

Economic Survey

November 2011

Economic Policy Department
Ministry of Finance, the Economy and Investment
14th November, 2011

CIP Data

Economic survey November 2011 / Economic Policy Department. - Valletta : Ministry of Finance, the Economy and Investment, 2011. 203 p. 24 cm.

ISBN: 978-99932-94-51-1

ISBN: 978-99932-94-52-8 Electronic version

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 1st November 2011.

Printed at the Government Press

Price: €5.00

Contents

	page
1. State of the Economy	3
Local Scene	5
Economic Growth	5
Sectoral Contributions to Gross Value Added.....	5
Labour Market.....	6
Productive Activities.....	6
Services Activities.....	7
Prices and Incomes.....	8
Foreign Trade and Payments.....	9
Financial Developments.....	9
International Scene	11
Recent Developments	15
Commodities Markets	17
Future Economic Prospects.....	19
2. Economic Growth	25
National Expenditure.....	26
Private Final Consumption Expenditure	29
General Government Final Consumption Expenditure.....	30
Gross Capital Formation	31
Foreign Demand and Supply.....	32
Sectoral Contribution to Gross Value Added.....	32
Gross National Income.....	36
3. Employment.....	43
Labour Market Developments.....	43
Private and Public Sector Employment	47
Sectoral Employment	49
Direct Production	49
Market Services.....	54
Unemployment	57
Part-Time Activity	60
4. Productive Activities	65

Domestic Manufacturing Performance.....	71
Food Products	71
Beverages	71
Wearing Apparel.....	73
Printing and Reproduction of Recorded Media	73
Basic Pharmaceutical Products	73
Rubber and Plastic Products	74
Computer, Electronic and Optical Products.....	75
Other Manufacturing.....	75
Gross Value Added in Manufacturing	77
Agriculture and Fisheries	82
Economic Accounts for Agriculture.....	83
Fisheries	89
5. Services Activities.....	99
Tourism.....	101
Monthly Distribution.....	102
Tourist Nationality	105
Cruise Passengers.....	107
Accommodation	107
Employment.....	109
Tourism Earnings	111
Malta Financial Services Authority	111
Malta Enterprise Corporation.....	114
6. Prices and Incomes	121
Inflation	121
International Comparison	126
Sectoral Wages	128
7. Foreign Trade and Payments.....	137
Foreign Trade	138
Exports	140
Geographical Distribution - Exports	142
Imports	144
Geographical Distribution - Imports	146
Geographical Distribution - Trade Balance.....	148
Balance of Payments	149
The Current Account	149

The Goods and Services Account	150
The Income Account and Current Transfers	153
The Capital and Financial Account	155
8. Financial Developments.....	161
Public Finance	162
Revenue.....	162
Expenditure	165
Recurrent Expenditure	165
Capital Expenditure.....	168
International Comparison.....	171
Monetary Developments	174
Contribution of Resident MFIs to Euro Area Monetary Aggregates	174
Contribution of Resident MFIs to Counterparts to Euro Area Monetary Aggregates.....	176
The Money Market.....	179
Deposit and Lending Rates	180
The Capital Market	181
Exchange Rate Developments.....	181

Boxes

2.1 Forecast Estimates for January-December 2011	25
3.1 The Labour Force Survey	45
4.1 The Industrial Production Index	69
4.2 Recent Developments in the Agricultural Sector	87
6.1 Harmonised Index of Consumer Prices (HICP).....	122
8.1 General Government Budgetary Developments	170

Tables

1.1 World GDP, Volume	12
1.2 Inflation: Harmonised Index of Consumer Prices.....	13
1.3 Unemployment Rate	14
1.4 Projections	19
2.1 GDP by Category of Expenditure	27
2.2 GDP by Category of Expenditure - Percentage Changes	28
2.3 GNI, Private Final Consumption Expenditure and Expenditure by Tourists.....	30

2.4	Gross Fixed Capital Formation.....	31
2.5	Sectoral Contribution to Gross Value Added.....	33
2.6	Gross National Income.....	37
2.7	Average Weekly Wage per Employee.....	38
3.1	Labour Market Performance.....	44
3.2	Public Sector Employment.....	49
3.3	Employment in Direct Production.....	51
3.4	Changes in Manufacturing Employment.....	51
3.5	Manufacturing Employment.....	52
3.6	Changes in Employment in Market Services.....	55
3.7	Employment in Market Services.....	56
3.8	Registered Unemployed by duration of registration.....	58
3.9	Registered Unemployed by age distribution.....	59
3.10	Registered Unemployed Classified by Occupation.....	59
3.11	Part-Time Employment.....	61
4.1	Shares in total Gross Value Added.....	79
4.2	Gross Value Added.....	80
4.3	Factor Income Distribution - per cent of GVA.....	81
4.4	Agriculture Factor Income at Current Prices.....	84
4.5	Distribution of Factor Income at Current Prices.....	84
4.6	Final Production at Basic Prices by Type of Product at Current Market Prices.....	85
4.7	Annual Producer Price Indices for Agricultural Products.....	86
4.8	Fresh Fish Indices.....	89
5.1	Main Tourism Indicators.....	100
5.2	Monthly Tourist Departures.....	103
5.3	Quarterly Distribution of Tourist Departures.....	104
5.4	Tourist Departures by Nationality.....	106
5.5	Main Types of Tourist Accommodation.....	108
5.6	Monthly Accommodation Occupancy Rates - 2011.....	109
5.7	Earnings from Tourism.....	110
6.1	12-Month Moving Average Inflation Rate.....	123
6.2	Retail Price Index.....	123
6.3	Index by Commodity Group - Average for 12 months to September.....	124
6.4	European Union Inflation Rates.....	127
6.5	Average Weekly Wages - September 2010.....	130
6.6	Average Weekly Wages - September 2011.....	131
6.7	Changes in Average Weekly Wages.....	132
6.8	Proportion of Sampled Employees in Wage Ranges.....	133
7.1	Foreign Trade.....	139
7.2	Commodity Breakdown of Exports.....	141
7.3	Total Exports by Main Geographical Areas.....	143
7.4	Imports by Broad Economic Category.....	144

7.5	Total Imports by Main Geographical Areas.....	147
7.6	Trade Balances with Various Countries.....	148
7.7	Balance of Payments - Goods, Services and Income Account (Net).....	151
7.8	Balance of Payments - Current Account.....	154
7.9	Current, Capital and Financial Flows.....	157
8.1	Government Revenue and Expenditure.....	162
8.2	General Government Net Lending or Borrowing.....	172
8.3	General Government Gross Debt.....	173
8.4	Contribution of Resident MFIs to Euro Area Monetary Aggregate.....	175
8.5	Resident Deposits.....	177
8.6	Contribution of Resident MFIs to Counterparts to Euro Area Monetary Aggregates.....	177
8.7	Credit to Other Residents - Loans by Economic Activity.....	178
8.8	Government Stocks - Activity on the Secondary Market.....	182
8.9	Selected Indicators of the Capital Market.....	183

Appendix Tables

4.1	Indicators of Industrial Activity.....	90
4.2	Short-term Activity Indicators for Manufacturing.....	91
8.1	Government Revenue.....	187
8.2	Government Recurrent Expenditure.....	188
8.3	Government Capital Expenditure.....	190

Charts

1.1	Inflation Rates.....	12
1.2	Unemployment Rates.....	13
1.3	Brent Average Monthly Prices of Crude Oil.....	18
2.1	Real Gross Domestic Product per capita.....	26
2.2	Contribution to Growth in Gross Value Added.....	35
2.3	Compensation of Employees and GDP.....	37
2.4	Average Weekly Compensation per Employee.....	38
3.1	Labour Force and Gainfully Occupied Population.....	46
3.2	Gainfully Occupied Population - Private and Public Sectors Percentage Shares.....	48
3.3	Direct Production - Total Sector Employment.....	50
3.4	Developments in Employment in Selected Manufacturing Sectors.....	53
3.5	Market Services - Total Sector Employment.....	55
3.6	Developments in Employment in Selected Market Services Sectors.....	57
4.1	Developments in the Industrial Turnover.....	66
4.2	Developments in Exports and Domestic Sales.....	66

4.3	Growth rates in the Wages and Salaries of the Industry	67
4.4	Exports and Domestic Sales in the Manufacturing Sector.....	68
4.5	Growth in the Wages and Salaries of the Manufacturing Sector	68
4.6	Turnover Growth in the Food Products Sub-sector	71
4.7	Turnover Growth in the Beverages Sub-sector.....	72
4.8	Turnover Growth in the Wearing Apparel Sub-sector.....	72
4.9	Turnover Growth in the Printing and Reproduction of Recorded Media Sub-sector	73
4.10	Turnover Growth in the Basic Pharmaceuticals Sub-sector	74
4.11	Turnover Growth in the Rubber and Plastic Products Sub-sector	75
4.12	Turnover Growth in the Computer, Electronic and Optical Products Sub-sector	76
4.13	Turnover Growth in the Other Manufacturing Sub-sector.....	76
4.14	Manufacturing Gross Value Added	78
4.15	Composition of Gross Value Added	78
5.1	Tourist Departures.....	104
5.2	Tourist Market Shares	105
5.3	Tourist Earnings - per capita	110
6.1	12-Month Moving Average Inflation Rate	124
7.1	Foreign Trade	139
7.2	Rate of Import Cover	140
7.3	Breakdown of Exports	141
7.4	Breakdown of Consumer Imports.....	145
7.5	Total Imports	145
7.6	Current Account Balance	149
7.7	Goods and Services Account Balance.....	151
8.1	Government Recurrent Revenue and Total Expenditure	163
8.2	Government Total Expenditure	166
8.3	Capital Expenditure	169
8.4	Interest Rates and Margins.....	181
8.5	Euro Exchange Rate Movements.....	184

Statistical Annex

I.	Population	193
II.	Social Indicators	194
III.	Factor Incomes in Gross National Income.....	195
IV.	Gross National Income and Expenditure	196
V.	Labour.....	197
VI.	Tourism	198
VII.	Foreign Trade	199

VIII. Balance of Payments.....	200
IX. Government Revenue and Expenditure	201
Xa. Monetary Aggregates and their Counterparts.....	202
Xb. Contribution of Resident MFIs to Euro Area Monetary Aggregates and Counterparts	203

1. State of the Economy

1. State of the Economy

Following the recovery in economic growth recorded in 2010, the Maltese economy continued to expand during the first half of 2011, in an environment that is increasingly marked by uncertainty and turmoil in view of the ongoing financial crisis particularly affecting highly-indebted economies in the Euro Area. In fact, whilst the world economy exhibited an encouraging performance in the first half of 2011, early signs of a slowdown could be noted as from the second quarter of 2011.

During the Survey period, Malta's main trading economies registered positive growth rates although their rate of expansion was uneven with signs of a slowdown emerging. Global trade was robust in the first half of 2011 with a year-on-year growth rate of around 10 per cent registered in the first quarter of 2011. Against this background, the Maltese economy grew in real terms by 2.3 per cent and 2.8 per cent in the first quarter and second quarter of 2011 respectively. The performance of the labour market was also encouraging as at June 2011, with a rise being recorded in full-time and part-time employment and a decline in the number of people registering for work. It is noteworthy that female participation in the labour market contributed most towards the increase recorded in the labour supply. Meanwhile, inflation as measured by the 12-month moving average of the Retail Price Index followed an upward trend since September 2010, reaching 2.73 per cent in September 2011.

Following the recessionary period experienced in 2009, the labour market continued to show signs of recovery as the number of persons in both full-time and part-time employment increased while unemployment declined. Indeed, a significant increase was recorded in the manufacturing sector. However, substantial increases in employment growth were also recorded in the real estate, renting and business activities sector, the health sector and the other community, social and personal service activities sector. Following these developments, the share of market services employment in total employment continued to increase.

The total turnover index for the industry rose by 1.4 per cent in the first seven months of 2011 reflecting a rise in the turnover index of the manufacturing sector. Meanwhile, the water and electricity supply sector and, to a lesser extent, the mining and quarrying sector registered a decline in the same period.

During the first nine months of 2011, tourist departures increased by 6.6 per cent over the previous comparable period, to reach 1,126,543 visitors. Even after

an adjustment to the influx of passengers from Libya following the political conflict in Libya, the recovery in the domestic tourism industry remains notable during the period under review. In line with this positive performance in tourist departures, earnings from tourism registered an increase of 20.6 per cent during the first half of 2011, to reach €343.8 million. During the first three quarters of 2011, cruise passenger arrivals to Malta increased by 17.1 per cent, reaching a level of 403,703 arrivals.

The inflation rate, as measured by the twelve-month moving average Retail Price Index, increased gradually during the last twelve months to September 2011, reaching 2.73 per cent from 0.96 per cent recorded in October 2010. This increase was mainly attributable to higher prices of food, transport and communications, and housing.

The current account deficit stood at €6.9 million during the first two quarters of 2011 when compared to a deficit of €11.1 million recorded in the same period of the previous year. This improvement was primarily attributable to a decline of €175.0 million in the goods account deficit, which was however not broad-based among the different economic sectors. A marginal improvement in the services account surplus and net current transfer inflows also contributed to the improvement in the current account deficit. On the other hand, the income account deficit increased substantially to partially offset these positive contributions.

During January-September 2011, the shortfall between recurrent revenue and central Government total expenditure reached €188.4 million from €299.8 million registered in the same period in 2010. This was mainly the result of higher tax revenue, particularly from indirect taxation, which more than offset the increase registered in total expenditure.

Concluding, the data available for 2011 suggests that the Maltese economy performed positively when compared to a year earlier as economic growth continued to support the improvement in the labour market, while inflation was on the rise. The international economic environment remains highly challenging, especially in view of links between sovereign markets, the stability of the banking sector and the real economy. In addition, short-term indicators from the Euro Area as well as forecasts by leading institutions point towards the weakening of the current business cycle position, an element that compounds the difficulties associated with the sovereign debt crisis.

In view of the openness of the Maltese economy, it is inevitable that the

worsening of the international economic environment, especially that of our main trading partners, will condition domestic economic developments. Beyond that, the ongoing financial crisis has focused the attention of policy-makers in Malta and elsewhere on the need to address macroeconomic imbalances, ensure that economies and markets remain competitive while pressing forward with the reigning in of excessive fiscal imbalances, prerequisites for ensuring the sustainability of the welfare state.

Higher levels of debts do not only require higher primary surpluses to cover the additional interest payments, but can also affect growth prospects. Thus, prudence in fiscal policymaking remains key in fostering confidence in the sustainability of public finances, especially in view of the difficulties posed by an ageing population. Equally important is the focus on macroeconomic imbalances, especially the current account deficit and its financing. An important policy tool in this area relates to the country's competitiveness policy, as action on a number of fronts including competitive markets, investment in training, education and infrastructure, raising labour market participation and higher foreign direct investment contribute towards the renewal of the economy, the creation of new jobs and creation of competitive advantages for Maltese firms.

Local Scene

Economic Growth

In the first half of 2011, the Maltese economy grew by 2.6 per cent in real terms. In nominal terms, the growth rate was recorded at 5.3 per cent with GDP standing at €1,133.2 million compared to €976.4 million recorded in the same period of 2010. The increase in real GDP was underpinned by a broad increase in all expenditure components except for Gross Fixed Capital Formation which registered a decline of 6.2 per cent mainly as a result of a decline in private investment. During the Survey period, household consumption increased by 1.9 per cent in real terms while Government consumption expenditure grew by 5.1 per cent. Finally, a notable increase in exports was also recorded, although much of this increase can be attributed to activities related to oil bunkering.

Sectoral Contributions to Gross Value Added

The analysis of the sectoral contributions to Gross Value added (GVA) in the Economic Survey reflects the new classification of the economic activities from NACE Rev. 1 to NACE Rev. 2 as presented by the National Office of Statistic (NSO). Thus, direct comparison with previous Surveys in this regard

is not possible.

During the Survey period, GVA at basic prices increased by 4.3 per cent compared to 6.6 per cent recorded in the same period of 2010. Growth in GVA was attributable to increases registered in all economic sectors except for the electricity, water, waste and sewage subsector and the financial and insurance activities subsector. Manufacturing activity outperformed the rest of the economy underpinned by the positive performance of traditional sectors such as electronics, textiles and clothing, and other manufacturing. A notable improvement was also registered in traditional services sectors including wholesale and retail, transport, storage, accommodation and food services possibly linked to the positive tourism performance during the year. Meanwhile GVA in financial services and insurance activities remained stable following the significant increase recorded last year.

Labour Market

Over the twelve months to June 2011, labour supply increased by 2,549 or 1.7 per cent to stand at 155,543. These additional resources were successfully absorbed by domestic suppliers as unemployment declined and both full-time and part-time employment increased. Indeed, in June 2011, the full-time gainfully occupied population stood at 149,331 reflecting an increase of 3,112 persons or 2.1 per cent over June 2010. During the same period, the number of persons registering for employment (under Part I and Part II of the Register) stood at 6,212 such that the unemployment rate stood at 4.0 per cent. This reflects a marginal improvement of 0.4 percentage points when compared to June 2010.

The downward trend followed by the share of direct production employment in the total gainfully occupied population persisted during the year to June 2011. Nonetheless, during this period, total direct production employment increased by 354 or 0.9 per cent to 38,698, reversing the downward trend experienced in previous years. The increase observed in market services employment was significantly greater at 2,716 or 2.5 per cent, reaching 109,961. Consequently, the share of direct production in total employment fell from 30.1 per cent in June 2007 to 25.9 per cent in June 2011, whilst the share of market services employment recorded an increase of 4.2 percentage points.

Productive Activities

Statistical data for January-July 2011 illustrates how the total turnover index of the industry rose by 1.4 per cent underpinned by growth in exports sales of

6.9 per cent as domestic sales declined by 3.6 per cent. During the same period, the wages and salaries index for the industry reversed the previously declining trend, with the index registering a 4.4 per cent increase in January-July 2011 reflecting increases in employment levels and hours worked.

At a sectoral level, during the seven months to July 2011, the manufacturing sector registered an increase in the total turnover index. This was underpinned by increases in both the sector's exports and domestic sales index, which grew by 6.9 per cent and 3.7 per cent, respectively during the January-July 2011 period. A positive growth rate was also registered in the wages and salaries index which rose by 4.4 per cent in the same period. The largest decline in the sectoral turnover index was registered in the electricity and water supply sector, which was underpinned by a 7.3 per cent decline in the domestic sales index. On the other hand, manufacturing turnover continued to recover backed by stronger exports and domestic sales.

Notwithstanding its small size, the local agriculture and fisheries sector retains an important role within the socio-economic context of the Maltese economy. In 2010, agricultural factor income at current prices registered an increase of 11.9 per cent over 2009. During the same comparative period, final production at basic prices declined by 3.9 per cent mainly driven by lower prices registered in crop products and other animal products. The agriculture and fisheries sector's share in gross value added of the total economy remained unchanged at 1.6 per cent during the first half of 2011 when compared to the same period in 2010. During January-August 2011, the wholesale value of fruit and vegetables sold through organised markets declined by 3.0 per cent when compared to the same period in 2010. Meanwhile, a decline of 1.1 per cent was registered in the total volume of slaughtering.

Services Activities

During January-September 2011, tourist departures increased by 6.6 per cent over the previous comparable period, to 1,126,543 visitors. Earnings from tourism registered an increase of 20.6 per cent during the first half of 2011, to €343.8 million. On a per capita basis, during the first six months of 2011, expenditure by tourists increased by 7.3 per cent to €55.6, while earnings per night spent increased from €9.3 to €76.4. The cruise liner industry recorded a positive performance, increasing from a level of 344,817 arrivals during January-September 2010 to 403,703 arrivals in the corresponding period of 2011. Full-time employment in hotels and restaurants declined marginally from 9,719 as at the end of June 2010 to 9,655 at the end of June 2011.

The Malta Financial Services Authority (MFSA) has actively participated in the European System of Financial Supervisors with the objective of ensuring a stable, reliable and robust Single Market for financial services. During the period under review, the Authority launched its Strategic Plan for 2011-2014 through which it will continue to spearhead developments in the financial services framework both as regards regulation and new licensing activity.

During the first three quarters of 2011, Malta Enterprise (ME) maintained its efforts in attracting inward investment and supporting enterprises in Malta. During the period under review, 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. Furthermore, during the period under review, the Malta Industrial Parks Limited (MIPL) continued to manage a number of infrastructural projects which are co-financed through the European Regional Development Fund (ERDF). These projects include the rebuilding of roads, upgrading of industrial estates, child care centres, and the development of the Life Sciences Centre.

Prices and Incomes

The domestic price level, as measured by percentage changes in the 12-month moving average for the Retail Price Index (RPI), gradually increased from 0.96 per cent in October 2010 to 2.73 per cent in September 2011. The main contributors to inflation were the Food, Transport and Communications and Housing sub-sectors.

The average weekly wage as derived from a study based on collective agreements stood at €77.11. This study consisted of 230 companies with a total workforce of 26,887 employees, where 11,061 employees are engaged in direct production and 15,826 employees are employed within the market services sector. It is worth noting that the weekly cost of living adjustment for 2011 was €1.16. The overall rate of weekly wage increase resulted to be €1.44 or 0.5 per cent. In addition, the highest percentage wage rise was registered in the Miscellaneous sub-sector, at 1.1 per cent. Around one third of employees earned a weekly wage between €21.17 and €71.16, while around 20 per cent of all employees earned an average weekly wage of more than €21.17.

Foreign Trade and Payments

During the first six months of 2011, the current account deficit decreased by €4.2 million to €6.9 million or 0.2 per cent of GDP. The main contributor to this performance was a decline of €75.0 million (equivalent to 6.2 percentage points of GDP) in the goods account deficit.

However, the recovery in domestic exports registered during 2010 did not continue in January-September 2011, as only exports of fuels increased significantly. This mainly underpinned the positive performance recorded by total exports. Imports increased to more than offset the increase in exports, such that the trade gap widened from €1,087.9 million in the first nine months of 2010 to €1,280.7 million in the corresponding period of 2011.

The services account surplus registered a slight improvement of €12.8 million or 0.4 percentage points of GDP. Tourism earnings continued the recovery which had started in 2010, while other services net receipts also increased. However, developments in transportation services partly offset these positive contributions.

Profits of foreign-owned firms registered in Malta increased significantly in January-June 2011 such that together with higher other investment income net outflows meant that the income account deficit increased by €62.5 million or 4.8 percentage points of GDP. This occurred even though higher receipts from abroad on bond and note holdings were registered.

The balance in current transfers turned from a net outflow of €3.1 million in the first half of 2010 to a net inflow of €25.9 million during the corresponding period of 2011. This represented an improvement of 0.9 percentage points of GDP.

An inflow of 0.9 per cent of GDP was recorded in the capital account during the first half of 2011. This inflow was complemented by financial account inflows equivalent to 1.2 per cent of GDP. Negative net errors and omissions totalling 2.9 per cent of GDP were also recorded. The current account was partly financed by the decline in reserve assets of 1.1 per cent of GDP.

Financial Developments

During the nine months to September 2011, the shortfall between central Government recurrent revenue and total expenditure declined to €88.4 million - an improvement of €11.4 million when compared to the same period in the

previous year. This improvement was the result of higher revenue from indirect taxes which more than offset increases in recurrent expenditure and interest on public debt.

During January-September 2011, total expenditure increased by €24.0 million, when compared to the same period in 2010, reaching €2,010.6 million. This increase was mainly the result of higher recurrent expenditure and to a lesser extent, an increase in interest on public debt which more than outweighed the decline registered in capital expenditure during the same period. In the first nine months of 2011, higher outlays on Programmes and Initiatives accounted for almost half of the increase in recurrent expenditure. Increased recurrent expenditure was mainly directed towards medicines and surgical materials, towards the University of Malta, as well as higher budgetary compensation in respect of Energy Support Measures. Capital expenditure declined by €26.2 million reaching €183.4 million during the period under review. This decline was mainly the result of lower infrastructure capital expenditure as well as lower productive investment, which more than offset higher social capital expenditure. The interest on public debt increased by €17.6 million, reaching €159.5 million. Government recurrent revenue registered an increase of €135.3 million to reach €1,822.1 million mainly on account of higher revenue from indirect taxation albeit non-tax revenue and direct tax revenue also registered an increase.

Malta's contribution to Euro Area broad money (M3), which includes deposit liabilities to both Maltese residents and to other residents of the Euro Area, increased by €238.5 million reaching €9,609.0 million at the end of August 2011 when compared to December of 2010. This was mainly due to an increase in short-term deposits which more than offset the negative contribution from the decline in deposits and debt securities with agreed maturities of up to two years. Meanwhile, credit increased by 4.2 per cent underlined by an increase in credit to general Government and an increase in loans to households and individuals.

During the first four months of 2011, the Euro strengthened with respect to the US Dollar, the British Pound, as well as the Japanese Yen. However, in the following months to September 2011, the Euro depreciated sharply with respect to the Japanese Yen, while also losing in value against the US Dollar during the same period, albeit the extent of the depreciation with respect to the latter was most pronounced during September. Meanwhile the value of the Euro with respect to the British Pound fluctuated during the May-September 2011 period, ending lower with respect to the British currency at the end of September.

International Scene

World economic growth has slowed down during the first half of 2011. In advanced economies, the delay in the shift from public demand to the private sector is weighing negatively on growth as well as on unemployment. In advanced economies, the deceleration of growth during the first half of 2011 has been marked in the US economy where the handover from public to private demand is taking particularly longer than anticipated especially with respect to other advanced economies. Growth continued to be strong in most emerging economies in the first half of 2011, albeit moderating in a number of others, particularly due to slower external demand as well as due to economic policy tightening which was previously set in order to prevent overheating.

While the slowdown in the first half of 2011 reflects temporary circumstances, such as the supply side shocks caused by the earthquake and tsunami in Japan, as well as high oil and commodity prices, the short-term growth prospects for the world economy remain relatively weak. Additionally, global financial markets deteriorated markedly through the course of 2011 as tensions heightened in sovereign debt markets in the Euro Area and spread further supplemented by rising concerns about sustainability of private and public debt. Renewed tensions in the banking sector pose a downside risk for economic growth over the forecast horizon. According to the IMF World Economic Outlook of September 2011, world economic growth is expected to decline to 4.0 per cent in 2011 as a whole when compared to a growth rate of 5.1 per cent registered in the previous year.

Commodity prices have increased markedly since July 2010 and up to April 2011, supported by developments in the price of crude oil as well as metal and food prices. In fact, during this period, the IMF overall commodity price index increased by 45.8 per cent in April 2011. Subsequently, however, commodity prices started to ease off. In fact, during this period, the price of crude oil, as well as that of metals and food started to decline. The IMF overall commodity price index registered a decline of 10.3 per cent over the period April 2011 to September 2011. The decline in commodity prices during this period was mainly due to lower demand stemming from subdued macroeconomic conditions in major economies.

This section contains information which is based on macroeconomic projections as published by the European Commission in its Interim Economic Forecast of September 2011, as well as the International Monetary Fund's (IMF) World Economic Outlook of September 2011. A number of relevant economic indicators are portrayed in Tables 1.1 to 1.3 and Charts 1.1 and 1.2.

World GDP, Volume

annual percentage change

Table 1.1

	2008	2009	2010	2011*
World	2.8	-0.7	5.1	4.0
Advanced Economies	0.1	-3.7	3.1	1.6
EU 27	0.5	-4.3	1.9	1.7
Euro Area	0.4	-4.2	1.8	1.6
Germany	1.1	-5.1	3.7	2.9
France	-0.1	-2.7	1.5	1.6
Italy	-1.2	-5.1	1.5	0.7
United Kingdom	-1.1	-4.4	1.8	1.1
United States	-0.3	-3.5	3.0	1.5
Japan	-1.2	-6.3	4.0	-0.5
Canada	0.7	-2.8	3.2	2.1
Emerging and Developing Economies	6.0	2.8	7.3	6.4
Russia	5.2	-7.8	4.0	4.3
China	9.6	9.2	10.3	9.5

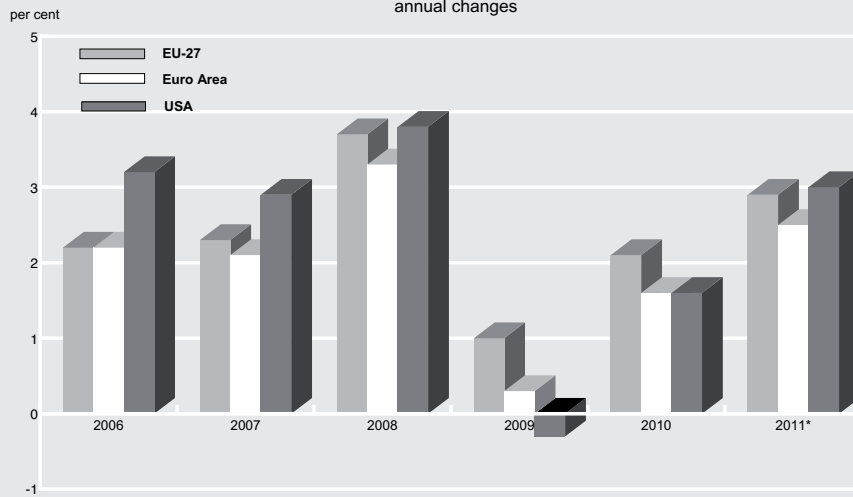
*Projections

Source: Eurostat, European Commission, IMF

Chart 1.1

Inflation Rates

annual changes



*Projections

Inflation: Harmonised Index of Consumer Prices*

percentage change on preceeding year

Table 1.2

	2008	2009	2010	2011**
EU 27	3.7	1.0	2.1	2.9
Euro Area	3.3	0.3	1.6	2.5
Germany	2.8	0.2	1.2	2.3
France	3.2	0.1	1.7	2.1
Italy	3.5	0.8	1.6	2.6
United Kingdom	3.6	2.2	3.3	4.4
United States	3.8	-0.3	1.6	3.0
Japan	1.4	-1.4	-0.7	-0.4

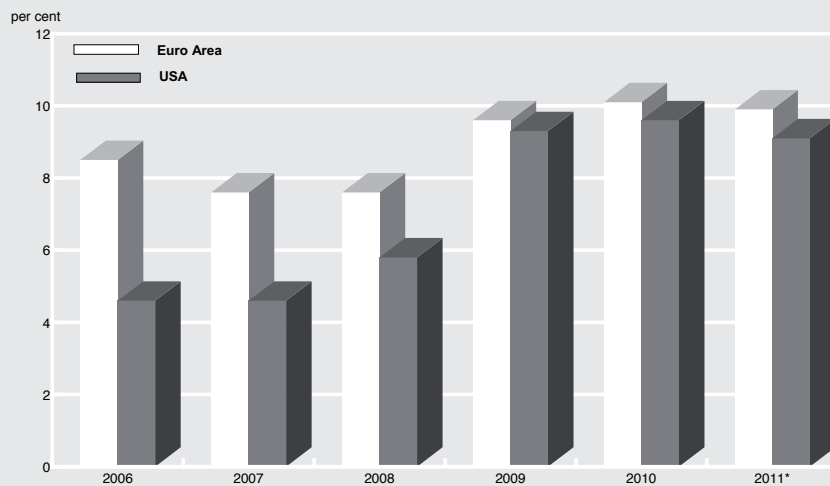
*National index if not available

**Projections

Source: Eurostat, European Commission, IMF

Chart 1.2

Unemployment Rates



*Projections

Unemployment Rate*

per cent of labour force

Table 1.3

	2008	2009	2010	2011**
Euro Area	7.6	9.6	10.1	9.9
Germany	7.5	7.8	7.1	6.0
France	7.8	9.5	9.8	9.5
Italy	6.7	7.8	8.4	8.2
United Kingdom	5.6	7.6	7.8	7.8
United States	5.8	9.3	9.6	9.1
Japan	4.0	5.1	5.1	4.9

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

**Projections

Source: Eurostat, European Commission, IMF

Growth in the US economy lost momentum in 2011 from a more buoyant rate registered in the previous year. This was mainly the result of persistent weaknesses in the real estate and construction sector, the fading impact of the fiscal stimulus measures, persistent uncertainty about future growth prospects combined with the supply side shock ensuing the earthquake in Japan and the increase in oil prices which also weighed negatively on economic activity. Economic growth in Asian economies also moderated in 2011, albeit remaining upbeat. On a similar note, the moderation was due in part to the temporary disruptions in supply caused by the earthquake and tsunami in Japan. Nevertheless, domestic demand supported economic activity in Asian economies underlined by accommodative policies, growth in credit and asset prices, as well as upbeat consumer and business sentiment.

Growth in both the EU and Euro Area was buoyant in first quarter of 2011. Nevertheless, growth in both the EU and Euro Area stalled during the second quarter of the year as both areas were hit hard by the weakening in global demand and trade, while growth in the US and a number of emerging economies also slowed down. Additionally, concern regarding the sovereign debt crisis intensified on the back of weakening financial market conditions, heightened sovereign debt concerns in the Euro Area, and a less buoyant outlook regarding the US economy's growth.

Recent Developments

Real GDP growth in EU and Euro Area was stronger than anticipated during the first quarter of 2011. In fact, during this period, the EU and Euro Area registered a growth rate of 0.7 per cent and 0.8 per cent respectively. Nevertheless, real economic growth slowed down substantially in both areas during the second quarter of 2011. In fact, growth reached 0.2 per cent in both areas during the second quarter of 2011, thus representing a decline of 0.6 and 0.5 percentage points for both areas respectively. The decline in growth registered in both areas during the second quarter of 2011 was mainly due to the negative effects emanating from weakening global demand and trade conditions as growth in the US economy as well as in a number of emerging economies also slowed down and as financial market conditions weakened further on the back of heightened sovereign debt concerns within the Euro Area.

Inflation in the EU and Euro Area reached 2.9 per cent and 2.5 per cent respectively during the first quarter of 2011 before subsequently registering a decline of 0.3 percentage points in both areas in the second quarter of the year. The generally high inflation registered in the first half of 2011 was the result of overall rising global commodity prices which consequently exerted upward pressures on consumer price inflation.

Throughout the first six months of 2011, the rate of unemployment registered in the EU remained stable at an average rate of 9.5 per cent. As a result, the unemployment rate registered at the end of June 2011 was 0.2 percentage points lower when compared to a rate of 9.7 per cent registered as at the end of June 2010. On a similar note, the rate of unemployment registered in the Euro Area also remained stable at a rate of 10.0 per cent throughout the first six months of 2011 thus declining marginally from 10.1 per cent registered in June of the previous year. Overall, the labour market remained weak in both areas during the first half of 2011, thus also weighing down on wage growth.

Growth in the German economy was buoyant and reached 1.3 per cent in the first quarter of 2011 before declining substantially by 1.2 percentage points to a rate of 0.1 per cent registered in the subsequent quarter of the year. The decline in growth was the result of a negative contribution from net external trade, as well as weaker private consumption. On the other hand, non-construction investment and inventories contributed positively to growth. Moreover, the shut down of nuclear energy plants also had an additional negative effect on growth. Inflation in the German economy increased to 2.5 per cent in the second quarter of 2011 from a rate of 2.2 per cent in the first quarter of the year on the back of inflationary pressures from increases in oil prices. Labour market conditions in

Germany remained favourable and the unemployment rate continued to decline throughout the first half of the year, reaching 5.9 per cent in June 2011 when compared to 7.0 per cent registered in the same month a year earlier.

The French economy grew by 0.9 per cent in the first quarter of 2011 before coming to a standstill in the second quarter of the year. The halt in growth experienced during the second quarter of 2011 reflected exceptional factors emanating from the effects of the termination of the car-scraping premium as well as due to uneven contributions from inventories. Inflation in France edged up to 2.2 per cent in the second quarter of 2011 from 2.0 per cent registered in the previous quarter, reflecting effects from higher commodity prices. The unemployment rate registered during the first half of 2011 remained practically unchanged from that recorded a year earlier.

Real GDP growth in Italy was subdued in the first quarter of 2011 at a rate of 0.1 per cent and in line with developments registered in the second half of the previous year. Nevertheless, contrary to developments in most Member States, growth edged up to 0.3 per cent in the second quarter of the year, driven by a rebound in industrial production. Inflation in Italy continued to increase in the first half of 2011 mainly as a result of sustained increases in energy prices, thus increasing from 2.3 per cent registered in the first quarter of the year to 2.9 per cent in the second quarter. The rate of unemployment in Italy declined to 8.1 per cent as at June 2011 when compared to 8.4 per cent registered a year earlier.

The British economy grew by 0.5 per cent and 0.2 per cent respectively during the first and second quarters of 2011. Growth registered during the second quarter of the year was lower than previously expected as a result of ongoing fiscal consolidation, an additional bank holiday, as well as due to exceptionally warm weather and supply chain problems resulting from the earthquake in Japan. Additionally, production also contracted during the second quarter of the year. Inflation in the UK stood at 4.4 per cent in the second quarter of 2011, thus edging up from a rate of 4.1 per cent registered in the previous comparable period. Developments in inflation during the first half of 2011 were underpinned by a number of factors, namely an increased VAT rate, higher commodity prices, as well as the Sterling's depreciation. The unemployment rate in the UK edged up to 8.0 per cent as at June 2011 when compared to 7.7 per cent registered a year earlier.

Growth in the US was more subdued in the first half of 2011 when compared to the performance in the previous year. The decline registered during the first half of 2011 followed the continued weaknesses of the real estate and construction

markets, as well as the waning effect of fiscal stimulus coupled with heightened uncertainty regarding the growth outlook. Additionally, the supply side shock to the automotive industry following the earthquake suffered in Japan as well as the negative effects of increases in oil prices also weighed down on the US economy. Household and business confidence also suffered while market volatility increased due to increased concerns about the US outlook and the downgrade in the US sovereign credit ratings. The unemployment rate in the US economy reached 9.2 per cent in June 2011, improving slightly from 9.5 per cent registered a year earlier.

Economic growth moderated in the first half of 2011 in Asian economies, albeit remaining buoyant. This moderation was the result of temporary disruptions in supply caused by the earthquake and tsunami that hit Japan. These supply side setbacks were mostly pronounced in the automotive as well as in the electronics industries. Additionally, domestic demand was also supported by accommodative policies, growth registered in credit and asset prices, as well as buoyant consumer and business sentiment. Inflationary pressures in Asian economies have been higher in economies with sustained strong credit growth, positive output gaps and accommodative policies.

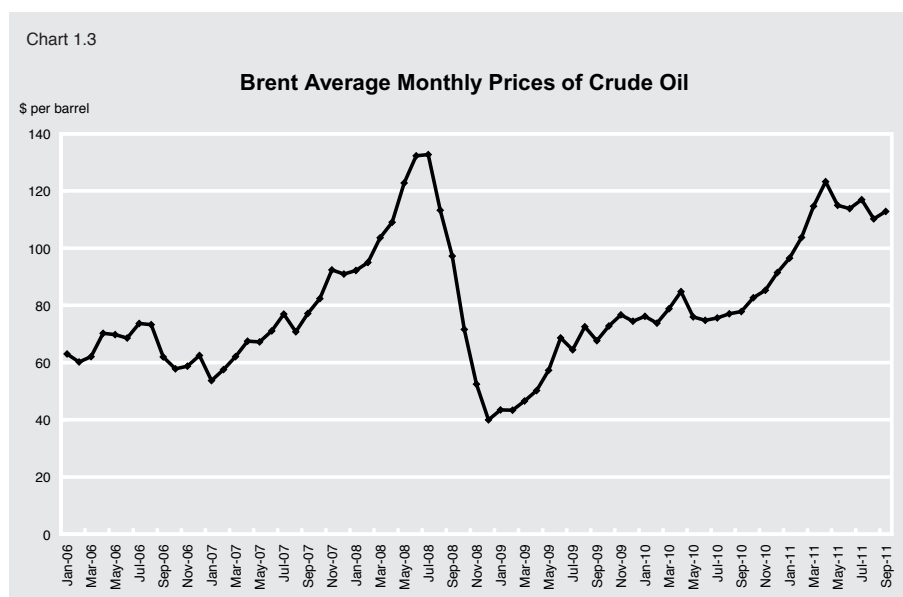
Commodities Markets

After bottoming out in December 2009, the average price of crude oil reverted to an upward trend up to April 2010, with the most pronounced increases occurring during the first half of 2009. Overall, during the December 2009 to April 2010 period, the average price of crude oil increased extensively by 112.3 per cent to reach \$84.8 per barrel in April 2010. In the following months, the average price of crude oil declined up to June and remained relatively stable before moving into another uptrend which picked up in momentum in the fourth quarter of 2010 and which lasted up to April 2011. During this period, the price of crude oil again registered a significant increase, reaching \$123.3 per barrel in April 2011 thus representing an increase of 64.9 per cent when compared to the price recorded in mid-2010. In comparison, over the June 2010 to April 2011 period, the average price of crude oil adjusted by the Euro to US\$ bilateral exchange rate increased by 39.4 per cent thus underlying the favourable exchange rate developments within the Euro Area. Subsequently, the average price of crude oil started to decline, reaching \$112.8 per barrel in September 2011 and thus representing a decline of 8.5 per cent when compared to the price registered in April of the same year. In comparison, over the same comparative period, the average price of crude oil adjusted by the euro to US\$ bilateral exchange rate declined by 4.0 per cent as the Euro weakened with respect to the US currency.

The upward pressures on oil prices registered from the second half of 2010 and into the first quarter of 2011 were mainly the result of supply side factors and strong demand. On the other hand, the easing in oil prices which started in the second quarter of 2011 was driven primarily by macroeconomic factors relating to waning economic activity from developed economies. According to the IMF's World Economic Outlook of September 2011, the price of crude oil is expected to average around \$103.2 and \$100.0 per barrel in 2011 and 2012 respectively. The Brent average monthly price of crude oil for the period January 2006 to September 2011 is displayed in Chart 1.3.

Food prices registered a notable increase since mid-2010 up to the end of the first quarter of 2011. In fact during this period the IMF Food price index increased by 35.1 per cent, reaching 184.3 in March 2011. This increase was mainly driven by supply side shocks resulting from adverse weather conditions reported during Autumn of 2010. Subsequently, the IMF Food price index declined by around 7.9 per cent reaching 175.8 in September 2011. Despite the easing in food prices registered as of the second quarter of 2011, food prices remain historically high. In particular, prices of grain and oilseed remain elevated while meat prices also remain above historical averages. Overall, the food market remains tight such that prices remain particularly sensitive to changes in both supply and demand.

Metal prices increased considerably during July 2010 to February 2011. In fact, during this period, the IMF Metals price index registered an increase of 42.9 per cent, reaching 256.2 in February 2011. The upward pressures on metal



Projections

Table 1.4

	2010	2011*	2012*
Real GDP (% change)			
Euro Area	1.8	1.6	1.1
United States	3.0	1.5	1.8
Japan	4.0	-0.5	2.3
Inflation (% change)			
Euro Area	1.6	2.5	1.5
United States	1.6	3.0	1.2
Japan	-0.7	-0.4	-0.5
Unemployment Rate (% of labour force)			
Euro Area	10.1	9.9	9.9
United States	9.6	9.1	9.0
Japan	5.1	4.9	4.8

*Projections

Source: Eurostat, European Commission, IMF

prices during this period was mainly due to metal-specific supply developments, particularly relating to copper and lead, as a result of strikes, adverse weather conditions and the closing down of mines. Subsequently, metal prices started easing earlier than other major commodity prices, reflecting factors related specifically to China. In particular, the decline in metal prices experienced since February 2011 was mainly the result of lower demand from the Chinese economy as Chinese policy tightened in response to rising inflation, thus leading to a slowdown in metal-intensive sectors. Overall, the IMF Metals price index declined by 12.5 per cent during February-September 2011, to reach 224.1 during the latter month.

Future Economic Prospects

Projections for the main economic indicators are presented in Table 1.4. Growth in the EU and Euro Area is expected to be subdued throughout the second half of 2011, as growth in the EU is expected to remain at 0.2 per cent during both the second and third quarter of the year while growth in the Euro Area is expected to edge down to 0.1 per cent in the final quarter of 2011, from 0.2 per cent in the third quarter. The subdued outlook of both areas for the second half of 2011 is mainly the result of the weakening in consumption growth and the deteriorating confidence in business and consumer sentiment. Additionally,

the recent stress in financial markets is also expected to weigh negatively on confidence and investment during the second half of 2011 while continued fiscal tightening and the expected slowdown of external demand are also expected to weigh negatively on economic growth in the EU and Euro Area throughout the remainder of 2011.

Despite the subdued performance throughout the second half of 2011, for the year as a whole, growth in the EU and Euro Area is expected to reach 1.7 per cent and 1.6 per cent respectively thus remaining practically unchanged when compared to the previous Commission Forecast for the same period. Nevertheless, this was mainly the result of the better than anticipated performance registered in the first quarter of the year. When compared to annual growth rates of the previous year, both the EU and Euro Area will have registered a decline of 0.2 percentage points in 2011. According to the IMF World Economic Outlook of September 2011, growth in the Euro Area is expected to decline by a further 0.5 percentage points in 2012 when compared to this year, reaching 1.1 per cent. The decline in growth in 2012 is projected mainly due to an expected drag from the ongoing financial turbulence which should continue to negatively affect confidence and financing, as well as to a moderation in both domestic and external demand.

Inflation in the EU and Euro Area is expected to decline towards the end of 2011 reflecting the fading effects from past hikes in commodity prices as well as changes in taxation in a number of Member States. Additionally import prices are also expected to moderate on account of less buoyant growth outside the EU. Annual inflation rates in the EU and Euro Area are expected to reach 2.9 per cent and 2.5 per cent respectively in 2011 thus edging down by 0.1 percentage point when compared to the previous Commission Forecast. According to the IMF World Economic Outlook of September 2011, inflation in the Euro Area should decline to 1.5 per cent in 2012 thanks to lower commodity prices. Prospects for further improvements in the labour markets in both the EU and Euro Area have waned somewhat due to the slowdown expected in the remainder of 2011. Unemployment in the Euro Area is expected to remain stable at 9.9 per cent in both 2011 and 2012.

Growth in the US economy is expected to reach 1.5 per cent in 2011 as growth in the second half of the year is forecast to improve on the assumption of the waning off of the negative effects from the Japanese earthquake and high energy prices which weighed negatively on the US economy in the first half of the year. Additionally, according to the IMF World Economic Outlook of September 2011, growth in the US economy is expected to increase to 1.8 per cent in 2012 on assumption of the renewal of temporary payroll tax cuts and

an increase in unemployment insurance in 2012. Nevertheless, growth is still expected to remain relatively low with respect to historical averages, mainly due to damage to consumer and business confidence from ongoing negative equity market developments as well as weak house prices. Inflation in the US economy is expected to remain restrained due to the sustained output gap, and is expected to reach 3.0 per cent in 2011 before declining to 1.2 per cent in 2012. Unemployment in the US is expected to remain high at 9.1 per cent and 9.0 per cent in 2011 and 2012, respectively.

2. Economic Growth

2. Economic Growth

While the world economic recovery continued during the first half of 2011, its momentum dampened in the second quarter as global demand weakened and global financial stability suffered a major setback with the turmoil in sovereign debt markets. Temporary factors such as high commodity prices and global supply-chain disruptions caused by the Japanese natural disasters also contributed to the soft patch recorded in the second quarter of 2011. Additionally, growth in industrial production in the Euro Area and the US slowed down gradually, with developments in the retail sector becoming less favourable while the adverse situation in the property market and construction persisted. As a result, forecasts of world economic growth have been revised downwards and the global economy is now expected to expand at a more moderate rate especially in some of Malta's main trading partners. In the Euro Area, recently published data show that the recovery remains unbalanced, with Germany still being the main source of economic activity. Growth prospects in Europe's biggest economy have also recently been revised downwards.

Against this background, Malta's economy registered growth in the first half of 2011 with positive growth registered in all economic sectors except for the quarrying, electricity, water, waste and sewage subsector and the financial and insurance activities subsector. Real Gross Domestic Product (GDP) expanded by 2.3 per cent and 2.8 per cent in the first quarter and second quarter of 2011,

Box 2.1

Forecast Estimates for January-December 2011

National Accounts data on the expenditure components of GDP is available up to the second quarter of 2011. This Box presents preliminary forecast figures for 2011 on the basis of an econometric model of the Maltese economy at the Economic Policy Department. The forecast estimates are based on a set of external assumptions broadly reflecting those outlined in the DG ECFIN Interim Forecast September 2011.

