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1. Excecutive Summary

1. Executive Summary

Towards the end of 2014, Europe's economy started to show encouraging signs of recovery supported by a more competitive exchange rate, accommodative monetary policy, a fall in oil prices and a slowdown in the pace of fiscal consolidation. Indeed, in the first half of 2015, economic growth averaged 1.9 per cent in the European Union (EU) and 1.5 per cent in the Euro Area, with an uneven recovery among the various Member States, broadly in line with growth prospects over the course of this year. The Euro Area-wide inflation rate in the second quarter of 2015 stood at 0.1 per cent, way below the European Central Bank's (ECB) price stability objective of 2 per cent. On the other hand, in the first half of this year, the unemployment rate in the Euro Area averaged at 11.2 per cent while that in the EU averaged at 9.7 per cent.

Meanwhile, in 2016, the Euro Area is expected to grow by 1.9 per cent, while the economy of the EU is expected to grow by 2.1 per cent. These growth expectations are supported by expected steady declines in the unemployment rate, low inflation growth rate expectations and positive, even if rather subdued, employment growth. Positive signs in global economic growth in 2014, coupled with moderate growth expectations for 2015 and 2016, are also expected to further boost export markets of the EU. These growth expectations are on the back of steady growth expectations in 2015 and 2016 in emerging markets and robust growth expectations in the United States (US) economy, fuelled by strong labour market developments and real income gains.

During the first half of 2015, the Maltese economy expanded by 5.1 per cent in real terms, outperforming growth in the EU by nearly three times as much. In nominal terms, this increase was reflected in a growth rate of 7.2 per cent, with Gross Domestic Product (GDP) standing at €4,088.5 million up from the €3,815.5 million recorded in the same comparable period last year. Growth was mainly attributed to the domestic side of the economy, driven by positive developments in gross fixed capital formation, which increased by 11.5 per cent in real terms.

Furthermore, private and public consumption also contributed positively towards economic growth as they increased by 3.6 per cent and 4.5 per cent, respectively. On the other hand, net exports contributed marginally negatively as imports growth, in nominal terms, outperformed export growth.

During the Survey period, Gross Value Added at basic prices increased by 7.0 per cent, attributable to increases registered in the majority of sectors of the Maltese economy. Significant increases were recorded in the professional, scientific and technical activities sector, real estate activities, in the public sector, in the arts, entertainment and recreation sector, in the wholesale and retail trade, transportation and accommodation sector, in the financial services sector, and in the information and communication sector.

The performance of the Maltese labour market during the first half of 2015, continued to be positive as increases in the activity rate translated into higher employment whilst at the same time unemployment decreased when compared to 2014. Overall, positive patterns of labour market dynamics were exhibited by the majority of segments of the Maltese labour market with employment growth being broad-based and well-diversified. During the second quarter of 2015, results from the Labour Force Survey indicated an increase of 1.8 per cent in employment when compared to the corresponding quarter of 2014. Furthermore, Eurostat data shows that Malta recorded an employment growth rate higher than that of the Euro Area, while the Eurostat harmonised and seasonally adjusted unemployment rate stood at 5.1 per cent in July 2015, 0.7 percentage points lower than that recorded in July 2014.

The sectoral overview of developments in the labour market shows that the private sector was the main contributor to the increase in full-time employment reflecting a significant expansion in employment in the private market services category. This was complemented by a smaller increase in employment in the private direct production activities category. The higher level of employment in direct production was mainly a reflection

of developments in the construction and manufacturing sector. Meanwhile, employment increases in the services sector mainly originated from activities related to professional, technical and administrative activities, transport and storage and arts, entertainment and recreation. It is also notable, that the share of female in total employment continued to increase, meaning that the underlying trend relative to rising female employment rate was sustained.

A sample based survey of the industrial sector, indicates that companies registered a net positive turnover during the first seven months of this year over the same period last year. This net increase reflected an increase in exports which more than offset a decline in the local market. Conversely, the survey recorded a decrease in both industrial employment and in the number of hours worked during this period. Nonetheless, in the same period, remuneration for industrial employees increased. Indeed, the average weekly wage, based on a sample of collective agreements, stood at €325.22 up by €3.02 or 0.9 per cent over the same period last year, with direct production and market services showing a 0.2 per cent and 1.3 per cent increase respectively.

The performance of the tourism industry continued to register a positive outcome in the first seven months of 2015. Inbound tourists increased by 5.2 per cent over the previous corresponding period, reaching the 0.97 million mark. The increase was broad-based with positive results recorded in almost all salient tourism indicators, including, in the nights spent by inbound tourists, which increased by 4.2 per cent and expenditure by inbound tourists which increased by 6.7 per cent. On the other hand, full-time employment in the accommodation and food service activities recorded a marginal decrease of 0.1 per cent during the year to April 2015. With regards to the cruise passenger industry, between January and July 2015, arrivals that exclude embarkations and the Maltese cruise passenger arrivals, increased substantially by 36.0 per cent over the corresponding period in 2014.

In August 2015, HICP annual inflation rate stood at 1.4 per cent. During the last twelve months up till March 2015, inflation hovered around the rate of 0.6 per cent, before averaging to 1.3 per cent between April and August. Meanwhile, the Euro Area annual inflation rate for August 2015 stood at 0.1 per cent.

In 2014, the general Government deficit in Malta decreased to 2.1 per cent of GDP. During the eight months to August 2015, the shortfall between central Government recurrent revenue and total expenditure declined to €141.0 million - an improvement of €68.9 million when compared to the same period in the previous year. This improvement was mainly the result of higher recurrent revenue in particular, indirect and direct tax revenue, reflecting in particular the impact of stronger economic growth, corporate profits and employment, increased capital gains and further efficiency in revenue collection. Meanwhile, the public sector borrowing requirement declined from €516.9 million to €221.1 million in reflection of developments in the sinking fund contribution and direct loan repayment.

Meanwhile, Malta's Trade gap widened by €410.5 million in the period January-July of 2015, an increase of 31.8 per cent when compared to the corresponding period in 2014. This development was driven by a decrease in exports of 7.1 per cent, coupled with increases in imports of 7.0 per cent. The current account surplus stood at 5.4 per cent of GDP during the first half of 2015, an improvement over the 1.9 per cent of GDP registered in the period January-July of 2014. This increase in the current account surplus was underpinned by a substantial decrease in primary income net payments and an increase in the secondary income net receipts. Meanwhile, net lending in the financial account increased by €567.2 million following an increase in net assets pertaining to other investments due to a decrease in currency and deposits liability holdings. This was partially offset by a decrease in net assets concerning direct investments driven by a decrease in asset holdings of debt instruments.

During the Survey period, overnight deposits contributed significantly to the increase in broad money (M3). Given the

relatively low interest rate environment, depositors seemed to be more inclined in holding highly liquid short-term deposits in their bank accounts. Indeed, deposits with an agreed maturity of up to two years and deposits with agreed maturity of up to three months contributed negatively to M3. Meanwhile, the spread between the weighted average lending and deposit rates remained largely stable with minor volatilities between mid-2014 and mid-2015, despite the progressive downward movement in the European Central Bank (ECB) minimum bid rate. The dynamics of such a stable spread level between lending and deposit rates were reflected in an overall marginal decrease in deposit rates and a corresponding minimal decline in lending rates over the Survey period.

2. Economic Growth

2. Economic Growth

International Context

Eight years after the Great Recession, the world economy has not yet reached its pre-crisis levels of performance. According to the IMF's most recent update of the World Economic Outlook, emerging market and developing economies continued to register subdued economic growth while advanced economies are gradually picking up. In particular, growth in Russia and Brazil stood at 0.6 per cent and by 0.1 per cent, respectively in 2014 and are both expected to register negative growth for 2015 but positive, although subdued growth, in 2016. On the other hand, strong growth exceeding 7.0 per cent is expected in China and in India in both 2015 and 2016, to continue on the positive trajectory of 2014. Meanwhile, advanced economies are expected to grow by 2.1 per cent and by 2.4 per cent in 2015 and 2016, respectively, with moderate growth rates exceeding 2.0 per cent expected in both the United States (US) and in the United Kingdom (UK) for the forecasted period. This is in contrast to the more buoyant economic performance reported by both US and UK in 2014, when the rate of growth stood at 2.4 per cent and 2.9 per cent, respectively.

In general, Europe's economy showed encouraging signs of recovery supported by a fall in oil prices, a more competitive exchange rate and an accommodative monetary policy. Indeed, in the first half of 2015, economic growth averaged 1.9 per cent in the European Union (EU) and 1.5 per cent in the Euro Area. The Euro Area-wide inflation rate in the second quarter of 2015 stood at 0.1 per cent, considerably below the European Central Bank's (ECB) price stability objective of 2.0 per cent. However, in the first half of this year, the unemployment rate in the Euro Area averaged at 11.2 per cent while that in the EU averaged at 9.7 per cent.

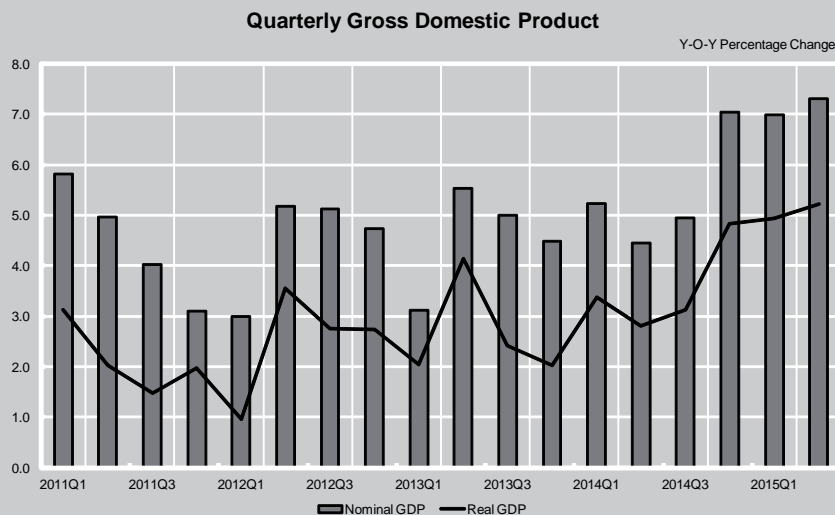
Forecasts by the European Commission expect a stronger performance on average by EU Member States for the short-

term. Despite this, a high level of risk and uncertainty remains, although the risks are broadly balanced. Downside risks include the geopolitical tensions in the Ukraine and parts of the Middle East and Northern Africa, faster adjustment of oil production which would lead to a faster rebound in oil prices, the renewed bouts of financial market volatility (particularly in emerging market economies) associated with the expected normalisation of monetary policy in the US, the slowdown in emerging markets particularly China, and the persistent instability in Greece. On a more positive note, the rebound in oil prices could be delayed by new developments in oil production, a stronger than expected impact from the ECB's quantitative easing, the protracted impact of a more competitive exchange rate, higher investment growth consistent with the on-going discussion on the Investment Plan for Europe and a slowdown in the pace of fiscal consolidation. The structural reforms undertaken in recent years throughout the EU, particularly in programme countries could also potentially provide additional stimulus to growth.

Maltese Economy¹

The Maltese economy continued to grow strongly in the first half of 2015 when compared to the same comparable period of 2014, outperforming the average growth rate for the EU by nearly three times as much. In fact, during the first half of this year, GDP grew by 7.2 per cent in nominal terms and by 5.1 per cent in real terms. Year-on-year economic growth rates are presented in Chart 2.1. From the expenditure side, growth was mainly attributed to the domestic side of the economy, which contributed positively by 5.2 percentage points. This was mainly driven by gross fixed capital formation which increased by 11.5 per cent in real terms. Private and public consumption also contributed positively towards economic growth as they increased by 3.6 per cent and 4.5 per cent, respectively. Growth in domestic demand, in particular private consumption, was in turn backed by positive employment developments and growing disposable income, improved consumer confidence and economic sentiment.

Chart 2.1



GDP by Category of Expenditure

Table 2.1

€ thousands

	2010	2011	2012	2013	2014	2013 Jan-Jun	2014 Jan-Jun	2015 Jan-Jun
At Current Market Prices								
Households Final Consumption Expenditure	3,717,885	3,922,850	4,010,809	4,133,299	4,250,934	2,011,752	2,067,920	2,156,520
NPISH Final Consumption Expenditure	97,011	102,621	105,255	107,857	110,875	54,834	56,443	57,042
General Government Final Consumption Expenditure	1,286,441	1,344,523	1,447,578	1,479,642	1,611,690	730,561	799,627	850,057
Total Final Consumption Expenditure	5,101,337	5,369,994	5,563,641	5,720,797	5,973,500	2,797,146	2,923,991	3,063,619
Gross Fixed Capital Formation	1,411,637	1,205,448	1,320,615	1,339,999	1,499,236	662,481	732,859	872,284
Changes in Inventories	164,511	153,460	(41,012)	(61,637)	(45,591)	38,516	(136)	(2,787)
Acquisitions less Disposals of Valuables	(17,917)	(25,196)	880	12,481	9,458	2,690	4,929	3,403
Exports of Goods and Services	10,114,105	10,989,769	11,857,782	11,852,012	11,864,745	5,743,299	5,777,963	5,838,160
Total Final Expenditure	16,773,673	17,693,476	18,701,907	18,863,652	19,301,348	9,244,133	9,439,606	9,774,679
Less Imports of Goods and Services	10,174,165	10,800,663	11,496,953	11,330,045	11,360,006	5,604,256	5,624,079	5,686,218
Gross Domestic Product	6,599,507	6,892,813	7,204,953	7,533,607	7,941,342	3,639,877	3,815,527	4,088,460
At chain-linked volumes (reference year 2010)								
Households Final Consumption Expenditure	3,717,885	3,830,375	3,822,063	3,895,157	4,010,325	1,894,957	1,942,621	2,016,638
NPISH Final Consumption Expenditure	97,011	99,267	99,218	98,733	98,236	50,171	49,946	48,558
General Government Final Consumption Expenditure	1,286,441	1,335,485	1,419,515	1,423,017	1,530,288	704,574	760,627	794,626
Total Final Consumption Expenditure	5,101,337	5,265,127	5,339,677	5,416,228	5,637,017	2,649,148	2,752,087	2,858,692
Gross Fixed Capital Formation	1,411,637	1,153,199	1,205,612	1,197,280	1,305,713	594,573	642,181	715,762
Changes in Inventories								
Acquisitions less Disposals of Valuables								
Exports of Goods and Services	10,114,105	10,342,185	11,064,765	11,047,155	11,015,040	5,294,613	5,342,397	5,265,812
Total Final Expenditure								
Less Imports of Goods and Services	10,174,165	10,152,033	10,676,836	10,545,852	10,605,013	5,260,274	5,327,254	5,256,522
Gross Domestic Product	6,599,507	6,738,710	6,909,083	7,091,734	7,343,001	3,323,730	3,426,330	3,600,712

Source: National Statistics Office

GDP by Category of Expenditure

Percentage Changes

Table 2.2

	2011	2012	2013	2014	2014	2015
					Jan-Jun	Jan-Jun
At Current Market Prices						
Households Final Consumption Expenditure	5.5	2.2	3.1	2.8	2.8	4.3
NPISH final consumption expenditure	5.8	2.6	2.5	2.8	2.9	1.1
General Government Final Consumption Expenditure	4.5	7.7	2.2	8.9	9.5	6.3
Total Final Consumption Expenditure	5.3	3.6	2.8	4.4	4.5	4.8
Gross Fixed Capital Formation	-14.6	9.6	1.5	11.9	10.6	19.0
Changes in Inventories						
Acquisitions less Disposals of Valuables						
Exports of Goods and Services	8.7	7.9	0.0	0.1	0.6	1.0
Total Final Expenditure	5.5	5.7	0.9	2.3	2.1	3.5
Less Imports of Goods and Services	6.2	6.4	-1.5	0.3	0.4	1.1
Gross Domestic Product	4.4	4.5	4.6	5.4	4.8	7.2
At chain-linked volumes (reference year 2010)						
Households Final Consumption Expenditure	3.0	-0.2	1.9	3.0	2.5	3.8
NPISH final consumption expenditure	2.3	-0.0	-0.5	-0.5	-0.4	-2.8
General Government Final Consumption Expenditure	3.8	6.3	0.2	7.5	8.0	4.5
Total Final Consumption Expenditure	3.2	1.4	1.4	4.1	3.9	3.9
Gross Fixed Capital Formation	-18.3	4.5	-0.7	9.1	8.0	11.5
Changes in Inventories						
Acquisitions less Disposals of Valuables						
Exports of Goods and Services	2.3	7.0	-0.2	-0.3	0.9	-1.4
Total Final Expenditure						
Less Imports of Goods and Services	-0.2	5.2	-1.2	0.6	1.3	-1.3
Gross Domestic Product	2.1	2.5	2.6	3.5	3.1	5.1

Source: National Statistics Office

In the first half of 2015, the external side of the economy did not contribute to economic growth as the growth in exports was offset by that in imports. On the other hand, stock building and acquisitions less disposals of valuables contributed negatively by 0.2 percentage points. As a result of these developments,

growth reached 5.1 per cent in real terms in the first half of this year. Data related to these developments is presented in Table 2.1 and Table 2.2 which present Gross Domestic Product (GDP) data by category of expenditure and the respective relevant percentage changes, respectively.

It is noteworthy that the data presented in this Chapter is based on national accounts data compiled according to the European Systems of Accounts (ESA2010) methodology, adopted as from September 2014. This accounting framework enables comparability with EU Member States as well as 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.

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 an increase of 4.2 per cent in the first half of 2015 compared with an increase of 2.8 per cent registered in the same period of 2014. In real terms, private final consumption increased by 3.6 per cent during the same comparable period. These positive developments were largely backed by strong labour market developments, lower energy prices and by increases in disposable income. The latter was the result of moderate wage increases and lower effective income tax rates.

Given the developments outlined above, the proportion of private consumption in real GDP declined over the first half of 2015 relative to the same period in 2014. While in the first half of 2015 the proportion stood at 57.4 per cent, the ratio declined by 0.8 percentage points from 58.2 per cent for the same period in 2014.

The increase in aggregate nominal private consumption in the first half of 2015 was broadly distributed among all the different expenditure categories. Notable increases were recorded in the health subcategory (11.0 per cent), in the miscellaneous goods and services (11.0 per cent), in the clothing and footwear subcategory (10.9 per cent), in the furnishings, household equipment and routine household maintenance subcategory (9.4 per cent), in the restaurants and hotels subcategory (5.0 per cent) and in the recreation and culture subcategory (4.8 per cent). It is noteworthy that these increases were mitigated by lower growth rates in the food and non-alcoholic beverages category and in the transport category relative to the overall growth rate of private final consumption expenditure.

General Government Final Consumption Expenditure

General Government expenditure registered an increase of 6.3 per cent in nominal terms during the January-June period of 2015, which is 3.1 percentage points less than the increase registered during the same comparable period in 2014. In real terms, general Government expenditure increased by 4.5 per cent compared to an increase of 8.0 per cent in the first half of 2014.

General Government final consumption expenditure as a ratio of real GDP remained stable at 22.1 per cent in the first half of 2015 when compared to the same comparable period of last year. It is notable that general Government final consumption expenditure excludes outlays which finance transfer payments, such as Social Security benefits, subsidies and grants. Such items of expenditure do not reflect the production of goods and services but constitute a redistribution of funds between different sectors of the economy.

Gross Capital Formation

Gross capital formation comprises gross fixed capital formation, changes in inventories and acquisitions less disposals of

valuables. The main item within this component, gross fixed capital formation (GFCF), registered a nominal increase of 19.0 per cent in the first six months of 2015, from €732.9 million in the first half of 2014 to €872.3 million in the same period of 2015, an increase of €139.4 million. The increase in GFCF was underpinned by a significant increase in Government investment of 39.9 per cent and in private investment of 14.9 per cent.

Growth in Government investment was largely the result of significant increases in the investment of metal products and machinery. To a much lesser extent, there were increases in the investment of other products and construction. In the meantime, private investment was largely propelled by increases in the investment of metal products and machinery and to a lesser extent, by investment in housing and transport equipment. These include substantial investments in the energy sector. Notable decreases are registered in the construction subcategory marked by a decline in non-residential construction.

Further analysis of the components of investment over the first half of this year indicates a significant increase in the metal products and machinery subcategory of €141.1 million or 59.6 per cent. Other increases of 20.3 per cent (€21.7 million) and 42.3 per cent (€19.3 million) were observed in the housing and transport equipment subcategories, respectively. Decreases of €47.3 million or 20.4 per cent were registered in the construction subcategory as the positive growth in Government investment in this category was more than offset by declines in private investment.

The ratio of investment to nominal GDP increased by 2.1 percentage points and stood at 21.3 per cent during the January to June 2015 period. In real terms, the ratio increased from 18.7 per cent in the first half of 2014 to 19.9 per cent in the same period of 2015. Gross fixed capital formation in both nominal and constant terms as well as the ratio to GDP is presented in Table 2.3.

Gross Fixed Capital Formation

Table 2.3

	2009	2010	2011	2012	2013	2014	2013	2014	2015
							Jan-Jun	Jan-Jun	Jan-Jun
At Current Market Prices									
Gross Fixed Capital Formation (€million)	1,115	1,411.6	1,205.4	1,320.6	1,340.0	1,499.2	662.5	732.9	872.3
% change		26.6	-14.6	9.6	1.5	11.9	-55.8	10.6	19.0
GDP (€million)	6,139	6,599.5	6,892.8	7,205.0	7,533.6	7,941.3	3,639.9	3,815.5	4,088.5
(GFCF/GDP) %	18%	21.4	17.5	18.3	17.8	18.9	18.2	19.2	21.3
At Constant 2000 Prices									
Gross Fixed Capital Formation (€million)	1,116	1,411.6	1,153.2	1,205.6	1,197.3	1,305.7	594.6	642.2	715.8
% change		26.4	-18.3	4.5	-0.7	9.1	-54.5	8.0	11.5
GDP (€million)	6,374	6,599.5	6,738.7	6,909.1	7,091.7	7,343.0	3,323.7	3,426.3	3,600.7
(GFCF/GDP) %	18%	21.4	17.1	17.4	16.9	17.8	17.9	18.7	19.9

Source: National Statistics Office

Foreign Demand and Supply

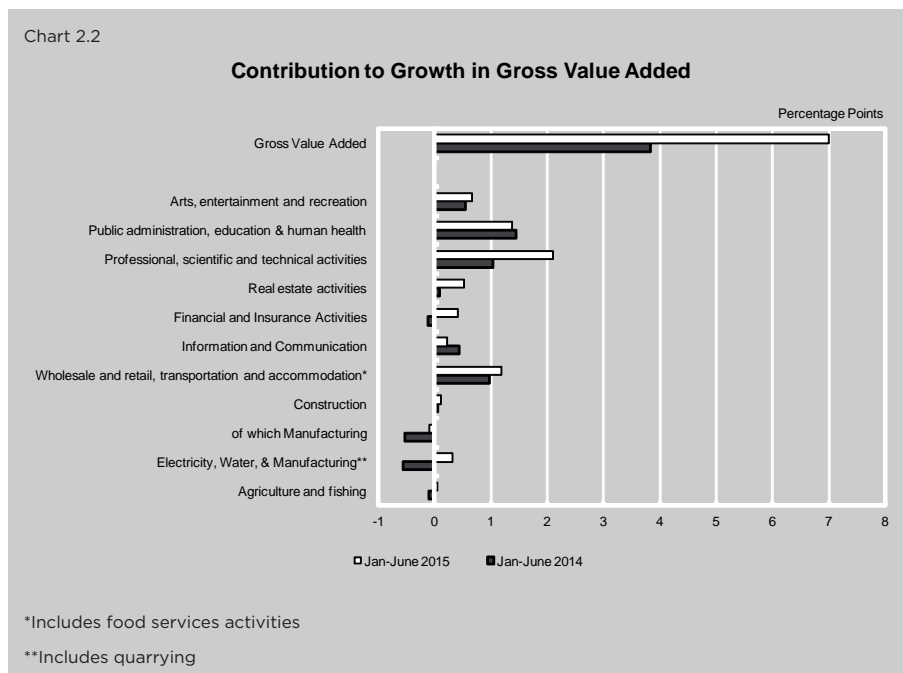
During the first half of 2015, net exports contributed marginally negatively to growth as exports increased by 1.0 per cent in nominal terms while imports increased by 1.1 per cent. In real terms, exports dropped by 1.4 per cent while imports declined by 1.3 per cent.

During the Survey period, imports of goods increased by 4.9 per cent in real terms and 8.1 per cent in nominal terms, supported by a significant rise in import prices, after registering declines in the same comparable period last year. Meanwhile, imports of services registered a decrease of 4.4 per cent in real terms and a decrease of 2.4 per cent in nominal terms. Exports of services declined by 1.1 per cent in real terms and by 0.4 per cent in nominal terms, on the back of a moderate but positive increase in service export prices. The price of export goods rose significantly such that goods exports rose by 3.2 per cent in nominal terms and declined by 2.5 in real terms. Further details on exports of goods and services are provided in Chapter 7 of the Economic Survey.

In general, the terms of trade improved marginally over the same period last year with significant distinctions between the terms of trade of goods and the terms of trade of services. In fact, during the period under review, there were notable increases of 2.6 per cent registered in the terms of trade of goods while a decrease of 0.6 per cent was registered in the terms of trade of services.

Sectoral Contribution to Gross Value Added

Gross Value Added (GVA) is defined as the value generated by any unit engaged in production activities and is obtained 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. GVA 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. The sectoral contributions to growth in GVA during the Survey period are shown in Chart 2.2, whereas Table 2.4 shows the sectoral levels in GVA at basic prices.



