
<b>REPAIR AND INSTALLATION OF MACHINERY AND EQUIPMENT</b>					
Turnover	0.8	-18.6	-26.6	-29.3	12.5
Domestic	-15.2	-3.0	-12.6	11.8	-22.9
Exports	6.4	-15.9	-28.3	-33.4	17.9
Employment	0.1	-7.8	-38.7	-38.4	-22.4
Hours Worked	23.2	-23.8	-44.8	-48.6	-19.3
Wages and salaries	15.8	69.9	-44.1	47.9	-63.8

\*Indices for 2007 include the manufacture of tobacco products, which ceased to operate in the manufacturing sector in the years thereafter.

Source: National Statistics Office

## **5. Services Activities**

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## 5. Services Activities

Over the years, the structure of the Maltese economy has gradually evolved to become more services oriented. Tourism is the leading services activity for the local economy both in terms of employment and as a key income earner. At the same time, the tourism industry is a dynamic industry which is subject to several external influences. The international economic and financial crisis has impinged negatively on tourism activity worldwide. As a result of the crisis, travellers became more price conscious and as disposable incomes and wealth levels declined, travellers were less willing to go on holiday. These factors had an impact on the domestic tourism industry as well as Malta's main markets experienced depressed demand and declining consumer and business confidence.

As a result of the unfavourable economic conditions, in 2009, tourist departures decreased by 8.4 per cent over the previous comparable period. This performance was similar to that registered by other Mediterranean destinations, such as Cyprus, Spain and Portugal which registered declines in their tourist arrivals of between 8 and 11 per cent. However, following a challenging year, the first eight months of 2010 registered a positive performance in the domestic tourism industry. The reversal of the negative trend was due to both external and internal forces. From the external point of view, the international economy started showing signs of recovery and consumers slowly regained their confidence. From the domestic side, the improved accessibility achieved through an increase in new routes, the increased advertising in the core markets and an improved tourist product have led to an increased number of tourists departures. In fact, to address the challenges presented by the crisis and to sustain the local tourism industry, the Malta Tourism Authority (MTA) adopted a three-pronged strategy, which focused on a continued development of airline accessibility, a sustained promotional campaign and a renewed initiative with tour operators. Furthermore, both the Government and the private sector continued to invest in this sector through initiatives aimed at diversifying and upgrading the domestic tourism market, thus enabling the industry to offer a more price competitive package to the potential tourist.

Against the backdrop of these efforts, during January-August 2010, tourist departures increased by 12.1 per cent over the previous comparable period, to 903,314 visitors. Earnings from tourism registered an increase of 15.6 per cent during the first half of 2010, to €286.3 million. On a per capita basis, during the first six months of 2010, expenditure by tourists increased by 4.4 per cent, to €519.8, while earnings per nights spent increased from €65.5 to €69.6.

During the first nine months of 2010, the cruise liner industry also registered a positive performance, increasing from a level of 294,795 arrivals during January-September 2009 to 344,817 arrivals in the corresponding period of 2010. Full-time employment in hotels and restaurants declined from 9,968 as at the end of June 2009 to 9,677 at the end of June 2010. Table 5.1 presents a selection of tourism indicators. Box 5.1 reviews developments in the services indices for the period January-June 2006 to January-June 2010.

The Malta Financial Services Authority (MFSA) is the single regulator and supervisory authority for the financial services sector in Malta. The MFSA manages the Registry of Companies and has the responsibility of the Listing Authority. Following a significant challenging year, during the first nine months of 2010 the MFSA has continued to influence the developments of the financial services framework both as regards regulation and new licensing activity. During the period under review, the Authority issued new licences in all areas of financial services activity. There was a substantial increase in the number of professional investor funds and fund managers. Credit and financial institutions increased on the banking side, while the number of insurance companies, intermediaries and authorised trustees also continued to increase. The MFSA continued to strengthen its legal and regulatory framework through a number of amendments in the Investment Services Rules for Professional Investor Funds,

**Main Tourism Indicators**

Table 5.1

	2007	2008	2009	2009 Jan-Aug	2010 Jan-Aug
Tourist Departures	1,243,510	1,290,856	1,182,490	805,641	903,314
Nights spent (000's)	11,017	11,262	9,949	6,886	7,662
Cruise Passengers*	477,071	537,707	419,627	294,795 <sup>(1)</sup>	344,817 <sup>(1)</sup>
Total full-time employment in hotels and restaurants**	9,906	9,961	9,315	9,968 <sup>(2)</sup>	9,677 <sup>(2)</sup>

\*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

<sup>(1)</sup>Data for January-September

<sup>(2)</sup>Data as at end of June

Source: National Statistics Office, Employment and Training Corporation



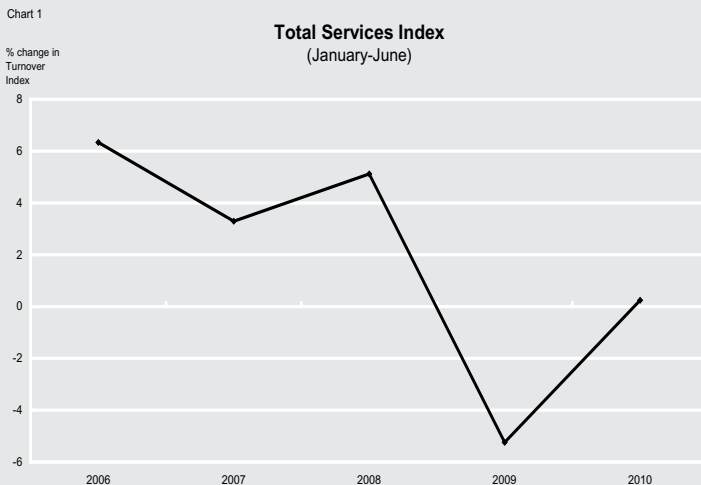
## Box 5.1

### Short-term Services Indicators

The short-term services indicators are compiled through a statistical sample survey according to NACE REV 2. The total services sector includes transport and storage, accommodation and food services activities, information and communication, professional, scientific and technical activities and administrative and support services activities.

The short term indicators for the services sector show that following a period of growth going back to 2001, turnover fell by 4.0 per cent in 2009. Nevertheless, the performance of the services sector somewhat recovered in the first six months of 2010 as turnover grew marginally. This improvement is mainly underpinned by the professional, scientific and technical activities whose turnover rose by 9.7 per cent. Other increases were registered in the turnover of the transport and storage sector and in the accommodation and food services activities. These increases were partly offset by a drop of 5.0 per cent in administrative and support services activities and a drop of 4.6 per cent in the information and communication sector.

In the meantime, despite drops evidenced in employment levels and hours worked in the period under review, wages and salaries in the services sector continued following an upward trend. Indeed, during January-June 2010, wages and salaries increased by 3.7 per cent over the previous period. At a sectoral level, this development was mainly underpinned by considerable rises in the wages and salaries of professional, scientific and technical activities (9.4 per cent) and transport and storage (6.6 per cent). These increases were mainly offset by a decline of 8.2 per cent in the wages and salaries of employees within the information and communication sub-sector.



the Listing Rules and a number of Insurance and Banking Rules. Furthermore, during the first three quarters of 2010, the MFSA concluded and signed bilateral Memoranda of Understanding (MoU) with the China Securities Regulation Commission (Funds business), the China Banking Regulatory Commission (Banking Supervision) and the Australian Prudential Regulation Authority (Banking and Insurance Supervision).

Malta Enterprise (ME) is responsible for attracting inward investment and supporting enterprise in Malta. Its role is to act as a single point of contact for the benefit of all enterprise in Malta. It provides pre-investment advice and support, start-up assistance as well as post investment services and aftercare facilities. During the first three quarters of 2010, ME approved new and expansion projects and approved financial assistance through various incentive schemes. ME also continued with its efforts to attract investment in high value added sectors and to assist local companies to internationalise. ME has also coordinated a number of projects aimed at promoting innovation, technology transfers and providing more technological infrastructural support to businesses.

## **Tourism**

After an exceptionally challenging year for both international and local tourism, the tourism industry has been steadily regaining momentum. Reversal of the declining trend for the local economy started in December 2009 and it is persisting during 2010. In fact, tourist departures between January-August 2010 stood at 903,314, an increase of 12.1 per cent over the corresponding period in 2009. Total nights spent increased by 11.3 per cent during the period under review, while the average length of stay remained stable at 8.5 nights. During the first nine months of 2010, cruise passenger arrivals increased by 17.0 per cent over the corresponding 2009 period to 344,817 arrivals. By contrast, full-time employment in hotels and restaurants declined by 291 jobs to 9,677 as at the end of June 2010.

Besides the international recovery, the positive performance registered by the domestic tourism industry over the first eight months of 2010, reflects also intensified efforts by the MTA and the Government in this industry. The MTA has continued with its active marketing efforts in order to identify trends in consumer needs and develop appropriate strategies. In addition, the MTA also took action to address underserved routes and increase new routes whilst also increasingly focusing on online marketing and advertising.

During the period under review, Government enhanced support to the tourism industry in a bid to help it respond to the crisis. Government also gave priority

to the implementation of projects financed from EU funds under the 2007-2013 Financial Framework. Furthermore, Government has intensified its efforts in promoting the Meetings and Conference (MICE) segment given the sector's potential in helping it diversify into higher value added segments of the industry and in attracting tourist inflows in shoulder months. Government supported the MICE sector through specific marketing and advertising and also through the implementation of a fund whose aim was to assist Government and parastatal entities in attracting international meetings to Malta.

Whilst these developments are noteworthy, it should be noted that the tourist inflows to Malta, although very encouraging especially in comparison with other Mediterranean countries, remain below the overall peak level registered in 2008. As argued by the World Tourism Organisation<sup>1</sup>, the international tourism results for 2010 follow one of the toughest years for the tourism sector with international tourist arrivals declining by 4.2 per cent in 2009 and a decline in real terms of 5.7 per cent in international tourism receipts. Thus, this clear improvement in the local economy in the first eight months of 2010 has to be viewed with caution given that it compares with a very weak period of 2009.

Challenges remain within the international tourism industry, whereby increasing unemployment continues to be a major cause of concern and public deficits represent a significant challenge. In fact, the phasing-out of stimulus measures, combined with austerity measures and the rise in taxation introduced by many governments have become main factors to be taken into consideration. The tourism sector itself may be confronted with increased taxes given the expected rise in the UK departure tax and Germany's intention to introduce a new air tax as part of its budgetary consolidation plans. These factors constitute important downside risks to the recovering tourism industry.

## Monthly Distribution

During the period January-August 2010, tourist departures increased to 903,314, from 805,641 in the corresponding 2009 period. On a monthly basis, when compared to the same months in 2009, higher tourist inflows were evident, except for the month of April. June recorded the highest increase in arrivals, whereby tourist departures increased by 20.0 per cent over the previous comparable period, followed by May and July with increases of 17.6 per cent and 17.5 per cent respectively over the corresponding months in 2009. As shown in Table 5.2, the level of tourist departures recorded in the months of June, July and August is the highest level recorded for the period during 2007-2010. Indeed, the share of these summer months as a percentage of the total volume recorded during January-August increased to around 54 per cent from

### Monthly Tourist Departures

Table 5.2

	2007	2008	2009	2010
January	51,736	63,850	51,450	56,841
February	50,547	57,336	51,199	52,995
March	71,280	90,503	71,129	76,333
April	101,792	104,894	101,557	100,539
May	109,027	131,353	108,165	127,214
June	117,421	129,378	113,930	136,758
July	147,699	149,493	135,773	159,519
August	176,372	178,569	172,438	193,115
January/August	825,874	905,376	805,641	903,314
% change	7.6	9.6	-11.0	12.1
September	143,697	139,793	130,244	
October	139,930	126,941	124,150	
November	82,477	73,606	72,484	
December	51,532	45,140	49,970	
Total	1,243,510	1,290,856	1,182,490	
% change	10.6	3.8	-8.4	

Source: National Statistics Office

around 51 per cent recorded during January-August 2008. The increase in the number of tourist departures in August may to an extent reflect the organisation of a conference held in Malta during that month, which attracted around 5,000 delegates. Consequently, August remained the peak month during the period under review, accounting for 21.4 per cent of the total tourist departures, followed by July with a share of 17.7 per cent. On the other hand, the main decline of 1.0 per cent was registered in arrivals in April as a consequence of the closure of European airspace for a week due to the ash cloud following the eruption of the Icelandic volcano. As a result of this occurrence, the share of tourist departures during the first four months of 2010 declined to around 32 per cent of the total volume recorded during January-August from a share of around 35 per cent in 2008.

Table 5.3 shows the quarterly distribution of tourist departures for the period 2006-2009. A high degree of seasonality in tourist departures persisted during this period. The first two quarters of 2009 recorded a decline over the previous comparable period of 1.7 percentage points and 0.9 percentage points respectively. Meanwhile, the distribution of tourist departures during

### Quarterly Distribution of Tourist Departures

Table 5.3

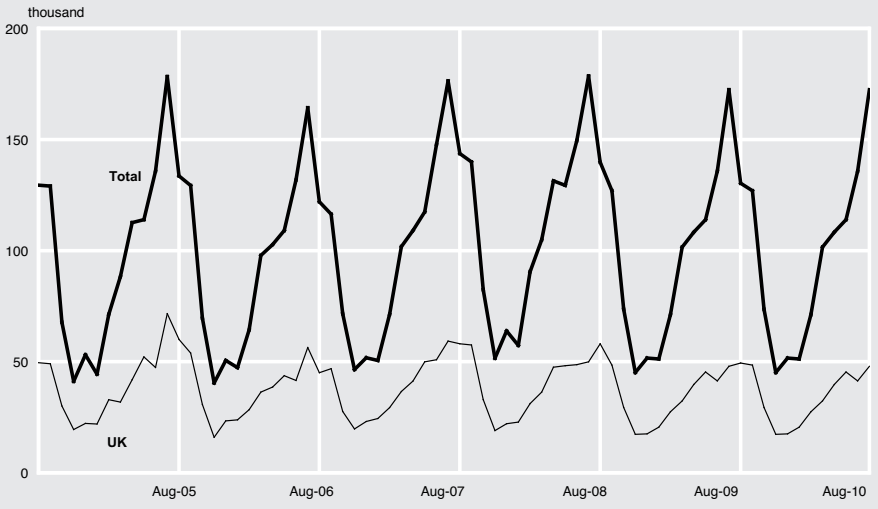
per cent

	2006	2007	2008	2009
Q1	14.4	14.0	16.4	14.7
Q2	27.5	26.4	28.3	27.4
Q3	37.2	37.6	36.2	37.1
Q4	20.9	22.0	19.0	20.9

Source: National Statistics Office

Chart 5.1

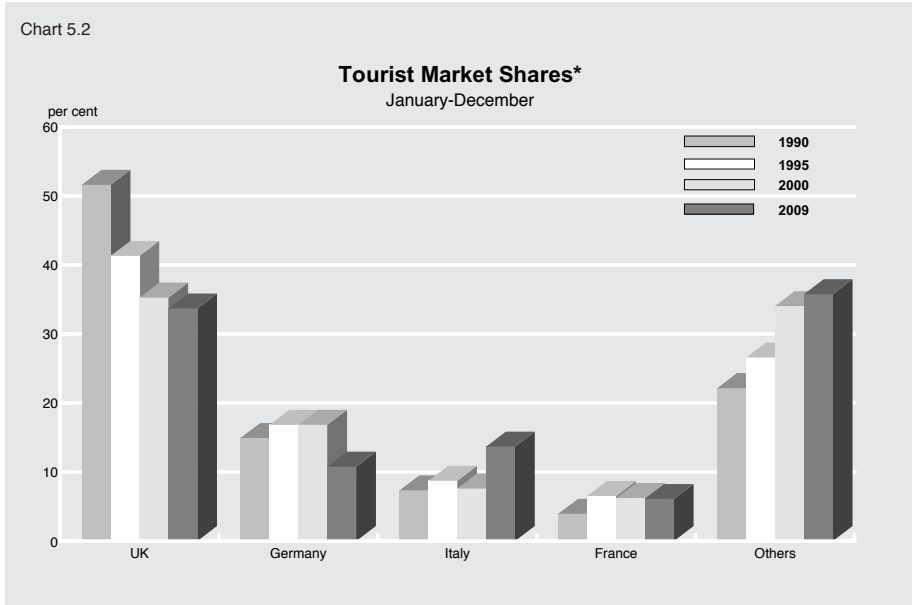
### Tourist Departures



the third and fourth quarter recorded an increase over the corresponding 2008 period of 0.9 percentage points and 1.9 percentage points, respectively. As highlighted in Chart 5.1, Malta’s tourism trends continued to exhibit strong seasonality patterns, with a high concentration of tourists in the spring and summer months and a low concentration in the winter period. This seasonal concentration implies significant challenges for the domestic tourism industry, in particular, on the infrastructure, hotel occupancy, as well as on the labour market, whereby resources are severely constrained during the peak season and relatively underutilised during the winter months. This highlights the importance of continued investment in marketing efforts in order to achieve a better seasonal distribution by possibly penetrating new target market segments.

### Tourist Nationality

Chart 5.2 illustrates the relative market share of Malta’s main source markets over January-December 1990-2009 period. Although the UK remains the major market in the Maltese tourism sector, its share has generally declined over the years, while other markets have gained in importance. The UK market share declined from 51.6 per cent in 1990 to 33.7 per cent in 2009. The German market increased its share between 1990 and 2000 but then registered a drop in its market share. By contrast, the share of the Italian market fluctuated from 7.3 per cent in 1990 to 13.7 per cent in 2009. Meanwhile, the share of the French



\*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 was taken from embarkation cards. Thereafter, data for sea departures was taken from the Inbound Tourism Survey.

market increased to 6.5 per cent in 1995 and subsequently declined to 6.1 per cent in 2009. The share of the ‘other’ markets category increased from 22.2 per cent in 1990 to 35.8 per cent in 2009.

During the period January-August 2010, the UK market share declined from 32.3 per cent to 30.7 per cent while the French market share remained stable when compared to the previous corresponding 2009 period. The German market share decreased from 10.4 per cent to 8.8 per cent during the period under review, whilst the Italian market share increased from 15.1 per cent to 17.4 per cent. This increase reflects an increase in the number of flights by low-cost airlines, which continued to improve Malta’s accessibility. It is interesting to note that during this period Spain’s market share increased from 3.7 per cent in January-August 2007 to 5.4 per cent in the corresponding 2010 period. The emergence of this market reflects the introduction of new flights provided by low-cost airlines, which opened up the possibility of an increased flow of tourists from Spain.

A detailed breakdown of tourist departures by nationality is presented in Table 5.4. During January-August 2010 almost all the source markets reported positive results, a development which may be attributable to the economic recovery

**Tourist Departures by Nationality**

Table 5.4

	2007	2008	2009	2009 Jan-Aug	2010 Jan-Aug
United Kingdom	482,405	454,356	398,472	260,211	277,572
Germany	130,049	150,793	127,373	83,863	79,785
Italy	113,651	144,456	161,737	121,331	156,738
France	75,149	81,152	71,930	53,851	60,685
Spain	37,428	49,497	44,551	29,664	49,017
Netherlands	34,783	36,920	33,419	24,019	21,827
Scandinavia*	87,281	85,514	66,779	44,924	61,043
Libya	9,259	9,403	14,281	9,897	10,868
Belgium	26,456	29,619	23,746	16,776	16,457
Austria	20,384	19,825	21,218	13,114	14,529
Switzerland	22,023	21,994	21,038	13,890	13,527
USA	20,423	18,021	13,943	9,287	10,254
Others	184,219	189,306	184,003	124,814	131,012
<b>TOTAL</b>	<b>1,243,510</b>	<b>1,290,856</b>	<b>1,182,490</b>	<b>805,641</b>	<b>903,314</b>

\*Includes Denmark, Finland, Norway, Sweden

Source: National Statistics Office

underway, the increase in aircraft capacity and also the fact that disruptions to the Greek tourism industry as a result of the difficult industrial relations situation have helped to make other Mediterranean destinations, including Malta, appear more attractive in the eyes of the potential clients. Even arrivals from the UK market recorded a positive performance. Following the significant decline recorded in 2009, arrivals from the UK market in the first eight months of 2010 increased by 17,361 or 6.7 per cent over the previous corresponding period. During the same period significant increases were recorded in the Spanish, Scandinavian and Italian market reflecting the introduction of additional routes by low-cost airlines already operating from Malta. Arrivals from Spain increased by 19,353 or 65.2 per cent, while arrivals from the Scandinavian market increased by 16,119 or 35.9 per cent. On a similar note, tourists from the Italian market increased by 35,407 or 29.2 per cent. Arrivals from the French market increased by 6,834 tourists or 12.7 per cent while tourists from Austria and from the Libyan market increased by 10.8 per cent and 9.8 per cent respectively. On the other hand, arrivals from Netherlands, Germany, Belgium and Switzerland recorded a decrease during the period under review. Arrivals from the Dutch market declined by 2,192 or 9.1 per cent while arrivals from Germany decreased by 4,078 or 4.9 per cent respectively. Such a decline may be attributable to a decline in airline capacity to the German market.

## **Cruise Passengers**

During the first nine months of 2010, cruise passenger arrivals recorded several fluctuations. A decline was recorded in cruise passenger arrivals in the first two months of 2010 as well as in the months of July, August and September. The decrease in passenger arrivals during the first two months of 2010 was the result of cessation of Mediterranean calls by a cruise company and due to the cancellation of a call due to bad weather. On the other hand, the decline in arrivals in the third quarter of 2010 is largely attributable to a change in the itinerary. Nonetheless, despite these occurrences and following the recovery of the global recession, on a general scale the number of cruise passenger arrivals in Malta increased by 17.0 per cent to 344,817, over the previous corresponding 2009 period. Malta's investment in the Valletta cruise terminal coupled with its strategic central Mediterranean location, have proved instrumental in generating the volume increases to make Valletta one of Europe's top cruise harbours. However, it should be noted that the level reached in the first nine months of 2010 is still below the peak level achieved in the comparable 2008 period.



## Accommodation

Table 5.5 provides data concerning Malta's accommodation capacity by category of units and beds for the period ending July 2010. It is pertinent to point out that the changes in accommodation levels in Table 5.5 reflect the opening of new accommodation, closure of existing accommodation, as well as re-classifications.

By the end of July 2010, the number of hotels decreased by 3 units over the December 2009 level. This decrease took place in the 3-Star and the 2-Star hotel categories while the 5-Star and the 4-Star hotel accommodation categories remained unchanged. In terms of hotel bed-stock capacity, in July 2010, there was an increase of 3,295 beds from the December 2009 level. This increase was registered mainly in the 4-Star and the 3-Star hotel categories that recorded an increase in bed-stock capacity of 1,853 beds and 1,475 beds, respectively. Meanwhile, the 5-Star and the 2-Star hotel categories reported no noteworthy changes.

By the end of July 2010, the total number of guesthouses, aparthotels and hostels declined by 2 units, while the number of beds in this category increased by 1,311 beds. The bed-stock level in the guesthouses and aparthotels increased by 137 beds and 1,174 beds respectively, while the bed stock in hostels remained unchanged at the level recorded in December 2009.

	2008 (Dec)		2009 (Dec)		2010 (Jul)	
	Establishments	Bed-Places	Establishments	Bed-Places	Establishments	Bed-Places
<b>Hotels</b>						
Five Star	16	7,469	16	7,428	16	7,423
Four Star	41	15,117	41	12,927	41	14,780
Three Star	39	8,904	40	7,832	38	9,307
Two Star	8	696	8	627	7	599
<b>Total</b>	<b>104</b>	<b>32,186</b>	<b>105</b>	<b>28,814</b>	<b>102</b>	<b>32,109</b>
<b>Other N.E.C.</b>						
Guesthouses	24	681	25	563	24	700
Aparthotels	28	5,037	27	3,506	26	4,680
Hostels	7	1,025	7	1,056	7	1,056
<b>Other N.E.C. Total</b>	<b>59</b>	<b>6,743</b>	<b>59</b>	<b>5,125</b>	<b>57</b>	<b>6,436</b>

Source: National Statistics Office

### Monthly Accommodation Occupancy Rates - 2010\*

Table 5.6

per cent

	Hotels				Tourist Villages & Aparthotels Hostels & Guesthouses
	5 Star	4 Star	3 Star	2 Star	
January	31	42	21	13	25
February	38	53	25	17	30
March	44	55	29	19	31
April	60	60	38	30	35
May	66	80	45	59	46
June	73	81	52	52	50
July	84	93	74	74	68
Average	57	68	42	37	42

\* Net Occupancy levels for Collective Accommodation Establishments based on the ACCOMSTAT Census

Source: National Statistics Office

Another important element of consideration in the analysis of the tourism industry is the occupancy rate for various types of accommodation. As illustrated in Table 5.6, during January-July 2010, all the accommodation categories reached their peak inflow in July. The 4-Star hotel accommodation category recorded the highest occupancy rate of 93 per cent, followed by the occupancy rate of 84 per cent for the 5-Star hotel category. The 3-Star and the 2-Star hotel accommodation categories both recorded a highest occupancy rate of 74 per cent in July.

The average length of stay by tourists is another important indicator of the performance of the tourism industry. During January-August 2010, the average length of nights spent remained stable at 8.5 nights, which is relatively low when compared to the levels recorded in previous years. These results are in line with the declining European average length of outbound trips as tourists are opting for shorter trips.

## Employment

Data for employment in hotels and restaurants is based on the administrative records of the Employment and Training Corporation of the gainfully occupied population according to the standard NACE classification of economic activities.

Full-time employment in hotels and restaurants stood at 9,677 persons in June 2010, a decrease of 291 jobs over the corresponding 2009 period. Employment in this sector corresponded to 6.6 per cent of the gainfully occupied population in June 2010. Private sector employment in hotels and restaurants amounted to 9,602, or 13.1 per cent of the persons employed in private market services.

## Tourism Earnings

Tourism earnings, which are one of the most important forms of income generation in the local economy, are an important indicator of the performance of the domestic tourism industry. Data on earnings from tourism are provided in Table 5.7, while Chart 5.3 depicts tourism earnings per capita.

During January-June 2010, tourism earnings stood at €286.3 million, an increase of 15.6 per cent over the previous comparable period. Similarly, per capita earnings increased by 4.4 per cent to €519.8 and earnings per nights spent increased to €69.6 during the first six months of 2010 from €65.5 in the corresponding 2009 period. The increase in the tourism earnings is the result of an increased number of tourist departures.