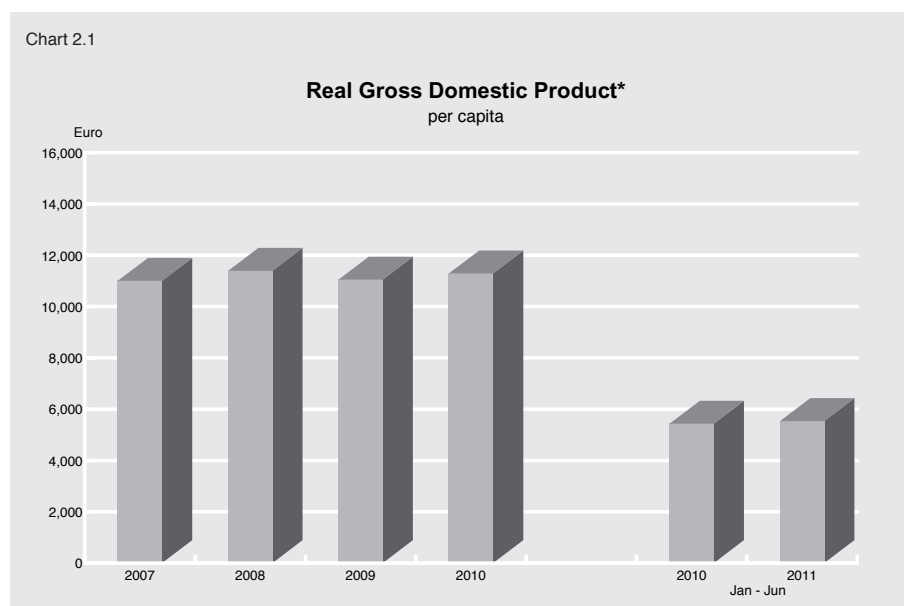
Forecast figures suggest that GDP will continue to expand in the second half of 2011, although a deceleration is expected on the back of subdued growth in Malta's main trading economies. Nominal GDP is expected to increase by 4.9 per cent by the end of this year, down from 5.3 per cent recorded in the first half of 2011. Real GDP for 2011 is expected to grow by 2.3 per cent. This outlook is underpinned by a weakening of private consumption growth in the second half of 2011, mainly reflecting deterioration in business and consumer sentiment, as well as tighter Government consumption expenditure compared to the first two quarters of 2011. Investment is expected to contribute negatively to GDP, with private investment acting as a drag. The contribution of the external sector is expected to be marginal in the second half of 2011 reflecting the expected slowdown in external demand and the weighing down of oil bunkering activities.

respectively. This resulted in an overall growth rate of 2.6 per cent in the first half of 2011. In nominal terms, GDP increased by 5.3 per cent during the Survey period.

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 and provides a systematic and detailed description of the economy and its core components. GDP 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 2011, the Maltese economy continued on its growth trajectory following the contraction recorded in 2009. In the first half of 2011, GDP expanded by 5.3 per cent in nominal terms standing at €3,133.2 million. In real terms, the growth rate registered during the Survey period stood at 2.6 per cent, down from a growth rate of 3.1 per cent registered in the same period of 2010.



*Based on total population

The increase in real GDP recorded in the first half of 2011 was broad-based, but with a stronger contribution from the external sector. The positive contribution from the external sector amounted to 7.5 percentage points in the first half of 2011 as exports increased significantly by 14.0 per cent in real terms while imports increased by 6.4 per cent. It is however worth noting that January-September figures for international trade indicate a significant revision in import goods which is now more in line with export activity. As a result, net exports of goods are likely to exert a lower contribution to GDP growth than what is

GDP by Category of Expenditure					
Table 2.1	€ million				
	2008	2009	2010	2010	2011
				Jan-Jun	Jan-Jun
At Current Market Prices					
Private Final Consumption Expenditure ⁽¹⁾	3,672.6	3,745.1	3,804.6	1,818.6	1,900.3
General Government Final					
Consumption Expenditure	1,216.1	1,238.7	1,293.5	634.3	674.4
Gross Fixed Capital Formation	993.7	876.6	1,041.3	449.6	455.1
Changes in Inventories	43.7	-16.0	-167.6	-53.3	-240.6
Acquisitions less Disposals of Valuables	1.3	-0.5	-18.9	-7.1	-17.3
Exports of Goods and Services	5,126.1	4,592.9	5,435.4	2,540.0	2,967.8
Total Final Expenditure	11,053.6	10,436.9	11,388.3	5,382.1	5,739.6
Less Imports of Goods and Services	5,213.8	4,606.6	5,224.7	2,405.6	2,606.4
Gross Domestic Product	5,839.8	5,830.3	6,163.7	2,976.4	3,133.2
At Constant 2000 Prices					
Private Final Consumption Expenditure ⁽¹⁾	3,085.9	3,091.1	3,049.2	1,476.4	1,504.4
General Government Final					
Consumption Expenditure	910.1	896.8	904.9	445.5	468.2
Gross Fixed Capital Formation	747.8	622.3	694.9	311.5	292.3
Changes in Inventories	38.6	-12.6	-124.3	-38.2	-171.6
Acquisitions less Disposals of Valuables	1.1	-0.4	-14.4	-5.5	-12.3
Exports of Goods and Services	4,345.8	3,957.7	4,683.4	2,147.7	2,447.8
Total Final Expenditure	9,129.4	8,555.0	9,193.8	4,337.4	4,528.8
Less Imports of Goods and Services	4,432.1	3,982.3	4,497.1	2,081.7	2,215.1
Gross Domestic Product	4,697.3	4,572.7	4,696.7	2,255.6	2,313.7
⁽¹⁾ Includes NPISH final consumption expenditure					
Source: National Statistics Office					

indicated in the current provisional national accounts data being analysed.

However, it is worth noting that GDP is estimated at current prices using the Production Approach. Since the Expenditure Approach is then reconciled with the Production Approach to derive an estimate of GDP at current market prices and not the other way around, the impact on the overall GDP growth is not

GDP by Category of Expenditure					
Percentage Changes					
Table 2.2					
	2008	2009	2010	2010	2011
				Jan-Jun	Jan-Jun
At Current Market Prices					
Private Final Consumption Expenditure ⁽¹⁾	8.6	2.0	1.6	1.0	4.5
General Government Final					
Consumption Expenditure	16.7	1.9	4.4	3.0	6.3
Gross Fixed Capital Formation	-15.9	-11.8	18.8	8.8	1.2
Changes in Inventories	-	-	-	-	-
Acquisitions less Disposals of Valuables	-	-	-	-	-
Exports of Goods and Services	5.3	-10.4	18.3	19.4	16.8
Total Final Expenditure	5.8	-5.6	9.1	8.1	6.6
Less Imports of Goods and Services	4.4	-11.6	13.4	10.8	8.3
Gross Domestic Product	7.1	-0.2	5.7	6.0	5.3
At Constant 2000 Prices					
Private Final Consumption Expenditure ⁽¹⁾	4.9	0.2	-1.4	-0.8	1.9
General Government Final					
Consumption Expenditure	12.1	-1.5	0.9	-0.1	5.1
Gross Fixed Capital Formation	-23.5	-16.8	11.7	4.3	-6.2
Changes in Inventories	-	-	-	-	-
Acquisitions less Disposals of Valuables	-	-	-	-	-
Exports of Goods and Services	2.6	-8.9	18.3	19.7	14.0
Total Final Expenditure	2.0	-6.3	7.5	7.3	4.4
Less Imports of Goods and Services	-0.4	-10.1	12.9	12.2	6.4
Gross Domestic Product	4.4	-2.7	2.7	3.1	2.6
⁽¹⁾ Includes NPISH final consumption expenditure					
Source: National Statistics Office					

likely to distort emerging GDP growth trends and will primarily involve only a change in the composition of GDP from the expenditure side.

Real GDP per capita also increased from €5,433 in the first half of 2010 to €5,533 in the comparable period of 2011, 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 respective 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 (NPISH) final consumption expenditure registered a notable nominal increase of 4.5 per cent in the first half of 2011 compared with an increase of 1.0 per cent registered in the same period of 2010. In real terms, the increase in private final consumption amounted to 1.9 per cent, following the decline of 0.8 per cent registered in the first six months of 2010. These growth rates point to a recovery of private consumption following subdued rates in the last two years. The consumption deflator increased by 0.7 percentage points, from 1.9 per cent in the first two quarters of 2010 to 2.6 per cent in the same period of 2011 on the back of higher consumer prices.

The increase in aggregate nominal private consumption is underpinned by an increase in most of the expenditure categories. A glance at private consumption at a more disaggregated level shows notable increases in expenditure on transport and health. Other increases were also registered in the consumption of alcoholic beverages and tobacco, food, restaurants and accommodation. On the other hand, an overall drop in nominal consumption was registered in the clothing and footwear sub-category, the furnishing, household equipment and routine household maintenance sub-category as well as in the communication sub-category. It is noteworthy that changes in nominal private consumer's expenditure can reflect changes in prices and/or quantity consumed.

Private consumers' expenditure also includes expenditure by Maltese tourists abroad and is recorded as an outflow. On the other hand, private consumers' expenditure excludes expenditure of foreign tourists in Malta which is recorded as a component of exports of goods and services. During the Survey period, expenditure outside the national territories by residents increased by 19.8 per cent. It is also to be noted that during the first half of 2011, the proportion of private consumption in real GDP remained roughly constant at 65 per cent.

**GNI, Private Final Consumption Expenditure
and Expenditure by Tourists**

(at current market prices)

Table 2.3

	2008	2009	2010	2010	2011
				Jan-Jun	Jan-Jun
Per Capita (€)					
GNI*	13,625	12,889	13,598	6,666	6,591
Private Final Consumption Expenditure*	8,693	8,837	8,924	4,268	4,431
Expenditure by Tourists	564.9	541.1	612.5	521.1	554.8
Per Capita (% change)					
GNI*	6.4	-5.4	5.5	7.9	-1.1
Private Final Consumption Expenditure*	7.9	1.7	1.0	0.5	3.8
Expenditure by Tourists	0.0	-4.2	13.2	4.5	6.5

*Based on average total population

Source: National Statistics Office

Table 2.3 outlines data on Gross National Income in per capita terms (GNI), private final consumption expenditure, and expenditure by tourists in nominal terms. During the period under review GNI per capita declined by 1.1 per cent. On the other hand, private final consumption per capita increased by 3.8 per cent compared with a modest increase of 0.5 per cent recorded in the first two quarters of 2010. Furthermore, tourist's expenditure per capita continued to improve, increasing by 6.5 per cent during the Survey period.

General Government Final Consumption Expenditure

General Government expenditure registered an increase of 6.3 per cent in nominal terms during the Survey period. This represents a 3.3 percentage point increase over the same period of last year. In real terms, general Government consumption expenditure increased by 5.1 per cent compared to a decline of 0.1 per cent in the first half of 2010.

Expressed as a ratio of real GDP, general Government final consumption expenditure in the first half of 2011 amounted to 20.2 per cent up from 19.8

per cent in the same period of 2010. This 0.4 percentage point increase reflects the more accentuated increase in general Government expenditure compared to real GDP in the period under observation. 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 only constitute a redistribution of funds between different sectors of the economy rather than additional expenditure, output or income.

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 a nominal increase of 1.2 per cent in the first six months of 2011, from €449.6 million in the first half of 2010 to €455.1 million in the same period of 2011. This increase in GFCF was underpinned by an increase of 59.1 per cent in Government investment while private investment declined by 6.2 per cent in the first half of 2011. The increase in Government expenditure reflects strong increases in Extra Budgetary Units, including University of Malta and Foundation for Tomorrow Schools. A further sub-division of investment indicates that the increase in

Gross Fixed Capital Formation					
Table 2.4					
	2008	2009	2010	2010	2011
				Jan-Jun	Jan-Jun
At Current Market Prices					
Gross Fixed Capital Formation (€ million)	993.7	876.6	1,041.3	449.6	455.1
% change	-15.9	-11.8	18.8	8.8	1.2
GDP (€ million)	5,839.8	5,830.3	6,163.7	2,976.4	3,133.2
(GFCF/GDP) %	17.0	15.0	16.9	15.1	14.5
At Constant 2000 Prices					
Gross Fixed Capital Formation (€ million)	747.8	622.3	694.9	311.5	292.3
% change	-23.5	-16.8	11.7	4.3	-6.2
GDP (€ million)	4,697.3	4,572.7	4,696.7	2,255.6	2,313.7
(GFCF/GDP) %	15.9	13.6	14.8	13.8	12.6

Source: National Statistics Office

investment was attributable to an expansion in dwelling construction, transport equipment, and investment in other intangible fixed assets category. On the other hand, the other building and structure subcomponent and the other machinery and equipment subcomponent both registered a decline.

Given that during the period under observation the price index for GFCF increased by 7.4 per cent, real GFCF registered a decline of 6.2 per cent, with GFCF declining from €311.5 million to €292.3 million.

During the January-June 2011 period, the ratio of investment to real GDP declined by 1.2 percentage points to reach 12.6 per cent. In nominal terms the ratio stood at 14.5 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

During the first half of 2011, exports registered growth rates on the back of a recovery in international trade. Nominal exports increased by 16.8 per cent during the Survey period while imports increased by 8.3 per cent during the same period. In real terms, exports and imports increased by 14.0 per cent and 6.4 per cent respectively. It should however be worth noting that the latest trade figures indicate a higher increase in imports which is more consistent with the growth in export activity.

A more disaggregated analysis reveals that during the Survey period imports of goods increased by 15.1 per cent while imports of services registered a slight decline of 2.6 per cent. With regards to exports, services increased by 2.2 per cent while exports of goods increased by 35.4 per cent. The significant increase in exports of goods was underpinned by higher exports of fuel for bunkering services. In view of these developments, the current account improved significantly during the first half of 2011, with the deficit decreasing to €6.9 million from €61.1 million registered in the same period of 2010.

Sectoral Contribution to Gross Value Added

Gross Value Added (GVA) is defined as the value generated by any unit engaged in the production activity and is derived as the excess of output over intermediate consumption. Intermediate consumption consists of the value of 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 purchasers' prices.

Changes in economic structures and organisations, as well as technological developments, give rise to new activities and products which replace or reposition the importance of the existing activities and products produced by an economy. It is to be noted that the NSO changed its classification of economic activities from NACE Rev.1 to NACE Rev. 2. The revised data gives a better account of the sectors making up the economy, thus contributing to better economic analysis. This section reflects the new classification and thus the sectors presented in this Economic Survey differ from those discussed in the previous Economic Surveys. Table 2.5 shows the sectoral contribution to GVA at basic prices for the period 2008-2011.

During the Survey period, GVA at basic prices increased by 4.3 per cent

Sectoral Contribution to Gross Value Added					
(at basic prices)					
Table 2.5	€ million				
	2008	2009	2010	2010 Jan-Jun	2011 Jan-Jun
Agriculture, forestry and fishing	80.3	89.5	87.2	40.8	44.6
Mining and quarrying; manufacturing; electricity, gas, steam and air conditioning supply; water supply; sewerage, waste management and remediation activities	891.4	797.3	847.2	423.8	422.2
of which Manufacturing	791.3	653.9	701.4	347.2	384.2
Construction	232.2	216.2	211.9	105.5	106.4
Wholesale and retail trade; repair of motor vehicles and motorcycles; transportation and storage; accommodation and food service activities	1,175.3	1,107.8	1,168.2	534.6	585.1
Information and communication	276.1	266.9	269.7	132.4	137.1
Financial and insurance activities	231.6	310.7	395.1	208.5	208.1
Real estate activities	318.6	327.9	340.3	169.0	179.9
Professional, scientific and technical activities; administrative and support service activities	380.9	417.5	450.0	217.0	232.7
Public administration and defence; compulsory social security; education; human health and social work activities	941.7	990.0	1,046.2	523.4	538.8
Arts, entertainment and recreation, repair of household goods and other services	569.0	529.5	545.9	271.4	283.9
Gross Value Added	5,097.2	5,053.2	5,361.7	2,626.5	2,739.0

Source: National Statistics Office

compared with 6.6 per cent in the same period of 2010. Growth in GVA at basic prices is attributable to increases registered in all sectors of the economy with the exception of financial and insurance activities and activities related to electricity, gas, steam and air-conditioning supply, water supply, waste management and remediation activities. Significant increases were recorded in the gross value added generated by the manufacturing sector, in the wholesale and retail trade sector, and in the professional, scientific and technical activities sector.

During the Survey period, GVA at basic prices in agriculture, forestry and fishing increased by €3.8 million, from €40.8 million in the first half of 2010 to €44.6 million in the same period of 2011.

The manufacturing subsector also registered positive growth rates, increasing by €37.0 million or 10.7 per cent during the first two quarters of 2011 over the same period of 2010. This increase follows the growth of 5.6 per cent registered in the first half of 2010 as the world economy recovered from the global recession. At a more detailed level, notable increases were recorded in the manufacture of computer, electronic and optical products subsector (42.9 per cent), in the manufacturing of textiles, apparel, leather and related products subsector (20.3 per cent), and in the other manufacture, and repair and installation of machinery and equipment subsector (19.1 per cent). These increases were partly offset by declines in manufacturing of transport equipment subsector (-12.1 per cent), in manufacture of food products, beverages and tobacco products subsector (-4.0 per cent), in the manufacture of basic metals and fabricated metal products (-3.3 per cent) and in the manufacture of rubber and plastic products sector and other non-metallic mineral products (-2.9 per cent).

GVA in the construction sector increased by 0.9 per cent or €0.9 million during the first two quarters of 2011. This slight increase follows a decline of 3.3 per cent registered in the first half of 2010, partly reflecting a period of adjustment in this sector.

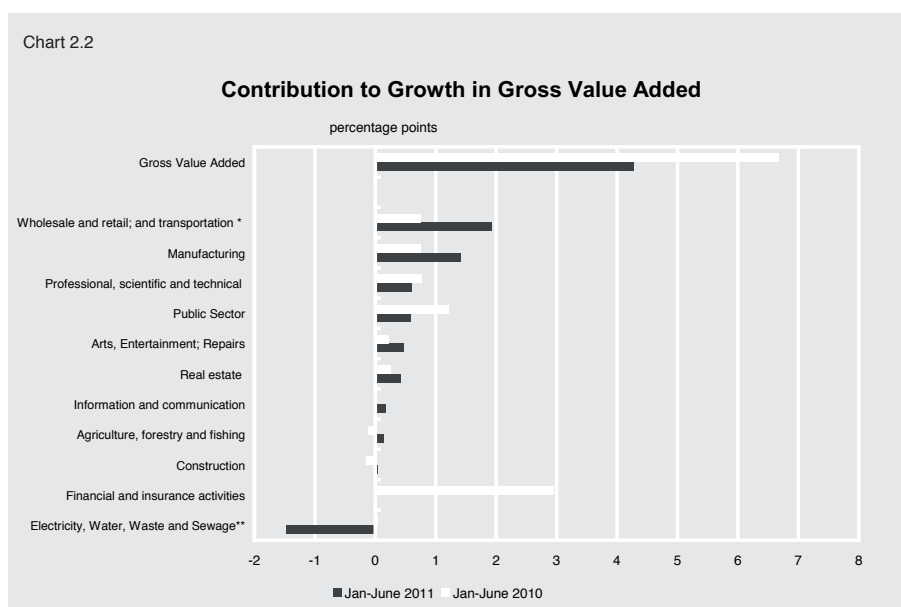
On the other hand, GVA classified under the wholesale and retail trade, repair of motor vehicles and motorcycles, transportation and storage, accommodation and food services sector increased significantly by 9.4 per cent during the period under observation. At a more disaggregated level, GVA at basic prices in the wholesale and retail trade sector in the January-June 2011 period stood at €293.1 million, a rise of 8.4 per cent when compared to the same period in 2010. The accommodation and food service activities sector also registered a rise in its GVA at basic prices, amounting to €11.1 million.

The information and communication sector recovered from the decline registered in GVA in the first half of 2010 to register an increase of 3.5 per cent during the Survey period. This corresponds to an increase of €4.7 million to reach €137.1 million during the Survey period.

On the other hand, following significant increases registered in the previous two years, activities classified under financial and insurance activities remained relatively unchanged during the first half of 2011.

GVA in the professional, scientific and technical activities; administration and support service activities sector increased by €15.7 million or 7.2 per cent compared with 9.5 per cent registered in the same period of 2010. GVA in the public administration and defence, compulsory social security, education, human health and social work activities sector increased by 2.9 per cent during the Survey period. At a more disaggregated level, GVA at basic prices in the education sector increased by €3.7 million during the Survey period, reaching €166.0 million. The GVA at basic prices generated in the health and social work sector rose by €11.7 million in the period January-June 2011 and reached €195.1 million.

GVA in the sector comprising arts, entertainment and recreation, repair of



*Includes accommodation and food services

**Includes quarrying

household goods and other services increased from €271.4 million to €283.9 million during the Survey period, representing an increase of 4.6 per cent.

Chart 2.2 provides the sectoral contribution to GVA at basic prices. It is of interest to note that the share of the services activities to total gross value added continued to increase during the Survey period, from 78.3 per cent in the first half of 2010 to 79.1 per cent in the same period of 2011. It is worth noting that in 2007, the ratio of services in total GVA stood at 75.4 per cent. On the other hand, the share of manufacturing in total GVA continued to decline. Indeed, in 2007 the ratio of manufacturing including energy and construction stood at 22.4 per cent whereas it stood at 19.3 per cent in the first half of 2011. The share of agriculture stands at less than 2.0 per cent of total GVA.

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 GDP 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 2011 period, GNI at market prices declined by €11.7 million or by 0.4 per cent, from €2,767.7 to €2,756.0 million. This decline in GNI was underpinned by a substantial increase of 14.5 per cent or €146.2 million in the outflow income classified under primary income payable to the rest of the world, which include interest and money paid to non-residents as well as profits paid to foreign-owned companies registered in Malta. On the other hand, inflows under primary income receivable from the rest of the world declined by 2.8 per cent or €22.4 million. Table 2.6 provides more detailed information on the components of GNI at market prices for 2008-2011 period.

Chart 2.3 illustrates the developments in compensation of employees and GDP at market prices over the period 2007-2010 and the first half of 2010 and 2011. Compensation of employees increased by 1.8 per cent during the Survey period compared with an increase of 0.8 per cent in the same period of 2010. These rather subdued growth rates in compensation of employees reflect the adjustment of the economy following the 2009 recession. In the first six months of 2011, the share of employee compensation to GDP at market prices declined by 1.4 percentage points, from 44.8 per cent to 43.4 per cent.

Gross National Income

Table 2.6

€ million

	2008	2009	2010	2010	2011
				Jan-Jun	Jan-Jun
Compensation of employees	2,590.2	2,640.8	2,694.4	1,334.7	1,359.2
Gross operating surplus and mixed income	2,516.9	2,420.4	2,677.8	1,296.8	1,385.1
Taxes on production and imports	857.7	833.1	851.8	374.9	423.0
Less Subsidies	125.1	64.0	60.3	29.9	34.0
Gross Domestic Product at current market prices	5,839.8	5,830.3	6,163.6	2,976.4	3,133.2
Net compensation of employees from the rest of the world	3.8	5.1	7.8	3.7	3.1
Subsidies less Taxes on products from/to the rest of the EU	-21.5	-9.8	-0.6	-3.4	-2.8
Net income from the rest of the world	-204.6	-491.1	-513.6	-209.0	-377.6
Gross National Income at current market prices	5,617.5	5,334.5	5,657.2	2,767.7	2,756.0

Source: National Statistics Office

Chart 2.3

Compensation of Employees and GDP

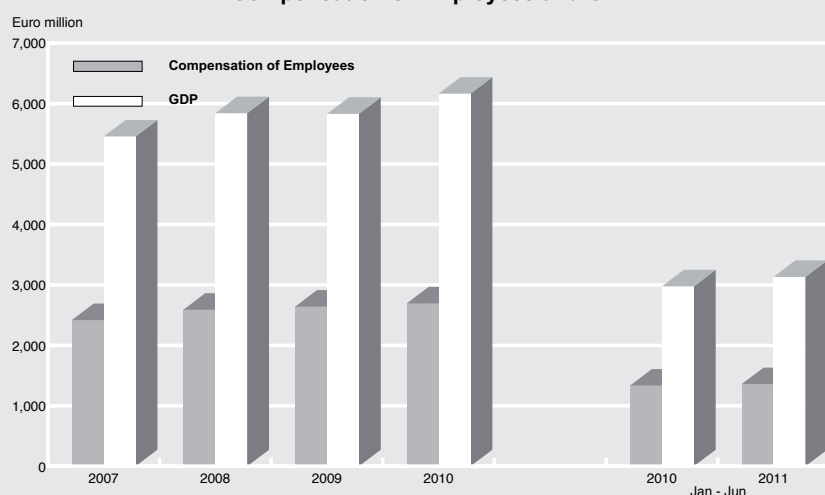
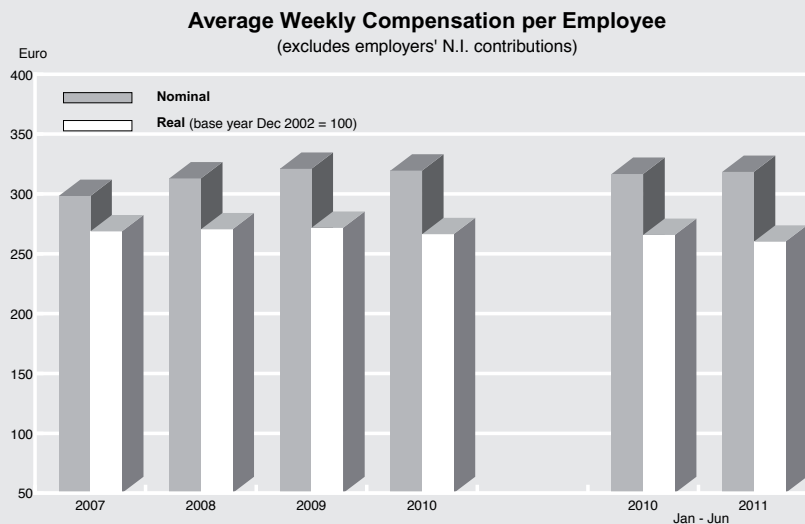


Chart 2.4



Average Weekly Wage per Employee*

Table 2.7

	Nominal		Real**	
	Value	Change	Value	Change
	€	%	€	%
2007	298.26	1.6	317.99	0.4
2008	312.93	4.9	320.02	0.6
2009	320.94	2.6	321.50	0.5
2010	319.45	-0.5	315.23	-1.9
2010 (Jan-Jun)	316.68	-1.8	314.57	-2.8
2011 (Jan-Jun)	318.35	0.5	307.74	-2.2

*Excludes employers' National Insurance contributions

**Base year of RPI index (December 2009=100)

Source: National Statistics Office

Developments in wages and salaries are shown in Chart 2.4 and Table 2.7. It is to be noted that data in respect of wages and salaries relates to national accounts data and hence incorporates the earnings of both full-time and part-time employees. Furthermore, in estimating average weekly wages per employee the segment of National Insurance contribution paid by employers is excluded from calculations, whilst employment levels are based on National Accounts data. Real average weekly wage figures were obtained by deflating them by the Retail Price Index.

In 2010, average nominal weekly compensation per employee stood at €319.45 compared to €320.94 prevailing in 2009. For the Survey period, the nominal average weekly wage per employee stood at €318.35 compared with €316.68 in the same period of 2010, an increase of 0.5 per cent. In real terms, average weekly compensation during the first half of 2011 stood at €307.74 down by 2.2 per cent when compared with the first two quarters of 2010.

Whereas growth in compensation of employee was rather subdued, growth in gross operating surplus and mixed income continued to exhibit a robust growth rate. Indeed, gross operating surplus increased by 6.8 per cent during the Survey period, an increase of €88.3 million. This increase follows the rise of 12.6 per cent registered in the same period of 2010. These developments meant that the ratio of gross operating surplus to GDP at market prices increased by 0.6 percentage points from 43.6 per cent in the first half of 2010 to 44.2 per cent in the same period of 2011.

Meanwhile, taxes on production and imports increased by €48.1 million during the first two quarters of 2011 while subsidies increased only by €4.1 million. This resulted in an increase of net taxes of €44.0 or 12.8 per cent during the first half of 2011.

3. Employment

3. Employment

As the economy continued to recover from the recessionary period experienced in 2009, a positive performance was recorded across most segments of the Maltese labour market during the first six months of 2011. Sustained employment growth in sectors which were relatively resilient to the international financial crisis ensured that the performance of the labour market continued to improve.

Female participation in the labour market was the major contributor to the increase in the labour supply. As these additional resources were successfully absorbed by domestic suppliers, unemployment declined and both full-time and part-time employment increased. Significant employment growth was particularly evident in the real estate, renting and business activities sector, the health sector and the other community, social and personal service activities sector. An increase was also recorded in the manufacturing sector.

The analysis in this Chapter covers a period spanning five years to June 2011. Unemployment figures relating to September 2011 are also utilised. The data is in line with the latest revisions of the Employment and Training Corporation (ETC). Hence, it is not directly comparable to data presented in previous Economic Surveys. In addition, it is based on a classification of economic activities which is not comparable to data in other chapters of this Economic Survey.

Labour Market Developments

In June 2011, the full-time gainfully occupied population increased by 3,112 persons or 2.1 per cent over June 2010, pinpointing to sustained recovery from the 2009 recession. Table 3.1 shows that the gainfully occupied population rose by 6,816 or 4.8 per cent over June 2007. To a large extent, these long-term trends reflect changes in the number of females in the gainfully occupied population.

Over the four year period to June 2011, female employment increased by 6,756 or 15.4 per cent to 50,532. During the same period, the number of males in the gainfully occupied population remained relatively stable at 98,799. The short-term developments observed during the twelve months to June 2011 showed a continuation of the previous trend for females and reflected a recovery from the effects of the recession on male employment. In fact, during this period, the number of females increased by 2,568 or 5.4 per cent, while the number of males increased by 544 or 0.6 per cent. The latter accounted for 66.2 per cent

Labour Market Performance

Table 3.1

	2007	2008	2009	2010	2011
	Jun	Jun	Jun	Jun	Jun
Labour Supply	148,852	151,956	152,397	152,994	155,543
Males	103,713	104,621	104,092	103,638	103,695
Females	45,139	47,335	48,305	49,356	51,848
Gainfully Occupied	142,515	146,095	145,124	146,219	149,331
Males	98,739	100,090	98,500	98,255	98,799
Females	43,776	46,005	46,624	47,964	50,532
Total Private Sector	99,831	104,100	104,444	105,699	108,144
Private Direct Production	33,585	32,946	31,932	31,579	32,256
Private Market Services	65,695	70,520	71,968	73,619	75,362
Temporary Employment	551	634	544	501	526
Total Public Sector	42,684	41,995	40,680	40,520	41,187
Public Sector	42,498	41,846	40,527	40,391	41,041
Temporary Employment	186	149	153	129	146
Registered Unemployed*	6,337	5,861	7,273	6,775	6,212
Males	4,974	4,531	5,592	5,383	4,896
Females	1,363	1,330	1,681	1,392	1,316
% of Labour Supply	4.3	3.9	4.8	4.4	4.0
of which unemployment					
under Part I (%)	3.8	3.5	4.4	4.0	3.6
Self-Employed**	16,905	17,177	17,386	17,609	17,585
Males	14,435	14,569	14,694	14,803	14,623
Females	2,470	2,608	2,692	2,806	2,962
% of Gainfully Occupied	11.9	11.8	12.0	12.0	11.8
Memorandum:					
Total Direct Production***	42,860	41,909	39,233	38,344	38,698
Total Market Services***	98,918	103,403	105,194	107,245	109,961
Total Private Sector Share	70.0%	71.3%	72.0%	72.3%	72.4%
Total Public Sector Share	30.0%	28.7%	28.0%	27.7%	27.6%
Part-time Employment as					
Primary Job	25,542	26,917	27,962	29,219	30,088

*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 the European Union's statistical agency, Eurostat, and the International Labour Organisation. The LFS provides information regarding the labour market, salary conditions and other useful indicators. However, it is not directly comparable to statistics emanating from the administrative records of the Employment and Training Corporation (ETC) due to differences in definitions and methodology of the two datasets. Additionally one must express caution in interpreting LFS results over time as absolute changes in employment of 1,800 or less may be due to a sampling error.

By the end of the second quarter of 2011, the working age population stood at 354,645, an increase of 3,856 or 1.1 per cent over the second quarter of 2010. During the same period, labour supply increased by 4,506 or 2.6 per cent to 180,291, indicative of an increase in labour force participation. At the same time, employment increased by 4,463 to 168,222, while unemployment increased by 43 to 12,069.

The increase in employment is largely attributable to the increase in female employment of 4,190 to 57,910, as male employment increased by 273 to 110,312. The increase in female employment relates to both full-time and part-time employment and mainly occurred in the other service activities sector and industry. Following these developments, female employment accounted for 34.4 per cent of total employment. Increases in male unemployment amounted to 420 while female unemployment decline by 377.

At the end of the second quarter of 2011, the activity rate (defined as the labour force as a percentage of the population of working age) stood at 61.5 per cent, an increase of 1.4 percentage points when compared to the same quarter of 2010. This reflected an increase of 0.4 percentage points in the male activity rate to 78.8 per cent and an increase in that of females of 2.5 percentage points to 43.6 per cent. At the same time, the number of inactive persons decreased by 650 or 0.4 per cent to 174,354 of which 67.1 per cent is accounted for by females.

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 1.3 percentage points to 57.3 per cent. This reflects an increase in the female employment rate from 37.7 per cent to 40.6 per cent and no change in the male employment rate which stood at 73.6 per cent.

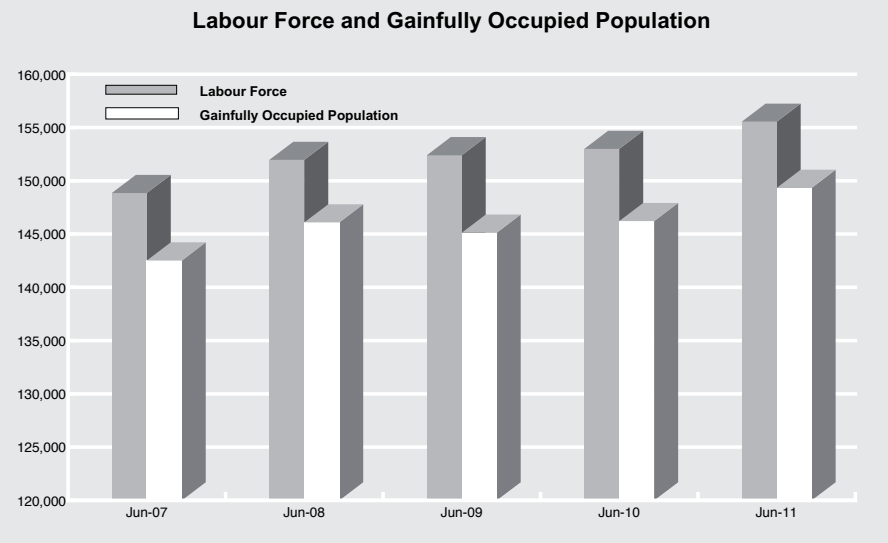
During the second quarter of 2011, the unemployment rate declined by 0.1 percentage point to 6.7 per cent, reflecting the fact that the substantial number of persons that entered the labour force found employment. From a gender perspective, the male unemployment rate increased by 0.3 percentage points to 6.5 per cent. Meanwhile, the female unemployment rate decreased from 8.1 per cent in the second quarter of 2010 to 7.0 per cent in the corresponding quarter of 2011.

Box 3.1 cont.

An age distribution analysis shows that the female unemployment rate decreased both for persons aged between 15 and 24 years and those aged 25 years and more, whereby the decrease of the former age group was of 0.7 percentage points, while that of the latter age bracket was of 0.8 percentage points. By contrast, the male unemployment rate increased in both age groups, with the major increase recorded in the young age bracket, which amounted to 0.9 percentage points. As a result of these developments, the unemployment rate for people aged between 15 and 24 years stood at 15.0 per cent while that for persons aged 25 or more stood at 5.1 per cent.

Average gross annual salaries improved during the period under observation. Indeed, the average salary increased from €4,404 in the second quarter of 2010 to €5,016 in the second quarter of 2011. The highest average gross annual salaries were those for legislators, senior officials and managers at around €24,000 followed by that for professionals at around €9,000. Meanwhile, the lowest average wages were earned for by persons employed in elementary occupations, at around €1,000.

Chart 3.1



of the total gainfully occupied population.

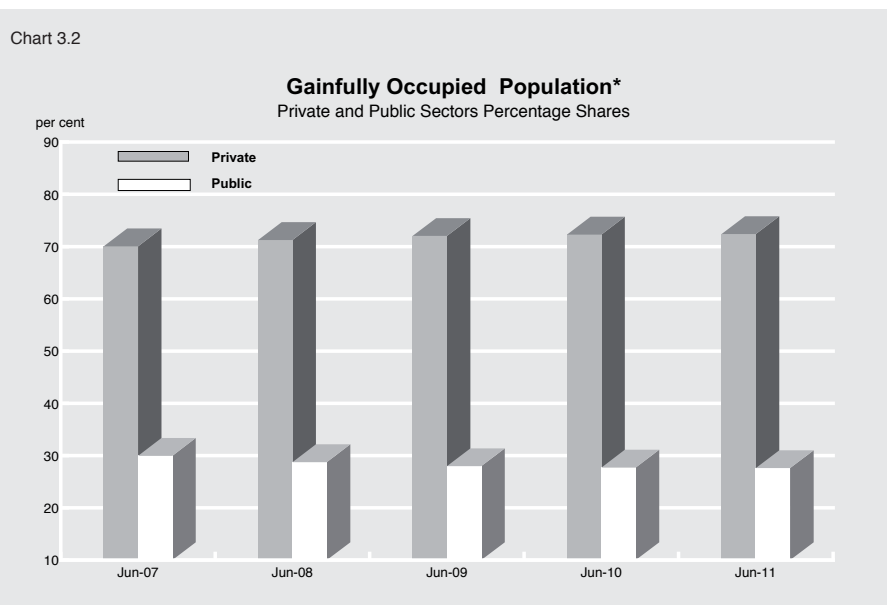
Similar developments are observed in the labour force as shown in Chart 3.1. Over the twelve months to June 2011, labour supply increased by 2,549 or 1.7 per cent. This reflects mostly an increase of 2,492 or 5.0 per cent for females. When compared to June 2007, male employment remained practically unchanged.

In June 2011, the number of persons registering for employment (under Part I and Part II of the Register) stood at 6,212 such that the unemployment rate stood at 4.0 per cent. This reflects a marginal improvement of 0.3 percentage points over June 2007 and of 0.4 percentage points when compared to June 2010. As the economy continued to recover from the recessionary period, female unemployment declined by 76, or 5.5 per cent, when compared to June 2010 while male unemployment declined by 487 or 9.0 per cent.

Private and Public Sector Employment

The increase in the number of gainfully occupied persons observed during the twelve months to June 2011 reflects developments in both the private and public sector. In fact, during this period, total private sector employment increased by 2,445 or 2.3 per cent to 108,144 while public sector employment increased by 667 or 1.6 per cent to 41,187. ETC data shows that to a large extent the increase in full-time public sector employment was offset by a decline in the number of part-time public sector employees. Moreover, when compared to June 2007, full-time public sector employment recorded a decline of 1,497 or 3.5 per cent. On the other hand, total private sector employment recorded an increase of 8,313 or 8.3 per cent during the same period. Following these developments, public sector employment accounted for 27.6 per cent of the total gainfully occupied population, while the private sector accounted for the remaining 72.4 per cent (as shown in Chart 3.2).

The developments in the private sector were driven by the number of employed persons as self-employed remained relatively stable. In June 2011, the number of self-employed persons stood at 17,585, registering a decline of 0.1 per cent when compared to June 2010. This was driven by a decline of 180 or 1.2 per cent in the male self-employed, but mitigated by an increase of 156 or 5.6 per cent in the female self-employed. However, both male and female self-employed recorded increases when compared to June 2007. Males recorded an increase of 188 or 1.3 per cent, while females increased by 492 or 19.9 per cent. These developments have led the share of self-employed in the total gainfully occupied



*Including temporary employees

population to remain relatively stable throughout the five year period under observation at around 12 per cent.

Employment in Government departments stood at 30,440, an increase of 63 or 0.2 per cent over the four years to June 2011 as more public entities took over responsibilities carried out by Government departments. However, full-time employment in Government departments in the twelve months to June 2011 increased by 553 or 1.9 per cent to account for 73.9 per cent of total public sector employment. As shown in Table 3.2, increases during the same period were also observed in employment in independent statutory bodies. These amounted to 149 employees or 1.8 per cent such that at the end of June 2011 employment in this sector stood at 8,508. However, when compared to June 2007, employment in independent statutory bodies decreased by 421 or 4.7 per cent such that it accounted for 20.7 per cent of total public sector employment. During the twelve months to June 2011, employment in companies with a public majority shareholding declined by 52 or 2.4 per cent to stand at 2,093. This is a continuation of the trend observed in previous years when a decline of 1,099 or 34.4 per cent was observed during the four years to June 2011.

Public Sector Employment

Table 3.2

	2007	2008	2009	2010	2011
	Jun	Jun	Jun	Jun	Jun
Government Departments	30,377	30,235	29,979	29,887	30,440
Companies with public sector majority shareholding	3,192	2,607	2,228	2,145	2,093
Independent Statutory Bodies	8,929	9,004	8,320	8,359	8,508
Temporary Employees	186	149	153	129	146
Total	42,684	41,995	40,680	40,520	41,187

Source: Employment and Training Corporation

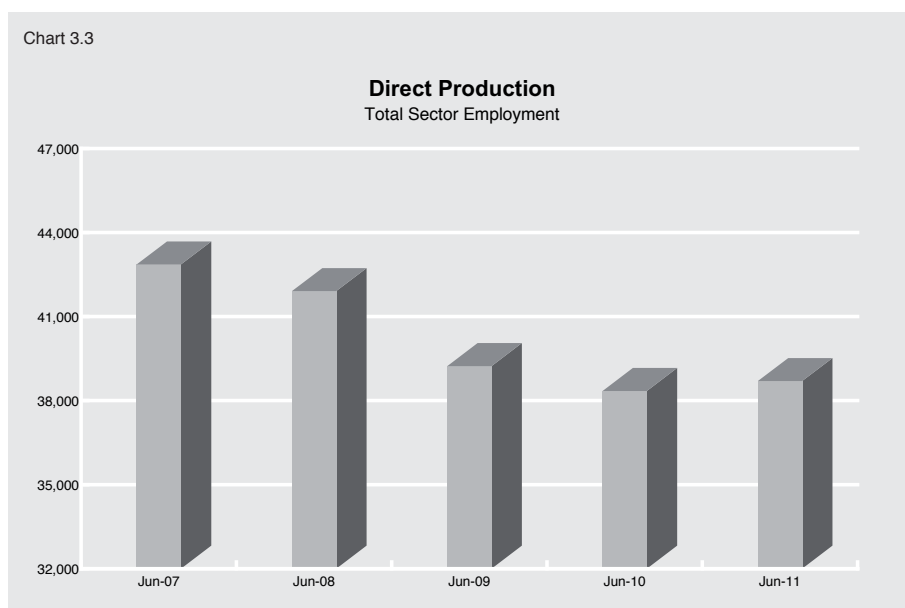
Sectoral Employment

The downward trend followed by the share of direct production employment in the total gainfully occupied population persisted during the year to June 2011. Nonetheless, during this period, total direct production employment (exclusive of temporary employees) increased by 354 or 0.9 per cent to 38,698, reversing the downward trend experienced in previous years. The increase observed in market services employment (exclusive of temporary employees) was significantly greater at 2,716 or 2.5 per cent to stand at 109,961. Consequently, the share of direct production in total employment fell from 30.1 per cent in June 2007 to 25.9 per cent in June 2011, whilst the share of market services employment recorded an increase of 4.2 percentage points.

Direct Production

The positive developments noted in total direct production in Chart 3.3 reflect developments in the manufacturing sector. In fact, over the twelve months to June 2011 manufacturing employment recorded an increase of 544 or 2.6 per cent to 21,273. Table 3.3 shows that during the same period, employment in all other direct production sectors declined with the exception of the agriculture, hunting and forestry sector.

In fact, in June 2011, employment in the agriculture, hunting and forestry sector stood at 1,879, a marginal increase of 14 or 0.8 per cent when compared to June 2010. The significant decline of 1,110 employees or 37.1 per cent observed when comparing June 2011 to June 2007 is explained by a reclassification of a



number of public sector employees from the agriculture, hunting and forestry sector to the construction sector. Otherwise, employment in the sector remained relatively stable. Similar observations were made for employment in the fishing sector, which recorded a decline of 16 or 3.3 per cent during the year to June 2011 to stand at 468. When compared to the same month in 2007, the decline amounted to 43 employees or 8.4 per cent.

During the twelve months to June 2011, construction sector employment declined by 116 employees or 1.0 per cent, such that the sector's employment stood at 12,076. When compared to the same month in 2007, the sector's employment increased by 357 or 3.0 per cent. However, this reflects the reclassification of public sector employees from the agriculture, hunting and forestry sector referred to in the preceding paragraph. When this reclassification is factored in, employment in the construction sector followed a generally downward trend.

A closer look at developments within the manufacturing sector shows that in the twelve months to June 2011, net private sector increases within each of the manufacturing sub-sectors amounted to 917, consolidating the pick up in employment recorded last year. On a net basis, the recorded increases across the manufacturing sub-sectors amounted to 636 as shown in Table 3.4.