Sectoral Gross Value Added

(at basic prices)

Table 2.4

€ million

	2010	2011	2012	2013	2014	2014	2015
						Jan-Jun	Jan-Jun
Agriculture, forestry and fishing	96.1	92.9	95.7	97.3	91.8	43.4	45.1
Mining and quarrying; manufacturing; and utilities	893.6	873.7	819.7	841.4	807.8	411.4	422.2
of which Manufacturing	749.7	789.8	793.7	727.7	707.6	355.9	352.7
Construction	270.3	285.4	280.0	274.0	275.7	138.7	142.4
Wholesale and retail trade; repair of motor vehicles and motorcycles; transportation and storage; accommodation and food service activities	1,236.9	1,294.2	1,382.0	1,442.7	1,503.4	703.9	743.6
Information and Communication	319.7	371.4	376.6	363.3	395.1	193.1	200.8
Financial services	452.0	450.4	519.3	517.2	511.5	261.2	275.4
Real estate activities	347.1	371.7	369.1	376.7	384.8	191.2	209.1
Professional, scientific and technical activities; administrative and support service activities	536.5	570.5	652.9	718.8	821.6	368.6	439.2
Public administration and defence; compulsory social security; education; human health and social work activities	1,061.7	1,115.2	1,183.3	1,253.8	1,348.1	668.2	714.6
Arts, entertainment and recreation, repair of household goods and other services	576.7	585.7	639.6	723.2	766.5	377.8	400.0
Gross Value Added	5,790.8	6,011.1	6,318.1	6,608.5	6,906.4	3,357.6	3,592.4

Source: National Statistics Office

During the Survey period, GVA at basic prices increased by 7.0 per cent compared with a 3.8 per cent in the same period of 2014. Growth in GVA at basic prices was attributable to increases registered in all sectors of the economy with the exception of the manufacturing sector. The latter was the result of a fall in the manufacture of computer, electronics, and optical products registered in the first quarter. Indeed, in the second quarter of 2015, the manufacturing sector grew by 4.7 per cent. Significant increases were recorded in the professional, scientific and technical activities sector, real estate activities, in the public sector, in the arts, entertainment and recreation sector, in the wholesale and retail trade, transportation and accommodation sector, in the financial services sector, and in the information and communication sector.

During the Survey period, GVA at basic prices in agriculture, forestry and fishing increased by €1.6 million, from €43.4 million in the first half of 2014 to €45.1 million during the same period for 2015, mainly reflecting increases in crop and animal production, hunting and related service activities, fishing and aquaculture.

GVA in the construction sector increased by 2.7 per cent or €3.7 million during the period under review.

GVA classified under the wholesale and retail trade, repair of motor vehicles and motorcycles, transportation and storage, accommodation and food services increased by 5.6 per cent (or €39.7 million) during the same period. At a more disaggregated level, GVA at basic prices in the wholesale and retail trade sector in the January-June 2015 period stood at €383.4 million, a rise of 6.0 per cent while the transportation and storage sector increased by 4.9 per cent to €206.0 million. The accommodation and food service activities sector also registered a rise of 5.8 per cent, amounting to €8.4 million.

The manufacturing subsector registered negative growth rates, decreasing by €3.1 million or 0.9 per cent during the first two quarters of 2015, over the same period of 2014. It is however positive to note that the pace of decline registered last year, appears to be subsiding as manufacturing activity actually recovered in the second quarter of this year. In particular, the negative performance registered by the electronics sector over the last few years may have abated as a recovery in both output and GVA was recorded in the second quarter of 2015. At a more detailed sectoral level, significant decreases were recorded in the manufacturing of computer, electronic and optical products (44.9 per cent), in the manufacture of textiles (14.0 per cent), in the manufacture of electrical equipment (11.9 per cent) and in the manufacturing of coke and refined petroleum products, chemicals and chemical products (9.9 per cent). However, there were also major increases in the manufacturing of basic metals (21.9 per cent), in the manufacturing of basic pharmaceutical products and pharmaceutical preparations (20.7 per cent), in the manufacturing of wood and of products of wood, cork, except

furniture and in the manufacture of articles of straw and planting materials (18.0 per cent), in the manufacturing of fabricated metal products, except machinery and equipment (16.9 per cent), in the manufacturing of other transport equipment (15.6 per cent) and in the manufacturing of furniture (14.7 per cent).

The information and communication sector registered an increase in GVA of 4.0 per cent in the first half of 2015, equivalent to €7.8 million, thus reaching the level of €200.8 million by the end of the Survey period. Moreover, activities classified under the financial and insurance sector reported an increase in GVA of 5.4 per cent during the first two quarters of 2015 compared with the same period in 2014.

GVA in the professional, scientific and technical activities; administration and support services activities increased by a significant €70.6 million or 19.1 per cent compared with a 10.0 per cent increase registered in the same period of 2014. GVA in the public administration and defence, compulsory social security, education, human health and social work activities increased by 7.0 per cent or €46.5 million during the Survey period, while GVA increased by 5.9 per cent in the sector comprising arts, entertainment and recreation, repair of household goods and other services.

Gross Domestic Product from the Income Approach

Chart 2.3 illustrates the developments on a quarterly basis in compensation of employees at market prices over the period 2011 Q1-2015 Q2. Compensation of employees increased by 4.1 per cent during the Survey period compared with an increase of 5.1 per cent in the same period of 2014. This was underlined by a strong increase in employment, a moderate increase in compensation per capita and also the low inflation environment.

This increase was mainly underpinned by compensation of employees in the public administration subsector, in the



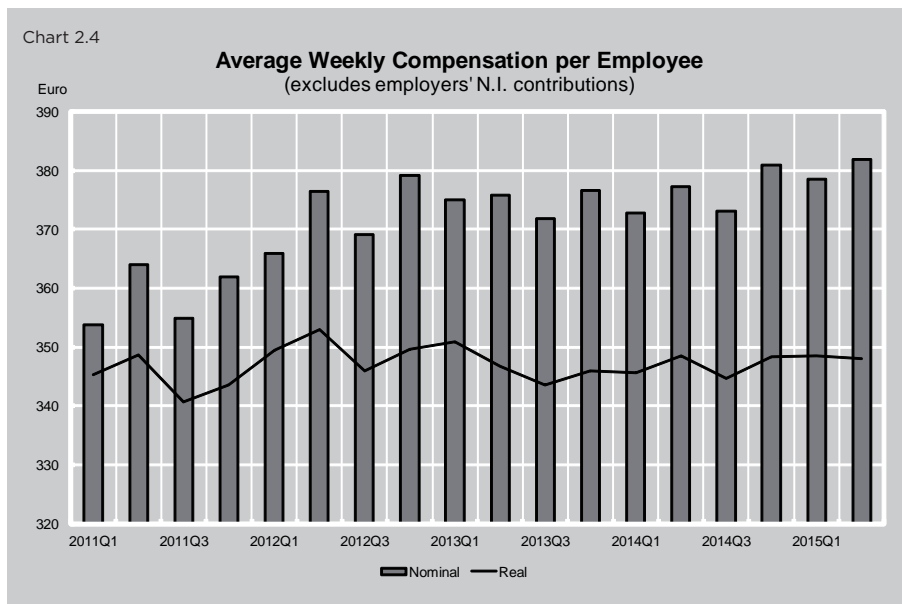
professional, scientific and technical activities subsector, in the financial and insurance activities subsector, in the information and communication subsector and in the arts, entertainment and recreation subsector. During the first six months of 2015, the share of employee compensation to GDP at market prices decreased by 1.3 percentage points to 44.8 per cent, as the growth rate in GDP exceeded the growth rate of compensation of employees.

Income per employee as measured by average nominal weekly compensation stood at €380.1 during the first half of 2015 compared to €375.0 in the same period of 2014. This represents an increase of 1.4 per cent. In real terms, average weekly compensation during the first half of 2015 stood at €348.3 up by 0.4 per cent when compared with the first two quarters of 2014. It is to be noted, that data in respect of wages and salaries relates to national accounts data and therefore include the earnings of both full-time and part-time employees, with the latter becoming increasingly more relevant, partly as a result of the increasing female participation in the economy. The increasing share of the part-time employees also tend to affect both average increases in compensation as well as the composition of compensation of

employees. Furthermore, in estimating average weekly wages per employee, the segment of National Insurance contribution paid by employers is excluded from calculations. Real average weekly wage figures were obtained by deflating such values by the Retail Price Index in order to portray a more indicative picture of purchasing power rather than that of competitiveness. Development in wages and salaries are shown in Chart 2.4 and Table 2.5.

During the period under review, gross operating surplus and mixed income increased by 10.4 per cent during the first half of 2015 compared to an increase of 3.1 per cent achieved during the same comparable period last year. This positive development resulted in an increase in the ratio of gross operating surplus to GDP at market prices of 1.3 percentage points to 43.7 per cent.

Meanwhile, taxes on production and imports increased by €33.4 million during the first two quarters of 2015 while subsidies decreased only by €0.6 million. This resulted into an increase of net taxes of €32.9 million or 7.5 per cent during the first half of 2015. Developments in GDP from the income approach are presented in Table 2.6.



Average Weekly Wage per Employee*

Table 2.5

	Nominal		Real**	
	Value	Change	Value	Change
	€	%	€	%
2011	358.7	3.7	344.5	1.0
2012	372.6	3.9	349.5	1.5
2013	374.8	0.6	346.8	-0.8
2014	376.0	0.3	346.8	0.0
2014 (Jan-Jun)	375.0	-0.1	347.1	-0.5
2015 (Jan-Jun)	380.1	1.4	348.3	0.4

*Excludes employers' National Insurance contributions

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

Source: National Statistics Office

Gross Domestic Product from the Income Side

Table 2.6

€ million

	2010	2011	2012	2013	2014	2014 Jan-Jun	2015 Jan-Jun
Compensation of employees	2,845.3	3,035.8	3,208.5	3,378.4	3,561.8	1,759.7	1,831.8
Gross operating surplus and mixed income	2,961.5	2,988.8	3,134.4	3,257.3	3,387.3	1,617.8	1,785.7
Taxes on production and imports	865.4	933.4	954.5	993.5	1,112.3	499.3	532.7
Less Subsidies	72.6	65.1	92.3	95.6	120.1	61.3	61.8
Gross Domestic Product at current market prices	6,599.5	6,892.8	7,205.0	7,533.6	7,941.3	3,815.5	4,088.5

Source: National Statistics Office

Gross National Income

Gross National Income (GNI) is calculated by adjusting GDP at market prices for net compensation received from or paid to the rest of the world, subsidies less taxes from/to the rest of the EU and net income property from the rest of the world. Hence, GNI represents the total primary income receivable by resident institutional units, irrespective of where that income was generated.

During the January-June 2015 period, GNI at market prices increased by €310.3 million, or by 8.2 per cent. Typically, GNI at current market prices is less than GDP due to the net payments on property income from abroad. However, in the first half of 2015, the difference was €7.9 million compared to the €45.3 million registered during the same comparable period last year which is mainly due to the decrease in outflow of net property income. During the Survey period, there was an outflow of net property income of €10.8 million compared to the €52.6 million relative to the same period in 2014. On the other hand, during the same period, there were net taxes on products from the EU of €0.4 million. Furthermore, there were net inflows in compensation of employees from the rest of world of €3.2 million, a €1.5 million increase when compared to the same period last year. Developments in GNI are shown in Table 2.7.

Gross National Income							
Table 2.7	€ million						
	2010	2011	2012	2013	2014	2014	2015
						Jan-Jun	Jan-Jun
Gross Domestic Product							
at current market prices	6,559.5	6,892.8	7,205.0	7,533.6	7,941.3	3,815.5	4,088.5
Net compensation of employees							
from the rest of the world	-3.2	2.3	-4.8	0.8	5.9	1.7	3.2
Subsidies less Taxes on							
products from/to the rest of							
the EU	7.1	5.0	4.1	11.1	8.5	5.6	-0.4
Net property income from the							
rest of the world	-282.2	-231.0	-316.1	-400.6	-367.7	-52.6	-10.8
Gross National Income							
at current market prices	6,321.3	6,669.2	6,888.2	7,144.9	7,588.0	3,770.2	4,080.5

Source: National Statistics Office

Endnote:

¹ The data presented in this Chapter is based on national accounts data compiled according to the European Systems of Accounts (ESA10) methodology. Gross Domestic Product at current market prices is estimated by the National Statistics Office (NSO) from the production side, involving the aggregation of the output of various productive sectors net of the cost of intermediate inputs. A reconciliation of the production side with estimates of expenditure on output produced is then carried out and the residual between the two approaches is included in the changes in inventories component.

3. Employment

3. Employment

This Chapter presents an overview of developments in the labour market, covering the period 2012 to 2014 as well as the first half of 2015. The aggregate indicators presented in this Chapter are based on the Labour Force Survey (LFS)¹ as it enables comparison across European Union (EU) Member States. In order to analyse sectoral developments, administrative records of the Employment and Training Corporation (ETC) are used. Such data classification is based on NACE Rev. 2. It is important to note, that the LFS data is not directly comparable to statistics originating from the ETC primarily due to differences in the definitions and methodology underpinning the two datasets.

Labour Market Developments

The performance of the Maltese labour market during the first half of 2015 continued to be positive as increases in the activity rate translated into higher employment, whilst at the same time, the unemployment rate continued to decline. Overall, positive patterns of labour market dynamics were exhibited by the majority of segments of the Maltese labour market with the consequence that employment growth was broad-based and well-diversified.

Recent Employment Trends

Table 3.1 shows that by the end of the second quarter of 2015, the labour force for persons aged 15 and over (i.e. the total number of people employed plus unemployed) increased to 195,465, thus reflecting an increase of 2,682 or 1.4 per cent over the second quarter of 2014. This increase in the labour force reflected an increase in female labour force of 2,426 or 3.3 per cent to 76,527 in June 2015 and an increase of 256 or 0.2 per cent in male labour force that stood at 118,938 at end of the same period.

Meanwhile, during the same period, total employment stood at 184,871, reflecting an increase of 3,232 or 1.8 per cent over the second quarter of 2014. This increase in employment reflected

Labour Market Performance (Persons aged 15 and over)

Labour Force Survey

Table 3.1

	2012	2013	2014	2014 Apr-Jun	2015 Apr-Jun
Labour Supply	181,731	187,915	192,754	192,783	195,465
Male	114,805	117,197	119,101	118,682	118,938
Female	66,926	70,718	73,653	74,101	76,527
Employment	170,249	175,911	181,482	181,639	184,871
Male	108,224	109,614	111,813	111,577	112,340
Female	62,025	66,297	69,669	70,062	72,531
Unemployment	11,482	12,004	11,272	11,144	10,594
Male	6,581	7,583	7,288	7,105	6,598
Female	4,901	4,421	3,984	4,039	3,996
Inactive Persons	167,371	165,624	164,587	163,993	164,855
Male	58,382	58,738	59,125	59,252	60,991
Female	108,989	106,886	105,462	104,741	103,864
Unemployment Rate	6.3	6.4	5.9	5.8	5.4
Male	5.7	6.5	6.1	6.0	5.6
Female	7.3	6.3	5.4	5.5	5.2

Source: National Statistics Office

an increase in female employment of 2,469 or 3.5 per cent, from 70,062 in the second quarter of 2014 to 72,531 in the second quarter of 2015, as well as an increase in male employment from 111,577 in the second quarter of 2014 to 112,340 in the second quarter of 2015. As a result, male employment accounted for 60.8 per cent of total employment while female employment accounted for the remaining 39.2 per cent, an increase of 0.7 percentage points over last years' percentage. It is pertinent to note, that during the Survey period, the percentage increase of females in employment exceeded that in the labour force thus sustaining the underlying trend of a rising female employment rate².

The unemployment rate during the second quarter of this year stood at 5.4 per cent, 0.4 percentage points lower than that recorded in the second quarter of 2014. Both the male and female unemployment rates continued to fall during the same period. The male unemployment rate stood at 5.6 per cent during the second quarter of 2015, a drop of 0.4 percentage points over the corresponding period of 2014, while the female unemployment rate also fell by 0.3 percentage points to 5.2 per cent.

During the second quarter of 2015, the number of full-time jobs amounted to 156,603 representing an increase of 3.7 per cent over the comparable period of 2014 (see Table 3.2). In the meantime, both full-time jobs with reduced hours and part-time jobs decreased by 627 (11.9 per cent) and 1,745 (6.9 per cent), respectively. As opposed to the trend observed in the previous years, the share of part-time employment over total employment dropped to 12.8 per cent in the second quarter of 2015 from 14.0 per cent during the same quarter of 2014. Also, during the same period, the share of full-time jobs with reduced hours decreased to 2.5 per cent from 2.9 per cent. Furthermore, whereas during the 2012-2014 period the ratio of full-time employment over total employment decreased from 85.9 per cent to 83.5 per cent, during the second quarter of 2015, this ratio increased by 1.6 percentage points year-on-year to 84.7

**Distribution of Employed Persons
by Type of Employment in Main Occupation**

Table 3.2

	2012	2013	2014	2014 Apr-Jun	2015 Apr-Jun
Full-time job	146,295	149,222	151,523	150,999	156,603
Full-time job with reduced hours job	4,062	4,810	5,327	5,278	4,651
Part-time job	19,892	21,879	24,632	25,362	23,617
Total	170,249	175,911	181,482	181,639	184,871

Source: National Statistics Office

per cent. A detailed sectoral breakdown of the composition of employment is provided further on in this Chapter.

In the second quarter of 2015, the employment rate (defined as the number of persons engaged in employment as a percentage of the population of working age) stood at 63.9 per cent, following an increase of 1.4 percentage points over the second quarter of 2014. Table 3.3 shows that this development reflected an increase in both the female employment rate of 1.8 percentage points to 51.5 per cent and an increase in the male employment rate of 0.9 percentage points to 75.7 per cent. Overall, the observed developments over this period are in part a continuation of past trends. Indeed, between 2012 and 2014, the employment rate continued to exhibit an upward trend, rising from 59.1 per cent in 2012 to 62.3 per cent in 2014.

	2012	2013	2014	2014 Apr-Jun	2015 Apr-Jun
Total (15-64)	59.1	60.8	62.3	62.5	63.9
Male	73.8	74.1	74.8	74.8	75.7
Female	44.0	47.0	49.3	49.7	51.5
15-24	43.8	46.0	46.1	45.8	43.1
Male	46.7	47.5	45.6	46.6	44.1
Female	40.7	44.4	46.6	45.0	42.0
25-54	72.5	74.0	75.8	75.9	77.7
Male	89.7	89.6	90.6	90.0	90.8
Female	54.9	57.8	60.5	61.2	64.1
55-64	34.6	36.2	37.7	38.6	41.8
Male	53.1	53.8	55.6	56.3	59.9
Female	16.3	18.7	19.8	21.0	23.7

The methodology applied to the activity and/or the employment rate used by Eurostat is different than that used by the NSO thus the figures may differ slightly.

Source: National Statistics Office

During the same three-year period, the female employment rate improved by 5.3 percentage points to 49.3 per cent, while the male employment rate increased by 1.0 percentage points to reach 74.8 per cent in 2014.

Turning to the age distribution of the employment rate presented in Table 3.3, it is noted that in the second quarter of 2015 the highest employment rate (77.7 per cent) was observed in the age group 25-54, followed by the age groups 15-24 (43.1 per cent), and 55-64 (41.8 per cent). The gender distribution shows that males have a higher employment rate in all age groups. However, the female employment rate has been converging to the male employment rate in all age brackets. Furthermore, age group 15-24 exhibits the narrowest gender gap, while age group 55-64 has the widest gender gap in the employment rate.

The developments in the employment rates are fairly in line with past trends, such that between 2012 and 2014 most changes in employment rates were a result of improvements in the female employment rate in all age groups, particularly in the age group 15-24 in which an increase of 5.9 percentage points was recorded. By contrast, male employment rate decreased by 1.1 percentage points during this period. During the three-year period, the age bracket that reported the largest increase in the male employment rate was 55-64, which increased by 2.5 percentage points. Meanwhile, the female employment rate for the age group 55-64 increased by 3.5 percentage points to stand at 19.8 per cent in 2014.

Developments in the Unemployment Rate

According to the LFS, during the second quarter of 2015, the number of unemployed persons stood at 10,594, following a decrease of 550 when compared to the second quarter of a year earlier. Consequently, as shown in Table 3.4, the unemployment rate (defined as unemployed persons as a percentage of the labour force) decreased by 0.4 percentage points to 5.4 per cent when compared to the 5.8 per cent registered in the same period a year earlier. The observed developments registered

Unemployment Rates by Age

Table 3.4 per cent

	2012	2013	2014	2014 Apr-Jun	2015 Apr-Jun
Total (15-74)	6.3	6.4	5.9	5.8	5.4
15-24	14.1	13.0	11.8	12.6	13.4
25-74	4.9	5.2	4.8	4.6	4.2

Source: National Statistics Office

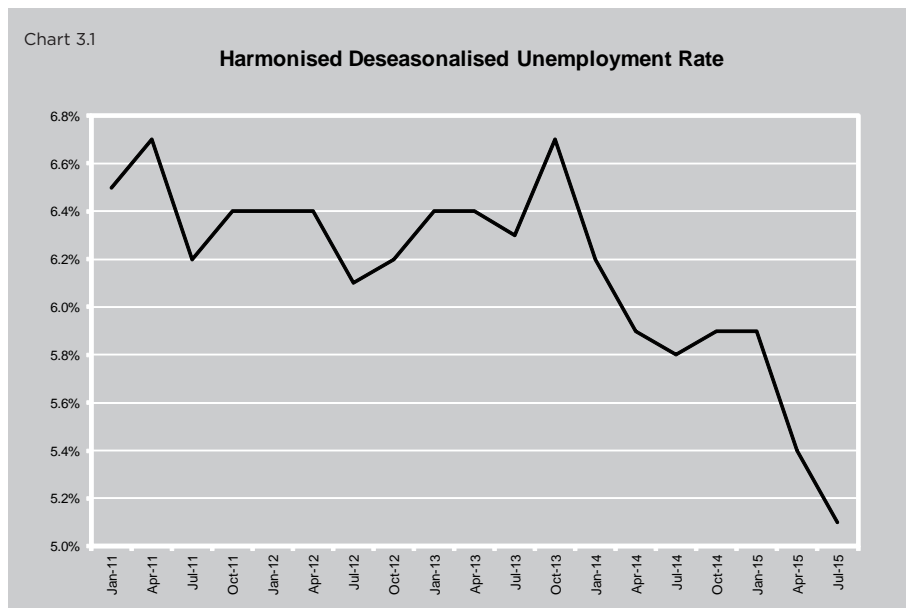
between the second quarter of 2014 and the same quarter of 2015, reflect increases in job creation which exceeded the rising labour force participation, since the number of unemployed persons decreased by 4.9 per cent while labour supply increased by 1.4 per cent. Statistics for the period 2012 to 2014 show that in 2013, unemployment rate increased by 0.1 percentage points reaching 6.4 per cent, however, in 2014 unemployment rate decreased by 0.5 percentage points reaching 5.9 per cent. Meanwhile, more recent statistics released by Eurostat indicate that the deseasonalised harmonised unemployment rate in July 2015 stood at 5.1 per cent.

During the second quarter of 2015, the number of unemployed males decreased by 507 to 6,598, while the number of unemployed females fell by 43 and stood at 3,996 when compared to the second quarter of 2014. During the period April to June 2015, the female unemployment rate stood at 5.2 per cent, a decrease of 0.3 percentage points when compared to the second quarter of 2014, while the male unemployment rate declined by 0.4 percentage points to 5.6 per cent.

As indicated in Table 3.4, youth unemployment rate decreased sharply by 2.3 percentage points reaching 11.8 per cent in 2014 when compared to 2012. However, this decrease was partially reversed in the first half of 2015 as the youth unemployment rate increased by 0.8 percentage points during this period,

reaching 13.4 per cent. Meanwhile, the unemployment rate for persons aged 25-plus decreased by 0.4 percentage points over the same period thus, contributing to the overall decline in the unemployment rate.

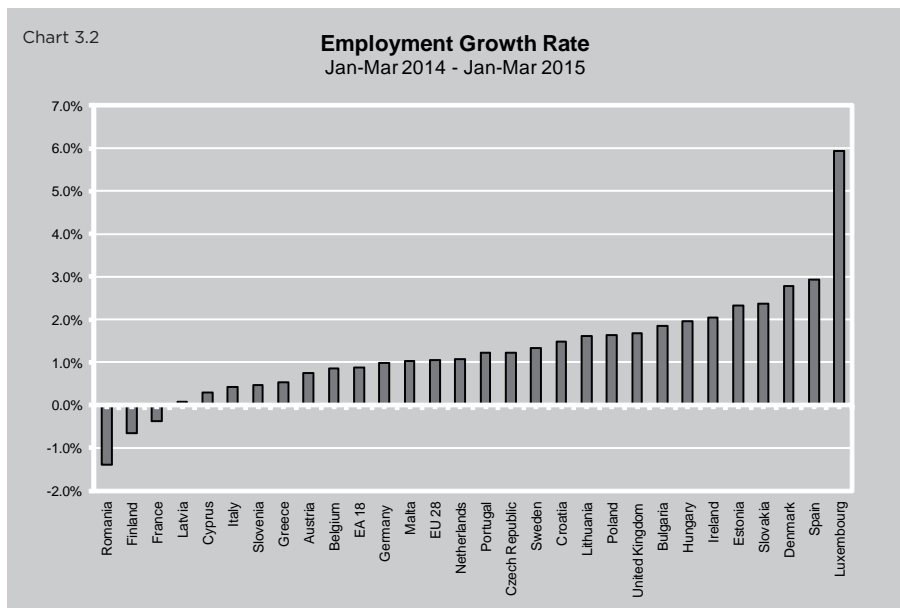
Chart 3.1 shows the monthly harmonised deseasonalised unemployment rate for Malta. In spite of the observed volatility, the harmonised unemployment rate generally followed a downward trend to reach 5.1 per cent in July 2015. During the first seven months of 2013, unemployment decreased marginally by 0.1 percentage points to 6.3 per cent. The unemployment rate further decreased to 6.2 per cent in January 2014 and reached 5.8 per cent by July 2014. However, marginal increases were registered during this same year, reaching 5.9 per cent in October 2014. In January 2015, the unemployment rate stood at 5.9 per cent but decreased to 5.1 per cent by July 2015 since increases in participation rates were translated into higher employment levels.