During January-June 2010, earnings from tourism accounted for 12.4 per cent of exports of goods and services, a marginal decrease of 0.3 percentage points over the corresponding 2009 period. Similarly, the ratio of earnings from tourism to exports of manufactured goods decreased from 31.6 per cent to 26.5 per cent during the first half of 2010.

### Earnings from Tourism

Table 5.7

	Earnings (€ million)	Per Capita Earnings (€)	Earnings Per Nights Spent (€)	Ratio to exports of goods and services (%)	Ratio to exports of manufactured goods (%)
<b>2007</b>	702.2	564.7	63.7	14.2	32.3
<b>2008</b>	725.7	562.2	64.4	15.1	36.6
<b>2009</b>	638.0	539.5	64.1	15.0	39.1
<b>2009 (Jan-Jun)</b>	247.6	497.8	65.5	12.7	31.6
<b>2010 (Jan-Jun)</b>	286.3	519.8	69.6	12.4	26.5

Source: National Statistics Office

Chart 5.3



## Malta Financial Services Authority

The Malta Financial Services Authority (MFSA), which was established in July 2002, is the single regulator and supervisory Authority for the financial services sector, which incorporates all financial activity including credit and financial institutions, securities and investment services, recognized investment exchanges, insurance, occupational pensions and trustees. The MFSA also manages the Registry of Companies and the Board of Governors also acts as the Listing Authority.

Following a challenging year, the MFSA, during the first nine months of 2010, has continued to influence the development of the financial services framework both with regards to regulation and new licensing activity. During the period under review, the Authority issued new licences in all areas of financial services activity. There was an increase in the number of professional investor funds and fund managers. Credit and financial institutions increased on the banking side, while the number of insurance companies, intermediaries and authorised trustees also continued to increase.

During the period under review, 12 investment services licences were issued, increasing the total number of licences to 93 by the end of September 2010. Meanwhile, the number of recognised fund administrators increased by 3 to 16, while the total number of professional investor funds increased by 69 thus increasing to 322 by the end of September 2010. The MFSA issued 71 new Collective Investment Scheme (CIS) Licences, increasing the total number of

CIS licences as at the end of September 2010 to 431.

During January-September 2010, the number of credit institutions increased by 2 units, increasing the total number of credit institutions to 25. Similarly, the number of financial institutions licensed under the Banking Act (1994) and the Financial Institutions Act (1994) increased by 2 units, increasing the financial institutions to 12.

With regards to the insurance sector, as at the end of September 2010, new licenses issued by the MFSA included 2 insurance companies bringing the total to 47 insurance companies. The MFSA also licensed a new insurance manager bringing the total number of enrolled insurance managers to 13. Registered insurance brokers increased by 3 to 66 brokers during the period under review. Moreover, the MFSA licensed 57 new tied insurance intermediaries bringing the total to 521 intermediaries by the end of September 2010.

During the period under review, trusts and trustees have also expanded, whereby by the end of September 2010, there was an addition of 6 trustees, increasing the total companies authorised as trustees to 109 companies. During January-September 2010, 2,228 companies were registered with the Registry of Companies and 49 companies were registered as partnerships.

During the first nine months of 2010, 4 occupational retirement schemes were authorised. Retirement Scheme certificates of registration were issued whereby all 4 schemes are administered locally following the issue of 4 Scheme Administrator certificates.

The MFSA continued to strengthen its legal and regulatory framework through various legal amendments introduced during the period under review. The Investment Services Rules for Professional Investor Funds, the Listing Rules and a number of Insurance and Banking Rules have all been amended. The Authority has issued the amended Banking Rule BR/03 on Own Funds of Credit Institutions authorised under the Banking Act 1994. Furthermore, in May 2010, the Financial Markets Act (Credit Rating Agencies) Regulations were published. In line with EU requirements, these Regulations provide the first general framework for the regulation of Credit Rating Agencies which may be established in Malta. In addition, in March 2010, the MFSA issued a Guidance Note for Shariah Compliant Funds, which explains how the legal and regulatory framework established under the Investment Services Act would apply to Shariah Compliant Funds established under Maltese law.

Throughout the period under review, the MFSA continued to take an active part in the Committee of European Securities Regulators (CESR), the Committee of European Banking Supervisors (CEBS) and the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS). The MFSA has also signed a number of bilateral Memoranda of Understanding (MoU) with international regulators of financial services and is also a signatory to specialised multilateral MoUs through organisations such as the International Organization of Securities Commissions (IOSCO) and the CESR. The aim of concluding these bilateral and multilateral MoUs is to facilitate the exchange of information and to create a formal framework for regulatory collaboration and co-operation between various regulatory authorities. During the first three quarters of 2010, the MFSA has concluded and signed MoUs with the China Securities Regulation Commission (Funds business), the China Banking Regulatory Commission (Banking Supervision) and the Australian Prudential Regulation Authority (Banking and Insurance Supervision).

Throughout the period under review, the MFSA continued with its responsibilities for consumer education and consumer protection in the financial services sector. Moreover, the Authority strived to encourage fair and open competition in the sector especially through the launching of the new website of the Consumer Affairs Unit.

## **Malta Enterprise Corporation**

Malta Enterprise (ME) is responsible for the promotion of foreign investment and industrial development in Malta. It offers assistance and advice to businesses operating in Malta in order to create the right environment sustaining Malta's overall competitiveness. In addition to its central investment promotion function, ME is also responsible to promote the country's external trade by assisting companies in Malta to venture in new export markets.

During the January-September 2010 period, the Corporation approved 7 new projects, 5 of which were locally-owned, pertaining mainly to the manufacturing sector while the 2 projects originating from abroad concerned the Information Communications Technology (ICT) industry. Meanwhile, ME approved assistance to 11 expansion projects, 9 of which were undertaken by locally-owned concerns with the other 2 expansion projects originated from abroad.

ME approved the allocation of 37,566sqm in industrial space to the approved projects. The pertinent companies were approved a total of €841,294 in access to finance assistance. This amount included interest rate subsidies of €219,064

which were granted in the food sector.

During the period under review, a number of support measures were launched by ME in order to promote the take-up of research and development (R&D) by enterprises. Such support measures, in the form of either tax credits or co-financing grants, aim to address the various stages of R&D process. Support measures launched during the first nine months of 2010 included R&D tax credits for industrial research and experimental development, EUREKA (focusing on R&D projects), technical feasibility studies, loan of highly qualified personnel and support to innovative clusters.

By the end of the third quarter of 2010, there were 4 Maltese owned companies that successfully led an R&D project which attained EUREKA status. These projects have received €0.6 million in Government funds which have served to leverage a further €0.9 million from the private sector.

ME also offers fiscal incentives, such as the ‘Get Qualified Scheme’ and the ‘Investment Aid Schemes’. Moreover, through Legal Notice 243 of 2009 under the Income Tax Act, tax credits are provided to persons that further their studies (obtaining approved certifications, degrees or post-graduate degrees) in areas of specialisation that are required by the local industry. During the nine months to September 2010, ME approved 423 applications under the ‘Get Qualified Scheme’, providing more than €1.5 million in tax credits. Meanwhile, ME also continued to process and approve applications for fiscal aid under the ME Act. Such assistance, in the form of tax foregone, reached around €47 million in 2010.

Another support measure offered by ME is the Business Advisory Service through which ME provides customised mentoring services including innovation management techniques and the optimisation of energy utilisation. In the first nine months of 2010, ME provided 97 advisory services for a value of €53,000, whereby more than half of the advisory services concerned the identification of potential energy saving through Energy Audits.

During the period under review, ME was entrusted with the administration of 7 schemes funded through the European Regional Development Fund (ERDF) with a value of €42 million. These schemes were launched under the ‘20 Million for Industry’ scheme and included schemes focusing on international competitiveness, small start-ups, innovation, environment, e-business, energy and R&D. Up to September 2010, 396 applicants benefited from these schemes with a total allocated grant of €24.9 million.

In 2009, ME launched the Equity Financing programme, with the objective of preparing entrepreneurs with innovative ideas for equity financing, either through national or foreign equity funds. During the first nine months of 2010, the programme was successfully concluded with one company obtaining the necessary equity for its business venture. Subsequently, ME has approved a further run of the programme.

Since April 2008, ME has been participating in the Enterprise Europe Network (EEN), which offers support and advice to businesses across Europe. This Network, which is made up of around 600 partner organisations in more than 40 countries, provided 613 specialised advisory services, 36 partnership proposals and 5 partnership agreements during the first nine months of 2010. The EEN Malta Office participates actively in the ICT and environmental sectoral group. Moreover, various workshops and seminars have been organised during the first nine months of 2010.

During the period under review, the Kordin Business Incubation Centre (KBIC) promoted both its in-house services and its outreach program. During the first three quarters of 2010, a new start-up company started its pre-incubation program at KBIC. Meanwhile, 4 start-up companies engaged in electronics, micro-biology, recycling and ICT, started the incubation period through the outreach programme. Two companies successfully finished their incubation period at KBIC and by the end of September 2010 the percentage occupancy at KBIC amounted to 75 per cent.

In addition, during the period under review, the operations of Malta Industrial Parks Limited (MIPL) started being transferred to ME. In this case, an important function is that related to Property Management through which clients were allocated land, leased property, signed development agreements as well as encroachment agreements. During this period, 16 letters of allocation were processed and 44,468sqm of land and 13,387sqm of built up property were allocated. During the same period, 10 lease agreements were finalised, distributing 11,266sqm and 7,920sqm of built up property. Furthermore, 6 development agreements were concluded and allocated a total of €2.9 million. Besides, a total of 3,559sqm of built up areas were allocated under the Encroachment Agreements.

*Footnote:*

<sup>1</sup> Published by United Nations World Tourism Organisation, September 2010



## **6. Prices and Incomes**

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## 6. Prices and Incomes

This Chapter reviews domestic price movements during the last twelve months together with a comparison of inflation rates in the EU Member States. Furthermore, changes in domestic sectoral wages occurring between September 2009 and September 2010 are also analysed.

During the twelve months to September 2010, the overall 12-month moving average inflation rate, as measured by the Retail Price Index (RPI) followed a generally downward trend, decreasing from 2.99 per cent in October 2009 to 0.80 per cent in September 2010. The largest contributor to this rate of inflation was the Water, Electricity, Gas and Fuels while there were negative contributions from the Transport and Communications sub-index.

The second part of this Chapter analyses average weekly wages in both direct production and market services sectors making use of a representative sample of companies which deposited collective agreements with the Department of Industrial and Employment Relations. The overall weekly wage increased by €6.75 or 2.5 per cent. The highest percentage weekly wage rise was registered in the Hotel and Catering Establishments sub-sector at 3.0 per cent while it is of interest to note that the highest percentage of employees earned a weekly wage between €220 and €270 during the period under observation, while around 22 per cent of all employees in the sample earned an average weekly wage of more than €320.01.

### Inflation

The 12-month moving average for the Retail Price Index (RPI) provides the official measure of inflation in Malta. This measure is calculated by comparing the average RPI in the twelve months leading to the month under consideration with the corresponding average in the previous 12-month period. Table 6.1 shows the 12-month moving average between January 2007 and September 2010 whilst Chart 6.1 provides a graphical representation. Table 6.2 illustrates the monthly RPI for the period January 2007 and September 2010.

In September 2010, the 12-month inflation rate stood at 0.80 per cent. During the period under review, the inflation rate fluctuated from a high of 2.99 per cent recorded in October 2009 to a low of 0.74 per cent in June 2010. It is noteworthy, that throughout the period under review, the inflation rate was significantly lower than that registered during the corresponding period of 2009

## Box 6.1

### Harmonised Index of Consumer Prices (HICP)

The HICP is compiled by Eurostat and the national statistical institutes in accordance with harmonised statistical methods. Given that this index is compiled according to a harmonised approach, it enables direct comparability with other EU Member States.

The Table below presents inflation rates as measured by the 12-month moving average HICP for the period January 2007 to September 2010. The HICP inflation rate declined during most of 2009 and the first two quarters in 2010, reaching a low of 0.7 per cent in June 2010. Nevertheless, since July the inflation rate started to increase again reaching 1.2 per cent in September 2010.

#### Harmonised Index of Consumer Prices 12-Month Moving Average Inflation Rate

	per cent			
	2007	2008	2009	2010
January	2.5	0.9	4.6	1.7
February	2.4	1.2	4.6	1.5
March	2.2	1.5	4.6	1.2
April	1.8	1.9	4.5	0.9
May	1.4	2.3	4.5	0.8
June	1.1	2.8	4.3	0.7
July	0.7	3.3	3.9	0.9
August	0.5	3.7	3.6	1.0
September	0.4	4.0	3.2	1.2
October	0.3	4.4	2.7	
November	0.5	4.5	2.3	
December	0.7	4.7	1.8	

Source: National Statistics Office

The decrease in the 12-month moving average inflation during the past twelve months mainly reflects downward price movements in the motor cars, telephone and telefax equipment and services, vegetables, garments and passenger transport by air sub-indices. On the other hand, higher prices were recorded for accommodation services, electricity, fuels, restaurants, cafes and the like, services for the maintenance and repair of the dwelling and meat sub-indices.

and to a certain extent lower than that of 2008.

Further analysis at a sub-index level provides more insight of the underlying inflationary pressures. Indeed, the highest change at a sub-index level was noted in the Water, Electricity, Gas and Other fuels sub-index, showing an increase of almost 16 per cent. This was followed by smaller increases in Personal Care and Health, Housing and Beverages and Tobacco. The average for the twelve

### 12-Month Moving Average Inflation Rate

Table 6.1

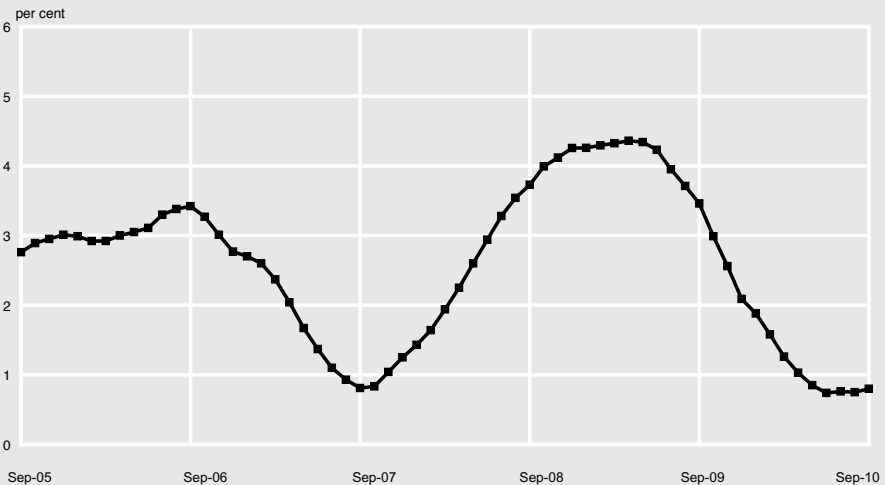
per cent

	2007	2008	2009	2010
January	2.70	1.43	4.26	1.88
February	2.60	1.64	4.30	1.58
March	2.37	1.94	4.32	1.26
April	2.04	2.25	4.36	1.03
May	1.67	2.60	4.34	0.85
June	1.37	2.94	4.23	0.74
July	1.10	3.28	3.95	0.76
August	0.93	3.54	3.71	0.75
September	0.81	3.73	3.46	0.80
October	0.83	3.99	2.99	
November	1.04	4.12	2.56	
December	1.25	4.26	2.09	

Source: National Statistics Office

Chart 6.1

### 12-Month Moving Average Inflation Rate



<b>Retail Price Index</b>				
Table 6.2	December 2009=100			
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
January	91.74	94.99	98.39	99.49
February	91.98	95.39	99.36	99.86
March	92.44	96.04	100.13	100.43
April	93.08	96.39	100.25	101.44
May	93.32	96.81	100.25	101.61
June	93.39	97.16	99.82	101.21
July	93.51	98.00	99.45	101.07
August	93.77	97.91	99.44	100.96
September	94.81	98.72	99.89	101.65
October	95.65	100.84	100.65	
November	95.90	100.52	100.26	
December	95.92	100.65	100.00	
Average Jan-Dec	93.79	97.79	99.82	

*Source: National Statistics Office*

months to September for the 2008-2010 period for the sub-indices composing the RPI are presented in Table 6.3.

During the twelve months to September 2010, the Food sub-index, which carries the largest weighting within the RPI, rose by 0.31 per cent over the comparable level for 2009. This increase was significantly lower than the 8.22 per cent rise recorded during the corresponding 2008 period. In line with these developments, the contribution fell from 1.61 percentage points in October 2009 to 0.06 percentage points in September 2010. This decline in inflationary pressure can be mainly attributed to a decline in the price of vegetables, fruits, pasta, poultry, processed meat and chocolate over the relevant period. On the other hand, significant annual increases were registered in highly seasonal items, with fresh and chilled fish registering rates as high as 45 per cent in August 2010.

The 12-month moving average rate for the Beverages and Tobacco sub-index, decreased from 4.48 per cent in September 2009 to 2.29 per cent in the same month of 2010, with a resulting contribution of 0.14 percentage points. The sub-items which recorded persistent increases were served beverages and cigarettes while off sales alcoholic beverages recorded annual drops throughout the period.

The 12-month moving average of the Clothing and Footwear sub-index in

**Index by Commodity Group**  
(Average for 12 months to September)

Table 6.3

December 2009=100

Commodity Group	Weight	2008	2009	2010
Food	21.23	93.40	101.08	101.39
Beverages and Tobacco	6.09	93.58	97.77	100.01
Clothing and Footwear	7.41	90.59	91.00	87.63
Housing	7.61	95.40	98.66	101.04
Water, Electricity, Gas and Fuels	3.36	78.44	102.37	118.53
Transport and Communications	22.76	106.19	103.81	102.30
Recreation and Culture	9.28	97.65	98.87	100.37
Household Equipment & House Maintenance Costs	6.59	99.09	98.98	99.90
Personal Care and Health	8.57	95.60	98.21	100.62
Other Goods and Services	7.10	96.76	98.79	100.47

*Source: National Statistics Office*

September 2010 decreased by 3.70 per cent, in contrast to a rise of 0.45 per cent recorded in September 2009. Consequently, the Clothing and Footwear sub-index contributed -0.28 percentage points to the overall inflation rate. Increases were recorded in men's and women's outwear, while declines in the 12-month average were observed in items like babies garments, girls' underwear/swimwear and boys' underwear.

The Housing sub-index registered an increase of 2.41 per cent, thus contributing 0.18 percentage points to the overall 12-month moving inflation rate. Although all items under this category registered annual increases, parts of household appliances and materials for painting recorded the highest annual increases at 3.6 per cent and 4.5 per cent, respectively.

The Water, Electricity, Gas and Fuels sub-index recorded the highest increase over September 2009, rising by 15.79 per cent as measured by the 12-month moving average and contributing 0.53 percentage points to the overall inflation rate. Electricity charges and Gas showed the largest annual increases at 32 per cent and 28 per cent respectively. Under the same category, liquid fuels registered an annual increase of 9 per cent while water charges increased by 4 per cent.

The Household Equipment and House Maintenance Cost sub-index increased

by 0.93 per cent in September 2010, contributing to 0.06 percentage points of the inflation rate. Slight increases were noted in the average price of furniture and household appliances, while declines were mainly recorded in the average prices of carpets and household textiles.

In September 2010, the 12-month moving average rate for the Transport and Communications sub-index decreased by 1.45 per cent with a negative contribution of 0.33 percentage points. Downward movements were registered in the prices of motor cars, air transport services and telephone and telephone services. On the other hand, increases were recorded in the average prices of tests and licenses, fuels and maintenance and repair services for cars.

In September 2010, the 12-month moving average rate for the Personal Care and Health sub-index increased by 2.45 per cent with a contribution of 0.21 percentage points to the inflation rate. Increases were recorded in all items under this sub-index with medical and dental services showing the highest rates of increase at 3.22 per cent and 3.01 per cent respectively in September 2010.

The Recreation and Culture sub-index recorded an increase of 1.52 per cent in its 12-month average in September 2010, compared to 1.25 per cent during the same period last year. In addition, the total contribution has increased from 0.12 to 0.14 percentage points over last year. Annual price increases were mainly recorded in parts and accessories and education expenses while licenses and administrative fees and books and newspapers were the main items that registered annual price drops.

An increase of 1.70 per cent was registered in the 12-month moving average for the Other Goods and Services sub-index compared with an increase of 2.10 per cent registered over the previous twelve months. The increase of 1.70 per cent is mainly attributable to increases in the price of jewellery, watches and clocks, domestic help and employed persons and other services. On the other hand, annual declines were noted in travel articles and services for pets. In September 2010, the contribution to the overall inflation rate of this sub-index was 0.12 percentage points.

## **International Comparison**

Table 6.4 presents data on the inflation rates for EU Members States as at September 2010. The inflation rate is based on an estimation of the 12-month moving average of the Harmonised Index for Consumer Prices (HICP). This



**European Union Inflation Rates**  
(Harmonised Index of Consumer Prices)

Table 6.4

per cent

	2007	2008	2009	2010(1)
Austria*	2.2	3.5	0.4	1.3
Belgium	1.8	4.3	0.0	1.5
Bulgaria	7.6	12.6	2.5	2.3
Cyprus	2.2	4.4	0.2	2.1
Czech Republic	3.0	6.4	0.6	0.7
Denmark	1.7	3.4	1.1	1.8
Estonia	6.7	10.8	0.2	1.0
Finland	1.6	3.5	1.6	1.4
France	1.6	3.3	0.1	1.4
Germany	2.3	3.1	0.2	0.8
Greece	3.0	4.4	1.3	3.9
Hungary	7.9	6.8	4.0	4.9
Ireland	2.9	3.4	-1.7	-2.1
Italy	2.0	3.4	0.8	1.3
Latvia	10.1	15.8	3.3	-1.9
Lithuania	5.8	10.8	4.2	0.8
Luxembourg	2.7	4.6	0.0	2.4
Netherlands*	1.6	2.1	1.0	0.7
Poland	2.6	4.2	4.0	2.9
Portugal	2.4	2.9	-0.9	0.6
Romania	4.9	7.9	5.6	5.2
Slovakia	1.9	3.6	0.9	0.4
Slovenia	3.8	6.1	0.9	1.9
Spain	2.8	4.5	-0.2	1.2
Sweden	1.7	3.3	1.9	2.0
United Kingdom	2.3	3.2	2.2	3.0
EU 27*	2.4	3.7	1.0	1.7
Euro Area*	2.1	3.3	0.3	1.2
Malta	0.7	4.0	1.8	1.2

\* Provisional for September 2010

(1) For 2010, figures relate to September

Source: Eurostat, National Statistics Office

harmonised approach enables direct comparability among Member States.

Inflationary developments in the European Union in September 2010 show that Romania registered the highest inflation, with a rate of 5.2 per cent, followed by Hungary at 4.9 per cent, Greece at 3.9 per cent, United Kingdom at 3.0 per cent and Poland at 2.9 per cent. On the other hand, Latvia and Ireland experienced

negative inflation with rates of -1.9 per cent and -2.1 per cent, respectively. The lowest positive inflation rate was recorded in Slovakia at 0.4 per cent followed by Portugal at 0.6 per cent and Netherlands and Czech Republic both at 0.7 per cent. The average inflation rate in the EU 27 Member states increased slightly to 1.7 per cent from 1.4 per cent recorded in December 2009. This was mainly driven by increases in the 12-month moving average inflation rate in Alcoholic beverages, tobacco and narcotics (5.9 per cent), Transport (4.7 per cent), Education (3.0 per cent) and Miscellaneous goods and services (2.2 per cent). On the other hand, a slight drop was only recorded in the Clothing and Footwear sub-index (-0.3 per cent).

The inflation rate in Malta declined from 3.2 per cent in September 2009 to 1.2 per cent in September 2010. The main sources of upward price movements can be attributed mainly to higher prices in items related to housing and to restaurants and hotels. Declines were registered in communications-related items.

## **Sectoral Wages**

This Section analyses developments in average weekly wage rates based on collective agreements as deposited with the Department of Industrial and Employment Relations, covering the period between September 2009 and September 2010. The sample under review is made up of 204 firms employing 25,586 employees, where 85 firms are engaged in direct production and employ 9,552 persons while the remaining 119 firms operate in the market services and employ 16,034 persons. The data for weekly wages is divided into four major employment categories namely labourers, skilled tradesmen, clerical and managerial grades. Definite contracts of employment are not considered in this analysis. The data also excludes employment benefits over and above the basic wage, such as production bonuses, overtime payments, social security and allowances, and other non-wage income. Non-wage income can be quite significant for some categories of employment. Hence the employees' actual average weekly remuneration might be higher than that reported in this study. Moreover, since the information in this Chapter is based on a sample of collective agreements and includes only the basic weekly wage, the results shown in the following tables cannot be directly compared to data based on the gainfully occupied population included in other Chapters of this Economic Survey.

It is also to be noted that the tables and data presented in this Chapter are not directly comparable to those published in previous Economic Surveys, due to the methodology applied and the sampling procedure adopted, mainly in the

form of inclusion of additional firms and exclusion of others. This results in changing weights for the individual firms as employment levels change. The reported average wage rates may also change either when a new collective agreement results in a reclassification of grades or when new trainees are paid the entry level wage.

The methodology also groups collective agreements on the basis of their respective sub-sector of economic activity. The average of the minimum and maximum wage scales for each individual collective agreement is then calculated. This gives the sub-sectoral mean wage. In cases where the collective agreement is exclusive of the cost of living increases, the figures are then adjusted by the statutory cost of living adjustments that stood at €4.08 and €5.82 for 2009 and 2010, respectively.

Sectoral average weekly wages as at September 2009 are shown in Table 6.5. The overall weighted average wage of all firms stood at €269.57. The weighted average wage for those employed in direct production stood at €240.76 while the average wage for those employed in services stood at €286.71. This implies a wage gap of €45.95. It is to be noted that the highest average weekly wage rates were recorded in the Banking and Other Financial Institutions sub-sector (€348.42) and the Paper and Printing sub-sector (€310.14). These were followed by Transport (€296.78), Transport equipment (€272.77), Community and Business (€268.34) and Communications (€267.62) sub-sectors. On the other hand the lowest average wages were recorded in the Leather & Leather Goods sub-sector (€187.87), the Machinery sub-sector (€203.09) and the Textiles, Footwear and Clothing sub-sector (€206.89). The lowest weekly average wage rate among the four employment categories in September 2009 amounted to €162.12 and was earned by the Labourer grade in the Leather and Leather Goods sub-sector. On the other hand the highest weekly average wage rate was earned by the Banking and OFI managerial grade (€494.46).