Data for the major manufacturing sub-sectors is also presented in Table 3.5. Figures in the Table show that employment in the manufacturing of chemicals,

Employment in Direct Production*

Table 3.3

	2007	2008	2009	2010	2011
	Jun	Jun	Jun	Jun	Jun
Agriculture, Hunting and Forestry	2,989	2,997	1,805	1,865	1,879
Private	1,649	1,640	1,641	1,706	1,722
Public	1,340	1,357	164	159	157
Fishing	511	535	517	484	468
Private	511	535	517	484	468
Public	0	0	0	0	0
Mining and Quarrying	492	474	471	380	353
Private	492	474	471	380	353
Public	0	0	0	0	0
Manufacturing	24,040	23,198	20,923	20,729	21,273
Private	22,274	21,449	20,497	20,572	21,208
Public	1,766	1,749	426	157	65
Electricity, Gas and Water	3,109	2,993	2,910	2,694	2,649
Private	8	8	11	11	22
Public	3,101	2,985	2,899	2,683	2,627
Construction	11,719	11,712	12,607	12,192	12,076
Private	8,651	8,840	8,795	8,426	8,483
Public	3,068	2,872	3,812	3,766	3,593
Total Employment in Direct Production	42,860	41,909	39,233	38,344	38,698
Private	33,585	32,946	31,932	31,579	32,256
Public	9,275	8,963	7,301	6,765	6,442

* Excluding temporary employees

Source: Employment and Training Corporation

Changes in Manufacturing Employment*

Table 3.4

	2008-07	2009-08	2010-09	2011-10
	Jun	Jun	Jun	Jun
Total Change	-842	-2,275	-194	544
Private	-825	-952	75	636
Public	-17	-1,323	-269	-92
Total Private Increases	308	451	547	917
Total Public Increases	1	0	4	0
Total Private Decreases	-1,133	-1,403	-472	-281
Total Public Decreases	-18	-1,323	-273	-92

* Excluding temporary employees

Source: Compiled from Employment and Training Corporation data

Manufacturing Employment*

Table 3.5

	2007	2008	2009	2010	2011
	Jun	Jun	Jun	Jun	Jun
Mfg of Food Products, Beverages and Tobacco	3,598	3,656	3,553	3,450	3,394
Private	3,598	3,656	3,553	3,450	3,394
Public	0	0	0	0	0
Mfg of Textiles and Textile Products	1,541	931	873	844	913
Private	1,541	931	873	844	913
Public	0	0	0	0	0
Mfg of Leather and Leather Products	207	145	128	99	76
Private	207	145	128	99	76
Public	0	0	0	0	0
Mfg of Wood and Wood Products	169	164	161	169	168
Private	169	164	161	169	168
Public	0	0	0	0	0
Mfg of Pulp, Paper and Paper Products; Publishing and Printing	2,012	2,000	2,052	2,048	2,050
Private	1,956	1,943	1,997	1,989	1,995
Public	56	57	55	59	55
Mfg of Coke, Refined Petroleum Products and Nuclear Fuel	5	4	4	5	6
Private	5	4	4	5	6
Public	0	0	0	0	0
Mfg of Chemicals, Chemical Products and Man-Made Fibres	1,037	1,192	1,226	1,293	1,374
Private	1,037	1,192	1,226	1,293	1,374
Public	0	0	0	0	0
Mfg of Rubber and Plastic Products	1,670	1,589	1,225	1,366	1,512
Private	1,670	1,589	1,225	1,366	1,512
Public	0	0	0	0	0
Mfg of Other Non-Metallic Mineral Products	1,279	1,283	1,275	1,212	1,160
Private	1,279	1,283	1,275	1,212	1,160
Public	0	0	0	0	0
Mfg of Basic Metals and Fabricated Metal Products	1,294	1,306	1,350	1,432	1,345
Private	1,294	1,306	1,350	1,432	1,345
Public	0	0	0	0	0
Mfg of Machinery and Equipment n.e.c	568	526	468	527	612
Private	568	526	468	527	612
Public	0	0	0	0	0
Mfg of Electrical and Optical Equipment	5,492	5,276	4,562	4,339	4,528
Private	5,492	5,276	4,562	4,339	4,528
Public	0	0	0	0	0
Mfg of Transport Equipment	2,230	2,291	1,270	1,094	1,194
Private	520	599	899	996	1,184
Public	1,710	1,692	371	98	10
Manufacturing n.e.c.	2,938	2,835	2,776	2,851	2,941
Private	2,938	2,835	2,776	2,851	2,941
Public	0	0	0	0	0
Total Manufacturing Employment	24,040	23,198	20,923	20,729	21,273

* Excluding temporary employees

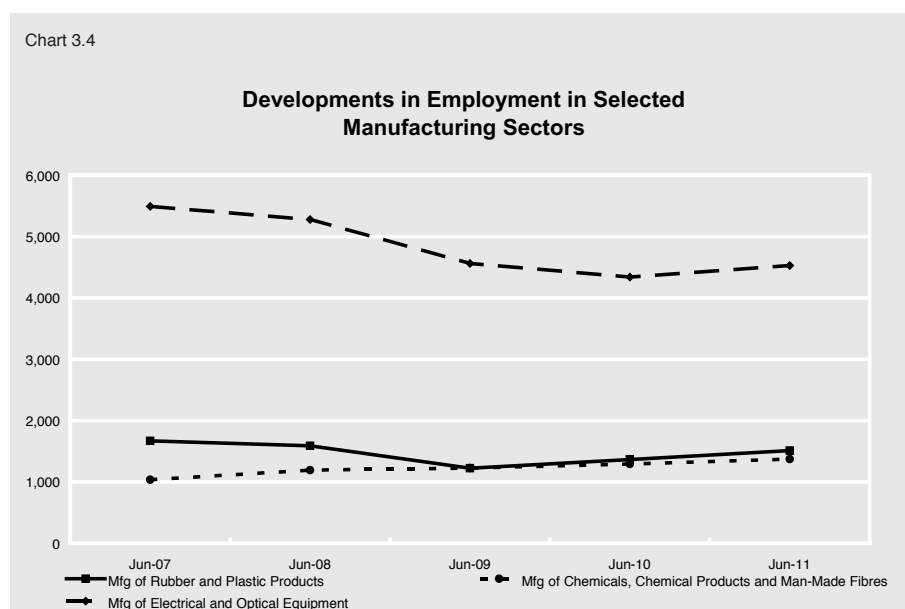
Source: Employment and Training Corporation

chemical products and man-made fibres sector continued to increase along the trend observed in recent years. Indeed, between June 2007 and June 2011, employment in this sector increased by 337 or 32.5 per cent, part of which reflects an increase of 81 or 6.3 per cent recorded during the twelve months to June 2011.

Other major developments were observed in the manufacturing of rubber and plastic products sector. Although a decline of 158 persons or 9.5 per cent is observed when comparing data for June 2011 to June 2007, an increase of 146 or 10.7 per cent was observed during the year to the same date. This reflected the sub-sector's recovery from the significant drop in employment observed in 2009.

Significant changes were also observed in the manufacturing of transport equipment sector. Employment within the sector declined from 2,230 in June 2007 to 1,194 in June 2011, a decrease of 1,036 or 46.5 per cent. The decline is attributable to developments in the public sector relating to the restructuring process of Malta Shipyards Ltd, which included the implementation of voluntary early retirement schemes and the subsequent privatisation of the enterprise. However, during the twelve months to June 2011, employment within the sector increased by 100 or 9.1 per cent, reflecting developments in the private sector.

Chart 3.4 shows that during the year to June 2011, an additional 189 jobs were



also created in the manufacturing of electrical and optical equipment sub-sector. This was a reversal of the trend observed in previous years as reflected by the decline of 964 or 17.6 per cent in the sub-sector's employment when compared to June 2007. Nonetheless, the manufacturing of electrical and optical equipment sub-sector continues to make up a significant share of total manufacturing employment, which amounted to around 21.3 per cent in June 2011.

Other significant shares include that of the manufacturing of food products, beverages and tobacco sub-sector which stood at around 16.0 per cent, as well as that of manufacturing companies not elsewhere classified at 13.8 per cent. Whereas employment in manufacturing not elsewhere classified continued to recover from the low level of employment recorded in 2009, employment in the manufacturing of food, beverages and tobacco continued on a trend decline since 2008.

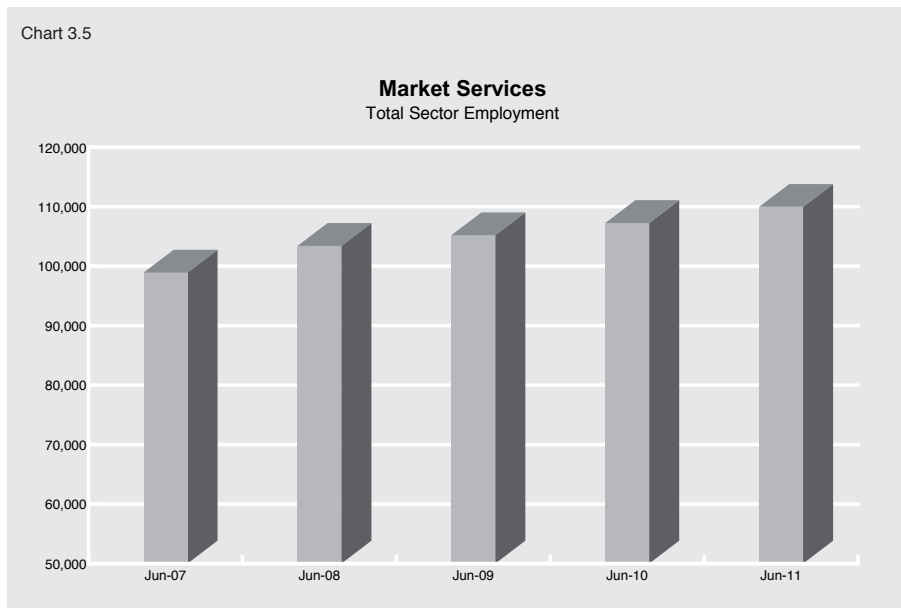
Market Services

As shown in Chart 3.5, employment in market services followed an upward trend to stand at 109,961 at the end of June 2011. The major contributors to this growth were the health and social work sector, the real estate, renting and business activities sector and the other community, social and personal service activities sector. On the other hand, relatively small declines in employment were observed in the hotels and restaurants sector, the transport storage and communications sector and the wholesale and retail sector.

Table 3.6 shows that throughout the twelve months to June 2011, a number of private market services sub-sectors recorded net increases which together amounted to 2,070 while a number of private market services sub-sectors recorded net declines which together amounted to 327.

Table 3.7 shows that during the four years to June 2011, employment in the health and social work sector increased by 1,995 or 21.0 per cent. At the end of June 2011, employment in this sector stood at 11,484, an increase of 896 or 8.5 per cent over June 2010. This partly reflects a significant increase of 848 employees or 10.0 per cent in the sector's employment related to the public sector, which largely reflect the shift from part-time employees to full-time employment. Chart 3.6 shows that other significant developments could be observed in the real estate, renting and business activities sector. Indeed, at the end of June 2011, employment in this sector stood at 16,248, an increase of 4,272 or 35.7 per cent when compared to June 2007, largely reflecting developments in other business activities.

Chart 3.5



Changes in Employment in Market Services*

Table 3.6

	2008-07 Jun	2009-08 Jun	2010-09 Jun	2011-10 Jun
Total Change	4,485	1,791	2,051	2,716
Private	4,825	1,448	1,651	1,743
Public	-340	343	400	973
Total Private Increases	4,825	1,955	3,481	2,070
Total Public Increases	457	437	707	1,085
Total Private Decreases	0	-507	-1,830	-327
Total Public Decreases	-797	-94	-307	-112

*Excluding temporary employees

Source: Compiled from Employment and Training Corporation data

Employment in Market Services*

Table 3.7

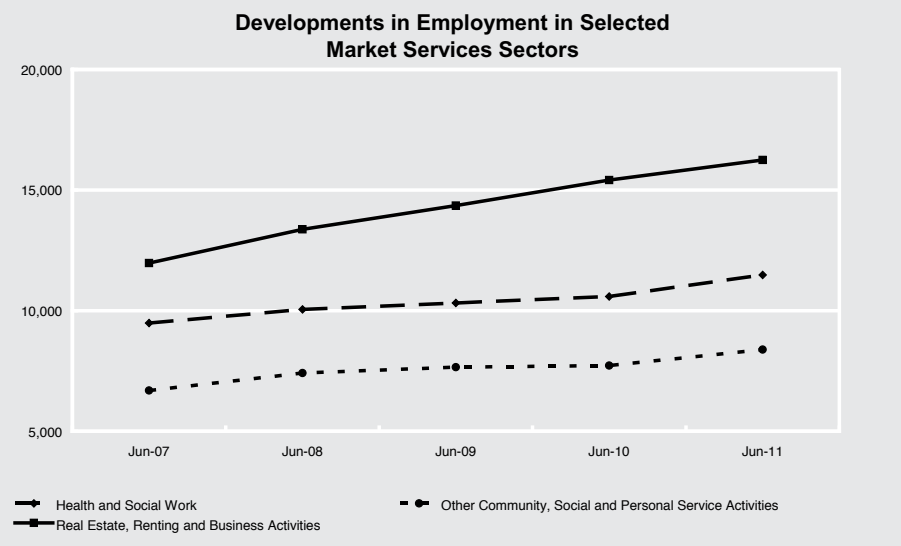
	2007	2008	2009	2010	2011
	Jun	Jun	Jun	Jun	Jun
Wholesale and Retail (including Repair of Motor Vehicles, Motorcycles and Personal and Household Goods)	21,454	21,945	22,115	22,379	22,331
Private	21,432	21,926	22,098	22,363	22,317
Public	22	19	17	16	14
Hotels and Restaurants	9,758	10,381	9,925	9,719	9,655
Private	9,643	10,270	9,816	9,644	9,598
Public	115	111	109	75	57
Transport, Storage and Communications	10,812	11,123	11,347	11,439	11,371
Private	8,048	8,992	9,305	9,145	9,115
Public	2,764	2,131	2,042	2,294	2,256
Financial Intermediation	5,398	5,637	5,694	6,218	6,437
Private	4,912	5,148	5,185	5,684	5,893
Public	486	489	509	534	544
Real Estate, Renting and Business Activities	11,976	13,370	14,358	15,417	16,248
Private	10,828	12,207	13,163	14,131	15,002
Public	1,148	1,163	1,195	1,286	1,246
Public Administration and Defence (including Compulsory Social Security)	10,789	10,801	10,980	10,794	10,803
Private	0	0	0	0	0
Public	10,789	10,801	10,980	10,794	10,803
Education	12,401	12,513	12,619	12,799	13,086
Private	3,198	3,443	3,460	3,421	3,502
Public	9,203	9,070	9,159	9,378	9,584
Health and Social Work	9,489	10,053	10,322	10,588	11,484
Private	1,614	1,751	1,912	2,130	2,178
Public	7,875	8,302	8,410	8,458	9,306
Other Community, Social and Personal Service Activities**	6,690	7,414	7,657	7,722	8,388
Private	5,869	6,617	6,852	6,931	7,599
Public	821	797	805	791	789
Extra-Territorial Organisations and Bodies	151	166	177	170	158
Private	151	166	177	170	158
Public	0	0	0	0	0
Total Employment in Market Services	98,918	103,403	105,194	107,245	109,961

* Excluding temporary employees

**Includes Persons Employed with Private Households

Source: Employment and Training Corporation

Chart 3.6



The other community, social and personal service activities sector also recorded a significant increase throughout the four year period under observation. This amounted to 1,698, of which a significant 666 are attributable to growth during the twelve months to June 2011. Following these developments, the sector accounted for 7.6 per cent of the share in total market services employment, a 0.9 percentage point increase over the same month in 2007. Other notable increases occurred within the financial intermediation and education sectors. During the twelve months to June 2011, these amounted to 219 and 287 persons, to stand at 6,437 and 13,086, respectively.

Unemployment

The forthcoming analysis relates to data for September 2011 and focuses only on persons listed under Part I of the Register. These include new job-seekers who have left school, re-entrants into the labour market and job-losers who have been made redundant by their former employers. The analysis therefore excludes those unemployed persons that fall under Part II of the Register, that is, 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 Register after an inspection by law enforcement personnel.

The number of unemployed persons in September 2011 stood at 5,894, a decline

of 104 persons compared to the same month of the previous year. This was driven by a decline of 157 in the number of males registering for employment, while the number of unemployed females rose by 53. Consequently, females accounted for 21.6 per cent of total unemployed, up from 20.4 per cent in September 2010.

During the same period, the share of those registering for employment for more than 48 weeks declined from 44.1 per cent to 41.0 per cent, indicating a lower share of long-term unemployed. However, the share of people registering for employment for less than 9 weeks increased by 1.9 percentage points to 22.3 per cent in September 2011. Table 3.8 also shows that the share of persons registering for a period between 9 to 48 weeks increased by 1.2 percentage points to 36.7 per cent.

The age distribution of the unemployed shifted towards older age persons. In fact, Table 3.9 shows that the share of persons aged over 49 years in total unemployment increased from 27.4 per cent in September 2010 to 28.7 per cent in September 2011. During the same period, the share of those aged between 25 and 49 years decreased by 1.4 percentage points to 53.3 per cent, while that of those aged between 16 and 24 years was relatively unchanged.

Data on the registered unemployed classified by occupation for September 2011 is presented in Table 3.10. The noted decline in unemployment during the twelve months to September 2011 was attributable to the manual work category, largely reflecting declines in labouring, agriculture, metal working, construction

Registered Unemployed*
by duration of registration

Table 3.8

	Registered Unemployed	under 9 weeks %	9 - 48 weeks %	over 48 weeks %
2006	6,446	20.9	36.5	42.7
2007	5,469	19.6	37.4	43.0
2008	5,785	21.0	39.1	39.9
2009	6,952	20.4	40.3	39.3
2010	5,986	19.8	38.2	42.0
2010 (Sep)	5,998	20.4	35.5	44.1
2011 (Sep)	5,894	22.3	36.7	41.0

*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 %
2006	6,446	26.1	55.9	18.0
2007	5,469	20.6	58.9	20.5
2008	5,785	18.6	58.1	23.3
2009	6,952	19.5	55.5	25.0
2010	5,986	17.5	54.4	28.1
2010 (Sep)	5,998	17.9	54.7	27.4
2011 (Sep)	5,894	18.0	53.3	28.7

*Includes Part I of the Registered Unemployed

Source: Employment and Training Corporation

Registered Unemployed Classified by Occupation*
at September 2011

Table 3.10

	Registered Unemployed			Percentage Share		
	Males	Females	Total	Males	Females	Total
Non-Manual						
Clerical & related workers	477	417	894	10.3	32.7	15.2
Supervisory	35	0	35	0.8	0.0	0.6
Technological & professional	632	124	756	13.7	9.7	12.8
Miscellaneous non-manual	513	316	829	11.1	24.8	14.1
Total Non-Manual	1,657	857	2,514	35.9	67.2	42.7
Manual						
Agriculture	204	0	204	4.4	0.0	3.5
Construction	496	0	496	10.7	0.0	8.4
Textiles	4	5	9	0.1	0.4	0.2
Printing	6	0	6	0.1	0.0	0.1
Metal working	177	0	177	3.8	0.0	3.0
Catering	167	33	200	3.6	2.6	3.4
Other services	394	152	546	8.5	11.9	9.3
Labouring	460	55	515	10.0	4.3	8.7
Miscellaneous	702	110	812	15.2	8.6	13.8
Total Manual	2,610	355	2,965	56.5	27.8	50.3
Disabled persons	351	64	415	7.6	5.0	7.0
Total	4,618	1,276	5,894	100.0	100.0	100.0

*Includes Part I of the Registered Unemployed

Source: Employment and Training Corporation

and miscellaneous categories. Consequently, the share of the manual category in total unemployment fell marginally from 50.9 to 50.3 per cent. During the same period, the share of persons registering for employment in the non-manual category remained relatively unchanged at 2,514. However, the non-manual category's share in total unemployed increased by almost 1 percentage point, reflecting declines in the share of the manual and disabled persons category.

Part-Time Activity

Whereas part-time employment, whether as the primary job or in addition to a full-time job, accounts for almost half the female labour supply, it is also responsible for around a quarter of the male labour supply. Part-time employment is a growing phenomenon for both the male and female segments of the labour market. However, while part-time employment as a secondary job is predominantly a male characteristic, part-time employment tends to be the primary job for the female segment of the labour market. It is worth noting that although part-time employment is sometimes linked with precarious job prospects (especially if this is not accompanied by commensurate increases in full-time employment), it could also be an important source of additional family income and labour market flexibility allowing for a better utilisation of scarce labour resources. It is also particularly suitable for job-sharing opportunities and often linked to higher female participation in the labour market which is a prerequisite for higher per-capita income levels in Malta.

Table 3.11 shows that total part-time employment continued to follow a steady upward trend. Indeed, during the twelve months to June 2011, it increased by 2,012 or 3.9 per cent to stand at 53,051. From a longer term perspective, total part-time employment increased by 7,913 or 17.5 per cent when compared to June 2007. This reflects developments in both part-timers holding a full-time job and those employed full-time as their primary job. The share of persons whose primary job is part-time employment in total part-time employment continues to account for more than 56.0 per cent. From a gender perspective, the share of males in total part-time employment accounted for 53.6 per cent.

The number of part-timers holding a full-time job increased from 21,820 in June 2010 to 22,963 in June 2011, an increase of 1,143 or 5.2 per cent. Increases in this category were accounted for by both males and females, as they increased by 574 and 569 respectively. Nonetheless, males continue to account for almost 70.0 per cent of total employment within this category. The number of persons whose part-time work constitutes their primary employment also increased. The change over the same month in the previous year amounted to 869 or 3.0 per

Part-Time Employment

Table 3.11

	2007	2008	2009	2010	2011
	Jun	Jun	Jun	Jun	Jun
Part-Timers holding a full-time job	19,596	20,490	21,529	21,820	22,963
Males	14,317	14,709	15,157	15,319	15,893
Females	5,279	5,781	6,372	6,501	7,070
Part-Timers as a primary job	25,542	26,917	27,962	29,219	30,088
Males	10,286	10,929	11,360	11,915	12,543
Females	15,256	15,988	16,602	17,304	17,545
Total Part-Time Employment	45,138	47,407	49,491	51,039	53,051
Males	24,603	25,638	26,517	27,234	28,436
Females	20,535	21,769	22,974	23,805	24,615

Source: Employment and Training Corporation

cent such that in June 2011 total part-time employment within this category amounted to 30,088. To a large extent, this increase was accounted for by males, who now constitute 41.7 per cent of total employment within this category, up from 40.3 per cent in June 2007.

4. Productive Activities

4. Productive Activities

Following the negative performance evidenced in the Maltese industry during 2008 and 2009, particularly within the manufacturing sectors, positive signs of recovery were noted in 2010. Such signs of recovery were mostly felt in the sectors which are mainly export-oriented. This recovery continued albeit mildly during the first seven months of 2011.

The first part of this Chapter looks at Industrial Index and analyses the performance of the local industry. Turnover is deflated by use of the 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, which is the latest methodology adopted by National Statistics Office (NSO) and are presented as indices using 2005 as the base year. 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.

The local industry is composed of mining and quarrying, manufacturing and electricity and water supply. Following the drops registered in 2008 and 2009 the total turnover index rose significantly by 18.4 per cent in 2010. In the seven months to July 2011, the turnover index increased by 1.4 per cent when compared to the same period last year supported by increases in export sales as domestic sales dropped. At a sectoral level, this development was attributed to increases in the turnover index of the manufacturing sector. Meanwhile, a decline was evidenced in the mining and quarrying sector and the electricity and water supply sector during the same period. Developments in the total industry turnover index are depicted in Chart 4.1 while Chart 4.2 illustrates growth in the industry's export and domestic sales index in the period under review.

Wages and salaries in the industry declined during 2009 and 2010. However, a 4.4 per cent recovery in the wages and salaries index was recorded in January-July 2011. The increase in this index, illustrated in Chart 4.3, is consistent with positive developments in employment levels and hours worked. The following section provides a brief sectoral analysis of the industry including developments in the total turnover index, export sales index, domestic sales index, and wages and salaries index.

The negative performance of the mining and quarrying sector throughout the

Chart 4.1

Developments in the Industrial Turnover

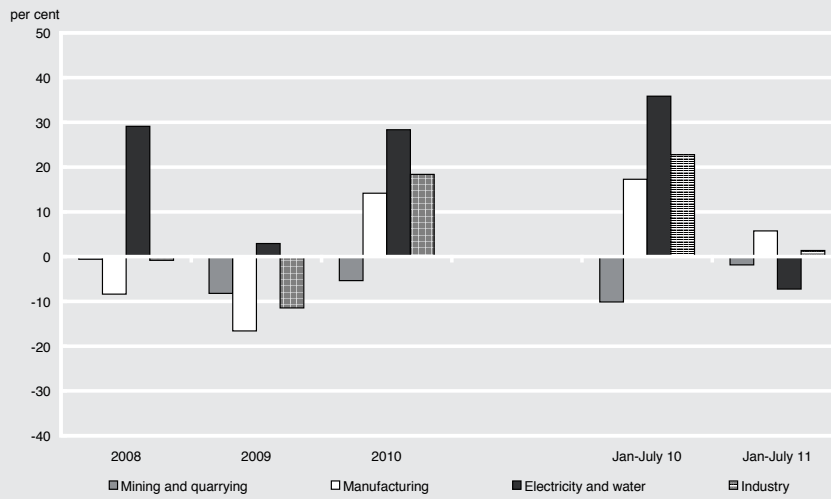
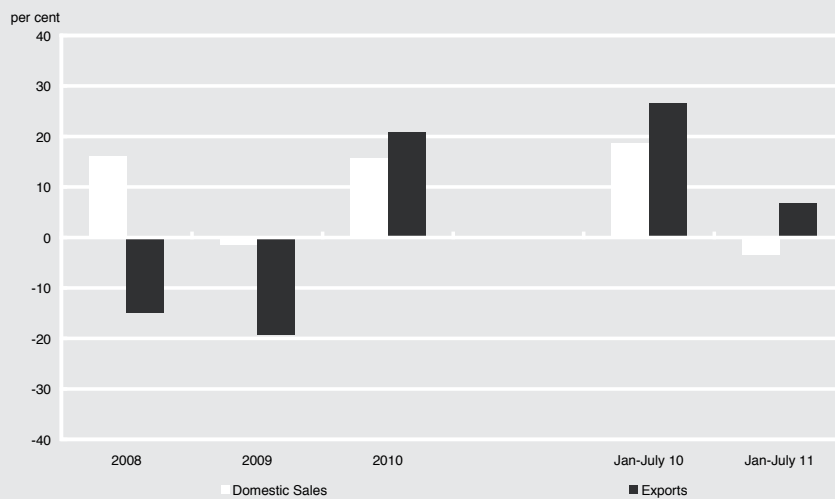
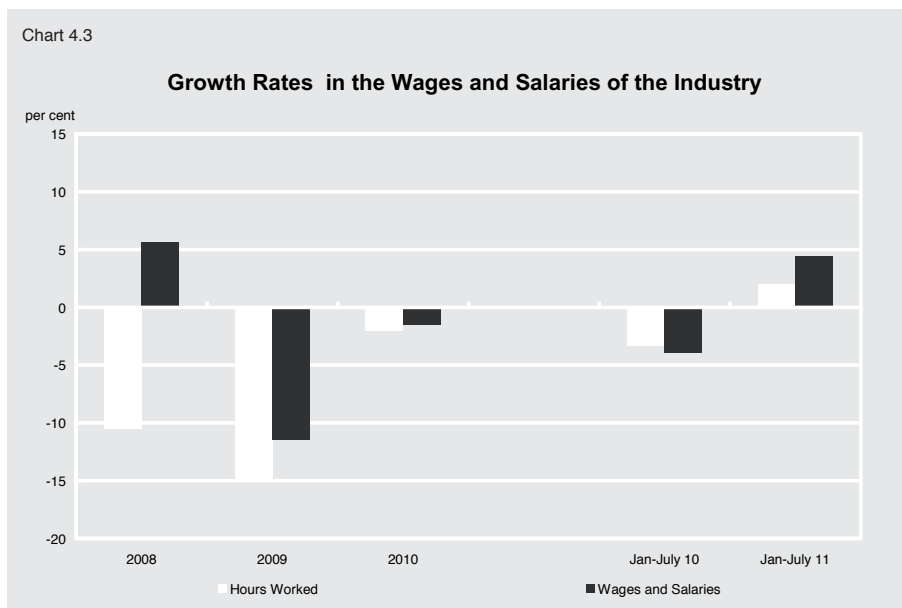


Chart 4.2

Developments in Exports and Domestic Sales





period between 2008 and 2010 persisted in the first seven months of 2011. The turnover index fell by 1.8 per cent, albeit at a slower rate over the previous comparable period. Moreover, the wages and salaries index also decreased in January-July 2011 due to lower employment levels and hours worked.

As shown in Chart 4.4, the downward trend evidenced in manufacturing sector exports during 2008 and 2009 was reversed in 2010. The recovery persisted in the seven months to July 2011. The turnover index increased by 5.7 per cent reflecting rises in both domestic and export sales which grew by 3.7 per cent and 6.9 per cent respectively when compared to January-July 2010. Meanwhile, the general downturn evidenced in the employment levels and the wages and salaries index of this sector in the period between 2008 and 2009 continued throughout 2010 despite the recovery in turnover. Nonetheless, indications from the first seven months of 2011 show a recovery in the wages and salaries of 4.4 per cent as both employment levels and hours worked increased when compared to the previous period. Chart 4.5 depicts the developments in wages and salaries and hours worked for the manufacturing sector in the period under review.

The electricity and water supply sector registered an average growth of 20.1 per cent in its turnover index in the period between 2008 and 2010. In the first seven months of 2011, the electricity and water supply sector registered a 7.3 per cent drop in its turnover index when compared to the previous comparable period. However, the wages and salaries index rose by 5.0 per cent, mainly reflecting

Chart 4.4

Exports and Domestic Sales in the Manufacturing Sector

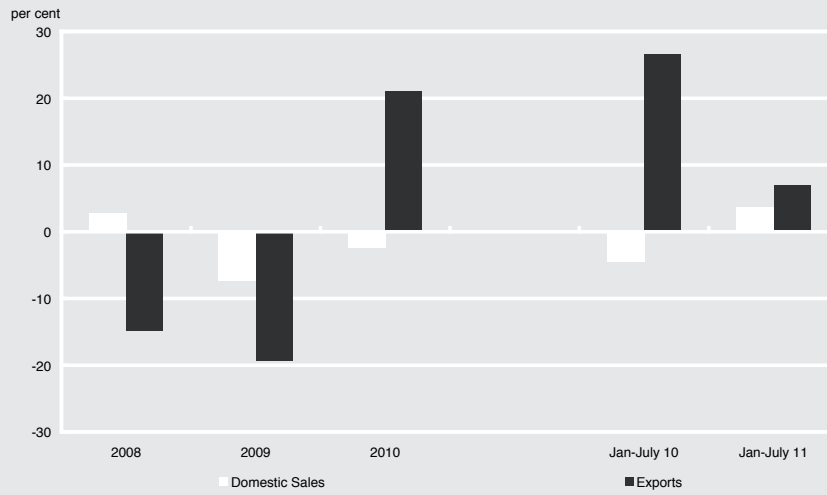
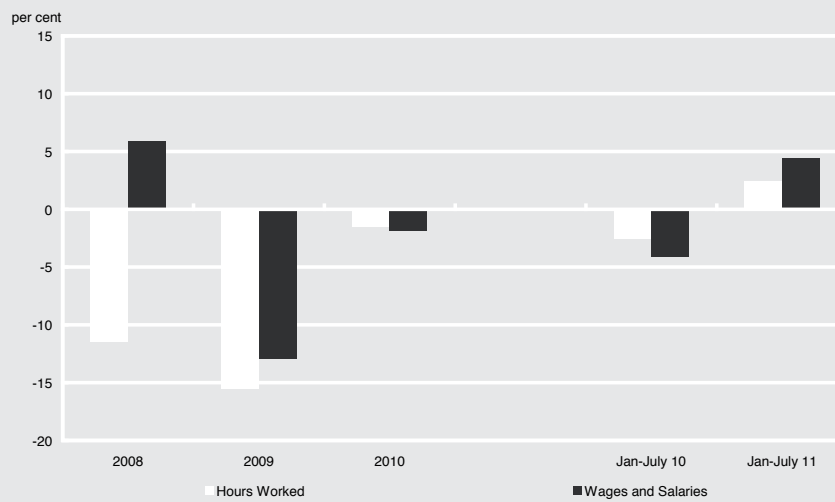


Chart 4.5

Growth in the Wages and Salaries of the Manufacturing Sector

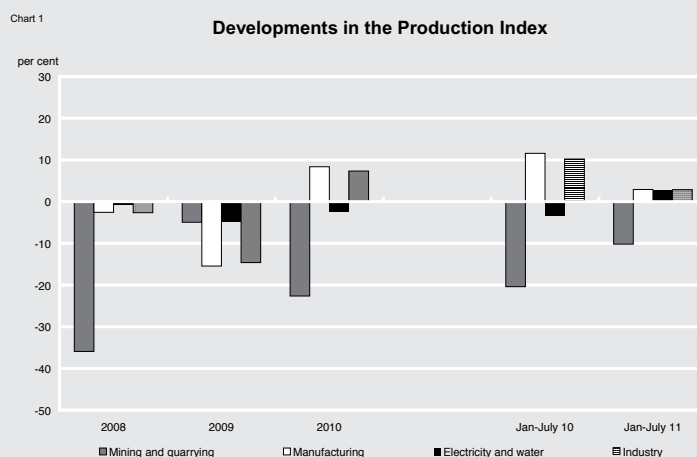


Box 4.1

The Industrial Production Index

The Industrial Production Index aims to identify volume changes in output. Values are affected by volume and price changes. The theoretical aim of the index is to reflect developments in value added. Developments in the industrial production index describe the economic cycles of the industry and can be used to identify turning points in economic development at an early stage. The index monitors the changes in production in leading products from a sample of industrial enterprises and is compiled on 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.

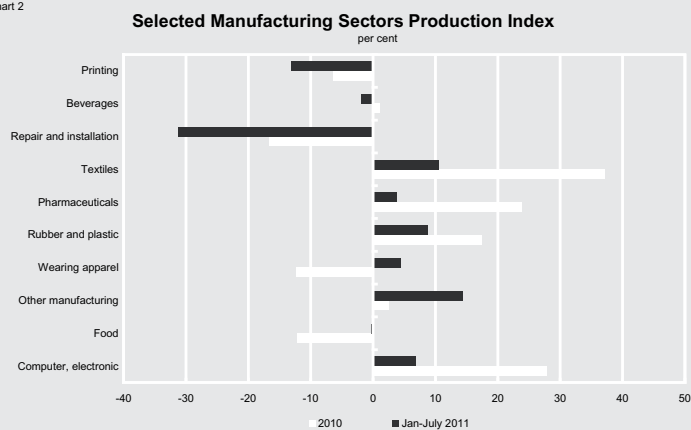
In 2010, the overall industrial production index increased by 7.3 per cent, following drops in the index in both 2008 and 2009. In the first seven months of 2011, the overall industrial production index increased by 2.9 per cent, albeit at a slower rate than the 10.2 per cent growth rate registered in the index for the January-July 2010 period. This is attributable to increases in the production index of the manufacturing sector and the electricity and water sector, while the mining and quarrying sector registered a decline. The growth performance in the industrial production index for the period under review is illustrated in Chart 1.



Following declines in both 2008 and 2009, the manufacturing sector's production index increased by 8.4 per cent in 2010. During January-July 2011, the production index increased by 2.9 per cent, albeit at a slower rate when compared to the previous comparable period. The main contributors to this growth are the other manufacturing (14.3 per cent) and the manufacture of textiles and textile products (10.5 per cent) sub-sectors. Other rises were registered in the manufacture of rubber and plastic products, in the computer, electronic and optical products, the wearing and apparel and the pharmaceuticals products sub-sectors. These increases were partly offset by drops in other sub-sectors particularly in the repairs and installation (31.1 per cent) and the printing and reproduction of recorded media (13.1 per cent) sub-sectors. The Production Index of the main manufacturing sectors are depicted in Chart 2.

Box 4.1 cont.

Chart 2



rises in hours worked as employment levels dropped, in the same period.

Despite its small size, the local agricultural and fisheries sector is still an important socio-economic activity within the local community. In 2010, agricultural factor income at current prices increased by 11.9 per cent over the previous year. On the other hand, final production at basic prices registered a decline of 3.9 per cent in 2010 when compared to 2009 mainly as a result of lower crop products and other animal products. The share of the agriculture and fisheries sector in total economy gross value added remained stable at 1.6 per cent during the first half of 2011 when compared to the same period in 2010. During the first eight months of 2011, the wholesale value of fruit and vegetables sold through organised markets declined by 3.0 per cent over the same period of the previous year while the total volume of slaughtering declined by 1.1 per cent over the same period in 2010. The value of fish landings during January-August 2011 declined by 3.2 per cent when compared to the same period a year earlier.

This Chapter proceeds with an analysis of the performance of the main sub-sectors of the manufacturing industry by looking at short-term cyclical indicators.

Domestic Manufacturing Performance

Food Products

The manufacture of food is mainly oriented towards the local market. The total turnover index was relatively unstable during the 2008-2010 period. In January-July 2011, as illustrated in Chart 4.6, the total turnover index declined by 0.6 per cent over January-July 2010. This reflects a drop in the exports of food products of 4.1 per cent whilst the domestic sales index rose by 3.8 per cent. In the same period for 2011, employment levels continued to decline resulting in a decrease of 3.7 per cent in the wages and salaries index when compared to the previous comparable period.

Beverages

The manufacture of beverages is almost exclusively domestic oriented. The total turnover index followed a downward trend during the period till 2010. Nonetheless, as shown in Chart 4.7, this sub-sector's turnover increased in January-July 2011, when compared to the 2010 comparable period. This is due to an increase of 1.8 per cent in domestic sales which resulted in a rise in the total turnover index of nearly the same magnitude. On the other hand, the wages and salaries index registered an increase of 1.9 per cent despite the declines evidenced in both the employment levels and hours worked in the same period of 2011.

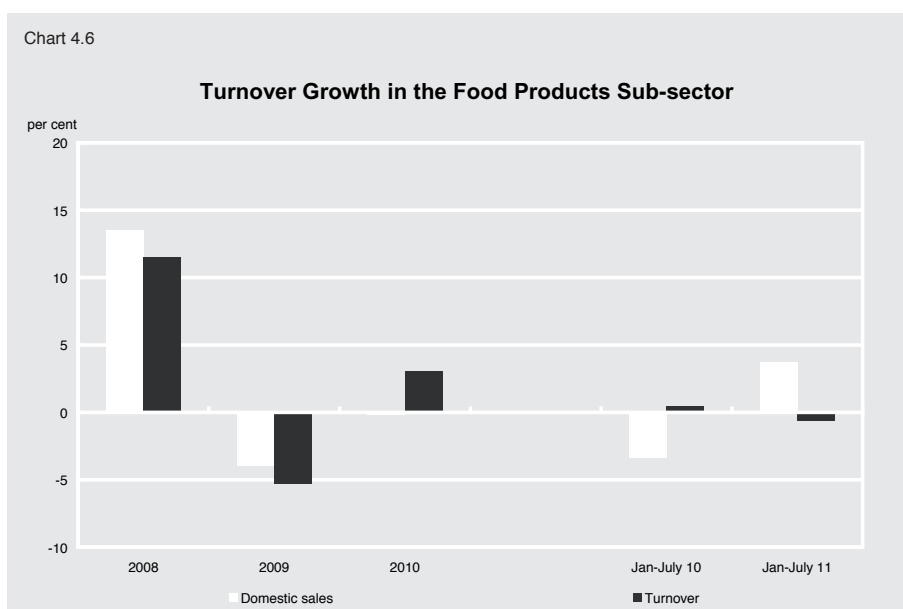


Chart 4.7

Turnover Growth in the Beverages Sub-sector

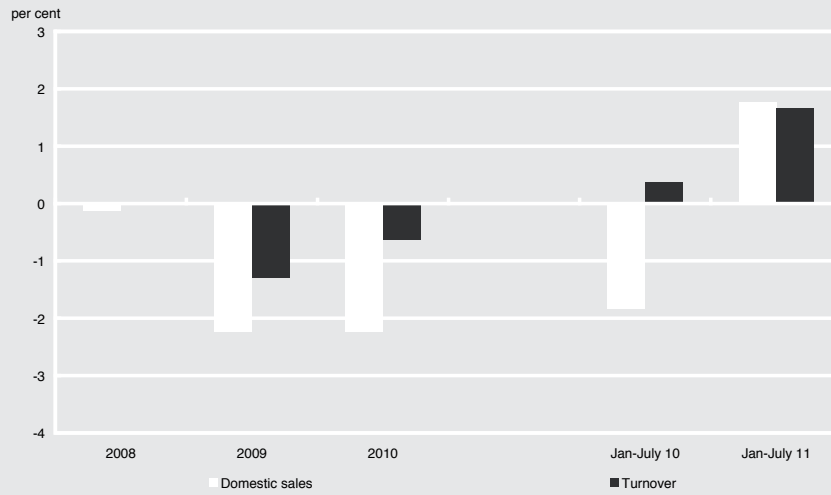
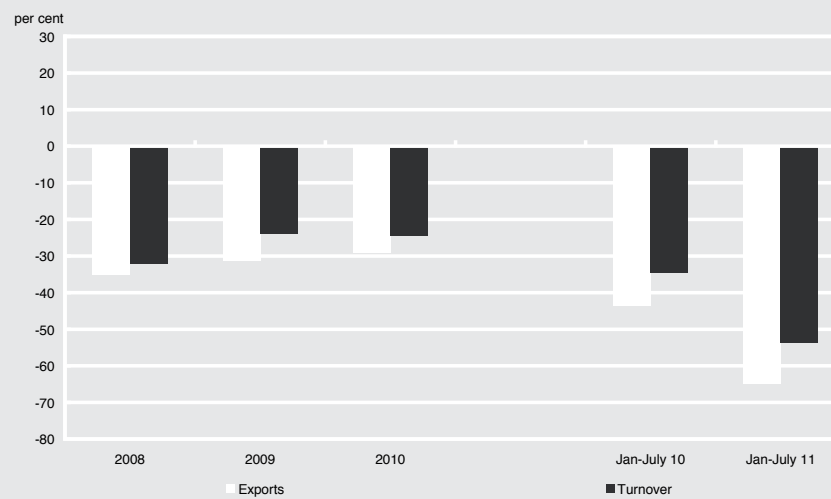


Chart 4.8

Turnover Growth in the Wearing Apparel Sub-sector



Wearing Apparel

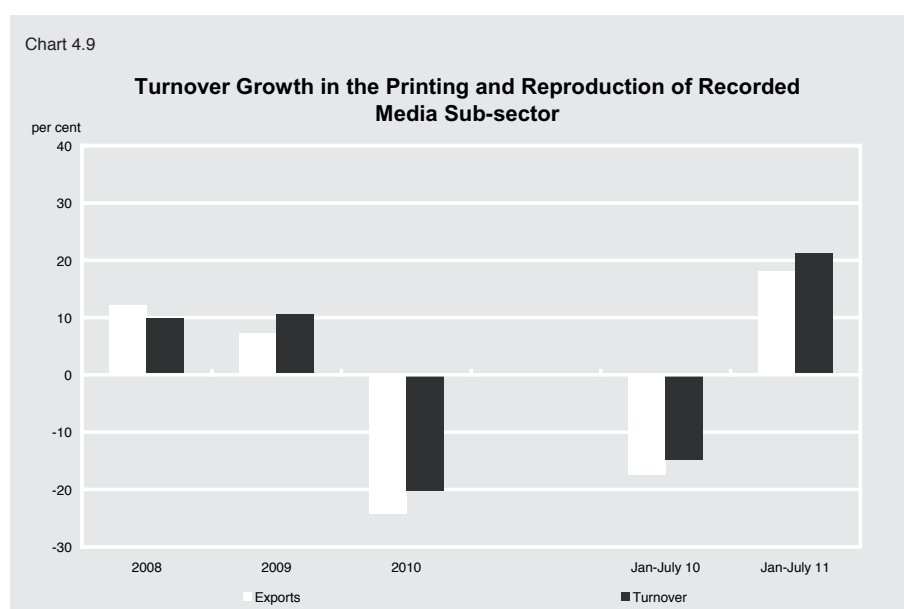
Turnover in the manufacture of the wearing apparel sub-sector is oriented towards the international market. This sector has been facing constant international competition especially from manufacturers in low-cost locations. Indeed, turnover in the sector has followed a downward trend throughout the period under review. As depicted in Chart 4.8 the downward trend persisted in the first seven months of 2011 as both the turnover index and the wages and salaries index declined when compared to the same period in 2010.

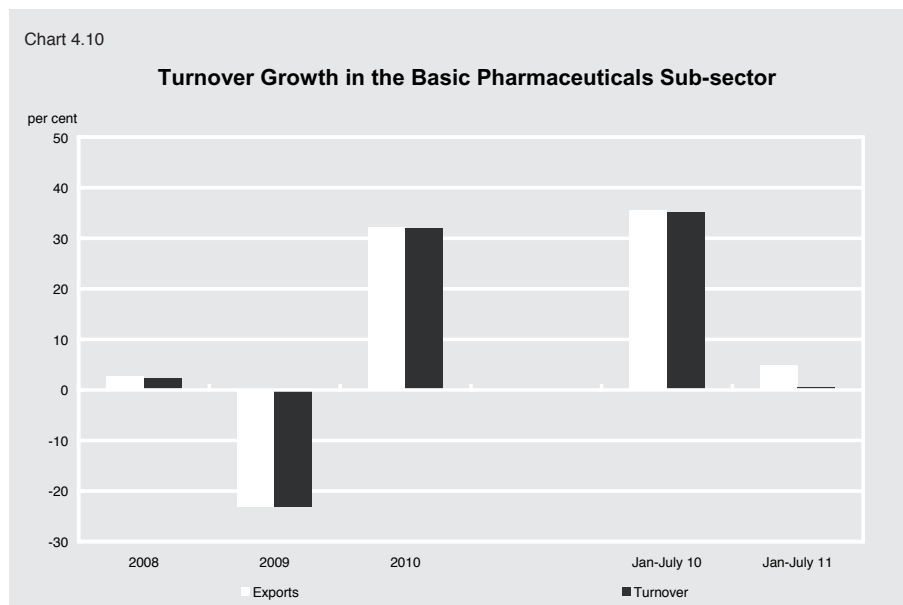
Printing and Reproduction of Recorded Media

The printing and reproduction of recorded media sub-sector is largely export-oriented. Following increases in the turnover index in 2008 and 2009, the index dropped significantly in 2010. However, the turnover index rose by 21.2 per cent in January-July 2011. This reflects substantial rises in both exports and domestic sales. In January to July 2011, employment levels increased slightly resulting in a marginal rise in the wages and salaries index. These developments are illustrated in Chart 4.9.

Basic Pharmaceutical Products

Following moderate growth in 2008, the basic pharmaceuticals products sub-sector recorded a decline in its performance in 2009. Nonetheless, its turnover

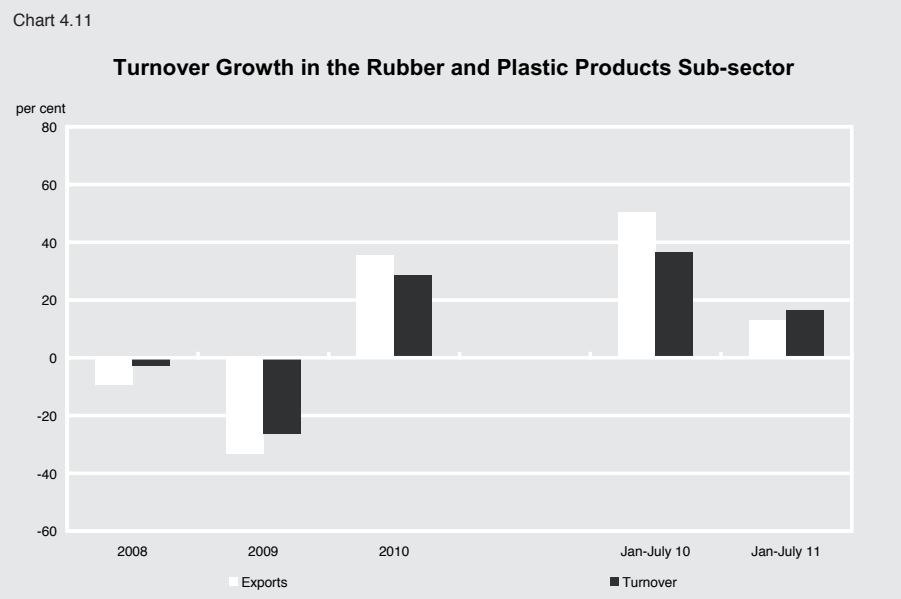




recovered in 2010 as the index rose significantly by 31.9 per cent. As shown in Chart 4.10, in January-July 2011 the turnover index remained stable at the level recorded in the previous year. Whilst domestic sales continued on their downward trend, export sales growth slowed down significantly. Despite these developments, employment levels continued to increase during the period under review. Indeed, in the first seven months of 2011, employment levels rose, pushing up the wages and salaries index by 14.6 per cent when compared to January-July 2010.

Rubber and Plastic Products

Most of the production of the rubber and plastic products sub-sector is directed towards the international market. This sub-sector experienced a pronounced downturn in 2009 which was reversed in 2010. This positive performance persisted in the first seven months of 2011 as turnover rose to 16.3 per cent when compared to the previous period. This increase was underpinned by both domestic and exports sales. These developments are illustrated in Chart 4.11. Employment levels and hours worked continued on their upward trend in the first half of 2011 resulting in an increase in the wages and salaries index of 10.0 per cent.



Computer, Electronic and Optical Products

The production of the computer, electronic and optical products sub-sector is almost entirely export-oriented. This sub-sector mainly consists of a small number of relatively large foreign subsidiaries whose main activity involves the production of electronic products. The performance of the sector is significantly affected by international economic developments.

As illustrated in Chart 4.12, following a negative performance in both 2008 and 2009, this sub-sector recovered in 2010 as export sales started to increase again. The recovery process of the computer, electronic and optical products sub-sector continued in the first seven months of 2011 as the turnover index rose further by 13.0 per cent. Indeed, both domestic and export sales recorded an increase when compared to the same period of 2010. Furthermore, employment levels and hours worked started to increase in January-July 2011, contributing to the rise in the wages and salaries index of 6.9 per cent.