General Labour Market Developments in the Euro Area and the EU

The depth and duration of the decline in international economic activity have led to a fragile labour market dynamics in the EU, but continued to vary substantially between Member States. The analysis in this section is based on the latest comparable set of figures for the EU that relate to the first quarter of 2015. As shown in Chart 3.2, the rate of employment growth (measured as the first quarter year-on-year growth rate) was robust in Luxembourg (5.9 per cent), Spain (2.9 per cent), Denmark (2.8 per cent), Slovakia (2.4 per cent) and Estonia (2.3 per cent). Employment losses were on the other hand recorded in Romania (1.4 per cent), Finland (0.6 per cent) and France (0.4 per cent). With a rate of 1.0 per cent, Malta recorded an employment growth rate equal to that of Germany and similar to that of Belgium and Netherlands. Malta's employment growth rate was the same as that of the EU28 (1.0 per cent) and higher than that of the Euro Area (0.9 per cent).

During the first quarter of 2015, the evolution of the employment rate showed different patterns across Member States. The



Employment Rates across EU

Table 3.5

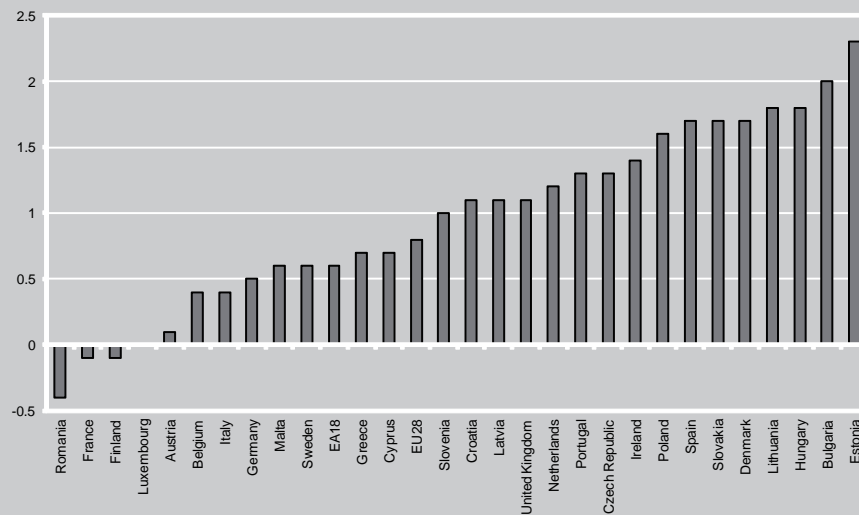
per cent

	2014 Jan-Mar	2015 Jan-Mar		2014 Jan-Mar	2015 Jan-Mar
EU28	63.9	64.7	Latvia	65.8	66.9
EA18	63.1	63.7	Lithuania	64.2	66.0
Belgium	61.5	61.9	Luxembourg	66.2	66.2
Bulgaria	59.0	61.0	Hungary	60.6	62.4
Czech Republic	68.1	69.4	Malta	61.7	62.3
Denmark	71.3	73.0	Netherlands	72.4	73.6
Germany	73.2	73.7	Austria	70.1	70.2
Estonia	67.6	69.9	Poland	60.3	61.9
Ireland	60.8	62.2	Portugal	61.5	62.8
Greece	48.5	49.2	Romania	59.5	59.1
Spain	54.7	56.4	Slovenia	62.5	63.5
France	63.4	63.3	Slovakia	60.2	61.9
Croatia	52.7	53.8	Finland	67.3	67.2
Italy	55.1	55.5	Sweden	73.4	74.0
Cyprus	60.9	61.6	United Kingdom	71.3	72.4

Source: Eurostat

Chart 3.3

Change in Employment Rate Jan-Mar 2014 - Jan-Mar 2015 (percentage points)



employment rate for the EU28 improved by 0.8 percentage points to 64.7 per cent, while the employment rate of the Euro Area increased by 0.6 percentage points to stand at 63.7 per cent. Details are shown in Table 3.5 and Chart 3.3. As can be observed, Malta's employment rate stood at 62.3 per cent in the first quarter of 2015, and despite the positive development in the employment rate for Malta over the recent years, the rate remains 2.4 percentage points and 1.4 percentage points below the rates for the EU28 and Euro Area average, respectively.

Unemployment Rates across EU

Table 3.6 per cent

	2011	2012	2013	2014	2014 Jan-Mar	2015 Jan-Mar
EU28	9.6	10.4	10.8	10.2	11.0	10.2
EA18	10.1	11.3	12.0	11.6	12.4	11.7
Belgium	7.2	7.6	8.4	8.5	8.7	8.8
Bulgaria	11.3	12.3	13.0	11.4	13.0	10.6
Czech Republic	6.7	7.0	7.0	6.1	6.8	6.0
Denmark	7.6	7.5	7.0	6.6	7.4	6.6
Germany	5.8	5.4	5.2	5.0	5.4	5.0
Estonia	12.3	10.0	8.6	7.4	8.5	6.6
Ireland	14.7	14.7	13.1	11.3	12.1	10.0
Greece	17.9	24.5	27.5	26.5	27.9	26.7
Spain	21.4	24.8	26.1	24.5	25.9	23.8
France	8.8	9.4	9.9	10.3	10.6	10.8
Croatia	13.7	16.0	17.3	17.3	18.7	18.1
Italy	8.4	10.7	12.2	12.7	13.6	13.0
Cyprus	7.9	11.9	15.9	16.1	16.9	17.8
Latvia	16.2	15.0	11.9	10.8	11.9	10.2
Lithuania	15.4	13.4	11.8	10.7	12.4	10.0
Luxembourg	4.9	5.1	5.9	5.9	6.5	7.3
Hungary	11.0	11.0	10.2	7.7	8.3	7.8
Malta	6.4	6.3	6.4	5.9	6.0	5.7
Netherlands	5.0	5.8	7.3	7.4	8.1	7.5
Austria	4.6	4.9	5.4	5.6	6.0	5.8
Poland	9.7	10.1	10.3	9.0	10.6	8.6
Portugal	12.9	15.8	16.4	14.1	15.3	13.9
Romania	7.2	6.8	7.1	6.8	7.2	7.4
Slovenia	8.2	8.9	10.1	9.7	10.8	9.8
Slovakia	13.6	14.0	14.2	13.2	14.1	12.4
Finland	7.8	7.7	8.2	8.7	9.0	9.7
Sweden	7.8	8.0	8.1	8.0	8.6	8.3
United Kingdom	8.1	7.9	7.6	6.1	6.7	5.5

Source: Eurostat

Table 3.6 shows that in the first quarter of 2015, the EU unemployment rate recorded marginal improvements from the rate recorded during the previous year. The EU28 and the Euro Area unemployment rates stood at 10.2 per cent and 11.7 per cent, down from 11.0 per cent and 12.4 per cent, respectively. The unemployment rate in most EU countries remains relatively high. Between January and March 2015, the lowest unemployment rates were recorded in Germany (5.0 per cent), United Kingdom (5.5 per cent) and Malta (5.7 per cent). Conversely, the highest unemployment rates recorded were those for Greece (26.7 per cent) and Spain (23.8 per cent).

Sectoral Employment

This section presents a sectoral overview of developments in the labour market. The analysis in this section is based on administrative records compiled by the Employment and Training Corporation (ETC) covering the period from December 2012 to December 2014 and, on the basis of more recent data, from April 2014 to April 2015. More recent data on registered unemployed persons is also used to shed light on the profile of unemployed persons up to July 2015.

As shown in Table 3.7, at the end of April 2015, the full-time gainfully occupied population increased by 7,048 or 4.4 per cent to reach 168,840, illustrating that the positive trend followed in recent years was sustained. During the period April 2014 to April 2015, the private and public sector gainfully occupied population (inclusive of temporary employees) rose by 6,618 or 5.6 per cent and 430 or 1.0 per cent, respectively; thus underscoring that the increase in the full-time employment was mainly driven by the private sector.

Overall, the observed developments over the year to April 2015 are in part a continuation of past trends. Indeed, during the period December 2012 to December 2014, total private and public sector employment expanded by 11,720. In April 2015, private sector employment accounted for 73.9 per cent of the total gainfully occupied while the share of public sector

Labour Market Indicators

Administrative Source

Table 3.7

	2012	2013	2014	2014	2015
	Dec	Dec	Dec	Apr	Apr
Labour Supply	160,857	166,673	172,053	169,083	174,408
Males	105,569	107,992	110,338	109,258	111,373
Females	55,288	58,681	61,715	59,825	63,035
Gainfully Occupied	154,046	159,272	165,766	161,792	168,840
Males	100,290	102,355	105,526	103,704	107,218
Females	53,756	56,917	60,240	58,088	61,622
Total Private Sector	113,036	116,851	121,361	118,152	124,770
Private Direct Production	31,380	31,420	31,926	31,856	32,296
Private Market Services	81,656	85,431	89,435	86,296	92,474
of whom Temporary Employment	463	417	343	419	343
Total Public Sector	41,010	42,421	44,405	43,640	44,070
of whom Temporary Employment	126	104	75	110	75
Registered Unemployed*	6,811	7,401	6,287	7,291	5,568
Males	5,279	5,637	4,812	5,554	4,155
Females	1,532	1,764	1,475	1,737	1,413
Self-Employed**	17,894	18,272	18,752	18,440	19,032
Males	14,834	15,020	15,298	15,125	15,517
Females	3,060	3,252	3,454	3,315	3,515
% of Gainfully Occupied	11.6	11.5	11.3	11.4	11.3
Memorandum:					
Total Direct Production***	37,629	34,615	33,556	34,963	35,161
Total Market Services***	116,417	124,657	132,210	126,829	133,679
Total Private Sector Share	73.4%	73.4%	73.2%	73.0%	73.9%
Total Public Sector Share	26.6%	26.6%	26.8%	27.0%	26.1%
Part-time Employment as					
Primary Job	30,297	31,317	33,719	32,438	33,987

*Includes both Parts I and II of the Registered Unemployed

**Included in the Private Sector

***Including temporary employees

Source: Employment and Training Corporation

employment in the gainfully occupied population decreased by 0.9 percentage points to 26.1 per cent, when compared to April 2014.

It is to be noted that, developments in the headcount as well as the distribution of employees between the private and public sector were affected by a number of factors. Firstly, as of January 2015, employees engaged with the public transport operator were reclassified with the private sector, as a result of the takeover by the new public transport service provider. It is also noteworthy, that following changes in ministerial responsibilities in 2013, workers who were formerly classified as employees of the Ministry for Resources and Rural Affairs (MRRA) were shifted to a new Ministry with a different economic activity, namely public administration and defence; compulsory social security. Furthermore, a more appropriate economic activity classification for public sector units started to be adopted for 2015 data. In this regard it was noted that in January 2015, 1,340 full-time employees who were formerly classified as employees in the public administration and defence; compulsory social security sector were reclassified in other sectors of the economy. The ETC regularly revises provisional data in line with the objective of maintaining a continuous update of labour market data.

As shown in Table 3.7, over the twelve month period to April 2015, the increase in full-time gainfully occupied population was mainly due to an expansion of 6,178 persons or 7.2 per cent in the private market services category, and an increase of 440 or 1.4 per cent in the private direct production category. This shows that developments over this period are in part a continuation of past trends since during the period December 2012 to December 2014, private market services category and private direct production increased by 7,779 (9.5 per cent) and 546 (1.7 per cent), respectively. These results confirm the importance of the services activity as the main generator of employment in Malta.

On a gender basis, the increase in the gainfully-occupied population recorded over recent years was driven mainly by a larger number of females in employment. In fact, during the

year to April 2015, the female component in gainful employment increased by 3,534 or 6.1 per cent, while the male component rose by 3,514 or 3.4 per cent. Consequently, the share of males in full-time employment declined by 0.6 percentage points to 63.5 per cent while the share of females in full-time employment rose from 35.9 per cent to 36.5 per cent.

At the end of April 2015, the number of self-employed persons stood at 19,032, reflecting an increase of 592 or 3.2 per cent over April 2014. The share of self-employed in the total gainfully occupied decreased marginally by 0.1 percentage points, thus remaining relatively unchanged at 11.3 per cent in April 2015. The increase in the number of self-employed reflected increases amongst both males and females. The number of male self-employed stood at 15,517, reflecting an increase of 392 or 2.6 per cent over April 2014. During the same period, the number of female self-employed increased by 200 or 6.0 per cent to stand at 3,515. This may be the result of the higher female participation rate.

The labour supply increased by 11,196 or 7.0 per cent in the three-year period from 2012 and 2014. This was mainly due to the increase in female labour supply that increased by 6,427 or 11.6 per cent over this three-year period. The male component of the labour supply rose by 4,769 persons or 4.5 per cent during the same period.

Meanwhile, labour supply rose from 169,083 in April 2014 to 174,408 in April 2015, representing an increase of 5,325 or an increase of 3.1 per cent. Again, female labour supply was the main driver behind this increasing trend. Indeed, female labour supply increased by 3,210 or 5.4 per cent over this one-year period reaching 63,035 in April 2015.

Private Sector Employment

The increase recorded in employment in the private sector (inclusive of temporary employees) over the one year period April 2014 to April 2015 illustrates that the upward trend that

followed during the past three years was also sustained in the recent months. This increase in private sector employment reflected a significant expansion in employment in the private market services category and to a lesser extent, by an increase in employment in the private direct production activities category.

As presented in Table 3.8, at the end of April 2015, employment in private direct production stood at 32,296, an increase of 440 or 1.4 per cent over April 2014. Meanwhile, employment in private market services at the end of April 2015 stood at 92,474, an increase of 6,178 or 7.2 per cent over April 2014. Consequently, at the end of April 2015, the share of private direct production in total private sector employment stood at 25.9 per cent, a decrease of 1.1 percentage points over a year earlier. Meanwhile, by the end of April 2015, the share of private market services in the total private sector employment increased by 1.1 percentage points over April 2014 to 74.1 per cent.

Table 3.8 shows that by the end of April 2015, the manufacturing sector stood out as the largest subsector (20,451) as it accounted for 63.3 per cent of the private direct production employment level. Table 3.9 presents the sectoral contribution to employment growth. The higher level of employment in direct production recorded between April 2014 and April 2015 reflected mainly developments in the construction sector. In fact, during the year to April 2015, the construction sector recorded an increase of 300 employees or 3.3 per cent. The manufacturing sector also contributed positively towards employment growth as full-time employment increased by 103 persons or 0.5 per cent during the year to April 2015. Mining and quarrying, agriculture, forestry and fishing and electricity, gas, steam and air conditioning supply also recorded increases, albeit significantly smaller. Water supply and waste management was the only sector that registered a marginal decrease in employment.

Data for private sector employment confirms that, during the Survey period, the primary source of job creation in the Maltese economy was market service activities. As shown in Table 3.10, by the end of April 2015, total employment reached 92,474,

Private Sector Employment - Direct Production

Table 3.8

	2012 Dec	2013 Dec	2014 Dec	2014 Apr	2015 Apr
Agriculture, forestry and fishing	1,876	1,845	1,837	1,844	1,853
Mining and Quarrying	295	302	363	326	359
Manufacturing	19,990	20,114	20,290	20,348	20,451
Electricity, gas, steam and air conditioning supply	7	16	18	15	20
Water supply and waste management	346	327	341	346	336
Construction	8,866	8,816	9,077	8,977	9,277
Total Employment in Direct Production	31,380	31,420	31,926	31,856	32,296

* Including temporary employees

Source: Employment and Training Corporation

Contribution to Growth in Private Sector Employment*

Direct Production

Table 3.9 percentage points

	Dec-2013/ Dec-2012	Dec-2014/ Dec-2013	Apr-2015/ Apr-2014
Agriculture, forestry and fishing	-0.1	0.0	0.0
Mining and Quarrying	0.0	0.2	0.1
Manufacturing	0.4	0.6	0.3
Electricity, gas, steam and air conditioning supply	0.0	0.0	0.0
Water supply and waste management	-0.1	0.0	0.0
Construction	-0.2	0.8	0.9
Total	0.1	1.6	1.4

* Including temporary employees

Note: Compiled from data provided by the Employment and Training Corporation.

Private Sector Employment - Market Services*

Table 3.10

	2012	2013	2014	2014	2015
	Dec	Dec	Dec	Apr	Apr
Wholesale and Retail (including Repair of Motor Vehicles, Motorcycles and Personal and Household Goods)	23,046	23,392	23,990	23,709	24,273
Transport and Storage	6,987	7,103	6,462	6,356	7,383
Accommodation and food service activities	10,007	9,959	10,233	10,229	10,440
Information and communication	4,747	5,045	5,408	5,135	5,661
Financial and insurance activities	6,805	7,199	7,527	7,248	7,607
Real estate activities	927	974	1,059	1,035	1,085
Professional, technical and administrative activities	14,974	16,734	18,510	17,156	19,083
Education	4,370	4,566	4,723	4,630	4,756
Health and social work	3,008	3,348	3,619	3,433	3,831
Arts, entertainment and recreation	3,593	3,769	4,359	3,971	4,685
Other service activities	3,192	3,342	3,545	3,394	3,670
Total Employment in Market Services	81,656	85,431	89,435	86,296	92,474

* Including temporary employees

Source: Employment and Training Corporation

reflecting an increase of 7.2 per cent over April 2014. This resulted in an increase in the share of private market service in total gainfully occupied population by 1.4 percentage points from 53.3 per cent to 54.8 per cent in April 2015. Table 3.10 shows that by the end of April 2015, wholesale and retail (including repair of motor vehicles, motorcycles and personal and household goods) stood out as the largest sector (24,273) as it accounted for 26.2 per cent of the private market service employment. This was followed by the professional, technical and administrative activities, which recorded an employment level of 19,083, and the accommodation and food service activities, where full-time employment stood at 10,440.

Table 3.11 presents the sectoral contribution to employment growth rate in the market services. Although all the sectors registered an increase in their employment levels, the largest level of employment in the market services recorded between April 2014 and April 2015 was mainly due to an increase of

Contribution to Growth in Private Sector Employment*

Market Services

Table 3.11

percentage points

	Dec-2013/ Dec-2012	Dec-2014/ Dec-2013	Apr-2015/ Apr-2014
Wholesale and Retail (including Repair of Motor Vehicles, Motorcycles and Personal and Household Goods)	0.4	0.7	0.7
Transport and Storage	0.1	-0.8	1.2
Accommodation and food service activities	-0.1	0.3	0.2
Information and communication	0.4	0.4	0.6
Financial and insurance activities	0.5	0.4	0.4
Real estate activities	0.1	0.1	0.1
Professional, technical and administrative activities	2.2	2.1	2.2
Education	0.2	0.2	0.1
Health and social work	0.4	0.3	0.5
Arts, entertainment and recreation	0.2	0.7	0.8
Other service activities	0.2	0.2	0.3
Total	4.6	4.7	7.2

* Including temporary employees

Note: Compiled from data provided by the Employment and Training Corporation.

1,927 full-time employment related to professional, technical and administrative activities. This increase reflects positive advancements mainly in security and investigation activities (398), legal and accounting activities (378), services to buildings and landscape activities (329), office administrative and office support and other business support activities (206) and architectural and engineering activities (194). All other sub-sectors within this sector registered an increase in the number of gainfully occupied, except for the employment activities sub-sector which registered a decrease of 78 employees.

Transport and storage also reported a considerable increase in employment which was mainly due to an increase in the land transport and transport via pipelines subsector. During the year to April 2015, employment in the transport and storage sector increased by 1,027 or 16.2 per cent to 7,383. This increase in employees in the transport and storage sector reflects mainly

the transfer of ownership of the public transport operator, which is now privatised.

Another significant contributor to employment growth in market services is the arts, entertainment and recreational activities sector. Employment in this sector increased by 714, or by 18.0 per cent, to 4,685 mainly due to gambling and betting activities.

The wholesale and retail services (including repair of motor vehicles, motorcycles and personal and household goods) sector contributed to 0.7 percentage points to the total private market services employment growth rate. During the year to April 2015, employment in the wholesale and retail services sector grew by 564 persons. This increase mainly reflected developments in the wholesale trade except of motor vehicles and motorcycles subsector. Furthermore, the information and communication sector contributed to 0.6 percentage points to the total private market services employment growth rate, as this sector's employment level grew by 526 persons. This increase was principally underpinned by developments in the computer programming, consultancy and related activities; motion picture, video and television programme production, sound recording and music publishing activities and programming and broadcasting activities subsectors.

Meanwhile, during the year to April 2015, employment related to health and social work increased by 398, while financial and insurance activities increased by 359. Increases in employment were also recorded in other services activities and in the accommodation and food services sectors, respectively. Between April 2014 and April 2015, employment in these sectors increased by 276 and 211, respectively.

Box 3.1

Developments in Private Sector Employment in Manufacturing

The manufacturing sector includes a wide range of production activities, from small-scale enterprises using traditional production techniques to large enterprises which can reap economies of scale. Over the past years, the Maltese economy has become increasingly service-oriented as the share of market services constitutes the major part of employment in total gainfully occupied population. Nevertheless, manufacturing is still considered important in terms of export market share and its contribution to the economic diversification of Malta. Consequently, an analysis of the manufacturing sector as a whole sheds light on the diverse performance of the manufacturing industry, since it comprises a wide spectrum of activities within the non-financial business sector.

The NACE division level classifies the manufacturing sector into 24 different subsectors. In April 2015, the largest subsectors in terms of private sector employment were the manufacturing n.e.c., manufacturing of food products, beverages and tobacco and the manufacturing of computer, electronic equipment and machinery.

Table 1 shows that over the year to April 2015, employment in manufacturing increased by 103 persons and mainly reflected developments in the manufacturing n.e.c. (i.e. other manufacturing and the repair and installation of machinery and equipment) (161), manufacture of computer, electronic equipment and machinery (76), the manufacturing of food products, beverages and tobacco (44) and manufacturing of transport equipment (35). Meanwhile, the main sectors which reported declines in employment were the manufacturing rubber, plastic and other non-metallic products (105), manufacturing of textiles and leather products (49) and the manufacturing of wood and printing (44).

Between December 2012 and December 2014, the most notable increases were recorded in manufacturing n.e.c (346), manufacturing of food products, beverages and tobacco (137) and the manufacture of computer, electronic equipment and

Box 3.1 cont.

Private Manufacturing Employment*

Table 1

	2012	2013	2014	2014	2015
	Dec	Dec	Dec	Apr	Apr
Mfg of Food Products, Beverages and Tobacco	3,257	3,292	3,394	3,394	3,438
Mfg of Textiles and Leather Products	812	759	643	737	688
Mfg of Wood and Printing	1,875	1,867	1,867	1,898	1,854
Mfg of Coke, Chemical and Pharmaceutical Products	1,478	1,434	1,376	1,407	1,389
Mfg of Rubber, Plastic and Other Non-Metallic Products	2,791	2,823	2,715	2,817	2,712
Mfg of Basic Metals and Fabricated Metal Products	1,314	1,341	1,323	1,315	1,334
Mfg of Computer, electronic equipment and machinery	3,084	3,085	3,180	3,104	3,180
Mfg of Transport Equipment	1,066	1,189	1,159	1,152	1,187
Mfg of Furniture	1,125	1,108	1,099	1,122	1,106
Manufacturing n.e.c.	3,188	3,216	3,534	3,402	3,563
Total Manufacturing Employment	19,990	20,114	20,290	20,348	20,451

* Including temporary employees

Source: *Employment and Training Corporation*

machinery (96). Meanwhile, the manufacturing of textiles and leather products accounted for the most significant decline in the manufacturing sector over the same period, which registered a reduction of 169 employees.

Public Sector Employment

Over the twelve month period ending April 2015, as shown in Table 3.12, public sector employment increased by 430, reaching 44,070 from 43,640 in April 2014. As a result, the share of public sector employment dropped marginally to 26.1 per cent.

Table 3.12 shows that during the year to April 2015, employment in Government Departments increased by 876, the majority of which were deployed by the Ministries for Health and Education³.

There was also an increase of 328 employees in independent statutory bodies. This increase is mostly concentrated in the water collection, treatment and supply subsector (111) within the

Public Sector Employment

Table 3.12

	2012 Dec	2013 Dec	2014 Dec	2014 Apr	2015 Apr
Government Departments	30,468	31,788	32,716	32,073	32,949
Companies with public sector majority shareholding	1,789	1,820	2,557	2,604	1,830
Independent Statutory Bodies	8,753	8,813	9,132	8,963	9,291
of which Temporary Employees	126	104	75	110	75
Total	41,010	42,421	44,405	43,640	44,070

* Including temporary employees

Source: Employment and Training Corporation

water supply; sewerage, waste management and remediation activities sector, education (100), public administration and defence; compulsory social security (95), and in residential care activities (73). It is also noteworthy that in April 2015, (1,499) workers formerly classified within the subsector of electricity, gas, steam and air conditioning were mainly classified as workers within the employment activities subsector (within the administrative and support services sector).

During the year to April 2015, employment in companies with public sector majority shareholding decreased by 774. This decrease is mainly attributable to the privatisation of Malta Public Transport Services Ltd. As a result of these developments, the share of employees in companies with a public majority shareholding in total public sector employment decreased from 6.0 per cent in April 2014 to 4.2 per cent in April 2015.

Box 3.2

Employment in Gozo

A geographical analysis of the gainfully occupied population, including both the private and the public sector, shows that the general positive trends experienced during the year to April 2015 were also reflected in Gozo. As shown in Table 1, the gainfully occupied population stood at 10,007 at the end of April 2015, an increase of 166 or 1.7 per cent over April 2014 which is mostly driven by the private sector. The increase in gainfully occupied in Gozo mainly reflects increases in administrative and support service activities (149), human health and social work activities (54), and public administration and defence; compulsory social security (52). At the same time, decreases in employment were reported in a number of sectors, including education, electricity, gas, steam and air conditioning supply and water supply and waste management.

Gainfully-Occupied Population in Gozo

Table 1

	2012	2013	2014	2014	2015
	Dec	Dec	Dec	Apr	Apr
Agriculture, forestry and fishing	470	465	465	477	465
Mining and Quarrying	41	40	36	36	36
Manufacturing	911	897	941	939	948
Electricity, gas, steam and air conditioning supply	46	52	0	52	0
Water supply and waste management	163	160	152	147	111
Construction	949	943	957	960	949
Wholesale and Retail (including Repair of Motor Vehicles, Motorcycles and Personal and Household Goods)	1,250	1,227	1,285	1,303	1,278
Transport and Storage	459	452	474	455	469
Accommodation and food service activities	710	721	787	801	804
Information and communication	173	202	229	219	240
Financial and insurance activities	298	305	307	305	304
Real estate activities	91	81	81	85	86
Professional, technical and administrative activities	258	282	312	294	316
Administrative and support service activities	328	334	437	357	506
Public administration and defence; compulsory social security	786	827	892	855	907
Education	1,027	1,270	1,230	1,264	1,211
Human health and social work activities	923	959	1,019	971	1,025
Arts, entertainment and recreation	171	166	178	169	191
Other service activities	126	143	160	152	161
Total	9,180	9,526	9,942	9,841	10,007

Box 3.2 cont.