Table 6.6 shows the average weekly wage rates for the various employment categories in the sampled firms as per September 2010. The weighted average weekly wage for all firms as at September 2010 stood at €276.32. The best performing sub-sectors as at September 2010 remained unchanged from those in September 2009, namely Banking and Other Financial Institutions sub-sector with a weekly average weighted remuneration of €355.60, and the Paper and Printing sub-sector with a weekly wage of €315.96. Similarly, the least remunerated sub-sectors in the sample were the Leather and Leather Goods sub-sector (€193.20), the Machinery sub-sector (€208.91) and the Textile, Footwear and Clothing sub-sector (€212.71). The lowest reported wage, that is the labourer

### Average Weekly Wages - September 2009

Table 6.5

€

	Labourer	Skilled Tradesman	Clerical/ Executive	Managerial	Weighted Average
Oil Drilling	224.79	225.96	217.80	238.77	224.88
Food	224.95	220.72	240.09	251.23	232.14
Beverages	239.12	309.08	263.77	298.02	263.29
Textiles, Footwear and Clothing	199.09	230.17	221.53	226.13	206.89
Furniture & Fixtures	215.50	261.33	253.91	269.87	247.56
Paper & Printing	290.64	336.18	283.85	330.39	310.14
Leather & Leather Goods	162.12	178.44	-	218.97	187.87
Chemicals	229.99	280.92	283.84	323.43	252.85
Non-Metallic Products	189.27	234.69	-	243.42	214.63
Metal Products	237.28	225.98	229.60	269.90	236.31
Machinery	195.76	211.18	190.51	233.20	203.09
Electrical Machinery	193.86	252.43	217.70	287.66	218.88
Transport Equipment	225.45	250.89	249.31	323.35	272.77
Miscellaneous	232.58	264.84	259.85	279.89	246.16
Electricity & Gas Services	225.17	257.63	253.60	405.01	249.54
Construction	200.61	251.03	256.94	-	214.30
Wholesale & Retail Trade	210.08	230.63	222.55	284.35	231.48
Banking & OFI	262.09	299.39	328.11	494.46	348.42
Insurance & Real Estate	224.04	233.24	238.71	259.85	239.95
Transport	233.99	269.14	258.82	448.17	296.78
Storage and Warehousing	224.42	258.91	240.58	288.53	238.57
Communications	252.29	279.01	233.77	331.27	267.62
Community & Business	229.07	291.12	242.14	297.17	268.34
Recreation Services	225.03	232.32	242.99	278.71	233.21
Hotels & Catering Ests	228.30	250.32	209.02	224.89	227.69
All Firms	221.90	269.92	278.07	327.22	269.57
Direct Production	217.53	269.11	248.19	294.57	240.76
Market Services	230.45	270.75	280.70	338.02	286.71

*Compiled from data provided by the Department of Industrial and Employment Relations and Employment and Training Corporation*

grade under the Leather and Leather Goods sub-sector (€167.94), was still €15.65 or 10.3 per cent over the National Minimum Wage for 2010 which stood at €152.29. The highest average wage remained that of the managerial grade in the Banking and other Financial Institutions sub-sector at €502.01, while other relatively high wages were those for the managerial grade in the Transport sub-sector (€456.17) and the Electricity and Gas Services sub-sector (€410.83).

Since both Table 6.5 and Table 6.6 use the same employment weighting structure and the same sample of firms, they are directly comparable. Therefore, the differences in the corresponding wage rates represent the actual change in wages occurring during the period under observation. The percentage changes

### Average Weekly Wages - September 2010

Table 6.6

€

	Labourer	Skilled Tradesman	Clerical/ Executive	Managerial	Weighted Average
Oil Drilling	230.61	231.78	223.62	244.59	230.70
Food	231.17	226.54	246.27	256.99	238.25
Beverages	245.95	315.53	270.46	305.88	270.22
Textiles, Footwear and Clothing	204.91	235.99	227.35	231.95	212.71
Furniture & Fixtures	221.32	267.15	259.73	275.69	253.38
Paper & Printing	296.46	342.00	289.67	336.21	315.96
Leather & Leather Goods	167.94	184.26	-	224.79	193.20
Chemicals	236.40	286.74	289.66	329.25	259.08
Non-Metallic Products	195.09	240.51	-	249.24	220.45
Metal Products	243.10	231.80	235.42	275.72	242.13
Machinery	201.58	217.00	196.33	239.02	208.91
Electrical Machinery	199.72	258.42	224.05	293.68	224.81
Transport Equipment	231.27	256.71	255.13	329.17	278.59
Miscellaneous	239.80	270.97	265.67	284.93	253.01
Electricity & Gas Services	230.99	263.45	259.42	410.83	255.36
Construction	206.43	256.85	262.76	-	220.06
Wholesale & Retail Trade	215.90	236.45	228.26	290.17	237.28
Banking & OFI	269.71	308.55	334.23	502.01	355.60
Insurance & Real Estate	229.86	239.06	244.53	265.67	245.77
Transport	239.87	275.02	266.33	456.17	303.29
Storage and Warehousing	230.24	264.73	246.40	294.35	244.39
Communications	258.11	284.83	240.65	340.30	274.65
Community & Business	236.25	300.26	249.97	304.55	275.93
Recreation Services	230.85	238.14	248.81	284.53	239.03
Hotels & Catering Ests	234.12	256.14	215.21	231.65	234.46
All Firms	227.98	276.23	285.14	334.63	276.32
Direct Production	223.59	275.07	254.30	300.48	246.83
Market Services	236.57	277.39	287.87	345.96	293.89

*Compiled from data provided by the Department of Industrial and Employment Relations and Employment and Training Corporation*

in average weekly wage occurring between September 2009 and September 2010 are shown in Table 6.7. The weighted average increase for all firms stood at 2.5 per cent. During this period, the average wage in the direct production category increased by €6.07 to reach €246.83 in September 2010 while the average weekly wage rate in the market services sector increased by €7.18, thus reaching €293.89 in September 2010. Consequently, a wage increase of 2.5 per cent was registered in both the direct production and the market services sector. The sub-sectors which recorded the highest percentage increases were the Hotel and Catering establishments sub-sector which registered an increase of 3.0 per cent and the Machinery sub-sector with an increase of 2.9 per cent. Among the employment categories, the labourer grade under the Leather and

**Changes in Average Weekly Wages**  
September 2010 - September 2009

Table 6.7

per cent

	Labourer	Skilled Tradesman	Clerical/ Executive	Managerial	Weighted Average
Oil Drilling	2.6	2.6	2.7	2.4	2.6
Food	2.8	2.6	2.6	2.3	2.6
Beverages	2.9	2.1	2.5	2.6	2.6
Textiles, Footwear and Clothing	2.9	2.5	2.6	2.6	2.8
Furniture & Fixtures	2.7	2.2	2.3	2.2	2.4
Paper & Printing	2.0	1.7	2.1	1.8	1.9
Leather & Leather Goods	3.6	3.3	-	2.7	2.8
Chemicals	2.8	2.1	2.1	1.8	2.5
Non-Metallic Products	3.1	2.5	-	2.4	2.7
Metal Products	2.5	2.6	2.5	2.2	2.5
Machinery	3.0	2.8	3.1	2.5	2.9
Electrical Machinery	3.0	2.4	2.9	2.1	2.7
Transport Equipment	2.6	2.3	2.3	1.8	2.1
Miscellaneous	3.1	2.3	2.2	1.8	2.8
Electricity & Gas Services	2.6	2.3	2.3	1.4	2.3
Construction	2.9	2.3	2.3	-	2.7
Wholesale & Retail Trade	2.8	2.5	2.6	2.0	2.5
Banking & OFI	2.9	3.1	1.9	1.5	2.1
Insurance & Real Estate	2.6	2.5	2.4	2.2	2.4
Transport	2.5	2.2	2.9	1.8	2.2
Storage and Warehousing	2.6	2.2	2.4	2.0	2.4
Communications	2.3	2.1	2.9	2.7	2.6
Community & Business	3.1	3.1	3.2	2.5	2.8
Recreation Services	2.6	2.5	2.4	2.1	2.5
Hotels & Catering Ests	2.5	2.3	3.0	3.0	3.0
<b>All Firms</b>	<b>2.7</b>	<b>2.3</b>	<b>2.5</b>	<b>2.3</b>	<b>2.5</b>
Direct Production	2.8	2.2	2.5	2.0	2.5
Market Services	2.7	2.5	2.6	2.3	2.5

*Compiled from data provided by the Department of Industrial and Employment Relations and Employment and Training Corporation*

Leather Goods sub-sector registered the highest percentage increase (3.6 per cent) followed by the tradesman grade (3.3 per cent) under the same sub-sector.

Table 6.8 provides information about the distribution of average weekly wages along different wage brackets as at September 2010. It should be noted that for this year's Survey, the brackets have been changed in order to reflect developments in wage dispersion and to better capture the distribution of wages.

### Proportion of Sampled Employees in Wage Ranges

Table 6.8 per cent

Sector \ Wage Range	Up to €170.00	€170.01 -€220.00	€220.01 - €270.00	€270.01 -€320.00	Over €320.01
Oil Drilling	0.0	0.0	100.0	0.0	0.0
Food	0.0	16.4	77.7	5.9	0.0
Beverages	0.0	3.8	43.0	42.7	10.5
Textiles, Footwear & Clothing	10.3	70.4	19.3	0.0	0.0
Furniture & Fixtures	0.0	0.0	84.6	15.4	0.0
Paper & Printing	0.0	3.2	24.5	15.0	57.3
Leather & Leather Goods	9.1	18.2	72.7	0.0	0.0
Chemicals	0.0	4.3	60.0	20.0	15.7
Non-Metallic Products	0.0	48.0	52.0	0.0	0.0
Metal Products	0.0	19.1	76.4	4.5	0.0
Machinery	7.7	59.6	31.3	1.4	0.0
Electrical Machinery	3.3	64.0	18.7	13.5	0.5
Transport Equipment	0.0	0.0	68.6	8.0	23.4
Miscellaneous	0.5	9.9	60.0	29.6	0.0
Electricity & Gas	0.0	0.0	91.3	0.0	8.7
Construction	0.0	68.5	31.5	0.0	0.0
Wholesale & Retail Trade	0.0	32.1	49.7	18.2	0.0
Banking & OFI	0.0	0.0	3.1	41.5	55.5
Insurance & Real Estate	0.0	0.0	100.0	0.0	0.0
Transport	1.8	3.8	66.1	6.6	21.7
Storage and Warehousing	0.0	0.0	80.6	19.4	0.0
Communications	0.0	6.7	43.0	34.5	15.8
Community & Business	0.3	21.6	15.2	37.1	25.7
Recreation Services	0.0	19.8	69.8	10.5	0.0
Hotels & Catering Ests	0.1	8.0	77.5	9.5	4.9
All Firms	1.0	20.4	32.4	24.7	21.5
Direct Production	2.1	35.2	36.8	15.7	10.1
Market Services	0.4	11.5	29.7	30.1	28.3

*Compiled from data provided by the Department of Industrial and Employment Relations and Employment and Training Corporation*

The largest share of employees (32.4 per cent) earned on average a weekly wage between €220.01 - €270.00. Moreover, the majority of those employed in the services sector fell in the range of €270.01 - €320.00, while in the case of direct production the majority of employees earned an average weekly wage in the range of €220.01 - €270.00. The percentage of employees earning up to €170.00 per week stood at 1.0 per cent with Textiles, Footwear and Clothing being the sub-sector with highest relative share of employees earning a wage

up to €170.00 per week. On the other hand, the majority of employees in the Paper and Printing sub-sector earned more than €320.01 per week.



## **7. Foreign Trade and Payments**

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## 7. Foreign Trade and Payments

During the first six months of 2010, the current account deficit decreased by €23.8 million to register a deficit of €51.4 million or 1.7 per cent of GDP. The improvement in the current account balance was primarily linked to a decline in the goods account deficit of €131.9, equivalent to 5.6 percentage points of GDP.

In the first eight months of 2010, a recovery in total exports was registered following a significant increase in machinery and transport equipment exports and exports of fuels, with increases recorded in the majority of commodity groups. Total imports increased by a smaller amount, partly due to the marginally lower imports of consumer goods. Thus, the trade gap narrowed from €1,035.7 million to €856.4 million.

Service account net receipts registered an improvement in the January-June 2010 period, as tourism earnings recovered from the level recorded in the comparable period of the previous year, with other services net receipts also registering a significant increase. The deficit in the income account decreased partly due to higher receipts on bond and note holdings and decreased outflows related to lower profits of foreign-owned companies registered in Malta. On the other hand, current transfers turned from a net inflow in the first half of 2009 to a net outflow during the same period of 2010.

The current account deficit was not entirely financed by net inflows in the capital and financial account (including net errors and omissions) such that reserve assets declined by 2.8 per cent of GDP.

This Chapter is based on the latest available NSO data, which for foreign trade relates to January-August 2010 and for the balance of payments relates to January-June 2010. Data on fund flows with respect to trade in goods in the balance of payments section is taken from Balance of Payments accounts for Goods (free on board), which is not directly comparable to data for goods in trade statistics, which is used in the foreign trade section.

### Foreign Trade

Trade developments during the first eight months of 2010 were rather positive, influenced by the encouraging developments in the global economy. This followed the decreases in activity in international trade recorded during 2008 and 2009 as a result of the impact of the international financial and economic crisis.

## Foreign Trade

Table 7.1

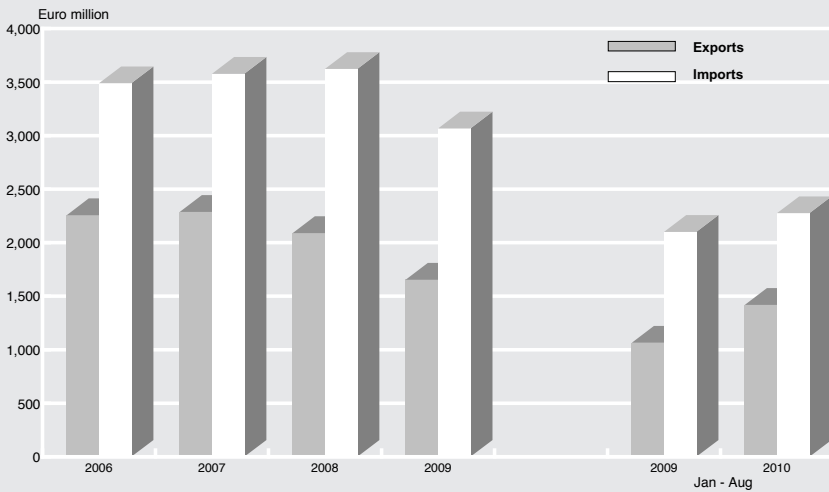
€ million

	2006	2007	2008	2009	2009 Jan-Aug	2010 Jan-Aug
<b>Imports (c.i.f.)</b>	3,489.3	3,578.0	3,623.0	3,067.2	2,101.1	2,275.5
<b>Total Exports (f.o.b.)</b>	2,256.8	2,287.6	2,089.8	1,654.3	1,065.4	1,419.1
<b>Trade Gap</b>	-1,232.5	-1,290.4	-1,533.2	-1,412.8	-1,035.7	-856.4
of which:						
Exceptional Item (Exports)	38.9	-	-	-	-	-
Exceptional Item (Imports)	160.0	146.9	103.3	299.1	289.2	212.0

Source: National Statistics Office

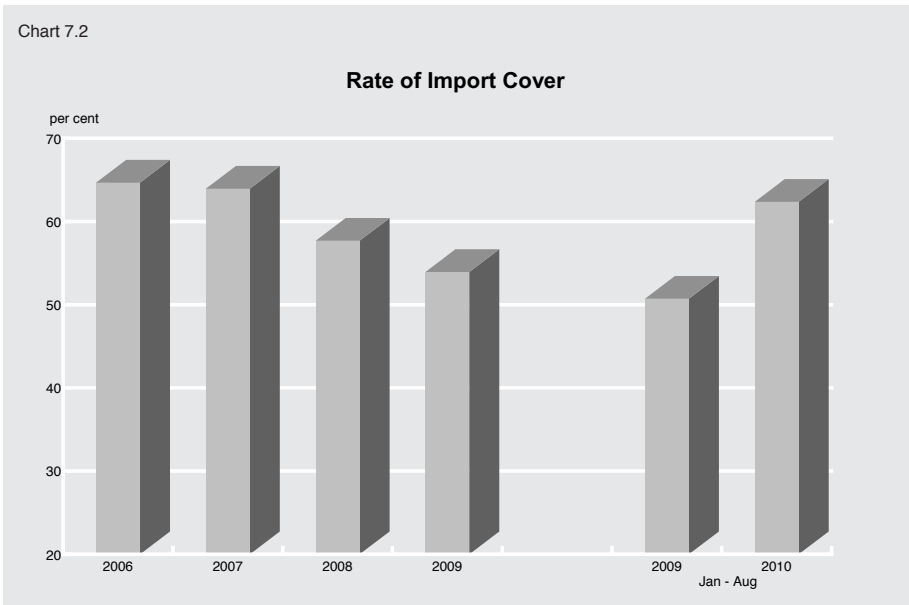
Chart 7.1

## Foreign Trade



Domestic exports declined by 8.6 per cent during 2008 and a further 20.8 per cent in 2009. The recovery during January-August 2010 meant that an increase in exports of 33.2 per cent was recorded when compared to the same period of the previous year. This largely reflected a significant increase in exports of machinery and transport equipment and fuels. Furthermore, the expansion in exports appears to be broad-based as the majority of the commodity groups registered increases in exports. Imports increased by a more contained 1.3 per cent in 2008 before decreasing substantially by 15.3 per cent in 2009. Following this, imports increased by 8.3 per cent during the first eight months of 2010. This performance was largely underpinned by the increase in industrial supply imports.

As the increase in exports outweighed the increase in imports, the trade gap narrowed by €179.3 million to a trade deficit of €856.4 million. If exceptional imports are excluded, the trade gap would have narrowed by €102.1 million. This has to be contrasted to the decreasing trade gap registered in 2009 due to the decrease in imports which more than offset the decrease in exports. Further details are provided in Table 7.1 and Chart 7.1. As illustrated in Chart 7.2, the rate of import cover increased from 50.7 per cent to 62.4 per cent between January-August 2009 and January-August 2010, following decreases recorded over the period from 2006 to 2009.



## Exports

During the January-August 2010 period, exports registered an increase from €1,065.4 million to €1,419.1 million. The recovery in exports was marked by consistent monthly increases as from the beginning of 2010, following a period of declining exports which lasted for 22 consecutive months since March 2008. The positive performance was recorded across a broad range of commodities, with machinery and transport equipment contributing a substantial 14.7 percentage points to the increase in total exports. In fact, machinery and transport equipment exports increased by 26.1 per cent from €599.5 million in January-August 2009 to €755.7 million in the corresponding period of 2010.

Exchange rate developments, particularly with respect to the US Dollar can have a significant influence on trade developments in this industry. Moreover, the performance of this sector was influenced by the recovery in global demand, especially since the sector is partly tied to the global automotive and information technology sectors which were severely hit by the international crisis.

Exports of fuels increased by €95.3 million to provide the second largest contribution to the increase in total exports, equal to 8.9 percentage points in the first eight months of 2010. This was mainly due to bunkering activities. Food, beverages and tobacco exports increased by 63.7 per cent to contribute 3.1 percentage points to the increase in total exports, particularly as a result of a significant increase in the value of fish exports. A significant increase in exports of other manufactures meant that 2.8 percentage points were contributed by this sector. Exports of chemicals provided a contribution of 2.6 percentage points to the growth in total exports, through an increase of 23.2 per cent while semi-manufacture exports increased by 42.3 per cent to provide another 2.2 percentage points. Meanwhile, increases in exports of toys and games were more contained. On the other hand, exports of scientific instruments, clothing and printed matter decreased. The commodity breakdown of exports is provided in Table 7.2.

As shown in Chart 7.3, the major exporting sector remained machinery and transport equipment, with a share of 53.3 per cent of total exports during the first eight months of 2010. However, this share has decreased gradually from 63.8 per cent in 2006. Other exports made up 20.3 per cent of total exports, being distributed between fuels, toys and games, scientific instruments and other manufactures. This represents a notable increase from 15.5 per cent recorded during the first eight months of 2009, largely due to the significant increase in bunkering activities. Chemicals exports amounted to a share of 10.3 per cent, decreasing from a peak of 11.9 per cent recorded in 2009. Food, beverages and

### Commodity Breakdown of Exports

Table 7.2

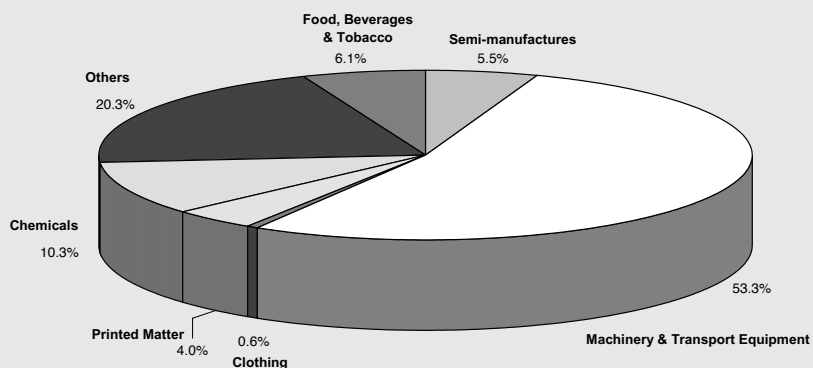
€ million

	2006	2007	2008	2009	2009 Jan-Aug	2010 Jan-Aug
Food, Beverages and Tobacco	127.2	158.4	161.3	69.6	52.6	86.1
Chemicals	138.7	199.4	221.7	196.7	118.9	146.5
Semi-manufactures	115.4	115.3	112.9	89.0	54.4	77.4
Machinery and Transport Equipment	1,440.1	1,373.4	1,173.5	939.0	599.5	755.7
Clothing	62.9	47.0	30.2	16.9	13.6	8.1
Fuels	30.9	53.6	49.4	26.6	17.7	113.0
Printed Matter	81.7	92.9	99.4	97.1	60.8	56.6
Toys and Games	70.3	69.9	66.5	68.1	47.5	53.5
Scientific Instruments	79.4	66.4	67.0	58.4	40.3	32.4
Other Manufactures	110.2	111.3	107.9	92.9	60.1	89.8
<b>Total Exports</b>	<b>2,256.8</b>	<b>2,287.6</b>	<b>2,089.8</b>	<b>1,654.3</b>	<b>1,065.4</b>	<b>1,419.1</b>

Source: National Statistics Office

Chart 7.3

### Breakdown of Exports January-August 2010



tobacco, semi-manufactures and printed matter recorded the next largest shares ranging from 6.1 per cent to 4.0 per cent, with semi-manufactures maintaining a roughly stable share from 2006. Meanwhile, the share of clothing declined from 2.8 per cent in 2006 to 0.6 per cent during the period under review.

### Geographical Distribution – Exports

Table 7.3 provides a detailed analysis of the geographical distribution of exports. Exports to the EU increased by 26.2 per cent to €604.4 million during the first eight months of 2010, reflecting higher exports to the majority of Malta’s main trading partners. Exports to the UK increased by 30.8 per cent, following decreases in 2008 and 2009, whereas the French and German markets recorded increases of 27.1 per cent and 24.6 per cent respectively. The increased importance of the Spanish market from 2006 onwards is noteworthy. Exports

	2006	2007	2008	2009	2009 Jan-Aug	2010 Jan-Aug
Europe	1,180.0	1,133.5	990.1	780.1	501.1	634.5
EU	1,150.8	1,107.0	950.4	744.0	478.9	604.4
Italy	81.4	90.8	113.8	91.1	59.9	69.5
Germany	283.0	305.3	268.9	219.3	142.9	178.0
France	326.7	271.3	237.2	186.9	116.4	147.9
UK	213.2	222.1	165.3	99.0	66.5	87.0
Netherlands	20.2	12.5	21.3	20.3	13.9	13.6
Spain	15.7	14.3	16.9	17.6	10.3	12.4
Others	210.5	190.7	127.0	109.8	69.0	96.0
Euro Area	855.7	798.9	719.1	584.3	375.3	452.9
Other European Countries	29.2	26.5	39.7	36.1	22.3	30.1
Africa	120.5	121.3	132.4	137.2	92.8	108.7
America	298.8	279.7	209.5	185.3	107.0	153.3
USA	275.5	246.7	183.0	152.3	90.8	134.5
Others	23.3	33.0	26.5	33.0	16.2	18.8
Oceania	4.3	6.8	4.8	4.5	2.8	8.3
Asia	631.4	719.9	713.9	528.1	349.2	421.6
Japan	121.7	164.0	157.9	58.2	37.3	59.1
Singapore	280.0	305.0	275.0	204.2	136.4	151.2
China	53.3	27.4	24.6	27.0	16.4	26.0
Others	176.4	223.5	256.4	238.7	159.1	185.3
Ships & Aircraft	21.9	26.5	38.9	19.2	12.5	92.7
<b>Total Exports</b>	<b>2,256.8</b>	<b>2,287.6</b>	<b>2,089.8</b>	<b>1,654.3</b>	<b>1,065.4</b>	<b>1,419.1</b>
Exports to the EU as % of Total	51.0	48.4	45.5	45.0	45.0	42.6

*Source: National Statistics Office*



to the Euro Area increased by €77.6 million to €452.9 million while exports to other European countries increased by €7.8 million to €30.1 million.

In the first eight months of 2010, exports to Asia increased throughout the region by €72.4 million to €421.6 million, with Japan accounting for the largest increase in exports of €21.8 million. Singapore, which is a major export market for the machinery and transport equipment sector, accounted for another significant increase of €14.8 million. Exports to China increased by €9.6 million while an increase in exports of €26.2 million to other Asian countries was also registered.

Exports to the American continent recorded an increase of €46.3 million to €153.3 million during January-August 2010 mainly due to an increase in exports to the USA. Exports to Africa also increased by €15.9 million to €108.7 million. Oceania exports registered an increase of €5.5 million to €8.3 million.

## Imports

During the first eight months of 2010, imports increased by €174.4 million to €2,275.5 million. The recovery in imports started from February 2010, following declines registered in almost every month since March 2008. Table 7.4 provides details of imports by broad economic category. Industrial supplies were the major contributor to the increase in imports, with an increase of €135.2 million.

Industrial supplies registered an increase of 17.7 per cent from €765.9 million in January-August 2009 to €901.1 million in the same period of the current year, contributing 6.4 percentage points to the increase in total imports. These developments reflect the recovery in manufacturing output during the period under review.