Other Manufacturing

The production in the other manufacturing sector involves various activities such as the manufacture of toys, games and jewellery items which are mostly directed towards the international market. As shown in Chart 4.13, the turnover index experienced a downturn in 2009 which was reversed in 2010. In the first

Chart 4.12

Turnover Growth in the Computer, Electronic and Optical Products Sub-sector

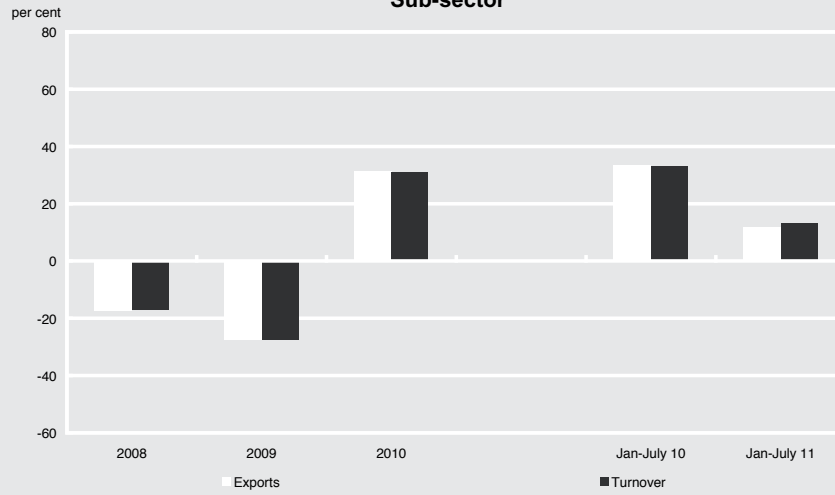
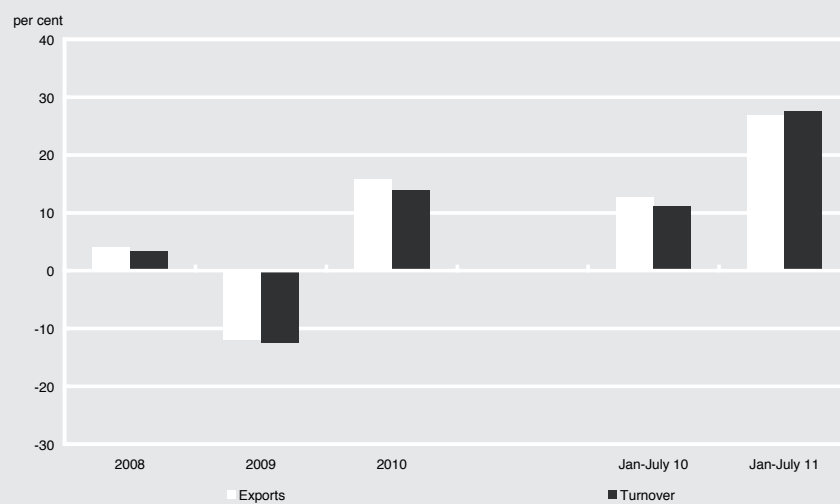


Chart 4.13

Turnover Growth in the Other Manufacturing Sub-sector



seven months of 2011, the turnover index improved further, reaching a growth rate of 27.7 per cent when compared to the previous comparable period. This reflected significant increases in both local and international sales. Meanwhile, the wages and salaries index increased by 7.5 per cent during the seven months to July 2011 reflecting increases in the sector's employment levels and hours worked.

Gross Value Added in Manufacturing

This section analyses the manufacturing industry and focuses on structural developments by comparing developments in 2010 with those evidenced since 2005. Specifically, it compares the changes in sectoral manufacturing Gross Value Added (GVA) between 2005 and 2010 and the changes in the sectors' GVA composition between the same years. The data compiled is based on the national accounts data and not on Structural Business Statistics. Hence, this section cannot be compared to the section on Manufacturing Value Added at Factor Cost within this Chapter in previous Economic Surveys. It should be further noted that, since NACE Rev. 2 was adopted in national accounts as recently as September 2011, GVA data in NACE Rev. 2 at a sectoral level covering the long period of analysis required in this sub-section is not currently available. Therefore, for this publication of the Economic Survey only, the analysis is carried out based on NACE Rev. 1.1 and does not use latest national accounts data. In view of this, the section analysing manufacturing GVA in this Chapter is not comparable to the section in Chapter 2 whose analysis is based on NACE Rev. 2 using the latest national accounts data.

The total GVA in the manufacturing industry increased from €667.7 million in 2005 to €728.4 million in 2010. It is noteworthy that between 2005 and 2008, the GVA in the manufacturing sector was on an upward trend. Subsequently, the trend was reversed in 2009 due to the impact of the international economic recession, but recovered in 2010. This improvement during 2010 was primarily translated into higher net operating surplus and net mixed income. Meanwhile, lower compensation of employees for the total manufacturing sector was also registered. The developments in manufacturing GVA are illustrated in Chart 4.14 while Chart 4.15 shows the composition of GVA in the period under review.

The share of the manufacturing industry in total GVA generated by the Maltese economy dropped by 1.6 percentage points in 2010 when compared to 2005 and reached 14.5 per cent. This is due to the significant growth in the services sector during the five year period which exceeded the growth registered in the manufacturing industry. Table 4.1 compares the shares of sectoral manufacturing in total GVA in 2010 with those in 2005. This comparison highlights the shifts

Chart 4.14

Manufacturing Gross Value Added

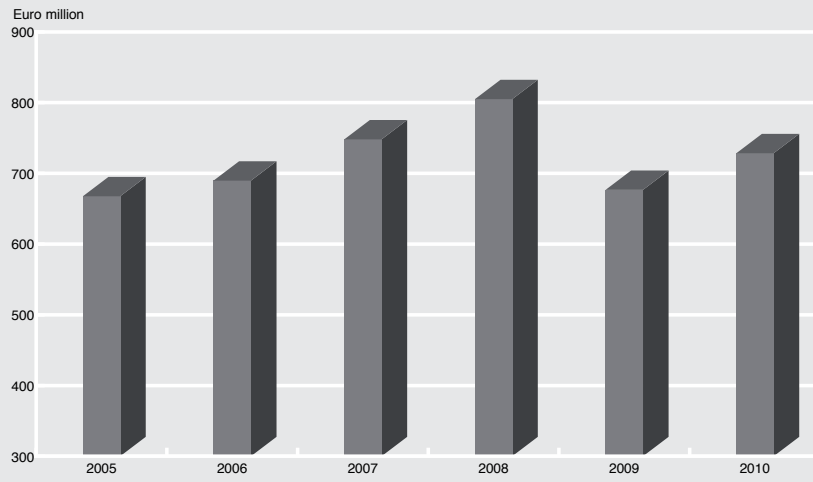
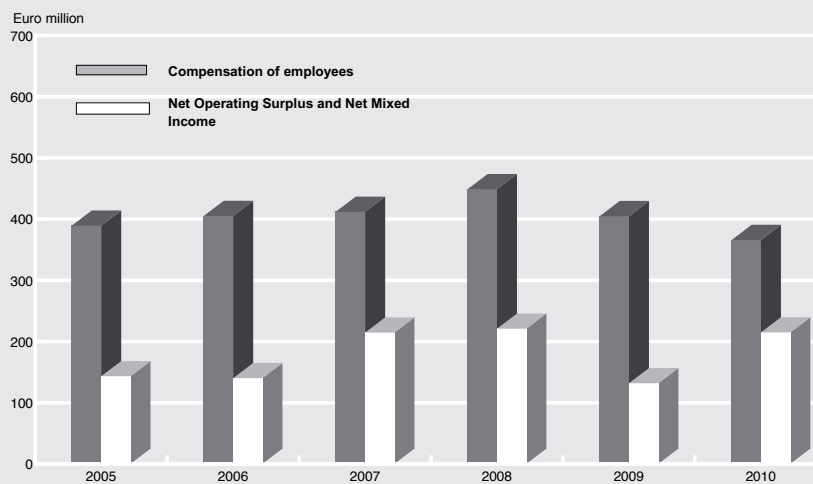


Chart 4.15

Composition of Gross Value Added



Shares in total Gross Value Added

Table 4.1 per cent

	2005	2010
Manufacture of food products, beverages and tobacco	2.3	1.8
Manufacture of textiles and textile products	1.2	0.6
Manufacture of leather and leather products	0.1	0.0
Manufacture of wood and wood products	0.1	0.1
Manufacture of pulp, paper and paper products; publishing and printing	1.5	1.2
Manufacture of chemicals, chemical products and man-made fibres	1.3	2.1
Manufacture of rubber and plastic products	1.0	0.8
Manufacture of other non-metallic mineral products	0.8	0.5
Manufacture of basic metals and fabricated metal products	0.7	0.5
Manufacture of machinery and equipment n.e.c.	0.3	0.2
Manufacture of electrical and optical equipment	4.3	4.0
Manufacture of transport equipment	0.7	0.6
Manufacturing n.e.c.	2.0	2.2
Total Manufacturing	16.1	14.5

Source: Eurostat

evidenced within the manufacturing industry away from the traditional sectors such as the manufacture of food, beverages, textiles and textile products sectors towards high value added sectors such as the manufacture of chemicals and chemical products sector. Indeed, the share of the latter sector has increased by 0.9 percentage points in the period between 2005 and 2010 in view of the emergence of the pharmaceuticals products sub-sector after 2004. It is however worth noting that, in terms of GVA, most sectors in the manufacturing industry were outperformed by the rest of the economy with only the pharmaceutical sector and the other manufacturing sector outperforming the rest of the economy.

In 2010, the electrical and optical equipment sector remained the main sector within the manufacturing industry, accounting for 4.0 per cent of the total GVA generated. This particular sector mainly consists of activities related to the manufacture of radio, TV and communication equipment (including semiconductors) as well as activities related to medical, precision and optical instruments. The food products, beverages and tobacco sector and the manufacturing n.e.c. also have a relatively significant share in the total GVA. The food products, beverages and tobacco sector's share in total GVA declined by 0.5 percentage points between 2005 and 2010 to reach 1.8 per cent. The share in total GVA of the manufacturing n.e.c. rose by 0.2 percentage points to 2.2 per cent during the same period.

Gross Value Added				
Table 4.2	€ million			
	2005	2010	Average Annual growth % (2005-2010)	Contribution to total GVA growth (%)
Manufacture of food products, beverages and tobacco	94.1	88.2	-1.3	-0.7
Manufacture of textiles and textile products	50.1	29.8	-9.9	-2.3
Manufacture of leather and leather products	3.6	0.5	-32.6	-0.4
Manufacture of wood and wood products	3.8	3.5	-1.6	-0.0
Manufacture of pulp, paper and paper products; publishing and printing	60.2	61.0	0.3	0.1
Manufacture of chemicals, chemical products and man-made fibres	52.5	107.0	15.3	6.2
Manufacture of rubber and plastic products	40.8	38.5	-1.2	-0.3
Manufacture of other non-metallic mineral products	31.4	23.5	-5.6	-0.9
Manufacture of basic metals and fabricated metal products	27.1	26.0	-0.8	-0.1
Manufacture of machinery and equipment n.e.c.	14.2	10.1	-6.6	-0.5
Manufacture of electrical and optical equipment	176.9	198.2	2.3	2.4
Manufacture of transport equipment	28.8	29.9	0.8	0.1
Manufacturing n.e.c.	84.1	111.9	5.9	3.2
Total Manufacturing	667.7	728.4	1.8	6.9

Source: Eurostat

Sectoral average annual growth rates and their respective contribution to growth are depicted in Table 4.2. Negative average annual growth rates were registered in certain manufacturing sectors whose share in total GVA consequently dropped. These included the manufacture of textiles and textile products, manufacture of leather and leather products, the manufacture of non-metallic mineral products and the manufacture of machinery and equipment n.e.c. sectors. Meanwhile, the best performer in the industry was the manufacture of chemicals and chemical products which grew at an annual average rate of 15.3 per cent in the period between 2005 and 2010. Other significant rises were recorded in the manufacturing n.e.c sector which grew at an annual average rate of 5.9 per cent during the same period. The manufacture of the electrical and optical equipment sector registered an annual average growth rate of 2.3 per cent. All other manufacturing sectors either remained relatively stable or registered negative annual average growth rates. Overall the manufacturing sector recorded an annual average growth rate of 1.8 per cent compared to an average annual growth of 5.5 per cent in the whole economy during the comparable period.

The manufacture of the chemicals and chemical products sector accounted for most of the growth in the manufacturing industry over this period. The manufacture of the electrical and optical equipment sector and the manufacturing n.e.c. sector also contributed positively, albeit to a lower extent. The manufacturing sector contributed to 4.8 per cent of the growth in total GVA generated by the economy in the period under review.

The GVA generated is distributed between compensation of employees, the net operating surplus and net mixed income, taxes and subsidies and consumption of fixed capital. As shown in Table 4.3, compensation of employees represented around half of GVA in the period to 2010, whilst net operating surplus and net mixed income accounted for less than one third.

Between 2005 and 2010 most manufacturing sectors experienced an increase in the share of employee compensation. These were the manufacture of other non-metallic mineral products, the manufacture of food products and beverages, the manufacture of leather and leather products, the manufacture of paper and paper products (including publishing and printing), the manufacture of machinery

Factor Income Distribution (per cent of GVA)				
Table 4.3	2005		2010	
	Compensation of Employees	Net operating surplus and net mixed income	Compensation of Employees	Net operating surplus and net mixed income
Manufacture of food products, beverages and tobacco	54.2	27.8	66.6	13.7
Manufacture of textiles and textile products	62.9	21.8	43.6	26.8
Manufacture of leather and leather products	116.7	-22.2	180.0	-80.0
Manufacture of wood and wood products	71.1	5.3	71.4	2.9
Manufacture of pulp, paper and paper products; publishing and printing	65.4	21.3	74.8	5.2
Manufacture of chemicals, chemical products and man-made fibres	31.6	50.5	34.3	46.5
Manufacture of rubber and plastic products	69.1	13.2	70.6	1.3
Manufacture of other non-metallic mineral products	46.5	39.2	63.4	11.9
Manufacture of basic metals and fabricated metal products	59.8	33.2	70.0	12.7
Manufacture of machinery and equipment n.e.c.	48.6	40.8	77.2	6.9
Manufacture of electrical and optical equipment	51.0	9.3	39.3	39.5
Manufacture of transport equipment	161.8	6.6	73.9	7.4
Manufacturing n.e.c.	48.9	19.9	36.0	48.3
Total Manufacturing	58.3	21.4	50.2	29.5

Note: Net value added is made up of compensation of employees, net operating surplus and net mixed income and taxes less subsidies. Gross Value Added consists of net value added and consumption of fixed capital.

Source: Eurostat

and equipment n.e.c., the manufacture of basic metals and fabricated metal products sectors. It is noteworthy that the manufacture of wood, rubber and plastics and chemicals and chemical products sectors maintained a relatively unchanged share of employee compensation during the period under review. However, some of the largest sectors in the manufacturing industry registered a lower share of employee compensation. These included the manufacture of textiles and textile products, the manufacture of electrical and optical equipment, the manufacture of transport equipment and the manufacturing n.e.c. sectors.

As a result of this development, the employee compensation share experienced a significant decline of 8.1 percentage points when compared to 2005, suggesting an overall redistribution of factor earnings towards the net operating surplus and net mixed income. The changes in the share of employee compensation has always been offset by changes in the share of operating surplus and mixed income. However, the magnitude of the change in factor shares was not necessarily symmetrical since changes in taxes and subsidies have also affected the factor distribution of GVA.

It is also interesting to note that within the manufacturing sector, the share of GVA distributed as operating surplus and mixed income ranged between 40 per cent to 60 per cent of the share of employee compensation across sectors. This partly reflects a relatively high labour intensity in manufacturing. However, there is significant sector variation. There are only three sectors where the share of operating surplus and mixed income exceeds the share of employee compensation. These are the chemicals and chemical products sector, the electrical and optical equipment sector and the manufacturing n.e.c. sector. Incidentally, they were the sectors which registered the highest growth rates in GVA within the manufacturing sector during the period under review.

Agriculture and Fisheries

Even though the agricultural and fisheries sectors constitute only a small share of the Maltese economy, they nonetheless represent an important means by which the local natural environment can be preserved and through which the welfare of the local farming community can be safeguarded. The local agricultural sector also contributes to the framework through which the local produce can be marketed and distributed. The fisheries sector also contributes to the continuation of the local heritage, particularly the fishing villages which also contribute to the islands' tourism industry. The combined share of the agriculture and fisheries sectors in the total economy's gross value added has declined over the past years. In particular, their share in total gross value added

has declined to 2.1 per cent and 1.6 per cent respectively in 2007 and 2008 from a share of 2.4 per cent in 2006, before recovering slightly to 1.8 in 2009 and subsequently returning to the level registered in 2008 a year later. These sectors' share in total gross value added stood at 1.6 per cent during January-June 2011, unchanged from the share registered during the same period in 2010. What follows is a review of the Economic Accounts for Agriculture for 2010, as well as the recent developments in the agriculture and fisheries sector, based on the most recent data available for 2011.

Economic Accounts for Agriculture

The local economy's agricultural activities mainly reflect the production of fruit and vegetables, livestock, and dairy produce, which in turn also serve as inputs for other activities such as meat processing and meat preparations, the canning of fruit and vegetables, the production of animal feeds, as well as the produce from vinification. However, local agricultural activities lack economies of scale. Operators in the local agricultural sector also face difficulties related to 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 of this Economic Survey.

Agricultural factor income at current market prices increased by 11.9 per cent in 2010 when compared to the previous year, thus reaching €77.2 million. These developments were largely underpinned by higher subsidies not directly linked to production which more than offset lower total final production at producer prices and lower subsidies on production. At the same time, lower intermediate consumption and lower fixed capital consumption also contributed positively to the increase in factor income at current prices albeit the latter's contribution was only marginal. Developments in factor income at current prices for the period 2007-2010 are portrayed in Table 4.4.

As presented in Table 4.5, entrepreneurial income increased by 12.6 per cent in 2010 when compared to 2009, reaching €72.7 million. In 2010, the share of entrepreneurial income in factor income at market prices reached 94.3 per

Agriculture Factor Income at Current Prices

Table 4.4 € thousand

	2007	2008	2009	2010
Total final production at producer prices	115,231	126,971	125,114	121,292
add subsidies on production	11,948	9,635	4,666	3,419
Total final production at basic prices	127,179	136,606	129,780	124,711
less intermediate consumption	71,609	80,221	69,724	68,124
Gross value added at basic prices	55,569	56,385	60,056	56,587
less fixed capital consumption	3,912	3,992	4,307	4,230
Net value added at basic prices	51,657	52,393	55,749	52,357
add other subsidies not directly linked with production	11082	7684	13168	24794
Factor income at current prices	62,739	60,077	68,917	77,151

Source: National Statistics Office

Distribution of Factor Income

(at Current Prices)

Table 4.5 € thousand

	2007	2008	2009	2010
Factor Income	62,739	60,077	68,917	77,151
Entrepreneurial income (profits)	58,504	55,606	64,562	72,720
Compensation of employees (wages)	2,897	2,947	3,006	3,089
Interest	635	764	842	840
Rents	703	761	507	502

Source: National Statistics Office

cent, thus registering only a marginal increase of 0.6 percentage points when compared to last year's share. Compensation of employees increased slightly in 2010 over the previous year, reaching €3.1 million, while interest and rents remained largely stable at €0.8 million and €0.5 million respectively.

Table 4.6 displays final production at basic prices by type of product. Final production at basic prices declined by 3.9 per cent in 2010 when compared to 2009 and reached €24.7 million. This decline was broad based, although mainly driven by a decline of 5.2 per cent in crop products, which also constitute the greatest share in final production at basic prices, followed by a decline of 6.0 per cent in other animal products. Secondary activities and livestock products also declined by 2.5 per cent and 1.5 per cent respectively albeit the latter's negative contribution was greater due to its greater share in final production at basic prices.

Annual producer price indices related to agricultural products for the period 2008-2010 are presented in Table 4.7. Developments in the prices of fruit, vegetables and animal products are reflected in the output price indices while input price indices follow the trends in the purchase prices of raw materials and services derived from the other industries. Consequently, changes in the output and input indices have direct effects on the agricultural sector's profitability and performance. Observation of the input and output indices reveals a decline in the prices of agricultural products in 2010 despite an increase in input costs incurred during the same year.

The output index declined by 1.9 per cent in 2010 when compared to a year earlier. This decline was mainly the result of a 7.8 per cent drop in the output index of fresh vegetables, followed by declines registered in the output indices of

Final Production at Basic Prices by Type of Product				
(at Current Market Prices)				
Table 4.6	€ thousand			
	2007	2008	2009	2010
Final production at basic prices	127,179	136,606	129,780	124,710
Livestock products	46,510	49,542	45,959	45,256
Other animal products	24,938	28,180	25,615	24,079
Crop products	48,104	51,000	50,362	47,726
Secondary activities	7,627	7,884	7,843	7,649

Source: National Statistics Office

Annual Producer Price Indices for Agricultural Products

(2005 = 100)

Table 4.7

	Weight	2008	2009	2010
Output Index at Producer Prices	100.0	111.1	116.4	114.2
Forage	2.8	121.4	119.5	116.6
Potatoes	6.5	101.7	125.4	119.5
Fresh vegetables	22.0	110.2	117.8	108.6
Fruit	4.8	119.6	117.1	118.6
Animals	42.9	103.5	109.7	111.0
Animal products	21.0	127.1	125.2	123.4
Input Index at Producer Prices	100.0	128.4	120.2	124.3
Goods and Services Currently Consumed in Agriculture	91.7	130.3	120.9	125.5
Seeds and planting stock	4.1	112.7	120.3	130.8
Energy; lubricants	11.1	129.0	115.9	130.7
Fertilisers and soil improvers	1.7	154.8	160.4	153.2
Plant protection products and pesticides	0.9	106.2	127.1	146.4
Veterinary expenses	2.3	114.6	117.3	119.7
Animal feeding stuffs	46.7	139.6	119.5	121.9
Maintenance of materials	9.0	127.1	127.5	128.5
Maintenance of buildings	4.1	105.7	105.5	110.3
Other goods and services	11.9	113.2	126.3	131.9
Goods and Services Contributing to Agricultural Investment	8.3	107.3	112.2	111.2

Source: National Statistics Office

potatoes and animal products, which fell by 4.7 and 1.4 per cent respectively. The output index of forage also declined by 2.4 per cent over the same comparative period. Nevertheless due to its small weight, its negative contribution to the total output index was limited. These declines more than outweighed increases registered in the output indices for animals and fruit which increased by 1.3 per cent respectively in 2010 over the previous year. Due to their large weight in the total output index, the increase in the animals' index was the main positive contributor.

In 2010, the input index registered an increase of 3.4 per cent when compared to 2009. The increase in the input index was broad based albeit the main contributors to the increase were the energy and lubricants index which increased by 12.8 per cent in 2010 when compared to 2009, followed by the increases in

Box 4.2

Recent Developments in the Agricultural Sector

During January-September 2011, Government provided €4.2 million in aid through agricultural support schemes. The financial and incentive scheme provided under the Special Market Programme for Maltese Agriculture assists the local agricultural sector in adapting to the liberalisation of trade which followed the removal of levies on imported agricultural and agro-food products which ensued in 2004.

During the first eight months of 2011, the total volume of slaughtered beef, pork and broilers declined by 97 tonnes, or by 1.1 per cent, over the same period in 2010. This was underpinned by a decline of 26.6 per cent (273 tonnes) in beef slaughtering which more than outweighed an increase of 4.7 per cent (223 tonnes) in slaughtering of pork. During the same period, broilers slaughtering registered a decline of 1.7 per cent (46 tonnes). The main indicators for the agricultural sector are presented in Table 4a.

Agricultural Indicators

Table 4a

	2010 Jan-Aug	2011 Jan-Aug
Slaughtering (tonnes)		
Beef	1,027	754
Pork	4,712	4,935
Broilers	2,822	2,775
	(2005 = 100)	
Fresh Fruit		
Price Index	157.9	117.8
Volume Index	106.5	139.3
Fresh Vegetables		
Price Index	100.6	101.8
Volume Index	111.6	113.6

Source: National Statistics Office

The total volume of fresh fruit and vegetables sold through organised markets during January-August 2011 reached €3.1 million, representing an increase of 3.4 per cent when compared to the same period recorded a year earlier. During this period, the average price of fruit and vegetables declined. In the first eight months of 2011, the wholesale value of fresh fruit and vegetables reached €1.3.8 million, representing a decline of 3.0 per cent when compared to a wholesale value of €1.4.2 million registered during the same period in 2010.

During the first eight months of 2011, the price index for fresh fruit stood at 117.8, thus representing a decline of 25.4 per cent when compared to the same period a year earlier. Concurrently, the volume index for fresh fruit registered an increase of 30.8 per cent. This

Box 4.2 cont.

increase was largely the result of an increase registered in the volume of peaches, and to a lesser extent, due to increases in the volume of sweet oranges, nectarines, cherry plums and strawberries.

The price index for vegetables reached 101.8 for the period covering the first eight months of 2011, increasing by 1.2 per cent from the same period in 2010. Meanwhile, the volume index for fresh vegetables also increased by 1.8 per cent over the same comparative period. The main increases in the volume of vegetables were registered in sugar melons and potatoes and which offset a decline registered mainly in the volume of tomatoes.

Table 4b presents the data for imports of major agricultural products. During January-August 2011, the total value of imports of major agricultural commodities increased by 7.6 per cent when compared to the same period in 2010, to reach €272.8 million. The increase registered during this period was relatively broad based albeit the main positive contributions were mainly attributable to increases in cereals, meat and edible offals, dairy produce and sugar and confectionery which experienced increases of 52.4 per cent, 18.9 per cent, 14.6 per cent, 23.3 per cent respectively. On the other hand, declines were registered in imports of live animals, edible fruit and nuts, fish, misc. edible prep. and in the beverages, spirits and vinegar categories which registered declines of 50.0 per cent, 8.2 per cent, 7.1 per cent, 4.9 per cent, and 0.6 per cent respectively. Nevertheless, due to these commodities' smaller shares in total agricultural imports, their overall combined negative contribution was small.

Imports of Major Agricultural Commodities

Table 4b	€ million				
	2008	2009	2010	2010 Jan-Aug	2011 Jan-Aug
Live Animals	0.6	0.9	0.6	0.4	0.2
Meat and Edible Offals	48.0	46.6	44.2	28.0	33.3
Fish*	50.0	26.0	24.0	15.6	14.5
Dairy Produce	39.5	36.0	37.2	23.9	27.4
Edible Fruits and Nuts	28.4	26.6	30.6	19.4	17.8
Cereals	48.7	22.5	22.8	12.4	18.9
Preparations of Meat, Fish	33.1	33.7	36.3	24.6	25.3
Sugar & Confectionery	15.7	14.8	20.3	13.3	16.4
Cereal Prep.	49.9	53.0	50.9	31.4	32.9
Veg. and Fruit Prep.	21.6	22.1	20.9	13.8	14.2
Misc. Edible Prep.	33.3	33.4	33.3	22.5	21.4
Beverages, Spirits, Vinegar	42.8	43.0	46.8	31.2	31.0
Feeds	27.4	28.1	27.8	17.0	19.4
Total	439.0	386.8	395.8	253.6	272.8

*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

Fresh Fish Indices		
Table 4.8	2005 = 100	
	2010 Jan-Aug	2011 Jan-Aug
Price Index	138.0	112.8
Volume Index	85.9	99.2

Source: National Statistics Office

the animal feeding stuffs and the other goods and services indices, which rose by 2.0 per cent and 4.4 per cent respectively during the period under review. The former sub-index's higher positive contribution was due to its larger weight in the total input index.

Fisheries

Despite its small size, the local fisheries sector contributes to the local socio-economic welfare as well as to the islands' environment. Activities in the local fisheries sector comprise traditional fishing methods, as well as fish farming and aquaculture techniques. While traditional fishing primarily yields dolphin-fish (lampuki), blue fin tuna and swordfish for the local fish market, aquaculture fish farming is mainly directed towards the export market.

Table 4.8 displays price and volume indices for fresh fish for the January-August 2010 and 2011 period. The price index for fresh fish declined by 18.3 per cent when comparing the first eight months of 2011 with the same period in 2010. Conversely, over the same comparative period, the average volume of fresh fish registered an increase of 15.5 per cent. The categories that contributed most to the increase in the total volume of fish landings during January-August 2011 were the mackerel and other species categories of fish, when compared to the volume of landings recorded during the same period last year.

Indicators of Industrial Activity

(2005=100)

Appendix Table 4.1

% of growth indices

	2008	2009	2010	Jan-July 10	Jan-July 11
TOTAL INDUSTRY					
Turnover	-0.8	-11.5	18.4	22.8	1.4
Domestic	16.0	-1.6	15.6	18.7	-3.6
Exports	-14.9	-19.3	21.0	26.5	6.9
Employment	-6.0	-9.5	-2.9	-4.4	1.3
Hours Worked	-10.5	-15.1	-2.1	-3.3	2.0
Wages and salaries	5.6	-11.5	-1.5	-4.0	4.4
MINING AND QUARRYING					
Turnover	-0.6	-8.2	-5.4	-10.1	-1.8
Domestic	-0.6	-8.2	-5.4	-10.1	-1.8
Exports	-	-	-	-	-
Employment	-6.8	-14.5	0.1	-2.2	-2.5
Hours Worked	-8.0	-14.7	2.0	-0.1	-9.5
Wages and salaries	-0.3	-12.8	7.8	6.0	-5.3
MANUFACTURING TOTAL					
Turnover	-8.4	-16.6	14.2	17.3	5.7
Domestic	2.7	-7.3	-2.4	-4.5	3.7
Exports	-14.9	-19.3	21.0	26.5	6.9
Employment	-6.2	-10.1	-2.9	-4.4	1.7
Hours Worked	-11.5	-15.5	-1.5	-2.5	2.4
Wages and salaries	5.9	-12.9	-1.9	-4.1	4.4
ELECTRICITY AND WATER SUPPLY					
Turnover	29.1	2.9	28.3	35.8	-7.3
Domestic	29.1	2.9	28.3	35.8	-7.3
Exports	-	-	-	-	-
Employment	-4.4	-4.3	-3.6	-4.8	-1.0
Hours Worked	-3.8	-11.9	-6.1	-8.7	0.5
Wages and salaries	4.5	-3.5	-0.1	-3.8	5.0

Source: National Statistics Office

Short-term Activity Indicators for Manufacturing

(2005=100)

Appendix Table 4.2

% of growth indices

SECTORAL MANUFACTURING INDICES

	2008	2009	2010	Jan-July 10	Jan-July 11
MANUFACTURE OF FOOD PRODUCTS					
Turnover	11.5	-5.3	3.1	0.5	-0.6
Domestic	13.6	-4.0	-0.2	-3.4	3.8
Exports	5.7	-8.6	14.4	9.8	-4.1
Employment	-3.1	-3.5	-5.2	-6.2	-3.3
Hours Worked	-4.2	-2.1	-3.6	-5.6	-1.4
Wages and salaries	-0.4	6.9	1.3	-0.0	-3.7
MANUFACTURE OF BEVERAGES					
Turnover	0.0	-1.3	-0.6	0.4	1.7
Domestic	-0.1	-2.2	-2.2	-1.8	1.8
Exports	31.2	149.4	99.2	127.6	-0.4
Employment	3.2	-0.7	-5.9	-5.8	-2.1
Hours Worked	3.8	-6.2	-4.6	-7.1	-4.5
Wages and salaries	22.3	2.7	-2.6	-1.7	1.9
MANUFACTURE OF TEXTILES					
Turnover	2.1	-5.7	14.1	12.9	43.6
Domestic	38.0	-1.6	1.0	-4.4	-10.6
Exports	1.9	-5.8	14.5	13.4	44.9
Employment	-6.0	-2.1	-2.4	-4.5	4.0
Hours Worked	-6.6	-10.8	3.6	-3.0	3.8
Wages and salaries	-4.2	-1.9	-11.1	-10.1	23.3
MANUFACTURE OF WEARING APPAREL					
Turnover	-32.2	-24.0	-24.5	-34.5	-53.6
Domestic	-15.3	1.5	-17.8	-6.4	-20.8
Exports	-35.0	-31.1	-29.1	-43.5	-65.0
Employment	-52.8	-5.1	-4.4	0.2	-10.9
Hours Worked	-55.5	-13.0	10.6	17.7	-9.7
Wages and salaries	-50.9	-14.9	-1.4	-1.1	-3.3

Short-term Activity Indicators for Manufacturing

(2005=100)

Appendix Table 4.2 continued

% of growth indices

	2008	2009	2010	Jan-July 10	Jan-July 11
MANUFACTURE OF LEATHER AND RELATED PRODUCTS					
Turnover	-55.1	-12.3	-10.7	2.9	-11.0
Domestic	48.1	26.0	-40.4	-4.1	-62.7
Exports	-65.9	-27.6	10.1	7.3	16.8
Employment	-42.4	-15.2	-23.3	-7.9	-44.8
Hours Worked	-37.7	-12.9	-24.5	-7.1	-49.1
Wages and salaries	-43.9	-7.6	-22.8	-7.9	-41.4
MANUFACTURE OF WOOD AND WOOD PRODUCTS					
Turnover	-11.3	-5.2	1.5	6.6	-29.2
Domestic	-13.3	-2.5	-5.9	-6.6	-19.9
Exports	-	-	-	-	-
Employment	-13.3	-8.7	-10.3	-10.0	1.2
Hours Worked	-22.0	-15.3	-4.7	-3.8	4.8
Wages and salaries	-6.9	-3.5	-1.8	0.4	6.7
MANUFACTURE OF PAPER AND PAPER PRODUCTS					
Turnover	-6.1	-11.5	6.2	3.7	16.0
Domestic	-4.2	-11.1	6.1	3.7	16.8
Exports	-66.6	-34.4	17.9	2.0	-31.5
Employment	-2.6	-1.1	-2.6	-2.6	-1.5
Hours Worked	-1.0	-4.4	-1.8	-2.6	3.2
Wages and salaries	2.5	-7.1	4.0	7.0	-2.6
PRINTING AND REPRODUCTION OF RECORDED MEDIA					
Turnover	9.9	10.5	-20.2	-14.9	21.2
Domestic	-1.4	16.7	0.0	-1.7	22.8
Exports	12.1	7.3	-24.2	-17.3	18.0
Employment	4.7	13.3	-2.4	-1.0	0.6
Hours Worked	4.9	4.9	-7.3	-7.3	3.7
Wages and salaries	6.5	15.8	-4.6	-3.1	0.7

Short-term Activity Indicators for Manufacturing

(2005=100)

Appendix Table 4.2 continued

% of growth indices

	2008	2009	2010	Jan-July 10	Jan-July 11
MANUFACTURE OF CHEMICALS AND CHEMICAL PRODUCTS					
Turnover	0.4	-14.2	-7.1	-6.1	-10.0
Domestic	9.3	-0.7	-2.5	-3.0	-8.4
Exports	-30.6	-26.2	6.8	36.0	-17.6
Employment	-14.5	-6.5	-3.8	-3.5	-3.7
Hours Worked	-13.7	-7.7	-3.4	-2.8	-5.6
Wages and salaries	-10.4	-3.7	-0.2	0.0	1.8
MANUFACTURE OF BASIC PHARMACEUTICAL PRODUCTS					
Turnover	2.2	-23.0	31.9	35.2	0.4
Domestic	-23.3	-17.3	-37.4	-41.2	-28.2
Exports	2.6	-23.0	32.2	35.6	4.8
Employment	12.6	4.0	8.7	7.2	9.9
Hours Worked	-3.3	8.0	6.1	8.4	3.1
Wages and salaries	18.5	18.7	9.6	19.6	14.6
MANUFACTURE OF RUBBER AND PLASTIC PRODUCTS					
Turnover	-2.8	-26.3	28.4	36.7	16.3
Domestic	15.5	-12.5	17.6	17.2	29.2
Exports	-9.2	-33.3	35.5	50.4	12.9
Employment	-5.2	-15.8	8.6	4.4	13.9
Hours Worked	-5.3	-15.8	10.0	7.1	14.5
Wages and salaries	-4.4	-18.4	25.7	26.9	10.0
MANUFACTURE OF OTHER NON-METALLIC PRODUCTS					
Turnover	2.2	-12.3	-1.7	0.2	-0.6
Domestic	4.1	-12.8	-6.4	-4.3	-2.5
Exports	-20.6	-5.7	56.4	61.1	9.0
Employment	-2.1	-0.3	-4.3	-4.1	-7.9
Hours Worked	-0.4	-4.5	-3.7	-2.9	-9.2
Wages and salaries	1.2	-0.7	0.8	1.1	-7.8

Short-term Activity Indicators for Manufacturing

(2005=100)

Appendix Table 4.2 continued

% of growth indices

	2008	2009	2010	Jan-July 10	Jan-July 11
MANUFACTURE OF CHEMICALS AND CHEMICAL PRODUCTS					
Turnover	0.4	-14.2	-7.1	-6.1	-10.0
Domestic	9.3	-0.7	-2.5	-3.0	-8.4
Exports	-30.6	-26.2	6.8	36.0	-17.6
Employment	-14.5	-6.5	-3.8	-3.5	-3.7
Hours Worked	-13.7	-7.7	-3.4	-2.8	-5.6
Wages and salaries	-10.4	-3.7	-0.2	0.0	1.8
MANUFACTURE OF BASIC PHARMACEUTICAL PRODUCTS					
Turnover	2.2	-23.0	31.9	35.2	0.4
Domestic	-23.3	-17.3	-37.4	-41.2	-28.2
Exports	2.6	-23.0	32.2	35.6	4.8
Employment	12.6	4.0	8.7	7.2	9.9
Hours Worked	-3.3	8.0	6.1	8.4	3.1
Wages and salaries	18.5	18.7	9.6	19.6	14.6
MANUFACTURE OF RUBBER AND PLASTIC PRODUCTS					
Turnover	-2.8	-26.3	28.4	36.7	16.3
Domestic	15.5	-12.5	17.6	17.2	29.2
Exports	-9.2	-33.3	35.5	50.4	12.9
Employment	-5.2	-15.8	8.6	4.4	13.9
Hours Worked	-5.3	-15.8	10.0	7.1	14.5
Wages and salaries	-4.4	-18.4	25.7	26.9	10.0
MANUFACTURE OF OTHER NON-METALLIC PRODUCTS					
Turnover	2.2	-12.3	-1.7	0.2	-0.6
Domestic	4.1	-12.8	-6.4	-4.3	-2.5
Exports	-20.6	-5.7	56.4	61.1	9.0
Employment	-2.1	-0.3	-4.3	-4.1	-7.9
Hours Worked	-0.4	-4.5	-3.7	-2.9	-9.2
Wages and salaries	1.2	-0.7	0.8	1.1	-7.8

Short-term Activity Indicators for Manufacturing

(2005=100)

Appendix Table 4.2 continued

% of growth indices

	2008	2009	2010	Jan-July 10	Jan-July 11
MANUFACTURE OF FABRICATED METAL PRODUCTS					
Turnover	33.4	-23.7	-6.5	-8.6	-37.6
Domestic	53.8	-26.4	-7.6	-10.4	-38.2
Exports	-2.9	-15.2	-3.9	-4.0	11.0
Employment	1.1	-0.8	2.6	3.8	-15.1
Hours Worked	4.0	0.4	3.8	2.7	-14.1
Wages and salaries	4.4	0.3	8.3	9.2	-5.7
MANUFACTURE OF COMPUTER, ELECTRONIC AND OPTICAL PRODUCTS					
Turnover	-16.9	-27.3	30.8	32.9	13.0
Domestic	103.3	-18.5	-28.1	-48.2	192.8
Exports	-17.2	-27.3	31.2	33.4	11.8
Employment	-8.7	-18.3	-10.9	-15.3	7.5
Hours Worked	-15.6	-24.8	-2.6	-4.5	16.7
Wages and salaries	-8.2	-21.1	1.6	1.3	6.9
MANUFACTURE OF ELECTRICAL EQUIPMENT					
Turnover	-2.1	120.7	-19.6	43.6	-73.0
Domestic	-8.7	24.0	48.5	15.5	10.1
Exports	-1.2	134.8	-21.6	45.5	-79.3
Employment	4.1	-15.5	-12.1	-19.0	-3.9
Hours Worked	2.4	-15.3	-9.6	-16.0	-11.2
Wages and salaries	3.7	-2.6	4.1	-0.2	-4.4
MANUFACTURE OF MACHINERY AND EQUIPMENT N.E.C.					
Turnover	4.6	-35.1	15.7	26.2	16.9
Domestic	-37.0	19.2	0.5	-3.2	15.7
Exports	8.2	-43.6	20.5	35.9	18.1
Employment	-16.2	-16.6	11.7	2.4	23.1
Hours Worked	-16.2	-18.2	19.7	12.3	22.4
Wages and salaries	-8.5	-11.9	15.9	9.1	23.7

Short-term Activity Indicators for Manufacturing

(2005=100)

Appendix Table 4.2 continued

% of growth indices

	2008	2009	2010	Jan-July 10	Jan-July 11
REPAIR AND INSTALLATION OF MACHINERY AND EQUIPMENT					
Turnover	-18.6	-26.5	14.3	14.7	8.3
Domestic	-3.1	-11.9	3.6	-24.2	72.3
Exports	-15.9	-28.3	15.6	20.4	-1.7
Employment	-7.8	-38.7	-21.4	-22.0	-2.2
Hours Worked	-23.8	-44.8	-20.7	-19.6	-10.6
Wages and salaries	69.9	-44.1	-54.4	-61.8	2.8

Source: National Statistics Office

5. Services Activities

5. Services Activities

The Maltese economy has been characterised by the growing importance of service activities over recent years. Within the services sector, tourism remains a major contributor to employment and is an important form of income generation in the local economy. At the same time, the tourism industry is a dynamic and vulnerable industry which is subject to several external influences that characterise the international environment as well as developments in the major tourist source markets. The economic crisis, unemployment, volatile oil prices, environmental conditions, public austerity measures implemented by various governments and the high uncertainty that recently surrounded the Mediterranean underpinned by the political developments in the Middle East and North Africa, posed an element of risk to the tourism industry. However, despite these challenges, the momentum gained in inbound tourism in the local industry in 2010 was sustained in the first nine months of 2011.

During January-September 2011, tourist departures increased by 6.6 per cent over the previous comparable period, to 1,126,543 visitors. Earnings from tourism registered an increase of 20.6 per cent during the first half of 2011, to €343.8 million. On a per capita basis, during the first six months of 2011, expenditure by tourists increased by 7.3 per cent, to €55.6, while earnings per nights spent increased from €9.3 to €76.4. During the first nine months of 2011, the cruise liner industry recorded a positive performance, increasing from a level of 344,817 arrivals during January-September 2010 to 403,703 arrivals in the corresponding period of 2011. Full-time employment in hotels and restaurants declined marginally from 9,719 as at the end of June 2010 to 9,655 at the end of June 2011. Table 5.1 presents a selection of tourism indicators.

During the first three quarters of 2011, both Government and the Malta Tourism Authority (MTA) continued their efforts to address underserved routes, thus increasing Malta's accessibility. Moreover, the Government and the private sector continued to invest in this sector, namely through efforts to diversify the tourist market and by continuing to upgrade the domestic tourism market. The MTA continued to strengthen its efforts in marketing and advertising campaigns.

During this period, the Malta Financial Services Authority (MFSA) continued with its operations as the single regulator and supervisory authority for the financial services sector in Malta as well as managing the Registry of Companies and handling the responsibility of the Listing Authority. During the first nine months of 2011, the MFSA has actively participated in the European System of Financial Supervisors with the objective of ensuring a stable, reliable and

Main Tourism Indicators

Table 5.1

	2008	2009	2010	2010 Jan-Sep	2011 Jan-Sep
Tourist Departures	1,290,856	1,182,490	1,335,613	1,056,876	1,126,543
Nights spent (000's)	11,262	9,949	11,137	9,015	9,352
Cruise Passengers*	537,707	419,627	474,272	344,817	403,703
Total full-time employment in hotels and restaurants**	9,961	9,339	9,310	9,719 ⁽¹⁾	9,655 ⁽¹⁾

*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

⁽¹⁾Data as at end of June

Source: National Statistics Office, Employment and Training Corporation

robust Single Market for financial services. In addition, during the period under review, the MFSA launched its Strategic Plan for the period 2011-2014. This Plan provides a review to the role that this sector plays in the Maltese economy. A number of legislative developments were implemented by the Authority. The Authority also granted issues of new licences to financial institutions, insurance companies and retirement schemes.

Furthermore, during the first three quarters of 2011, Malta Enterprise (ME) maintained its efforts in attracting inward investment and supporting enterprise in Malta. The Corporation continued to act as a single point of contact for all enterprise support in Malta and provided pre-investment advice and support, start-up assistance as well as post-investment services and aftercare facilities. During the first nine months of 2011, 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. Furthermore, during the period under review, the Malta Industrial Parks Limited (MIPL) continued to manage a number of infrastructural projects which are co-financed through the European Regional Development Fund (ERDF). These projects include the rebuilding of roads, upgrading of industrial estates, child care centres and the development of the Life Sciences Centre.

Tourism

The tourism industry is very sensitive to the adverse geopolitical situation that characterises the international environment, as well as to the economic situation in major tourist source market. The Maltese tourism industry is also facing increased international competition, both from traditional and emerging tourist destinations. Indeed, marginal growth or even declines were recorded in tourist departures in recent years. However, despite these challenges, it is noteworthy that tourism activity in 2010 outperformed the results achieved in the past years, where such a significant performance was sustained in the first three quarters of 2011. In fact, even after an adjustment to the influx of passengers from Libya following the political conflict in Libya, the recovery in the domestic tourism industry remains notable during the period under review.

In fact, tourist departures between January-September 2011 stood at 1,126,543, an increase of 6.6 per cent over the corresponding period in 2010. Total nights spent increased by 3.7 per cent during the period under review, while the average length of stay declined marginally to 8.3 nights. During the first nine months of 2011, cruise passenger arrivals increased by 17.1 per cent over the corresponding 2010 period to 403,703 arrivals. By contrast, full-time employment in hotels and restaurants declined marginally by 64 jobs to 9,655 as at the end of June 2011.

During the period under review, 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 and the Government also took action to address underserved routes and increase flights to existent routes whilst also promoting the Meetings, Incentives, Conferences and Events (MICE) segment. Moreover, participation in all year round marketable events sought to address the seasonality issue in the domestic tourism industry. Furthermore, during the period under review, MTA invested heavily in the product being offered through various projects and initiatives, quality assurances, licensing and inspections and also through the provision of training programmes to employees within the tourism industry in order to offer tourists a better service.

Therefore, increased accessibility together with an improved tourism product, have contributed to sustain the performance in the domestic tourism industry recorded in 2010. Nevertheless, the domestic tourism industry is still facing other persisting uncertainties related to the cutbacks in the seat capacity especially in winter and shoulder months affecting Malta's accessibility as a tourism destination. Moreover, uncertainties related to unemployment and increased governments' austerity measures on the international front also impinge negatively on the local tourism industry.

Monthly Distribution

During January-September 2011, increases in tourist departures were evident in almost all of the months in the period under review except in August. The positive performance in inbound tourism in the first three quarters of 2011 follows a buoyant performance in 2010. In fact, as from June 2010 onwards, with the exclusion of August, tourist departures recorded in each month exceeded levels recorded in the previous comparable months of past years. Even after an adjustment for the impact of the arrival of the significant number of evacuees from Libya in the first quarter of 2011, this quarter still recorded a significant positive performance in tourist departures.

During January-September 2011, the highest percentage increases in tourist departures were recorded in March, February and followed by April. Inbound tourists in February totalled 65,487, an increase of 23.6 per cent over the corresponding month in 2010, where such an increase is partly attributable to the unrest in Libya. However, by excluding the effect of the unrest in Libya this would imply a level of tourist departures of 62,768 for this month, that is, an increase of 18.4 per cent over February 2010. Similarly, by excluding the effect of the unrest in Libya in March, departing tourists for this month would amount to 89,232, an increase of 16.9 per cent over the comparable period in the previous year. Meanwhile, the increase in inbound tourism in April is mainly attributable to the timing of Easter and also to the weak performance in the corresponding month in 2010 when European airspace was closed for about a week due to the ash cloud following the eruption of a volcano in Iceland.