During the period December 2012 to December 2014, the gainfully occupied population rose by 762 or 8.3 per cent, reaching 9,942. Since April 2014, total part-time employment increased by 204 or 5.3 per cent to reach 4,071 by end of April 2015. This reflects increases in both part-timers holding a full-time job (83 or 4.5 per cent) and part-time as a primary job (121 or 6.0 per cent). Additionally, the number of persons registering for employment under Part I of the Register decreased by 97 to reach 588 by the end of July 2015.

A Profile of Registered Unemployed under Part 1

The analysis in this section focuses on the registered unemployed under Part I of the unemployment register. Part I of the register includes those who are eligible for work and registering with the ETC as jobless. By contrast, Part II include those who have been dismissed from work due to disciplinary action, left work on their own free will, refused work or training opportunities or were struck off the register after an inspection by the law enforcement personnel.

At the end of July 2015, the number of registered unemployed persons under Part I of the Register stood at 4,600, as opposed to 6,366 a year earlier. The decline in the number of unemployed persons was reflected in both the male and female components. Whilst male unemployment declined by 1,459 to stand at 3,410, the female component decreased by 307 to stand at 1,190.

Specific measures to reduce the unemployment in the Maltese labour market were implemented by the Department for Social Security and the ETC over the past year. Two main schemes that contributed to the significant reduction in the number of registered unemployed are the Youth Guarantee Scheme and

the Tapering of Benefits scheme. The Youth Guarantee Scheme offered hours of training as well as work exposure placements of twenty hours a week, up to a maximum of twelve weeks to individuals who were not in Employment, Education or Training (NEETs). Furthermore, through the Tapering of Benefits scheme, operated through the Department of Social Security, individuals in receipt of Unemployment Assistance (UA)⁴, are tapered off benefits over a three-year period upon successful work engagement. Thus, instead of suffering a 100 per cent reduction upon finding work, they receive 65 per cent in the first year of employment and 45 per cent and 25 per cent in the following years. In addition, over the past year, ETC has, through targeted intervention, been committed to enforce the mutual obligation principle, thus ensuring that those registering for employment are willing to actively seek work, develop their skills and participate in training programmes.

As can be noted from Table 3.13, the share of persons registering for work for less than 6 months declined from 35.2 per cent to 33.5 per cent, while persons registering for work for more than 2 years increased from 31.2 per cent to 37.0 per cent. Meanwhile, the proportion of persons registering for work between 6 to 12 months increased marginally by 0.1 percentage points to 13.5 per cent, while the proportion of persons registered for work between 12 to 24 months declined by 4.2 percentage points reaching 16.0 per cent from 20.2 per cent.

As shown in Table 3.14, during the year ending July 2015, the share of youth unemployment, defined as those falling in the 16-24 age bracket, decreased by 3.2 percentage points, from 13.5 per cent to 10.2 per cent, while the share of persons aged 49 or more, increased by 5.0 percentage points, to stand at 38.5 per cent as at July 2015. The share of those between 25-49, decreased by 1.8 percentage points to stand at 51.3 per cent in July 2015.

Data for the registered unemployed classified by occupation as at July 2015 is produced in Table 3.15. A decline was recorded in all occupations over the twelve months to July 2015. The

Registered Unemployed*

Table 3.13

	Registered Unemployed	under 6 months %	6 - 12 months %	12 - 24 months %	over 24 months %
2010 (Dec)	5,986	45.0%	13.0%	18.1%	23.9%
2011 (Dec)	5,924	46.6%	13.1%	16.6%	23.7%
2012 (Dec)	6,291	42.2%	14.4%	19.3%	24.1%
2013 (Dec)	6,956	38.4%	13.3%	21.1%	27.3%
2014 (Dec)	5,889	37.2%	10.6%	18.5%	33.7%
2014 (Jul)	6,366	35.2%	13.4%	20.2%	31.2%
2015 (Jul)	4,600	33.5%	13.5%	16.0%	37.0%

*Includes Part I of the Registered Unemployed

Source: Employment and Training Corporation

Registered Unemployed* by age distribution

Table 3.14

	Registered Unemployed	16 - 24 years %	25 - 49 years %	over 49 years %
2010 (Dec)	5,986	17.5%	54.4%	28.1%
2011 (Dec)	5,924	17.1%	53.4%	29.5%
2012 (Dec)	6,291	15.8%	52.3%	32.0%
2013 (Dec)	6,956	15.0%	52.5%	32.5%
2014 (Dec)	5,889	11.9%	52.0%	36.1%
2014 (Jul)	6,366	13.5%	53.1%	33.4%
2015 (Jul)	4,600	10.2%	51.3%	38.5%

*Includes Part I of the Registered Unemployed

Source: Employment and Training Corporation

Registered Unemployed Classified by Occupation*

at July 2015

Table 3.15

	Registered Unemployed			Percentage Share		
	Males	Females	Total	Males	Females	Total
Elementary Occupations Plant and machinery operators and assemblers	461	51	512	13.5%	4.3%	11.1%
Crafts and related trade workers	255	58	313	7.5%	4.9%	6.8%
Skilled agriculture, fishery and forestry workers	605	29	634	17.7%	2.4%	13.8%
Services and sales workers	203	2	205	6.0%	0.2%	4.5%
Clerks and support workers	417	255	672	12.2%	21.4%	14.6%
Technicians and Associate Professionals	513	340	853	15.0%	28.6%	18.5%
Managers	306	271	577	9.0%	22.8%	12.5%
	484	132	616	14.2%	11.1%	13.4%
Total	166	52	218	4.9%	4.4%	4.7%
	3,410	1,190	4,600	100.0%	100.0%	100.0%

* includes Part 1 of the Registered Unemployed

drop in unemployment is mainly attributable to the decline in occupations related to services and sales (364). Notable declines were also registered by technicians and associates (275), in elementary occupations (258), and by crafts and related trade workers (218). During the same period, a decrease was also noticed in persons registering for professional activities (193), clerks and support workers (169), operators and assemblers (161), managers (78) and for skilled agriculture, fishery and forestry activities (50).

Part-time Activity

As shown in Table 3.16, part-time employment based on administrative data continued to increase, such that, at end of April 2015 total part-time employment stood at 57,523, registering a significant increase of 2,870 or 5.3 per cent when compared to the same month of 2014. At the end of April 2015,

part-time employment was composed of 29,735 males and 27,788 females.

The number of part-timers holding a full-time job increased by 1,321 or 5.9 per cent over the level recorded in April 2014. The gender distribution shows that, both male and female part-timers holding a full-time job increased, with females registering a higher percentage increase (639 or 9.0 per cent) than males (682 or 4.5 per cent). Consequently, the share of females employed as part-timers and also holding a full-time job in total part-time employment also increased.

Compared to April 2014, the number of part-timers holding a part-time job as their primary occupation increased by 1,549 or 4.8 per cent. Again, statistics on the gender distribution show that, both male and female part-timers holding a part-time job increased by 753 or 5.7 per cent and 796 or 4.1 per cent to 13,973 and 20,014 respectively. Despite this, females continue to hold the largest share of persons holding part-time jobs as their primary occupation. Indeed, the share of females holding a

Part-Time Employment

Table 3.16

	2012	2013	2014	2014	2015
	Dec	Dec	Dec	Apr	Apr
Part-Timers holding a full-time job	21,608	21,869	23,032	22,215	23,536
Males	14,858	14,919	15,510	15,080	15,762
Females	6,750	6,950	7,522	7,135	7,774
Part-Timers as a primary job	30,297	31,317	33,719	32,438	33,987
Males	12,522	12,765	13,749	13,220	13,973
Females	17,775	18,552	19,970	19,218	20,014
Total Part-Time Employment	51,905	53,186	56,751	54,653	57,523
Males	27,380	27,684	29,259	28,300	29,735
Females	24,525	25,502	27,492	26,353	27,788

Source: Employment and Training Corporation

part-time job as their primary occupation stood at 58.9 per cent at the year ending April 2015, down by 0.4 percentage points when compared to April 2014.

Endnotes:

¹ The LFS is a household survey carried out on quarterly basis by the National Statistics Office (NSO). The LFS decomposes the working-age population (15-64 years old) into three independent groups, namely, the employed, unemployed, and inactive. This survey is based on a random sample of 2,500 private households. Changes in LFS data have to be interpreted with due caution as minor changes in employment, which are less than or equal to 1,800, may be the result of a sampling error.

² It is noteworthy that the employment reported in the LFS is different from the gainfully-occupied as reported by the ETC. Whereas the LFS measures resident persons in employment (EC: No. 577/98), gainfully-occupied data are based on the administrative records of the ETC which captures what the employer declares in the engagement form upon the commencement of employment, irrespective of the residential status.

³ These figures are also affected by a reclassification exercise carried out by the ETC.

⁴ Beneficiaries who in the last 36 months benefited from Unemployment Assistance for a period of 24 months i.e. Long-term unemployed, Social Assistance (SA) and Social Assistance for Single Unmarried Parents (SUP), as well as Single Parents with children under the age of 23 years.

4. Productive Activities

4. Productive Activities

This Chapter analyses the productive activities in the industrial sector composed of the manufacturing, mining and quarrying, electricity and water supply, and the agriculture and fisheries sector.

Industrial Turnover

Data in this Chapter is collected by means of a monthly questionnaire based on a representative sample of companies operating in the industrial sector. Figures are provisional and subject to a rolling two-year period revisions policy.

During the first seven months of 2015, the industry turnover grew by 1.9 per cent, when compared to the same period in 2014. This was the result of an increase in exports of 3.2 per cent which more than offset a decline of 2.4 per cent in domestic sales. Results from the sample point to a slight decline in employment but higher wages and salaries. This might suggest a further shift towards less labour intensive but higher value added productive activities. A closer look at the industry components reveals an overall upward trend in turnover in all three sectors. The mining and quarrying sector experienced an increase of 18.9 per cent in turnover. Employment in this sector increased by 2.2 per cent. At the same time, the number of hours worked and the wages and salaries declined by 4.4 per cent and 4.1 per cent, respectively.

Manufacturing registered an increase in turnover of 2.0 per cent, when compared to the same period in 2014. The export component increased by 3.2 per cent, outweighing the decrease of 3.9 per cent registered in the domestic sector. Wages and salaries in this industry continued to increase during the first seven months of 2015, registering a growth of 2.7 per cent when compared to the same period in the previous year. The number of hours worked increased marginally by 0.2 per cent, whilst employment decreased by 0.6 per cent.

Indicators of Industrial Activity
(2010=100)

Table 4.1

% of growth indices

	2012	2013	2014	2014 Jan-Jul	2015 Jan-Jul
TOTAL INDUSTRY					
Turnover	6.3	-1.5	-6.9	-9.0	1.9
Domestic	6.8	-3.7	14.4	17.5	-2.4
Exports	6.6	-3.1	-14.2	-17.5	3.2
Employment	-1.1	-0.5	-0.1	-0.1	-1.8
Hours Worked	-1.0	0.1	-0.7	-0.7	-1.0
Wages and salaries	2.7	2.1	1.6	1.4	1.4
MINING AND QUARRYING					
Turnover	-7.8	5.9	7.0	3.2	18.9
Domestic	-7.8	5.9	7.0	3.2	18.9
Exports	-	-	-	-	-
Employment	-8.2	-5.3	-10.5	-10.8	2.2
Hours Worked	-7.9	-7.3	-4.4	-5.6	-4.4
Wages and salaries	-6.4	-6.6	-6.9	-6.5	-4.1
MANUFACTURING TOTAL					
Turnover	6.2	-1.6	-7.4	-9.6	2.0
Domestic	6.5	-5.1	23.8	29.4	-3.9
Exports	6.6	-3.1	-14.2	-17.5	3.2
Employment	-0.4	-0.3	0.0	0.1	-0.6
Hours Worked	-0.0	0.6	-1.0	-0.9	0.2
Wages and salaries	3.1	2.5	1.2	1.1	2.7
ELECTRICITY AND WATER SUPPLY					
Turnover	7.8	-1.1	-3.9	-5.6	1.0
Domestic	7.8	-1.1	-3.9	-5.6	1.0
Exports	-	-	-	-	-
Employment	-7.6	-3.5	1.3	-1.0	-13.3
Hours Worked	1.0	-0.2	4.1	1.0	-10.2
Wages and salaries	4.4	-2.0	-1.6	4.0	-7.1

Source: National Statistics Office

During January-July 2015, electricity and water supply turnover increased by 1.0 per cent. During the same period, employment decreased by 13.3 per cent, whilst the number of hours worked decreased by 10.2 per cent. In this sector, wages and salaries also registered a decrease, declining by 7.1 per cent when compared to the same period in 2014.

During the first two quarters of 2015, Gross Value Added in the agriculture and fisheries sector increased by 3.8 per cent. This sector is analysed in more detail towards the end of this Chapter.

Manufacturing Performance

Manufacturing has been the main contributor to the increase in total industry turnover in the first seven months of 2015, due to an increase in export demand. A sectoral analysis of the major manufacturing sectors is presented in this subsection, while the short-term activity indicators for all sectors of the manufacturing industry are presented in Table 4.2.

Computer, Electronic and Optical Products

The turnover of the manufacturing of computer, electronic and optical products has increased marginally by 0.6 per cent during the first seven months of 2015, when compared to the same period in 2014. This increase in turnover was brought about by an increase in exports of 0.5 per cent, which outweighed the decrease in domestic demand of 23.4 per cent, given that this sector is largely export-oriented.

Employment indicators were all positive for the period, with employment increasing by 4.5 per cent, number of hours worked increasing by 4.4 per cent and wages and salaries increasing by 4.8 per cent, when compared to the same period in 2014.

Short-term Activity Indicators for Manufacturing

(2010=100)

Table 4.2

% of growth indices

SECTORAL MANUFACTURING INDICES

	2012	2013	2014	2014 Jan-Jul	2015 Jan-Jul
MANUFACTURE OF FOOD PRODUCTS					
Turnover	8.7	6.1	-1.9	-1.6	1.5
Domestic	6.7	4.0	-5.1	-3.0	-4.9
Exports	16.1	14.1	6.5	-1.0	16.4
Employment	3.7	-1.6	0.3	0.0	-2.3
Hours Worked	2.2	3.1	-2.6	-2.9	-4.4
Wages and salaries	6.1	5.6	3.7	3.3	4.6
MANUFACTURE OF BEVERAGES					
Turnover	4.2	6.6	10.7	12.6	2.7
Domestic	5.7	6.4	10.5	12.7	3.4
Exports	-33.7	20.2	25.2	9.3	-17.1
Employment	0.5	-3.6	3.4	3.6	2.7
Hours Worked	2.5	0.6	5.1	2.8	5.1
Wages and salaries	1.5	3.8	7.4	7.5	7.1
MANUFACTURE OF TEXTILES					
Turnover	-5.7	-25.9	-27.1	-29.7	-6.8
Domestic	2.7	7.5	51.7	75.6	4.9
Exports	-5.8	-26.3	-28.7	-31.4	-7.3
Employment	0.6	-8.9	-8.7	-6.7	-11.2
Hours Worked	1.7	-11.5	-13.4	-15.0	-2.8
Wages and salaries	18.2	-17.7	-19.7	-18.6	-4.9
MANUFACTURE OF WEARING APPAREL					
Turnover	2.3	7.7	-33.7	-34.1	5.7
Domestic	3.6	23.5	-12.7	-25.9	8.3
Exports	1.8	2.0	-43.7	-37.7	4.4
Employment	-2.6	5.0	5.9	9.1	-10.0
Hours Worked	3.1	8.3	2.2	4.3	-6.8
Wages and salaries	8.0	3.5	3.7	8.6	-3.2

Short-term Activity Indicators for Manufacturing
(2010=100)

Table 4.2

continued

	2012	2013	2014	2014 Jan-Jul	2015 Jan-Jul
MANUFACTURE OF LEATHER AND RELATED PRODUCTS					
Turnover	-3.2	9.8	9.9	-6.8	-7.7
Domestic	-31.8	-2.9	106.9	81.9	3.8
Exports	-0.2	10.7	-1.3	-14.6	-9.6
Employment	-9.4	-6.3	-14.3	-17.2	-7.5
Hours Worked	-6.2	-5.3	-19.0	-16.5	-18.1
Wages and salaries	-0.5	-7.6	-7.7	-10.8	-5.8
MANUFACTURE OF WOOD AND WOOD PRODUCTS					
Turnover	5.4	-1.3	-28.7	-36.4	23.3
Domestic	0.9	-0.6	-29.3	-38.6	21.4
Exports	147.5	-10.0	-35.0	-15.5	44.0
Employment	-0.3	0.9	4.7	5.0	1.0
Hours Worked	-1.7	3.0	4.1	4.9	1.2
Wages and salaries	0.4	3.1	8.5	6.2	5.5
MANUFACTURE OF PAPER AND PAPER PRODUCTS					
Turnover	5.8	-2.3	-5.7	-9.4	-0.6
Domestic	5.8	-2.3	-5.7	-9.4	-0.6
Exports	0.0	0.0	0.0	0.0	0.0
Employment	-1.7	0.5	-0.4	-1.3	4.4
Hours Worked	-6.9	2.5	-3.8	-2.7	2.3
Wages and salaries	-2.8	-2.1	-8.6	-8.8	4.6
PRINTING AND REPRODUCTION OF RECORDED MEDIA					
Turnover	0.6	8.2	-8.6	-19.2	2.2
Domestic	0.7	-8.0	-6.6	-11.9	-10.3
Exports	0.3	12.3	-10.2	-22.8	12.4
Employment	-4.8	-6.5	-10.4	-13.1	-5.7
Hours Worked	-3.2	-12.2	-3.6	-7.1	-4.9
Wages and salaries	5.4	-8.7	0.6	-4.3	-2.1

Short-term Activity Indicators for Manufacturing

(2010=100)

Table 4.2

continued

	2012	2013	2014	2014 Jan-Jul	2015 Jan-Jul
MANUFACTURE OF CHEMICALS AND CHEMICAL PRODUCTS					
Turnover	20.4	31.4	-27.2	-24.1	-9.5
Domestic	12.0	4.3	-8.0	-9.1	-9.3
Exports	73.8	143.2	-46.2	-51.5	-31.5
Employment	0.1	8.2	0.2	0.1	-9.6
Hours Worked	-0.1	6.9	1.4	-0.3	-11.1
Wages and salaries	3.3	9.3	-0.2	1.5	-7.0
MANUFACTURE OF BASIC PHARMACEUTICAL PRODUCTS					
Turnover	9.5	-0.3	-15.6	-21.6	14.2
Domestic	21.6	-16.4	11.0	-0.8	-6.4
Exports	9.5	-0.3	-15.7	-21.6	14.3
Employment	7.5	2.4	-9.4	-8.8	-5.3
Hours Worked	9.9	-4.7	-4.3	-5.9	-2.8
Wages and salaries	9.3	2.7	-8.8	-7.6	3.0
MANUFACTURE OF RUBBER AND PLASTIC PRODUCTS					
Turnover	10.6	7.0	0.1	6.6	-4.3
Domestic	36.8	11.9	8.0	13.6	-14.8
Exports	-0.4	3.5	-2.7	4.1	1.2
Employment	9.1	11.8	2.9	7.4	-6.1
Hours Worked	10.4	15.0	0.5	6.1	-6.0
Wages and salaries	7.7	15.6	2.1	4.3	2.0
MANUFACTURE OF OTHER NON-METALLIC PRODUCTS					
Turnover	2.9	-2.5	13.3	10.8	14.5
Domestic	4.8	-1.0	13.1	10.0	15.3
Exports	-18.6	-23.7	20.2	27.2	3.8
Employment	-0.6	-0.9	-2.5	-3.5	-1.5
Hours Worked	-1.6	0.1	-4.8	-5.8	0.0
Wages and salaries	0.4	1.5	-3.4	-4.1	2.2

Short-term Activity Indicators for Manufacturing

(2010=100)

Table 4.2

continued

	2012	2013	2014	2014 Jan-Jul	2015 Jan-Jul
MANUFACTURE OF FABRICATED METAL PRODUCTS					
Turnover	-9.0	-0.3	47.7	63.7	-6.3
Domestic	-8.2	-1.3	57.9	78.8	-6.2
Exports	-16.3	12.4	-36.8	-40.2	-5.9
Employment	-6.6	-12.8	-3.6	-3.4	0.4
Hours Worked	-10.8	-14.3	2.3	2.1	0.2
Wages and salaries	-9.7	-6.3	0.6	2.8	0.3
MANUFACTURE OF COMPUTER, ELECTRONIC AND OPTICAL PRODUCTS					
Turnover	3.5	-18.0	-18.4	-22.8	0.6
Domestic	-23.9	-86.3	-96.5	-95.6	-23.4
Exports	4.0	-17.9	-19.0	-23.3	0.5
Employment	-4.7	-1.6	-0.4	-0.9	4.5
Hours Worked	-1.1	1.4	-0.1	-2.8	4.4
Wages and salaries	-2.5	2.0	5.1	1.9	4.8
MANUFACTURE OF ELECTRICAL EQUIPMENT					
Turnover	84.2	46.3	-41.5	-48.3	-7.9
Domestic	-9.7	-15.0	5.9	34.9	-8.5
Exports	99.5	50.8	-42.8	-50.0	-7.8
Employment	-3.4	-2.2	-3.9	-3.0	-6.0
Hours Worked	-0.3	-6.0	-9.8	-7.6	-9.6
Wages and salaries	-0.4	2.3	3.9	12.6	-9.8
MANUFACTURE OF MACHINERY AND EQUIPMENT N.E.C.					
Turnover	-1.3	-5.1	-20.3	-14.1	-0.4
Domestic	2.3	-14.5	-7.6	-12.2	19.0
Exports	-4.1	2.7	-17.9	-10.8	-3.1
Employment	-1.4	4.9	3.2	5.6	-1.9
Hours Worked	-7.3	8.6	0.6	0.6	-3.4
Wages and salaries	-0.2	12.5	-0.6	-2.4	5.3

Short-term Activity Indicators for Manufacturing
(2010=100)

Table 4.2

continued

	2012	2013	2014	2014 Jan-Jul	2015 Jan-Jul
MANUFACTURE OF MOTOR VEHICLES, TRAILERS AND SEMI-TRAILERS					
Turnover	12.2	24.9	5.0	10.2	12.3
Domestic	7.1	3.6	-17.2	-15.2	-36.0
Exports	12.4	25.6	5.7	11.0	12.7
Employment	-1.0	5.5	1.0	4.2	2.1
Hours Worked	-1.2	8.6	-2.4	5.5	9.8
Wages and salaries	5.5	8.6	2.8	10.1	7.7
MANUFACTURE OF OTHER TRANSPORT EQUIPMENT					
Turnover	9.9	-3.0	-16.0	-27.1	-13.4
Domestic	9.9	-3.0	-16.0	-27.1	-13.4
Exports	0.0	0.0	0.0	0.0	0.0
Employment	-2.0	3.8	2.9	3	7
Hours Worked	-13.2	18.1	3.9	-2.5	28.4
Wages and salaries	3.5	23.6	16.5	26.6	10.0
MANUFACTURE OF FURNITURE					
Turnover	-2.0	8.8	35.6	32.3	13.1
Domestic	-2.0	8.8	35.6	32.3	13.1
Exports	0.0	0.0	0.0	0.0	0.0
Employment	-2.7	1.7	3.2	0.6	7.4
Hours Worked	-6.7	1.0	-0.4	-3.1	10.2
Wages and salaries	-5.7	2.3	0.1	-4.3	13.4
OTHER MANUFACTURING					
Turnover	2.6	9.4	-5.5	-1.4	-2.3
Domestic	-2.8	11.2	3.1	2.1	14.9
Exports	3.3	10.0	-5.2	-0.1	-10.1
Employment	-1.4	-0.1	8.5	5.9	6.2
Hours Worked	-0.6	-1.7	1.6	0.6	8.5
Wages and salaries	4.7	3.2	0.8	0.1	3.7

Short-term Activity Indicators for Manufacturing

(2010=100)

Table 4.2

continued

	2012	2013	2014	2014 Jan-Jul	2015 Jan-Jul
REPAIR AND INSTALLATION OF MACHINERY AND EQUIPMENT					
Turnover	14.6	3.6	13.0	20.0	-6.6
Domestic	68.5	-27.3	126.8	146.6	-12.8
Exports	9.6	8.0	-2.4	1.0	-4.0
Employment	-3.5	-2.2	1.5	1.7	-1.8
Hours Worked	-1.8	-2.7	3.8	4.0	-2.9
Wages and salaries	1.1	-0.1	9.9	8.1	-1.2

Source: National Statistics Office

Food products

During January-July 2015, turnover of the manufacturing of food products increased by 1.5 per cent, when compared to the same period in 2014, notwithstanding the decline in domestic demand. During this period, in fact, exports increased by 16.4 per cent, whilst domestic demand registered a decrease of 4.9 per cent.

Both employment and the number of hours worked decreased by 2.3 per cent and 4.4 per cent, respectively. On the other hand, wages and salaries increased by 4.6 per cent.

Basic Pharmaceutical Products

The manufacturing of basic pharmaceutical products registered a 14.2 per cent increase in turnover during the first seven months of 2015, when compared to the same period of 2014, as a result of an increase of 14.3 per cent in exports. At the same time, domestic demand decreased by 6.4 per cent.

During this period, both employment and the number of hours worked continued to decrease. In fact, employment decreased by 5.3 per cent, whilst the number of hours worked decreased

by 2.8 per cent. Wages and salaries have however increased by 3.0 per cent during this period.

Other Manufacturing

The other manufacturing subsector is mainly composed of firms engaged in the manufacturing of toys, games and jewellery items. Given that this sector is mostly export-oriented, the decrease in exports of 10.1 per cent registered in the first seven months of 2015 resulted in a 2.3 per cent decrease in this subsector's turnover, despite the increase in local sales of 14.9 per cent.