During the first eight months of 2010, imports of fuel increased by 25.2 per cent to contribute 2.5 percentage points to the increase in total imports. The higher fuel import bill partly reflected higher oil prices since October 2009 as the global economic outlook improved somewhat. Indeed, the average price per barrel of London Brent crude oil increased from around €41 over January-August 2009 to around €59 over January-August 2010. On the other hand, capital goods registered a decrease of 4.9 per cent to €510.6 million, shaving off 1.3 percentage points from the growth in total imports. However, if exceptional import items are excluded, capital goods imports would have increased by €50.8 million. These items comprise aircraft and sea-going vessels with a value exceeding €5 million.

### Imports by Broad Economic Category

Table 7.4

€ million

	2006	2007	2008	2009	2009 Jan-Aug	2010 Jan-Aug
<b>Consumer Goods</b>						
Food and Beverages	292.7	319.9	361.3	366.0	235.6	232.2
Durable Goods	367.4	385.4	379.4	318.5	202.4	206.4
Others	205.7	208.4	226.3	200.2	135.9	134.7
<b>Total</b>	<b>865.7</b>	<b>913.7</b>	<b>967.0</b>	<b>884.8</b>	<b>573.9</b>	<b>573.3</b>
<b>Industrial Supplies</b>						
Primary	64.7	104.7	94.9	50.2	31.4	29.1
Semi-finished	1,471.7	1,388.0	1,346.6	1,007.9	658.3	759.1
Finished	101.1	91.3	96.0	120.3	76.2	112.9
<b>Total</b>	<b>1,637.5</b>	<b>1,584.1</b>	<b>1,537.5</b>	<b>1,178.4</b>	<b>765.9</b>	<b>901.1</b>
<b>Capital and Others</b>						
Capital Goods	654.2	630.7	589.3	676.0	537.0	510.6
Fuel	305.0	417.8	502.7	305.2	210.3	263.4
Non-specified and Gold	26.8	31.7	26.5	22.9	14.1	27.1
<b>Total</b>	<b>986.0</b>	<b>1,080.2</b>	<b>1,118.5</b>	<b>1,004.1</b>	<b>761.3</b>	<b>801.1</b>
<b>Total Imports</b>	<b>3,489.3</b>	<b>3,578.0</b>	<b>3,623.0</b>	<b>3,067.2</b>	<b>2,101.1</b>	<b>2,275.5</b>

Source: National Statistics Office

Chart 7.4

### Breakdown of Consumer Imports

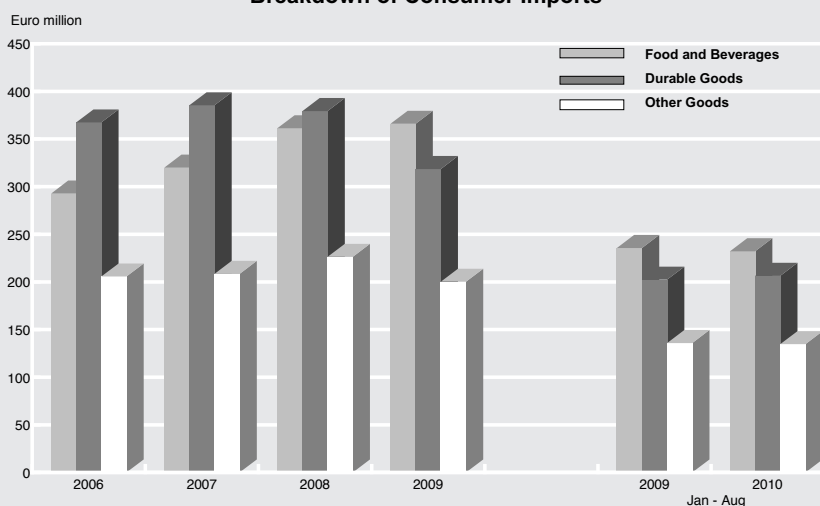
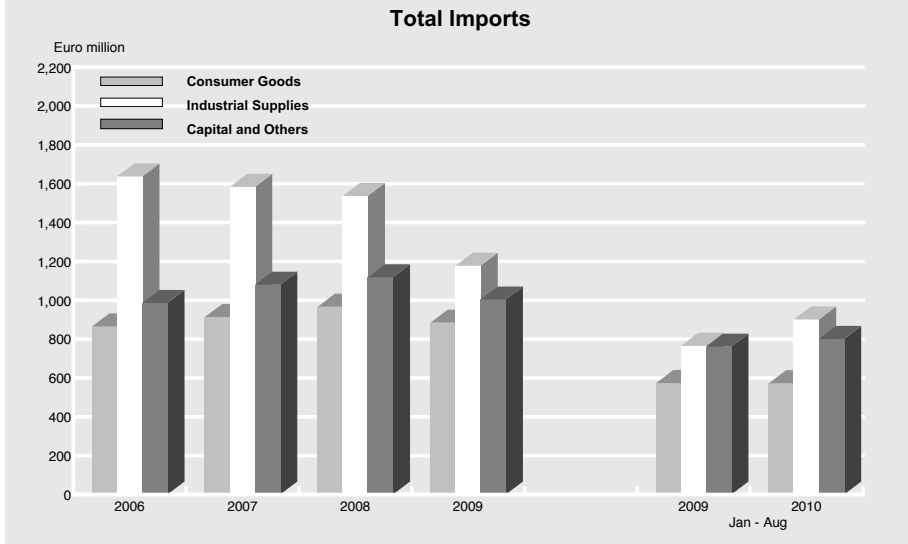


Chart 7.5



Imports of consumer goods decreased slightly from €573.9 million during the first eight months of 2009 to €573.3 million during the corresponding period of 2010. This reflected decreases in food and beverage imports and other consumer goods imports that were partly offset by increases in durable goods imports. The composition of consumer imports is illustrated in Chart 7.4 while a breakdown of imports by broad economic category is provided in Chart 7.5.

### Geographical Distribution – Imports

A detailed analysis of the geographical distribution of imports is shown in Table 7.5. Imports from the EU declined by 3.6 per cent to €1,406.8 million during the first eight months of 2010. This materialised as increases in imports from Italy, Germany and other EU countries were more than offset by decreases in imports from Malta’s other main trading partners. Imports from the Euro Area decreased by €26.4 million to €1,134.3 million while imports from other European countries increased by €35.1 million to €181.6 million.

Notwithstanding the fall in imports from Europe, imports from the rest of the world increased to more than offset this decline during the period under review. Imports from America registered an increase of €77.2 million to €229.8 million, with a minor decrease resulting in imports from the USA. Imports from Asia increased by €68.9 million to €369.0 million with the only significant decrease of €12.0 million in imports materialising from China. Imports from Africa

### Total Imports by Main Geographical Areas

Table 7.5

€ million

	2006	2007	2008	2009	2009 Jan-Aug	2010 Jan-Aug
Europe	2,549.0	2,700.9	2,820.9	2,375.5	1,605.2	1,588.4
EU	2,423.8	2,565.6	2,658.6	2,193.4	1,458.7	1,406.8
Italy	967.3	876.9	999.9	757.6	484.1	521.4
Germany	263.2	290.5	266.8	270.2	184.3	192.5
France	405.9	420.1	365.4	315.0	200.3	185.6
UK	344.5	499.5	453.8	363.1	248.5	206.4
Netherlands	119.3	107.9	143.2	155.1	120.0	78.4
Spain	108.0	98.4	109.0	101.5	69.8	60.6
Others	215.6	272.3	320.5	230.9	151.7	161.9
Euro Area	2,009.4	1,962.7	2,069.6	1,761.3	1,160.7	1,134.3
Other European Countries	125.2	135.3	162.3	182.1	146.5	181.6
Africa	50.3	29.3	74.7	52.2	35.7	68.6
America	218.2	241.4	119.7	189.0	152.6	229.8
USA	179.5	206.5	73.6	84.2	60.8	58.2
Others	38.7	34.9	46.1	104.8	91.8	171.6
Oceania	36.8	8.9	13.0	10.7	7.2	18.3
Asia	635.0	597.2	593.9	437.5	300.1	369.0
Japan	70.4	66.0	57.8	40.1	26.0	41.2
Singapore	213.7	173.6	200.8	106.6	70.4	85.0
China	104.2	94.8	106.9	117.0	88.5	76.5
Others	246.7	262.8	228.4	173.8	115.2	166.3
<b>Total Imports</b>	<b>3,489.3</b>	<b>3,578.0</b>	<b>3,623.0</b>	<b>3,067.2</b>	<b>2,101.1</b>	<b>2,275.5</b>
Imports from the EU as % of Total	69.5	71.7	73.4	71.5	69.4	61.8

Source: National Statistics Office

increased by €32.9 million to €68.6 million while imports from Oceania of €18.3 million were recorded, being €11.1 million higher than the same period of 2009.

## Geographical Distribution – Trade Balance

The narrowing of the overall trade gap principally reflected an improvement in the trade balance with the EU, as well as with a number of other countries. As illustrated in Table 7.6, during January-August 2010, the trade balance with the EU improved to a deficit of €802.4 million from a deficit of €979.9 million in the same period of the previous year. This reduction in the trade gap was spread over a number of countries, with the more significant improvements resulting in a lower deficit recorded with the UK (-€62.6 million), France (-€46.2 million) and the Netherlands (-€41.4 million). On the other hand, the trade deficit with Italy worsened by €27.6 million to a deficit of €451.8 million.

### Trade Balances with Various Countries

Table 7.6

€ million

	2006	2007	2008	2009	2009 Jan-Aug	2010 Jan-Aug
EU	-1,273.0	-1,458.6	-1,708.2	-1,449.4	-979.9	-802.4
Italy	-885.8	-786.1	-886.1	-666.5	-424.2	-451.8
Germany	19.8	14.8	2.1	-50.9	-41.4	-14.5
France	-79.2	-148.8	-128.2	-128.1	-83.9	-37.7
UK	-131.3	-277.4	-288.5	-264.1	-182.0	-119.4
Netherlands	-99.1	-95.4	-121.9	-134.8	-106.1	-64.7
Spain	-92.3	-84.1	-92.1	-83.9	-59.5	-48.1
Other EU	-5.1	-81.6	-193.5	-121.1	-82.7	-65.9
<b>Other Countries</b>						
USA	96.0	40.2	109.4	68.1	30.0	76.3
Japan	51.3	98.0	100.1	18.1	11.3	17.9
Singapore	66.3	131.4	74.2	97.6	66.0	66.2
China	-50.9	-67.5	-82.3	-90.0	-72.1	-50.6
Libya	62.9	50.2	13.2	61.2	41.8	40.4

Source: National Statistics Office

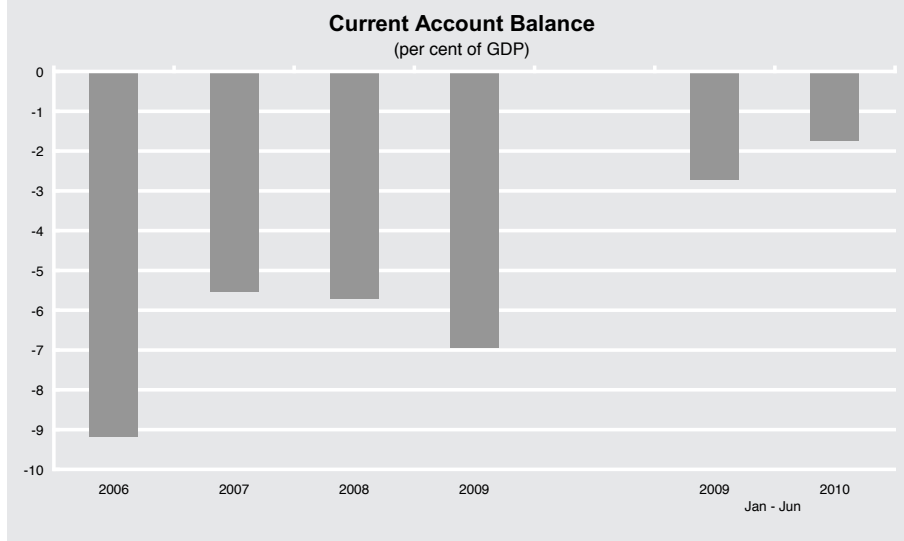
Regarding countries outside the EU, the trade surplus recorded with the USA increased by €46.3 million to €76.3 million during the first eight months of 2010. A decrease of €21.5 million in the trade deficit with China was also recorded. Meanwhile, minor increases in the trade surpluses with Japan and Singapore were also registered. On the other hand, the trade surplus with Libya decreased slightly by €1.4 million to €40.4 million.

## Balance of Payments

### The Current Account

It is a characteristic of the Maltese economy to feature a deficit in the current account of the balance of payments. Nonetheless, fluctuations in the current account are not uncommon, as witnessed by a significant and accelerated decline in the current account deficit in 2007 to a level of 5.6 per cent of GDP following a period of increasing deficits. While the deficit was roughly unchanged in 2008, it widened further to a deficit of 6.9 per cent of GDP in 2009. This materialised even though the goods account deficit decreased by 4.5 percentage points to a deficit of 16.9 per cent of GDP, following the slowdown in international trade which resulted from the international economic and financial crisis. Chart 7.6 illustrates these developments starting from 2006.

Chart 7.6

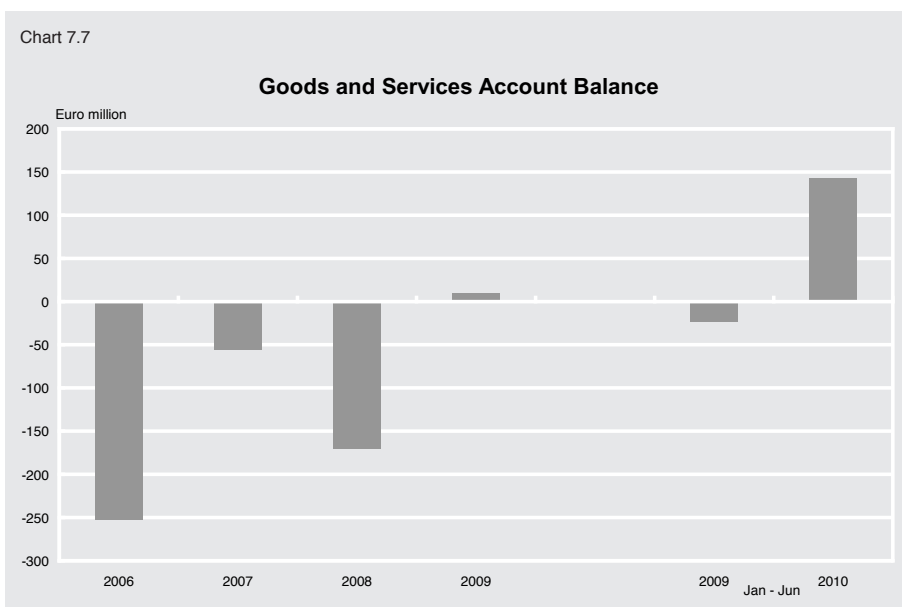


However, this deterioration was partially offset over the first half of 2010, as the current account deficit registered a decrease to 1.7 per cent of GDP from 2.7 per cent of GDP recorded in the corresponding period of 2009. The goods account was mainly responsible for this improvement as the deficit of 16.5 per cent of GDP recorded in the first six months of 2009 decreased to a deficit of 10.9 per cent of GDP in the same period of 2010. Services net receipts were roughly unchanged while a decrease of 1.4 percentage points in the income account deficit further contributed to this development. On the other hand, net current transfers turned from a net inflow of 5.2 per cent of GDP in the first half of 2009 to a net outflow of 0.9 per cent of GDP in the same period of 2010.

## The Goods and Services Account

An improvement in the goods and services balance was registered in the first two quarters of 2010, from a deficit of €23.9 million in the first half of 2009 to a surplus of €142.9 million. The goods and services balance is shown in Chart 7.7. Exports of goods and services continued to recover, increasing by €365.2 million to €2,311.8 million during the first two quarters of 2010. Imports of goods and services also increased by €198.4 million to €2,168.9 million during the period under review.

A narrowing in the goods account deficit largely underpinned this development, as the deficit decreased by €131.9 million to €323.1 million during the first half of 2010. It is worth noting that the improvement in the goods balance was mainly



due to an increase in exports of €310.7 million which exceeded an increase in imports of €178.8 million during the period under review. This has to be contrasted with an improving goods account deficit in the first half of 2009, which reflected a decrease in imports of goods that exceeded the decrease in exports. Developments in international trade are provided in the corresponding section in this Chapter.

The positive balance in the services account registered an increase of €34.7 million in the first six months of 2010, to reach €465.9 million. Higher receipts for service exports equal to €54.4 million exceeded an increase in payments for service imports of €19.6 million. A recovery in service exports has been registered starting from the fourth quarter of 2009 following four consecutive quarters of declining service exports. This performance has continued in each of the first two quarters of 2010. Imports of services recorded increases from the fourth quarter of 2009, following five consecutive quarters of declines. It is important to note that while imports of services were on an upward trend from 2004, declines were registered in 2008 and 2009.

Net travel receipts increased by €33.5 million to €160.4 million during the first six months of 2010. This was underpinned by an increase of €38.7 million in tourism earnings which outpaced increased expenditure by Maltese tourists abroad of €5.1 million. Thus, the recovery in tourism earnings continued, with developments in tourism outlined in Chapter 5 of the Economic Survey.

Net transportation receipts decreased by €28.9 million during the first two quarters of 2010, mainly reflecting an increase in payments made abroad. The higher transportation payments might possibly reflect the recovery in international trade following the international crisis.

On the other hand, an increase of €30.2 million was recorded in net receipts in other services to register €283.7 million. This reflected both an increase in receipts and a decrease in payments. Financial services were mainly responsible for the improvement in the other services surplus, registering an improvement of €21.8 million during the first six months of 2010. Thus, this category registered higher net inflows as receipts increased while payments decreased. Personal, cultural and recreational services registered an increase in net receipts of €8.4 million mainly as a result of an increase in receipts. However, it is worth noting that this improvement relates primarily to audiovisual and related services rather than remote gaming activities. It is also noteworthy that receipts from the latter sector have been rather stable since 2007.

A decrease of €3.6 million in net payments in other business services resulted during the first half of 2010, as an increase in receipts more than offset an increase in payments. Within the other business services category, operational leasing services recorded an increase in net receipts of €12.5 million and merchanting and other trade-related services registered an increase in net receipts of €4.7 million. Together, these more than offset an increase in net payments of €13.6 million registered in miscellaneous business, professional and technical services. Of particular interest within this subcategory were architectural, engineering and other technical services, where an increase in net payments of €6.6 million was recorded, and other business services which registered a decrease in net receipts of €7.1 million.

Government services registered an increase in net receipts of €2.5 million in the first six months of 2010 as a decrease in payments more than offset a decrease in receipts. Net payments for insurance services decreased by €2.4 million as a decrease in payments more than offset a decrease in receipts. Meanwhile, computer and information services registered a minor decrease in net payments of €0.5 million.

The remaining services account categories saw decreases in inflows. Net receipts for royalties and licence fees registered a €4.9 million decrease during the first two quarters of 2010, mainly on account of lower receipts. Communications services recorded an increase in net payments of €4.1 million largely as a result of an increase in payments. Table 7.7 illustrates developments in the goods,



<b>Balance of Payments</b>						
Goods, Services and Income Account (Net)						
Table 7.7	€ million					
	2006	2007	2008	2009	2009 Jan-Jun	2010 Jan-Jun
<b>GOODS</b>						
General Merchandise Transactions	-1,018.2	-1,026.5	-1,288.6	-1,034.8	-485.7	-418.2
Nonmonetary Gold	-24.3	-24.9	-22.8	-20.8	-8.7	-13.6
Others	76.3	69.9	81.3	85.6	39.4	108.7
<b>Total Goods</b>	<b>-966.2</b>	<b>-981.5</b>	<b>-1,230.1</b>	<b>-970.0</b>	<b>-455.0</b>	<b>-323.1</b>
<b>SERVICES</b>						
Transportation	79.5	86.0	145.0	103.8	50.8	21.9
Travel	354.1	430.4	419.2	328.2	126.9	160.4
Other Services	279.4	409.3	494.9	547.3	253.5	283.7
<b>Total Services</b>	<b>713.1</b>	<b>925.7</b>	<b>1,059.0</b>	<b>979.3</b>	<b>431.2</b>	<b>465.9</b>
<b>Total Goods and Services</b>	<b>-253.1</b>	<b>-55.7</b>	<b>-171.1</b>	<b>9.4</b>	<b>-23.9</b>	<b>142.9</b>
<b>INCOME</b>						
Compensation of employees	-2.8	2.1	-10.4	0.9	-0.1	0.2
Investment Income	-209.7	-193.0	-194.2	-371.5	-195.1	-168.1
<b>Total Income</b>	<b>-212.5</b>	<b>-191.0</b>	<b>-204.6</b>	<b>-370.6</b>	<b>-195.2</b>	<b>-168.0</b>
<b>Total Goods, Services and Income</b>	<b>-465.6</b>	<b>-246.7</b>	<b>-375.7</b>	<b>-361.2</b>	<b>-219.0</b>	<b>-25.1</b>

Source: National Statistics Office

services and income account.

## The Income Account and Current Transfers

Table 7.8 shows data on the separate subsections of the current account. The income account includes the earnings of foreign-owned companies operating from Malta, which represent an outflow of funds from the current account of the balance of payments. Thus an increase in earnings of foreign-owned companies will be reflected in a higher current account deficit. However, if these earnings are re-invested in the local economy, these will be recorded as an inflow of funds in the financial account as foreign direct investment.

Income received decreased by €129.7 million in the first six months of 2010. This amounts to a decrease of 14.3 per cent when compared to the same period of the previous year. Income paid also decreased by €156.9 million or 14.3 per cent. This resulted in a smaller deficit in the income account of €168.0 million as compared to a deficit of €195.2 million in the same period of 2009.

**Balance of Payments**  
Current Account

Table 7.8

€ million

	2006	2007	2008	2009	2009 Jan-Jun	2010 Jan-Jun
<b>GOODS AND SERVICES</b>						
Exports of Goods and Services	4,452.4	4,959.3	4,815.2	4,247.6	1,946.6	2,311.8
Imports of Goods and Services	-4,705.4	-5,015.0	-4,986.3	-4,238.2	-1,970.5	-2,168.9
Goods and Services Account	-253.1	-55.7	-171.1	9.4	-23.9	142.9
<b>INCOME</b>						
Income Received	1,463.1	1,967.8	2,195.9	1,652.2	904.1	774.4
Income Paid	-1,675.6	-2,158.8	-2,400.5	-2,022.8	-1,099.3	-942.4
Income Account	-212.5	-191.0	-204.6	-370.6	-195.2	-168.0
<b>CURRENT TRANSFERS (Net)</b>						
General Government Transfers	1.3	-31.4	67.5	-30.4	156.9	-20.9
Private Transfers	-7.7	-26.1	-20.1	-7.2	-13.0	-5.4
Total Net Current Transfers	-6.4	-57.4	47.4	-37.6	143.9	-26.3
<b>Balance on Current Account</b>	<b>-472.0</b>	<b>-304.2</b>	<b>-328.3</b>	<b>-398.8</b>	<b>-75.2</b>	<b>-51.4</b>

Source: National Statistics Office

Net direct investment income outflows decreased by €19.6 million reflecting lower profits by foreign-owned companies registered in Malta during the first six months of 2010. On an aggregate economy-wide scale, dividends and distributed branch profits increased from €296.9 million to €593.8 million despite the slight decrease in profits. Past earnings reserves were used to finance the increase in dividend payments.

Net portfolio investment income inflows increased by €22.7 million primarily due to higher receipts on bond and note holdings by banks. It is to be noted that whereas banks are usually net acquirers of bonds and notes, they were net sellers during 2007 and 2008. Banks returned to acquiring bonds and notes from the second half of 2009. This is documented in the financial account of the balance of payments and provides a partial explanation for the higher receipts on bond and note holdings during the first half of 2010 when compared to the same period of the previous year. Other important factors affecting such receipts are the risk and maturity composition of bond and note holdings which determine the coupon rate payable on such holdings. Meanwhile, other investment income net outflows increased by €15.3 million principally through lower receipts of banks from abroad, which more than offset lower payments made abroad.

Current transfers turned from a net inflow of €143.9 million in the first half of 2009 to a net outflow of €26.3 million during the same period of 2010. Inflows decreased by €318.8 million, outpacing a decrease in outflows of €148.7 million. This category of the current account includes tax proceeds received from foreign-owned companies registered in Malta and amounts reclaimed by shareholders when dividends are paid out. It is worth noting that profitability, dividend policy, tax policy and the timing of claims all have a bearing on income flows. Workers' remittances net outflows increased by €0.7 million to reach €2.4 million. Other transfers' net outflows decreased by €8.3 million to €3.0 million such that private transfers' net outflows decreased by €7.6 million to €5.4 million.

## **The Capital and Financial Account**

All transactions taking place between domestic and foreign residents that involve a change of ownership of an asset are accounted for in the capital and financial account. A foreign acquisition of a domestic asset is considered as a capital inflow while a domestic resident acquisition of a foreign asset is considered as a capital outflow. The capital and financial account, including changes in reserve assets and net errors and omissions, mirrors the current account so that the balance of payments indeed balances through accounting conventions. The following is an analysis of capital and financial flows and the composition of such flows in Malta. For this analysis, the financial account is taken to exclude net errors and omissions as well as reserve assets. Thus, if the current account deficit is more than adequately financed by a net inflow of funds (equivalent to an increase in net liabilities or a fall in net assets), the result would be an increase in reserve assets.

During the first half of 2010, the balance in the capital account amounted to an inflow of €34.2 million, an increase of €23.3 million compared to the same period of the previous year. As shown in Table 7.9, the capital account stood at 1.2 per cent of GDP compared to 0.4 per cent of GDP a year earlier. The increase in the positive balance was mainly due to higher receipts of Government transfers equal to €25.3 million, attributable to higher funds received under the various EU Programmes.

Net Foreign Direct Investment (FDI) inflows increased from 7.6 per cent of GDP during the first half of 2009 to 16.4 per cent of GDP during the corresponding period of 2010. The increase of €274.1 million occurred as funds invested in the local economy increased by €281.8 million while funds invested abroad increased by €7.6 million. This mainly reflected the contribution of significant injections of new capital in the financial intermediation sector.