As shown in Table 5.2, August remained the peak month of inbound tourism during the period under review, accounting for 17.0 per cent of the total tourist departures, followed by July with a share of 14.3 per cent. In May, June, July and September, the increases in tourist numbers were marginal. However, the number of tourist departures in these months was still high when compared with recent years.

Monthly Tourist Departures

Table 5.2

	2008	2009	2010	2011
January	63,850	51,450	56,841	64,853
February	57,336	51,199	52,995	65,487
March	90,503	71,129	76,333	99,668
April	104,894	101,557	100,539	121,947
May	131,353	108,165	127,214	129,807
June	129,378	113,930	136,758	137,022
July	149,493	135,773	159,519	161,647
August	178,569	172,438	195,258	191,583
September	139,793	130,244	151,419	154,529
January/September	1,045,169	935,885	1,056,876	1,126,543
% change		-10.5	12.9	6.6
October	126,941	124,150	146,397	
November	73,606	72,484	78,605	
December	45,140	49,970	53,735	
Total	1,290,856	1,182,490	1,335,613	
% change		-8.4	12.9	

Source: National Statistics Office

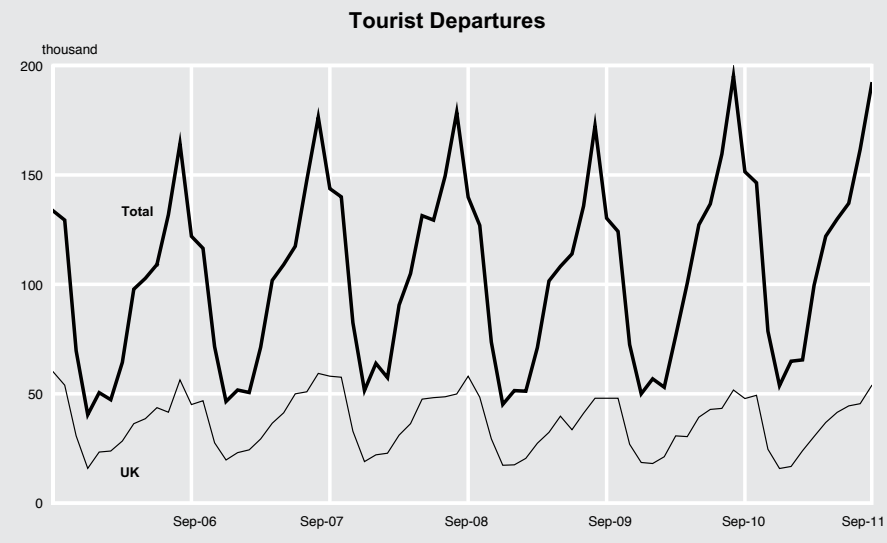
Table 5.3 shows the quarterly distribution of tourist departures for the period 2007-2010. Similar to the past years, a high degree of seasonality in tourist departures persisted during this period. The first two quarters of 2010 recorded a marginal decline over the previous comparable periods. Meanwhile, the distribution of tourist departures in the third quarter recorded a marginal increase while the last quarter remained unchanged. Chart 5.1 shows the trend in total tourist departures and tourists from the UK market. As shown in this chart, Malta's tourism trends continued to exhibit strong seasonality patterns,

Quarterly Distribution of Tourist Departures

Table 5.3		per cent			
	2007	2008	2009	2010	
Q1	14.0	16.4	14.7	14.0	
Q2	26.4	28.3	27.4	27.3	
Q3	37.6	36.2	37.1	37.8	
Q4	22.0	19.0	20.9	20.9	

Source: National Statistics Office

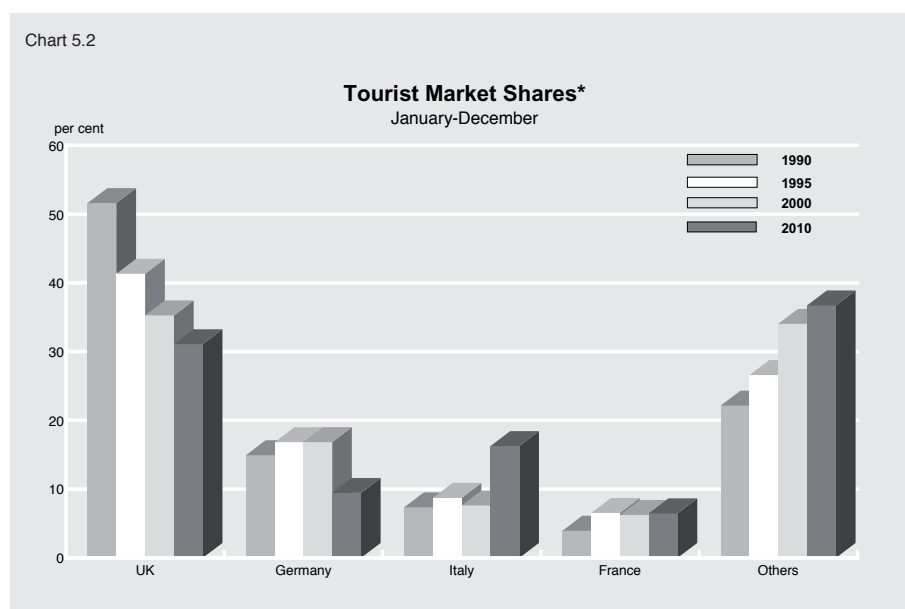
Chart 5.1



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.

Tourist Nationality

Chart 5.2 illustrates the relative market share of Malta's main source markets during January-December 1990-2010. 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 31.1 per cent in 2010. The German market increased its share between 1990 and 2000 but then registered a drop in its market share to 9.4 per cent in 2010. By contrast, the share of the Italian market fluctuated from 7.3 per cent in 1990 to 16.3 per cent in 2010. Meanwhile, the share of the French market increased by 2.6 percentage points to 6.5 per cent in 1995 and subsequently reached 6.5 per cent in 2010. The share of the other markets category that includes all the other tourist markets, increased from 22.2 per cent in 1990 to 36.7 per cent in 2010.



*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.

Furthermore, more recent data indicates that during the nine months to September 2011, the UK market share declined from 30.8 per cent in the previous 2010 period to 30.4 per cent, while the French market share increased from 6.6 per cent to 7.7 per cent. The German market share remained stable when compared to the previous corresponding 2010 period, while the Italian market share decreased from 17.1 per cent to 14.6 per cent during the period under review.

A detailed breakdown of tourist departures by nationality is presented in Table 5.4. During January-September 2011 almost all the source markets reported positive results, a development which may be attributable to the introduction of new and additional routes to countries that were previously being underserved. The Italian, Spanish and Libyan markets recorded significant declines during

Tourist Departures by Nationality

Table 5.4

	2008	2009	2010	2010 Jan-Sep	2011 Jan-Sep
United Kingdom	454,356	398,472	415,191	325,441	342,754
Germany	150,793	127,373	126,190	94,105	100,823
Italy	144,456	161,737	217,287	180,681	164,956
France	81,152	71,930	86,533	69,472	86,611
Spain	49,497	44,551	67,809	56,014	53,324
Netherlands	36,920	33,419	33,425	26,087	30,939
Scandinavia*	85,514	66,779	92,770	70,264	73,140
Libya	9,403	14,281	15,864	12,305	4,808
Belgium	29,619	23,746	24,296	19,111	25,754
Austria	19,825	21,218	19,899	16,425	16,111
Switzerland	21,994	21,038	21,522	15,668	18,740
USA	18,021	13,943	16,295	12,276	13,096
Others	189,306	184,003	198,533	159,026	195,487
TOTAL	1,290,856	1,182,490	1,335,613	1,056,876	1,126,543

*Includes Denmark, Finland, Norway, Sweden

Source: National Statistics Office

the period under review. The decline in the number of tourists from the Spanish market may indicate that the tourists from this market are not repeat visitors but rather first-time visitors that visited Malta through the introduction of additional flights to Malta by the low-cost airlines. A significant decrease was recorded in the Libyan market due to the unrest in the country. Meanwhile, a positive performance was registered in the UK, French, German, Dutch, Swiss, Scandinavian and Belgian markets. This increase in activity is due to the introduction of new routes and additional flights.

Cruise Passengers

In contrast to the performance in inbound tourism, following an overall positive performance in 2010, the cruise liner industry recorded several fluctuations during the first nine months of 2011. In the first four months of 2011 as a result of a change in operations in cruise liner calls, cruise passenger arrivals to Malta recorded consecutive declines over the previous comparable periods. However, an improvement in performance was registered as from May 2011 onwards. Thus, cruise passenger arrivals increased by 17.1 per cent during January-September 2011 reaching a level of 403,703. In addition, as a result of initiatives being undertaken locally to promote Malta as a home port from where cruise passengers can start and end their cruise together with additional agreements with cruise liners to extend their cruises to Malta, an increased value added to the economy is expected that goes beyond the cruise liner industry.

Accommodation

Table 5.5 provides data concerning Malta's accommodation capacity by category of units and beds for the period ending August 2011. 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 August 2011, the number of hotels declined by a unit over the December 2010 level. This decline was the result of developments in the 4-Star hotel category. In terms of hotel bed-stock capacity, in August 2011, there was an increase of 773 beds from the December 2010 level with increases registered in all the categories except for the 2-Star hotel category whose bed-stock level remained unchanged. By the end of August 2011, the total number of guesthouses, apart-hotels and hostels remained unchanged, while the number of beds in this category increased by 76 beds.

Main Types of Tourist Accommodation

Table 5.5

	2009 (Dec)		2010 (Dec)		2011 (Aug)	
	Establishments	Bed-Places	Establishments	Bed-Places	Establishments	Bed-Places
Hotels						
Five Star	16	7,428	15	6,897	15	7,257
Four Star	41	12,927	42	15,554	41	15,919
Three Star	40	7,832	39	9,483	39	9,531
Two Star	8	627	7	527	7	527
Total	105	28,814	103	32,461	102	33,234
Other N.E.C.						
Guesthouses	25	563	24	724	22	655
Aparthotels	27	3,506	24	4,408	25	4,417
Hostels	7	1,056	7	1,056	8	1,192
Other N.E.C. Total	59	5,125	55	6,188	55	6,264

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-August 2011, all the accommodation categories except the 3-Star hotel category, reached their peak inflow in August. The 4-Star hotel accommodation category recorded the highest occupancy rate of 94 per cent, followed by the occupancy rate of 91 per cent for the 5-Star hotel category. The 3-Star hotel accommodation category recorded its highest rate of 73 per cent in July while the 2-Star hotel accommodation category recorded its highest occupancy rate of 47 per cent in August.

The average length of stay by tourists is another important indicator of the performance of the tourism industry. During January-September 2011, the average length of nights spent declined marginally to 8.3 nights in line with international trends.

Monthly Accommodation Occupancy Rates - 2011*

Table 5.6

per cent

	Hotels				Tourist Villages & Aparthotels Hostels & Guesthouses
	5 Star	4 Star	3 Star	2 Star	
January	32	36	21	16	22
February	43	49	27	20	28
March	51	56	34	29	32
April	65	70	38	39	35
May	63	67	42	35	34
June	78	82	57	37	49
July	82	94	73	46	60
August	91	94	70	47	64
Average	64	69	45	34	41

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

Source: National Statistics Office

Employment

Data for employment in hotels and restaurants is based on the administrative records of the Employment and Training Corporation (ETC) of the gainfully occupied population according to the standard NACE classification of economic activities. Data in this section is provided as at end of June for the 2010 and 2011 years.

Full-time employment in hotels and restaurants stood at 9,655 persons in June 2011, a marginal decrease of 64 jobs over the corresponding 2010 period. Employment in this sector corresponded to 6.5 per cent of the gainfully occupied population in June 2011. Private sector employment in hotels and restaurants amounted to 9,598, or 12.7 per cent of the persons employed in private market services.

Earnings from Tourism

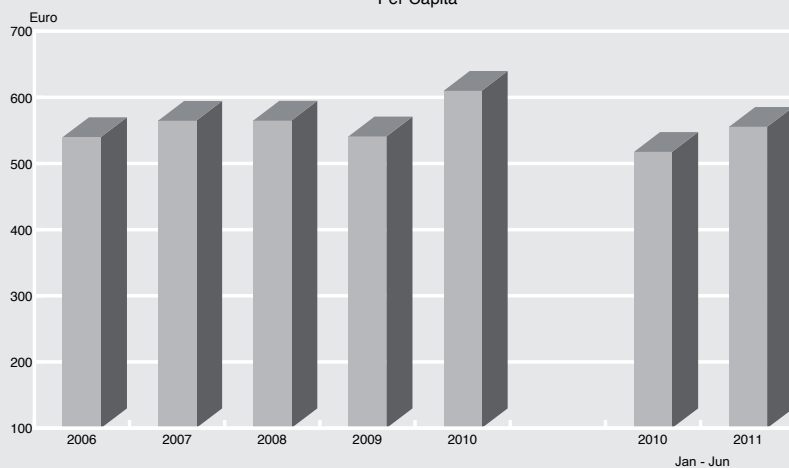
Table 5.7

	Earnings (€ million)	Per Capita Earnings (€)	Per Nights Spent (€)	Ratio to exports of goods and services (%)
2008	729.2	564.9	64.8	14.2
2009	639.8	541.1	64.3	13.9
2010	813.9	610.0	73.1	15.0
2010 (Jan-Jun)	285.1	517.7	69.3	11.2
2011 (Jan-Jun)	343.8	555.6	76.4	11.7

Source: National Statistics Office

Chart 5.3

Tourist Earnings Per Capita



Tourism Earnings

Tourism earnings, which are amongst 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. Data in this section is provided for the January-June period for the 2010 and 2011 years.

During the first six months of 2011, as a result of the positive performance in tourism activity and taking into account the high influx of Libyan passengers in the first three months of 2011, tourism earnings increased from €285.1 million to €343.8 million, an increase of 20.6 per cent over the previous comparable period. Similarly, per capita earnings increased by 7.3 per cent to €55.6 and earnings per nights spent increased to €76.4 during the first six months of 2011 from €69.3 in the corresponding 2010 period.

During January-June 2011, earnings from tourism accounted for 11.7 per cent of exports of goods and services, a marginal increase of 0.5 percentage points over the corresponding 2010 period.

Malta Financial Services Authority

The MFSA, which was established in July 2002, is the single regulator and supervisory Authority for the financial services sector in Malta. This sector 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 has the responsibility of the Listing Authority.

During the first nine months of 2011, the MFSA has participated actively in the European System of Financial Supervisors (ESFS) which came into being in January 2011. The ESFS has integrated the three European Supervisory Authorities and the European Systemic Risk Board (ESRB) establishing the key pillars of a new institutional infrastructure with the aim of ensuring a stable, reliable and robust Single Market for financial services. The MFSA plays an important role in the European Securities and Markets Authority (ESMA), the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and ESRB.

During the period under review, the Authority issued a significant number of new licenses, with an increase recorded in the credit and financial institutions on

the banking side together with increases in the number of insurance companies, insurance managers, authorised trustees and retirement schemes. During the period under review, 14 investment services licences were issued, contributing to a total of 111 licences by the end of September 2011. The number of recognised fund administrators increased by 6 thus reaching 24 by the end of the period under review.

The MFSA issued 148 new Collective Investment Scheme (CIS) Licences, increasing the total number of CIS licences as at the end of September 2011 to 533. During January-September 2011, the number of financial institutions licensed under the Banking Act (1994) and the Financial Institutions Act (1994) increased by a unit, increasing the financial institutions to 13.

With regards to the insurance sector, as at the end of September 2011, MFSA issued 4 new licenses to insurance companies bringing the total to 52 insurance companies. The MFSA also licensed 2 insurance managers, thus the total number of enrolled insurance managers stood at 15.

During the period under review, the Authority expanded the number of trustees, whereby by the end of September 2011, there was an addition of 5 trustees, increasing the total companies authorised as trustees to 121. During January-September 2011, 2,530 companies were registered with the Registry of Companies.

During the first nine months of 2011, 5 retirement schemes were licensed bringing the total to 11 retirement schemes. During the period under review, the MFSA also licensed 2 retirement scheme administrators bringing the total number of retirement scheme administrators to 7.

Given its regulatory and supervisory role, during January-September 2011, the MFSA worked on the transposition and implementation of the E-Money Directive (2009/110/EC). The transposition process involved primarily the amendment to the Financial Institutions Act and Banking Act. On 13 May 2011, Article 7 of the Directive dealing with safeguarding of funds was transposed to the Financial Institutions Act (Safeguarding of Funds) Regulations. Moreover, the amendments to the Financial Institutions Act and the Financial Institutions Rule FIR/03 – Taking up, pursuit of and prudential supervision of the business of financial institutions authorised to issue electronic money under the Financial Institutions Act 1994 – were published by Act X of 2011.

In addition, 3 Legal Notices came into force on 1 July 2011, namely the Investment Services Act (Marketing of UCITS) Regulations, 2011; the Investment Services Act (UCITS Management Company Passport) Regulations, 2011; and the Investment Services Act (UCITS Mergers) Regulations, 2011. Moreover, during the January-September period, the MFSA also issued amendments to the Investment Services Rules for Investment Services Providers and the Investment Services Rules for Retail CIS.

The Authority also monitored the developments at EU level with regards to the Directive on Alternative Investment Fund Managers which came into force in the first quarter of 2011. In addition, during January-September 2011, the MFSA continued revising the Banking Rules with particular emphasis placed on amendments to Banking Rule BR/07. The MFSA also worked on the revision to The European Passporting Rights for Credit Institutions Regulations, 2011, issued under the Banking Act and the European Passport Rights for Financial Institutions Regulations, 2011, issued under the Financial Institutions Act.

Furthermore, the Legal Notice 106 of 2011 (Highly Qualified Persons Rules, 2011) brought into force tax incentives to non-resident highly qualified persons occupying 'eligible office' with companies licensed and/or recognised by the MFSA. The rules for the scheme came into force with effect from 1 January 2010 and apply to income which is brought to charge in year of assessment 2011 (basis year 2010) and apply to individuals not domiciled in Malta. The Schedule to the said Legal Notice lists down the eligible employments and offices and employments with companies licensed and/or recognised by the MFSA as the competent authority.

During the first nine months of 2011, the Authority further supplemented and enhanced the Companies Act Regulations, 2010 (L.N. 588 of 2010) that came into force on February 1, 2011. The MFSA further supplemented these regulations with amendments to Insurance Rule 6 of 2007 – Scheme of Operations relating to the Business of Insurance – whereby the revised Insurance Rule 6 came into force on 1 March 2011. During the period under review, the Insurance Business (Fees) (Amendments), Regulations, 2011 prescribing the fees applicable to the establishment of incorporated cell companies and incorporated cells, also came into force.

During January-September 2011, the Authority further amended the Insurance Business Act and the Insurance Intermediaries Act. A review was also carried out on the Protection and Compensation Fund Regulations, whereby the amendments made came into force on 29 March 2011. Moreover, during the

period under review, the MFSA issued a revised version of the Listing Rules which came into force on 3 June 2011.

During the period under review, the MFSA, through the MFSA Education Consultative Council (ECC) launched a new financial services careers website that aims to help young people plan a career in the financial services industry in Malta. The website also contains useful hints to parents, career advisors and those who seek employment in the sector. This latest initiative is another major step in the Authority's quest to promote and encourage best standards of compliance, professionalism and competence within the finance industry in Malta. While the MFSA is the single regulator for financial services activities in Malta, it also plays an active role in ensuring that the sector benefits from training that is up to standard with requirements that are, by their very nature, dynamic and demanding. Furthermore, 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 also continued to strive to encourage fair and open competition in the financial services sector.

Malta Enterprise Corporation

ME is focused on attracting inward investment and supporting 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. Furthermore, ME has been gradually transforming itself from an investment promotion agency to an economic development agency, leading to activities related to internationalisation.

During January-September 2011, the Corporation approved 17 new projects, of which, 11 were locally-owned and 6 were foreign owned. The 11 newly approved local projects were mainly related to activities pertinent to the manufacturing sector and the Information Communications Technology (ICT) sector. The 6 foreign projects involved activities related to the manufacturing sector as well as the aviation and industrial services. ME also approved assistance to 10 expansion projects, 6 of which were undertaken by locally-owned concerns with the other 4 expansion projects originating from foreign owned companies already operating from Malta.

In the first nine months of 2011, ME approved the allocation of 81,161sqm in

industrial space to the approved projects. Additionally, these companies were approved a total assistance by ME of €1,329,649 in access to finance assistance, which included interest rate subsidies of €88,359.

During the period under review, a number of support measures were launched by ME in order to support enterprises in their research and development (R&D) activities. Such support measures, in the form of tax credits or co-financing grants, aim to address the various stages of the R&D process. Support measures made available during the first nine months of 2011 included R&D tax credits for industrial research and experimental development, collaborative R&D grants (EUREKA and Eurostars), ERDF R&D grants, technical feasibility studies, loan of highly qualified personnel, support to innovative clusters, royalty income from patents and registration for intellectual property.

By the end of the third quarter of 2011, 2 Maltese companies were awarded funds for project implementation and received the EUREKA technical status. These projects were approved a total of €208,159 in Government funds, which potentially serve to leverage a further €138,772 from the private sector.

As from October 2010, Malta became a member of Eurostars Joint Programme co-financed from the EU, which led ME to commit an annual budget of €0.5 million to fund projects approved through the Eurostars evaluation system. Since Malta's entry, there have been 2 calls for project submissions, with one local project in each call. Evaluation of the projects in the first call led to an approval of €14,492 in funds for the local company.

Another support measure offered by ME is the Business Advisory Service in the areas of marketing and business management; research, technological development and innovation; and business advisory and enterprise support. In the first nine months of 2011, ME provided 79 advisory services for a value of €32,600. During this period, the main areas which benefited from this customised mentoring service were the international competitiveness and export readiness, which forms part of the Gateway to Export programme, followed by the marketing and business management.

ME also offers fiscal incentives, where three of such schemes are the Get Qualified Scheme, the Investment Aid Scheme and the MicroInvest Scheme. During January-September 2011, the Corporation approved 180 applications under the Get Qualified Scheme, thus providing around €0.8 million in tax credit. ME, under its Investment Aid Scheme, has also confirmed fiscal assistance under the ME Act and the Business Promotion Act, amounting to €1.4 million

in tax foregone to 281 beneficiaries. This assistance is based on the tax due by the respective beneficiaries for the year of assessment 2010 which, during the same period, has generated a total of €168 million in investment. Meanwhile, during the first nine months of 2011, around 400 enterprises benefited from the MicroInvest Scheme with a total tax credit value of €2.7 million, resulting in a capital investment of €6.4 million and the creation of 144 jobs.

During the nine months to September 2011, ME was entrusted by the Managing Authority for Structural Funds as an Intermediate Body (IB) responsible for administering of 7 European Regional Development Fund (ERDF) Grant Schemes. Six schemes were launched under the ERDF's 20 Million for Industry Schemes and one scheme was launched under the 15 Million Industry Energy Grant Scheme. Up to September 2011, 96 applications were approved under the 20 Million for Industry Scheme with a total allocated grant of €5.88 million, where the projects involved focused on international competitiveness, small start-ups, innovation, environment, e-business, energy and R&D. There were 115 approved applications under the Energy Grant Scheme with the total allocated grant of €7.17 million during the period under review.

ME also provides support to industries through the Enterprise Europe Network (EEN). This Network, which is made up of around 600 partner organisations in more than 40 countries, provided 243 specialised advisory services, 17 partnership proposals and 2 partnership agreements during the first nine months of 2011. The EEN Malta Office participates actively in the ICT and environmental sectoral group. Moreover, various workshops and seminars were organised during the first nine months of 2011.

During the period under review, ME continued to run the incubation program for innovative start-up companies through the Kordin Business Incubation Centre (KBIC). During the first three quarters of 2011, 2 new start-up companies started their pre-incubation program at KBIC and a company operating in the electronics sector successfully finished its incubation period at KBIC. By the end of September 2011 the percentage occupancy at KBIC amounted to 63 per cent.

Furthermore, during the period under review, the Office of Property Management (OPM), within the MIPL, issued a number of contracts through which clients were allocated land, leased property, signed development agreements as well as encroachment agreements. In the first nine months of 2011, 16 letters of allocation were processed and 11,710sqm of land and 6,461sqm of built up property were allocated. Within the same Office, the Facilities Management Unit (FMU) is responsible for the administration of 14 industrial zones for

which MIPL is responsible in terms of the Commissioner of Lands Ordinance and which collectively amount to around 3,642,000sqm, out of which around 2,379,000sqm is an un-built and common area. In addition, FMU has taken on administrative responsibility for a further 11 industrial zones as delineated by the Malta Environment and Planning Authority (MEPA). During the same period, 21 lease agreements which distributed 4,130sqm of land and 20,152sqm of built up property, were finalised. Moreover, 2 development agreements were concluded and allocated a total of €12.4 million for the development of infrastructural facilities. Additionally, a total of 22,218sqm of built up areas were allocated under the 12 Encroachment Agreements signed.

During the period under review, the MIPL continued to manage a number of infrastructural projects which are co-financed through ERDF. These projects include the rebuilding of roads, upgrading of industrial estates, child care centres, and the development of the Life Sciences Centre, which will total over 9,000sqm as a complex of 4 buildings totalling over 56 lab units.

6. Prices and Incomes

6. Prices and Incomes

The first part of this Chapter will review domestic inflationary developments during the twelve months to September 2011. A comparison of inflation rates among EU Member states is also undertaken. The second part of the Chapter reviews average weekly wages in both direct production and market services sectors making use of a representative sample of companies based on collective agreements deposited with the Department of Industrial and Employment Relations.

During the twelve months to September 2011, the overall 12-month moving average inflation rate, as measured by the Retail Price Index (RPI) followed an upward trend, increasing from 0.96 per cent in October 2010 to 2.73 per cent in September 2011. The largest contributor to this rate of inflation was the Food sub-index followed by Transport and Communications and Housing sub-indices.

The overall weekly wage rate increased by €1.44 or 0.5 per cent. It is worth noting that the Cost of Living Adjustment for 2011 was €1.16. The highest percentage weekly wage rise was registered in the Miscellaneous sub-sector and stood at 1.1 per cent. Around one third of employees earned a weekly wage between €21.17 and €71.16 while around 20 per cent of all employees in the sample earned an average weekly wage of more than €31.17.

Inflation

The official measure of inflation in Malta is computed by comparing the average RPI in the 12-months leading to the month under review with the corresponding average in the previous 12-month period. Table 6.1 presents domestic inflation rates, while monthly RPI readings between January 2008 and September 2011 are presented in Table 6.2. In addition, Chart 6.1 depicts the trend of the domestic 12-month moving inflation rate from September 2006 to September 2011.

During the period illustrated by Chart 6.1, the inflation rate was volatile. In fact, inflation decreased significantly from the rate of 4.36 per cent in April 2009 to 0.96 per cent in October 2010, where it thereafter increased again to 2.73 per cent in September 2011.

Further analysis at a sub-index level provides more insight on the underlying inflationary pressures. Indeed, as Table 6.3 shows, the highest change in the 12-month average, at a sub-index level was noted in the Water, Electricity, Gas

Box 6.1

Harmonised Index of Consumer Prices (HICP)

This consumer price inflation index is compiled by Eurostat and the national statistical institutes in accordance with harmonised statistical methods. Given that this inflation 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 2008 to September 2011. The HICP inflation rate declined during the first half in 2010, reaching a low of 0.7 per cent in June 2010. Subsequently, it reversed its direction by increasing steadily thereafter recording the rate of 2.8 in June 2011. After this month, the inflation rate was stable at 2.8 per cent.

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

	per cent			
	2008	2009	2010	2011
January	0.9	4.6	1.7	2.2
February	1.2	4.6	1.5	2.4
March	1.5	4.6	1.2	2.5
April	1.9	4.5	0.9	2.7
May	2.3	4.5	0.8	2.7
June	2.8	4.3	0.7	2.8
July	3.3	3.9	0.9	2.8
August	3.7	3.6	1.0	2.8
September	4.0	3.2	1.2	2.8
October	4.4	2.7	1.4	
November	4.5	2.3	1.7	
December	4.7	1.8	2.0	

Source: National Statistics Office

Inflation developments during the past twelve months mainly reflect upward price movements in the fuels, accommodation services, vegetables, bread and cereals, services for the maintenance and repair of the dwelling, jewellery, clocks and watches and electricity sub-indices. On the other hand, items like telephone and telefax equipment and services, cultural services and furniture and furnishings recorded the highest negative 12-month contribution to the overall index.

and Other fuels, showing an increase of 8.0 per cent. This was followed by increases of a lower magnitude in the Housing and Food sub-indices.

During the twelve months to September 2011, the Food sub-index, rose by 3.78 per cent over the comparable level for 2010. This increase was higher

12-Month Moving Average Inflation Rate

Table 6.1

per cent

	2008	2009	2010	2011
January	1.43	4.26	1.88	1.65
February	1.64	4.30	1.58	1.79
March	1.94	4.32	1.26	1.99
April	2.25	4.36	1.03	2.10
May	2.60	4.34	0.85	2.25
June	2.94	4.23	0.74	2.41
July	3.28	3.95	0.76	2.50
August	3.54	3.71	0.75	2.64
September	3.73	3.46	0.80	2.73
October	3.99	2.99	0.96	
November	4.12	2.56	1.19	
December	4.26	2.09	1.51	

Source: National Statistics Office

Retail Price Index

Table 6.2

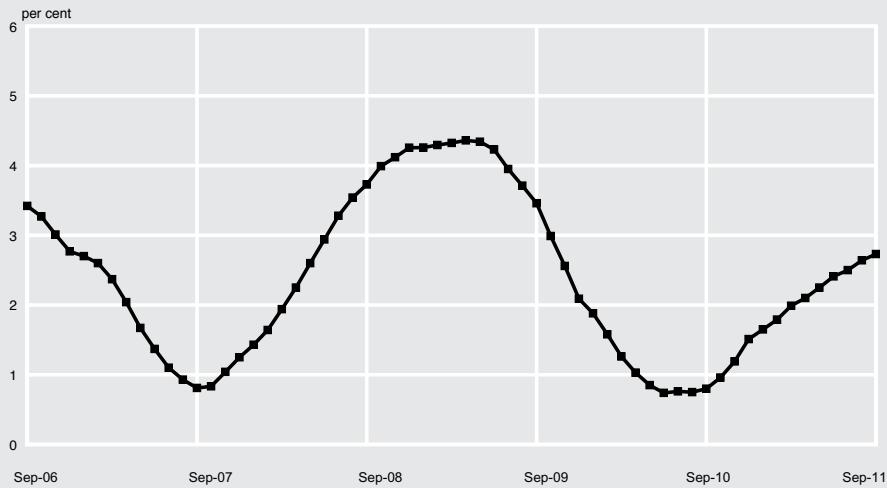
December 2009=100

	2008	2009	2010	2011
January	94.99	98.39	99.49	102.20
February	95.39	99.36	99.86	102.13
March	96.04	100.13	100.43	103.13
April	96.39	100.25	101.44	103.89
May	96.81	100.25	101.61	104.78
June	97.16	99.82	101.21	104.55
July	98.00	99.45	101.07	103.94
August	97.91	99.44	100.96	104.15
September	98.72	99.89	101.65	104.45
October	100.84	100.65	102.39	
November	100.52	100.26	102.70	
December	100.65	100.00	103.25	
Average Jan-Dec	97.79	99.82	101.34	

Source: National Statistics Office

Chart 6.1

12-Month Moving Average Inflation Rate



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

Table 6.3

December 2009=100

Commodity Group	Weight	2009	2010	2011
Food	21.23	101.08	101.39	105.22
Beverages and Tobacco	6.09	97.77	100.01	101.95
Clothing and Footwear	7.41	91.00	87.63	87.99
Housing	7.61	98.66	101.04	105.60
Water, Electricity, Gas and Fuels	3.36	102.37	118.53	128.02
Household Equipment & House Maintenance Costs	6.59	98.98	99.90	98.41
Transport and Communications	22.76	103.81	102.30	105.48
Personal Care and Health	8.57	98.21	100.62	102.33
Recreation and Culture	9.28	98.87	100.37	101.56
Other Goods and Services	7.10	98.79	100.47	103.80

Source: National Statistics Office

than the 0.31 per cent rise recorded during the previous year. In line with these developments, the contribution to inflation of this sub-index increased from 0.09 percentage points in October 2010 to 0.80 percentage points in September 2011. The main contributors to inflation during September 2011 were fresh bread and fresh pastry, milk and milk products, fruits and vegetables. On the other hand, slight decreases were registered in pasta and processed vegetables.

The 12-month moving average rate for the Beverages and Tobacco sub-index increased by 1.94 per cent in September 2011, with a resulting contribution to inflation of 0.12 percentage points. The increase in this index reflects developments in the price of cigarettes and offsales non-alcoholic beverages. During the same period, onsales non-alcoholic beverages registered a negative contribution.

The 12-month moving average of the Clothing and Footwear sub-index in September 2011 increased by 0.41 per cent, in contrast to a drop of 3.70 per cent recorded in September 2010. Consequently, this sub-index reversed the negative annual inflation recorded between mid 2009 and February 2011. In September 2011, this sub-index contributed marginally to inflation. This emanated from women's and boys outwear while declines were observed in items such as girls outwear, men's and women's footwear and babies garments.

The Housing sub-index registered an increase of 4.51 per cent, thus contributing 0.34 percentage points to the overall 12-month moving inflation rate. The increases were mainly attributed to prices of various construction works.

The Water, Electricity, Gas and Fuels sub-index 12-month-moving average recorded the highest increase over September 2010, rising by 8.01 per cent and contributing 0.27 percentage points to the overall inflation rate. This increase was mainly attributed to the rising price of gas and liquid fuels since 2010. On the other hand electricity charges remained stable since the beginning of 2010.

The Household Equipment and House Maintenance Cost sub-index decreased by 1.49 per cent in September 2011 when measured by the 12-month moving average, registering a negative contribution of 0.10 percentage points to headline inflation, reflecting lower prices of furniture, glassware, tableware and household utensils. On the other hand the average price of household appliances, household textile articles and decoration articles increased.

In September 2011, the 12-month moving average rate for the Transport and

Communications sub-index, which carries the largest weighting within the RPI, increased by 3.11 per cent. During the same period, it contributed 0.71 percentage points to inflation. The main contributions to this sub-index emanated from fuels, motors cars and air transport services. On the other hand, a major decline in prices of telephone and telephone services was noted. This index recorded a negative contribution of 0.21 percentage points in September 2011.

In September 2011, the 12-month moving average inflation rate for the Personal Care and Health sub-index stood at 1.70 per cent with a contribution of 0.15 percentage points to the overall inflation rate. Medical services, hygienic articles and hairdressing and personal grooming services were the items primarily contributing to the inflation measured in this sub-index. In contrast, medicine prices continued on their declining trend since mid 2010 with a negative 12-month moving average inflation of almost 0.7 per cent being registered in September 2011.

The Recreation and Culture sub-index 12-month moving average increased by 1.19 per cent with a total contribution of 0.11 percentage points to the overall RPI inflation rate of September 2011. Major fluctuations in this sub-index were recorded in books and newspapers and education expenses which also were the main contributors. On the other hand, the licenses and administrative fees sub-index was the main item that registered a negative contribution.

An increase of 3.31 per cent was registered in the 12-month average for the Other Goods and Services sub-index compared with an increase of 1.70 per cent registered over the previous twelve months. The main contributors were jewellery, watches and clocks and insurance. It is notable that the 12-month moving average inflation of jewellery, watches and clocks continued on its upward trend and reached almost 30 per cent in September. This is mainly attributable to the rising international price of gold and precious metals. On the other hand, minor decreases were noted in travel articles and financial services. In September 2011, the contribution to the overall rate of this sub-index was of 0.24 percentage points.

International Comparison

Inflation rates for the EU Member States based on the 12-month moving average of the Harmonized Index of Consumer Prices (HICP) are illustrated in Table 6.4. This harmonized approach enables direct comparability among Member States.

European Union Inflation Rates
(Harmonised Index of Consumer Prices)

Table 6.4 per cent

	2008	2009	2010	2011 ⁽¹⁾
Austria*	3.2	0.4	1.7	3.1
Belgium	4.5	0.0	2.3	3.4
Bulgaria	12.0	2.5	3.0	3.8
Cyprus	4.4	0.2	2.6	3.1
Czech Republic	6.3	0.6	1.2	1.9
Denmark	3.6	1.1	2.2	2.7
Estonia	10.6	0.2	2.7	5.2
Finland	3.9	1.6	1.7	3.2
France	3.2	0.1	1.7	2.1
Germany	2.8	0.2	1.2	2.2
Greece	4.2	1.3	4.7	3.7
Hungary	6.0	4.0	4.7	4.0
Ireland	3.1	-1.7	-1.6	0.6
Italy	3.5	0.8	1.6	2.5
Latvia	15.3	3.3	-1.2	3.6
Lithuania	11.1	4.2	1.2	3.8
Luxembourg	4.1	0.0	2.8	3.5
Netherlands*	2.2	1.0	0.9	2.2
Poland	4.2	4.0	2.7	3.5
Portugal	2.7	-0.9	1.4	3.2
Romania	7.9	5.6	6.1	6.9
Slovakia	3.9	0.9	0.7	3.2
Slovenia	5.5	0.9	2.1	1.9
Spain	4.1	-0.2	2.0	3.0
Sweden	3.3	1.9	1.9	1.6
United Kingdom	3.6	2.2	3.3	...
EU 27*	3.7	1.0	2.1	2.9
Euro Area*	3.3	0.3	1.6	2.5
Malta*	4.7	1.8	2.0	2.8

* Provisional for September 2011

⁽¹⁾ For 2011, figures relate to September

Source: Eurostat, National Statistics Office

In September 2011, inflationary developments in the European Union, show that Romania registered the highest inflation, with a rate of 6.9 per cent, followed by Estonia at 5.2 per cent, Hungary at 4.0 per cent and Bulgaria and Lithuania at 3.8 per cent. On the other hand, the lowest inflation rate was recorded in Ireland at 0.6 per cent followed by Sweden at 1.6 per cent. Slovenia and Czech Republic both recorded inflation rates of 1.9 per cent. The average inflation rate in the EU 27 Member states increased slightly to 2.9 per cent from 2.1 per cent recorded in December 2010. This was mainly driven by increases in the 12-month moving average inflation rate in Transport (5.7 per cent), Alcoholic

beverages, tobacco and narcotics (4.6 per cent), Housing, water, electricity, gas and other fuels (4.4 per cent) and Food and non-alcoholic beverages (3.2 per cent). On the other hand, a slight drop was only recorded in the Communications sub-index (-0.3 per cent).

Similarly, at 2.8 per cent, the inflation rate for Malta is close to the EU average but 0.3 percentage points higher than the Euro Area average. Domestic inflation rate has increased by 0.8 percentage points during the first nine-months in 2011. These developments can be attributed to higher prices in items under the Transport (6.8 per cent) and Food and non-alcoholic beverages (4.6 per cent) sub-indices. On the contrary, the Communications sub-index recorded the largest decline (-7.4 per cent) in its 12-month moving average inflation rate.

Sectoral Wages

The analysis in this section is based on collective agreements deposited within the Department of Industrial and Employment Relations. It looks at changes and developments in average weekly wage rates for a specific number of companies. The period under review spans from September 2010 to September 2011.

The sample under review is made up of 230 firms employing 26,887 employees (representing roughly 15 per cent of the labour supply), where 98 firms are engaged in direct production and employ 11,061 employees while the remaining 132 firms operate in the market services and employ 15,826 employees. The data for weekly wages is divided into four major employment categories namely labourers, skilled tradesmen, clerical and managerial grades. It is to be noted that 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. This source of non-wage income can be quite significant for some categories of employment hence it follows that the employees' actual average weekly remuneration might be higher than that reported in this study.

Since the information in this Chapter is based on a sample of collective agreements and only includes 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. Direct comparability is hampered by the methodology and sampling procedure adopted, mainly the inclusion of additional firms and exclusion of others. This means that the individual firms' weighting in each category would change reflecting the changes in employment levels. 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 pay wage. Consequently, the tables and data presented in this Chapter are not directly comparable to those published in previous Economic Surveys.

The methodology used in this study groups collective agreements on the basis 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. The figures obtained are then augmented by the cost of living adjustments in cases where the collective agreement is exclusive of COLA. The COLA for the year 2011 as announced during the 2010 budget speech amounted to €1.16.

Table 6.5 shows the average weekly wage rate for the various employment categories in the sampled firms as at September 2010. The overall weighted average wage of all firms stood at €75.67 whereas the weighted average wage for those employed in direct production and market services stood at €50.38 and €93.35 respectively. This implies a weekly wage gap of €42.97. The highest average weekly wage rates were recorded in the Banking and Other Financial Institutions sub-sector (€52.85) and the Paper and Printing (€16.32). These were followed by Transport (€30.82), Transport equipment (€27.13), Communications (€22.58) and Community & Business (€22.60) sub-sectors. On the other hand the lowest paid sub-sectors were the Machinery sub-sector (€20.56), the Textiles, Footwear and Clothing sub-sector (€10.73), and the Construction sub-sector (€19.21). The lowest weekly average wage rate in September 2010 amounted to €19.09 and was earned by the Labourer grade in the Non-Metallic Products sub-sector while the highest weekly average wage rate was earned by the Banking and OFI managerial grade (€90.20).

Table 6.6 shows the average weekly wage rates for the various employment categories in the sampled firms as at September 2011. 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. Thus, the differences in the corresponding wage rates represent the actual change in wages occurring during the period under observation.

The weighted average weekly wage for all firms as at September 2011 stood at €77.11. The best performing sub-sector as at September 2011 remained unchanged from that in September 2010, namely the Banking and Other Financial Institutions sub-sector which had a weekly average weighted remuneration of €54.01. This was followed by the Paper and Printing sub-

Average Weekly Wages - September 2010

Table 6.5

€

	Labourer	Skilled Tradesman	Clerical/ Executive	Managerial	Weighted Average
Oil Drilling	230.61	231.78	223.62	244.59	230.86
Food	220.74	239.85	232.17	261.45	231.54
Beverages	246.46	317.84	270.84	306.78	271.56
Textiles, Footwear and Clothing	204.36	236.05	214.02	228.47	210.73
Furniture & Fixtures	221.50	266.77	259.73	277.13	254.61
Paper & Printing	297.44	342.97	289.07	335.40	316.32
Chemicals	236.07	287.74	293.25	330.48	257.40
Non-Metallic Products	195.09	240.51	-	249.24	222.82
Metal Products	247.21	234.71	243.28	272.86	246.73
Machinery	202.63	212.18	197.42	236.44	208.56
Electrical Machinery	200.28	257.10	229.35	302.00	225.67
Transport Equipment	228.88	256.97	253.42	337.96	287.13
Miscellaneous	245.37	271.73	269.47	287.39	258.01
Electricity & Gas Services	230.99	263.45	259.42	410.83	272.04
Construction	206.43	256.85	262.76	-	219.21
Wholesale & Retail Trade	220.96	238.42	252.20	307.04	239.92
Banking & OFI	267.33	305.80	328.76	490.20	352.85
Insurance & Real Estate	229.86	239.06	244.53	265.67	245.38
Transport	239.89	270.72	268.35	482.65	300.82
Storage and Warehousing	235.63	268.42	248.16	300.51	251.71
Communications	260.99	284.39	246.71	352.73	282.58
Community & Business	223.00	299.16	252.24	304.58	272.60
Recreation Services	232.07	241.28	239.51	283.18	240.07
Hotels & Catering Ests	237.34	262.10	252.89	274.18	249.60
All Firms	226.58	274.06	286.34	338.42	275.67
Direct Production	224.30	271.54	255.30	318.56	250.38
Market Services	231.03	277.64	290.00	345.65	293.35

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

sector registering an average wage of €317.49. Similarly, the least remunerated sub-sectors in the sample were the Machinery sub-sector (€209.72), the Textile, Footwear and Clothing (€211.89) sub-sector and the Construction sub-sector (€220.35). The lowest reported wage, that recorded for the labourer grade under the Non-Metallic Products sub-sector (€196.25), was €2.8 or 27.9 per cent over the National Minimum Wage for 2011 which stood at €153.45. The highest average wage remained that of the managerial grade in the Banking and other Financial Institutions sub-sector at €491.36, while other relatively high wages were those for the managerial grade in the Transport sub-sector (€484.32) and the Electricity and Gas Services sub-sector (€411.99).

Average Weekly Wages - September 2011

Table 6.6 €

	Labourer	Skilled Tradesman	Clerical/ Executive	Managerial	Weighted Average
Oil Drilling	231.77	232.94	224.78	245.75	232.02
Food	222.17	241.01	233.33	262.61	232.86
Beverages	248.81	319.90	273.05	310.43	274.06
Textiles, Footwear and Clothing	205.52	237.21	215.18	229.63	211.89
Furniture & Fixtures	222.66	267.93	260.89	278.29	255.77
Paper & Printing	298.61	344.13	290.28	336.57	317.49
Chemicals	237.23	288.90	294.41	331.64	258.56
Non-Metallic Products	196.25	241.67	-	250.40	223.98
Metal Products	248.37	235.87	244.44	274.02	247.89
Machinery	203.79	213.34	198.58	237.60	209.72
Electrical Machinery	201.44	258.29	231.11	303.20	226.86
Transport Equipment	230.04	258.13	254.58	339.12	288.29
Miscellaneous	248.61	275.33	270.63	289.29	260.89
Electricity & Gas Services	232.15	264.61	260.58	411.99	273.20
Construction	207.59	258.01	263.92	-	220.35
Wholesale & Retail Trade	222.28	239.81	253.59	310.74	241.56
Banking & OFI	268.49	306.96	329.92	491.36	354.01
Insurance & Real Estate	231.02	240.22	245.69	266.83	246.54
Transport	241.08	272.13	269.82	484.32	302.13
Storage and Warehousing	236.79	269.58	249.32	301.67	252.87
Communications	263.13	285.55	247.87	353.94	283.75
Community & Business	225.20	301.33	254.20	306.00	274.37
Recreation Services	233.23	242.44	240.67	284.34	241.23
Hotels & Catering Ests	238.50	263.26	254.05	275.34	250.76
All Firms	228.09	275.44	287.76	339.83	277.11
Direct Production	225.73	272.84	256.69	319.96	251.78
Market Services	232.71	279.10	291.42	347.07	294.82

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

Table 6.7 shows percentage changes in the average weekly wage occurring between September 2010 and September 2011. The weighted average increase for all firms stood at 0.5 per cent. Wage increases ranged from a high of 1.3 per cent among labourers and skilled tradesmen in the Miscellaneous sector to a low of 0.2 per cent increase among managerial staff in the Banking and OFI sector.