Notwithstanding the decrease in turnover, the employment indicators were all positive. In fact, employment increased by 6.2 per cent, the number of hours worked increased by 8.5 per cent, whilst the wages and salaries increased by 3.7 per cent.

Printing and Reproduction of Recorded Media

During January-July 2015, the printing and reproduction of recorded media registered an increase of 2.2 per cent in turnover, as a result of the increase in export sales. In fact, during this period, this export-oriented subsector increased further its exports by 12.4 per cent, whilst local demand decreased by 10.3 per cent.

Despite the positive performance of this subsector, employment decreased by 5.7 per cent. In addition, the number of hours worked decreased by 4.9 per cent and the wages and salaries decreased by 2.1 per cent.

Motor Vehicles, Trailers and Semi-Trailers

The manufacturing of motor vehicles, trailers and semi-trailers sub-sector has continued to grow during the first seven months of 2015 as a result of the increase in export sales. Turnover has increased by 12.3 per cent during this period. Exports have

indeed increased by 12.7 per cent whilst a decrease of 36.0 per cent was registered in domestic sales.

The positive performance in this sector was also visible through the employment indicators, where the number of hours worked increased by 9.8 per cent. At the same time, wages and salaries increased by 7.7 per cent and employment increased by 2.1 per cent.

Other Non-Metallic Products

Turnover in the manufacturing of other non-metallic products continued to increase. During January-July 2015, turnover in fact increased by 14.5 per cent, as a result of increases in both the domestic sales (15.3 per cent) and exports (3.8 per cent).

Despite the increase in turnover, employment decreased by 1.5 per cent during the first seven months of 2015, when compared to the same period in 2014. The number of hours worked remained in line with those of the previous year, whilst wages and salaries increased by 2.2 per cent during this period.

Electrical Equipment

During the first seven months of 2015, turnover in the manufacturing of electrical equipment continued to decrease. The decrease in local sales by 8.5 per cent coupled by the decrease in exports by 7.8 per cent resulted in an overall decrease of 7.9 per cent in the turnover of this subsector.

As a result, all the employment indicators were all negative for this period. Wages and salaries decreased by 9.8 per cent, whilst the number of hours worked decreased by 9.6 per cent. At the same time, employment decreased by 6.0 per cent.

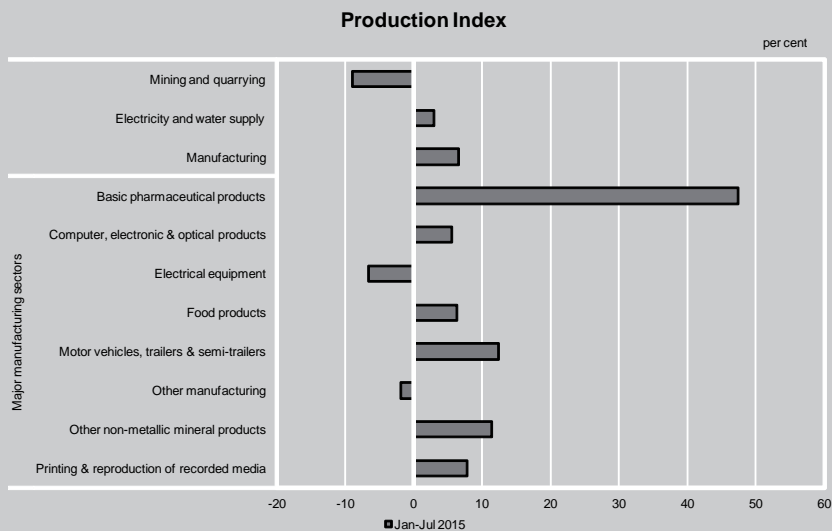
Box 4.1

The Industrial Production Index

The Industrial Production Index is a measure of economic activity. Developments in this index can be used to describe the economic cycles of industry. The index monitors the changes in production in leading products based on a sample of industrial enterprises. The index is compiled using 2010 as a base year. The number of companies surveyed add up to around 180 and cover over 95 per cent of total industrial production. Data on physical quantities are collected from 50 per cent of these enterprises whilst 30 per cent are estimated according to the number of hours worked and the remaining 20 per cent have their turnover deflated by use of the Industrial Producer Prices.

In the first seven months of 2015, the overall industrial production index increased by 5.9 per cent reversing the downward trend experienced in 2014 where the overall industrial production

Chart 1



Source: NSO

Box 4.1 cont.

index declined by 5.9 per cent. This was due to increases in the production index of the manufacturing sector and the electricity and water supply sector. A decrease in the production index of mining and quarrying was registered. The increase was particularly more pronounced in the manufacturing sector (see Chart 1).

During the first seven months of 2015, the manufacturing sector's production index increased by 6.6 per cent as opposed to a decrease of 8.4 per cent recorded during the same period in 2014. The increase in the manufacturing sector's production index in 2015 can be largely explained by the double digit increases in the basic pharmaceutical products (47.4 per cent), paper and paper products (21.9 per cent), wearing apparel (15.1 per cent) and motor vehicles, trailers and semi-trailers (12.5 per cent). The effect of these increases was partly mitigated by the decreases registered in other sectors, including textiles (8.1 per cent), electrical equipment (6.6 per cent), repair and installation of machinery and equipment (3.1 per cent) and fabricated metal products (2.6 per cent).

Agriculture and Fisheries

The agriculture and fisheries sector is a small albeit valuable sector of Malta's economy, which has an important environmental impact due to the utilisation of valuable natural resources. This sector also ensures the availability of fresh regional produce to the locals, while also contributing to tourism and to the local heritage.

The agriculture and fisheries sector registered an increase of 3.8 per cent in the Gross Value Added during the first two quarters of 2015 when compared to the same period in 2014. Notwithstanding this increase, the contribution of the agriculture

and fisheries sector has remained stable at 1.3 per cent due to a larger increase in the Gross Value Added of other sectors. This sector's contribution to total Gross Value Added was also marginally lower than that registered on average during 2011-2014, which averaged 1.5 per cent.

Agriculture

As can be seen from Table 4.3, the total volume of slaughtered beef, pork and broilers decreased by 6.6 per cent to 6,971 tonnes during January-August 2015, when compared to the same period a year earlier. A decrease was registered in all three areas, with the main contributors being a decrease in the slaughtering of pork (-9.7 per cent) and in the slaughtering of beef (-12.1 per cent). The slaughtering of broilers declined marginally by 0.4 per cent.

The amount of agricultural products traded on organised markets during the first eight months of 2015 decreased by 7.3 per cent to 29,279 tonnes. This was mainly due to the amount of

Agricultural Indicators

Table 4.3

	2014 Jan-Aug	2015 Jan-Aug
Slaughtering (tonnes)		
Beef	775	681
Pork	4028	3638
Broilers	2662	2652
Fresh Fruit		
Price Index	112.9	124.1
Volume Index	106.7	106.0
Fresh Vegetables		
Price Index	86.8	127.2
Volume Index	108.1	99.7

Source: National Statistics Office

fresh vegetables traded which declined by 7.7 per cent, mainly attributed to the decrease in the trading of vegetable marrows. The trading of fresh fruit has also decreased by 0.7 per cent, when compared to the previous year.

Between January and August 2015, the wholesale value of fresh fruit and vegetables sold through organised markets increased by 25.9 per cent to €16.5 million, when compared to the same period in 2014. This resulted mainly from a double-digit increase in the wholesale value of fresh vegetables by 30.6 per cent. The wholesale value of fresh fruit also increased during this period by 5.5 per cent. This increase in wholesale value of fresh traded vegetables was mainly attributable to an increase in the value for dry onions, vegetable marrows, tomatoes, other vegetables and cauliflowers.

	2012	2013	2014	2014 Jan-Jul	2015 Jan-Jul
Live Animals	0.34	0.28	0.21	0.10	0.12
Meat and Edible Offals	50.14	49.57	51.56	28.46	29.99
Fish	58.61	55.42	51.89	33.30	29.21
Dairy Produce	43.44	44.36	45.08	26.03	25.26
Edible Fruits and Nuts	30.39	33.67	34.09	19.28	17.86
Cereals	50.28	44.33	36.86	17.56	22.68
Preparations of Meat, Fish	42.09	42.67	45.89	27.52	25.48
Sugar & Confectionery	23.80	23.87	21.09	12.18	11.63
Cereal Prep.	53.72	57.90	59.76	31.64	33.91
Veg. and Fruit Prep.	25.38	26.39	27.28	15.71	15.18
Misc. Edible Prep.	34.13	33.47	38.29	23.72	22.32
Beverages, Spirits, Vinegar	53.53	55.85	61.05	34.90	35.73
Feeds	34.70	35.13	33.58	20.02	18.63
Total	500.55	502.91	506.64	290.42	288.00

Note: Totals may not add up due to rounding.
Source: National Statistics Office

During the first seven months of 2015, the total value of imports of major agricultural commodities declined by 0.8 per cent to €288.0 million. As can be noted from Table 4.4, the largest decline was registered in the importation of fish, which registered a decrease of €4.1 million, equivalent to 12.3 per cent. The largest increase was on the other hand registered in the importation of cereals which increased by 29.2 per cent, equivalent to a change of €5.1 million.

Fisheries

Although small in size, the Maltese fisheries sector provides an important contribution to the country's socio-economic and environmental aspects. The fisheries sector mainly utilises traditional fishing methods, as well as fish farming aquaculture methods. Traditional fishing techniques mainly provide for dolphinfish (lampuki), blue fin tuna and swordfish for the local community. Aquaculture fish farming, on the other hand, caters mostly for the export sector.

In the first eight months of 2015, the price index of fish increased by 6.9 per cent while the volume index of fish decreased by 5.1 per cent, when compared to the same period of the previous year. During January-August 2015, there were 541.8 tonnes of fish landings with a total value of €3.7 million. When compared to the same period of 2014, the largest decrease in fish landings was observed for the blue fin tuna (-34.9 tonnes), whilst the largest increase in fish landings was registered for the sword fish, with an increase of 20.5 tonnes. Although the amount of mackerel landings is rather small relative to the total amount of fish landings, one should note the substantial decrease of 66.4 per cent, equivalent to 5.4 tonnes.

Box 4.2

Economic Accounts for Agriculture 2014

Agricultural output in Malta is mainly composed of livestock products, crop products, animal products and secondary activities, which include the production of wine and cheese. Due to the geographical size of the country and the corresponding shortage of agricultural land, the sector lacks economies of scale. The scarcity in agricultural water supply and the fragmented land ownership arising from traditional inheritance patterns are also amongst the challenges faced by this sector in Malta. Final production at basic prices is presented in Table 1.

The final production of the agricultural sector at basic prices decreased by 3.1 per cent in 2014, when compared to 2013. All components of the final production registered a decrease at current prices when compared to the previous year; the production of livestock products decreased by 2.1 per cent, the production of other animal products decreased by 5.5 per cent, the production of crop products decreased by 2.9 per cent and the production of secondary activities decreased by 1.7 per cent. Overall, final total production decreased nominally by €4.1 million in 2014.

Final Production at Basic Prices by Type of Product at Current Market Prices

	2011	2012	2013	2014
Final production at basic prices	124,091	125,165	129,412	125,337
Livestock products	43,078	41,901	44,377	43,448
Other animal products	24,187	28,154	29,329	27,712
Crop products	50,077	47,640	48,577	47,172
Secondary activities	6,749	7,470	7,128	7,006

Source: National Statistics Office

Box 4.2 cont.

With the exception of the last year, final production at basic prices has grown since 2011, with the largest growth rate registered between 2012 and 2013. During the period 2011-2014, the changes in the composition of individual agricultural activities as a proportion of the final agricultural production did not follow a specific trend. Nonetheless, the main contributor to the total final production was crop products (average share stood at 38.4 per cent), followed by livestock products and animal products, with an average share of 34.3 per cent and 21.7 per cent, respectively. Secondary activities contributed the least to final production, with an average of 5.6 per cent, during the four years under review.

When compared to 2013, intermediate consumption at purchase prices has overall decreased by 6.8 per cent in 2014 as shown in Table 2. Although all components of intermediate consumption decreased during this time frame, the largest contributor to this decrease was animal feed (declined by 10.1 per cent). The various services component decreased by 3.8 per cent, as all its subcomponents registered a decline, with the largest percentage change registered in the veterinary services, which decreased by 9.0 per cent. The subcomponents of the energy and lubricants also declined, leading to an overall decrease of 3.5 per cent, when compared to the previous year. During 2013-2014, cropping decreased by 1.4 per cent, mainly due to the decrease of 5.4 per cent in fertilisers and soil improvers, which outweighed the increases registered in the plant protection products and pesticides (1.1 per cent) and seeds and planting stock (0.3 per cent).

Factor income at current market prices for the agricultural sector increased by 2.5 per cent in 2014, mainly due to the decrease of 6.8 per cent registered in intermediate consumption

Box 4.2 cont.

Factor Income at Current Prices		€ thousand			
Table 2		2011	2012	2013	2014
Total final production at producer prices		124,091	125,165	129,412	125,338
add subsidies on production		2,236	1,697	1,572	1,328
Total final production at basic prices		126,327	126,862	130,983	126,666
less intermediate consumption		71,055	70,902	69,123	64,445
Gross Value Added at basic prices		55,272	55,960	61,861	62,221
less fixed capital consumption		6,967	6,891	6,827	6,919
Net value added at basic prices		48,305	49,069	55,033	55,302
add other subsidies not directly linked with production		17,319	18,212	17,845	19,430
Factor income at current prices		65,623	67,281	72,878	74,732

Source: National Statistics Office

combined with the increase of 8.9 per cent registered in other subsidies not directly linked with production. Subsidies on production have continued to decrease, registering a decline of 15.5 per cent in 2014 when compared to the previous year. On the other hand, fixed capital consumption increased by 1.3 per cent.

Table 3 illustrates the distribution of factor income at current prices. The increase of 2.5 per cent registered in factor income during this period is mainly due to the increase of 2.8 per cent registered in entrepreneurial profits together with a marginal contribution stemming from an increase in rent of 2.5 per cent. During 2014, employment income and interest declined marginally by 0.8 per cent and 0.4 per cent, respectively when compared to 2013. During 2011-2014, the largest share of factor income was derived from income earned by entrepreneurs (on average 92.4 per cent of total factor income), followed by wages and salaries (with an average share of 5.8 per cent).

Box 4.2 cont.

**Distribution of Factor Income at
Current Prices**

Table 3 € thousand

	2011	2012	2013	2014
Factor Income	65,623	67,281	72,878	74,732
Entrepreneurial income (profits)	60,255	61,991	67,505	69,380
Compensation of employees (wages)	4,008	4,007	4,083	4,052
Interest	841	762	756	752
Rents	519	520	535	548

Source: National Statistics Office

Table 4 illustrates the annual producer price indices related to agricultural products for the period 2011-2014. Changes in prices of fruit, vegetables, animals and animal products are represented in the output index, while changes in the prices of raw materials and services utilised by the agricultural sector are represented by the input price index. The narrower the gap between the input costs and the value of outputs, the greater the compression experienced in the profitability gap of the agricultural sector. Such dynamics are explained by the relative rate of change between the two price indices.

In 2014, both the output price index and the input price index decreased by 8.6 per cent and 2.4 per cent respectively, when compared to the previous year. All sub-categories of the output index registered a decrease, except for forage, which increased marginally by 0.3 per cent. Double-digit decreases were registered in potatoes (24.6 per cent) and in fresh vegetables (15.3 per cent). Animal products and fruit also registered a substantial decrease, with 9.8 per cent and 9.0 per cent respectively. The main driver behind the decrease in the input price index was the decrease of 6.7 per cent registered by animal feeding stuff. This decline outweighed

Box 4.2 cont.

the increases in the maintenance of material (2.0 per cent) and in other goods and services (1.7 per cent) which together represented the two main positive contributors.

**Annual producer price indices for agricultural products
(2010 = 100)**

Table 4

	Weight	2011	2012	2013	2014
Output index at producer prices	100.0	103.2	113.2	114.8	104.9
Forage	3.4	111.8	113.9	121.2	121.6
Potatoes	4.6	89.8	114.6	128.1	96.6
Fresh vegetables	26.3	100.9	116.0	103.1	87.4
Fruit	4.7	84.5	90.6	99.5	90.5
Animals	39.2	102.6	108.4	114.6	111.7
Animal products	21.8	112.4	122.8	128.7	116.0
Input total	100.0	109.4	114.8	115.9	113.1
Goods and services currently consumed in agriculture	80.3	111.0	116.3	117.8	114.0
Seeds and planting stock	4.5	99.8	101.0	99.8	99.8
Energy; lubricants	10.3	118.1	124.0	124.2	122.9
Fertilisers and soil improvers	2.3	101.8	105.2	111.2	105.2
Plant protection products and pesticides	1.1	55.5	55.5	55.8	56.4
Veterinary expenses	1.7	107.1	102.4	103.5	104.0
Animal feeding stuffs	37.6	119.5	128.4	130.3	121.6
Maintenance of materials	8.4	101.6	102.5	107.0	109.2
Maintenance of buildings	2.9	103.1	107.3	110.5	112.6
Other goods and services	11.5	97.6	98.4	97.8	99.4
Goods and services contributing to agricultural investment	19.7	103.2	108.7	108.1	109.6

Source: National Statistics Office

5. Services Activities

5. Services Activities

This Chapter presents developments within the services sector, focusing mainly on the domestic tourism industry in the first seven months of 2015. As well as analysing the developments within the tourism sector, an overview of the regulatory, development and investment promotion activities within the services sector is also being provided, focusing in particular on the Malta Financial Services Authority (MFSA), the Malta Gaming Authority (MGA), and the Malta Enterprise (ME).

Tourism

Table 5.1 and Appendix Table VI present a selection of tourism indicators. In the first seven months of 2015, tourist activity continued to flourish, with inbound tourism increasing by 5.2 per cent over the previous corresponding period, as total incoming tourists rose from 922,144 to 970,084. During the period under review, an improvement was recorded in the majority of the salient tourism indicators over the previous corresponding period of 2014. Nights spent by inbound tourists increased by 4.2 per cent, and expenditure from inbound tourists scaled up by 6.7 per cent. Average full-time employment in the accommodation and food services activities recorded a marginal decrease of 0.1 per cent during the year to April 2015. With regards to the cruise passenger industry, arrivals that exclude the embarkations and the Maltese cruise passenger arrivals, grew substantially by 36.0 per cent between January and July of this year over the corresponding period of 2014.

This positive outcome in the tourism industry reflects the collaboration between the Government, the Malta Tourism Authority (MTA) and other involved stakeholders which continued to enhance accessibility to Malta as well as ensure adequate seat capacity and stress product development. Furthermore, during the period under review, the Government has launched an updated Tourism Policy for Malta covering the

Main Tourism Indicators

Table 5.1

	2012	2013	2014	2014 Jan-Jul	2015 Jan-Jul
Inbound Tourists	1,443,414	1,582,153	1,689,809	922,144	970,084
Nights spent (000's)	11,860	12,890	13,522	7,018	7,313
Cruise Passengers*	555,680	424,566	465,373	203,772	277,023
Average full-time employment in accommodation and food services activities**	10,022	10,103	10,334	10,282 ⁽¹⁾	10,270 ⁽¹⁾

*Excluding embarkations and 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 shows average for January-April.

Source: National Statistics Office, Employment and Training Corporation

period 2015-2020, formulated on the basis of a longer-term Tourism Vision for 2030.

Monthly Distribution

Inbound tourists recorded a positive performance throughout the first seven months of 2015. Arrivals during the period under review reached a significant level of 970,084, a 5.2 per cent increase over the same period in 2014. This increase was the result of consecutive record increases in arrivals in every month. A glance at the monthly figures which are presented in Table 5.2, and illustrated in Chart 5.1, reveals that July is the peak month for inbound tourism, accounting for 21.3 per cent of the total inbound tourists. A significant positive performance was also recorded in June and May, with a share of inbound tourists of 18.9 per cent and 18.3 per cent, respectively.

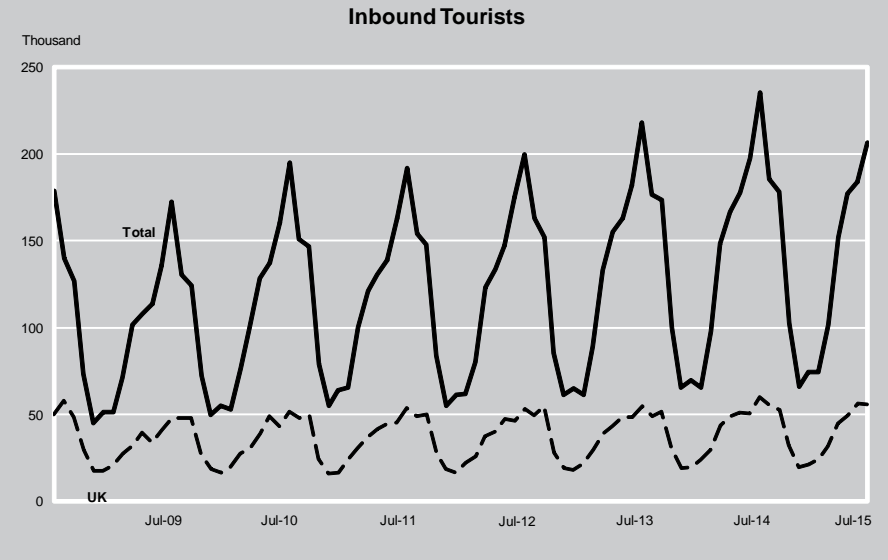
Monthly Inbound Tourists

Table 5.2

	2012	2013	2014	2015
January	61,353	64,887	69,525	74,280
February	61,788	61,442	65,299	74,516
March	80,142	89,286	97,800	101,769
April	122,979	133,173	148,188	151,924
May	133,648	155,366	166,497	177,203
June	147,361	162,879	177,446	183,765
July	174,805	181,899	197,389	206,626
January-July	782,075	848,932	922,144	970,084
% change		8.5	8.6	5.2
August	199,430	218,271	235,094	
September	163,251	176,370	185,438	
October	151,794	173,306	177,961	
November	85,491	99,928	102,940	
December	61,373	65,345	66,232	
Total	1,443,414	1,582,153	1,689,809	
% change		9.6	6.8	

Source: National Statistics Office

Chart 5.1



Quarterly Distribution of Inbound Tourists

Table 5.3 per cent

	2011	2012	2013	2014
Q1	16.3	14.1	13.6	13.8
Q2	27.6	28.0	28.5	29.1
Q3	35.9	37.2	36.4	36.6
Q4	20.3	20.7	21.4	20.5

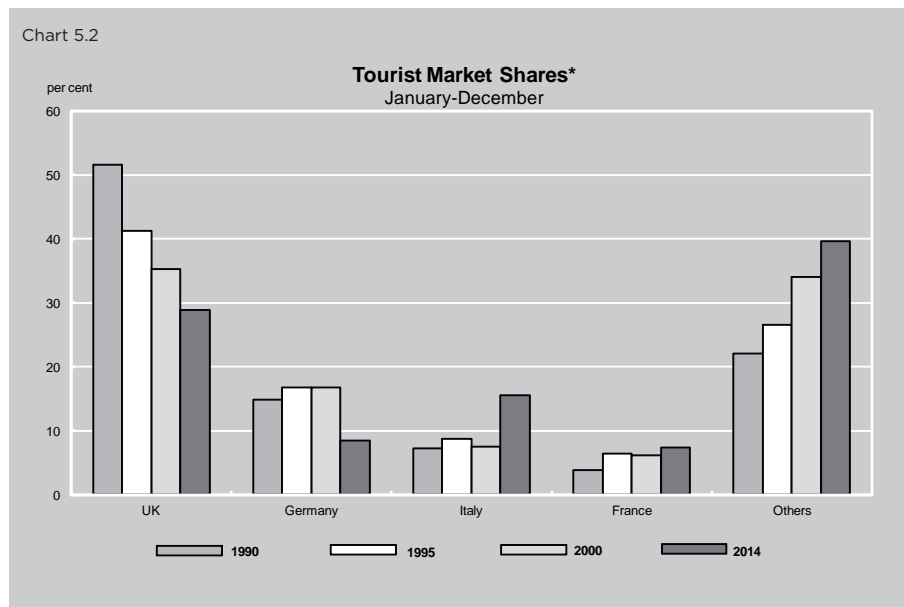
Source: National Statistics Office

A noteworthy performance was recorded in the first quarter of 2015, with tourist arrivals increasing by 7.7 per cent over the corresponding 2014 period. This increase is mainly attributable to a significant increase of 14.1 per cent in tourist arrivals in February, reflecting stakeholders' efforts to improve accessibility in the winter months through an increase in seat capacity. In addition, channelling growth into off-peak low season months aids in reducing the negative effects of seasonality.

Table 5.3 shows the quarterly distribution of tourist departures for the period January to December 2011 to 2014. The fourth quarter of 2014 was the only quarter in the year to record a decline in the share of inbound tourists when compared to the corresponding period in 2013.

Tourist Nationality

Chart 5.2 illustrates the relative market share of Malta's main source markets over January to December 1990 to 2014. The United Kingdom (UK) remained the major market in the Maltese



*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.

tourism sector, despite the fact that its market share has declined over the years, from a share of 51.6 per cent in 1990 to 28.9 per cent in 2014. Although the UK market is on a downward trend, its share has increased marginally by 0.1 per cent in 2014 from its corresponding share in 2013. The German market increased its share between 1990 and 2000, but registered a drop to 8.5 per cent in 2014. By contrast, the share of the Italian market fluctuated from 7.3 per cent in 1990 to 15.5 per cent in 2014. Moreover, whereas the Italian market registered an increase in its share of 0.8 per cent in 2014 from its corresponding share in 2013, the German market suffered a drop of 0.8 per cent during the same period. Meanwhile, the share of the French market increased from 6.5 per cent in 1995 to 7.4 per cent in 2014. The share of the 'other' market category increased from 22.2 per cent in 1990 to 39.7 per cent in 2014.