**Current, Capital and Financial Flows\***  
(per cent of GDP)

Table 7.9

	2006	2007	2008	2009	2009 Jan-Jun	2010 Jan-Jun
Current Account	-9.2	-5.6	-5.7	-6.9	-2.7	-1.7
Capital Account	3.0	0.9	0.5	1.2	0.4	1.2
Financial Account excl. Reserves	7.7	11.5	4.2	2.3	4.8	-8.2
Net Foreign Direct Investment	28.6	13.3	7.5	9.7	7.6	16.4
Net Portfolio Investment Equity Flows	-1.4	-1.6	-1.0	-0.2	-0.3	-0.5
Net Portfolio Debt Flows	-37.2	8.3	7.4	-33.0	-1.5	-69.2
Net Financial Derivatives	0.5	2.2	-6.0	-1.2	-2.2	0.9
Net Other Investment Flows	17.2	-10.6	-3.7	27.0	1.2	44.2
Reserve Assets	-1.6	-6.0	1.9	0.0	-2.6	2.8
Net Errors and Omissions	0.1	-1.0	-0.8	3.4	0.2	6.0

\* A positive sign represents a decrease in assets or an increase in liabilities.

A negative sign represents an increase in assets or a decrease in liabilities.

Source: National Statistics Office

Net portfolio investment outflows of €2,066.5 million were registered in the first six months of 2010, having increased by €2,014.2 million from the same period of the previous year. Banks returned to adding bonds and notes to their asset holdings, whilst reducing the purchases of money-market instruments. Meanwhile, monetary authorities increased their acquisition of bonds and notes as an addition to their asset holdings. These operations are mostly evident in net portfolio debt outflows of 69.2 per cent of GDP in the January-June 2010 period. As explained in the section on the income account treating portfolio investment flows, banks returned to acquiring bonds and notes from the second half of 2009.

Financial derivatives, mainly underpinned by bank operations, recorded net inflows of €27.1 million during the first six months of 2010, turning from a net outflow of €60.8 million registered in the same period of the previous year. These net inflows amounted to 0.9 per cent of GDP.

Other investment net inflows of €1,309.8 million were recorded during the first six months of 2010, following a minor net inflow of €33.1 million generated in the same period of 2009. This represented a net inflow of 44.2 per cent of GDP compared to a net inflow of 1.2 per cent of GDP a year earlier, which resulted

due to an increase in liabilities held that outpaced the increase in assets held. Assets held increased during the first two quarters of 2010, as banks increased their holdings of currency and deposits and the provision of trade credits by the private sector increased. On the other hand, a substantial amount of bank loans was repaid. Liabilities held increased mainly due to banks increasing their stocks of loan liabilities and currency and deposit liabilities. It has to be noted that a number of banks registered in Malta operating with non-residents affect fund flows in the financial account, particularly in the other investment section.

Net errors and omissions stood at a positive €178.7 million or 6.0 per cent of GDP during the first two quarters of 2010. A current account deficit of €51.4 million or 1.7 per cent of GDP was partly financed by a capital account surplus of €34.2 million or 1.2 per cent of GDP. However, financial account outflows of €243.6 million or 8.2 per cent of GDP meant that a decrease in reserve assets of €82.1 million or 2.8 per cent of GDP was generated.



## **8. Financial Developments**

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## 8. Financial Developments

During the January-September 2010 period, the shortfall between recurrent revenue and total expenditure of central Government declined to €299.8 million from €333.9 million recorded during the comparable period in 2009. This improvement in the fiscal imbalance was attributable to a rise in recurrent revenue and a decline in interest on public debt which more than offset increases in recurrent and capital expenditure. Over the same period, the public sector borrowing requirement declined from €594.1 million to €483.9 million attributable to both the decline in the fiscal imbalance as well as lower repayments in respect of maturing stock. On the other hand, Malta's contribution to the EU's loan facility agreement with the Hellenic Republic, falling due in the period under consideration and amounting to €19.8 million, exerted a positive influence on the public sector borrowing requirement.

In the first nine months of 2010, the contribution of Maltese Monetary Financial Institutions (MFIs) to the Euro Area stock of broad money (M3) increased by 3.8 per cent reaching €8,882.6 million at the end of August 2010. The increase in M3 was mainly the result of an increase in net claims on non-residents of the Euro Area as well as an increase in the credit counterpart. Meanwhile, since the second quarter of 2010, the European Central Bank (ECB) has reintroduced the fixed rate tender procedure with full allotment in the regular three-month longer-term refinancing operations and conducted a new six-month refinancing operation. Additionally, the ECB also resumed the temporary liquidity swap facility with the US Federal Reserve System and launched the Securities Market Programme.

During the January-June 2010 period, the Euro depreciated against the US Dollar, the British Pound, as well as the Japanese Yen. In the third quarter of the year, the Euro appreciated sharply with respect to the US Dollar, and at the end of September traded at around the same levels recorded in February of the same year. At the same time, the Euro also appreciated in terms of the British Pound in the third quarter of 2010. Meanwhile, during the same time frame, the value of the Euro fluctuated vis-à-vis the Japanese Yen, and edged up during September.

### Public Finance

Unless otherwise indicated, the analysis in this Chapter is based on Government finance data as classified in the statement of the Consolidated Fund. Such data is defined on a cash basis rather than on an accruals basis and consequently,

## Government Revenue and Expenditure

(January-September)

Table 8.1

€ million

	2007	2008	2009	2010
<b>Recurrent Revenue</b>	1,504.0	1,585.7	1,553.6	1,686.8
Tax Revenue	1,325.4	1,437.7	1,415.0	1,499.0
Direct Tax Revenue	728.2	817.0	857.9	899.9
Indirect Tax Revenue	597.2	620.7	557.1	599.1
Non-Tax Revenue	178.6	148.0	138.7	187.9
<b>Total Expenditure</b>	1,674.7	1,844.1	1,887.5	1,986.6
Recurrent Expenditure	1,357.3	1,524.1	1,559.9	1,635.1
Interest on Public Debt	146.8	156.1	158.6	141.9
Capital Expenditure	170.7	163.9	169.0	209.6
Productive	26.5	42.8	58.4	50.0
Infrastructure	73.4	79.8	70.6	127.5
Social	70.8	41.3	39.9	32.1
<b>Structural Balance</b>	-170.7	-258.3	-333.9	-299.8
<b>Financed by:</b>				
Sinking Funds of Converted Loans	3.3	33.3	0.0	0.0
Sinking Fund Contribution and Direct Loan Repayments	-10.9	-102.7	-259.6	-164.3
Equity Acquisition	0.0	-6.5	-0.5	0.0
Loan Facility Agreement with Hellenic Republic	0.0	0.0	0.0	-19.8
Public Sector Borrowing Requirement	-178.3	-334.2	-594.1	-483.9
Local Loans	67.2	232.7	355.8	478.9

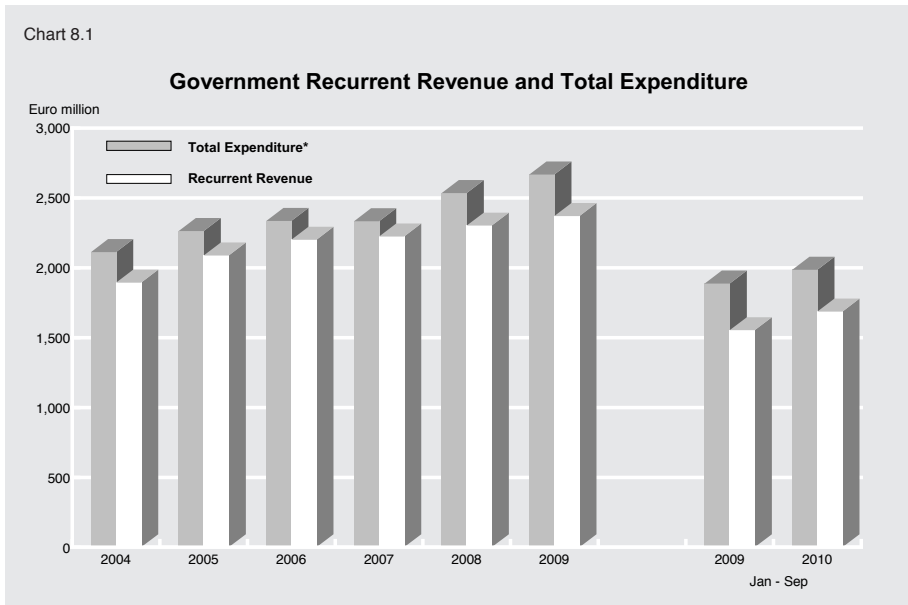
*Source: The Treasury, Ministry of Finance, the Economy and Investment*

developments in Government's net financial position may not reflect actual spending and revenue collection. In light of this, caution should be exerted when interpreting such data. Table 8.1 presents Government's fiscal position during the January-September 2007-2010 period, whilst Chart 8.1 illustrates recent trends in total expenditure and recurrent revenue.

## Revenue

During the first three quarters of 2010, recurrent revenue increased by €133.2 million, on account of higher proceeds from taxation as well as increased non-tax revenue. Appendix Table 8.1 presents developments in the components of Government revenue for the January-September 2007-2010 period.

Tax revenue, which comprises slightly less than 90 per cent of recurrent revenue,



\*excluding contributions to Sinking Fund, Direct Loan Repayments and Equity Acquisition

increased by €84.0 million to €1,499.0 million during the period under review. The two categories of tax revenue – direct and indirect taxation – contributed equally to the rise in tax revenue, each increasing by €42.0 million. The increase in direct tax revenue to €899.9 million was attributable to higher receipts from both income tax and social security. Meanwhile, indirect tax revenue increased to €599.1 million, reflecting higher customs and excise duties as well as higher receipts from Value Added Tax (VAT) which more than outweighed a decline in receipts from licences, taxes and fines.

During the period under review, income tax revenue increased by €22.2 million to €522.3 million. This was mainly attributable to the pick-up in the domestic economy and developments in the domestic labour market, which contributed to higher income tax receipts under the Final Settlement System, as well as to revenue from a scheme which provided for the waiving off of fines and penalties accruing in relation to income tax due. On the other hand, provisional tax receipts declined, mainly on account of the fact that provisional tax payments in 2010 are based on profits earned in 2008, thereby capturing the adverse affect that the international crisis had on the profits of companies and self-employed persons. Meanwhile, social security contributions increased by €19.8 million to €377.6 million, reflecting developments in the domestic labour market.

Receipts from customs and excise duties increased by €42.2 million to €116.8

million during the first nine months of 2010, mainly reflecting the timing of cash flows relating to payments of excise levy on petroleum and to a lesser extent, the revision in the excise duties on cigarettes and other tobacco products announced in the 2010 Budget.

During the January-September 2010 period, revenue from licences, taxes and fines decreased by €11.2 million to €165.6 million, mainly attributable to lower receipts from the motor vehicle registration tax. The latter reflected the fact that the number of motor vehicles registered in the beginning of 2009 was relatively high since, in anticipation of the new reformed system, registration of vehicles was postponed from the later months of 2008 to the beginning of 2009. On the other hand, revenue from gaming taxation sustained the upward trend registered in recent years. Similarly, revenue from duty on documents increased reflecting developments in the local property market.

During the first nine months of 2010, receipts from VAT increased by €11.0 million to €316.6 million. This reflected the pick-up in consumption recorded in the Maltese economy as the recovery from the international crisis unfolds.

Non-tax revenue, which mainly comprises the transfer of profits generated by the Central Bank of Malta, grants, rents and fees of office, increased by €49.2 million, from €138.7 million in the first nine months of 2009 to €187.9 million in the corresponding period of 2010.

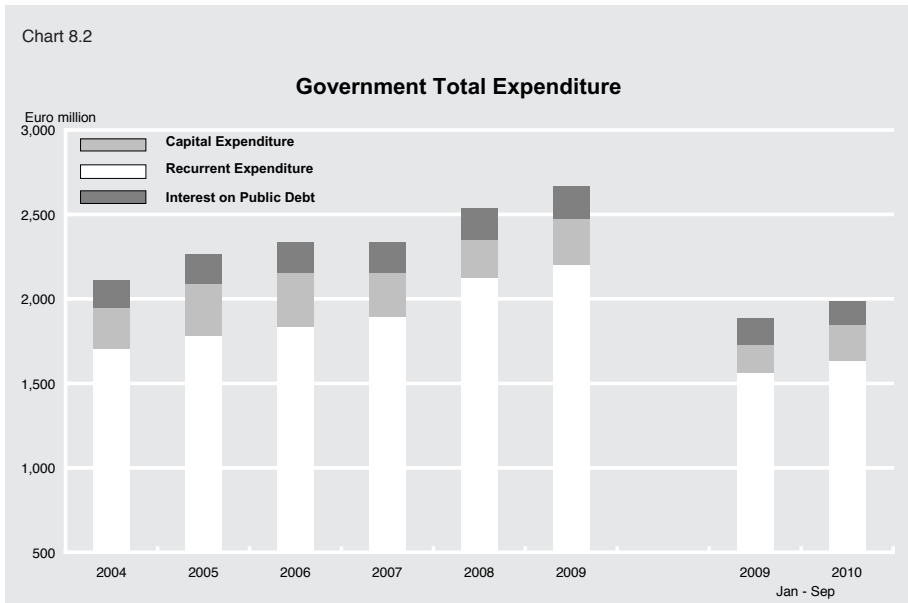
During the period under review, receipts from fees of office declined by €7.9 million to €26.7 million, mainly due to lower revenue from court fees, fees for rights of use and revenue from eco-contribution.

On the other hand, revenue from the transfer of profits generated by the Central Bank of Malta increased by €4.0 million to €45.6 million. Similarly, revenue from rents increased by €11.7 million to €28.5 million, on account of higher payments for encroachment on Government property. Moreover, revenue from miscellaneous receipts increased by €16.1 million to €24.4 million, mainly attributable to the sale of non-financial assets as well as higher receipts from the sale of Government lands and higher proceeds from the sale of Malta Government stocks by auction which also falls under this revenue category. Furthermore, revenue from grants increased by €23.9 million to €38.3 million, mainly underpinned by a substantially higher level of funds forthcoming from the EU under the 2007-2013 Financial Framework.

## Expenditure

During the first nine months of 2010, total expenditure which consists of recurrent and capital expenditure and interest on public debt, increased by €99.1 million to reach €1,986.6 million. This increase was attributable to a rise in recurrent expenditure and, to a lesser extent, higher capital expenditure which more than offset lower interest on public debt. It is pertinent to note that total Government expenditure excludes the contribution to the Sinking Fund, direct loan repayments and the loan facility agreement with the Hellenic Republic.

Recurrent expenditure, which comprises around 82 per cent of total expenditure increased by €75.2 million from €1,559.9 million in the first nine months of 2009 to €1,635.1 million in the corresponding 2010 period. Higher outlays were directed particularly towards social assistance, higher budgetary compensation in respect of Energy Support Measures, and education. The reclassification of the Malta Tourism Authority from capital to recurrent expenditure also accounted for the increase in recurrent expenditure. Meanwhile, capital expenditure, which constitutes around 11 per cent of total expenditure, increased by €40.6 million to €209.6 million. On the other hand, interest on public debt decreased by €16.7 million to €141.9 million. Chart 8.2 illustrates recent trends in Government expenditure.



## Recurrent Expenditure

Recurrent expenditure constitutes four main categories, namely, Personal Emoluments, Operational and Maintenance Expenses, Contributions to Government Entities and Programmes and Initiatives, with the latter category comprising slightly less than two thirds of total expenditure. During the first nine months of 2010, this category of expenditure accounted for almost half of the increase in recurrent expenditure and comprises payments, including social transfers made in respect of ad hoc programmes run by Government, as well as subsidies, payments and grants for provision of services to citizens, charitable and private institutions but excludes operational costs of Government departments. During the period under review, recurrent expenditure under the Programmes and Initiatives category increased by €33.5 million to reach €1,013.5 million. Higher expenditure outlays were mainly recorded in respect of social security benefits, local government and education. Moreover, this category of expenditure also includes the temporary support provided to households in view of the revised utility tariffs. On the other hand, lower outlays were recorded in view of the voluntary redundancy scheme for Malta Shipyards' employees incurred in 2009 which did not feature in 2010. Meanwhile, lower expenditure for medicines and surgical materials was also recorded.

The share of Personal Emoluments stood at around 24 per cent of total recurrent expenditure. This category of expenditure rose by €21.6 million to reach €397.8 million during the period under review. Higher personal emoluments were mainly recorded by the Health Division and the Education Division.

Contributions to Government Entities stood at around 9 per cent of total recurrent expenditure. This category of expenditure increased by €18.3 million to €141.0 million during the nine months to September 2010 reflecting the reclassification of expenditure by the Malta Tourism Authority from a capital to a recurrent nature. Meanwhile, higher outlays were directed towards the Malta College of Arts, Science and Technology (MCAST) and Junior College within the Ministry of Education, Culture, Youth and Sports, and towards Malta Enterprise within the Ministry of Finance, the Economy and Investment. These were partly offset by lower outlays directed towards public entities within the Ministry for Infrastructure, Transport and Communications, in particular the Malta Transport Authority, reflecting the setup of the new authority for transport, Transport Malta, and the consequent reclassification of expenditure, and the Malta Information Technology Agency.

The share of Operational and Maintenance expenditure stood at 5 per cent of total recurrent expenditure. This category of expenditure mainly consists of

outlays on utilities consumption across Ministries and Government departments and contractual services mainly on the national health system as well as on education.

Appendix Table 8.2 presents developments in the recurrent expenditure on a cost centre basis for the first nine months of the 2007-2010 period. It is pertinent to note that the nomenclature of Ministries and the pertinent cost centres referred to in this Chapter reflect classification as presented in Parliament for appropriation for 2010, thus reflecting the change in Ministerial Portfolios in March 2008. As a result, direct comparison with data for previous periods is not always possible.

Around one-third of Government's total recurrent expenditure consists of welfare payments, which principally comprises retirement pensions, as well as children's allowance, social assistance and other benefits. Outlays under this item of expenditure are highly influenced by developments in compensation of employees, inflation as well as demographic changes. During the period under review, welfare payment increased by €31.7 million to €533.7 million, mainly reflecting increases in contributory benefits, while non-contributory benefits also increased albeit by a lower magnitude. Expenditure on retirement pensions, which is the main contributory benefit, increased by €18.7 million. Moreover, the bonus and widows' pension, which are also contributory benefits, increased by €7.1 million and €4.2 million respectively. Meanwhile, social assistance, which is the main non-contributory benefit, increased by €2.0 million during the first nine months of 2010. Expenditure by the Department of Social Security relating to the State contribution in terms of the Social Security Act, 1987 (Cap. 318) increased by €7.9 million to €120.4 million during the January-September 2010 period. This item of expenditure reflects revenue derived from social security contributions.

During the period under review, recurrent expenditure by the Ministry of Finance, the Economy and Investment stood at €81.8 million. Higher outlays were recorded mainly in respect of the temporary support provided to households in view of the revised utility tariffs mentioned earlier. Meanwhile, expenditure by the Ministry of Education, Culture, Youth and Sport stood at €114.0 million. Higher outlays mainly reflected an increased contribution to church schools, students' maintenance grants and towards the Public Broadcasting Services Ltd. Moreover, expenditure by the Education Division increased to €98.7 million, mainly attributable to higher personal emoluments incurred by this Division.

Expenditure outlays incurred in relation to Tourism rose significantly to €25.0

million. This increase was attributable to the reclassification of expenditure by the Malta Tourism Authority referred to earlier. Meanwhile, expenditure under the Local Government cost centre increased to €25.9 million, mainly reflecting higher allocation in respect of local councils.

Recurrent expenditure recorded by the Ministry for Infrastructure, Transport and Communication stood at €39.2 million during the period under review. Lower outlays were incurred in relation to the Malta Information Technology Agency. Moreover, lower spending on the Malta Shipyards' voluntary retirement schemes also contributed to the decline in expenditure by this Ministry.

During the first nine months of 2010, recurrent expenditure by the Health Division stood at €199.0 million. Lower expenditure was recorded in respect of medicines and surgical materials. However, this decline was partly offset by higher outlays recorded in respect of personal emoluments incurred by this Division.

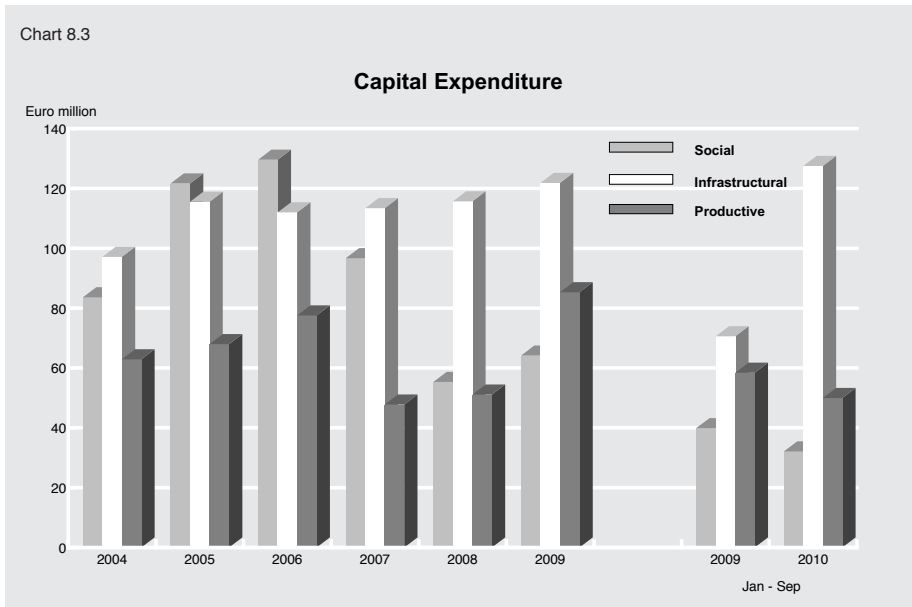
## Capital Expenditure

Capital expenditure comprises three broad categories, namely productive investment, infrastructural investment and capital outlays on social development.

Total capital expenditure increased by €40.6 million from €169.0 million in the first nine months of 2009 to €209.6 million during the corresponding period of 2010 such that, when excluding the impact of the re-classification of the Malta Tourism Authority, the increase in capital expenditure is even more pronounced. Higher capital expenditure was recorded with respect to infrastructural investment which more than outweighed lower outlays registered with respect to productive and social investment. During the period under review, the share of productive investment in the total capital programme decreased by 10.7 percentage points to 23.8 per cent. Similarly, the share of social investment declined to 15.3 per cent in the nine months to September 2010, when compared to 23.6 per cent recorded in the same period a year earlier. On the other hand, infrastructural investment made up 60.8 per cent in the January-September 2010 period, 19.0 percentage points higher than the share recorded during the corresponding 2009 period. Appendix Table 8.3 presents a breakdown of Government's capital expenditure programme for the January-September 2007-2010 period. Meanwhile, Chart 8.3 illustrates developments in capital expenditure over recent years.

Productive investment decreased by €8.4 million to €50.0 million during the





January-September 2010 period. This decline mainly reflected the reclassification of Malta Tourism Authority outlays. Moreover, capital outlays towards the development of industry also declined to €6.7 million primarily on account of lower investment incentives of a capital nature. Similarly, productive outlays directed to Gozo declined by €1.6 million to €1.8 million, primarily reflecting lower outlays directed towards Gozo Ferries Co. Ltd. Higher capital outlays on agriculture reflect funds under the new EU Agriculture Guarantee Fund, in addition to funds under the EU Agriculture Fund for Rural Development which also feature in 2009. Expenditure contributing towards productive investment falling under the ‘Other’ category increased by €20.6 million to €31.3 million, primarily on account of a contribution towards the Treasury Clearance Fund.

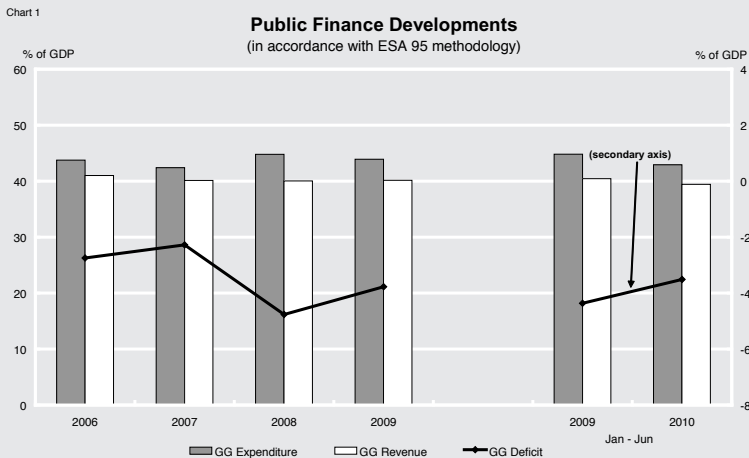
During the period under review, Government’s capital outlays for infrastructural investment increased from €70.6 million to €127.5 million. This increase mainly reflected higher infrastructural outlays under the ‘Other’ category, in particular on account of €10.0 million in connection with the introduction of the Jeremie Financial Engineering Fund, as well as on account of increased expenditure on several other infrastructural projects co-financed by EU Funds under the 2007-2013 Financial Programme. Higher capital outlays were also recorded towards waste treatment, mainly due to increases of €18.5 million relating to the Malta South Sewage Treatment Infrastructure. Higher infrastructural outlays were also directed towards the acquisition of property for public purposes. Moreover, higher capital outlays amounting to €4.0 million were recorded during the January-September 2010 period with respect to road construction

Box 8.1

**General Government Budgetary Developments**

The Quarterly Accounts for general Government published by the National Statistics Office (NSO) capture Government’s fiscal position based on the European System of Accounts 1995 (ESA 95) methodology. The following analysis is based on latest general Government finance data available in accordance with ESA 95 which pertains to the January-June 2010 period. It is pertinent to note that such data is not comparable to that classified in the statement of the Consolidated Fund provided in other sections of this Chapter.

As illustrated in Chart 1, the deficit-to-GDP ratio for the January-June 2010 period declined by 0.9 percentage points to 3.5 per cent of GDP when compared to the corresponding period in 2009. This improvement was mainly underpinned by a fall in the expenditure-to-GDP ratio which more than offset the decline in the revenue ratio.