The average wage in the direct production sector increased by €1.40 or 0.6 per cent to reach €251.78 in September 2011, while the average weekly wage rate in the market services sector increased by €1.47 or 0.5 per cent, thus reaching €294.82 in September 2011. Thus, although in absolute terms the average

Changes in Average Weekly Wages

September 2011 - September 2010

Table 6.7 per cent

	Labourer	Skilled Tradesman	Clerical/ Executive	Managerial	Weighted Average
Oil Drilling	0.5	0.5	0.5	0.5	0.5
Food	0.6	0.5	0.5	0.4	0.6
Beverages	1.0	0.6	0.8	1.2	0.9
Textiles, Footwear and Clothing	0.6	0.5	0.5	0.5	0.6
Furniture & Fixtures	0.5	0.4	0.4	0.4	0.5
Paper & Printing	0.4	0.3	0.4	0.3	0.4
Chemicals	0.5	0.4	0.4	0.4	0.5
Non-Metallic Products	0.6	0.5	-	0.5	0.5
Metal Products	0.5	0.5	0.5	0.4	0.5
Machinery	0.6	0.5	0.6	0.5	0.6
Electrical Machinery	0.6	0.5	0.8	0.4	0.5
Transport Equipment	0.5	0.5	0.5	0.3	0.4
Miscellaneous	1.3	1.3	0.4	0.7	1.1
Electricity & Gas Services	0.5	0.4	0.4	0.3	0.4
Construction	0.6	0.5	0.4	-	0.5
Wholesale & Retail Trade	0.6	0.6	0.6	1.2	0.7
Banking & OFI	0.4	0.4	0.4	0.2	0.3
Insurance & Real Estate	0.5	0.5	0.5	0.4	0.5
Transport	0.5	0.5	0.5	0.3	0.4
Storage and Warehousing	0.5	0.4	0.5	0.4	0.5
Communications	0.8	0.4	0.5	0.3	0.4
Community & Business	1.0	0.7	0.8	0.5	0.7
Recreation Services	0.5	0.5	0.5	0.4	0.5
Hotels & Catering Ests	0.5	0.4	0.5	0.4	0.5
All Firms	0.7	0.5	0.5	0.4	0.5
Direct Production	0.6	0.5	0.5	0.4	0.6
Market Services	0.7	0.5	0.5	0.4	0.5

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

weekly wage in the market services sector increased more than that in the direct production sector, in percentage terms, the growth rate was slightly higher in the latter. Furthermore, the sub-sector which recorded the highest percentage increase was the Miscellaneous sub-sector which registered an increase of 1.1 per cent, followed by the Beverages sub-sector with an increase of 0.9 per cent, and the Wholesale & Retail and Community & Business sub-sectors which each recorded an increase of 0.7 per cent. More specifically, both the skilled tradesman and the labourer grades (1.3 per cent) under the Miscellaneous sub-sector registered the highest percentage increase, followed by the managerial grade (1.2 per cent) under the Wholesale & Retail and Beverages sub-sectors

Sector \ Wage Range	Up to €171.16	€171.17 - €221.16	€221.17 - €271.16	€271.17 - €321.16	Over €321.17
Oil Drilling	0.0	0.0	100.0	0.0	0.0
Food	0.0	15.5	79.4	5.1	0.0
Beverages	0.0	2.7	43.1	43.3	11.0
Textiles, Footwear & Clothing	9.2	75.0	15.8	0.0	0.0
Furniture & Fixtures	0.0	0.0	82.1	17.9	0.0
Paper & Printing	0.0	3.2	24.7	13.7	58.3
Chemicals	0.0	4.5	62.0	19.1	14.4
Non-Metallic Products	0.0	43.8	56.3	0.0	0.0
Metal Products	0.0	10.2	84.4	5.5	0.0
Machinery	5.6	69.4	23.4	1.6	0.0
Electrical Machinery	4.9	63.3	17.7	12.7	1.5
Transport Equipment	0.0	0.0	61.0	7.0	32.0
Miscellaneous	0.6	5.8	63.1	30.4	0.0
Electricity & Gas	0.0	0.0	84.5	0.0	15.5
Construction	0.0	69.2	30.8	0.0	0.0
Wholesale & Retail Trade	0.0	35.1	50.9	9.8	4.2
Banking & OFI	0.0	0.0	4.9	46.9	48.2
Insurance & Real Estate	0.0	0.0	100.0	0.0	0.0
Transport	0.1	5.9	67.3	6.9	19.8
Storage and Warehousing	0.0	0.0	77.4	22.6	0.0
Communications	0.0	1.5	45.3	31.3	22.0
Community & Business	0.1	23.8	14.0	39.2	22.8
Recreation Services	0.0	27.1	59.3	13.6	0.0
Hotels & Catering Ests	0.1	7.7	69.5	18.2	4.5
All Firms	1.0	20.3	33.5	25.0	20.1
Direct Production	2.3	30.3	42.9	13.1	11.3
Market Services	0.1	13.3	26.9	33.4	26.3

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

and the labourer grade (1.0 per cent) under the Community & Business and Beverages sub-sectors.

Table 6.8 provides information about the distribution of average weekly wages along different brackets as at September 2011. The largest share of employees (33.5 per cent) for all firms earned on average a weekly wage in the range of €221.17 - €271.16. The same goes for the direct production sector where the highest portion of average wages fell under the same range of earnings. The second largest proportion of all firms (25.0 per cent) fell within the €271.17

- €21.16 bracket where this also consisted of the largest fraction of earnings under the market services sector. The percentage of employees earning up to €71.16 per week stood at 1.0 per cent, with Textiles, Footwear & Clothing being the sub-sector with the highest relative share under this range (9.2 per cent). On the other hand, the Paper & Printing and Banking & OFI sub-sectors registered the highest percentage of earnings above €21.17.

As already stated in the first paragraph of this section, it should be noted that the take home pay of the employees might be significantly higher due to production bonuses and allowances. Accordingly, Table 6.8 is only an indicator of the differences in average weekly wage rates between the different sub-sectors and between firms arising from the different levels of skills and expertise.

7. Foreign Trade and Payments

7. Foreign Trade and Payments

During the first six months of 2011, the current account deficit decreased by €4.2 million to register a deficit of €6.9 million or 0.2 per cent of GDP. The improvement in the current account balance was primarily linked to a decline in the goods account deficit of €75.0 million, equivalent to 6.2 percentage points of GDP.

In the first nine months of 2011, exports of fuels increased significantly by €203.0 million to account for most of the €19.8 million increase in total exports. Imports increased by €12.6 million to more than offset the growth in exports, such that the trade deficit widened from €1,087.9 million in January-September 2010 to €1,280.7 million in January-September 2011. Imports of fuel mainly contributed to the increase in imports, while industrial supplies imports and capital goods imports also increased.

The services account surplus registered a slight improvement in the January-June 2011 period, as tourism earnings sustained the recovery which had started in 2010. Meanwhile, other services net receipts also increased, while transportation services declined. The deficit in the income account increased mainly due to higher earnings made by foreign-owned firms registered in Malta, which together with higher other investment income net outflows more than offset increased receipts on bond and note holdings. On the other hand, current transfers turned from a net outflow in the first half of 2010 to a net inflow during the same period of 2011.

Although net inflows in the capital and financial account more than offset the current account deficit, negative net errors and omissions of almost 3 per cent of GDP were recorded during the first half of 2011. As a result of these developments reserve assets declined by 1.1 per cent of GDP.

This Chapter is based on the latest available National Statistics Office (NSO) data, which for foreign trade pertains to January-September 2011 and for the balance of payments refers to January-June 2011. 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 with data for goods in trade statistics, which is used in the foreign trade section.

Figures for trade were revised significantly in the NSO News Release 215/2011

portraying data until September 2011, which was utilised for the Foreign Trade section. This was necessitated following a study on imports and exports of fuel, whereby the NSO has been monitoring closely trade in this commodity with EU and non-EU countries.

The NSO noted that the main traders declaring fuel exports this year did not always report their exports electronically for the previous years, making data incomparable over time. Imports of this commodity were not all recorded electronically by traders this year, and were also not fully captured for the previous years. As a result, imports and exports of fuels are substantially higher than previously reported. The revisions also address, in part, asymmetries and imbalances with other EU Member States.

Balance of Payments data refers to the NSO News Release 179/2011 which was published before the revision in trade data indicated above. Thus, this data does not reflect the revisions that have been made to the trade data, showing that the correction in the current account deficit should be interpreted with caution.

Foreign Trade

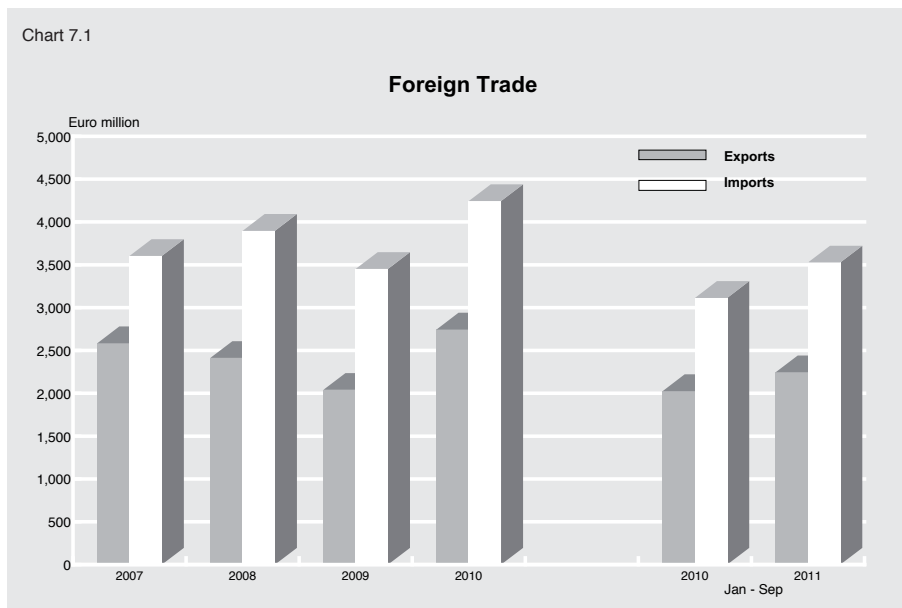
When one excludes fuel exports, the recovery in domestic exports appears to have lost momentum during January-September 2011. This increase in fuel exports amounting to €203.0 million explained most of the €19.8 million increase in total exports. Commodity exports associated with important manufacturing sectors did not post particularly positive developments, as machinery and transport equipment exports increased marginally by 0.9 per cent to €88.3 million, while chemicals exports decreased by 7.4 per cent to €185.4 million.

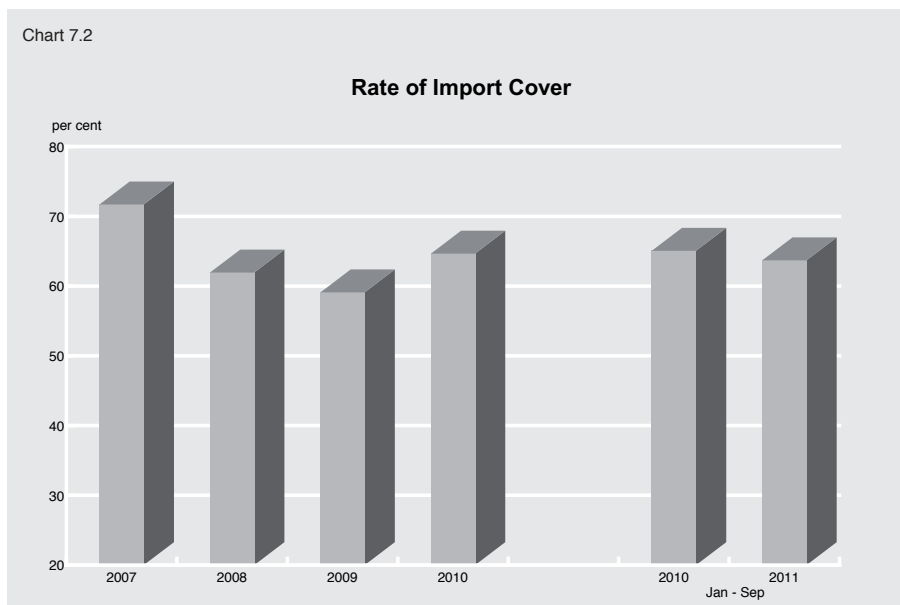
Imports increased by a more significant 13.3 per cent or €412.6 million during the first nine months of 2011. This performance was largely underpinned by the increase in fuel imports, while imports of capital goods and industrial supplies also increased.

Since the increase in imports outweighed the increase in exports, the trade gap widened by €192.8 million to a trade deficit of €1,280.7 million during the first three quarters of 2011. If exceptional items are excluded, the trade gap would have widened by €5.4 million. These items comprise aircraft, sea-going vessels and electric boards, with a value exceeding €5 million each. Further details are provided in Table 7.1 and Chart 7.1. As illustrated in Chart 7.2, the rate of

Foreign Trade						
Table 7.1	€ million					
	2007	2008	2009	2010	2010 Jan-Sep	2011 Jan-Sep
Imports (c.i.f.)	3,603.8	3,896.8	3,452.6	4,244.3	3,113.9	3,526.5
Total Exports (f.o.b.)	2,584.4	2,413.6	2,040.7	2,744.3	2,026.0	2,245.8
Trade Gap	-1,019.5	-1,483.3	-1,411.9	-1,500.0	-1,087.9	-1,280.7
of which:						
Exceptional Item (Exports)	-	-	-	-	-	14.4
Exceptional Item (Imports)	146.9	117.3	306.3	383.5	283.1	394.9

Source: National Statistics Office





import cover decreased from 65.1 per cent in January-September 2010 to 63.7 per cent in January-September 2011.

Exports

During the first three quarters of 2011, exports registered an increase of 10.8 per cent to €2,245.8 million, from €2,026.0 million recorded in the corresponding period of the previous year. This was largely contributed by exports of fuels, which increased by €203.0 million to provide 10.0 percentage points to the growth in total exports. Bunkering activities and goods in transit were partly responsible for these developments.

Miscellaneous manufactured articles exports increased by €24.1 million to contribute 1.2 percentage points to the increase in total exports. Exports of machinery and transport equipment registered only a marginal increase of €7.6 million to reach €88.3 million, thereby providing 0.4 percentage points to the increase in total exports. Meanwhile, exports of other manufactures also increased by €9.3 million to provide another 0.5 percentage points to total export growth.

On the other hand, exports of chemicals declined by €14.9 million to €85.4 million during January-September 2011, shaving off slightly more than 0.7 percentage points from the increase in total exports. This drag on total export

Commodity Breakdown of Exports

Table 7.2

€ million

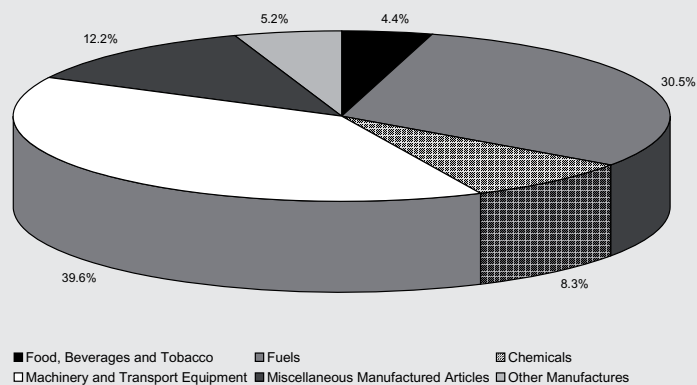
	2007	2008	2009	2010	2010	2011
					Jan-Sep	Jan-Sep
Food, Beverages and Tobacco	158.4	161.3	69.6	135.7	107.2	97.8
Fuels	348.5	369.8	401.6	657.2	481.0	684.0
Chemicals	201.2	224.3	205.1	273.6	200.3	185.4
Machinery and Transport Equipment	1,373.4	1,173.5	939.0	1,177.2	880.7	888.3
Miscellaneous Manufactured Articles*	276.3	263.1	307.2	331.3	248.9	273.0
Other Manufactures	226.5	221.5	184.8	271.2	107.9	117.2
Total Exports	2,584.3	2,413.6	2,040.7	2,744.3	2,026.0	2,245.8

* This category includes; furniture and fixtures, travel goods and accessories, clothing and accessories, footwear, scientific instruments and optical equipment.

Source: National Statistics Office

Chart 7.3

Breakdown of Exports January-September 2011



growth was complemented by a 0.5 percentage point contribution from food, beverages and tobacco exports, which declined by €9.4 million during the period under review. Table 7.2 provides a commodity breakdown of exports.

As shown in Chart 7.3, the major export category remained machinery and transport equipment, with a share of 39.6 per cent in total exports during the first nine months of 2011. Exports of fuels have increased to account for 30.5 per cent of total exports, being the second largest export category, largely reflecting the significant increase in bunkering activities. Goods in transit also affected these developments. Miscellaneous manufactures articles exports amounted to a share of 12.2 per cent, while exports of chemicals made up 8.3 per cent of total exports. Moreover, food, beverages and tobacco exports and other manufactures exports consisted of 4.4 per cent and 5.2 per cent of total exports, respectively.

Geographical Distribution – Exports

Table 7.3 provides a detailed distribution of exports by geographical area. It is worth noting that in the first nine months of 2011 exports to the EU represented almost 40 per cent of Maltese exports and exports to Asia represented almost 30 per cent of Maltese exports.

At €47.6 million, Europe represents Malta's major export destination. Exports to the EU declined by €7.7 million whilst exports to other European countries outside the EU increased by €7.5 million during the January-September period of 2011. Within the EU, Germany represents the major market for Maltese exports. During the Survey period, exports to Germany increased by €7.0 million to €42.2 million. This occurred as export activity towards the Euro Area declined by 9.0 per cent.

During the first three quarters of 2011, almost two thirds of the increase in total exports was directed towards Asia. Indeed, exports to Asia rose by €37.6 million to reach €10.7 million. This was primarily underlined by a significant increase in exports to Hong Kong which reached €08.7 million. Hong Kong has in fact surpassed Singapore as the major destination of Maltese exports to Asia, with exports to the latter that actually declined by €3.5 million to reach €58.9 million.

Exports to the American continent declined by 7.8 per cent during the period under review to reach €60.6 million. This was underlined by a 20.0 per cent reduction in exports to the USA. The American continent accounted for just

Total Exports by Main Geographical Areas						
Table 7.3	€ million					
	2007	2008	2009	2010	2010 Jan-Sep	2011 Jan-Sep
Europe	1,135.3	993.6	855.3	1,162.6	887.8	947.6
EU	1,108.8	953.9	819.2	1,112.5	853.3	815.6
Italy	90.8	114.6	105.2	157.5	108.0	120.5
Germany	306.8	270.4	222.0	281.6	215.2	242.2
France	271.3	237.3	187.4	221.9	172.3	136.4
UK	222.1	165.3	99.1	128.1	100.0	115.9
Netherlands	12.5	21.3	20.3	22.0	16.1	19.2
Spain	14.3	17.0	17.9	20.8	15.5	22.5
Others	191.1	128.0	167.3	280.5	226.2	158.8
Euro Area	800.5	722.1	656.4	873.5	667.2	607.4
Other European Countries	26.5	39.8	36.1	50.1	34.5	132.0
Africa	121.3	132.4	137.2	154.3	119.7	91.3
Libya	59.8	60.6	83.9	85.3	66.0	16.0
Others	61.5	71.8	53.3	69.0	53.7	75.3
America	279.7	209.5	185.3	228.8	174.2	160.6
USA	246.7	183.0	152.3	196.1	152.4	121.9
Others	33.1	26.6	33.0	32.7	21.8	38.7
Oceania	6.8	4.8	4.5	11.1	8.5	3.0
Asia	719.9	713.9	528.1	686.5	473.0	610.7
Japan	164.0	157.9	58.2	104.2	63.2	54.8
Singapore	305.0	275.0	204.2	229.4	172.4	158.9
China	27.4	24.6	27.0	61.2	32.0	53.1
Hong Kong	132.6	134.3	105.7	162.2	110.6	208.7
India	3.0	3.0	3.2	9.9	6.1	11.8
Korea	16.2	39.1	26.5	36.3	21.4	13.4
Others	71.7	80.1	103.4	83.4	67.4	110.0
Ships & Aircraft	321.4	359.2	330.4	501.1	362.8	432.6
Total Exports	2,584.4	2,413.6	2,040.7	2,744.3	2,026.0	2,245.8
Exports to the EU as % of Total	42.9	39.5	40.1	40.5	42.1	36.3

Source: National Statistics Office

above 7 per cent of total Maltese exports. Exports to Africa also decreased by €8.4 million or 23.7 per cent to be recorded at €1.3 million, largely due to a substantial decrease of €50.0 million in exports to Libya. The latter was expected given the political and economic turmoil that ensued in Libya.

Malta also exported €432.6 million to ships and aircraft during the Survey period, an increase of almost €70 million over the comparable period of the previous year. Exports to ships and aircraft represent almost 20 per cent of Maltese exports.

Imports

During the first nine months of 2011, imports increased by €12.6 million to €3,526.5 million. Table 7.4 provides details of imports by broad economic category. Imports of fuel registered an increase of 35.6 per cent from €710.0 million in January-September 2010 to €962.8 million in the same period of the current year, contributing 8.1 percentage points to the increase in total imports. The higher fuel import bill partly reflected higher oil prices, as the average price per barrel of London Brent crude oil increased from around €9 over January-September 2010 to around €80 over January-September 2011. Bunkering activities and goods in transit also provide an explanation for the higher imports of fuel.

Imports of capital goods increased by 9.5 per cent to €98.1 million during January-September 2011, providing a 1.9 percentage point contribution to the increase in total imports. However, if exceptional import items are excluded, capital good imports would have decreased by €1.4 million. These items comprise aircraft and sea-going vessels and electric boards with a value exceeding € million each.

	2007	2008	2009	2010	2010 Jan-Sep	2011 Jan-Sep
Consumer Goods						
Food and Beverages	319.9	362.1	367.3	377.2	273.2	291.3
Durable Goods	385.4	380.9	320.2	336.9	250.0	227.9
Others	208.4	229.6	202.4	218.1	159.3	173.9
Total	913.7	972.6	889.9	932.3	682.5	693.2
Industrial Supplies						
Primary	104.7	95.0	54.6	59.3	43.2	36.1
Semi-finished	1,388.0	1,352.7	1,016.7	1,236.4	886.6	1,009.8
Finished	91.3	96.3	120.4	164.3	124.0	99.0
Total	1,584.1	1,544.1	1,191.7	1,459.9	1,053.8	1,144.9
Capital and Others						
Capital Goods	630.7	609.3	690.9	836.5	637.7	698.1
Fuel	443.7	744.4	657.1	975.3	710.0	962.8
Non-specified and Gold	31.7	26.5	22.9	40.4	30.0	27.5
Total	1,106.0	1,380.1	1,370.9	1,852.1	1,377.7	1,688.4
Total Imports	3,603.8	3,896.8	3,452.6	4,244.3	3,113.9	3,526.5

Source: National Statistics Office

Chart 7.4

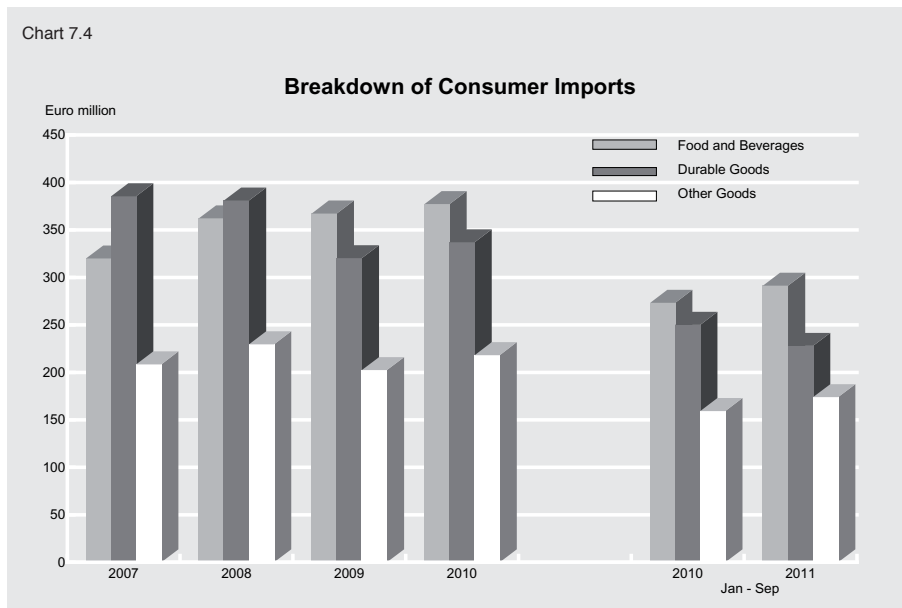
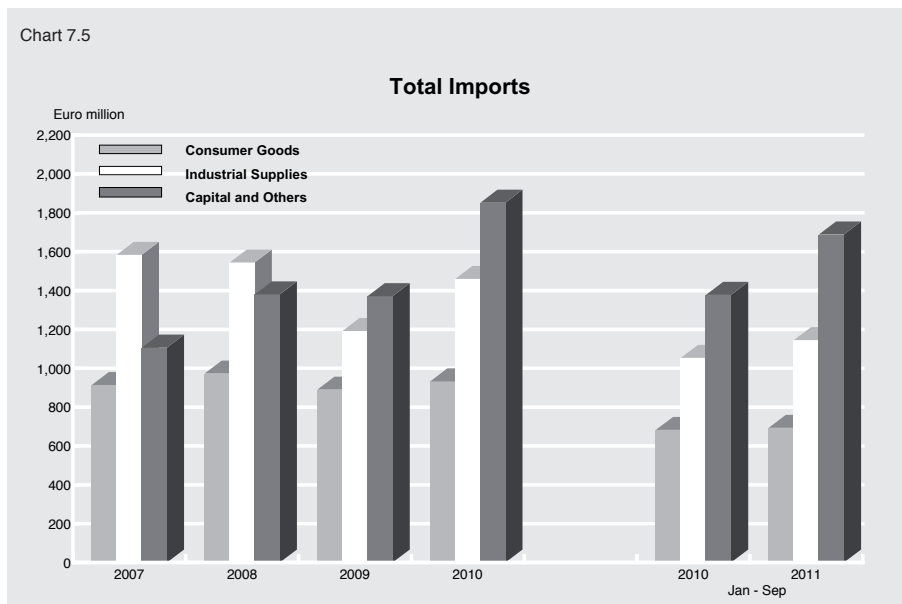


Chart 7.5



Industrial supplies imports recorded an increase of 8.6 per cent to €1,144.9 million during the first three quarters of 2011, contributing 2.9 percentage points to the growth in total imports. These developments are consistent with a more moderate pace of growth recorded in manufacturing output during the period under review compared with the robust recovery that was observed in the same period of 2010.

Imports of consumer goods increased slightly from €82.5 million during the first nine months of 2010 to €93.2 million during the corresponding period of 2011. This reflected increases in food and beverage imports and other consumer goods imports that were partly offset by a decrease in durable goods imports. A 0.3 percentage point contribution to total import growth was provided by this category of 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 geographical distribution of imports is shown in Table 7.5. The first nine months of 2011 were marked by a significant increase of €145.4 million in imports from Italy and an increase of €128.0 million in imports from the USA. It is to be noted that imports from the EU represent around 62.0 per cent of total imports to the Maltese economy. The rest is primarily divided between imports from European countries outside the EU (12.9 per cent), Asia (13.7 per cent) and imports from the American continent (8.3 per cent).

Imports from the Euro Area increased by 14.1 per cent during the January-September 2011 period, primarily reflecting the significant increase in imports from Italy. An increase in imports of €49.1 million from Spain and €37.6 million from France were also noteworthy. Imports from the EU increased by €63.0 million whilst a further increase in imports from European countries outside the EU totalling €6.9 million was also recorded.

Imports from Asia registered an increase of 14.2 per cent during the first nine months of 2011. China has become an increasingly important source of imports, accounting for €15.8 million of total imports, increasing from €7.5 million recorded in the same period of the previous year. India has also become an important source of imports for the Maltese economy, reaching €4.7 million. Higher imports from China and India were only partially offset by lower imports from Singapore, Japan and Korea.

	2007	2008	2009	2010	2010 Jan-Sep	2011 Jan-Sep
Europe	2,726.8	3,023.9	2,680.1	3,162.6	2,282.7	2,642.6
EU	2,591.5	2,755.4	2,403.2	2,674.7	1,925.4	2,188.4
Italy	902.7	1,027.4	842.8	1,049.9	766.5	911.9
Germany	290.5	267.5	272.1	294.7	222.0	235.5
France	420.1	381.4	338.9	338.2	250.8	288.4
UK	499.5	457.3	377.7	356.8	287.0	275.2
Netherlands	107.9	147.4	177.3	156.8	95.1	98.0
Spain	98.4	143.0	119.7	108.8	71.8	120.9
Others	272.4	331.3	274.6	369.5	232.2	258.4
Euro Area	1,988.6	2,160.8	1,915.9	2,156.1	1,558.0	1,778.4
Other European Countries	135.3	268.5	276.9	487.9	357.3	454.2
Africa	29.3	128.5	72.4	151.5	92.7	28.7
Libya	9.7	101.0	42.9	52.4	28.0	10.4
Others	19.6	27.5	29.5	99.1	64.7	18.3
America	241.4	132.9	229.5	276.9	238.1	294.3
USA	206.5	86.8	124.7	92.8	64.3	192.3
Others	34.9	46.1	104.8	184.2	173.8	102.0
Oceania	8.9	13.0	10.7	80.1	77.0	18.1
Asia	597.2	597.8	457.7	571.2	422.1	482.2
Japan	66.0	57.8	40.1	53.8	43.9	29.2
Singapore	173.6	200.8	106.6	127.5	97.3	84.9
China	94.8	106.9	117.0	117.9	87.5	115.8
Hong Kong	12.5	11.4	12.7	12.1	9.4	11.6
India	19.9	31.4	32.5	60.2	44.4	64.7
Korea	50.1	55.6	47.1	82.2	57.4	42.5
Others	180.2	133.9	101.7	117.6	82.2	133.4
Ships & Aircraft	0.2	0.8	2.3	1.9	1.4	60.6
Total Imports	3,603.8	3,896.8	3,452.6	4,244.3	3,113.9	3,526.5
Imports from the EU as % of Total	71.9	70.7	69.6	63.0	61.8	62.1

Source: National Statistics Office

Meanwhile, imports from the American continent increased by 23.6 per cent during the first three quarters of 2011. Imports from the USA almost tripled to €92.3 million, which was only partly offset by lower imports from other countries in the American continent. Also notable was a significant drop in imports of €8.9 million from Oceania during January-September 2011. In addition, imports from Africa also declined by €64.0 million, which included a drop in imports of €17.6 million from Libya.

During the Survey period, an increase of €9.2 million in imports to ships and aircraft was also registered, to reach €60.6 million.

Geographical Distribution – Trade Balance

The widening of the trade gap by €92.8 million recorded in the first nine months of 2011 primarily reflected a significant deterioration of €133.1 million in the trade deficit with Italy and the reversal of the trade surplus with the USA, which reversal amounted to €158.5 million. The negative trade balance with France also deteriorated by €73.5 million whilst the trade deficit with Spain deteriorated by €42.1 million. On the other hand, the trade deficit with the UK improved by €27.6 million and a reversal of the trade deficit with Germany was also recorded. Also notable was a significant deterioration in the trade deficit with European countries outside the EU. These details are illustrated in Table 7.6.

Whilst Malta registered a trade deficit with Europe and America, it registered a trade surplus with Asia during January-September 2011. A significant trade surplus with Hong Kong of €97.1 million was registered, an increase of €5.9 million from the comparable period of the previous year. This was only partly offset by the €7.2 million deterioration in the trade deficit with China.

	2007	2008	2009	2010	2010 Jan-Sep	2011 Jan-Sep
EU	-1,482.7	-1,801.5	-1,584.0	-1,562.2	-1,072.1	-1,372.8
Italy	-811.9	-912.8	-737.6	-892.4	-658.4	-791.5
Germany	16.3	2.9	-50.1	-13.1	-6.8	6.7
France	-148.8	-144.1	-151.5	-116.3	-78.5	-152.0
UK	-277.4	-292.0	-278.6	-228.7	-186.9	-159.3
Netherlands	-95.4	-126.1	-157.0	-134.8	-79.0	-78.8
Spain	-84.1	-126.0	-101.8	-88.0	-56.3	-98.4
Other EU	-81.3	-203.3	-107.3	-89.0	-6.0	-99.6
Other Countries						
Libya	50.1	-40.4	41.0	32.9	38.0	5.6
USA	40.2	96.2	27.6	103.3	88.1	-70.4
Japan	98.0	100.1	18.1	50.4	19.3	25.6
Singapore	131.4	74.2	97.6	101.9	75.1	74.0
China	-67.4	-82.3	-90.0	-56.7	-55.5	-62.7
Hong Kong	120.2	122.9	92.9	150.1	101.2	197.1

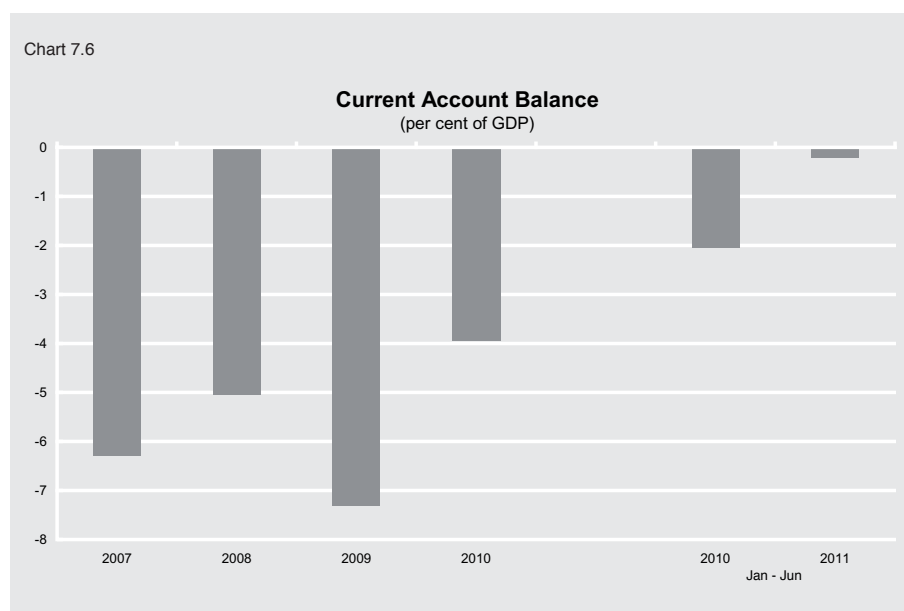
Source: National Statistics Office

Balance of Payments

The Current Account

A current account deficit in the balance of payments is a regular feature of the recent history of the Maltese economy. There are two major categories which exert opposite influences on the current account balance. The goods account is usually in deficit and has generally increased since 2003. On the other hand, the services account is usually in surplus. This surplus followed an upward trend since 2000, following a peak that had been reached in 1999. The income account turned to a deficit in 2003 and on average followed an increasing trend thereafter, with this deficit offsetting around half of the services surplus in 2009 and 2010. Such developments partly reflect the increasing presence of foreign-owned firms in Malta. Net current transfers are more volatile and tend to represent a minor influence in the current account.

Nonetheless, the current account generally displays fluctuations. The current account deficit decreased to 5.1 per cent of GDP in 2008, displaying a declining trend from 2006. However, a current account deficit of 7.3 per cent of GDP was recorded in 2009. In the following year, the current account deficit decreased substantially to 4.0 per cent of GDP as the goods account deficit decreased and the services account surplus increased on the back of the global recovery in international trade in goods and services. Chart 7.6 illustrates these developments starting from 2007.



The improvement in the current account deficit continued in the first half of 2011, as the deficit decreased further to 0.2 per cent of GDP from 2.1 per cent of GDP recorded in the corresponding period of 2010. The goods account was mainly responsible for this improvement, as the deficit of 11.8 per cent of GDP registered in the first six months of 2010 decreased to a deficit of 5.6 per cent of GDP in the same period of 2011. This was partially offset by a slight decrease in services net receipts of 0.4 percentage points and an increase in the income account deficit from 6.9 per cent of GDP to 11.7 per cent of GDP. Another positive contribution was provided by net current transfers, which turned from a net outflow of 0.1 per cent of GDP in January-June 2010 to a net inflow of 0.8 per cent of GDP in the same period of the following year.

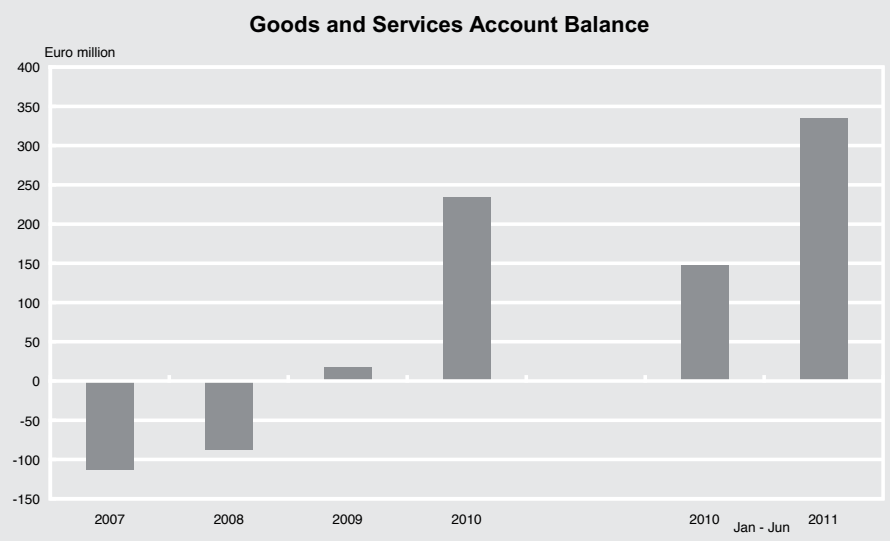
It has to be noted that a number of banks registered in Malta operate with non-residents, and are hereby referred to as international banks. These operations affect fund flows in the financial account, particularly in the other investment section, with corresponding effects in the income account. However, the impact of such transactions on the Maltese real economy is marginal compared to the scale of the transactions involved. Their impact on the goods and services balance within the current account would also be marginal. The balance sheet transactions in the financial account of the balance of payments would generally be neutralised in the accounts within the financial account.

The Goods and Services Account

An improvement in the goods and services surplus was registered in the first two quarters of 2011 to reach €35.0 million, from €47.2 million in the first six months of 2010. Chart 7.7 illustrates the goods and services balance. Exports of goods and services continued to recover, increasing by €87.3 million to €927.3 million during the first two quarters of 2011. Imports of goods and services also increased by €99.5 million to €592.3 million during the period under review.

A narrowing in the goods account deficit largely underpinned this development, as the deficit decreased by €175.0 million to €76.9 million during the first half of 2011. It is worth noting that the improvement in the goods balance was mainly due to an increase in exports of €400.5 million which exceeded an increase in imports of €25.5 million during the period under review. This was mainly attributable to oil bunkering activities and was not broad-based, contrasting with developments that occurred in the same period of the previous year. Developments in international trade are provided in the corresponding section in this Chapter. Table 7.7 illustrates the developments in the goods, services and income account.

Chart 7.7



Balance of Payments
Goods, Services and Income Account (Net)

Table 7.7

€ million

	2007	2008	2009	2010	2010 Jan-Jun	2011 Jan-Jun
GOODS						
General Merchandise Transactions	-1,026.5	-1,283.8	-1,081.4	-1,146.8	-445.8	-568.6
Nonmonetary Gold	-24.9	-22.8	-20.8	-30.8	-13.6	-17.7
Others	69.9	81.5	78.4	214.9	107.5	409.3
Total Goods	-981.5	-1,225.1	-1,023.8	-962.6	-351.9	-176.9
SERVICES						
Transportation	86.0	142.5	118.1	22.0	22.5	-30.3
Travel	529.5	519.7	432.8	580.4	201.7	248.6
Other Services	253.2	475.1	489.5	594.2	275.0	293.5
Total Services	868.8	1,137.3	1,040.4	1,196.6	499.1	511.9
Total Goods and Services	-112.7	-87.7	16.6	234.0	147.2	335.0
INCOME						
Compensation of employees	3.3	3.8	5.1	7.8	3.7	3.1
Investment Income	-205.0	-204.6	-491.1	-513.6	-209.0	-370.9
Total Income	-201.7	-200.8	-486.0	-505.8	-205.3	-367.8
Total Goods, Services and Income	-314.4	-288.5	-469.3	-271.8	-58.1	-32.8

Source: National Statistics Office

The positive balance in the services account registered a slight increase of €12.8 million in the first six months of 2011, to reach €11.9 million. This increase did not keep up with GDP growth. Moreover, this resulted from a decrease in payments made abroad for service imports of €6.0 million which outpaced a decrease in receipts from abroad for service exports of €3.2 million. The recovery in service exports which was observed starting from the fourth quarter of 2009 faltered in January-June 2011. Meanwhile, imports of services declined significantly in the first quarter of 2011, which more than offset the increase registered in the subsequent quarter.

Net travel receipts increased by €46.9 million to €48.6 million during the first half of 2011. This was underpinned by an increase of €58.7 million in tourism earnings which outpaced increased expenditure by Maltese tourists abroad of €11.8 million. Thus, the recovery in tourism earnings which had started in the first quarter of 2010 continued in the first two quarters of 2011. Detailed developments in tourism are outlined in Chapter 5 of the Economic Survey.

Net transportation receipts of €2.5 million recorded during the first two quarters of 2010 turned to net payments of €30.3 million during the corresponding period of 2011, reflecting both a decrease in receipts from abroad as well as an increase in payments made abroad. This more than offset the increase in net travel receipts.

An increase of €18.5 million was recorded in net receipts for other services to register €93.5 million during the first six months of 2011. This reflected a decrease in payments made abroad which more than offset a decrease in receipts from abroad. Other business services provided an important contribution, registering a reduction in net outflows of €3.4 million, which reflected lower payments that more than offset lower receipts. The miscellaneous business, professional and technical services subcategory in the other business services category, registered a decrease in net payments of €10.7 million. It is to be noted that within this subcategory, architectural, engineering and other technical services recorded a significant decrease in net payments of €20.1 million. Meanwhile, merchanting and other trade-related services recorded a €2.2 million increase in net receipts while operational and leasing services net receipts increased by €0.5 million.

Financial services posted a €12.5 million increase in net receipts during the first two quarters of 2011 as lower payments outpaced lower receipts. Computer and information services recorded a decrease in net payments of €4.0 million mainly due to lower payments. Insurance services registered a €3.9 million decrease

in net payments as receipts increased and payments decreased.

Decreases in inflows in the remaining services account categories were observed. Net payments for communications services increased by €7.6 million during the January-June 2011 period, mainly on account of higher payments. Personal, cultural and recreational services recorded a decrease in net receipts of €5.7 million largely as a result of lower receipts. This was mainly related to developments in audiovisual and related services as net receipts from remote gaming activities appear to have reached a plateau since 2008, growing only slightly thereafter. Government services registered a decrease in net receipts of €2.0 million as receipts from abroad declined and payments made abroad increased.

The Income Account and Current Transfers

Table 7.8 shows data on the separate subsections of the current account. Earnings of foreign-owned companies operating in/from Malta are included in the income account and represent an outflow of funds from the current account of the balance of payments. This means that an increase in the earnings of foreign-owned companies will be reflected in a higher current account deficit. However, the portion of these earnings that are re-invested in the Maltese economy are recorded as an inflow of funds in the financial account as foreign direct investment, thereby helping to finance the current account deficit.

Income received from abroad decreased by €25.1 million in the first six months of 2011, amounting to a decrease of 3.2 per cent when compared to the same period of the previous year. Income paid abroad increased by €137.4 million or 13.8 per cent. This resulted in a larger income account deficit of €67.8 million as compared to a deficit of €205.3 million recorded in the same period of 2010.

Net direct investment income outflows increased by €17.3 million, mainly reflecting higher profits by foreign-owned companies registered in Malta during the first six months of 2011. These profits increased from €16.1 million to €27.8 million representing the highest level of profits over the period 1995-2011. It is to be noted that this represents aggregate economy-wide profit made by foreign-owned firms and is partly explained by the increasing presence of foreign-owned firms in Malta.

Dividends and distributed branch profits decreased from €674.2 million to €489.6 million despite the increase in profits. It is to be recalled that an exceptional dividend payout was made in the first six months of 2010, which

Balance of Payments						
Current Account						
Table 7.8	€ million					
	2007	2008	2009	2010	2010 Jan-Jun	2011 Jan-Jun
GOODS AND SERVICES						
Exports of Goods and Services	4,891.4	5,126.0	4,592.9	5,435.4	2,540.0	2,927.3
Imports of Goods and Services	-5,004.1	-5,213.8	-4,576.3	-5,201.4	-2,392.8	-2,592.3
Goods and Services Account	-112.7	-87.7	16.6	234.0	147.2	335.0
INCOME						
Income Received	1,973.5	2,211.6	1,652.9	1,646.8	793.6	768.5
Income Paid	-2,175.2	-2,412.4	-2,138.9	-2,152.6	-998.9	-1,136.3
Income Account	-201.7	-200.8	-486.0	-505.8	-205.3	-367.8
CURRENT TRANSFERS (Net)						
General Government Transfers	-3.7	12.5	46.1	28.0	0.6	28.8
Private Transfers	-25.1	-19.0	-3.5	0.2	-3.7	-2.8
Total Net Current Transfers	-28.8	-6.5	42.6	28.3	-3.1	25.9
Balance on Current Account	-343.2	-295.1	-426.7	-243.5	-61.1	-6.9

Source: National Statistics Office

was financed by past earnings reserves as well as a significant injection of new capital in the financial intermediation sector. The activity of international banks was mainly responsible for such developments. The remaining earnings in the first six months of 2011 were re-invested in the Maltese economy, representing a retained earnings ratio of 8.1 per cent, which is quite low by historical standards.

Net portfolio investment income inflows increased by €39.6 million to €351.0 million during the first two quarters of 2011, mainly due to higher receipts on bond and note holdings of banks and monetary authorities. Banks are usually net acquirers of bonds. However, this behaviour changed in recent years, whereby banks were net sellers of bonds during 2007 and 2008, but returned to being net acquirers from the second quarter of 2009. The latter may partly explain the higher receipts. However, this changed again in the second quarter of 2011, whereby banks were again net sellers of bonds. Such behaviour may be related to the ongoing sovereign debt crisis and re-evaluation of sovereign risk. Other important factors affecting receipts on bond holdings are the risk and maturity composition of the holdings which determine the coupon rate payable on such holdings. The private non-bank sector also recorded higher net receipts on their bond and note holdings.

Meanwhile, other investment income net outflows increased by €84.1 million to €81.8 million during the first six months of 2011, principally through lower receipts of banks from abroad, as well as higher payments made abroad. Again, international bank operations mainly affected such income flows. Compensation of employee net inflows decreased by €0.6 million to €3.1 million.

Current transfers turned from a net outflow of €3.1 million in the first half of 2010 to a net inflow of €25.9 million during the same period of 2011. Inflows decreased by €56.6 million, but were more than offset by a decrease in outflows of €85.6 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. While Government transfers were mainly responsible for such transfers, it is worth noting that profitability, dividend policy, tax policy and the timing of claims all have a bearing on transfer flows. Meanwhile, workers' remittances net outflows remained unchanged at €2.4 million. Other transfers net outflows decreased by €0.9 million to €0.4 million such that private transfers net outflows decreased by the same amount to €2.8 million.

The Capital and Financial Account

Transactions made between domestic and foreign residents that involve a change of ownership of an asset are accounted for in the capital and financial account of the balance of payments. A foreign acquisition of a domestic asset is considered as an inflow of funds within this account while a domestic acquisition of a foreign asset is considered as an outflow of funds.

Through accounting convention, the balance of payments which is made up of the current account and the capital and financial account, including changes in reserve assets and net errors and omissions, balances as the current account is mirrored by the latter account. An analysis of the capital and financial flows and the composition of such flows in Malta are presented below. 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 under the remaining accounts (usually equal 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 2011, the balance in the capital account amounted to a net inflow of €26.6 million, registering a decrease of €20.4 million compared to the same period of the previous year. As shown in Table 7.9, the capital account

stood at 0.9 per cent of GDP compared to 1.6 per cent of GDP recorded a year earlier. The decrease in the positive balance was mainly affected by forgiveness of foreign-owed debt by a firm registered in Malta. While forgiveness of debt owed by Maltese residents to foreign residents is a more common occurrence, changes in this section of the capital account are rarely larger than changes in Government transfers. Meanwhile, lower receipts of Government transfers from abroad of €6.2 million also contributed to this decline in the capital account surplus. This is attributable to lower funds received under the various EU Programmes.

Net Foreign Direct Investment (FDI) inflows decreased from 14.9 per cent of GDP during the first half of 2010 to 3.8 per cent of GDP during the corresponding period of 2011. The decrease of €26.2 million occurred as funds invested in the local economy decreased by €70.6 million, which were only partially offset by a reduction in funds invested abroad of €44.4 million. While such a level of net FDI is not high by historical standards, it is to be noted that there was a significant equity capital injection in the financial intermediation sector in the first six months of 2010, as stated previously. Moreover, the financial sector accounted for the majority of FDI flows in Malta from 2005 onwards, but this was not the case in the first half of 2011.