Inbound Tourists by Country of Residence

Table 5.4

	2012	2013	2014	2014 Jan-Jul	2015 Jan-Jul
United Kingdom	441,275	454,659	487,714	267,722	283,948
Germany	137,500	147,110	143,053	70,296	74,315
Italy	202,200	233,777	262,631	136,097	158,013
France	107,893	116,533	125,511	71,195	74,059
Spain	60,223	53,278	42,285	20,370	23,562
Netherlands	39,191	41,486	44,697	24,708	24,523
Scandinavia*	97,363	105,068	108,647	64,929	63,044
Libya	17,217	34,621	30,770	25,367	4,538
Belgium	27,279	28,948	31,399	18,229	21,342
Austria	19,827	25,739	27,567	15,851	17,220
Switzerland	25,758	28,702	31,797	17,254	19,200
USA	18,027	19,502	22,402	13,271	12,632
Others	249,661	292,728	331,337	176,854	193,688
TOTAL	1,443,414	1,582,153	1,689,809	922,144	970,084

*Includes Denmark, Finland, Norway, and Sweden.

Source: National Statistics Office

As indicated in Table 5.4, which provides a detailed breakdown of inbound tourists by country of residence, during the first seven months of 2015, marked additions were registered in almost all of the tourist markets. The largest absolute increases were registered by the Italian market, with an increase of 21,916 tourists accounting for more than a quarter of the overall increase in inbound tourists, followed by the UK market with an increase of 16,226 tourists. Other notable increases in the number of tourist arrivals were recorded from the German, Spanish, French, Belgian and Swiss markets. Furthermore, emerging markets such as Poland (classified under 'others') are also contributing to the increase in inbound tourists. Meanwhile, there was a significant drop of 20,892 tourist arrivals originating from Libya and declines of 8,007 tourists recorded in the Russian market, as a result of the geo-political developments in these countries.

Cruise Passengers

During the first seven months of 2015, cruise passenger arrivals (excluding embarkations and Maltese cruise passengers) recorded a significant increase from those recorded in the corresponding period of 2014, increasing from 203,772 arrivals to 277,023 arrivals. This notable increase was due to the fact that a global cruise company has increased its level of operations in 2015, including the arrival of one of its flagship mega cruise liner in Malta's Grand Harbour, consequently bringing more cruise passengers.

During the period under review, there were 141 cruise liner calls, an increase of 6 calls over the corresponding 2014 level. During this period, the German market was the main source market for arrivals with an absolute increase of 26,249 passengers, followed by the Italian market with an increase of 13,351 passengers. Although during the first seven months of 2015, the total cruise passengers that spent a night at a hotel in Malta decreased to 7,101 passengers, there was a notable increase in cruise passengers that visited Gozo from those recorded in the corresponding period in 2014, increasing from 124 passengers to 3,180 passengers.

Accommodation

Table 5.5 provides data on the accommodation capacity by category of units and beds for the period ending June 2015. It is to be noted that there has been a change in the reference month used for analysis from the previous issues of the Economic Survey. As from this Survey, the reference month used for comparison is August instead of December, given that in December, the number of active establishments is smaller, owing to the fact that some collective accommodation establishments close during the winter.

As illustrated in Table 5.5, by the end of June 2015, the number of hotels remained at the same level as that of August 2014. A slight increase was recorded in the number of 3-Star hotels,

	2013 (August)		2014 (August)		2015 (June)	
	Establishments	Bed-Places	Establishments	Bed-Places	Establishments	Bed-Places
Hotels						
5-Star	15	7,307	15	7,256	15	6,496
4-Star	46	18,223	45	17,837	43	17,141
3-Star	49	12,454	49	11,593	52	11,940
2-Star	17	1,613	16	1,562	15	1,544
Total	127	39,597	125	38,248	125	37,121
Other N.E.C.						
Guesthouses	26	1,388	24	1,360	28	1,437
Hostels	16	1,710	17	1,720	15	1,519
Other N.E.C. Total	42	3,098	41	3,080	43	2,956

Source: National Statistics Office

which was offset by slight decreases in 4-Star and 2-Star hotels. Hotel bed-stock capacity, registered a decrease of 1,127 beds or 2.9 per cent. During the same period, the total number of guesthouses and hostels increased by 2 units, although there was a slight decrease in bed-places of 4 per cent.

Another important element in the analysis of the tourism industry is the occupancy rate for various types of accommodation. As shown in Table 5.6, from January to June 2015, all the accommodation categories reached their peak inflow in June. During June, the 5-Star hotel accommodation category recorded

Monthly Accommodation Occupancy Rates*						
Table 5.6						per cent
	Hotels				Hostels &	
	5-Star	4-Star	3-Star	2-Star	Guesthouses	
2014						
Average (Jan-Jun)	59	64	49	44	37	
2015						
January	40	45	31	37	27	
February	50	58	39	37	31	
March	57	61	43	41	35	
April	69	70	58	50	38	
May	79	75	63	50	49	
June	85	81	68	56	49	
Average (Jan-Jun)	65	65	52	46	39	

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

Source: National Statistics Office

the highest occupancy rate of 85 per cent, followed by that of the 4-Star hotel with 81 per cent occupancy rate.

Over the period January to June 2015, the 4-Star hotel category recorded the highest average occupancy rate of 65 per cent, up from 64 per cent in the same 2014 period. This was equivalent to the rate recorded by that of the 5-Star hotel category, which increased to 65 per cent, from an average occupancy rate of 59 per cent in the corresponding period of 2014. It is to be noted, that during the first six months of 2015, the average occupancy rate for the 5-star hotel category registered the largest increase amongst all categories of accommodation, amounting to 6 percentage points.

The average length of stay by tourists is another important indicator of the performance of the tourism industry. Between January and July 2015, the average length of stay declined marginally to 7.5 nights. Whereas a slight decline has been registered in the number of tourists staying in Malta for 3 days or less, the number of tourists whose duration of stay was between 4 to 6 nights, and those staying for 7 nights or more, increased significantly compared to the same period in 2014.

Employment

During the period of January to April of 2015, employment in the accommodation and food services activities decreased to an average of 10,270 persons, from an average of 10,282 persons in the corresponding period of 2014. As a share of the gainfully occupied population, employment in this sector declined marginally by 0.2 percentage points, to 6.1 per cent. Similarly, as a share of the total private gainfully occupied population, the private sector employment in the accommodation and food services activities declined marginally by 0.4 percentage points, to 8.3 per cent.

Tourism Earnings

The source of data presented in this section is the Tourstat survey used by the National Statistics Office (NSO). During January

Expenditure from Inbound Tourism

Table 5.7

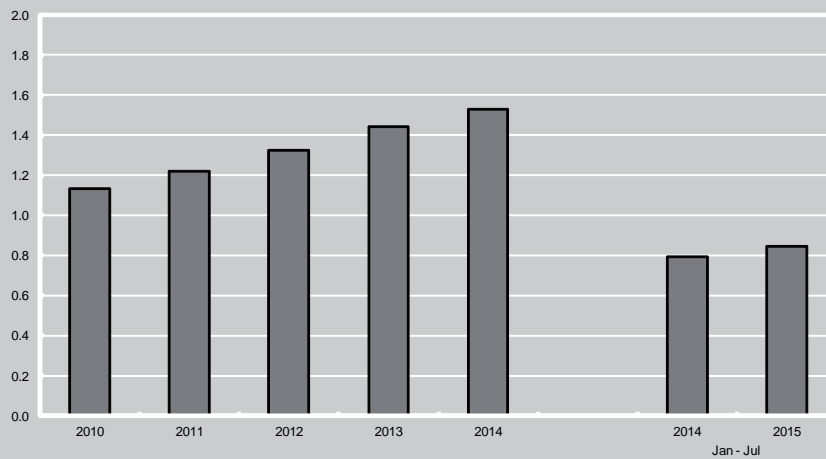
	Total Expenditure (€ million)	Per Capita Expenditure (€)	Expenditure Per Nights Spent (€)
2012	1,326.5	919.0	111.8
2013	1,440.4	910.4	111.7
2014	1,528.8	904.7	113.1
2014 (Jan-Jul)	793.1	860.0	113.0
2015 (Jan-Jul)	845.8	871.9	115.7

Source: National Statistics Office

Chart 5.3

Euro million

Expenditure from Inbound Tourism



to July 2015, tourism spending recorded an increase of 6.7 per cent, increasing from €793.1 million in January to July 2014 to €845.8 million, as shown in Table 5.7 and Chart 5.3. This year-on-year increase was mainly the result of a 9.7 per cent increase in non-package spending which in turn reflected increases in both air/sea fares and accommodation. Accommodation spending registered a higher rise of 11.4 per cent, than the recorded expenditure on air/sea fares which increased by 8.1 per cent. Tourists' expenditure on package holidays increased by a significant 8.4 per cent during the period under review, while expenditure on the 'other' component of tourist expenditure increased by 2.9 per cent. In per capita terms, tourist expenditure increased by 1.4 per cent to €871.9 while expenditure per nights spent increased to €115.7 in January to July 2015, from €113.0 in the corresponding 2014 period.

Regulatory Activity

This section delves into the regulatory developments in the services industry of Malta for the first part of 2015. Particularly, this section focuses on the Malta Financial Services Authority (MFSA), being the sole regulator and supervisory authority for financial services in Malta, and the Malta Gaming Authority (MGA) which is the single, independent, regulatory body responsible for the governance of all gaming activities in Malta. Due to the fact that data is collected from various sources, the data periods for different activities outlined in this sub-section may not always correspond.

Malta Financial Services Authority

During the first nine months of 2015, the MFSA continued to take an active part in the European System of Financial Supervisors (ESFS), which was initiated in January 2011. The MFSA participated actively in the meetings of the three European Supervisory Authorities (ESMA, EIOPA, EBA) and the European Systemic Risk Board.

The MFSA has been involved in on-going work in the establishment of the Banking Union, in particular the Single Supervisory Mechanism (SSM) conferring banking supervisory powers to the European Central Bank (ECB) as from November 2014, and the proposed Single Resolution Mechanism. The MFSA was also represented on the Supervisory Board which has been established to plan and carry out the ECB's supervisory tasks, undertake preparatory work, and propose complete draft decisions for adoption by the ECB's Governing Council.

Throughout the period under review, the MFSA conducted several legislative consultations, regarding amongst others, the Reinsurance Special Purpose Vehicles (Insurance Rule 32 of 2014) and the quantitative reporting requirement under Solvency II. Furthermore, the MFSA also consulted on the regulatory approach applicable to licenced Professional Investment Funds (PIFs) and Alternative Investment Funds (AIFs), as well as on the proposed Conduct of Business Rulebook and the draft Regulations transposing the Directive on Deposit Guarantee Schemes. During the first nine months of 2015, the Retirement Pensions Act came into force along with the publication of supplementing rules and subsidiary legislation. In the period under review, the authority also published the revised Insurance Rule 32 of 2014 on Reinsurance Special Purpose Vehicles and Insurance Intermediaries Rule 1 of 2007 on Own Funds of Persons Enrolled in the Agents List, Managers List or Brokers List carrying out Insurance Intermediaries Activities. In addition, the Authority published a new Insurance Rule 33 of 2015 on Phasing in measures for Solvency II Implementation.

The MFSA also carried out consultations with the aim of setting up the Code of Conduct Supervisory Unit within the Authority. This Unit shall be responsible for securing appropriate consumer protection and to address potential or emerging risks for financial services consumers. A Resolution Authority is also being set up within the MFSA, in accordance with the Bank Recovery and Resolution Directive (BRRD), which establishes a detailed framework for authorities to deal with failing banks at national level. The BRRD is fully in line with the Financial Stability

Board's (FSB) recommendations and creates another pillar of the European Banking Union, together with the Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM). Established in July 2015, the Resolution Authority and its committee shall be operationally independent with the aim of ensuring credibility and transparency.

In the context of macro prudential supervision, the MFSA issued a revised Banking Rule 7, regarding the publication of annual reports and annual financial statements. Banking Rule 12 was also revised and it relates to the Supervisory Review Process, including revisions to the reporting requirements in relation to Funding Plans of Credit Institutions as well as revisions to how dealing with the reporting and monitoring of asset encumbrance should be treated. An additional rule was also issued, Banking Rule 16, which deals with Funding Plans of Credit Institutions. Furthermore, through the Joint Financial Stability Board (JFSB), the MFSA also contributed to the implementation of macro-prudential measures in line with the Capital Requirements Directive (CRD IV) package.

Throughout the same period, the MFSA issued a significant number of new licences. Financial institutions were issued 6 new licences, increasing the total to 37 units. In total, 18 investment services licences were issued, leading to 147 licences by the end of August 2015. The MFSA also issued 74 new Collective Investment Scheme (CIS) licences, increasing the total number of CIS licences to 1,178 as at the end of September 2015. With regards to insurance companies, 4 new licences were issued, bringing the total to 63 insurance companies. Moreover, trustees increased by 6, to an aggregate of 147 trustees. In the first nine months of 2015, 3,749 companies and partnerships were registered with the Registry of Companies. With regards to retirement schemes, a scheme and an administrator were licenced, with the total remaining at 35 and total administrators remaining at 14.

Malta Gaming Authority

The Malta Gaming Authority (MGA) is an independent regulatory body established under the Lotteries and Other Games Act, Chapter 438 of the Constitution of Malta. The MGA is responsible for the regulation of both remote and land based gaming in Malta, including those of casinos, amusement machines, gaming devices, distance communication games (remote gaming), commercial bingo halls, national lottery and other lotteries, sports betting, and non-profit games. For the past two years, the MGA has been working to consolidate Malta's position in the global domain, particularly within the remote gaming sector. The aim of the MGA is the progressive repositioning of Malta as a gaming jurisdiction, taking into account the evolving regulatory and industry challenges, as well as to raise the regulatory bar by devising policies and mechanisms that are innovative, evidence based and business friendly.

During the first seven months of 2015, the number of registered remote gaming licences rose by 8 per cent over the previous corresponding period, to reach a total of 469, shared by 270 registered remote gaming operators. By the end of July 2015, there were 3 casinos in Malta with another soon to open after the granting of a 10 year concession to open one. During the period under review, the MGA adopted the Cruise Casino Regulations, and by the end of July 2015 one application was received and granted. During the first seven months of 2015 gaming parlours increased by a unit, while the number of gaming devices in such parlours rose by 44 to reach a total of 317.

The MGA is working on the review and complete overhaul of Malta's gaming regulatory framework and implementation mechanisms, with the aim of consolidating all legislations under a single framework enabling consistent, technology-neutral, evidence-based and future-looking governance of all gaming sectors in Malta. This should lead to enhanced government structures and an extension of regulatory scope and responsibilities of the Authority.

The MGA also participates actively in discussions relating to gaming in the EU and other fora. Gaming regulation in Europe and beyond is very granular and Governments have been seeking to ring-fence their territorial markets. In particular, the Authority forms part of the Expert Group on Gaming Services. Following the publication of the Green Paper on Online Gambling in the Internal Market, the European Commission launched the Communication and Action Plan 'Towards a comprehensive European Framework for online gambling'. This called for a policy action at EU level. As a result the Expert Group on Gaming Services (EGGS) was formed. The MGA, as Malta's representative body, actively participates in the EGGS forum, sharing its experiences in the regulation of gaming and presenting Malta's position in this regard. In addition, throughout the period under review, the MGA contributed towards Malta's position in terms of the European Convention on the manipulation of sports competitions.

During the period under review, the MGA continued to work on the prevention of money-laundering with the aim of facilitating the adoption of the 4th Anti-Money Laundering Directive (AMLD), which has reached political agreement at EU Level. The MGA will be working closely with the respective ministries, authorities and its stakeholders in order to ensure a consistent and proportionate implementation of the provisions of the Directive amongst the various gaming segments. All these areas will aim to add value and welfare to industry, consumers as well as the MGA's regulatory systems and mechanisms, its knowledge and reputation.

Development and Investment Promotion

Malta Enterprise (ME) is the national economic development agency, responsible for attracting inward investment and supporting enterprises in Malta. Its roles are multifaceted, whereby it acts as a single point of contact for all enterprise support in Malta, develops support measures to create an environment conducive to the growth and development of the industry, administers a number of fiscal and non-fiscal incentives,

advises Government on economic policy and also acts as an intermediary between industry and Government.

In the first nine months of 2015, the Corporation approved 18 wholly foreign owned projects of which 15 were greenfield foreign direct investments whilst the other 3 were expansions by foreign companies already established in Malta. The approved greenfield FDI projects were in the areas of pharmaceutical products and medical devices, advanced manufacturing, ICT (including software development and consultancy), professional and back office operations and the building of yachts. The local industry has also demonstrated significant growth. In fact, during the same period, 10 new Maltese owned companies and 23 expansion projects were approved by the Board of ME.

ME also played a pivotal role in promoting foreign direct investment in the field of advanced education and training. ME was instrumental in attracting 'The Barts and The London School of Medicine in Gozo'. The project envisages the construction of medical school facilities in Gozo to house 300 international students by 2020, and will be the first fully fledged Barts campus outside of the UK. The campus will benefit from the radical upgrading of the Gozo General Hospital and close research links with ME's Life Sciences Park with the scope of developing an R&D biomedical cluster in Malta and Gozo. ME is now targeting the setting up of a world class medical and rehabilitation hub in Gozo within the framework of a medical tourism perspective.

The Life Sciences Park (LSP) in San Gwann is very near completion and will soon be able to take in the first tenants. Close to the LSP, ME is building a Digital Creativity Hub which will house a variety of operations that are likely to synergise with the Life Sciences Park. The interest shown by companies (both local and foreign) to operate from LSP has exceeded expectations. Business First underwent further structural changes in order to make it even more efficient and expand its reach towards new clients. During the period under review, a total of 764 enquiries were handled, most of which resulted in actual requests for assistance. Business First is now also reviewing the administrative

burden of doing business. In this respect the Corporation is working on a pilot project which, when implemented, will allow self-employed persons to set up a business online by filling in one form.

Other significant developments in 2015 include:

- ME, cognisant of financing issues faced by highly innovative start-ups, developed the Business Start (B.Start) seed capital scheme as well as a scheme related to crowd funding;
- ME reviewed and approved Investment Aid Tax Credits based on eligible investment for a total value of €48.5 million in favour of 198 beneficiaries. Furthermore, the Corporation received and processed 579 applications under the Get Qualified Scheme, as well as issued €1.8 million worth of tax credits, and assisted 985 small enterprises which benefitted from the MicroInvest Scheme, with a total tax credit value of €6.5 million;
- ME has taken a more active role in policy advocacy, ease of doing business in Malta, and in strengthening the linkages between industry and education;
- ME worked intensely on the development of a holistic national logistics policy which does not merely focus on the infrastructure projects required but also delves into identified practices that need to be abolished or revised to ensure that goods can flow to and from Malta in the most efficient and cost-effective way possible. This policy is seen as being of crucial importance to further enhance Malta's competitiveness;
- The joint initiative between ME and MCAST to support entrepreneurship and start-ups at KBIC gave its first results in 2015 with two of the projects approved in 2014 operating successfully and another five new projects being approved in 2015;
- A feasibility study on the setting up of a digital hub in Gozo was completed and concrete action related to the findings is being developed;
- Trade Malta, a public private partnership (PPP) between the Government and the Chamber of Commerce, was set-

up in 2015 with the primary objective of promoting trade by offering guidance to all locally based companies who are considering venturing in the international markets, organising trade missions abroad, promoting incoming trade missions and undertaking research into internationalisation developments and opportunities;

- As of January 2015, the Enterprise Europe Network is represented in Malta by a consortium made up of four business support organisations namely ME, the Malta Chamber of Commerce, Enterprise and Industry, the Malta Business Bureau and the Malta Council for Science and Technology. An important development for 2015, is the Network's provision of diagnostic and benchmarking assessments of the innovation management capacities of Maltese businesses;
- Malta Industrial Parks Ltd. (MIPL) continued to work very closely with ME, administering and maintaining a substantial portfolio of industrial properties, including over 500 factories in various industrial estates, as well as the Safi Aviation Services Park (SASP). In the first nine months of 2015, MIPL allocated 65,000 square meters of space to local and foreign owned business.

6. Prices and Incomes

6. Prices and Incomes

This Chapter will review domestic price movements during the twelve months to August 2015, together with a comparison of Malta's inflation rate to that of other European Union (EU) Member States. Furthermore, it also includes an analysis of the developments in average sectoral wages, on the basis of a representative sample of collective agreements for companies deposited within the Department of Industrial and Employment Relations.

The Harmonised Index for Consumer Prices rate published by Eurostat provides the official measure of consumer price inflation in the euro-zone for the purposes of monetary policy in the Euro Area and assessing inflation convergence as required under the Maastricht criteria. Malta's monthly year-on-year inflation exhibited an upward trend after the first quarter of 2015. It hovered around 0.6 per cent between April 2014 and March 2015 before averaging 1.3 per cent between April and August 2015. The 12-month moving average inflation rate remained relatively stable during the last twelve months, being 0.9 per cent in August 2015.

The overall average weekly wage increased by €3.02 or 0.9 per cent. The highest percentage weekly wage increase of 3.77 per cent was registered in the Social work activities without accommodation sub-sector. Meanwhile, the highest percentage of employees (33.3 per cent) earned a weekly wage over €333.98 while around 30.1 per cent of all employees in the sample earned an average weekly wage between €233.98 and €283.97.

Inflation

International Comparison

Table 6.1 presents data on the inflation rates for EU Member States as at August 2015. The inflation rate is based on the Harmonised Index for Consumer Prices (HICP), which enables direct comparability among Member States. In addition, Chart

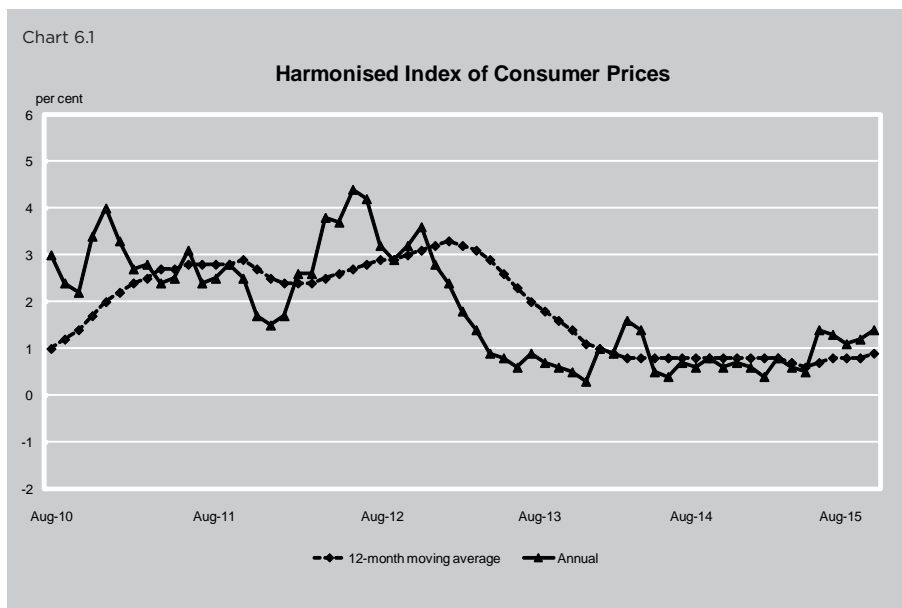
Harmonised Index of Consumer Prices (August 2015)

Table 6.1

per cent

Member States	Annual Rate	12-Month Moving Average
Austria	0.9	1.0
Belgium	0.8	0.2
Bulgaria	-0.8	-1.3
Cyprus	-1.9	-1.1
Croatia	-0.1	0.0
Czech Republic	0.2	0.4
Denmark	0.3	0.2
Estonia	0.2	0.1
Finland	-0.2	0.3
France	0.1	0.1
Germany	0.1	0.3
Greece	-0.4	-1.6
Hungary	0.1	-0.2
Ireland	0.2	0.0
Italy	0.4	0.1
Latvia	0.2	0.5
Lithuania	-1.0	-0.5
Luxembourg	0.1	0.0
Netherlands	0.4	0.2
Poland	-0.4	-0.7
Portugal	0.7	0.3
Romania	-1.7	0.5
Slovakia	-0.2	-0.2
Slovenia	-0.6	-0.4
Spain	-0.5	-0.6
Sweden	0.6	0.5
United Kingdom	0.0	0.4
EU 28	0.0	0.1
Euro Area	0.1	0.1
Malta	1.4	0.9

Source: Eurostat, National Statistics Office



6.1 shows domestic inflationary trends in the 12-month moving average and annual HICP.

Inflationary developments in the European Union (EU) in August 2015 show that a substantial number of Member States are recording inflation rates close to zero with some experiencing deflation. The latter is considered a problem because it may lead to recessions and to a deflationary spiral. On the other hand, Malta recorded an increase in the price level with an annual inflation rate of 1.4 per cent. This is well in line with the European Central Bank's (ECB) target rate of close or below 2 per cent over the medium-term. Malta was followed by Austria at 0.9 per cent, Belgium at 0.8 per cent, Portugal at 0.7 per cent and Sweden at 0.6 per cent. On the other hand, eleven countries recorded negative inflation with the lowest rate being that of Cyprus at -1.9 per cent. This was followed by that of Romania at -1.7 per cent, Lithuania at -1.0 per cent and Bulgaria at -0.8 per cent. In addition, United Kingdom was the only country that registered no change in its annual rate of inflation. Similarly, the average annual inflation rate for the EU28 Member States was 0.0 per cent, down from 0.5 per cent in August 2014.

Declines in EU28 inflation during this period were noticed in prices related to Transport (-2.9 per cent), Housing, Water, Electricity, Gas and Other Fuels (-0.5 per cent) and Communications (-0.2 per cent) while prices related to Education (3.0 per cent), Alcoholic Beverages, Tobacco and Narcotics (2.3 per cent) and Restaurants and Hotels (1.9 per cent) subsectors recorded the highest increases.

Domestic annual inflation in August 2015 was driven by developments in prices for Education (6.5 per cent) and Alcoholic Beverages, Tobacco and Narcotics (5.3 per cent). On the other hand, price drops were mainly driven by the Transport sub-index with an annual decline of 2.0 per cent and to a lesser extent by the Communications sub-index by 0.5 per cent. Table 6.2 illustrates the monthly annual rate of HICP for the period January 2012 and August 2015.