During the January-June 2010 period, the expenditure-to-GDP ratio declined from 44.8 per cent to 42.9 per cent, mainly on account of a lower ratio of compensation of employees. The decline in the ratio of compensation of employees to GDP is mainly on account of lower outlays recorded in view of the voluntary redundancy scheme for Malta Shipyards’ employees, which took place in 2008 but spilled over to 2009. Nevertheless, if this extraordinary effect is excluded, the increase in GDP more than outweighs the change in outlays on compensation of employees, reflecting Government’s policy to restrict recruitment in non-essential categories in the public sector by only partly replacing vacancies that materialise when workers leave the public service either due to resignations or because they have reached retirement age. Moreover, lower ratios of subsidies payable and social benefits and social transfers in kind also contributed to the decline in the expenditure ratio. These declines were in part offset by higher ratios of capital transfers and intermediate consumption.

#### Box 8.1 cont.

The revenue-to-GDP ratio declined by 1 percentage point to 39.4 per cent of GDP during the January-June 2010 period. This decline mainly reflected a lower ratio of taxes on production and imports, as marginal increases in proceeds from value added type taxes and from taxes on products were more than offset by increases in GDP, reflecting the more subdued growth in domestic consumption compared to GDP growth. Moreover, a lower ratio of current taxes on income and wealth was also recorded. It is pertinent to note that the accounting treatment of the scheme for income tax defaulters referred to earlier, which is included under current taxes on income and wealth, differs between the Consolidated Fund statement and the ESA 95 methodology. Indeed, whereas revenue from this scheme is accounted for in 2010 in the Consolidated Fund statement, according to the ESA 95 methodology, inflows of cash pertaining to such scheme received in the first two months of 2010, are included as revenue in 2009. On the other hand, an increase was recorded in the ratio of capital transfers receivable, mainly reflecting a substantially higher level of funds forthcoming from the EU under the 2007-2013 Financial Framework.

and improvement, mainly on account of higher expenditure co-financed by the EU Structural Fund 2007-2013 programme.

Investment related to social development declined by €7.8 million to €32.1 million during the period under review. Lower expenditure amounting to €4.9 million was mainly related to capital outlays towards the environment, reflecting lower capital expenditure by WasteServ Malta Ltd. Meanwhile, a decline of €1.3 million was recorded under the External Borders Fund, mainly reflecting lower capital outlays on inshore patrol crafts, in part offset by higher outlays on the procurement of maritime patrol aircraft.

## International Comparison

The budgetary position of the EU Member States for the three year period to 2009 is presented in Table 8.2, whilst the general Government debt position of the EU Member States is presented in Table 8.3. General Government fiscal data presented in this Section is according to the ESA95 methodology and is thus not comparable with data based on the statement of the Consolidated Fund presented in other sections of this Chapter. Moreover, it is pertinent to note that while data for Malta is that presented in the second report of the Government deficit and debt levels transmitted by Malta in September 2010, data for the remaining EU Member States is according to the April 2010 notification of Government fiscal data as reported by EU Member States for the excessive deficit procedure according to Council Regulation (EC) No. 479/2009.

The fiscal deterioration that commenced in 2008 was sustained during 2009,

**General Government Net Lending (+) or Borrowing (-)**  
as a percentage of GDP

Table 8.2

per cent

	2006	2007	2008	2009
Austria	-1.5	-0.4	-0.4	-3.4
Belgium	0.3	-0.2	-1.2	-6.0
Bulgaria	3.0	0.1	1.8	-3.9
Cyprus	-1.2	3.4	0.9	-6.1
Czech Republic	-2.6	-0.7	-2.7	-5.9
Denmark	5.2	4.8	3.4	-2.7
Estonia	2.5	2.6	-2.7	-1.7
Finland	4.0	5.2	4.2	-2.2
France	-2.3	-2.7	-3.3	-7.5
Germany	-1.6	0.2	0.0	-3.3
Greece	-3.6	-5.1	-7.7	-13.6
Hungary	-9.3	-5.0	-3.8	-4.0
Ireland	3.0	0.1	-7.3	-14.3
Italy	-3.3	-1.5	-2.7	-5.3
Latvia	-0.5	-0.3	-4.1	-9.0
Lithuania	-0.4	-1.0	-3.3	-8.9
Luxembourg	1.4	3.6	2.9	-0.7
Netherlands	0.5	0.2	0.7	-5.3
Poland	-3.6	-1.9	-3.7	-7.1
Portugal	-3.9	-2.6	-2.8	-9.4
Romania	-2.2	-2.5	-5.4	-8.3
Slovakia	-3.5	-1.9	-2.3	-6.8
Slovenia	-1.3	0.0	-1.7	-5.5
Spain	2.0	1.9	-4.1	-11.2
Sweden	2.5	3.8	2.5	-0.5
United Kingdom*	-2.7	-2.8	-6.8	-12.3
EU 27	-1.4	-0.8	-2.3	-6.8
Euro Area	-1.3	-0.6	-2.0	-6.3
Malta	-2.7	-2.3	-4.8	-3.8

\* Data pertains to UK financial year (1 April to 31 March)

Source: Eurostat, National Statistics Office, Ministry of Finance, the Economy and Investment

such that in 2009, the Government deficit and Government debt of both the Euro Area and the EU27 increased compared with 2008, while GDP declined.

The international financial crisis and the ensuing economic downturn impinged negatively on the EU economies, such that in the Euro Area, the Government deficit to GDP ratio increased from 2.0 per cent in 2008 to 6.3 per cent in 2009, and in the EU27 from 2.3 per cent to 6.8 per cent. Indeed, whereas in

**General Government Gross Debt**

as a percentage of GDP

Table 8.3

per cent

	2006	2007	2008	2009
Austria	62.2	59.5	62.6	66.5
Belgium	88.1	84.2	89.8	96.7
Bulgaria	22.7	18.2	14.1	14.8
Cyprus	64.6	58.3	48.4	56.2
Czech Republic	29.4	29.0	30.0	35.4
Denmark	32.1	27.4	34.2	41.6
Estonia	4.5	3.8	4.6	7.2
Finland	39.7	35.2	34.2	44.0
France	63.7	63.8	67.5	77.6
Germany	67.6	65.0	66.0	73.2
Greece	97.8	95.7	99.2	115.1
Hungary	65.6	65.9	72.9	78.3
Ireland	24.9	25.0	43.9	64.0
Italy	106.5	103.5	106.1	115.8
Latvia	10.7	9.0	19.5	36.1
Lithuania	18.0	16.9	15.6	29.3
Luxembourg	6.5	6.7	13.7	14.5
Netherlands	47.4	45.5	58.2	60.9
Poland	47.7	45.0	47.2	51.0
Portugal	64.7	63.6	66.3	76.8
Romania	12.4	12.6	13.3	23.7
Slovakia	30.5	29.3	27.7	35.7
Slovenia	26.7	23.4	22.6	35.9
Spain	39.6	36.2	39.7	53.2
Sweden	45.7	40.8	38.3	42.3
United Kingdom*	42.9	43.7	55.8	71.4
EU 27	61.4	58.8	61.6	73.6
Euro Area	68.3	66.0	69.4	78.7
Malta	63.4	61.7	63.1	68.6

\* Data pertains to UK financial year (1 April to 31 March)

Source: Eurostat, National Statistics Office, Ministry of Finance, the Economy and Investment

2008 eight Member States registered a surplus or balanced budget, no Member State registered a Government surplus in 2009. Moreover, only Estonia and Malta registered an improvement in the Government balance relative to GDP in 2009 compared with 2008, whilst the remaining Member States recorded a worsening in their general Government budget deficit. In 2009, four Member States recorded Government deficits in excess of 10 per cent of GDP, namely Ireland, Greece, the United Kingdom, and Spain, whereas several other

Member States recorded deficits above the 3 per cent threshold. Indeed, only five Member States reported deficits below the 3 per cent benchmark, namely Sweden, Luxembourg, Estonia, Finland and Denmark.

In 2009, the deterioration in the budget balance was most sizeable in Spain, closely followed by Cyprus and Ireland. In Spain, the deficit surged from 4.1 per cent of GDP to 11.2 per cent of GDP. Similarly, in Ireland, the deficit increased by 7 percentage points of GDP to 14.3 per cent in 2009. Meanwhile, a general Government surplus of 0.9 per cent of GDP in Cyprus in 2008 was turned into a deficit of 6.1 per cent a year later.

As a result of these fiscal developments, during 2010 a Council decision on the existence of an excessive deficit was taken in respect of four countries, namely Bulgaria, Denmark, Cyprus and Finland, such that 24 Member States are considered to have an excessive deficit as defined in accordance with Article 126(6) of the Treaty on the functioning of the European Union (ex Article 104(6) of the Treaty establishing the European Community) and specified in the Stability and Growth Pact legislation.

Meanwhile, on account of the deterioration in the budgetary position, declines in GDP, and public interventions to stabilise the financial markets, the debt-to-GDP ratios increased in both the EU and the Euro Area. In the Euro Area, the average general Government debt-to-GDP ratio increased from 69.4 per cent at the end of 2008 to 78.7 per cent at the end of 2009, and in the EU27 from 61.6 per cent to 73.6 per cent. Twelve Member States had Government debt ratios higher than 60 per cent of GDP in 2009, with Italy and Greece reporting debt-to-GDP levels in excess of the 100 per cent of GDP mark and Belgium following close behind. Nevertheless, several Member States still reported low ratios of Government debt to GDP at the end of 2009, in particular Estonia, Luxembourg, and Bulgaria, which had debt ratios below 15.0 per cent of GDP. Four Member States registered a deterioration in excess of 15 percentage points of GDP in the debt ratio, namely Ireland, Latvia, Greece and the United Kingdom. In this context it is noteworthy to highlight that Latvia and the United Kingdom had very low or low debt levels prior to the crisis, which however rose sharply in 2008 and 2009.

## Monetary Developments

Following Malta's adoption of the Euro on 1 January 2008, the Central Bank of Malta became part of the Eurosystem. As a result, monetary aggregate statistics now reflect the contribution of MFIs residing in Malta to the Euro Area's total

monetary aggregates and counterparts.

In the first eight months of 2010, the contribution of Maltese MFIs to the Euro Area broad money stock (M3) increased. This was the result of the combined increases from net claims on non-residents of the Euro Area and the credit counterpart which more than offset the decline registered in other counterparts.

## Contribution of Resident MFIs to Euro Area Monetary Aggregates

The contribution of Maltese resident MFIs to the total monetary aggregate of the Euro Area increased by 3.8 per cent in the first eight months of 2010, reaching €8,882.6 million. This was mainly the result of an increase in overnight deposits in narrow money which more than offset the decline in deposits with agreed maturity up to two years. At the same time, debt securities issued up to two years initial maturity also increased, albeit their positive contribution to the increase in broad money (M3) was small, while the outstanding amount of repurchase agreements was negligible. Table 8.4 displays the developments in the main monetary indicators.

	2009 (Dec)	2010 (Mar)	2010 (Jun)	2010* (Aug)	Aug-10 - Dec-09 % Change
<b>Narrow Money (M1)</b>	4,359.5	4,425.8	4,889.2	4,805.5	10.2
Currency issued <sup>(2)</sup>	639.8	637.8	654.5	659.5	3.1
Overnight deposits <sup>(3)</sup>	3,719.8	3,788.0	4,234.7	4,146.0	11.5
<b>Intermediate Money (M2)</b>	8,671.1	8,720.7	8,946.9	8,942.2	3.1
Narrow Money (M1)	4,359.5	4,425.8	4,889.2	4,805.5	10.2
Deposits redeemable at notice up to 3 months <sup>(3)</sup>	111.7	110.4	111.9	113.8	1.9
Deposits with agreed maturity up to 2 years <sup>(3)</sup>	4,199.9	4,184.6	3,945.8	4,022.9	-4.2
<b>Broad Money (M3)</b>	8,559.1	8,612.7	8,867.3	8,882.6	3.8
Intermediate Money (M2)	8,671.1	8,720.7	8,946.9	8,942.2	3.1
Repurchase agreements	0.0	0.0	0.0	0.0	0.0
Debt securities issued up to 2 years initial maturity <sup>(4)</sup>	-112.0	-108.1	-79.7	-59.6	46.8

\* Provisional

<sup>(1)</sup> Figures show the contribution of Maltese monetary financial institutions (MFIs) to the euro area totals, and include deposit liabilities to both residents of Malta and other Euro area residents.

<sup>(2)</sup> Comprises the Central Bank of Malta's share of Euro banknotes issued by the Eurosystem, plus coins issued by the Bank on behalf of the Treasury, less holdings of issued Euro banknotes and coins held by the MFI sector.

<sup>(3)</sup> Deposits with MFIs exclude interbank deposits and deposits held by central Government.

<sup>(4)</sup> Debt securities up to 2 years issued by MFIs in Malta less holdings by MFIs in Malta of such securities issued by MFIs anywhere in the Euro area. Net amounts may be negative.

Source: Central Bank of Malta

During the January-August 2010 period, narrow money (M1) registered an increase of 10.2 per cent, reaching €4,805.5 million. The increase in M1 was driven by an increase of 11.5 per cent in overnight deposits which reached €4,146.0 million in the first eight months of 2010. In particular, overnight deposits registered a sharp increase of 11.8 per cent during the second quarter before experiencing a decline in the third quarter of the year. The developments in overnight deposits mirrored changes in deposits from residents of Malta, whereas deposits from other Euro Area residents also delivered a mild positive contribution to the growth of M1, albeit experiencing a declining growth rate throughout the first three quarters of 2010. Currency issued also increased over the same period, however, its contribution to the increase in the narrow money component was low.

In the first eight months of 2010, deposits redeemable at notice up to three months, increased by 1.9 per cent reaching €113.8 million as deposits from Maltese residents increased while deposits from other Euro Area residents maintained a low share. On the other hand, deposits with an agreed maturity of up to two years reached €4,022.9 million in the same period, thus registering a decline of 4.2 per cent mainly as a result of lower deposits from residents of Malta during the second quarter of the year. As can be seen in Table 8.5, total resident deposits increased by 2.8 per cent, reaching €8,020.3 million in the January-August 2010 period, as the increase in short-term deposits outweighed the decline registered in longer-term deposits.

<b>Resident Deposits</b>					€ million
Table 8.5	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010*</b>	<b>Aug-10 - Dec-09</b>
	(Dec)	(Dec)	(Dec)	(Aug)	% Change
Overnight Deposits <sup>(1)</sup>	3,085.2	3,120.0	3,633.6	4,038.3	11.1
Deposits redeemable at notice up to 3 months	105.3	114.2	111.6	113.7	1.9
Deposits with agreed maturity up to 2 years	4,474.6	4,668.0	4,057.2	3,868.3	-4.7
<b>Total resident deposits</b>	<b>7,665.1</b>	<b>7,902.2</b>	<b>7,802.4</b>	<b>8,020.3</b>	<b>2.8</b>
* Provisional					
<sup>(1)</sup> Overnight deposits are deposits withdrawable on demand and exclude interbank deposits and deposits held by central Government.					
Source: Central Bank of Malta					



These developments display a shift towards more liquid monetary assets, in particular, overnight deposits, subsequently leading to an increase in the measure of intermediate money (M2). This is not surprising in view of the uncertainty which economies in general and financial markets in particular were facing.

## Contribution of Resident MFIs to Counterparts to Euro Area Monetary Aggregates

Table 8.6 portrays the developments in the contribution of resident MFIs to counterparts to Euro Area monetary aggregates since the end of 2009. The increase in Maltese MFIs' contribution to the Euro Area broad money stock (M3) during the period January-August 2010 has mainly been the combined result of the increase in the external counterpart and the credit counterpart which together offset the sizeable increase in other counterparts.

The credit counterpart of broad money registered an increase of 7.2 per cent in the first eight months of 2010 reaching €14,098.6 million. This increase was the result of increases registered in both credit to residents of Malta and

	2009 (Dec)	2010 (Mar)	2010 (Jun)	2010* (Aug)	Aug-10 - Dec-09 %
<b>Broad Money (M3)<sup>(1)</sup></b>	8,559.1	8,612.7	8,867.3	8,882.6	3.8
<b>Credit Counterpart<sup>(2)</sup></b>	13,153.9	13,778.9	14,148.7	14,098.6	7.2
Credit to residents of Malta	9,656.0	9,886.0	10,057.7	10,147.4	5.1
Credit to general Government	1,863.4	1,976.6	2,106.1	2,179.2	16.9
Credit to other residents	7,792.6	7,909.4	7,951.6	7,968.2	2.3
Credit to other Euro area residents	3,497.9	3,892.9	4,091.0	3,951.2	13.0
<b>Net claims on non-residents of the Euro area</b>	6,653.5	9,065.5	8,838.8	9,131.5	37.2
<b>Other counterparts (net)<sup>(3)</sup></b>	11,248.3	14,231.7	14,120.3	14,347.5	27.6

\* Provisional

<sup>(1)</sup> This does not represent holdings of M3 by residents of Malta but rather the contribution of MFIs in Malta to the Euro area aggregate.

<sup>(2)</sup> Credit includes, besides lending, claims in the form of debt securities and shares and other equity.

<sup>(3)</sup> Includes net interbank claims/liabilities within the MFI sector. These counterparts make a negative contribution to M3.

Source: Central Bank of Malta

to other Euro Area residents and mainly reflected increases within credit to general Government albeit credit to other residents also increased. In the period January-August 2010, credit to residents of Malta increased by 5.1 per cent reaching €10,147.4 million while credit to other Euro Area residents increased by 13.0 per cent in the same period, reaching €3,951.2 million, albeit the latter's positive contribution to the total increase in the credit counterpart was marginally lower than the former.

As shown in Table 8.7, total loans increased by 2.2 per cent during the first eight months of 2010. This increase was the result of higher loans mainly to the construction, others and households and individuals categories, which outweighed a decline of 61.2 per cent in loans to the real estate, renting and business activities category. By contrast, loans to the construction sector, which had the largest positive contribution to the total increase in loans, increased by 51.4 per cent in the same period. These developments were the result of a reclassification exercise due to the introduction of NACE Rev. 2 for 2010 data which saw the inclusion of development of building projects in the construction

<b>Credit to Other Residents<sup>(1)</sup></b>					
Loans by Economic Activity					
Table 8.7	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010*</b>	<b>Aug-10 - Dec-09</b>
	(Dec)	(Dec)	(Dec)	(Aug)	% Change
Total Credit	6,399.6	7,266.9	7,792.4	7,968.2	2.3
Total Loans <sup>(2)</sup>	6,238.2	7,059.1	7,571.8	7,735.3	2.2
Electricity, gas & water supply	196.6	333.1	432.1	390.5	-9.6
Transport, storage & communication	322.6	429.2	480.0	516.4	7.6
Manufacturing	299.8	340.6	296.4	278.0	-6.2
Construction	677.3	730.3	732.8	1,109.3	51.4
Hotels & restaurants	474.3	457.4	485.8	435.0	-10.5
Wholesale & retail trade; repairs	732.3	757.1	767.2	799.0	4.1
Real estate, renting & business activities	725.1	931.3	1,033.2	400.4	-61.2
Households & individuals	2,578.6	2,857.5	3,138.8	3,284.2	4.6
Other <sup>(3)</sup>	231.6	222.6	205.5	522.6	154.3

\* Provisional

<sup>(1)</sup> Credit to other residents consists mainly of loans and holdings of securities, including equities, issued by the non-bank private sector and public non-financial companies, and financial derivatives. Interbank claims are excluded. Data only include credit to residents of Malta.

<sup>(2)</sup> Data up to Dec 2009 is compiled in accordance with NACE Rev1.1, whereas data for August 2010 is compiled in accordance with NACE Rev2

<sup>(3)</sup> Includes agriculture, mining & quarrying, public administration, education, health & social work, community recreation & personal activities, extra-territorial organisations & bodies and non-bank financial institutions.

Source: Central Bank of Malta

sector and which was previously recorded under the real estate sector.

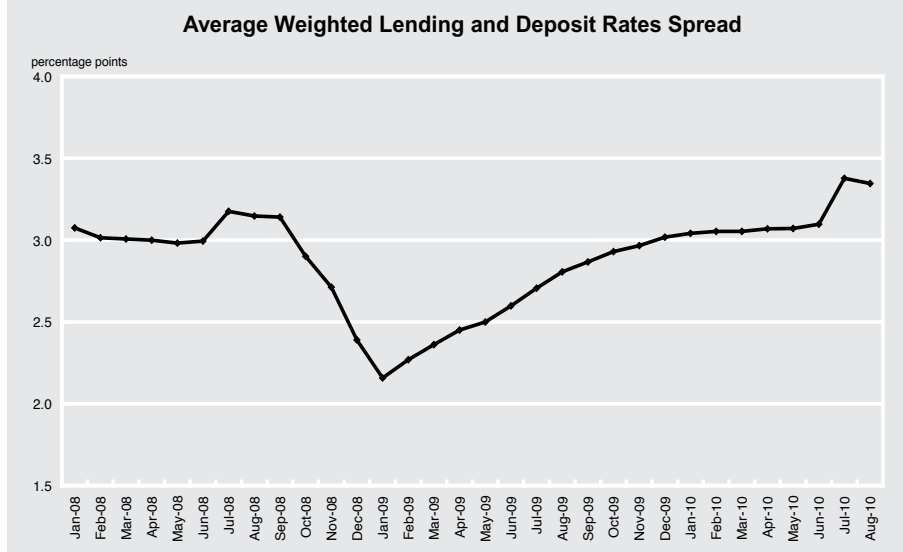
Net claims on non-residents of the Euro Area, which measures the external counterpart of M3, registered an increase of 37.2 per cent during January-August 2010, reaching €9,131.5 million. On the other hand, other counterpart balances increased by a substantial 27.6 per cent in the first eight months of 2010, reaching €14,347.5, in particular due to an increase registered in the first quarter of the year. An increase in other counterparts reflects a faster increase in resident credit institutions' liabilities to other Euro Area banks with respect to their claims on them. The other counterparts' component mainly reflects interbank transactions across the Euro Area and contributes negatively to M3.

## **Deposit and Lending Rates**

After the onset of the financial crisis, the European Central Bank (ECB) resorted to a number of policy measures which included significant injections of liquidity in money markets aimed at reducing interbank rates. Following the intensification of the international financial crisis in mid-2008, however, the ECB also resorted to interventions in official interest rates in order to further help restore liquidity in the financial sector. This led to a number of progressive cuts in the ECB's minimum bid rate from a rate of 4.25 per cent in September 2008 to a rate of 1.0 per cent in May 2009 thus representing a total decline of 325 basis points. Since May 2009, the ECB has left the minimum bid rate unchanged. The cuts in the minimum bid rate were also reflected in a decline in average lending and deposit rates. Nevertheless, whilst lending rates responded promptly, the ECB cuts were passed on more slowly to depositors. Additionally, while average lending rates stabilized in 2009, deposit rates have continued on a prolonged and gradual downward trend throughout 2009 before stabilizing in January 2010. After remaining stable throughout 2009 and the first half of 2010, average lending rates have edged up in the third quarter of 2010.

After declining by 169 basis points from a rate of 6.19 per cent in September 2008 to 4.5 per cent in January 2009, average lending rates have remained stable throughout the whole of 2009 and for the first half of 2010. During the period September 2008 to January 2009, the most pronounced decline was recorded in consumer credit. Subsequently, going into the third quarter of 2010, the weighted average lending rate has increased from a rate of 4.47 per cent in June to 4.75 in July, and kept at roughly the same level in August. This increase was brought about by increases in lending to non-financial companies and other lending, as well as by increases in house purchase and household and individuals lending rates.

Chart 8.4



Weighted average deposit rates have declined by 167 basis points from a rate of 3.05 per cent recorded in September 2008 to 1.38 per cent in August 2010. Savings deposits declined sharply during the last quarter of 2008 and continued to decline moderately, greatly stabilizing thereafter. Rates on current deposits edged downwards in the first quarter of 2009, thereafter keeping at roughly the same level. Rates on time deposits on the other hand have undergone a gradual but substantial decline since October 2008 and up to January 2009, stabilizing and keeping at roughly the same level thereafter.

As portrayed in Chart 8.4, the spread between weighted average lending and deposit rates declined sharply since September 2008 and up to January 2009. Thereafter, the spread between deposit and lending rates underwent a strong rebound that moderated in the first half of 2010 before edging up again sharply in July. As a result, in August 2010, the spread has returned to levels comparable to three years earlier.

## The Money Market

Prior to Malta's adoption of the Euro, the Central Bank of Malta was responsible for the formulation and implementation of Malta's monetary policy as well as for maintaining price stability in the local economy. Following Malta's adoption of the Euro, the Central Bank of Malta became responsible for implementing the

policy decisions of the ECB's Governing Council's monetary policy decisions.

The turmoil in financial markets which started in the summer of 2007 has called for unprecedented actions from monetary policy co-ordinators worldwide. During the initial stages of the turmoil, the ECB adjusted the provision of liquidity to the banking sector. Additionally, as the turmoil in financial markets intensified, the ECB went on to lower interest rates to historically low levels and also implemented a set of non-standard policy measures in order to support the transmission mechanism of monetary policy within the context of ill-functioning markets. Consequently, the ECB played a fundamental role in sustaining financial intermediation within the Euro Area, safeguarding the refinancing of solvent banks and helping in restoring confidence to players in the financial market.

In response to the financial crisis, the Governing Council of the ECB performed a series of progressive cuts in the main refinancing rate which saw the latter being reduced by 325 basis points from 4.25 per cent in September 2008 to 1.0 per cent in May 2009. In its following meetings the Governing Council of the ECB decided to maintain the interest rate on main refinancing operations unchanged at 1.0 per cent. While this rate has been maintained up to September 2010, the Governing Council of the ECB has also undertaken a number of other initiatives. In fact, it resumed a number of non-standard measures that had earlier been withdrawn. In particular, for the period starting at the end of May, the Eurosystem reintroduced the fixed rate tender procedure with full allotment in the regular three-month longer-term refinancing operations. Consequently, a new six-month refinancing operation was conducted. Additionally, in March, the temporary liquidity swap facility with the US Federal Reserve System was also resumed. Moreover, complementing the series of interest rate reductions and the enhanced credit support measures, in May, the Governing Council of the ECB also launched the Securities Market Programme under which interventions in the Eurosystem can be carried out in public and private debt securities markets of the Euro Area, thus ensuring greater liquidity in markets and restoring proper functioning of the transmission of monetary policy.

After declining sharply since October 2008, EURIBOR rates continued on a downward trend. In fact, the one-year EURIBOR rate reached 1.61 per cent in mid 2009 when compared to 5.24 per cent in October of the previous year. The three-month EURIBOR rate, on the other hand, declined to 1.23 per cent in June of 2009 when compared to a rate of 5.11 per cent registered in October 2008. Indeed, market interest rates continued to decline notwithstanding ECB cuts in the main refinancing rate ceased in May 2009. Both the one-year

and three-month EURIBOR rates continued to decline in the second half of 2009, albeit the rate of decline slowed down significantly when compared to early 2009, ending the year at 1.24 per cent and 0.71 per cent respectively, and possibly reflecting a gradual stabilisation of the interbank market. The one-year EURIBOR rate was stable in the period October 2009 to May 2010 before starting to increase moderately, reaching 1.42 per cent in August 2010, and possibly reflecting disruptions in the international sovereign bond market. The three-month EURIBOR, on the other hand continued to decline to 0.64 per cent in April 2010 before increasing thereafter and reaching 0.9 per cent in August of the same year.