Net portfolio investment outflows of €200.8 million were registered in the first six months of 2011, representing a decrease of €1,849.6 million from the same period of the previous year. This mainly stemmed from banks reducing their holdings of bonds and notes and monetary authorities increasing their bond and note holdings at a slower pace compared to the same period of the previous year. These operations are evident in net portfolio debt outflows of 5.9 per cent of GDP in the January-June 2011 period and possibly reflect the uncertainty in sovereign debt markets particularly in the Euro Area.

Financial derivatives recorded net inflows of €5.0 million during the first six months of 2011 when compared to €6.9 million registered during the same period of the previous year. This was mainly underpinned by monetary authorities' operations, which more than offset bank operations. These net inflows amounted to 0.2 per cent of GDP.

Other investment net inflows of €14.8 million were recorded during the first six months of 2011, following a substantial net inflow of €1,356.4 million generated in the same period of 2010. This represented a net inflow of 3.7 per cent of GDP compared to a net inflow of 45.6 per cent of GDP registered a year earlier. Assets held increased by around €2,350 million during the first

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

Table 7.9

	2007	2008	2009	2010	2010 Jan-Jun	2011 Jan-Jun
Current Account	-6.3	-5.1	-7.3	-4.0	-2.1	-0.2
Capital Account	1.3	0.4	1.7	1.7	1.6	0.9
Financial Account excl. Reserves	11.2	2.3	2.6	-1.8	-7.5	1.2
Net Foreign Direct Investment	13.3	6.2	9.2	11.7	14.9	3.8
Net Portfolio Investment Equity Flows	-1.6	-1.0	-0.2	-0.4	0.0	-0.5
Net Portfolio Debt Flows	8.3	7.3	-32.7	-52.0	-68.9	-5.9
Net Financial Derivatives	2.2	-5.9	-1.2	0.5	0.9	0.2
Net Other Investment Flows	-11.0	-4.4	27.4	38.4	45.6	3.7
Reserve Assets	-6.0	1.9	-0.0	-0.4	2.8	1.1
Net Errors and Omissions	-0.2	0.5	3.0	4.4	5.2	-2.9

* 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

two quarters of 2011, as banks increased their short-term lending. This was only partially offset by lower long-term lending indicating a shortening of the maturity profile of bank assets. Meanwhile, monetary authorities increased their currency and deposit holdings. Liabilities held also increased by slightly more than €2,460 million mainly due to higher currency and deposits held by foreigners with banks registered in Malta.

Net errors and omissions stood at a negative €1.9 million or 2.9 per cent of GDP during the first two quarters of 2011. It is worth noting that in the comparable period of 2010 net errors and omissions stood at a positive €55.3 million or 5.2 per cent of GDP. A current account deficit of €6.9 million or 0.2 per cent of GDP was more than financed by a capital account surplus of €6.6 million or 0.9 per cent of GDP and a financial account surplus of €6.6 million or 1.2 per cent of GDP. However, the negative net errors and omissions meant that reserve assets declined by €5.6 million or 1.1 per cent of GDP. This followed a decrease in reserve assets recorded during the corresponding period of 2010 equal to 2.8 per cent of GDP.

8. Financial Developments

8. Financial Developments

In the first nine months of 2011 the deficit between recurrent revenue and total expenditure of central general Government improved by €11.4 million when compared to the same period in the previous year, thus reaching €88.4 million. The improvement in the structural balance was mainly the result of higher indirect tax revenue which more than offset increases in recurrent expenditure and in interest on public debt, whilst capital expenditure declined. During the period under review, the public sector borrowing requirement declined from €483.9 million to €390.9 million mainly on account of the improvement in the fiscal imbalance. Conversely, the loan facility agreement with Air Malta plc as well as the loan facility agreement with the Hellenic Republic both exerted an upward pressure on the public sector borrowing requirement. At the same time, these were partly mitigated by developments in the sinking fund contribution and direct loan repayments as well as sinking funds of converted loans.

During January-August 2011, the contribution of Maltese Monetary Financial Institutions (MFIs) to the Euro Area stock of broad money (M3) increased by 2.5 per cent reaching €9,609.0 million at the end of August 2011. This increase was mainly the result of an increase in the credit counterpart which more than offset the negative contribution registered from an increase in the other counterparts component. Following the renewed tension in a number of Euro Area financial markets, and in order to improve liquidity and the monetary policy transmission mechanism in the Euro Area, the Governing Council of the ECB continued its monetary easing operations through liquidity-providing longer-term and medium-term refinancing operations as well as fixed rate tender procedures. Additionally, the Governing Council of the ECB also decided to launch a new covered bond purchase programme in November of 2011.

During the January-April 2011 period, the Euro strengthened vis-à-vis the US Dollar, the British Pound, and the Japanese Yen. In the subsequent months up to September 2011, the Euro depreciated sharply with respect to the Japanese Yen. On a similar note, the Euro also lost in value against the US Dollar during the same period, albeit the extent of the depreciation with respect to the US Dollar was most pronounced in September. Meanwhile the value of the Euro vis-à-vis the British Pound fluctuated during May-September 2011, albeit ending lower with respect to the British currency at the end of September.

Public Finance

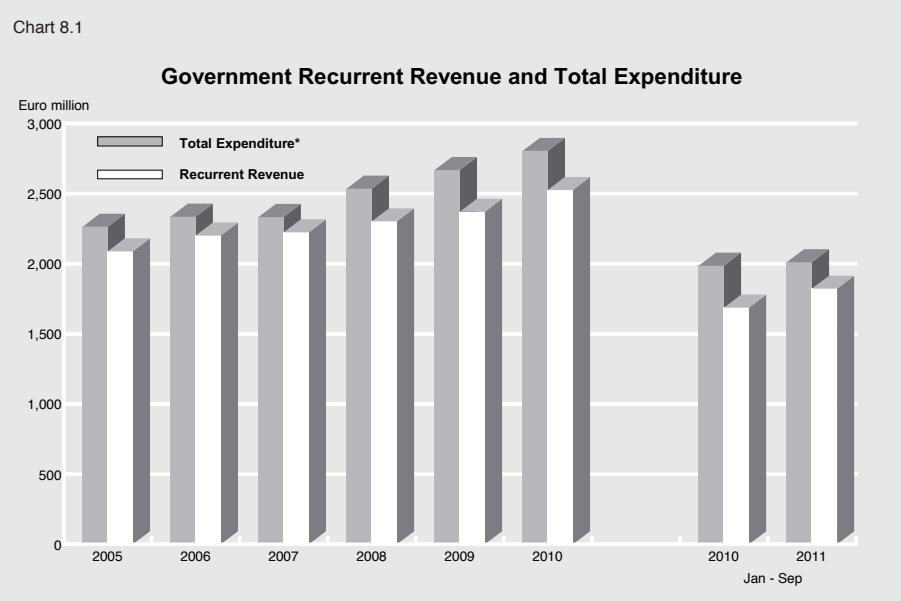
Unless otherwise stated, the analysis in this section is based on Government finance data as classified in the statement of the Consolidated Fund. In particular, such data is defined on a cash basis rather than on an accruals system. As a result, the interpretation of such data calls for a degree of caution since developments in Government's net financial position may not fully reflect actual spending and revenue collection. Table 8.1 presents Government's fiscal position during the January-September 2008-2011 period, whilst Chart 8.1 illustrates recent trends in total expenditure as well as recurrent revenue.

Revenue

Recurrent revenue increased by €135.3 million during the first three quarters of 2011, mainly as a result of increased revenue from taxes, while income from

Government Revenue and Expenditure				
(January-September)				
Table 8.1	€ million			
	2008	2009	2010	2011
Recurrent Revenue	1,585.7	1,553.6	1,686.8	1,822.1
Tax Revenue	1,437.7	1,415.0	1,499.0	1,608.7
Direct Tax Revenue	817.0	857.9	899.9	918.4
Indirect Tax Revenue	620.7	557.1	599.1	690.3
Non-Tax Revenue	148.0	138.7	187.9	213.4
Total Expenditure	1,844.1	1,887.5	1,986.6	2,010.6
Recurrent Expenditure	1,524.1	1,559.9	1,635.1	1,667.7
Interest on Public Debt	156.1	158.6	141.9	159.5
Capital Expenditure	163.9	169.0	209.6	183.4
Productive	42.8	58.4	50.0	36.7
Infrastructure	79.8	70.6	127.5	110.1
Social	41.3	39.9	32.1	36.6
Structural Balance	-258.3	-333.9	-299.8	-188.4
Financed by:				
Sinking Funds of Converted Loans	33.3	0.0	0.0	9.6
Sinking Fund Contribution and Direct Loan Repayments	-102.7	-259.6	-164.3	-135.0
Equity Acquisition	-6.5	-0.5	0.0	0.0
Loan Facility Agreement with Hellenic Republic	0.0	0.0	-19.8	-25.1
Loan Facility Agreement with Air Malta plc	0.0	0.0	0.0	-52.0
Public Sector Borrowing Requirement	-334.2	-594.1	-483.9	-390.9
Local Loans	232.7	355.8	478.9	401.6

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



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

non-tax revenue also increased. Appendix Table 8.1 shows the developments in the components of Government revenue for the period January-September 2008-2011.

During the first three quarters of 2011, revenue from taxes accounted for around 88 per cent of total recurrent revenue. Revenue from taxes increased by €109.7 million during January-September 2011 reaching €1,608.7 million. This was mainly due to an increase in indirect tax revenue which rose by €1.2 million while direct tax revenue increased by €18.5 million. The increase in indirect tax revenue was mainly driven by an increase in receipts from Value Added Tax (VAT), followed by an increase in receipts from customs and excise duties. Income from licences, taxes and fines also contributed positively to the total increase in indirect tax revenue. The increase in direct tax revenue was attributable to an increase in income from social security contributions which more than offset a small decline in income tax receipts. During the period under review, revenue from indirect and direct taxes reached €90.3 million and €18.4 million respectively.

During the period under review, revenue from income tax declined by €3.8 million to reach €18.4 million. In this context, it should be noted that in 2010, this item of revenue included €9.2 million in proceeds from a scheme which provided for the reduction of fines and penalties accruing in relation to tax due.

During the first nine months of 2011, social security contributions registered an increase of €22.4 million when compared to the same period in 2010 to €400.0 million largely reflecting developments registered in the local labour market.

Receipts from customs and excise duties increased by €30.8 million during the first nine months of 2011 when compared to the same period in 2010, thus reaching €147.6 million. This increase largely reflected higher revenue from excise duties on petroleum and follows higher excise duties on fuel, alcohol, cigarettes and cement announced in the 2011 Budget.

During the first three quarters of 2011, revenue from licenses, taxes and fines reached €170.7 million, thus increasing by €5.1 million when compared to the same period in the previous year. This increase was mainly the result of higher revenue registered from the motor vehicle registration tax, as well as higher income from duty on documents and revenue from annual circulation licence fees. These increases more than offset declines in revenue from gaming taxes.

During the January-September 2011 period, receipts from VAT registered an increase of €55.3 million when compared to the same period in the previous year, to reach €371.9 million. This pick-up in VAT receipts partly reflected more buoyant consumption in the Maltese economy, which was relatively broad-based across sectors, an increase in tourist expenditure in Malta and the revision in the VAT rate on collective and private accommodation.

When compared to the same corresponding period in 2010, non-tax revenue increased by €25.6 million, reaching €133.4 million during the first nine months of 2011. While increases were registered in most components of non-tax revenue, the most significant increases were recorded in grants and miscellaneous receipts. These increases more than offset a decline registered in revenue from rents.

Receipts from fees of office increased by €1.2 million during the first nine months of 2011 reaching €7.8 million, as higher revenue from fees for right of use more than offset declines registered in revenue from eco-contribution. Revenue from the transfer of profits generated by the Central Bank of Malta increased by €2.4 million, reaching €48.0 million during January-September 2011 when compared to the same period in 2010. Revenue from rents declined by €0.3 million to €18.2 million during the period under review, largely as a result of lower income from payments from encroachment on Government property. Meanwhile, revenue from grants increased by €20.8 million to €59.1 million, reflecting higher funds received under the EU 2007-2013 Financial

Framework. Revenue from miscellaneous receipts also increased during the period under review, reaching €33.1 million thus representing an increase of €8.7 million. This increase was mainly attributable to higher proceeds from miscellaneous receipts and sale of Government land, which more than offset a decline in revenue from sale of non-financial assets.

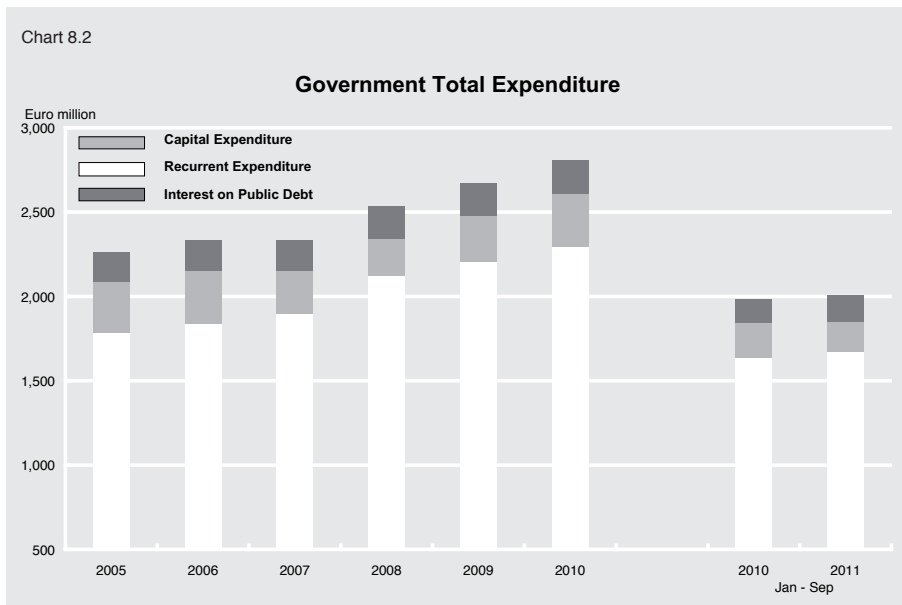
Expenditure

Total expenditure, which consists of recurrent expenditure, capital expenditure, and interest on public debt, increased by €4.0 million during the first nine months of 2011 over the same period in 2010 to €2,010.6 million. This increase was mainly the result of higher recurrent expenditure and, to a lower extent, an increase in interest on public debt, which more than outweighed the decline registered in capital expenditure.

Recurrent expenditure reached €1,667.7 million during the first three quarters of 2011, an increase of €2.6 million over the same period in the previous year. The increase in recurrent expenditure was mainly the result of higher spending related to education and health. On the other hand, capital expenditure experienced a decline of €6.2 million during the first three quarters of 2011 when compared to the same period in 2010, reaching €183.4 million. Over the same comparative period, interest on public debt registered an increase of €7.6 million thus reaching €159.5 million. During January-September 2011 the shares of recurrent and capital expenditure in total Government expenditure stood at around 83 per cent and 9 per cent respectively. The recent trends in Government expenditure are portrayed in Chart 8.2.

Recurrent Expenditure

The composition of recurrent expenditure is made up of four main categories, namely, Personal Emoluments, Operational and Maintenance Expenses, Contributions to Government Entities and Programmes and Initiatives. The latter category constituted around 62 per cent of total recurrent expenditure during January-September 2011 while the second largest category, personal emoluments, had a share of around 24 per cent during the same period. Contributions to Government Entities and Operational and Maintenance Expenses each held a share of 9.0 per cent and 5.0 per cent respectively in total recurrent expenditure. Programmes and Initiatives accounts for expenditure related to 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 and to charitable and private institutions but excludes operational costs of Government departments. During



January-September 2011, recurrent expenditure under Programmes and Initiatives increased by €5.3 million, reaching €1,028.8 million. Increases in expenditure outlays were mainly recorded in respect of the Ministry of Education, Employment and the Family and the Ministry for Health, the Elderly and Community Care. These were in part offset by lower expenditure by the Ministry of Finance, the Economy and Investment.

During this period, Government expenditure on personal emoluments increased by €8.2 million over the same period last year, reaching €405.9 million. This increase mainly reflects higher outlays on personal emoluments by the Education and the Ministry of Education, Employment and the Family.

Contributions to Government Entities reached €150.3 million during the first three quarters of 2011, thus representing an increase of €9.3 million when compared to the same period a year earlier. Increases registered in Contributions to Government Entities were mainly on account of a higher contribution to entities classified under the Ministry of Education, Employment and the Family.

During January-September 2011, Operational and Maintenance expenditure declined marginally by €0.2 million over the same period in 2010, reaching €82.6 million. This category of expenditure is mainly composed of outlays on utilities' consumption across Ministries and Government Departments as well

as contractual services primarily on the national health system and on education.

Developments in Government's recurrent expenditure on a cost centre basis for the first three quarters of 2011 are presented in Appendix Table 8.2. It is important to consider that the nomenclature of Ministries as well as the cost centres referred to in this Chapter reflect the classification presented in Parliament for appropriation for 2011, thus also reflecting the change in Ministerial Portfolios in March 2010. A direct comparison with data for previous periods is therefore not always possible.

Social payments, one of Government's main items of recurrent expenditure, primarily consist of retirement pensions, children's allowances, social assistance, as well as other benefits. These expenditure items are heavily influenced by developments in compensation of employees, inflation, as well as demographic changes. During January-September 2011, social payments declined by €8.5 million when compared to the same period in 2010, to reach €25.2 million. This decline was mainly due to lower contributory as well as non-contributory benefits, albeit outlays towards the former experienced a larger decline. The decline of €3.3 million in contributory benefits mainly reflects lower expenditure towards retirement pensions. Meanwhile, the decline in non-contributory benefits was mainly the result of lower outlays with respect to social assistance and children's allowance. Expenditure by the Department of Social Security relating to the State contribution in terms of the Social Security Act, 1987 (Cap. 318) increased by €5.9 million, reaching €26.3 million during January-September 2011. This item of expenditure reflects revenue derived from social security contributions.

During January-September 2011, recurrent expenditure by the Ministry of Education, Employment and the Family stood at €48.9 million. Higher outlays compared to the same period in the previous year were recorded with respect to Contributions to Government Entities, in particular towards the University of Malta which increased to €38.2 million during the first nine months of 2011 when compared to €31.0 million recorded in the same period in 2010. Additionally, higher outlays were also recorded within the Programmes and Initiatives category with respect to Church schools which, during the period under review, increased by €3.9 million to €36.0 million. In this context, it should be noted that higher recurrent expenditure by this Ministry also reflects changes in the nomenclature of Ministries as well as in cost centres. A case in point is higher expenditure related to energy support measures, which increased by €5.8 million to reach €6.6 million by the end of September 2011, and which was appropriated under the Ministry for Social Policy in 2009 and 2010, and

also under the Ministry of Finance, the Economy and Investment in 2010.

Recurrent expenditure falling within the remit of the Ministry for Health, the Elderly and Community Care reached €22.4 million during the first nine months of 2011, thus increasing by €6.7 million when compared to the same period a year earlier. Higher outlays were the result of increased expenditure with respect to Programmes and Initiatives under Government Health Procurement Services, which were related to medicines and surgical materials. In fact these outlays registered an increase of €7.4 million over the course of the first nine months of 2011 when compared to the same period in 2010, reaching €50.5 million.

During the first nine months of 2011, recurrent expenditure relating to the Ministry of Finance, the Economy and Investment declined by €7.2 million over the same period a year earlier, reaching €80.3 million. This decline was mainly the result of a substantial decline in expenditure relating to energy support measures under Programmes and Initiatives since, as referred to earlier, this item of expenditure is now under the nomenclature of the Ministry of Education, Employment and the Family.

During the period under review, recurrent outlays with respect to the Ministry for Infrastructure, Transport and Communication reached €30.1 million from €22.8 million recorded a year earlier. The main contribution to this increase consisted of higher outlays to the effect of €4.3 million with respect to the administration of Transport Malta reflecting the enhancement of competencies administered by this entity.

Recurrent expenditure related to Social Security increased to €26.3 million during January-September 2011, representing a rise of €5.9 million when compared to the same period in 2010. This increase in outlays was the result of higher state contributions to the social security account recorded under Programmes and Initiatives.

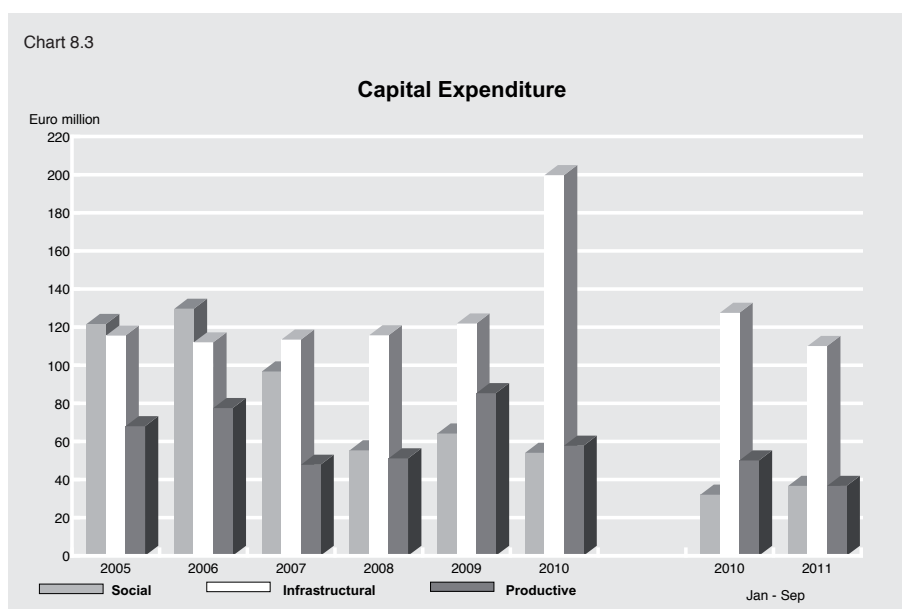
Capital Expenditure

Capital expenditure is classified into three broad categories which comprise productive investment, infrastructural investment and capital outlays on social development.

Total capital expenditure declined by €26.2 million in the first nine months of

2011 over the same period in 2010, reaching €183.4 million. The decline in capital expenditure during this period was attributable to lower expenditure towards infrastructure as well as lower expenditure relating to productive investment. These more than offset an increase registered in social capital expenditure. The share of infrastructural investment in total capital expenditure during January-September 2011 was 60.0 per cent while the other sub-categories each made up around 20 per cent of total capital expenditure. A year earlier, the share of infrastructural investment was practically unchanged at 60.8 per cent while the shares of productive investment and social investment were 23.8 per cent and 15.3 per cent respectively in 2010. Appendix Table 8.3 displays a breakdown of Government's capital expenditure programme for the January-September 2008-2011 period. Chart 8.3 presents developments in capital expenditure during recent years.

Productive investment registered a decline of €3.3 million during the first three quarters of 2011 when compared to the same period in 2010, and reached €6.7 million. This variance incorporates a reduction of €3.8 million in the contribution to the Treasury Clearance Fund. At the same time, over the same comparative period, other declines in productive investment were also recorded in expenditure towards development of industry, Gozo Ferries Co. Ltd., as well as towards the 'Other' category, which when combined contributed to a total decline in outlays of €5.2 million. Nevertheless, these were more than offset by a combined €5.7 million increase in expenditure from outlays relating to EU funding for agriculture, as well as outlays relating to the film industry and

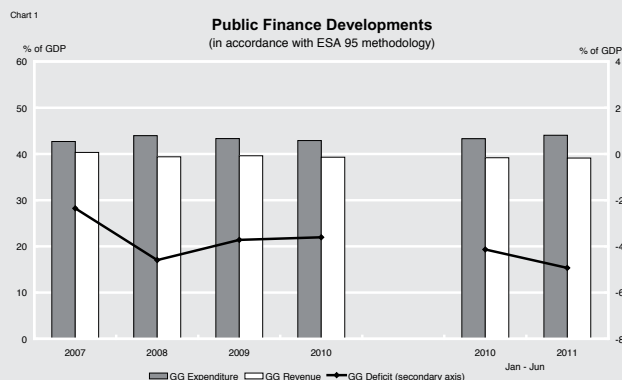


Box 8.1

General Government Budgetary Developments

Data for the Quarterly Accounts of General Government as published by the National Statistics Office (NSO) portrays Government’s fiscal position based on the European System of Accounts 1995 (ESA95) methodology. Under this system, adjustments are made to the balance of Consolidated Fund transactions to include all government accounts, exclude all financial transactions and include accrual adjustments. Moreover, data in respect of EBUs and local councils are also included. This compliance with the reference framework allows for the international comparability of data for reporting purposes and in line with the procedure defined in the Maastricht Treaty (Article 104). It is therefore pertinent to note that such data is not comparable to that classified in the statement of the Consolidated Fund which is provided in other sections of this Chapter. The following analysis is based on latest published data for January-June 2011.

Chart 1 portrays the deficit-to-GDP ratio for the first two quarters of 2011. During this period, the deficit-to-GDP ratio increased by 0.8 percentage points when compared to the same period during the previous year, reaching 4.9 per cent of GDP. This deterioration was the result of an increase in the expenditure-to-GDP ratio as the revenue-to-GDP ratio remained practically unchanged.



The expenditure-to-GDP ratio increased from 43.3 per cent during January-June 2010 to 44.1 per cent in the same corresponding period during the current year. This increase reflects higher ratios to GDP of intermediate consumption and gross capital formation, which more than offset lower ratios of capital transfers payable and compensation of employees. The decline in the latter also reflects Government’s policy to restrict employment in non-essential categories within the public sector.

During the first two quarters of 2011, the revenue-to-GDP ratio remained relatively unchanged at 39.1 per cent when compared to a share of 39.2 per cent which was registered during the same comparative period in the previous year. A lower ratio of capital transfers receivable, as well as marginal declines registered in the ratios of most components of revenue, were offset by higher ratios of taxes on production and imports and market output.

to Gozo.

Infrastructural investment declined by €17.4 million during January-September 2011, reaching €10.1 million when compared to €27.5 million registered in the same period in 2010. This decline was largely the result of €9.0 million lower outlays towards waste water treatment infrastructure following completion during the year.

Capital expenditure relating to social development reached €36.6 million during January-September 2011, thus increasing by €4.5 million when compared to the same period in 2010. This increase was mainly due to an increase of €2.3 million related to the procurement of two maritime patrol aircraft. Higher expenditure was also registered due to initiatives in the health sector, Eco-Gozo and education, particularly with respect to the Strategic Educational Pathway Scholarships Scheme (STEPS).

International Comparison

Table 8.2 presents the budgetary position of the EU Member States over a four year period to 2010, while Table 8.3 portrays the general Government debt position for the same countries. The general Government fiscal data presented in this section is in line with ESA95 methodology and is therefore not directly comparable with data which is based on the statement of the Consolidated Fund which is presented in other parts of this Chapter. Additionally, it is to be noted that data for the EU Member States, including Malta, reflects the second report of Government deficit and debt levels as reported by EU Member States for the excessive deficit procedure in accordance with Council Regulation (EC) No. 479/2009, amended by Council Regulation No. 679/2010.

In the Euro Area, the deficit-to-GDP ratio declined by 0.2 percentage points in 2010 when compared to the previous year, thus reaching 6.2 per cent. Similarly, in the EU27, the deficit-to-GDP ratio improved by 0.3 percentage points over the same comparative period, reaching 6.6 per cent in 2010. In 2010, while the majority of Member States registered an improvement in the budget balance, only two Member States, namely Estonia and Sweden, registered a budget surplus. During 2010, a total of twenty-two Member States had budget deficits in excess of 3.0 per cent of GDP, three of which had a deficit-to-GDP ratio in excess of 10 per cent.

During 2010, the deterioration in the budget balance was most pronounced in Ireland which experienced a surge in deficit of 17.1 percentage points in

General Government Net Lending (+) or Borrowing (-)

as a percentage of GDP

Table 8.2 per cent

	2007	2008	2009	2010
Austria	-0.9	-0.9	-4.1	-4.4
Belgium	-0.3	-1.3	-5.8	-4.1
Bulgaria	1.2	1.7	-4.3	-3.1
Cyprus	3.5	0.9	-6.1	-5.3
Czech Republic	-0.7	-2.2	-5.8	-4.8
Denmark	4.8	3.2	-2.7	-2.6
Estonia	2.4	-2.9	-2.0	0.2
Finland	5.3	4.3	-2.5	-2.5
France	-2.7	-3.3	-7.5	-7.1
Germany	0.2	-0.1	-3.2	-4.3
Greece	-6.5	-9.8	-15.8	-10.6
Hungary	-5.1	-3.7	-4.6	-4.2
Ireland	0.1	-7.3	-14.2	-31.3
Italy	-1.6	-2.7	-5.4	-4.6
Latvia	-0.4	-4.2	-9.7	-8.3
Lithuania	-1.0	-3.3	-9.5	-7.0
Luxembourg	3.7	3.0	-0.9	-1.1
Netherlands	0.2	0.5	-5.6	-5.1
Poland	-1.9	-3.7	-7.3	-7.8
Portugal	-3.1	-3.6	-10.1	-9.8
Romania	-2.9	-5.7	-9.0	-6.9
Slovakia	-1.8	-2.1	-8.0	-7.7
Slovenia	0.0	-1.9	-6.1	-5.8
Spain	1.9	-4.5	-11.2	-9.3
Sweden	3.6	2.2	-0.7	0.2
United Kingdom*	-2.7	-5.0	-11.5	-10.3
EU 27	-0.9	-2.4	-6.9	-6.6
Euro Area	-0.7	-2.1	-6.4	-6.2
United States	-2.7	-6.5	-12.8	-10.3
Japan	-2.4	-4.2	-10.3	-9.2
Malta	-2.4	-4.6	-3.7	-3.6

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

Source: Eurostat, IMF World Economic Outlook

response to the necessary interventions by the Irish Government to stabilise financial markets. On the other hand the highest improvement in the budget balance was registered in Greece which, in 2010, reduced its deficit from 15.8 per cent of GDP to 10.6 per cent of GDP. On a similar note, Lithuania, Estonia and Romania registered improvements in budget balances above 2 percentage points. While Lithuania and Romania reached budget deficits of 7.0 per cent and 6.9 per cent of GDP respectively, Estonia attained a budget surplus of 0.2

General Government Gross Debt
as a percentage of GDP

Table 8.3

per cent

	2007	2008	2009	2010
Austria	60.2	63.8	69.5	71.8
Belgium	84.1	89.3	95.9	96.2
Bulgaria	17.2	13.7	14.6	16.3
Cyprus	58.8	48.9	58.5	61.5
Czech Republic	27.9	28.7	34.4	37.6
Denmark	27.5	34.5	41.8	43.7
Estonia	3.7	4.5	7.2	6.7
Finland	35.2	33.9	43.3	48.3
France	64.2	68.2	79.0	82.3
Germany	65.2	66.7	74.4	83.2
Greece	107.4	113.0	129.3	144.9
Hungary	67.0	72.9	79.7	81.3
Ireland	24.9	44.3	65.2	94.9
Italy	103.1	105.8	115.5	118.4
Latvia	9.0	19.8	36.7	44.7
Lithuania	16.8	15.5	29.4	38.0
Luxembourg	6.7	13.7	14.8	19.1
Netherlands	45.3	58.5	60.8	62.9
Poland	45.0	47.1	50.9	54.9
Portugal	68.3	71.6	83.0	93.3
Romania	12.8	13.4	23.6	31.0
Slovakia	29.6	27.8	35.5	41.0
Slovenia	23.1	21.9	35.3	38.8
Spain	36.2	40.1	53.8	61.0
Sweden	40.2	38.8	42.7	39.7
United Kingdom*	44.4	54.8	69.6	79.9
EU 27	59.0	62.5	74.7	80.2
Euro Area	66.3	70.1	79.8	85.4
United States	62.3	71.6	85.2	94.4
Japan	187.7	195.0	216.3	220.0
Malta	62.1	62.2	67.8	69.0

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

Source: Eurostat, IMF World Economic Outlook

per cent of GDP.

During 2011, no new Council decisions on the existence of an excessive deficit were taken. As a result, there are currently 23 Member States that 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. Malta is one of these Member States and is expected to correct its excessive deficit and bring it down below 3 per cent in 2011.

Despite the somewhat improved collective performance of Member States' budget positions, and especially in light of developments in economic growth, as well as interventions to stabilise the financial markets, the debt-to GDP ratios increased in both the EU and the Euro Area. In fact, in the Euro Area the average general Government debt-to-GDP ratio increased from 79.8 per cent in 2009 to 85.4 per cent in 2010 whilst similar developments in the EU resulted in an average debt-to-GDP ratio of 80.2 per cent in 2010 when compared to a ratio of 74.7 per cent registered in the previous year. In all, 14 Member States had debt-to-GDP ratios above 60 per cent in 2010, two of which, namely Greece and Italy, reporting debt ratios in excess of 100 per cent of GDP. On the other hand, a number of countries still reported low ratios of Government debt-to-GDP, such as Bulgaria and Luxembourg which reported ratios below 20 per cent as well as Estonia whose ratio was below 10 per cent.

Notwithstanding the unfavourable budgetary position of EU and Euro Area Member States, developments in the general Government fiscal balances and debt in both the EU and the Euro Area compare favourably to developments in the US and Japan. Indeed, in 2010, the US reported a fiscal imbalance of 10.3 per cent of GDP, compared to a deficit-to-GDP ratio of 12.8 per cent in 2009, and a gross debt ratio of 94.4 per cent of GDP, 9.2 percentage points higher when compared to the debt ratio recorded a year earlier. Meanwhile, although net lending in Japan declined to 9.2 per cent in 2010, from 10.3 per cent recorded a year earlier, the gross debt ratio increased to 220.0 per cent of GDP.

Monetary Developments

During the first eight months of this year, Maltese MFIs contribution to the stock of Euro Area Broad Money (M3) increased. This was the result of an increase in the credit counterpart which more than offset the negative contribution of the other counterparts' component while net claims on non-residents of the Euro Area increased only marginally.

Contribution of Resident MFIs to Euro Area Monetary Aggregates

During the first eight months of 2011, the contribution of Maltese resident MFIs to total monetary aggregates of the Euro Area increased by 2.5 per cent, thus reaching €9,609.0 million when compared to €9,370.5 million recorded

in December of the previous year. This was mainly the result of an increase in overnight deposits in narrow money which more than offset a small negative contribution to M3 caused by declines in debt securities issued up to two years initial maturity. Developments in the main monetary indicators are portrayed in Table 8.4, showing a clear preference towards short-term liquid money balances in the form of cash and deposits of a short-term maturity.

During the first eight months of 2011, narrow money (M1) increased by 5.4 per cent, reaching €5,269.9 million when compared to €4,999.0 million registered in December of 2010. The increase in M1 was mainly the result of a 6.0 per cent increase in overnight deposits which reached €4,584.9 million during the first eight months of 2011. During the course of 2011, overnight deposits experienced an increase in the first quarter, before declining slightly in the second quarter and subsequently increasing again in the remaining months leading to August. The developments in overnight deposits mirrored the changes experienced in both deposits from residents of Malta, as well as deposits from other Euro Area residents. Nevertheless, due to their large share, deposits from residents of Malta were the main contributors to the changes in the overall component. Currency

Table 8.4 Contribution of Resident MFIs to Euro Area Monetary Aggregates ⁽¹⁾					
	€ million				
	2010 (Dec)	2011 (Mar)	2011 (Jun)	2011* (Aug)	Aug-11 - Dec-10 % Change
Narrow Money (M1)	4,999.0	5,178.2	5,160.5	5,269.9	5.4
Currency issued ⁽²⁾	674.4	661.7	681.1	685.1	1.6
Overnight deposits ⁽³⁾	4,324.6	4,516.4	4,479.4	4,584.9	6.0
Intermediate Money (M2)	9,128.9	9,126.8	9,279.6	9,395.3	2.9
Narrow Money (M1)	4,999.0	5,178.2	5,160.5	5,269.9	5.4
Deposits redeemable at notice up to 3 months ⁽³⁾	124.3	132.0	116.0	134.8	8.5
Deposits with agreed maturity up to 2 years ⁽³⁾	4,005.6	3,816.6	4,003.2	3,990.5	-0.4
Broad Money (M3)					
Intermediate Money (M2)	9,128.9	9,126.8	9,279.6	9,395.3	2.9
Repurchase agreements	0.0	0.0	0.0	0.0	0.0
Debt securities issued up to 2 years initial maturity ⁽⁴⁾	241.6	213.3	206.6	213.7	-11.5

* Provisional

⁽¹⁾ 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.

⁽²⁾ 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.

⁽³⁾ Deposits with MFIs exclude interbank deposits and deposits held by central Government.

⁽⁴⁾ 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

issued increased by 1.6 per cent during the first eight months of 2011 when compared to December of last year albeit the resultant positive contribution to the overall increase in M1 during the same period was only marginal.

Deposits redeemable at notice up to three months increased by 8.5 per cent during January-August 2011, when compared to December 2010, reaching €134.8 million mainly due to a 7.5 per cent increase in deposits from residents of Malta as deposits from other Euro Area residents maintained a minimal share. Conversely, deposits with agreed maturity up to two years declined slightly by 0.4 per cent during the first eight months of 2011, reaching €3,990.5 million. During the first quarter of 2011, deposits with agreed maturity up to two years declined mainly reflecting lower deposits from residents of Malta, while developments in deposits from residents of the EU also contributed negatively albeit to a lesser extent. In the second quarter of 2011, deposits with agreed maturity up to two years picked up when compared to the previous quarter, driven by increases in deposits from residents of the EU which more than outweighed the decline in deposits from residents of Malta. During the subsequent two months, deposits with agreed maturity up to two years declined marginally as the decline in deposits from residents of the EU was almost completely offset by increases in deposits from residents of Malta.

As shown in Table 8.5, total resident deposits increased by 1.8 per cent reaching €8,345.0 million during January-August 2011. This was mainly attributable to the positive contribution of overnight deposits which increased by 5.4 per cent, which more than outweighed a decline of 2.4 per cent in deposits with agreed maturity up to two years. During the same period, deposits redeemable at notice up to three months increased by 7.5 per cent, however, their share in total resident deposits remained low thus having only a marginal positive effect.

Contribution of Resident MFIs to Counterparts to Euro Area Monetary Aggregates

Table 8.6 presents the developments in the contribution of resident MFIs to counterparts to Euro Area monetary aggregates since the end of 2010. During January-August 2011, Maltese MFIs contribution to the Euro Area broad money stock (M3) increased, reflecting an increase in the credit counterpart that more than offset the negative contributory effect of the increase registered in other counterparts. The increase in the external counterpart during the same period was marginal.

During the first eight months of 2011, the credit counterpart of broad money

Resident Deposits					€ million
Table 8.5					
	2008 (Dec)	2009 (Dec)	2010 (Dec)	2011* (Aug)	Aug-11 - Dec-10 % Change
Overnight Deposits ⁽¹⁾	3,120.0	3,633.6	4,225.1	4,455.1	5.4
Deposits redeemable at notice up to 3 months	114.2	111.6	123.5	132.8	7.5
Deposits with agreed maturity up to 2 years	4,668.0	4,057.2	3,848.1	3,757.1	-2.4
Total resident deposits	7,902.2	7,802.4	8,196.8	8,345.0	1.8
* Provisional					
⁽¹⁾ Overnight deposits are deposits withdrawable on demand and exclude interbank deposits and deposits held by central Government.					
Source: Central Bank of Malta					

Contribution of Resident MFIs to Counterparts to Euro Area Monetary Aggregates					€ million
Table 8.6					
	2010 (Dec)	2011 (Mar)	2011 (Jun)	2011* (Aug)	Aug-11 - Dec-10 % Change
Broad Money (M3)⁽¹⁾	9,370.5	9,340.1	9,486.2	9,609.0	2.5
Credit Counterpart⁽²⁾	14,466.7	14,619.3	14,735.3	15,072.7	4.2
Credit to residents of Malta	10,279.1	10,357.9	10,474.9	10,632.0	3.4
Credit to general Government	2,091.0	2,149.3	2,212.8	2,311.3	10.5
Credit to other residents	8,188.1	8,208.6	8,262.1	8,320.7	1.6
Credit to other Euro Area residents	4,187.6	4,261.4	4,260.5	4,440.7	6.0
Net claims on non-residents of the Euro area	8,183.3	7,299.9	8,792.7	8,201.4	0.2
Other counterparts (net)⁽³⁾	13,279.4	12,579.1	14,041.8	13,665.1	2.9
* Provisional					
⁽¹⁾ This does not represent holdings of M3 by residents of Malta but rather the contribution of MFIs in Malta to the Euro Area aggregate.					
⁽²⁾ Credit includes, besides lending, claims in the form of debt securities and shares and other equity.					
⁽³⁾ Includes net interbank claims/liabilities within the MFI sector. These counterparts make a negative contribution to M3.					
Source: Central Bank of Malta					

increased by 4.2 per cent and reached €15,072.7 million driven by increases in both credit to residents of Malta and to other Euro Area residents, mainly underpinned by increases in credit to general Government. Conversely, credit to other residents of the Euro Area declined during the same comparative period. During January-August 2011, credit to residents of Malta increased by 3.4 per cent reaching €10,632.0 million, while credit to other Euro Area residents increased by 6.0 per cent to €1,440.7 million.

As depicted in Table 8.7 total loans to Maltese residents excluding general Government increased by 1.5 per cent during the period January-August 2011, reaching €8,197.3 million. This increase resulted mainly from an increase in loans to the households and individuals category which increased by 4.3 per cent, followed by increases in loans to the others category and to the wholesale and retail trade and repairs category which recorded increases of 4.1 per cent and 1.6 per cent respectively. These increases outweighed declines in loans to the electricity, gas and water supply category and to the construction category which respectively experienced reductions of 6.7 per cent and 2.8 per cent in loans during the same comparative period. Meanwhile, loans to the manufacturing

Credit to Other Residents⁽¹⁾					
Loans by Economic Activity					
Table 8.7	€million				
	2008 (Dec)	2009 (Dec)	2010 (Dec)	2011* (Aug)	Aug-11 - Dec-10 % Change
Total Credit	7,266.9	7,792.4	8,188.1	8,320.7	1.6
Total Loans ⁽²⁾	7,059.1	7,571.8	8,076.1	8,197.3	1.5
Electricity, gas & water supply	333.1	432.1	502.0	468.2	-6.7
Transport, storage & communication	429.2	480.0	511.8	512.3	0.1
Manufacturing	340.6	296.4	283.5	278.5	-1.8
Construction	730.3	732.8	1,113.8	1,083.0	-2.8
Hotels & restaurants	457.4	485.8	446.3	449.5	0.7
Wholesale & retail trade; repairs	757.1	767.2	825.2	838.7	1.6
Real estate, renting & business activities	931.3	1,033.2	392.2	395.3	0.8
Households & individuals	2,857.5	3,138.8	3,354.8	3,499.1	4.3
Other ⁽³⁾	222.6	205.5	646.5	672.7	4.1

* Provisional

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

⁽²⁾ 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.

⁽³⁾ 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 declined by 1.8 per cent albeit their negative contribution to total loans was marginal. Loans to the remaining categories increased marginally, however, their contribution to overall loans was negligible. It is worth noting that a change in NACE classifications in 2010 does not allow a long-term comparison of longer-term trends since 2008, particularly in the services sector where a significant change in classifications is evident.

The external counterpart of M3, as measured by net claims, increased only marginally by 0.2 per cent overall during the first eight months of 2011 when compared to December of the previous year, reaching €8,201.4 million. This increase was the result of an increase registered in the second quarter of 2011 which offset the declines registered in the first quarter and in the two months to August. Other counterpart balances registered an increase of 2.9 per cent during the same comparative period, reaching €13,665.1 million. On a similar note, the developments in the other counterparts were also underpinned by an increase in the second quarter which more than offset the declines registered in the remaining periods. Increases in the other counterparts' component reflects a more rapid 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.

The Money Market

Following the financial turmoil which started in the summer of 2007, the ECB, has had to take unprecedented actions in order to restore stability. Initially, during the outbreak of the crisis, the ECB provided liquidity to the banking sector and subsequently, as the turmoil in the financial sector continued to intensify, the ECB proceeded to reduce interest rates to historical low levels while also implementing a number of non-standard policy measures which supported the transmission mechanism of monetary policy within the markets. The ECB has therefore played an essential role in sustaining financial intermediation within the Euro Area while safeguarding the refinancing needs of solvent banks and helping restore confidence in financial markets.

Following the cuts performed in the main refinancing rate in response to the onset of the financial crisis in 2008 and up to May of 2009, the Governing Council of the ECB left the interest rate on main refinancing operations unchanged at 1.0 per cent up until March 2011. Subsequently, the Governing Council of the ECB increased the main refinancing rate to 1.25 per cent in April 2011 and to 1.50 per cent in July. Additionally, given the renewed tension in a number of Euro Area financial markets, and in a bid to improve liquidity

in markets, the Governing Council of the ECB decided to conduct liquidity-providing longer term and medium-term refinancing operations as well as fixed rate tender procedures. Additionally, with the same aim as to provide liquidity, the Governing Council also decided to launch a new covered bond purchase programme in November of 2011 thus continuing to improve liquidity and the monetary policy transmission mechanism in the Euro Area and also supporting sovereign debt markets in stressed countries.

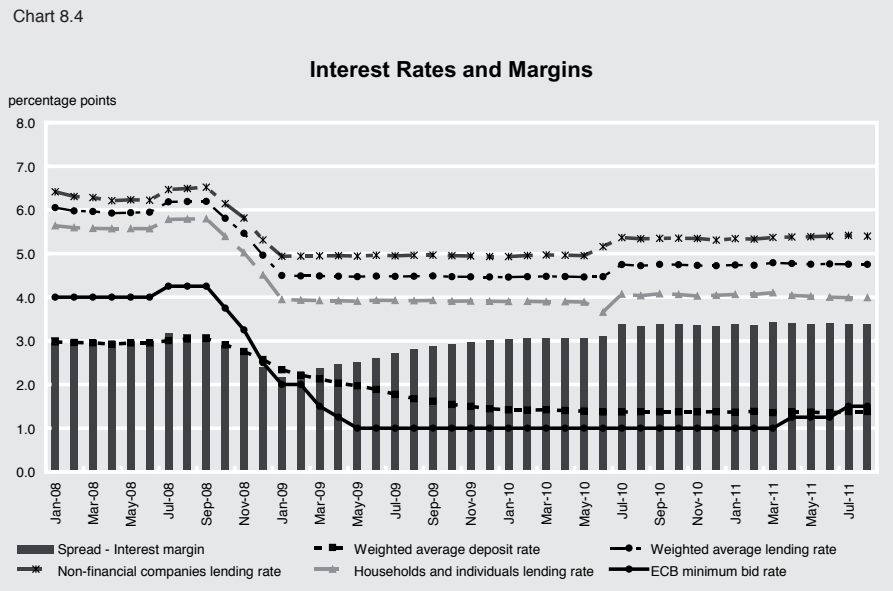
Interbank rates declined sharply since the third quarter of 2008, moving in line with the rapid decline in the minimum bid rate of the ECB which declined up until May of 2009. Nevertheless, interbank rates continued to decline thereafter, with the overnight inter-bank rate stabilizing towards mid-2009 and longer-term rates continuing to decline more gradually before bottoming out at the end of the first quarter of 2010. Moving into the second quarter of 2010, inter-bank rates moved into a gradual upward trend which edged up since the start of 2011 before somewhat stabilizing at a higher level since mid-2011. The renewed stress in international markets was reflected in the increases in overall interbank rates throughout the course of 2011 and ahead of changes in the ECB rate which commenced in April 2011.

Euro Area interbank money market interest rates represent an alternative portfolio investment opportunity for the local Treasury Bills Market. Consequently, developments in the Euro Area interbank interest rates also have a bearing on Malta Treasury Bills. In the first nine months of 2011, the local Government issued €660.3 million worth of Treasury Bills on the primary market, €340.7 million less when compared to €1,001.0 million issued during the same period in 2010. Yields in the primary market for Malta Treasury Bills have been on a general upward trend since the bottom reached in May 2010. In fact, by the end of September 2011, the yield on the three-month bills reached 1.47 from a rate of 0.53 registered in May 2010 while over the same comparative period, the rate of the six-month bills reached 1.45 from a rate of 0.67.

The turnover in the secondary market for Treasury Bills reached €9.9 million during the period January-August 2011, representing a decline of 82.0 per cent when compared to a turnover of €10.5 million recorded in the same period in 2010.