In light of the developments in the annual rate of inflation, the 12-month moving average for Malta in August 2015 stood at 0.9

Harmonised Index of Consumer Prices				
Annual rate of change (y-o-y)				
Table 6.2	per cent			
	2012	2013	2014	2015
January	1.7	2.4	0.9	0.8
February	2.6	1.8	1.6	0.6
March	2.6	1.4	1.4	0.5
April	3.8	0.9	0.5	1.4
May	3.7	0.8	0.4	1.3
June	4.4	0.6	0.7	1.1
July	4.2	0.9	0.6	1.2
August	3.2	0.7	0.8	1.4
September	2.9	0.6	0.6	
October	3.2	0.5	0.7	
November	3.6	0.3	0.6	
December	2.8	1.0	0.4	

Source: National Statistics Office

per cent, higher than the rate for EU28 which stood at 0.1 per cent.

Retail Price Index and COLA

The Cost of Living Adjustment agreement (COLA) is based on the 12-month moving average measure of the Retail Price Index (RPI), thus developments in this index merit attention. It is pertinent to note, that the RPI index has a different weighting structure when compared to the HICP index.

Malta's RPI 12-month moving average inflation rate in August 2015 stood at 0.9 per cent. Fluctuations at sub-index level provide insight on the underlying contributors to domestic inflation. Indeed, as Table 6.3 illustrates, the highest increase in August 2015 is noted in the Clothing and Footwear, and Beverages and Tobacco sub-indices mitigated by declines observed in the Water, Electricity, Gas and Other Fuels. Table 6.4 shows the 12-month moving average of the RPI overall inflation rate.

Commodity Group	Aug-13	Aug-14	Aug-15
Food	5.78	1.11	2.34
Beverages and Tobacco	3.93	4.99	3.08
Clothing and Footwear	0.52	-0.46	3.16
Housing	1.17	0.55	0.45
Water, Electricity, Gas and Fuels	0.29	-7.86	-12.23
Household Equipment & House Maintenance Costs	1.45	2.12	0.04
Transport and Communications	-0.26	-1.82	-0.50
Personal Care and Health	2.05	1.55	1.09
Recreation and Culture	2.23	2.80	2.31
Other Goods and Services	1.97	-0.10	1.86

Source: National Statistics Office

Retail Price Index
(12-Month Moving Average Inflation Rate)

Table 6.4 per cent

	2012	2013	2014	2015
January	2.65	2.46	1.23	0.32
February	2.67	2.40	1.17	0.29
March	2.61	2.40	1.10	0.24
April	2.63	2.30	0.99	0.38
May	2.51	2.31	0.80	0.52
June	2.42	2.26	0.66	0.63
July	2.36	2.25	0.48	0.72
August	2.28	2.19	0.35	0.84
September	2.30	2.01	0.30	
October	2.30	1.76	0.33	
November	2.36	1.52	0.39	
December	2.42	1.38	0.31	

Source: National Statistics Office

In August 2015, the Food sub-index 12-month moving average increased by 2.34 per cent. The contribution to the overall inflation rate stood at 0.5 percentage points, mainly reflecting developments in vegetables, served meals and food, and take-aways, fresh bread and fresh pastry and fish. Negative contributions were mainly noticed with respect to unprocessed potatoes and prepared and preserved fish and seafood.

The 12-month moving average rate for the Beverages and Tobacco sub-index, showed a rate of 3.08 per cent in August 2015, with a resulting contribution of 0.19 percentage points to the headline inflation rate. The principal contributors to inflationary developments for this sub-index were related to cigarettes prices. This accounted for more than half of the overall contribution of this sub-index to headline inflation.

In August 2015, the Clothing and Footwear sub-index reversed its 12-month average from -0.46 per cent (August 2014) to an increase of 3.16 per cent. The contribution in August 2015 was that of 0.23 percentage points. Major developments were noted in women's outerwear and to a lesser extent in girls outerwear. On

the other hand, footwear both for men and women showed slight declines.

The Housing sub-index registered an increase of 0.45 per cent in August 2015, thus contributing 0.03 percentage points to the overall 12-month moving inflation rate. This rate of inflation was slightly lower than the 0.55 per cent recorded during the previous 12-month period. The contribution under this sub-index is mainly attributed to the various construction works component.

In August 2015, the Water, Electricity, Gas and Fuels sub-index recorded the highest decrease as the 12-month average rate stood at -12.23 per cent with a contribution of -0.41 percentage points. This mainly reflected the developments as occurred during the year 2015 in the price for water and electricity charges.

The 12-month moving average rate for the Household Equipment and House Maintenance Cost sub-index, stood at 0.04 per cent in August 2015, down from 2.12 per cent in previous August. As a result the contribution of this sub-index to the overall rate was negligible. Downward developments were mainly related to the prices for furniture.

In August 2015, the 12-month moving average inflation rate for the Transport and Communications sub-index stood at a negative of 0.50 per cent. The overall contribution to headline inflation of this sub-index was also negative at 0.11 percentage points and this emanated from developments pertaining to fuels. During the same period air transport prices contributed positively to inflation.

In August 2015, the 12-month moving average rate for the Personal Care and Health sub-index was 1.09 per cent with a contribution of 0.09 percentage points to the headline RPI inflation rate. The change was slightly lower than the 1.55 per cent recorded in the previous comparable period of 2014. Major developments in prices were recorded in hygienic articles and medical services.

The 12-month moving average growth rate for the Recreation and Culture sub-index recorded an increase of 2.31 per cent in August 2015, compared to a 2.80 per cent growth rate recorded during the comparable month of 2014. In August 2015, the contribution to the overall rate was that of 0.21 percentage points with the main contributions being those of education expenses, stationery goods, books and newspapers and also licenses and administrative fees. Meanwhile, audio visual equipment contributed negatively to headline inflation.

The 12-month average inflation rate in August 2015, of the Other Goods and Services sub-index increased from -0.10 per cent to 1.86 per cent over August 2014. This rise was mainly attributed to changes observed in the prices for insurance and non-durable household goods. Positive contributions were also noticed in jewellery, watches and clocks, financial services, travel articles and other personal effects. As a result the respective contribution to headline inflation was that of 0.13 percentage points.

Sectoral Wages

The analysis in this section is based on collective agreements deposited within the Department of Industrial and Employment Relations, looking at changes and developments in average weekly wage rates for a specific number of companies making up the various sectors of the economy. The period under review spans from August 2014 to August 2015.

The sample under review is made up of 181 firms employing 26,484 employees, where 57 firms are engaged in direct production and employ 10,643 employees, while the remaining 124 firms operate in the market services with 15,841 employees. The data for weekly wages is divided into three distinguished levels as per ISCO-08 ten skill level groups excluding military occupations. ISCO stands for International Standard Classification of Occupations and is a system of classification and aggregation of occupational information under the International Labour Office (ILO). Level 1 includes ISCO major group number 9 where it refers to elementary occupations, Level 2 includes ISCO major groups

4 to 8 where this consists of clerks, service and sales workers, skilled agricultural and fishery workers, craft and related trades workers, and plant and machine operators and assemblers, while Level 3 includes ISCO major groups 1 to 3 referring to managers, senior officials and legislators, professionals, technicians and associate professionals.

It is to be noted that the collective agreement for the Public service is not covered and 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 includes only the basic weekly wage, the results shown in the following Tables cannot be directly compared to data based on the gainfully occupied population included in other Chapters of this Economic Survey. Furthermore, in light of the adoption of the changes in the sectoral and occupational classifications, 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 compiles collective agreements on the basis of the entity's European Classification of Economic Activities (NACE) code. This classification provides a structure for statistical data according to 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 increased by the cost of living adjustments in cases where the collective agreement is exclusive of COLA. The COLA for the year 2015 as announced during the 2014 budget speech amounted to €0.58 per week.

Table 6.5 shows the average weekly wage rate for the various employment categories in the sampled firms as at August 2014. The overall weighted average wage of all firms stood at €322.20

	Level 1	Level 2	Level 3	Weighted Average
Mining support services activities	223.71	282.46	441.12	297.22
Manufacture of food products	231.06	271.22	396.10	287.22
Manufacture of beverages	244.94	288.17	373.84	302.69
Manufacture of textiles	217.83	255.54	272.20	255.85
Manufacture of wearing apparel	210.23	208.59	214.89	209.26
Manufacture of paper and paper products	229.43	278.70	308.78	262.69
Printing and reproduction of recorded media	328.38	357.46	327.30	348.96
Manufacture of basic pharmaceutical products and pharmaceutical preparations	301.01	337.23	336.57	333.36
Manufacture of rubber and plastic products	247.04	326.22	344.52	323.61
Manufacture of other non-metallic mineral products	208.48	253.90	262.63	240.76
Manufacture of fabricated metal products, except machinery and equipment	275.73	298.19	271.83	287.29
Manufacture of computer, electronic and optical products	206.85	272.54	313.35	286.53
Manufacture of electrical equipment	225.84	285.74	338.39	283.62
Manufacture of machinery and equipment	185.60	199.99	383.41	200.27
Manufacture of motor vehicles, trailers and semi-trailers	200.89	265.78	325.12	268.57
Manufacture of furniture	236.61	272.25	-	256.97
Other manufacturing	276.18	299.02	321.48	301.42
Repair and installation of machinery and equipment	197.29	255.66	262.92	241.50
Electricity, gas, steam and air conditioning supply	244.38	274.82	424.22	318.23
Water collection, treatment and supply	213.85	306.75	335.92	282.21
Specialised construction activities	197.27	234.25	273.94	235.25
Wholesale and retail trade and repair of motor vehicles and motor cycles	233.65	251.17	282.97	257.50
Wholesale trade except of motor vehicles and motorcycles	230.92	264.30	350.34	273.57
Retail trade, except of motor vehicles and motorcycles	237.83	263.02	300.21	266.72
Transportation and storage	294.48	313.74	545.73	371.20
Accommodation	244.51	258.52	284.83	260.09
Food and beverage services activities	221.47	296.38	381.62	306.11
Publishing activities	278.94	352.50	427.51	390.11
Motion picture, video and television programme production, sound recording and music publishing activities	-	246.91	291.17	269.04
Programming and broadcasting activities	212.95	253.79	289.17	279.26
Telecommunications	277.58	294.47	534.62	437.37
Information service activities	-	262.13	335.75	292.17
Financial service activities, except insurance and pension funding	262.29	282.27	490.89	315.01
Insurance, reinsurance and pension funding, except compulsory social security	270.47	282.53	345.74	318.90
Activities auxiliary to financial services and insurance activities	198.75	255.36	379.48	270.64
Real estate activities	179.38	-	389.61	355.98
Activities of head offices; management consultancy activities	-	218.96	254.49	230.80
Employment activities	243.91	286.01	344.12	292.47
Security and investigations activities	185.39	231.64	-	230.80
Services to buildings and landscape activities	-	212.98	-	212.98
Office administrative, office support and other business support activities	271.89	310.29	-	295.52
Public administration and defence ; compulsory social security	222.70	263.89	378.60	328.68
Education	235.82	261.46	483.95	460.79
Residential care activities	199.90	253.06	326.21	250.97
Social work activities without accommodation	208.28	232.26	339.00	304.92
Creative, arts and entertainment activities	-	300.54	341.01	340.23
Libraries, archives, museums and other cultural activities	216.49	261.61	318.32	281.69
Sports activities and amusement and recreation activities	200.07	222.63	303.57	263.93
Activities of membership organisations	263.72	309.63	430.24	395.91
Other personal service activities	237.00	280.75	277.50	250.76
All Firms	243.88	283.85	414.99	322.20
Direct Production	239.82	287.91	345.34	293.74
Market Services	250.45	280.92	444.70	341.32

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

whereas the weighted average wage for those employed in direct production and market services stood at €293.74 and €341.32, respectively. This implies a sectoral wage gap of €47.58. The highest average weekly wage rates were recorded in the Education subsector (€460.79) and the Telecommunications (€437.37). These were followed by Activities of membership organisations (€395.91), Publishing activities (€390.11) and Transportation and storage (€371.20) sub-sectors. On the other hand, the lowest paid subsectors were the Manufacture of machinery and equipment subsector (€200.27), the Manufacture of wearing apparel subsector (€209.26), and the Services to buildings and landscape activities sub-sector (€212.98). The lowest weekly average wage rate in August 2014 amounted to €179.38 and was earned under the Level 1 in the Real estate activities subsector while the highest weekly average wage rate was earned by the Transportation and storage Level 3 classification (€545.73).

Table 6.6 shows the average weekly wage rates for the three employment levels in the sampled firms as at August 2015. The fact that both Table 6.5 and Table 6.6 use the same employment weighting structure and the same sample of firms makes them 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 August 2015 stood at €325.22. The best performing subsector as at August 2015 was Education which had a weekly average weighted remuneration of €469.65. This was followed by the Telecommunications subsector registering an average wage of €437.95. Similarly, the least remunerated subsectors in the sample were the Manufacture of machinery and equipment subsector (€200.85), the Manufacture of wearing apparel (€209.84) subsector and the Services to buildings and landscape activities subsector (€213.65). The lowest reported wage resulted at Level 1 under the Real estate activities subsector (€184.37), was €18.11 or 10.9 per cent over the National Minimum Wage for 2015 which stood at €166.26. The highest average wage was at Level 3 in the

Average Weekly Wages - August 2015

Table 6.6

€

	Level 1	Level 2	Level 3	Weighted Average
Mining support services activities	224.29	283.04	441.70	297.80
Manufacture of food products	231.64	271.80	396.68	287.80
Manufacture of beverages	245.52	288.75	374.42	303.27
Manufacture of textiles	218.41	256.12	272.78	256.43
Manufacture of wearing apparel	210.81	209.17	215.47	209.84
Manufacture of paper and paper products	230.33	279.46	309.61	263.51
Printing and reproduction of recorded media	328.96	358.04	327.88	349.54
Manufacture of basic pharmaceutical products and pharmaceutical preparations	301.59	337.81	337.15	333.94
Manufacture of rubber and plastic products	247.62	326.80	345.10	324.19
Manufacture of other non-metallic mineral products	209.06	254.48	263.21	241.34
Manufacture of fabricated metal products, except machinery and equipment	278.78	301.52	273.67	290.29
Manufacture of computer, electronic and optical products	207.43	273.12	313.93	287.11
Manufacture of electrical equipment	232.00	292.86	346.68	290.78
Manufacture of machinery and equipment	186.18	200.57	383.99	200.85
Manufacture of motor vehicles, trailers and semi-trailers	201.47	266.36	325.70	269.15
Manufacture of furniture	237.19	272.83	-	257.55
Other manufacturing	276.76	299.97	322.06	302.25
Repair and installation of machinery and equipment	197.87	256.24	263.50	242.08
Electricity, gas, steam and air conditioning supply	244.96	275.40	424.80	318.81
Water collection, treatment and supply	214.43	307.33	336.50	282.79
Specialised construction activities	197.85	234.83	274.52	235.83
Wholesale and retail trade and repair of motor vehicles and motor cycles	234.23	251.75	283.55	258.08
Wholesale trade except of motor vehicles and motorcycles	234.78	265.07	351.47	275.41
Retail trade, except of motor vehicles and motorcycles	238.41	263.60	300.79	267.30
Transportation and storage	297.19	316.15	564.27	377.76
Accommodation	245.09	259.10	285.41	260.67
Food and beverage services activities	225.82	302.00	388.69	311.89
Publishing activities	279.52	353.08	428.09	390.69
Motion picture, video and television programme production, sound recording and music publishing activities	-	247.49	291.75	269.62
Programming and broadcasting activities	213.53	254.37	289.75	279.84
Telecommunications	278.16	295.05	535.20	437.95
Information service activities	0.00	262.71	336.33	292.75
Financial service activities, except insurance and pension funding	263.18	283.51	493.30	316.43
Insurance, reinsurance and pension funding, except compulsory social security	271.05	283.11	346.32	319.48
Activities auxiliary to financial services and insurance activities	203.85	262.73	384.67	277.58
Real estate activities	184.37	-	401.22	366.62
Activities of head offices; management consultancy activities	-	219.54	255.07	231.38
Employment activities	245.37	291.96	362.39	300.53
Security and investigations activities	185.97	233.88	-	233.01
Services to buildings and landscape activities	-	213.56	-	213.56
Office administrative, office support and other business support activities	272.47	310.87	-	296.10
Public administration and defence ; compulsory social security	225.32	267.03	384.73	333.53
Education	238.48	267.07	493.22	469.65
Residential care activities	201.03	256.22	332.55	254.10
Social work activities without accommodation	216.23	238.67	352.80	316.42
Creative, arts and entertainment activities	-	301.12	341.59	340.81
Libraries, archives, museums and other cultural activities	226.09	264.94	330.73	290.11
Sports activities and amusement and recreation activities	200.65	223.21	304.15	264.51
Activities of membership organisations	264.30	310.21	430.82	396.49
Other personal service activities	237.58	281.33	278.08	251.34
All Firms	245.14	285.57	420.87	325.22
Direct Production	240.56	288.62	346.03	294.45
Market Services	252.55	283.36	452.79	345.90

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

Transportation and storage subsector at €564.27, while other relatively high wages were those in the Telecommunications subsector (€535.20) and the Financial service activities, except insurance and pending funding subsector (€493.30) under the same level.

Table 6.7 shows percentage changes in average weekly wage occurring between August 2014 and August 2015. The weighted average increase for all firms stood at 0.9 per cent. The average wage in the direct production increased by €0.71 or 0.2 per cent to reach €294.45 in August 2015, while average weekly wage rate in the market services sector increased by €4.58 or 1.3 per cent, thus reaching €345.90 in August 2015. Furthermore, the subsector which recorded the highest percentage increase was the Social work activities without accommodation subsector which registered an increase of 3.8 per cent, followed by Real estate activities and the Libraries, archives, museums, and other cultural activities subsectors both with an increase of 3.0 per cent. More specifically, the Level 3 category under the Employment activities subsector registered the highest percentage increase (5.3 per cent), followed by the Libraries, archives, museums, and other cultural activities subsector at Level 1 (4.4 per cent).

Table 6.8 provides information about the distribution of average weekly wages along different brackets as at August 2015. The largest share of employees (33.3 per cent) for all firms earned on average a weekly wage over €333.98. The same goes for the market services segment where the highest portion of average wages fell under the same range of earnings. The second largest proportion of all firms (30.1 per cent) fell within the €233.98 - €283.97 bracket where this made up also the largest fraction of earnings under the direct production segment. The percentage of employees earning up to €183.97 per week stood at 0.7 per cent, with the Manufacture of machinery and equipment being the subsector with the highest relative share under this range (89.3 per cent). On the other hand, the Creative, arts and entertainment activities subsector registered the highest percentage of earnings above €333.98.

Changes in Average Weekly Wages

August 2015 - August 2014

Table 6.7

	per cent			
	Level 1	Level 2	Level 3	Weighted Average
Mining support services activities	0.26	0.21	0.13	0.20
Manufacture of food products	0.25	0.21	0.15	0.20
Manufacture of beverages	0.24	0.20	0.16	0.19
Manufacture of textiles	0.27	0.23	0.21	0.23
Manufacture of wearing apparel	0.28	0.28	0.27	0.28
Manufacture of paper and paper products	0.39	0.27	0.27	0.31
Printing and reproduction of recorded media	0.18	0.16	0.18	0.17
Manufacture of basic pharmaceutical products and pharmaceutical preparations	0.19	0.17	0.17	0.17
Manufacture of rubber and plastic products	0.23	0.18	0.17	0.18
Manufacture of other non-metallic mineral products	0.28	0.38	0.22	0.28
Manufacture of fabricated metal products, except machinery and equipment	1.11	1.12	0.68	1.04
Manufacture of computer, electronic and optical products	0.28	0.21	0.19	0.20
Manufacture of electrical equipment	2.73	2.49	2.45	2.53
Manufacture of machinery and equipment	0.31	0.29	0.15	0.29
Manufacture of motor vehicles, trailers and semi-trailers	0.29	0.22	0.18	0.22
Manufacture of furniture	0.25	0.21	-	0.23
Other manufacturing	0.21	0.32	0.18	0.28
Repair and installation of machinery and equipment	0.29	0.23	0.22	0.24
Electricity, gas, steam and air conditioning supply	0.24	0.21	0.14	0.18
Water collection, treatment and supply	0.27	0.19	0.17	0.21
Specialised construction activities	0.29	0.25	0.21	0.25
Wholesale and retail trade and repair of motor vehicles and motor cycles	0.25	0.23	0.20	0.23
Wholesale trade except of motor vehicles and motorcycles	1.67	0.29	0.32	0.68
Retail trade, except of motor vehicles and motorcycles	0.24	0.22	0.19	0.22
Transportation and storage	0.92	0.77	3.40	1.77
Accommodation	0.24	0.22	0.20	0.22
Food and beverage services activities	1.96	1.90	1.85	1.89
Publishing activities	0.21	0.16	0.14	0.15
Motion picture, video and television programme production, sound recording and music publishing activities	-	0.23	0.20	0.22
Programming and broadcasting activities	0.27	0.23	0.20	0.21
Telecommunications	0.21	0.20	0.11	0.13
Information service activities	-	0.22	0.17	0.20
Financial service activities, except insurance and pension funding	0.34	0.44	0.49	0.45
Insurance, reinsurance and pension funding, except compulsory social security	0.21	0.21	0.17	0.18
Activities auxiliary to financial services and insurance activities	2.56	2.88	1.37	2.56
Real estate activities	2.78	-	2.98	2.99
Activities of head offices; management consultancy activities	-	0.26	0.23	0.25
Employment activities	0.60	2.08	5.31	2.76
Security and investigations activities	0.31	0.97	-	0.96
Services to buildings and landscape activities	-	0.27	-	0.27
Office administrative, office support and other business support activities	0.21	0.19	-	0.20
Public administration and defence ; compulsory social security	1.18	1.19	1.62	1.48
Education	1.12	2.15	1.92	1.92
Residential care activities	0.56	1.25	1.94	1.25
Social work activities without accommodation	3.82	2.76	4.07	3.77
Creative, arts and entertainment activities	-	0.19	0.17	0.17
Libraries, archives, museums and other cultural activities	4.44	1.27	3.90	2.99
Sports activities and amusement and recreation activities	0.29	0.26	0.19	0.22
Activities of membership organisations	0.22	0.19	0.13	0.15
Other personal service activities	0.24	0.21	0.21	0.23
All Firms	0.52	0.61	1.42	0.94
Direct Production	0.31	0.25	0.20	0.24
Market Services	0.84	0.87	1.82	1.34

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

Proportion of Sampled Employees in Wage Ranges

Table 6.8

per cent

Sector \ Wage Range	Up to €183.97	€183.98 -€233.97	€233.98 - €283.97	€283.98 -€333.97	Over €333.98
Mining support services activities	0.0	14.8	70.5	0.0	14.8
Manufacture of food products	0.0	10.9	36.4	31.5	21.2
Manufacture of beverages	0.0	2.0	25.9	43.7	28.3
Manufacture of textiles	0.5	1.4	98.1	0.0	0.0
Manufacture of wearing apparel	0.0	99.5	0.5	0.0	0.0
Manufacture of paper and paper products	0.0	30.3	60.5	9.2	0.0
Printing and reproduction of recorded media	0.0	0.7	3.5	27.8	67.9
Manufacture of basic pharmaceutical products and pharmaceutical preparations	0.0	4.7	0.0	32.2	63.1
Manufacture of rubber and plastic products	0.0	4.4	8.4	25.2	62.1
Manufacture of other non-metallic mineral products	34.8	34.8	30.4	0.0	0.0
Manufacture of fabricated metal products, except machinery and equipment	10.3	27.6	1.7	0.0	60.3
Manufacture of computer, electronic and optical products	0.0	8.7	54.5	36.8	0.0
Manufacture of electrical equipment	0.0	8.5	15.6	58.2	17.7
Manufacture of machinery and equipment	89.3	0.0	1.5	0.0	9.2
Manufacture of motor vehicles, trailers and semi-trailers	0.0	5.5	84.7	9.9	0.0
Manufacture of furniture	0.0	0.0	100.0	0.0	0.0
Other manufacturing	0.0	1.1	11.4	87.5	0.0
Repair and installation of machinery and equipment	0.0	23.2	76.8	0.0	0.0
Electricity, gas, steam and air conditioning supply	0.0	0.0	65.4	0.0	34.6
Water collection, treatment and supply	0.0	31.8	0.0	51.1	17.1
Specialised construction activities	4.4	54.4	33.6	7.5	0.0
Wholesale and retail trade and repair of motor vehicles and motor cycles	0.0	12.7	78.0	9.3	0.0
Wholesale trade except of motor vehicles and motorcycles	0.0	31.6	33.1	24.8	10.5
Retail trade, except of motor vehicles and motorcycles	0.0	32.6	8.7	58.7	0.0
Transportation and storage	0.0	1.6	21.6	28.6	48.2
Accommodation	0.0	20.9	60.9	10.0	8.1
Food and beverage services activities	0.0	7.2	0.0	75.1	17.7
Publishing activities	0.0	0.0	7.0	1.0	92.0
Motion picture, video and television programme production, sound recording and music publishing activities	0.0	0.0	50.0	50.0	0.0
Programming and broadcasting activities	0.0	5.5	52.7	39.7	2.1
Telecommunications	0.0	0.0	6.0	34.1	59.9
Information service activities	0.0	0.6	58.2	0.0	41.1
Financial service activities, except insurance and pension funding	0.0	0.4	40.6	36.1	22.9
Insurance, reinsurance and pension funding, except compulsory social security	0.0	0.0	41.7	0.0	58.3
Activities auxiliary to financial services and insurance activities	0.0	4.8	80.6	0.0	14.5
Real estate activities	0.0	5.0	15.0	0.0	80.0
Activities of head offices; management consultancy activities	0.0	66.7	33.3	0.0	0.0
Employment activities	0.0	3.6	46.3	26.9	23.1
Security and investigations activities	0.6	85.9	0.0	13.6	0.0
Services to buildings and landscape activities	0.0	100.0	0.0	0.0	0.0
Office administrative, office support and other business support activities	0.0	0.0	38.5	61.5	0.0
Public administration and defence ; compulsory social security	0.9	14.0	11.0	21.8	52.3
Education	0.0	1.0	12.2	1.3	85.5
Residential care activities	0.7	19.9	67.8	4.6	7.2
Social work activities without accommodation	0.0	6.1	34.3	2.5	57.0
Creative, arts and entertainment activities	0.0	0.0	0.0	1.9	98.1
Libraries, archives, museums and other cultural activities	0.0	15.7	37.8	46.4	0.0
Sports activities and amusement and recreation activities	0.0	43.8	0.0	56.3	0.0
Activities of membership organisations	0.0	0.0	7.0	22.7	70.3
Other personal service activities	0.0	0.0	100.0	0.0	0.0
All Firms	0.7	10.1	30.1	25.9	33.3
Direct Production	1.5	12.3	35.9	26.3	23.9
Market Services	0.1	8.5	26.2	25.6	39.6

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

As already stated in the first paragraph of this section, it should be noted that the take home pay of those employed in direct production 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 subsectors and between firms arising from the different levels of skills and expertise.