The sharp decline in the overnight interbank interest rates (EONIA) largely followed the path of the ECB's minimum bid rate throughout the final quarter of 2008 and into the first half of 2009, thus experienced a sharp decline since September 2008 from a rate of 4.27 per cent registered in that same month to a rate of 0.36 per cent in July of 2009. Thereafter, the EONIA remained practically unchanged up until May, subsequently increasing moderately to reach 0.43 per cent in August 2010. Negative developments in the bond market coupled with exercises related to bank stress testing were widely expected to shape similar developments in key money market rates

Since Euro Area interbank money market interest rates constitute an alternative portfolio investment opportunity, their developments also have an affect on the local market for Malta Treasury Bills. During the first nine months of 2010, the local Government issued a total of €1,001.0 million worth of Treasury Bills on the primary market, compared to €1,366.7 million issued in the same period during the previous year. The yields in the primary market for Treasury Bills have been on a general downward trend throughout 2009 and up until the end of the first quarter of 2010. In fact, in March 2010, the yields for three-month and six-month bills stood at 0.54 per cent and 0.67 per cent respectively. Subsequently, the yield on Treasury Bills increased up until July 2010 before starting to decline again thereafter. By the end of September 2010, the yield on the three-month bills stood at 0.72 while the yield on the six-month Treasury Bill was zero.

During January-August 2010, the turnover in the secondary market for Treasury Bills reached €110.5 million from €164.6 million in the same period in the previous year, thus representing a decline of 32.8 per cent.

## The Capital Market

During January-September 2010, Government issued €479.6 million worth of stocks on the primary market. During the same time frame, three stocks worth €156.2 million were redeemed. Meanwhile, a number of stocks were re-integrated into other issued stocks so as to reduce the fragmentation of Government debt.

Throughout the first nine months of 2010, there were numerous developments in the primary corporate bond market as activity in this market grew substantially when compared to the previous year. In fact, during the January-September 2010 period, newly issued corporate bonds amounted to €251.4 million, representing an increase of 11.4 per cent when compared to the same period in 2009. At the same time, there were notable increases in the number of redemptions, deductions and rollovers which reached €47.8 million, €3.8 million and €33.5 million respectively. In comparison, redemptions, deductions and rollovers during the first nine months of 2009 reached €21.2 million, €11.6 million and €14 million respectively. Activity on the corporate bond market during the first nine months of 2010 also included the promotion of two bonds from the

### Government Stocks

Activity on the Secondary Market

Table 8.8

	2010 Jan-Mar	2010 Apr-Jun	2010 Jul-Sep	2010 Jan-Sep
Turnover in Government Stocks:				
Nominal Value (€ million)	78.6	51.7	87.6	217.9
Market Value (€ million)	86.3	56.5	92.7	235.5
Number of Transactions	719	1,240	2,277	4,236
Average Value per Transaction (€)*	109,341	41,706	38,466	51,445
Amount sold by CBM (€ million)**	68.1	14.7	0.0	82.8
Amount bought by CBM (€ million)**	11.6	30.5	75.4	117.5

\* Based on Nominal Values

\*\* Based on Market Values

Source: Central Bank of Malta

Alternative Companies List to the Official List, as well as a merge deduction and merge addition.

Turnover in the secondary market for Government bonds increased substantially in the first nine months of 2010 when compared to January-September of 2009. In fact, turnover in the secondary market for Malta Government Stocks amounted to €235.5 million in the first three quarters of 2010 when compared to a turnover of €159.6 million in the same period during the previous year, thus representing an increase of 47.5 per cent. As shown in Table 8.8, the number of transactions recorded during the first nine months of 2010 was 4,236, when compared to 1,955 transactions in the same period in 2009, thus leading to a decline in the average value per transaction. During the first three quarters of 2010, trading was mainly concentrated in 5% MGS 2021 which registered the highest volume of transaction at 602 deals during January-August 2010. The value transacted by the Central Bank of Malta in the local secondary market amounted to €200.3 million.

A selection of secondary market indicators is displayed in Table 8.9. In the

<b>Selected Indicators of the Capital Market</b>				
<b>Table 8.9</b>				
	<b>2010</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>
	Jan-Mar	Apr-Jun	Jul-Sep	Jan-Sep
<b>Corporate Bonds*</b>				
Number of Listings**	41.0	43.0	44.0	44.0
Turnover (€ million)	7.8	6.9	17.8	32.6
<b>Equities*</b>				
Number of Issues Outstanding**	20.0	20.0	20.0	20.0
Turnover (€ million)	10.3	8.4	6.6	25.3
<b>Total Listed Securities*</b>				
Total Turnover (€ million)***	152.7	125.0	137.2	414.8
Market Capitalisation (€ million)****	7,828.7	7,895.4	8,069.0	8,069.0
MSE Ord. Share Index**	3,549.2	3,365.1	3,386.9	3,386.9
*Including the Alternative Companies listing				
**As at end of period				
***Including Malta Government Stocks and Treasury Bills				
<i>Source: Malta Stock Exchange</i>				



January-September 2010 period, turnover in the secondary market for corporate bonds increased to €32.6 million compared to a turnover of €24.2 million in the same period during 2009. The total listings of corporate bonds by the end of the third quarter of 2010 reached 44.

The market turnover of equities traded during the first nine months of 2010 increased to €25.3 million, from €18.1 million in the same period in 2009. The bulk of trading activity took place in the shares of Bank of Valletta plc and HSBC Bank Malta plc.

As at the end of September 2010, the Malta Stock Exchange Share Index closed at 3,386.9, representing an increase of 5.8 per cent from a close of 3,201.5 registered during the same month a year earlier. Market capitalisation in the equity market increased from €2,477.0 million at the end of August 2009 to €2,862.5 million registered at the end of August 2010.

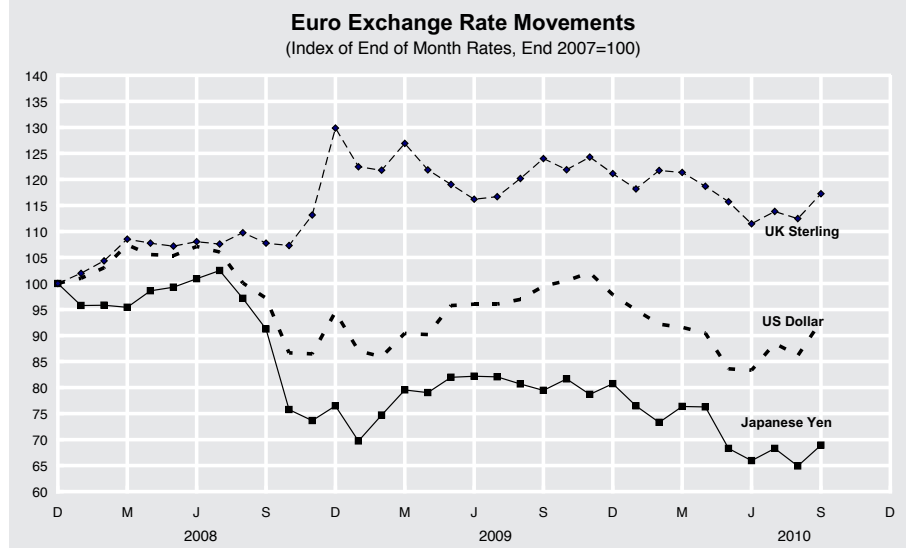
At the end of August 2010, total market capitalisation increased by 14.1 per cent reaching €8,228.2 million from €7,210.1 million at the end of August 2009. This was mainly the result of increases in market capitalisation in the markets for Malta Government Stocks and equities, followed by corporate bonds, which were marginally offset by a decline in market capitalisation in the market for Treasury Bills.

## **Exchange Rate Developments**

Developments in foreign exchange markets have reflected the evolution of the financial markets, consequently also reflecting the financial turmoil through sharp swings in bilateral currency exchange rates. Chart 8.5 displays the movements of the Euro exchange rate against other major currencies since the end of 2007. Since the onset of the international economic crisis, particularly its intensification following the collapse of Lehman Brothers, the Euro exchange rate has appreciated strongly against the Sterling and depreciated strongly against the Japanese Yen. Following the trend appreciation of the Euro against the US Dollar before the crisis, the Euro initially depreciated against the US Dollar only to recover strongly by the end of 2009 and then fell again as concerns over sovereign debt in Europe surfaced. The Euro has not regained its peak of US\$ 1.6 registered in July 2008.

After appreciating mildly in the first two months of 2009, the value of the US Dollar with respect to the Euro was on a strong downward trend throughout the

Chart 8.5



months leading to November. In fact, by the end of November 2009, the Euro traded at US\$ 1.50 as opposed to US\$ 1.26 traded in February of the same year, thus representing a decline in value of the US Dollar with respect to the Euro of 18.8 per cent. Subsequently the value of the US Dollar vis-à-vis the Euro rebounded, gaining strength during the last month of 2009 and throughout the first half of 2010, reflecting financial turbulence as well as an increase in risk aversion. In fact, during this period, the value of the US Dollar increased by 18.3 per cent as the Euro traded at US\$ 1.23 at the end of June 2010. During the following months to September 2010, the value of the US Dollar underwent a sharp depreciation in terms of the Euro despite a reversal during the month of August, possibly converging more to its medium-term trends. As a result, the Euro traded at US\$ 1.36 by the end of September 2010, thus representing an appreciation of the Euro with respect to the US Dollar of 11.2 per cent when compared to end-June of the same year. However, when compared to its peak in July 2008, the Euro is still 12.6 per cent cheaper.

In 2009, the value of the British Pound vis-à-vis the Euro varied widely, depreciating towards the end of the first quarter, subsequently gaining in strength in the following quarter, before depreciating once more in the third quarter. These developments outlined the return of the British Pound closer towards fundamentals during the second quarter of 2009 and a weaker Sterling in the third quarter due to more buoyant economic and financial conditions in the Euro Area with respect to the British economy. Thereafter, in the last three months of 2009, the value of the British Pound in terms of the Euro continued

to fluctuate around the levels registered during the first months of 2009 and ending the year trading at GBP0.89 per Euro. The value of the British Pound continued to vary widely in the course of 2010. In fact, after depreciating in the first quarter of the year, the British Pound appreciated sharply throughout the second quarter supported by buoyant and better than expected economic performance registered during the same period. Nevertheless, in the third quarter of 2010, the British Pound weakened vis-à-vis the Euro despite a mild turnaround in July, and traded at GBP0.86 at the end of September.

The value of the Japanese Yen declined sharply vis-à-vis the Euro during the first quarter of 2009 trading at Yen131.17 at the end of March from Yen114.98 in January, thus registering a decline of 14.1 per cent. Subsequently, the Yen continued on a more moderate decline in value against the Euro during the second quarter of 2009 trading at Yen135.51 by the end of June. Thereafter the Yen edged higher towards September and continued to fluctuate trading at Yen133.16 at the end of 2009. The Yen appreciated in the first two months of 2010 before declining again in value during the following two months and traded at Yen108.79 by the end of the first half of the year. Subsequently, the Yen fluctuated, trading at Yen113.68 at the end of September.

**Government Revenue**  
(January-September)

Appendix Table 8.1

€ thousand

	2007	2008	2009	2010
<b>Tax Revenue</b>	1,325,410	1,437,744	1,414,958	1,498,970
Direct Tax Revenue	728,230	817,042	857,886	899,906
Income Tax	411,025	478,555	500,103	522,293
Social Security	317,205	338,487	357,784	377,613
Indirect Tax Revenue	597,180	620,702	557,072	599,064
Customs and Excise Duties	128,224	130,129	74,625	116,806
Licences, Taxes and Fines	167,449	162,055	176,793	165,639
Value Added Tax	301,507	328,518	305,654	316,619
<b>Non-Tax Revenue</b>	178,563	147,997	138,669	187,852
Fees of Office	41,321	34,377	34,603	26,680
Reimbursements	17,766	16,054	14,203	13,919
Rents	17,255	16,803	16,740	28,468
Dividends on Investments	15,369	16,847	8,891	10,307
Repayment of Government Loans and interest	23	19	16	201
Miscellaneous Receipts	22,156	11,827	8,257	24,358
Public Corporations	4,386	4,386	0	0
Central Bank of Malta	25,395	28,691	41,615	45,634
Grants	34,892	18,993	14,343	38,285
<b>Recurrent Revenue</b>	1,503,973	1,585,741	1,553,627	1,686,822
Extraordinary Receipts	3,322	33,318	0	0
Loans	67,224	232,722	355,793	478,902
<b>Total Revenue</b>	1,574,518	1,851,780	1,909,420	2,165,724

Source: The Treasury, Ministry of Finance, the Economy and Investment

## Government Recurrent Expenditure

(January-September)

Appendix Table 8.2

€ thousand

	2007	2008	2009	2010
Office of the President	1,195	1,129	1,383	1,537
House of Representatives	2,110	1,964	2,211	2,115
Office of the Ombudsman	326	253	328	328
National Audit Office	1,165	1,500	1,550	1,649
Office of the Prime Minister	10,990	11,604	14,559	17,628
Public Service Commission	245	275	248	293
Armed Forces of Malta	23,913	26,132	29,696	29,006
Tourism [Ministry for Tourism and Culture]	7,240	8,894	2,244	25,035
Local Government	14,274	20,298	16,054	25,879
Information	769	758	872	977
Government Printing Press	881	875	833	982
Electoral Office	2,676	5,102	4,862	1,313
Ministry of Foreign Affairs	14,854	15,904	15,651	15,534
Ministry for Gozo	34,132	37,517	39,048	39,896
Ministry for Infrastructure, Transport and Communication	-	-	65,884	39,167
Land and Public Registry Division	1,989	2,053	2,010	2,504
Ministry for Resources and [Infrastructure] Rural Affairs	27,631	28,403	68,366	66,211
Ministry of Education, [Youth & Employment] Culture, Youth and Sport	80,853	87,708	103,906	114,027
Education	87,436	91,239	94,050	98,730
Libraries and Archives	1,067	886	933	1,040
Ministry for [the Family & Social Solidarity] Social Policy	16,751	23,298	25,250	22,637
Social Security	102,464	108,052	112,501	120,415
Social Security Benefits	428,401	471,661	502,001	533,731
Social Welfare Standards	655	645	612	572
Health [Ministry of Health, the Elderly & Community Care]	148,821	180,547	204,528	198,963
Elderly and Community Care	28,546	33,358	38,850	39,684
Industrial and Employment Relations	881	769	868	882
Ministry of Finance, the Economy and Investment	51,092	57,090	60,043	81,762
Treasury	2,003	2,846	2,779	2,369
Pensions	58,197	62,195	64,180	65,284
Inland Revenue	4,335	3,895	3,968	4,353
Customs	7,554	8,162	7,996	7,833
V.A.T.	5,188	4,610	4,566	5,047

**Government Recurrent Expenditure**  
(January-September)

Appendix Table 8.2 continued

€ thousand

	2007	2008	2009	2010
Contracts	738	753	830	828
Economic Policy	724	722	753	734
Government Property Division	3,429	2,467	2,302	2,543
Commerce	2,721	2,671	1,554	1,062
Consumer and Competition	2,048	2,676	1,382	1,197
Ministry for Justice and Home Affairs	6,094	6,971	10,863	11,365
Judicial	6,285	6,604	7,060	7,393
Police	28,132	30,563	31,431	33,047
Correctional Services	5,740	5,856	6,446	6,578
Civil Protection	2,448	2,562	2,923	2,930
Civil Aviation	908	1,472	1,488	-
[Ministry for Competitiveness & Communications]	5,455	6,447	-	-
[Ministry for Investment, Industry & IT]	75,052	98,364	-	-
[Ministry for Resources and the Environment]	38,092	43,499	-	-
[Ministry for Urban Development & Roads]	8,901	10,803	-	-
[Housing]	1,891	2,042	-	-
<b>Recurrent Expenditure</b>	<b>1,357,296</b>	<b>1,524,095</b>	<b>1,559,862</b>	<b>1,635,060</b>

Note: [ ] denotes change in name of cost centres

Source: *The Treasury, Ministry of Finance, the Economy and Investment*

**Government Capital Expenditure**  
(January-September)

Appendix Table 8.3

€ thousand

	2007	2008	2009	2010
<b>Productive Investment</b>	26,469	42,796	58,433	49,985
Malta Tourism Authority	14,675	21,064	25,791	-
Development of Industry	2,073	3,401	9,957	6,735
Gozo	5,565	5,293	3,426	1,791
EU Agriculture Fund for Rural Development and EU Agriculture Guarantee Fund	0	0	8,645	10,199
Other	4,156	13,038	10,614	31,260
<b>Infrastructure</b>	73,431	79,777	70,641	127,504
Acquisition of Property	1,165	3,186	3,828	8,279
Upgrading Works at main Touristic Areas	792	1,101	1,365	2,700
Roads	19,175	14,150	9,324	13,286
Integrated Health Information System	-	7,988	3,680	3,527
ICT	7,603	12,340	14,091	14,417
Waste Treatment	10,887	16,073	17,481	32,882
Freeport	5,411	3,960	3,288	2,820
Other	28,397	20,979	17,584	49,593
<b>Social</b>	70,756	41,295	39,935	32,103
Health	52,315	17,775	3,043	3,234
Elderly and Community Care	890	795	1,171	579
Environment	6,990	10,000	10,580	5,662
Housing	1,034	1,956	3,210	2,628
Education	3,774	3,760	5,905	6,086
External Borders Fund	-	-	8,875	7,539
Other	5,753	7,009	7,151	6,375
<b>Total Capital Expenditure</b>	170,655	163,868	169,009	209,592

Source: The Treasury, Ministry of Finance, the Economy and Investment





## **Statistical Annex**

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Population

Table I

	2002	2003	2004	2005	2006	2007	2008	2009
<b>Total Population (000's)</b>	397.3	399.9	402.7	405.0	407.8	410.3	413.6	413.0
Males (000's)	196.8	198.1	199.6	200.8	202.6	204.1	205.9	205.4
Females (000's)	200.5	201.8	203.1	204.2	205.2	206.2	207.7	207.6
% Increase per annum	0.7	0.6	0.7	0.6	0.7	0.6	0.8	-0.2
Natural Increase per annum	887	886	888	728	669	760	883	922
Crude Birth Rate (per 1000 population)	9.9	10.2	9.7	9.6	9.6	9.5	10.0	10.0
Crude Mortality Rate (per 1000 population)	7.7	7.9	7.5	7.7	7.9	7.6	7.9	7.8
Crude Marriage Rate (per 1000 population)	5.7	5.9	6.0	5.9	6.2	6.1	6.0	5.7
Infant Mortality Rate (per 1000 births)	5.9	5.7	5.9	6.0	3.6	6.5	8.2	5.3
Life Expectancy (at birth)								
Males	75.8	76.4	76.7	77.7	76.8	77.2	76.7	77.7
Females	80.5	80.4	80.5	81.4	81.2	81.8	82.3	82.2
Life Expectancy (at age 65)								
Males	15.0	15.7	16.4	16.7	16.1	16.6	17.5	16.8
Females	19.0	18.7	18.8	19.8	19.5	20.1	20.5	20.6

Source: National Statistics Office

Table II  
Social Indicators

	2002	2003	2004	2005	2006	2007	2008	2009
GDP at current market prices per capita (€)	10,799	11,013	11,222	11,900	12,634	13,398	13,931	13,916
<b>Quality of Life</b>								
Motor Vehicle Licences per 1000 population	657.8	673.9	673.4	671.1	682.7	699.8	712.4	721.1
Internet Subscriptions per 1000 population	188.6	195.7	218.2	219.0	234.0	245.0	248.8	270.1
Mobile Phone Subscriptions per 1000 population	696.9	725.0	765.8	802.0	851.4	907.0	932.3	1,022.1
Fixed Telephone Lines per 1000 population	521.7	520.9	523.3	517.0	515.0	556.0	578.4	595.3
<b>Education<sup>(1)</sup></b>								
Number of teachers (000)	8.0	8.5	8.5	8.4	8.8	8.8	8.5	9.3
Number of pupils/students (000)	87.1	90.1	90.4	88.8	86.3	83.2	82.4	82.3
of which:								
University students (All Courses)	7,332	9,006	7,955	9,530	8,922	9,556	9,238	9,724
<b>Electricity</b>								
Total Generated (000 MWh)*	2,055.1	2,208.0	2,216.1	2,263.1	2,260.7	2,296.0	2,275.0	2,167.0
Number of Consumers (000)*	220.0	234.5	236.0	241.0	243.0	246.0	254.1	265.7
Domestic Consumption (million kwh)*	561.9	623.7	623.7	669.5	657.6	645	641	642.53
<b>Water</b>								
Total annual production (million m <sup>3</sup> )	34.1	34.2	32.8	31.3	30.5	31.0	31.0	30.0
Average daily consumption (000 m <sup>3</sup> )	93	94	90	88	90	88	84	82
<b>Social Security</b>								
Total Payments (€ million)	641.5	680.6	718.4	749.4	796.6	835.5	927.2	1,027.7
Total Contributions (€ million)	421.8	436.9	441.9	455.6	471.5	480.3	510.1	526.1
Welfare Gap (€ million)	219.4	241.8	276.5	293.7	325.2	355.3	417.1	501.6

\*Refer to Financial Year

<sup>(1)</sup> Education data has been revised

Source: National Statistics Office

### Factor Incomes in Gross National Income

€ million

Table III

	2002	2003	2004	2005	2006	2007	2008	2009	2008	2009	2010
									Jan-Jun	Jan-Jun	Jan-Jun
Compensation of employees	1,949.5	2,051.9	2,054.4	2,129.3	2,233.8	2,350.0	2,498.2	2,531.1	1,228.7	1,269.0	1,269.9
Gross operating surplus and mixed income	1,834.1	1,866.0	1,861.7	2,031.3	2,226.1	2,414.9	2,512.7	2,448.4	1,231.1	1,156.2	1,347.8
Taxes on production and imports	582.1	566.1	671.8	740.8	780.8	826.9	857.7	833.4	401.8	374.4	375.2
Subsidies	90.1	95.6	86.0	101.2	109.4	112.1	125.1	63.3	86.6	42.6	29.7
<b>Gross Domestic Product at market prices</b>	<b>4,275.6</b>	<b>4,388.4</b>	<b>4,501.8</b>	<b>4,800.3</b>	<b>5,131.3</b>	<b>5,479.8</b>	<b>5,743.5</b>	<b>5,749.7</b>	<b>2,775.0</b>	<b>2,757.0</b>	<b>2,963.2</b>
Net Income from Abroad	27.7	-22.4	-55.9	-217.9	-225.1	-207.7	-226.1	-380.4	-125.2	-200.8	-168.0
<b>Gross National Income at market prices</b>	<b>4,303.3</b>	<b>4,366.0</b>	<b>4,445.9</b>	<b>4,582.4</b>	<b>4,906.2</b>	<b>5,272.1</b>	<b>5,517.5</b>	<b>5,369.3</b>	<b>2,649.8</b>	<b>2,556.2</b>	<b>2,795.2</b>
<b>Sectoral Percentage Contribution to Gross Value Added (at basic prices)</b>											
Agriculture, hunting and forestry <sup>(1)</sup>	2.8		2.7	2.7	2.7	2.5	1.9	1.8	1.9	2.1	1.8
Industry <sup>(2)</sup>	25.4	24.8	23.0	22.3	22.0	21.9	21.6	19.4	21.8	20.3	19.2
Services Activities	71.8	72.3	74.3	75.0	75.2	75.7	76.6	78.8	76.3	77.6	79.0

<sup>(1)</sup>Includes fishing and operation of fish hatcheries and fish farms

<sup>(2)</sup>Includes energy and construction

Source: National Statistics Office

Table IV  
Gross National Income and Expenditure

	€ million										
	2002	2003	2004	2005	2006	2007	2008	2008	2009	2010	
	Jan-Jun Jan-Jun Jan-Jun										
<b>GNI at current market prices</b>	4,303.3	4,366.0	4,445.9	4,582.4	4,906.2	5,272.1	5,517.5	5,369.3	2,649.8	2,556.2	2,795.2
% annual increase of GNI	5.5	1.5	1.8	3.1	7.1	7.5	4.7	-2.7	6.1	-3.5	9.3
<b>GDP at current market prices</b>	4,275.6	4,388.4	4,501.8	4,800.3	5,131.3	5,479.8	5,743.5	5,749.7	2,775.0	2,757.0	2,963.2
% annual increase of GDP	5.9	2.6	2.6	6.6	6.9	6.8	4.8	0.1	5.5	-0.6	7.5
<b>GDP at constant prices</b>	4,011.5	3,999.2	4,035.3	4,197.3	4,349.9	4,510.7	4,626.8	4,528.5	2,237.4	2,165.6	2,252.8
<b>Total Final Consumption Expenditure</b>	3,563.2	3,739.2	3,960.6	4,109.8	4,275.4	4,390.1	4,835.8	4,882.7	2,318.5	2,365.3	2,437.1
current market prices	3,365.1	3,490.4	3,607.7	3,659.8	3,722.8	3,749.5	3,985.9	3,978.6	1,933.0	1,917.1	1,933.2
Ratio (%) of consumption to GDP at m.p.	83.3	85.2	88.0	85.6	83.3	80.1	84.2	84.9	83.5	85.8	82.2
<b>General Government Final Consumption Expenditure</b>	853.8	901.9	933.8	941.8	1,014.5	1,039.4	1,219.6	1,246.7	587.6	618.7	639.1
current market prices	767.7	792.8	796.3	789.9	836.3	835.9	942.6	935.9	457.1	463.2	465.6
Ratio (%) of Government consumption to GDP at m.p.	20.0	20.6	20.7	19.6	19.8	19.0	21.2	21.7	21.2	22.4	21.6
<b>Private Final Consumption Expenditure<sup>(1)</sup></b>	2,709.4	2,837.3	3,026.7	3,168.0	3,261.0	3,350.8	3,616.1	3,636.0	1,731.0	1,746.6	1,798.0
current market prices	2,597.4	2,697.5	2,811.4	2,869.9	2,886.6	2,913.6	3,043.3	3,042.7	1,475.9	1,453.8	1,467.6
Ratio (%) of private consumption to GDP at m.p.	63.4	64.7	67.2	66.0	63.6	61.1	63.0	63.2	62.4	63.4	60.7
<b>Gross Fixed Capital Formation</b>	695.3	861.3	862.9	963.1	1,080.6	1,196.0	957.2	848.6	532.6	393.0	417.9
current market prices	646.9	796.2	790.3	886.6	933.0	987.6	716.4	599.8	399.5	284.9	293.4
Ratio (%) fixed investment to GDP at m.p.	16.3	19.6	19.2	20.1	21.1	21.8	16.7	14.8	19.2	14.3	14.1