Deposit and Lending Rates

Chart 8.4 portrays the developments in deposit and lending rates together with the interest margin between their weighted averages, as well as the minimum bid



rate of the ECB. The spread between the weighted average lending and deposit rates declined quickly from September 2008 to January 2009, as both lending and deposit rates declined to reflect sharp downward adjustments in the ECB minimum bid rate. The dynamics of the developments in interest margins during this period was nevertheless characterised by a sharper decline in lending rates which lasted up to the start of 2009. Subsequently, however, the spread between lending and deposit rates started to increase as the decline in interest on term deposits drove average deposit rates on a slow but progressive decline while lending rates remained practically unchanged. While downward revisions in the ECB rate continued up to May 2009, the transmission to deposit rates was considerably slower as the decline in the latter stabilized at roughly the start of 2010 and remained stable up to the month of June of the same year. Thereafter, an increase in average lending rates edged up interest margins between lending and deposit rates further to a rate of 3.4 per cent and thus to levels comparable to before the crisis. The spread between average rates remained largely stable throughout the rest of the year and up to August 2011 despite recent upward revisions in the ECB minimum bid rate as of April 2011.

The Capital Market

In the first nine months of 2011, Government issued €404.9 million worth of stocks on the primary market. During this same period, two stocks with a combined worth of €128.1 million were redeemed. Additionally, stocks

worth €150.7 million were re-integrated into other issued stock, reducing the fragmentation of Government debt.

The primary corporate bond market experienced a decline in activity during January-September 2011 as the market declined substantially when compared to the same period in the previous year. In fact, newly issued corporate bonds during the first nine months of 2011 amounted to €60.4 million, representing a decline of 76.0 per cent when compared to the same period in the previous year. At the same time, deductions during the first nine months of 2011 reached €3.3 million, 14.3 per cent less when compared to the same period a year earlier.

The secondary market for Government bonds experienced a substantial increase in turnover during the period January-September 2011, with turnover reaching €42.7 million and representing a 45.5 per cent increase when compared to the same period in 2010. As portrayed in Table 8.8, the number of deals which took place over the course of the first nine months of 2011 was 3,198, declining from 4,236 recorded a year earlier and therefore also leading to an increase in the average value per transaction. During the first nine months of 2011, trading was mainly concentrated in 5.25% MGS 2030, registering 1,404 transactions during this period. The value transacted by the Central Bank of Malta in the local

Government Stocks				
Activity on the Secondary Market				
Table 8.8				
	2011 Jan-Mar	2011 Apr-Jun	2011 Jul-Sep	2011 Jan-Sep
Turnover in Government Stocks:				
Nominal Value (€ million)	34.9	134.7	72.2	241.8
Market Value (€ million)	37.0	147.1	158.5	342.7
Number of Transactions	1,096	913	1,189	3,198
Average Value per Transaction (€)*	31,861	147,533	60,729	75,617
Amount sold by CBM (€ million)**	0.0	39.8	51.3	91.1
Amount bought by CBM (€ million)**	4.4	62.0	74.8	141.2
* Based on Nominal Values				
** Based on Market Values				
Source: Central Bank of Malta				

secondary Government bond market amounted to €32.3 million throughout the first nine months of 2011.

Table 8.9 portrays a selection of secondary market indicators. During January-September 2011, turnover in the corporate bonds secondary market declined to €23.5 million from €32.6 million registered in the same comparable period a year earlier. At the end of September 2011, the total listings of corporate bonds reached 46.

In the equities market, turnover reached €28.8 million during the first nine months of 2011, from €5.3 million recorded in the same period during the previous year. During this period, the bulk of trading activity took place in the shares of Bank of Valletta, followed by trading in the shares of HSBC Bank Malta.

The Malta Stock Exchange Share Index closed at 3,108.3 at the end of September 2011, declining by 8.2 per cent when compared to the same month in 2010. Market capitalization in the equity market declined from €2,798.2 million at the end of September 2010 to €2,649.0 million registered at the end of September

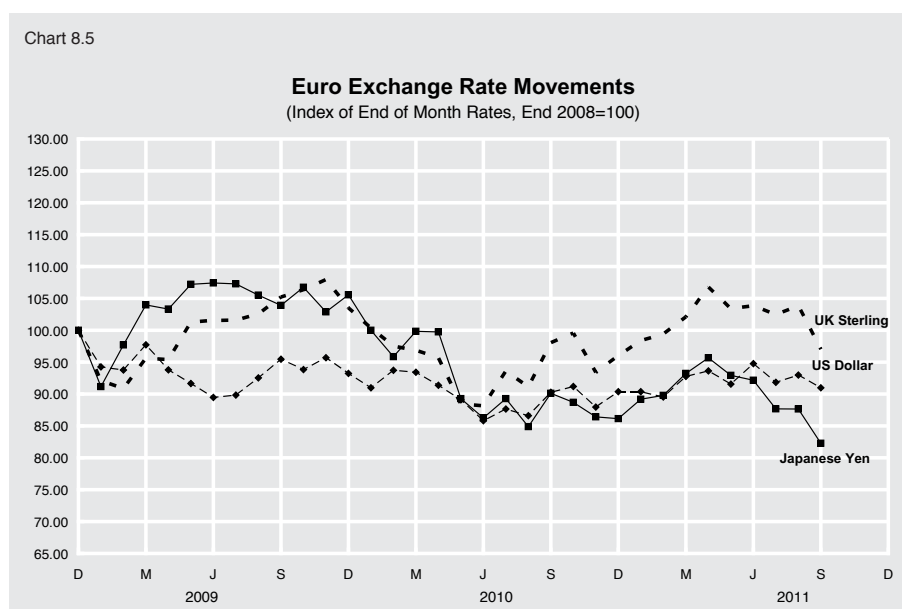
Selected Indicators of the Capital Market				
Table 8.9				
	2011	2011	2011	2011
	Jan-Mar	Apr-Jun	Jul-Sep	Jan-Sep
Corporate Bonds*				
Number of Listings**	43.0	44.0	46.0	46.0
Turnover (€ million)	8.8	6.9	7.7	23.5
Equities*				
Number of Issues Outstanding**	21.0	21.0	21.0	21.0
Turnover (€ million)	15.2	7.3	6.3	28.8
Total Listed Securities*				
Total Turnover (€ million)***	70.6	166.9	179.0	416.5
Market Capitalisation (€ million)**/****	8,138.5	8,162.3	8,046.9	8,046.9
MSE Ord. Share Index**	3,463.8	3,327.1	3,108.3	3,108.3
*Including the Alternative Companies listing				
**As at end of period				
***Including Malta Government Stocks and Treasury Bills				
Source: Malta Stock Exchange				

2011.

On a similar note, as at the end of September 2011, total market capitalisation also declined from €8,069.0 million registered at the end of September 2010 to €8,046.9 million registered at the end of the same month this year. This decline mainly reflected lower market capitalization in the Treasury Bills and equities market which more than offset the increase in market capitalization registered in the Malta Government Stocks market. Market capitalization in the corporate bonds market also increased during the same comparative period, however, their positive contribution to total market capitalisation was small.

Exchange Rate Developments

Foreign exchange markets incorporate the expectations of various stakeholders on the developments of financial markets and the global economy. Following the international economic and financial crisis, uncertainty and speculative concerns on both public and private imbalances continued to underpin exchange rate developments. Such developments are depicted in Chart 8.5 which shows an indexed Euro exchange rate against the three major currencies, namely the UK Sterling, the US Dollar and Japanese Yen since the end of 2008. In the past three years, the Euro has remained at post-crisis levels with respect to the UK Sterling and Japanese Yen, whilst easing off and returning in line to its medium term trends against the US Dollar.



Following the onset of the international economic and financial crisis, the Euro reached its lowest level against the US Dollar in March 2009, when it traded at around US\$ 1.26. However, by December 2009, an overall appreciation of around 20 per cent of the Euro against the US Dollar was observed, when it reached US\$ 1.51.

In more recent months starting from 2009, the Euro traded at around 1.37 to the US Dollar. In 2010 the Euro traded below this average, reaching a low of 1.19 in June 2010 amid growing speculative concerns over European sovereign debts. In fact, this reflected an increase in risk aversion against the Euro in favour of alternative assets including the US Dollar. By December 2010 the Euro had recovered, but at US\$ 1.34 it was still almost 7 per cent below its value at the end of 2009.

Subsequent months brought about an overall sharp appreciation of the Euro, returning the Euro-US Dollar exchange rate above its 1.37 mark to reach US\$ 1.49 in May 2011. By the end of August 2011 the Euro was still trading at US\$ 1.44, thus recovering the value lost since December 2009. Subsequently, a sharp reversal was experienced during September, effectively reflecting renewed financial stress and growing uncertainties regarding the Euro sovereign debt markets. As a result, the Euro-US Dollar exchange rate traded at US\$ 1.35 at the end of September, reducing the value of the Euro vis-à-vis the US Dollar by 9.1 per cent when compared to May of the same year. Nonetheless, when compared to historical data, which indicates an average Euro-US Dollar exchange rate of US\$ 1.20 over the past 20 years, the Euro is still 12 per cent more expensive.

Although the Euro strengthened significantly by almost 50 per cent against the UK Sterling, with the onset of the financial crisis, a trend depreciation was apparent from a peak of GBP 0.97 in December 2008 to its current level of around GBP 0.87. This represents a weakening of the Euro against the UK Sterling of around 10 per cent. In mid-2010 the Euro reached a low of GBP 0.82, however, a reversal was observed in the following quarter, in which the Euro vis-à-vis the British Pound appreciated to GBP 0.86 at the end of December. In 2011, the value of the British Pound in terms of the Euro continued to vary widely. Nonetheless, the Euro traded at around GBP 0.88 since the beginning of April 2011 and closer to GBP 0.87 since September 2011.

It is noteworthy that although during the medium term the value of the Euro has decreased by almost 9 per cent from its peak in December 2010, thus bringing it closer to its fundamentals, long run trends show that it is still trading 19 per cent above the 20-year average of GBP 0.73.

During the initial stages of the financial crisis the Euro experienced a sharp depreciation against the Japanese Yen of around 30 per cent covering the three-month period from July to October 2008. Further depreciation of the Euro against the Japanese Yen occurred during May 2010. Thereafter the Euro traded at around JPY 112 until the first quarter of 2011. After a brief appreciation of the Euro in April 2011, the Euro weakened again and is now trading at around JPY 102, thus reverting to levels experienced at the start of the decade.

Government Revenue

(January-September)

Appendix Table 8.1

€ thousand

	2008	2009	2010	2011
Tax Revenue	1,437,744	1,414,958	1,498,970	1,608,700
Direct Tax Revenue	817,042	857,886	899,906	918,436
Income Tax	478,555	500,103	522,293	518,449
Social Security	338,487	357,784	377,613	399,987
Indirect Tax Revenue	620,702	557,072	599,064	690,264
Customs and Excise Duties	130,129	74,625	116,806	147,637
Licences, Taxes and Fines	162,055	176,793	165,639	170,747
Value Added Tax	328,518	305,654	316,619	371,880
Non-Tax Revenue	147,997	138,669	187,852	213,430
Fees of Office	34,377	34,603	26,680	27,832
Reimbursements	16,054	14,203	13,919	15,375
Rents	16,803	16,740	28,468	18,206
Dividends on Investments	16,847	8,891	10,307	10,699
Repayment of Government Loans and interest	19	16	201	1,168
Miscellaneous Receipts	11,827	8,257	24,358	33,095
Public Corporations	4,386	0	0	0
Central Bank of Malta	28,691	41,615	45,634	48,000
Grants	18,993	14,343	38,285	59,056
Recurrent Revenue	1,585,741	1,553,627	1,686,822	1,822,130
Extraordinary Receipts	33,318	0	0	9,622
Loans	232,722	355,793	478,902	401,610
Total Revenue	1,851,780	1,909,420	2,165,724	2,233,362

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

Government Recurrent Expenditure

(January-September)

Appendix Table 8.2

€ thousand

	2008	2009	2010	2011
Office of the President	1,129	1,383	1,537	1,689
House of Representatives	1,964	2,211	2,115	2,215
Office of the Ombudsman	253	328	328	328
National Audit Office	1,500	1,550	1,649	1,600
Office of the Prime Minister	11,299	14,559	18,424	20,337
Public Service Commission	275	249	292	290
Armed Forces of Malta	26,132	29,697	29,006	27,945
Tourism and Culture	2,124	2,244	31,320	31,091
Industrial and Employment Relations	769	868	882	795
Local Government	20,298	16,055	25,878	25,891
Consumer and Competition Information	2,678	1,382	1,197	1,229
Information	758	869	977	947
Government Printing Press	875	833	982	833
Electoral Office	5,102	4,862	1,313	3,997
Ministry of Foreign Affairs	15,904	15,651	15,534	16,032
Ministry for Gozo	37,517	39,048	39,896	40,509
Ministry for Infrastructure, Transport & Comm	105,891	65,884	22,784	30,133
Land and Public Registry Division	2,052	2,010	2,504	1,747
Ministry for Resources and Rural Affairs	54,143	68,365	66,100	60,905
Ministry of Education, Employment & the Family	90,448	103,353	126,893	148,865
Education	90,982	94,604	98,730	103,482
Libraries	886	933	1,040	1,044
Social Security	108,052	112,501	120,415	126,266
Social Security Benefits	471,662	502,001	533,731	525,245
Social Welfare Standards	646	612	572	634
Ministry of Finance, the Economy and Investment	62,543	60,042	97,474	80,303
Treasury	2,847	2,779	2,368	3,606
Pensions	62,195	64,180	65,284	65,361
Inland Revenue	3,895	3,968	5,239	5,037
Customs	8,162	7,996	7,834	7,321

Government Recurrent Expenditure

(January-September)

Appendix Table 8.2 continued

€ thousand

	2008	2009	2010	2011
V.A.T.	4,611	4,566	4,161	4,174
Contracts	752	830	793	830
Economic Policy	722	753	734	709
Government Property Division	2,467	2,302	2,543	3,467
Commerce	2,674	1,554	1,062	1,144
Ministry for Justice and Home Affairs	7,000	10,863	11,368	14,357
Judicial	6,603	7,060	7,393	7,338
Police	30,563	31,431	33,047	32,447
Correctional Services	5,856	6,447	6,578	6,622
Civil Protection	2,562	2,923	2,930	2,721
Ministry for Health, the Elderly & Comm. Care	181,159	204,528	205,753	222,414
Elderly and Community Care	33,359	38,850	33,385	35,763
[Civil Aviation]	1,471	1,488	71	-
[Ministry for Social Policy]	28,149	25,251	2,942	-
[Ministry for Competitiveness & Communications]	2,330	-	-	-
[Ministry for Rural Affairs and the Environment]	18,064	-	-	-
[Ministry for Urban Development and Roads]	732	-	-	-
[Housing]	2,042	-	-	-
Recurrent Expenditure	1,524,095	1,559,862	1,635,060	1,667,663

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

	2008	2009	2010	2011
Productive Investment	42,796	58,433	49,985	36,696
Malta Tourism Authority	21,064	24,791	-	-
Development of Industry	10,720	8,099	5,150	3,032
Gozo Ferries	5,293	3,425	1,791	-
Gozo	532	596	712	1,018
EU Agriculture Fund for Rural Development, EU Agriculture Guarantee Fund and EU Fisheries Fund	-	8,645	10,179	14,464
Film Industry	-	6,592	1,128	2,248
Contribution to Treasury Clearance Fund	-	-	24,755	11,000
Other	5,187	6,284	6,271	4,934
Infrastructure	79,777	70,641	127,504	110,095
Acquisition of Property	3,186	3,828	8,279	7,529
Upgrading Works at main Touristic Areas	1,101	1,365	2,700	2,704
Roads	13,080	8,047	11,976	14,691
Integrated Health Information System	7,989	3,680	3,527	3,071
ICT	16,717	17,111	16,920	15,586
Gozo	2,180	1,781	1,986	4,298
Waste and Sewerage Treatment	18,761	18,202	33,811	4,855
Freeport	3,960	3,288	2,820	2,717
Jeremie Financial Engineering	-	-	10,000	-
Other	12,803	13,339	35,484	54,645
Social	41,295	39,935	32,103	36,648
Health	18,237	3,714	3,234	4,921
Elderly and Community Care	795	1,171	579	446
Waste Management	10,050	10,584	5,662	5,953
Gozo	643	586	871	1,815
Housing	1,956	3,536	2,628	1,883
Education	5,491	7,395	6,920	7,675
External Borders Fund	-	8,785	7,539	9,872
Other	4,123	4,163	4,669	4,083
Total Capital Expenditure	163,868	169,009	209,592	183,439

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

Statistical Annex

Table I
Population

	2003	2004	2005	2006	2007	2008	2009	2010
Total Population (000's)	399.9	402.7	405.0	407.8	410.3	413.6	414.4	417.6
Males (000's)	198.1	199.6	200.8	202.6	204.1	205.9	206.3	207.6
Females (000's)	201.8	203.1	204.2	205.2	206.2	207.7	208.1	210.0
% Increase per annum	0.6	0.7	0.6	0.7	0.6	0.8	0.2	0.8
Natural Increase per annum	886	888	728	669	760	883	922	998
Crude Birth Rate (per 1000 population)	10.2	9.7	9.6	9.6	9.5	10.0	10.0	9.6
Crude Mortality Rate (per 1000 population)	7.9	7.5	7.7	7.9	7.6	7.9	7.8	7.2
Crude Marriage Rate (per 1000 population)	5.9	6.0	5.9	6.2	6.1	6.0	5.7	6.2
Infant Mortality Rate (per 1000 births)	5.7	5.9	6.0	3.6	6.5	8.2	5.3	5.5
Life Expectancy (at birth)								
Males	76.4	76.7	77.7	76.8	77.2	76.7	77.7	78.9
Females	80.4	80.5	81.4	81.2	81.8	82.3	82.2	83.1
Life Expectancy (at age 65)								
Males	15.7	16.4	16.7	16.1	16.6	17.5	16.8	16.0
Females	18.7	18.8	19.8	19.5	20.1	20.5	20.6	18.5

Source: National Statistics Office

Table II

Social Indicators

	2003	2004	2005	2006	2007	2008	2009	2010
GDP at current market prices per capita (€)	11,013	11,295	11,942	12,493	13,338	14,165	14,087	14,815
Quality of Life								
Motor Vehicle Licences per 1000 population	673.9	673.4	671.1	682.7	699.7	709.6	718.6	729.6
Internet Subscriptions per 1000 population	195.7	218.2	219.0	234.8	248.8	269.2	291.3	
Mobile Phone Subscriptions per 1000 population	725.0	765.8	802.0	850.3	898.2	932.4	1,018.6	1,066.7
Fixed Telephone Lines per 1000 population	520.9	523.3	517.0	502.1	561.6	563.0	593.3	594.7
Education ⁽¹⁾								
Number of teachers (000)	8.5	8.5	8.4	8.8	8.8	8.5	9.5	10.0
Number of pupils/students (000)	90.1	90.4	88.8	86.3	83.2	82.4	83.1	84.0
of which:								
University students (All Courses)	9,006	7,955	9,530	8,922	9,556	9,238	9,724	10,004
Electricity								
Total Generated (000 MWh)*	2,208.0	2,216.1	2,263.1	2,260.7	2,296.0	2,275.0	2,167.0	2,113.0
Number of Consumers (000)*	234.5	236.0	241.0	243.0	246.0	254.1	265.7	277.9
Domestic Consumption (million kwh)*	623.7	623.7	669.5	657.6	645.0	641.0	443.3	475.4
Water								
Total annual production (million m ³)	34.2	32.8	31.3	30.5	31.0	31.0	30.0	28.7
Average daily consumption (000 m ³)	94	90	88	90	88	84	82	69
Social Security								
Total Payments (€ million)	680.6	718.4	749.4	796.6	835.5	927.2	1,027.7	1,096.4
Total Contributions (€ million)	438.9	441.9	455.6	471.5	480.3	510.1	526.1	552.1
Welfare Gap (€ million)	241.8	276.5	293.7	325.2	355.3	417.1	501.6	544.3

*Refer to Financial Year

⁽¹⁾ Education data has been revised

Source: National Statistics Office

Factor Incomes in Gross National Income

	€ million										
	2003	2004	2005	2006	2007	2008	2009	2010	2009	2010	2011
									Jan-Jun	Jan-Jun	Jan-Jun
Compensation of employees	2,103.0	2,129.2	2,188.8	2,311.7	2,418.5	2,590.2	2,640.8	2,694.4	1,323.7	1,334.7	1,359.2
Gross operating surplus and mixed income	1,909.5	1,816.0	1,988.9	2,090.7	2,321.9	2,516.9	2,420.4	2,677.8	1,152.0	1,296.8	1,385.1
Taxes on production and imports	581.7	671.8	740.8	781.1	826.7	857.7	833.1	851.8	374.2	374.9	423.0
Subsidies	95.6	86.0	101.2	109.4	112.1	125.1	64.0	60.3	42.6	29.9	34.0
Gross Domestic Product at market prices	4,498.7	4,530.9	4,817.3	5,074.2	5,455.1	5,839.8	5,830.3	6,163.6	2,807.2	2,976.4	3,133.2
Net Income from Abroad	-22.4	-55.9	-217.9	-186.0	-218.4	-222.3	-495.7	-506.4	-251.3	-208.7	-377.2
Gross National Income at market prices	4,476.3	4,475.0	4,599.3	4,888.1	5,236.7	5,617.5	5,334.5	5,657.2	2,555.9	2,767.7	2,756.0
Sectoral Percentage Contribution to Gross Value Added (at basic prices)											
Agriculture, hunting and forestry ⁽¹⁾	2.5	2.5	2.4	2.4	2.1	1.6	1.8	1.6	1.8	1.6	1.6
Industry ⁽²⁾	25.2	22.7	22.5	22.6	22.4	22.0	20.1	19.8	20.8	20.2	19.3
Services Activities	72.4	74.8	75.1	75.0	75.4	76.4	78.2	78.6	77.4	78.3	79.1

⁽¹⁾Includes fishing and operation of fish hatcheries and fish farms

⁽²⁾Includes energy and construction

Source: National Statistics Office

Gross National Income and Expenditure

	€ million										
	2003	2004	2005	2006	2007	2008	2009	2010	2009	2010	2011
	Jan-Jun Jan-Jun Jan-Jun										
GNI at current market prices	4,476.3	4,475.0	4,599.3	4,888.1	5,236.7	5,617.5	5,334.5	5,657.2	2,555.9	2,767.7	2,756.0
% annual increase of GNI	2.5	-0.0	2.8	6.3	7.1	7.3	-5.0	6.0	-4.5	8.3	-0.4
GDP at current market prices	4,498.7	4,530.9	4,817.2	5,074.2	5,455.1	5,839.8	5,830.3	6,163.7	2,807.2	2,976.4	3,133.2
% annual increase of GDP	3.7	0.7	6.3	5.3	7.5	7.1	-0.2	5.7	-1.1	6.0	5.3
GDP at constant prices	4,101.1	4,073.0	4,222.3	4,316.2	4,500.9	4,697.3	4,572.7	4,696.7	2,188.3	2,255.6	2,313.7
Total Final Consumption Expenditure											
current market prices	3,779.0	3,951.8	4,095.2	4,309.6	4,425.0	4,888.8	4,983.8	5,098.1	2,415.6	2,452.8	2,574.7
constant prices	3,528.4	3,597.1	3,616.4	3,722.7	3,754.5	3,996.1	3,987.9	3,954.1	1,934.8	1,921.9	1,972.6
Ratio (%) of consumption to GDP at m.p.	84.0	87.2	85.0	84.9	81.1	83.7	85.5	82.7	86.0	82.4	82.2
General Government Final Consumption Expenditure											
current market prices	901.3	934.4	941.4	1,012.2	1,042.3	1,216.1	1,238.7	1,293.5	615.5	634.3	674.4
constant prices	791.3	795.7	766.8	807.3	812.0	910.1	896.8	904.9	446.0	445.5	468.2
Ratio (%) of Government consumption to GDP at m.p.	20.0	20.6	19.5	19.9	19.1	20.8	21.2	21.0	21.9	21.3	21.5
Private Final Consumption Expenditure⁽¹⁾											
current market prices	2,877.8	3,017.4	3,153.9	3,297.4	3,382.7	3,672.6	3,745.1	3,804.6	1,800.0	1,818.6	1,900.3
constant prices	2,737.1	2,801.4	2,849.6	2,915.5	2,942.5	3,085.9	3,091.1	3,049.2	1,488.8	1,476.4	1,504.4
Ratio (%) of private consumption to GDP at m.p.	64.0	66.6	65.5	65.0	62.0	62.9	64.2	61.7	64.1	61.1	60.7
Gross Fixed Capital Formation											
current market prices	867.3	883.1	1,050.2	1,120.6	1,181.6	993.7	876.6	1,041.3	413.2	449.6	455.1
constant prices	802.4	809.3	967.5	967.4	977.4	747.8	622.3	694.9	298.7	311.5	292.3
Ratio (%) fixed investment to GDP at m.p.	19.3	19.5	21.8	22.1	21.7	17.0	15.0	16.9	14.7	15.1	14.5

⁽¹⁾Including NPISH final consumption expenditure

Source: National Statistics Office

Labour

	2003	2004	2005	2006	2007	2008	2009	2010	2009	2010	2011
									Jun	Jun	Jun
Labour Supply	145,086	145,836	145,948	147,366	149,266	151,891	152,127	153,552	152,397	152,994	155,543
Gainfully Occupied	136,911	137,733	138,569	140,205	143,094	145,518	144,447	146,946	145,124	146,219	149,331
Males	96,888	97,178	97,288	97,601	98,719	99,159	97,532	98,222	98,500	98,255	98,799
Females	40,023	40,555	41,271	42,604	44,375	46,359	46,915	48,724	46,624	47,964	50,532
Private Direct Production	33,271	33,170	32,857	33,021	32,656	32,686	31,797	31,932	31,797	31,579	32,256
of which:											
Construction	7,145	7,422	7,966	8,323	8,666	8,941	8,535	8,267	8,795	8,426	8,483
Manufacturing	23,558	23,169	22,284	22,068	23,125	21,887	20,219	20,952	20,487	20,572	21,208
Others	2,568	2,579	2,607	2,630	2,605	2,605	2,578	2,640	2,581	2,581	2,565
Private Market Services	55,834	57,855	59,927	63,624	67,746	71,339	71,736	73,975	71,968	73,619	75,362
of which:											
Wholesale and Retail (including Repair of Motor Vehicles, Motorcycles and Personal and Household Goods)	20,371	20,899	21,330	21,246	21,533	22,143	22,265	22,342	22,098	22,363	22,317
Hotels and Restaurants	8,514	8,760	9,123	9,212	9,798	9,849	9,236	9,242	9,816	9,644	9,598
Transport Storage and Communications	5,796	6,524	6,704	7,908	8,760	9,176	9,091	9,026	9,305	9,145	9,115
Financial Intermediation	4,560	4,517	4,616	4,736	4,995	5,204	5,570	5,747	5,185	5,684	5,893
Others	16,593	17,035	18,154	20,522	22,660	24,967	25,574	27,618	25,564	26,783	28,439
Public Sector	46,826	45,747	44,970	42,827	41,993	40,782	40,710	40,491	40,527	40,391	41,041
of which:											
Government Departments	31,960	31,564	30,969	30,532	30,426	30,171	30,019	29,967	29,979	29,887	30,440
Independent Statutory Bodies	8,582	8,699	8,686	8,917	9,054	8,096	8,481	8,435	8,320	8,359	8,508
Companies with Public Sector majority s/hldg	6,284	5,484	5,315	3,378	2,513	2,515	2,210	2,089	2,228	2,145	2,093
of which:											
Direct Production	260	246	221	150	140	135	125	118	129	123	122
Market Services	6,024	5,238	5,094	3,228	2,373	2,380	2,085	1,971	2,099	2,022	1,971
Temporary Employment	980	961	815	733	699	711	642	663	687	630	672
Registered Unemployed*	8,175	8,103	7,379	7,161	6,172	6,818	7,680	6,606	7,273	6,775	6,212
Males	6,606	6,511	5,715	5,544	4,684	5,004	5,986	5,216	5,592	5,383	4,896
Females	1,569	1,592	1,664	1,617	1,488	1,369	1,694	1,390	1,681	1,392	1,316
Per cent of Labour Supply	5.6%	5.6%	5.1%	4.9%	4.1%	4.2%	5.1%	4.3%	4.8%	4.4%	4.0%
of which unemployment under Part I (%)	5.2%	5.1%	4.6%	4.4%	3.7%	3.8%	4.6%	3.9%	4.4%	4.0%	3.6%
Self Employed	15,860	15,159	16,521	16,632	17,001	17,243	17,488	17,502	17,386	17,609	17,585

Note: Employment data has been revised

* Includes both Parts I and II of the registered unemployed

Source: Employment and Training Corporation

Tourism

Table VI

	2003	2004	2005	2006	2007	2008	2009	2010	2009	2010	2011
									Jan-Sep	Jan-Sep	Jan-Sep
Tourist Arrivals/Departures^(a) (000's)	1,118.2	1,157.7	1,170.6	1,124.2	1,243.5	1,296.9	1,182.5	1,335.6	985.9	1,056.9	1,126.5
of which from:											
United Kingdom	473.1	453.0	452.6	431.3	482.4	454.4	385.5	415.2	388.1	325.4	342.8
Italy	32.7	102.6	92.4	112.5	113.7	144.5	161.7	217.3	195.7	180.7	165.0
Germany	125.4	135.2	138.2	125.8	130.0	150.8	127.4	126.2	98.0	94.1	100.8
Libya	17.5	12.8	10.7	9.2	9.3	9.4	14.3	15.9	10.6	12.3	4.8
Scandinavian Countries	47.0	68.9	72.6	73.7	87.3	85.5	86.8	92.8	51.7	70.3	73.1
Other	382.5	385.2	374.1	371.7	420.8	446.3	413.6	463.3	331.8	374.1	440.1
Cruise Passengers (000's)^(b)	383.6	395.0	312.3	392.9	477.1	537.7	419.6	474.3	294.8	344.8	403.7
Gross Income (€million)	634.0	620.9	611.0	607.2	702.2	729.2	639.8	813.9	246.0 ^(c)	295.1 ^(c)	343.8 ^(c)
as a % of exports of goods and services	17.9	17.5	16.5	13.8	14.4	14.2	13.9	15.0	11.7 ^(c)	11.2 ^(c)	11.7 ^(c)
Total Sector Employment in											
Hotels and Restaurants	8,628	9,069	9,853	9,416	9,906	9,981	9,339	9,310	10,041 ^(d)	9,719 ^(d)	9,659 ^(d)
% of Gainfully Occupied	6.4	6.6	6.7	6.7	6.9	6.8	6.5	6.3	6.9 ^(d)	6.6 ^(d)	6.5 ^(d)
Travel Abroad (000's)	174.4	220.2	224.9	257.2	279.7	281.0	284.5	294.1	171.3 ^(e)	180.4 ^(e)	198.1 ^(e)
Estimated Expenditure (€million)	188.5	205.1	216.3	253.0	172.7	205.5	207.0	233.5	77.6 ^(e)	83.4 ^(e)	96.2 ^(e)
Days Stayed / Nights Spent^(f) (000's)	11,293	11,175	11,085	10,661	11,017	11,282	9,949	11,137	8,031	9,015	9,352
% of which spent in:											
5 star	8.4	9.4	10.6	11.8	14.0	14.3	16.4	14.7	16.0	14.5	15.1
4 star	27.9	32.7	34.0	35.3	33.5	32.8	31.2	32.5	30.7	32.1	31.0
3 star	15.6	18.0	19.7	16.6	15.2	13.0	12.0	12.7	12.0	13.0	12.9
2 star	1.8	1.3	0.9	1.9	2.1	2.3	1.4	1.0	1.5	1.0	1.1
1 star	-	-	-	-	-	-	-	-	-	-	-
Unclassified	0.2	0.1	0.1	-	-	-	-	-	-	-	-
Guest Houses	0.6	0.7	0.8	0.5	0.5	1.0	0.6	0.8	0.7	0.8	0.6
Flats/Private Residences	33.1	29.7	26.9	27.2	28.3	29.2	31.4	31.3	31.9	31.6	32.2
Tourist Village/Apartments/Hotels/Holiday Complex/Camp Sites/Bed & Breakfast	12.6	8.1	7.0	6.7	6.4	7.3	7.0	7.0	7.2	6.9	6.9

^(a)As from 2001 tourism data is based on the Inbound Tourism Survey

^(b)Until March 2004, data for sea arrivals taken from embarkation cards. Thereafter, data for sea departures taken from Inbound Tourism Survey

^(c)Excluding Maltese cruise passengers

^(d)Data for January-June period

^(e)Data as at end of June

^(f)Data for January-August period

Source: National Statistics Office, Employment & Training Corporation

Foreign Trade

Table VII

€ million

	2003	2004	2005	2006	2007	2008	2009	2010	2009 Jan-Sep	2010 Jan-Sep	2011 Jan-Sep
Imports and Exports											
Imports (c.i.f.)	2,984.7	3,328.6	3,117.2	3,489.3	3,603.8	3,896.8	3,452.6	4,244.3	2,617.7	3,113.9	3,526.5
Consumer goods	784.1	851.4	911.3	941.9	1,024.7	1,158.7	1,054.2	1,176.1	775.3	860.0	933.9
Industrial supplies	1,709.8	1,641.9	1,642.5	1,892.4	1,943.4	2,127.9	1,706.8	2,230.6	1,258.5	1,615.2	1,893.6
Capital goods and others	490.8	835.3	563.4	655.0	636.8	610.2	691.6	837.7	583.9	638.8	699.0
Total Exports (f.o.b.)	2,162.4	2,112.3	1,959.1	2,256.8	2,584.4	2,413.6	2,040.7	2,744.3	1,481.7	2,026.0	2,245.8
of which manufactures	2,122.8	2,057.8	1,900.1	2,176.2	2,468.7	2,308.6	2,018.9	2,664.4	1,468.1	1,986.1	2,210.6
Trade Gap	-822.3	-1,216.3	-1,158.1	-1,232.5	-1,019.5	-1,483.3	-1,411.9	-1,500.0	-1,136.1	-1,087.9	-1,280.7
as % of GDP at current market prices	-18.3%	-26.8%	-24.0%	-24.3%	-23.6%	-26.7%	-25.5%	-24.0%	-26.2%*	-23.7%*	-
Selected Groupings											
EU											
Imports	2,042.9	2,497.1	2,265.9	2,423.8	2,591.5	2,755.4	2,403.2	2,674.7	1,786.5	1,925.4	2,188.4
Exports	1,001.9	1,017.4	1,004.7	1,150.8	1,108.8	953.9	819.2	1,112.5	563.5	853.3	815.6
United Kingdom											
Imports	276.3	367.4	335.9	344.5	499.5	467.3	377.7	366.8	275.0	287.0	275.2
Exports	253.9	242.3	216.2	213.2	222.1	165.3	99.1	128.1	73.3	100.0	115.9
Italy											
Imports	685.8	772.3	956.7	967.3	902.7	1,027.4	842.8	1,049.9	606.4	766.5	911.9
Exports	73.4	65.0	100.5	81.4	90.8	114.6	105.2	157.5	69.7	108.0	120.5
Germany											
Imports	235.3	391.9	280.1	263.2	290.5	267.5	272.1	294.7	202.1	222.0	235.5
Exports	221.8	228.4	236.3	283.0	306.8	270.4	222.0	281.6	164.1	215.2	242.2
France											
Imports	509.9	566.3	291.3	405.9	420.1	381.4	338.9	336.2	251.0	250.8	288.4
Exports	280.0	327.5	283.8	326.7	271.3	237.3	187.4	221.9	133.0	172.3	136.4
America											
Imports	270.0	197.7	189.7	216.2	241.4	132.9	229.5	276.9	199.1	238.1	294.3
Exports	333.6	351.0	301.7	298.8	279.7	209.5	185.3	228.8	127.9	174.2	160.6
Africa											
Imports	25.2	59.9	125.3	50.3	29.3	128.5	72.4	151.5	57.6	92.7	28.7
Exports	81.8	109.3	143.2	120.5	121.3	132.4	137.2	154.3	106.2	118.7	91.3
Asia											
Imports	489.6	457.9	417.6	635.0	597.2	597.8	457.7	571.2	344.3	422.1	482.2
Exports	594.5	544.4	460.9	631.4	719.9	713.9	528.1	686.5	394.0	473.0	610.7

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

Balance of Payments

	€ million										
	2003	2004	2005	2006	2007	2008	2009	2010	2009	2010	2011
									Jan-Jun	Jan-Jun	Jan-Jun
Goods Balance^(a)											
Imports (f.o.b.)	2,836.3	2,861.5	2,987.5	3,301.5	3,388.2	3,399.2	2,759.0	3,296.3	1,274.4	1,472.3	1,697.8
Exports (f.o.b.)	2,271.2	2,188.2	2,083.2	2,335.4	2,406.7	2,174.1	1,735.2	2,333.7	792.1	1,120.4	1,520.9
Services-Net	489.7	518.2	647.7	647.7	668.8	1,137.3	1,040.4	1,195.6	455.3	495.1	511.9
Transport-net	-21.8	63.7	63.6	79.5	86.0	142.5	118.1	22.0	61.0	22.5	-30.3
Travel-net	445.4	415.8	394.7	354.1	529.5	519.7	432.8	590.4	170.4	201.7	248.6
Other Services-net	66.1	38.6	168.3	214.0	253.2	475.1	489.5	594.2	223.9	275.0	293.5
Income-Net	-22.4	-45.1	-198.6	-173.4	-201.7	-200.8	-486.0	-505.8	-246.7	-205.3	-367.8
Compensation of Employees-net	13.1	12.2	9.2	-2.9	3.3	3.8	5.1	7.8	1.8	3.7	3.1
Investment Income-net	-35.5	-57.2	-208.8	-170.5	-205.0	-204.6	-491.1	-513.6	-247.5	-209.0	-370.9
Current Transfers-Net	-38.8	-46.2	35.9	-6.4	-28.8	-6.5	42.6	28.3	-4.0	-3.1	25.9
General Government-net	20.8	11.7	21.7	1.3	-3.7	12.5	46.1	28.0	7.3	0.6	28.8
Private-net	-59.6	-57.9	14.2	-7.6	-25.1	-19.0	-3.5	0.2	-11.3	-3.7	-2.8
Current A/C-Net	-136.5	-266.3	-420.4	-488.2	-343.2	-295.0	-426.7	-243.5	-276.6	-61.1	-6.9
Goods Balance ^(a) as % of GDP at m.p.	-12.6%	-15.3%	-18.6%	-19.0%	-18.0%	-21.0%	-17.6%	-15.6%	-17.2%	-11.8%	-5.6%
Invisible Balance as % of GDP at m.p.	10.9%	11.4%	13.4%	12.8%	15.9%	19.5%	17.8%	19.4%	16.2%	16.8%	16.3%
Income a/c Balance as % of GDP at m.p.	-0.5%	-1.0%	-4.1%	-3.4%	-3.7%	-3.4%	-8.3%	-8.2%	-8.8%	-6.9%	-11.7%
Current a/c Balance as % of GDP at m.p.	-3.0%	-5.9%	-8.7%	-8.8%	-6.3%	-5.1%	-7.3%	-4.0%	-8.9%	-2.1%	-0.2%
Capital A/C-Net	15.4	66.8	155.7	152.7	68.7	24.6	100.8	106.4	29.5	47.1	26.6
Financial A/C-Net^a	96.0	136.3	299.8	311.2	284.7	241.7	149.1	-135.2	67.5	-141.2	72.1
Direct Investment-net	367.7	312.9	560.1	1,443.1	724.2	363.1	537.0	722.4	182.7	443.7	117.5
Portfolio Investment-net ^(b)	-1,394.8	-1,682.4	-2,137.3	-1,980.3	367.5	367.6	-1,914.8	-3,229.9	-54.3	-2,050.3	-200.8
Financial Derivatives-net ^(b)	21.0	-14.0	-18.4	24.9	120.2	-343.0	-70.4	31.0	-60.8	26.9	5.0
Other Investment-net ^a	1,229.5	1,358.7	2,083.3	906.6	-600.7	-254.6	1,599.6	2,364.9	72.5	1,356.4	114.8
Reserve Assets ^(b)	-127.5	161.1	-187.8	-83.0	-326.5	108.7	-2.4	-23.6	-72.5	82.1	35.6

^(a)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.

^(b)The Financial Account-Net in this Table includes Reserve Assets but does not include Errors and Omissions.

^aAs 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 with the euro area are considered as being part of the portfolio investment account, the financial derivatives account and the other investment account recorded significant changes in their net balances. 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

Government Revenue and Expenditure

Table IX

€million

	2003	2004	2005	2006	2007	2008	2009	2010	2009	2010	2011
									Jan-Sep	Jan-Sep	Jan-Sep
Government Recurrent Revenue	1,721.9	1,893.8	2,088.1	2,200.6	2,224.5	2,302.1	2,370.8	2,525.4	1,553.6	1,686.8	1,822.1
Increase/(Decrease) % per annum	2.7	10.0	10.3	5.4	1.1	3.5	3.0	6.5	-2.0	8.6	8.0
of which:											
Tax Revenue	1,556.7	1,635.2	1,724.4	1,857.1	1,982.0	2,098.3	2,130.1	2,242.5	1,415.0	1,499.0	1,608.7
Direct Tax Revenue	916.8	933.6	972.0	1,069.0	1,143.7	1,246.0	1,265.5	1,353.3	857.9	899.9	918.4
Indirect Tax Revenue	639.6	701.6	752.4	788.1	838.3	852.3	864.6	889.2	557.1	599.1	690.3
Non-Tax Revenue	165.2	258.6	363.6	343.5	242.4	203.8	240.6	282.8	138.7	187.9	213.4
Total Government Expenditure	1,967.6	2,112.7	2,263.5	2,335.4	2,333.6	2,535.3	2,667.8	2,804.6	1,887.5	1,986.6	2,010.6
Increase/(Decrease) % per annum	4.6	7.4	7.1	3.2	-0.1	8.6	5.2	5.1	2.4	5.2	1.2
of which:											
Recurrent Expenditure	1,578.6	1,707.0	1,784.3	1,835.9	1,896.6	2,124.1	2,204.4	2,296.3	1,559.9	1,635.1	1,667.7
Capital Expenditure	242.3	243.7	305.1	319.2	257.9	222.1	271.3	311.5	169.0	209.6	183.4
% of Total Government Expenditure	12.3	11.5	13.5	13.7	11.1	8.8	10.2	11.1	9.0	10.6	9.1
Interest on Public Debt	146.8	162.1	174.2	180.2	179.1	189.0	192.0	196.8	158.6	141.9	159.5
Structural Deficit	-245.7	-219.0	-175.4	-134.8	-109.1	-233.1	-297.0	-279.2	-333.9	-299.7	-188.4
Financed by:											
Extraordinary Receipts	4.9	20.7	59.6	201.8	14.9	33.3	2.8	0.0	0.0	0.0	9.6
Receipts from sale of shares	0.0	0.0	50.8	172.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sinking Funds of Converted Loans	4.9	20.7	8.9	29.0	14.9	33.3	2.8	0.0	0.0	0.0	9.6
Sinking Fund Contribution & Direct Loan Repayment	-29.6	-62.7	-32.1	-26.7	-21.2	-111.4	-269.4	-207.4	-259.6	-164.3	-135.0
Equity Acquisition	0.0	0.0	0.0	0.0	0.0	-6.5	-0.5	-0.2	-0.5	0.0	0.0
Loan Facility Agreement with the Hellenic Republic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	19.8	0.0	-19.8	-25.1
Public Sector Borrowing Requirement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-52.0
Loans	-270.4	-260.9	-147.9	40.3	-115.5	-317.7	-564.2	-467.1	-594.1	-483.8	-390.9
	307.71	232.70	256.23	0	126.04	285.73	455.79	577.69	355.79	478.90	401.61

Source: National Statistics Office

Monetary Aggregates and Their Counterparts*

Table X. a	2001	2002	2003	2004	2005	2006	2007
	€ million						
Broad Money (M3)	5,779.4	6,479.2	6,636.9	6,797.8	7,085.0	7,451.7	8,275.3
Intermediate Money (M2)	5,779.4	6,479.2	6,636.9	6,797.8	7,085.0	7,451.7	8,275.3
% Increase per annum	12.1	2.4	2.4	2.4	4.2	5.2	11.1
of which:							
Narrow Money (M1)	2,988.4	3,185.2	3,472.9	3,682.5	3,890.2	3,859.4	3,695.4
Currency in Circulation	975.8	1,017.5	1,072.4	1,132.1	1,162.2	1,112.9	610.2
% Increase/ (Decrease) per annum	4.3	5.4	5.4	5.6	2.7	-4.2	-45.2
Deposits withdrawals on demand	2,012.6	2,167.5	2,400.4	2,550.4	2,728.0	2,746.5	3,085.2
Deposits redeemable at notice up to 3 months	61.3	65.0	67.1	70.0	73.3	71.8	105.3
Deposits with agreed maturity up to 2 years	2,729.8	3,229.0	3,096.9	3,045.2	3,121.5	3,520.6	4,474.6
Domestic Credit	5,413.7	5,593.8	5,747.5	6,063.7	6,141.8	6,705.9	7,424.5
of which:							
Net Claims of Central Government	1,192.6	1,256.7	1,324.0	1,269.7	1,031.2	850.1	1,023.8
Claims on other residents	4,221.1	4,337.3	4,423.4	4,793.9	5,110.6	5,855.8	6,400.6
Net Foreign Assets	2,538.1	3,031.2	3,723.1	3,786.9	4,215.0	4,804.9	5,199.9
Increase/(Decrease) % per annum	19.4	22.8	22.8	1.7	11.3	14.0	8.2
of which:							
Central Bank of Malta	1,785.5	2,053.6	2,142.6	2,027.3	2,172.4	2,214.9	2,532.9
Other Monetary Financial Institutions	752.6	977.6	1,580.5	1,759.7	2,042.6	2,590.0	2,667.0
Other Counterparts to Broad Money	2,172.4	2,146.1	2,833.6	3,052.9	3,271.8	4,059.1	4,349.1

* 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

Table X b Contribution of Resident MFIs to Euro Area Monetary Aggregates and Counterparts⁽¹⁾

	€ million			
	2008	2009	2010	2011* Jan-Aug
Broad Money (M3)⁽²⁾	8,861.8	8,883.3	9,370.5	9,609.0
Intermediate Money (M2)	8,824.5	8,671.1	9,128.9	9,395.3
% Increase/ (Decrease) of which:		-1.7	5.3	2.9
Narrow Money (M1)	3,849.6	4,359.5	4,999.0	5,269.9
Currency issued ⁽³⁾	669.2	639.8	674.4	685.1
% Increase/ (Decrease)		-4.4	5.4	1.6
Overnight deposits ⁽⁴⁾	3,180.4	3,719.8	4,324.6	4,584.9
Deposits redeemable at notice up to 3 months ⁽⁴⁾	114.3	111.7	124.3	134.8
Deposits with agreed maturity up to 2 years ⁽⁴⁾	4,860.7	4,199.9	4,005.6	3,990.5
Credit Counterpart⁽⁵⁾	12,143.4	13,232.0	14,466.7	15,072.7
of which:				
Credit to residents of Malta	8,885.0	9,719.8	10,279.1	10,632.0
Credit to other Euro area residents	3,258.4	3,512.2	4,187.6	4,440.7
Net claims on non-residents of the Euro area	7,357.8	6,646.9	8,183.3	8,201.4
Other counterparts (net)⁽⁶⁾	10,649.4	10,995.6	13,279.4	13,665.1

* Provisional

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

⁽²⁾ M3 comprises M2, repurchase agreements and debt securities with agreed maturity of up to 2 years. This does not represent holdings of M3 by residents of Malta but rather the contribution of MFIs in Malta to the euro-area aggregate. As from December 2008 figures also include MMFs shares/units issued less holdings in such units by MMFs and credit institutions resident in the euro area and holdings by non-residents of the euro area.

⁽³⁾ 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.

⁽⁴⁾ Deposits with MFIs exclude interbank deposits and deposits held by central government.

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

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

Source: Central Bank of Malta