<sup>(1)</sup>Including NPISH final consumption expenditure

Source: National Statistics Office

Labour

	2002	2003	2004	2005	2006	2007	2008	2009	2008 Jun	2009 Jun	2010 Jun
<b>Labour Supply</b>	145,104	145,086	145,836	145,948	147,366	149,266	152,336	151,507	151,956	152,736	152,465
<b>Gainfully Occupied</b>	137,588	136,911	137,733	138,569	140,205	143,094	145,518	143,827	146,095	145,463	145,690
Males	97,834	96,888	97,178	97,298	97,601	98,719	99,159	97,064	100,090	98,764	97,857
Females	39,754	40,023	40,555	41,271	42,604	44,375	46,359	46,763	46,005	46,699	47,833
<b>Private Direct Production</b>	34,451	33,271	33,170	32,857	33,021	32,656	32,686	31,195	32,946	32,012	31,407
of which:											
Construction	7,269	7,145	7,422	7,966	8,323	8,666	8,941	8,427	8,840	8,645	8,342
Manufacturing	24,672	23,558	23,169	22,284	22,068	23,125	21,887	20,609	21,449	20,525	20,516
Others	2,510	2,568	2,579	2,607	2,630	865	1,858	2,159	2,657	2,642	2,549
<b>Private Market Services</b>	54,909	55,834	57,855	59,927	63,624	67,746	71,339	71,280	70,520	72,227	73,262
of which:											
Wholesale and Retail (including Repair of Motor Vehicles, Motorcycles and Personal and Household Goods)	19,981	20,371	20,999	21,330	21,246	21,533	22,143	22,108	21,926	22,097	22,118
Hotels and Restaurants	8,435	8,514	8,780	9,123	9,212	9,798	9,649	9,212	10,270	9,659	9,602
Transport Storage and Communications	5,843	5,796	6,524	6,704	7,908	8,760	9,176	8,994	8,982	9,390	9,013
Financial Intermediation	4,557	4,560	4,517	4,616	4,736	4,995	5,204	5,126	5,148	5,204	5,221
Others	16,093	16,593	17,035	18,154	20,522	22,660	24,967	25,840	24,184	25,677	27,308
<b>Public Sector</b>	47,154	46,826	45,747	44,970	42,827	41,993	40,782	40,710	41,995	40,680	40,520
of which:											
Government Departments	31,921	31,960	31,564	30,969	30,532	30,426	30,171	30,019	30,235	29,979	29,887
Independent Statutory Bodies	7,975	8,582	8,699	8,686	8,917	9,054	8,096	8,481	9,004	8,320	8,359
Companies with Public Sector majority s/hldg of which:	7,258	6,284	5,484	5,315	3,378	2,513	2,515	2,210	2,607	2,228	2,145
Direct Production	960	260	246	221	150	140	135	125	139	129	123
Market Services	6,298	6,024	5,238	5,094	3,228	2,373	2,380	2,085	2,468	2,099	2,022
<b>Temporary Employment</b>	1,074	980	961	815	733	699	711	642	783	697	630
<b>Registered Unemployed*</b>	7,516	8,175	8,103	7,379	7,161	6,172	6,818	7,680	5,861	7,273	6,775
Males	6,174	6,606	6,511	5,715	5,544	4,684	5,004	5,986	4,531	5,592	5,383
Females	1,342	1,569	1,592	1,664	1,617	1,488	1,369	1,694	1,330	1,681	1,392
Per cent of Labour Supply	5.2%	5.6%	5.6%	5.1%	4.9%	4.1%	4.2%	5.1%	3.9%	4.8%	4.4%
of which unemployment under Part I (%)	4.7%	5.2%	5.1%	4.6%	4.4%	3.7%	3.8%	4.6%	3.5%	4.4%	4.0%
Self Employed	15,674	15,860	15,159	16,521	16,632	17,001	17,243	17,381	17,177	17,418	17,483

Note: Employment data has been revised  
\* Includes both Parts I and II of the registered unemployed

Source: Employment and Training Corporation

**Tourism**

Table VI

	2002	2003	2004	2005	2006	2007	2008	2009	2008	2009	2010
									Jan-Aug	Jan-Aug	Jan-Aug
<b>Tourist Arrivals/Departures<sup>(1)(2)</sup> (000's)</b>	1,132.3	1,118.2	1,157.7	1,170.6	1,124.2	1,243.5	1,290.9	1,182.5	905.4	805.6	903.3
of which from:											
United Kingdom	467.4	473.1	453.0	482.6	431.3	482.4	454.4	398.5	306.8	260.2	277.6
Italy	88.2	92.7	102.6	92.4	112.5	113.7	144.5	161.7	109.4	121.3	156.7
Germany	148.5	125.4	135.2	138.2	125.8	130.0	150.8	127.4	103.5	83.9	79.8
Libya	25.0	17.5	12.8	10.7	9.2	9.3	9.4	14.3	6.0	9.9	10.9
Scandinavian Countries	40.0	47.0	68.9	72.6	73.7	87.3	85.5	66.8	59.9	44.9	61.0
Other	363.2	362.5	385.2	374.1	371.7	420.8	446.3	413.8	319.8	285.4	317.3
<b>Cruise Passengers (000's)<sup>(3)</sup></b>	341.6	383.6	285.0	312.3	392.9	477.1	537.7	419.6	407.5	294.8	344.8
<b>Gross Income (€ million)</b>	614.0	634.0	620.9	611.0	607.2	702.2	725.7	638.0	286.8 <sup>(4)</sup>	247.6 <sup>(4)</sup>	286.3 <sup>(4)</sup>
as ratio (%) of exports of goods and services	17.0	17.9	17.5	16.5	13.6	14.2	15.1	15.0	11.3 <sup>(4)</sup>	12.7 <sup>(4)</sup>	12.4 <sup>(4)</sup>
<b>Total Sector Employment in Hotels and Restaurants</b>	8,749	8,826	9,089	9,353	9,416	9,906	9,961	9,315	10,381 <sup>(5)</sup>	9,968 <sup>(5)</sup>	9,677 <sup>(5)</sup>
% of Gainfully Occupied	6.4	6.4	6.6	6.7	6.7	6.9	6.8	6.5	7.1 <sup>(5)</sup>	6.9 <sup>(5)</sup>	6.9 <sup>(5)</sup>
<b>Travel Abroad (000's)</b>	156.7	174.4	220.2	224.9	257.2	279.7	301.3	301.7	170.7 <sup>(6)</sup>	171.3 <sup>(6)</sup>	180.4 <sup>(6)</sup>
Estimated Expenditure (€ million)	154.6	188.5	205.1	216.3	253.0	271.9	306.5	309.7	118.7 <sup>(6)</sup>	120.8 <sup>(6)</sup>	125.9 <sup>(6)</sup>
<b>Days Stayed / Nights Spent<sup>(3)</sup> (000's)</b>	10,599	11,293	11,175	11,085	10,661	11,017	11,262	9,949	7,757	6,886	7,662
% of which spent in :											
5 star	8.5	8.4	9.4	10.6	11.8	14.0	14.3	16.4	13.4	16.0	14.7
4 star	29.6	27.9	32.7	34.0	35.3	33.5	32.8	31.2	33.5	31.0	32.8
3 star	16.4	15.6	18.0	19.7	16.6	15.2	13.0	12.0	13.7	12.4	12.8
2 star	1.7	1.8	1.3	0.9	1.9	2.1	2.3	1.4	2.8	1.5	1.0
1 star	-	-	-	-	-	-	-	-	-	-	-
Unclassified	0.1	0.2	0.1	0.1	-	-	-	-	-	-	-
Guest Houses	0.5	0.6	0.7	0.8	0.5	0.5	1.0	0.6	1.1	0.6	0.8
Flats/Private Residences	33.8	33.1	29.7	26.9	27.2	28.3	29.2	31.4	28.3	30.9	30.7
Complexes/Tourist Village/Aparthotels	9.4	12.6	8.1	7.0	6.7	6.4	7.3	7.0	7.1	7.6	7.2

<sup>(1)</sup>As from 2001 tourism data is based on the Inbound Tourism Survey

<sup>(2)</sup>Until March 2004, data for sea arrivals taken from embarkation cards. Thereafter, data for sea departures taken from Inbound Tourism Survey

<sup>(3)</sup>Excluding Maltese cruise passengers; data for the months of January to September

<sup>(4)</sup>Data as at end of June

<sup>(5)</sup>Data for January-August period

<sup>(6)</sup>Data for January-August period

Source: National Statistics Office, Employment & Training Corporation



**Foreign Trade**

Table VII

€ million

	2002	2003	2004	2005	2006	2007	2008	2009	2008	2009	2010
									Jan-Aug	Jan-Aug	Jan-Aug
<b>Imports and Exports</b>											
Imports (c.i.f.)	2,859.1	2,984.7	3,328.6	3,117.2	3,489.3	3,578.0	3,623.0	3,087.2	2,460.3	2,101.1	2,275.5
Consumer goods	744.7	784.1	851.4	911.3	941.9	1,018.2	1,092.7	961.0	722.8	626.4	639.1
Industrial supplies	1,648.5	1,709.8	1,641.9	1,642.5	1,892.4	1,924.0	1,940.1	1,429.4	1,345.1	937.2	1,124.8
Capital goods and others	465.9	490.8	835.3	563.4	650.0	635.8	590.2	676.8	392.4	537.5	511.6
Total Exports (f.o.b.)	2,255.8	2,162.4	2,112.3	1,959.1	2,256.8	2,287.6	2,089.8	1,654.3	1,364.8	1,065.4	1,419.1
of which manufactures	2,089.7	2,122.8	2,057.8	1,900.1	2,176.2	2,171.9	1,984.8	1,632.5	1,347.6	1,052.7	1,381.4
Trade Gap	-603.3	-822.3	-1,216.3	-1,158.1	-1,232.5	-1,290.4	-1,533.2	-1,412.8	-1,095.5	-1,035.7	-856.4
as % of GDP at current market prices	-14.1	-18.7	-27.0	-24.1	-24.0	-23.5	-26.7	-24.6	-28.5 *	-26.9 *	-17.0 *
<b>Selected Groupings</b>											
<b>EU</b>											
EU											
Imports	1,941.2	2,042.9	2,497.1	2,265.9	2,423.8	2,585.6	2,658.6	2,193.4	1,830.1	1,458.7	1,406.8
Exports	1,026.8	1,001.9	1,017.4	1,004.7	1,150.8	1,107.0	950.4	744.0	658.5	478.9	604.4
United Kingdom											
Imports	297.5	276.3	367.4	335.9	344.5	489.5	453.8	363.1	316.3	248.5	206.4
Exports	261.4	253.9	242.3	216.2	213.2	222.1	165.3	99.0	115.5	66.5	87.0
Italy											
Imports	632.9	685.8	772.3	966.7	967.3	876.9	999.9	757.6	669.3	484.1	521.4
Exports	76.2	73.4	65.0	100.5	81.4	90.8	113.8	91.1	85.0	59.9	69.5
Germany											
Imports	229.4	235.3	391.9	280.1	263.2	290.5	286.8	270.2	185.3	184.3	192.5
Exports	218.0	221.8	228.4	236.3	283.0	305.3	288.9	219.3	192.7	142.9	178.0
France											
Imports	477.8	509.9	566.3	291.3	405.9	420.1	365.4	315.0	253.8	200.3	185.6
Exports	279.5	280.0	327.5	283.8	326.7	271.3	237.2	186.9	156.8	116.4	147.9
America											
Imports	296.8	270.0	197.7	189.7	218.2	241.4	119.7	189.0	85.5	152.6	229.8
Exports	381.3	333.6	351.0	301.7	288.8	279.7	209.5	185.3	141.4	107.0	153.3
Africa											
Imports	40.3	25.2	59.9	125.3	50.3	29.3	74.7	52.2	35.3	35.7	68.6
Exports	104.4	81.8	109.3	143.2	120.5	121.3	132.4	137.2	89.9	92.8	108.7
Asia											
Imports	430.9	489.6	457.9	417.6	635.0	587.2	583.9	437.5	409.9	300.1	369.0
Exports	577.0	594.5	544.4	460.9	631.4	719.9	713.9	528.1	414.4	349.2	421.6

\* Based on Jan - Jun GDP and Trade data  
Source: National Statistics Office

**Balance of Payments**

	€ million										
	2002	2003	2004	2005	2006	2007	2008	2009	2008 Jan-Jun	2009 Jan-Jun	2010 Jan-Jun
<b>Goods Balance<sup>(a)</sup></b>	-343.7	-565.1	-693.3	-804.4	-866.2	-981.5	-1,230.1	-970.0	-855.6	-455.0	-323.1
Imports (f.o.b.)	-2,700.5	-2,836.3	-2,881.5	-2,997.5	-3,301.5	-3,386.2	-3,400.5	-2,698.3	-1,743.0	-1,243.0	-1,421.8
Exports (f.o.b.)	2,356.8	2,271.2	2,188.2	2,093.2	2,335.4	2,406.7	2,170.4	1,728.3	1,087.3	788.0	1,098.7
<b>Services-Net</b>	446.3	489.7	518.2	647.7	713.1	925.7	1,059.0	979.3	436.2	431.2	465.9
Transport-net	-14.2	-21.8	63.7	63.6	79.5	86.0	145.0	103.8	67.8	50.8	21.9
Travel-net	459.4	445.4	415.8	394.7	354.1	430.4	419.2	328.2	166.1	126.9	160.4
Other Services-net	1.2	66.1	38.6	189.3	279.4	409.3	484.9	547.3	202.4	253.5	283.7
<b>Income-Net</b>	27.7	-22.4	-45.0	-199.6	-212.5	-191.0	-204.6	-370.6	-114.6	-195.2	-168.0
Compensation of Employees-net	12.9	13.1	12.2	9.2	-2.8	2.1	-10.4	0.9	-4.7	-0.1	0.2
Investment Income-net	14.7	-35.5	-57.2	-208.8	-209.7	-193.0	-194.2	-371.5	-109.9	-195.1	-168.1
<b>Current Transfers-Net</b>	-25.6	-38.8	-46.2	35.9	-6.4	-57.4	47.4	-37.6	106.6	143.9	-26.3
General Government-net	7.3	20.8	11.7	21.7	1.3	-31.4	67.5	-30.4	120.4	156.9	-20.9
Private-net	-32.9	-59.6	-57.9	14.2	-7.7	-26.1	-20.1	-7.2	-13.8	-13.0	-5.4
<b>Current A/C-Net</b>	104.8	-136.5	-266.3	-420.4	-472.0	-304.2	-328.3	-386.8	-225.5	-75.2	-51.4
Goods Balance <sup>(a)</sup> as % of GDP at m.p.	-8.0%	-12.9%	-15.4%	-18.6%	-18.8%	-17.9%	-21.4%	-16.9%	-23.6%	-16.5%	-10.9%
Imports Balance as % of GDP at m.p.	10.4%	11.2%	11.5%	13.5%	13.9%	16.9%	18.4%	17.0%	16.6%	15.6%	15.7%
Income a/c Balance as % of GDP at m.p.	0.6%	-0.5%	-1.0%	-4.2%	-4.1%	-3.5%	-3.6%	-6.4%	-4.1%	-7.1%	-5.7%
Current a/c Balance as % of GDP at m.p.	2.5%	-3.1%	-5.9%	-8.9%	-9.2%	-5.6%	-5.7%	-6.9%	-8.1%	-2.7%	-1.7%
<b>Capital A/C-Net</b>	6.7	15.4	66.8	155.7	153.1	51.7	28.5	70.1	12.0	10.9	34.2
<b>Financial A/C-Net<sup>(2)</sup></b>	-50.4	96.0	136.3	299.8	313.2	305.3	347.7	130.6	252.5	59.2	-161.5
Direct Investment-net	-471.0	367.7	312.9	560.1	1,468.1	726.5	428.5	560.3	138.7	210.5	484.7
Portfolio Investment-net <sup>(3)</sup>	-37.3	-1,394.8	-1,692.4	-2,137.3	-1,990.3	367.8	367.4	-1,908.2	-1,419.4	-51.1	-2,065.3
Financial Derivatives-net <sup>(3)</sup>	-	21.0	-14.0	-18.4	24.9	120.2	-343.0	-70.4	-18.5	-60.8	27.1
Other Investment-net <sup>(3)</sup>	1,021.8	1,229.5	1,398.7	2,083.3	883.5	-582.8	-214.8	1,551.3	1,574.9	33.0	1,309.8
Reserve Assets <sup>(3)</sup>	-263.8	-127.5	161.1	-187.8	-83.0	-326.5	108.7	-2.4	-23.3	-72.5	82.1

<sup>(1)</sup>For Balance of Payments purposes, both imports and exports are taken at f.o.b. thus the trade balance is different from that shown under Table VII

<sup>(2)</sup>The Financial Account-Net in this table includes Reserve Assets but does not include Errors and Omissions.

<sup>(3)</sup>As from 1 January 2008, following Malta's entry into the euro area, a reclassification of the external reserves of the country has been carried out. Indeed, this meant that, as from this date, all cross-border claims that Malta has within the euro area as well as the cross-border liabilities of Malta to the rest of the world are classified as 'Other Investment-net' in the Balance of Payments account. The Central Bank (ECB) in exchange for a claim on the ECB, which, being an intra-Eurosystem asset, is also not considered as being part of the country's external reserves. As a result of this, the portfolio investment account, the financial derivatives account and the other investment account recorded significant changes in their net balances.

Note: The balance of payments is being compiled in accordance with the fifth edition of the IMF's Balance of Payments Manual.

Source: National Statistics Office

Table IX  
Government Revenue and Expenditure

	€ million										
	2002	2003	2004	2005	2006	2007	2008	2009	2008	2009	2010
									Jan-Sep	Jan-Sep	Jan-Sep
Government Recurrent Revenue	1,676.7	1,721.9	1,893.8	2,088.1	2,200.6	2,224.5	2,302.1	2,370.8	1,585.7	1,553.6	1,686.8
Increase/(Decrease) % per annum	7.7	2.7	10.0	10.3	5.4	1.1	3.5	3.0	5.4	-2.0	8.6
of which:											
Tax Revenue	1,478.5	1,566.7	1,635.2	1,724.4	1,857.1	1,982.0	2,096.3	2,130.1	1,437.7	1,415.0	1,499.0
Direct Tax Revenue	864.9	916.8	933.6	972.0	1,069.0	1,143.7	1,246.0	1,285.5	817.0	857.9	899.9
Indirect Tax Revenue	613.6	639.6	701.6	752.4	788.1	838.3	852.3	864.6	620.7	557.1	599.1
Non-Tax Revenue	198.3	165.2	258.6	363.6	343.5	242.4	203.8	240.6	148.0	138.7	187.9
Total Government Expenditure	1,881.0	1,967.6	2,112.7	2,263.5	2,335.4	2,333.6	2,535.3	2,667.8	1,844.1	1,887.5	1,986.6
Increase/(Decrease) % per annum	7.1	4.6	7.4	7.1	3.2	-0.1	8.6	5.2	10.1	2.4	5.2
of which:											
Recurrent Expenditure	1,504.8	1,578.6	1,707.0	1,784.3	1,835.9	1,896.6	2,124.1	2,204.4	1,524.1	1,559.9	1,635.1
Capital Expenditure	227.6	242.3	243.7	305.1	319.2	257.9	222.1	271.3	163.9	169.0	209.6
% of Total Government Expenditure	12.1	12.3	11.5	13.5	13.7	11.1	8.8	10.2	8.9	9.0	10.6
Interest on Public Debt	148.6	146.8	162.1	174.2	180.2	179.1	189.0	192.0	156.1	158.6	141.9
Structural Deficit	-204.2	-245.7	-219.0	-175.4	-134.8	-109.1	-233.1	-297.0	-258.3	-333.9	-299.8
Financed by:											
Extraordinary Receipts	94.6	4.9	20.7	59.6	201.8	14.9	33.3	2.8	33.3	0.0	0.0
Receipts from sale of shares	63.6	0.0	0.0	50.8	172.8	0.0	0.0	0.0	0.0	0.0	0.0
Sinking Funds of Converted Loans	31.0	4.9	20.7	8.9	29.0	14.9	33.3	2.8	33.3	0.0	0.0
Sinking Fund Contribution & Direct Loan Repayment	-27.5	-29.6	-62.7	-32.1	-26.7	-21.2	-111.4	-269.4	-102.7	-259.6	-164.3
Equity Acquisition	0.0	0.0	0.0	0.0	0.0	0.0	-6.5	-0.5	-6.5	-0.5	0.0
Loan Facility Agreement with the Hellenic Republic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-19.8
Public Sector Borrowing Requirement	-137.1	-270.4	-260.9	-147.9	40.3	-115.5	-317.7	-584.2	-334.2	-594.1	-483.8
Loans	24.7	307.7	232.7	256.2	0.0	126.0	285.7	455.8	232.7	355.8	478.9

Source: National Statistics Office

### Monetary Aggregates and Their Counterparts\*

Table Xa

	2000	2001	2002	2003	2004	2005	2006	2007
<b>Broad Money (M3) (Lm million)</b>	2,256.3	2,481.1	2,781.5	2,849.2	2,918.3	3,041.6	3,199.0	3,552.6
<b>Intermediate Money (M2)</b>	2,256.3	2,481.1	2,781.5	2,849.2	2,918.3	3,041.6	3,199.0	3,552.6
% Increase per annum of which:	10.0	12.1	2.4	2.4	2.4	4.2	5.2	11.1
Narrow Money (M1)	1,201.6	1,282.9	1,367.4	1,490.9	1,580.9	1,670.1	1,656.8	1,586.4
Currency in Circulation	396.3	418.9	436.8	460.4	486.0	498.9	477.8	262.0
% Increase/ (Decrease) per annum	5.7	4.3	5.4	5.4	5.6	2.7	-4.2	-45.2
Deposits withdrawals on demand	805.3	864.0	930.5	1,030.5	1,094.9	1,171.1	1,179.1	1,324.5
Deposits redeemable at notice up to 3 months	24.7	26.3	27.9	28.8	30.0	31.4	30.8	45.2
Deposits with agreed maturity up to 2 years	1,030.0	1,171.9	1,386.2	1,329.5	1,307.3	1,340.1	1,511.4	1,920.9
<b>Domestic Credit</b>	2,180.0	2,324.1	2,401.4	2,467.4	2,603.1	2,636.7	2,878.9	3,187.3
of which:								
Net Claims of Central Government	446.4	512.0	539.5	568.4	545.1	442.7	365.0	439.5
Claims on other residents	1,733.5	1,812.1	1,862.0	1,899.0	2,058.0	2,194.0	2,513.9	2,747.8
<b>Net Foreign Assets</b>	979.5	1,089.6	1,301.3	1,598.3	1,625.7	1,809.5	2,062.7	2,232.3
Increase/(Decrease) % per annum of which:	11.2	19.4	22.8	1.7	11.3	14.0	8.2	
Central Bank of Malta	649.3	766.5	881.6	919.8	870.3	932.6	950.8	1,087.4
Other Monetary Financial Institutions	330.3	323.1	419.7	678.5	755.4	876.9	1,111.9	1,144.9
Other Counterparts to Broad Money	903.2	932.6	921.3	1,216.5	1,310.6	1,404.6	1,742.6	1,867.1

\*In October 2003, the definitions of the main monetary aggregates and their counterparts were revised in accordance with ECB Regulation 2001/13. Thus, data prior to October 2003 are estimates based on this regulation.

Source: Central Bank of Malta

### Contribution of Resident MFIs to Euro Area Monetary Aggregates and Counterparts<sup>(1)</sup>

Table X b

€ million

	2008	2009	2010* Jan-Aug
<b>Broad Money (M3)<sup>(2)</sup></b>	8,680.3	8,559.1	8,882.6
<b>Intermediate Money (M2)</b>	8,824.5	8,671.1	8,942.2
% Increase/ (Decrease)		-1.7	3.1
of which:			
Narrow Money (M1)	3,849.6	4,359.5	4,805.5
Currency issued <sup>(3)</sup>	669.2	639.8	659.5
% Increase/ (Decrease)		-4.4	3.1
Overnight deposits <sup>(4)</sup>	3,180.4	3,719.8	4,146.0
Deposits redeemable at notice up to 3 months <sup>(4)</sup>	114.3	111.7	113.8
Deposits with agreed maturity up to 2 years <sup>(4)</sup>	4,860.7	4,199.9	4,022.9
<b>Credit Counterpart<sup>(5)</sup></b>	12,092.5	13,153.9	14,098.6
of which:			
Credit to residents of Malta	8,867.4	9,656.0	10,147.4
Credit to other Euro area residents	3,225.1	3,497.9	3,951.2
<b>Net claims on non-residents of the Euro area</b>	7,378.2	6,653.5	9,131.5
<b>Other counterparts (net)<sup>(6)</sup></b>	10,790.5	11,248.3	14,347.5

\* Provisional

<sup>(1)</sup> Figures show the contribution of Maltese monetary financial institutions (MFIs) to the euro area aggregates

<sup>(2)</sup> M3 comprises M2, repurchase agreements and debt securities with agreed maturity of up to 2 years. The latter comprise debt securities up to 2 years issued by MFIs in Malta less holdings by MFIs in Malta of such securities issued by MFIs anywhere in the Euro area. Consequently, net amounts may be negative, such that the effect of these marketable instruments on the Maltese contribution to Euro area M3 may be negative.

<sup>(3)</sup> Comprises the Central Bank of Malta's share of Euro banknotes issued by the Eurosystem, plus coins issued by the Bank on behalf of the Treasury, less holdings of issued Euro banknotes and coins held by the MFI sector.

<sup>(4)</sup> Deposits with MFIs exclude interbank deposits and deposits held by central government.

<sup>(5)</sup> Credit includes, besides lending, claims in the form of debt securities and shares and other equity.

<sup>(6)</sup> Includes net interbank claims/liabilities within the MFI sector. These counterparts make a negative contribution to M3.

Source: Central Bank of Malta