7. International Trade

7. International Trade

This section provides an overview of Malta's international activity with regards to the trade of goods. It examines Malta's imports and exports by geographical distribution and by type of goods. Furthermore, this section examines the difference between imports and exports, known as the trade balance, which indicates further Malta's position with respect to international trade.

Exports of Goods

During the period January to July of 2015, exports contracted to €2,107.4 million, registering a decrease of 7.1 per cent over the same period. This decrease in exports was mainly due to a drop of 17.3 per cent in fuel exports. Indeed, if fuel exports were excluded, an increase of 1.5 per cent would be recorded. The breakdown of commodity exports is shown in Table 7.1 and Chart 7.1. Meanwhile, increases in exports included food, beverages and tobacco and miscellaneous manufactured articles

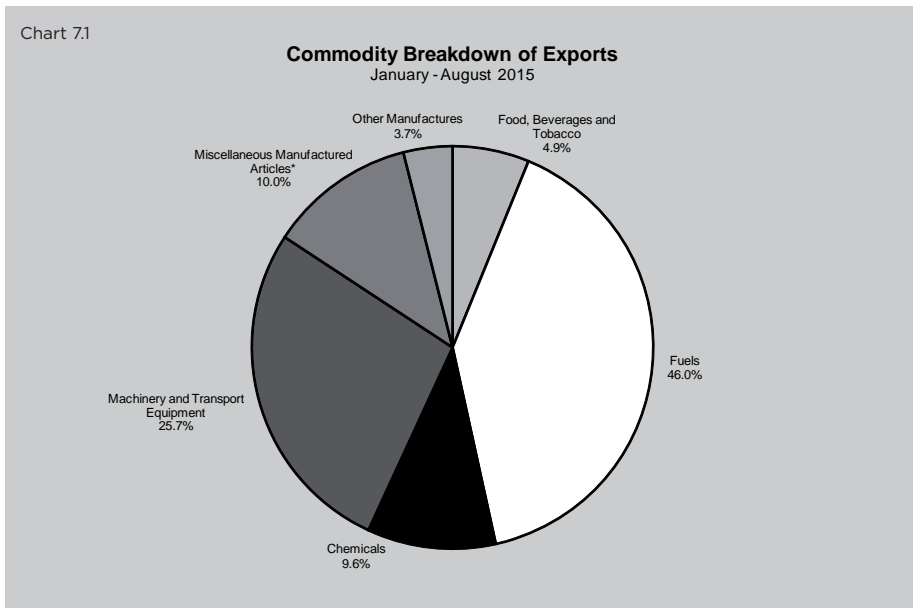
	2011	2012	2013	2014	2014 Jan-Jul	2015 Jan-Jul
Food, Beverages and Tobacco	151.5	227.2	248.0	243.1	114.3	129.9
Fuels	1,621.7	2,010.8	1,665.7	1,608.2	1,029.7	851.2
Chemicals	258.8	321.4	358.2	376.4	212.8	217.6
Machinery and Transport Equipment	1,241.3	1,322.2	1,112.4	1,000.2	597.1	576.7
Miscellaneous Manufactured Articles*	383.2	400.9	404.5	375.6	231.5	248.9
Other Manufactures	162.5	156.3	136.8	133.5	82.2	83.1
Total Exports	3,819.0	4,438.8	3,925.5	3,737.0	2,267.6	2107.4
Total Exports excl. Fuels	2,197.3	2,428.1	2,259.8	2,128.8	1,237.9	1,256.2

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

Note: Totals may not add up due to rounding.

Source: National Statistics Office

Chart 7.1



export categories, which increased by 13.7 per cent and 7.5 per cent respectively while, excluding fuel re-exports, the only decrease was recorded in the exports of machinery and transport equipment category which also includes electronics, recording a decrease of 3.4 per cent.

Chemicals, which also represent a substantial part of total exports, stood at €217.6 million during the January to July period of 2015, registering an increase of 2.3 per cent over the corresponding period of 2014.

Geographical Distribution- Exports of Goods

Table 7.2 represents the distribution of exports by geographical area. During January-July 2015, exports were mainly directed towards Europe, Africa and Asia, which amounted to 31.4 per cent, 29.2 per cent and 19.2 per cent of total exports, respectively. In spite of the decline in overall exports, exports to France, UK and ships and aircrafts were on the rise. It is also worth noting the increase in exports registered to China and Oceania, even though these represent a small part of total exports.

Total Exports by Main Geographical Areas

Table 7.2

€ million

	2011	2012	2013	2014	2014 Jan-Jul	2015 Jan-Jul
Europe	1,579.0	1,646.7	1,535.3	1,319.6	812.0	661.0
EU	1,301.9	1,296.0	1,246.1	1,104.1	669.0	610.5
Italy	171.2	174.2	154.1	159.9	111.7	73.2
Germany	326.2	358.5	348.6	309.2	197.9	196.7
France	244.9	296.9	253.0	204.1	107.8	127.6
UK	150.4	124.6	107.8	99.3	55.7	73.2
Netherlands	26.0	97.4	47.3	39.2	25.6	20.6
Spain	35.1	49.0	34.6	35.5	22.8	22.6
Others	348.0	195.3	300.6	256.9	147.4	96.6
Euro Area	1,033.6	1,042.2	953.5	834.0	517.9	464.7
Other European Countries	277.1	350.7	289.3	215.5	143.1	50.5
Africa	234.3	776.8	617.3	971.3	630.0	615.1
Libya	47.7	199.7	238.0	208.6	156.1	79.5
Others	186.6	577.1	379.3	762.8	473.8	535.5
America	226.7	255.4	224.7	231.3	139.7	120.6
USA	169.0	198.0	170.0	164.1	108.4	78.1
Others	57.7	57.4	54.7	67.2	31.4	42.5
Oceania	5.2	6.3	9.8	14.4	6.2	10.4
Asia	1,092.1	1,020.4	1,059.6	767.4	433.0	405.1
Japan	98.0	116.9	196.5	106.0	22.6	12.7
Singapore	206.3	246.6	272.2	185.4	107.6	94.5
China	71.5	61.1	45.6	23.4	13.9	32.8
Hong Kong	286.1	340.2	199.2	203.7	116.4	116.1
India	14.3	15.0	31.5	30.6	21.0	17.5
South Korea	18.8	9.8	11.3	37.1	30.2	5.9
Others	397.1	230.9	303.3	181.2	121.2	125.6
Ships & Aircraft	681.6	733.2	478.7	433.0	246.6	295.3
Total Exports	3,819.0	4,438.8	3,925.5	3,737.0	2,267.6	2,107.4
Exports to the EU as % of Total	34.1	29.2	31.7	29.5	29.5	29.0

Note: Totals may not add up due to rounding.

Source: National Statistics Office

During the same period, exports to Europe amounted to €661.0 million, thereby registering a decrease of €151.0 million over the previous period under consideration. This decrease was mainly attributed to a decline in exports to other European countries outside the European Union (EU) namely to Albania and Turkey, where fuel exports declined substantially. In addition, exports

to Italy also registered a decrease of €38.6 million. These developments in the European markets were partly mitigated by higher exports to France and the UK of €19.8 million and €17.5 million, respectively.

Africa remained the second largest export partner despite a decrease in exports, from €630 million in the January to July period of 2014 to €615.1 million in the corresponding period of this year. Most of the decrease is explained by the decline in exports to Libya and Egypt. Again, much of the decline was related to the fuels and the tobacco categories.

Maltese exports to Asia in the January to July period of 2015 amounted to €405.1 million, a decrease of €27.9 million when compared to the corresponding period of the previous year. This decline corresponded with decreases in exports to Singapore (12.2 per cent), Japan (43.9 per cent) and South Korea (80.6 per cent). The significant reduction of exports to Japan was related to developments in the exports of tuna, whilst the change in exports to South Korea was caused by a reduction in the exports of motor spirits.

Imports of Goods

Imports for the January to July period of 2015 amounted to €3,807.6 million, an increase of 7.0 per cent, equivalent to €250.3 million, over the level recorded during the corresponding period of 2014. The main imports included the machinery and transport equipment and the fuels categories with the latter having a 27.5 per cent share of total imports whilst the former having a 42.9 per cent share of total imports. It is important to note, that the main change was attributed to the imports of the machinery and transport equipment which saw an increase of around €700 million in the January to July period of 2015. Imports excluding fuel, rose by a significant €745.0 million or 37.0 per cent when compared to the previous year.

The main contributor to the increase in imports recorded, related to capital goods which saw an increase in the January to July

	2011	2012	2013	2014	2014 Jan-Jul	2015 Jan-Jul
Consumer Goods						
Food and Beverages	405.5	428.8	451.0	471.7	264.4	260.4
Durable Goods	338.9	339.7	335.5	372.9	211.7	232.5
Others	238.0	256.5	254.2	269.1	157.3	161.9
Total	982.5	1,025.0	1,040.7	1,113.7	633.5	654.9
Industrial Supplies						
Primary	52.3	111.7	95.1	81.2	48.6	52.0
Semi-finished	1,328.8	1,273.0	1,274.1	1,166.4	682.6	670.3
Finished	134.2	150.9	160.0	151.0	88.5	119.5
Total	1,515.3	1,535.5	1,529.2	1,398.5	819.6	841.8
Capital and Others						
Capital Goods	874.6	810.0	867.3	1,305.0	555.6	1,254.7
Fuel	1,933.8	2,788.3	2,229.7	2,561.1	1,541.3	1,046.5
Non-specified and Gold	35.3	30.5	22.2	13.0	7.3	9.7
Total	2,843.7	3,628.8	3,119.1	3,879.1	2,104.2	2,310.9
Total Imports	5,341.4	6,189.3	5,689.0	6,391.3	3,557.3	3,807.6
Total Imports excl. Fuel	3,407.6	3,401.0	3,459.3	3,830.3	2,016.1	2,761.1

Note: Totals may not add up due to rounding.
Source: National Statistics Office

period of 2015 over the corresponding period of 2014 from €555.6 million to €1,254.7 million. Such an increase is mainly attributed to the aircraft, vessels, motor vehicles and buses category. Industrial supplies imports have increased by 2.7 per cent, with this increase being led mainly by finished goods supplies, followed by primary industrial supplies.

During January-July 2015, imports with respect to consumer goods amounted to €654.9 million, an increase of €21.4 million when compared to the same period in 2014. This growth was mainly driven by increases in imports of durable and other consumer goods which saw an increase of 9.9 per cent and 2.9 per cent respectively. Nonetheless, during the same period, imports of food and beverages registered a decrease of 1.5 per cent.

Geographical Distribution- Imports of Goods

Table 7.4 represents the geographical distribution of imports. Imports from Europe account for 67.9 per cent of total imports, of which 83.0 per cent originated from EU countries. Imports from EU countries registered an increase of €341.0 million over the corresponding period in 2014. This increase was driven mainly by an increase in imports from the Netherlands, the UK and Italy where an increase of €191.3 million, €78.0 million and €66.1

	€ million					
	2011	2012	2013	2014	2014 Jan-Jul	2015 Jan-Jul
Europe	4,229.2	4,896.2	4,115.8	4,275.3	2,454.8	2,584.0
EU	3,359.5	3,952.0	3,294.8	3,217.9	1,803.8	2,144.7
Italy	1,447.7	1,988.7	1,410.2	1,172.4	651.9	718.0
Germany	317.8	320.1	321.2	323.2	203.3	194.3
France	376.1	369.1	285.6	224.6	134.0	123.1
UK	362.7	372.7	309.3	390.2	189.9	267.9
Netherlands	132.7	198.8	202.4	230.2	165.3	356.6
Spain	165.9	214.0	168.4	237.1	123.1	119.1
Others	556.7	488.6	597.6	640.2	336.2	365.7
Euro Area	2,667.1	3,337.3	2,688.9	2,511.4	1,420.2	1,692.2
Other European Countries	869.7	944.3	820.9	1,057.4	651.0	439.3
Africa	35.8	197.2	256.4	236.1	152.3	76.9
Libya	10.9	110.0	113.1	24.0	18.3	32.3
Others	24.9	87.2	143.4	212.0	134.0	44.6
America	353.5	278.9	387.9	986.6	418.9	685.0
USA	225.3	134.1	187.9	610.2	381.7	217.3
Others	128.2	144.8	200.0	376.4	37.2	467.7
Oceania	20.4	34.4	18.0	80.8	50.5	33.5
Asia	641.9	769.9	827.6	733.6	402.0	404.5
Japan	37.5	39.4	49.0	49.2	24.6	40.9
Singapore	100.5	76.9	80.8	60.0	29.7	52.5
China	149.7	161.9	136.5	147.7	78.2	110.5
Hong Kong	16.1	20.6	17.4	17.9	10.1	14.9
India	78.7	74.6	86.9	100.7	55.4	57.1
South Korea	58.8	87.5	77.6	75.4	34.0	25.7
Others	200.5	309.0	379.4	282.8	170.1	103.0
Ships & Aircraft	60.7	12.7	83.2	79.0	78.7	23.6
Total Imports	5,341.4	6,189.3	5,689.0	6,391.3	3,557.3	3,807.6
Imports from the EU as % of Total	62.9	63.9	57.9	50.3	50.7	56.3

Note: Totals may not add up due to rounding.
Source: National Statistics Office

million respectively, was recorded. Italy remained the leading source of imports with a share of 18.9 per cent of total imports. Meanwhile, imports from Africa registered a decline from €152.3 million to €76.9 million. The main contributors to the decline in imports were the significant decreases recorded from Algeria, Ivory Coast and Morocco due to a decrease in the importation of fuels from these countries.

Over the period January-July 2015, imports from the Americas increased by €266.1 million over the corresponding period in 2014 standing at €685.0 million. In the meantime, imports from the USA declined considerably by €164.4 million, reducing the USA's share of total imports to 5.7 per cent from the 10.7 per cent recorded last year over the same period. The increase in imports in the region is resultant from a large increase in imports from Canada and Mexico. Such an increase is mainly attributed to imports of aircraft parts from Canada and the importation of iron and steel from Mexico. During this period, imports from Oceania recorded a decrease of €17 million.

Imports from Asia registered a slight increase of €2.5 million to stand at €404.5 million. The main Asian exporters to Malta included China, India, Singapore and Japan, all of which registered an increase in exports to Malta. During the period under review, imports from ships and aircraft stores decreased significantly from €78.7 million to €23.6 million, a decrease of 70 per cent.

Trade Balance

The visible trade gap increased by €410.5 million over the January to July period of 2015, to stand at €1,700.2 million. This is attributable to both an increase in the overall imports by €250.3 million and a decrease in exports of €160.2 million. Table 7.5 and Chart 7.2 illustrate such developments.

International Trade in Malta has been highly influenced by the involvement of offshore oil bunkering activities and trans-shipment of oil. Such activities may have limited impact on the

Foreign Trade

Table 7.5

€ million

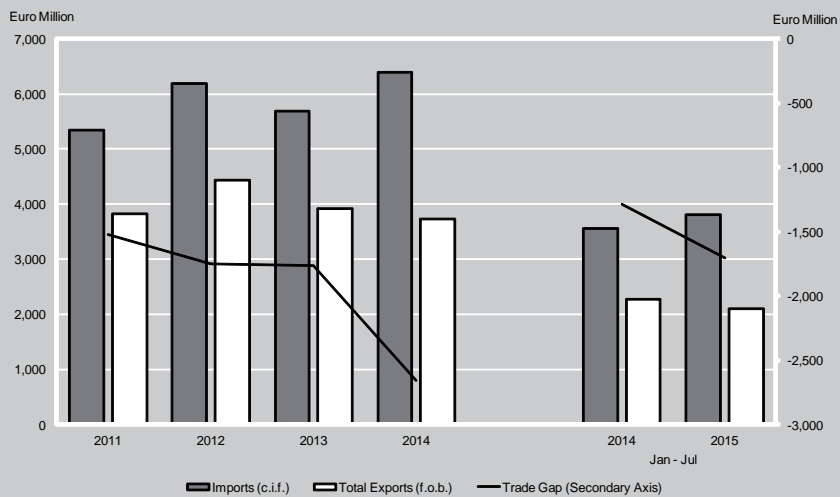
	2011	2012	2013	2014	2014 Jan-Jul	2015 Jan-Jul
Imports (c.i.f.)	5,341.4	6,189.3	5,689.0	6,391.3	3,557.3	3,807.6
Total Exports (f.o.b.)	3,819.0	4,438.8	3,925.5	3,737.0	2,267.6	2,107.4
Trade Gap	-1,522.4	-1,750.5	-1,763.5	-2,654.3	-1,289.7	-1,700.2

Note: Totals may not add up due to rounding.

Source: National Statistics Office

Chart 7.2

Foreign Trade



national accounts, balance of payments and employment data given their limited economic linkages to the Maltese economy. When excluding fuels from trade data, the visible trade gap amounts to €1,503.4 million over the January to July period of 2015, this means a significant increase from the corresponding period in 2014 by 93.4 per cent. Whilst net non-fuel imports increased by €745.0 million amounting to €2,761.1 million, net non-fuel exports increased by €18.3 million amounting to €1,256.2 million. The increase in imports is driven by changes in imports relating to aircraft and motor boats imports.

Geographical Distribution- Trade Balance

The increase in the visible trade gap is explained mainly by the increase in trade deficit with European countries. Table 7.6 illustrates the trade balance held with a number of countries and regions.

	2011	2012	2013	2014	2014 Jan-Jul	2015 Jan-Jul
EU	-2,057.6	-2,656.0	-2,048.7	-2,113.8	-1,134.8	-1,534.2
Italy	-1,276.5	-1,814.5	-1,256.1	-1,012.5	-540.2	-644.8
Germany	8.4	38.4	27.4	-14.0	-5.4	2.4
France	-131.2	-72.2	-32.6	-20.5	-26.2	4.5
UK	-212.3	-248.1	-201.5	-290.9	-134.2	-194.7
Netherlands	-106.7	-101.4	-155.1	-191.0	-139.7	-336.0
Spain	-130.8	-165.0	-133.8	-201.6	-100.3	-96.5
Other EU	-208.7	-293.3	-297.0	-383.3	-188.8	-269.1
Other Countries						
Libya	36.8	89.7	124.9	184.6	137.8	47.2
USA	-56.3	63.9	-17.9	-446.1	-273.3	-139.2
Japan	60.5	77.5	147.5	56.8	-2.0	-28.2
Singapore	105.8	169.7	191.4	125.4	77.9	42.0
China	-78.2	-100.8	-90.9	-124.3	-64.3	-77.7
Hong Kong	270.0	319.6	181.8	185.8	106.3	101.2

Note: Totals may not add up due to rounding.
Source: National Statistics Office

Malta's trade deficit with respect to the EU increased by €399.4 million, whilst the trade balance with European countries outside the EU has improved. Such an increase in the trade deficit within the EU can be attributed to worsening of the trade deficit with Italy (€104.6 million), the Netherlands (€196.3 million) and other EU countries (€80.3 million).

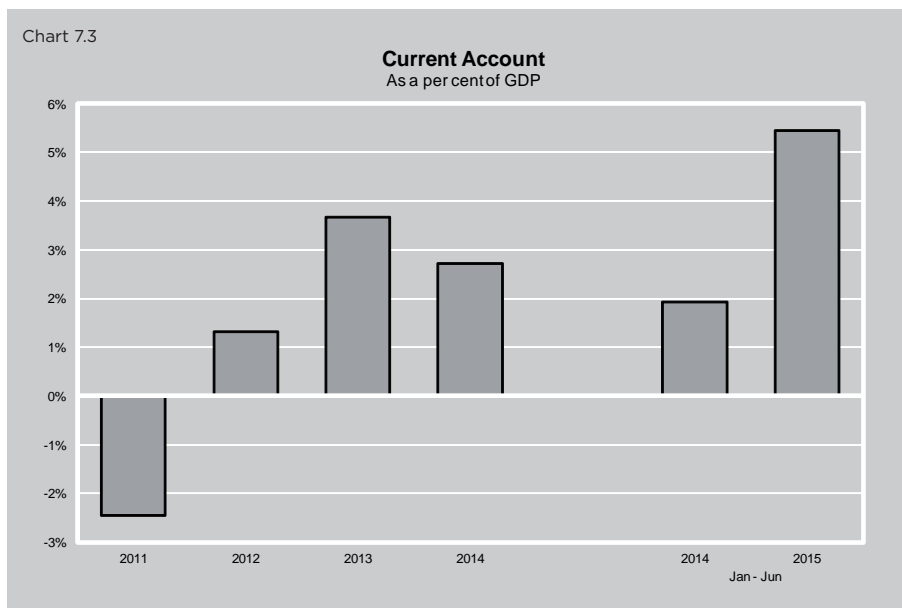
During the January-July period of 2015, Malta registered a decrease in the trade deficit with the USA from €273.3 million to €139.2 million. On the other hand, the trade surplus with Singapore and Libya has decreased by €35.9 million and €90.6 million, respectively. The trade deficit with Japan continued to increase from €2.0 million to €28.2 million.

Balance of Payments

The current Balance of Payments statement is based on the sixth edition of the IMF's balance of payments and international Investment position manual (BPM 6). During the first six months of 2015, Malta continued to experience a surplus in the current account and a corresponding net outflow of funds in the financial account.

The Current Account

Chart 7.3 indicates the development of Malta's current account, which registered a surplus of €222.8 million during the January to June period of 2015, totalling 5.4 per cent of GDP, as opposed to the surplus of 1.9 per cent of GDP registered during the corresponding period in 2014. Such a scenario was mainly driven by the decrease in primary income net payments from €195.4 million to €47.8 million, which mainly reflects the decrease in income paid abroad on domestic direct investment assets held by foreigners and lower interest payments on domestic deposits held by foreigners. The improvement in the primary income account also reflects, to a lesser extent, the increase in interest income received from foreign portfolio investment assets held by residents. Meanwhile the positive goods and services balance



deteriorated marginally. This was mitigated by an improvement in the secondary income account.

The Goods and Services Account

The goods and services account contributed positively towards the current account in the January to June 2015 period, with exports exceeding imports by €165.9 million. This account has thereby registered a decrease of €11.6 million when compared to the corresponding period of the previous year, as shown in Table 7.7. The decrease was mainly resulting from an increase in imports of goods which exceeded the increase in exports of both goods and of services.

The visible trade deficit, which refers to the international trade of tangible goods, has registered a substantial increase of €98.5 million for the period January to June 2015 when compared to the corresponding period of 2014, standing at €634.9 million. Such a substantial increase was mainly explained by movements in transactions relating to general merchandise.

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

Table 7.7

€ million

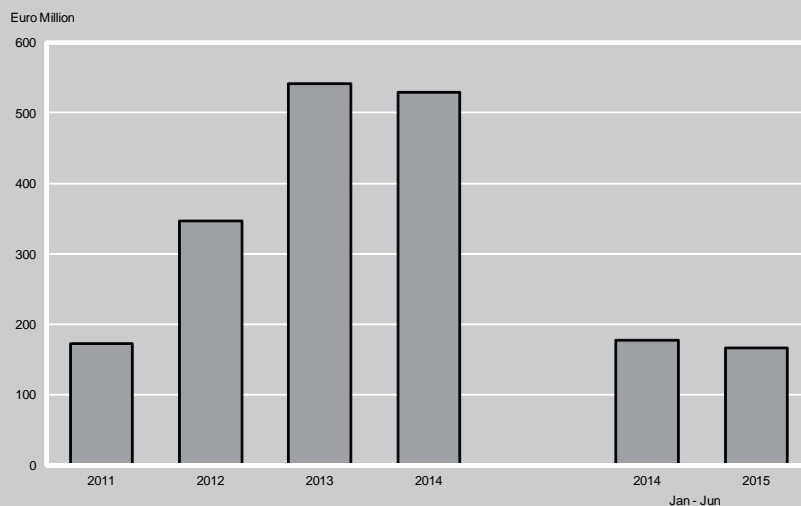
	2011	2012	2013	2014	2014 Jan-Jun	2015 Jan-Jun
GOODS						
General Merchandise Transactions	-1,181.1	-1,083.1	-1,080.2	-1,101.6	-530.0	-627.2
Nonmonetary Gold	-24.4	-19.8	-17.0	-9.6	-3.9	-7.6
Others	-2.3	-5.4	-6.6	-2.8	-2.6	-0.2
Total Goods	-1,207.8	-1,108.4	-1,103.7	-1,114.0	-536.4	-634.9
SERVICES						
Transportation	-44.6	-28.6	-36.8	-135.3	-52.5	-41.6
Travel	672.1	723.4	768.4	845.8	316.8	352.9
Other Services	752.4	759.9	913.0	932.4	449.7	489.5
Total Services	1,379.9	1,454.7	1,644.6	1,642.8	714.0	800.8
Total Goods and Services	172.1	346.3	540.9	528.8	177.5	165.9
INCOME						
Compensation of employees	2.3	-4.8	0.8	5.9	1.7	3.2
Investment Income	-343.7	-245.9	-265.5	-318.3	-105.8	53.7
Total Income	-341.3	-250.7	-264.6	-312.4	-104.1	56.9
Total Goods, Services and Income	-169.2	95.6	276.2	216.4	73.5	222.8

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

Source: National Statistics Office

Chart 7.4

Goods and Services Account



As a share of GDP, the general merchandise deficit stood at 15.3 per cent, registering an increase of 0.9 percentage points over the January- June period of 2014.

The invisible trade surplus marked an improvement of €86.9 million when comparing the January to June period of 2015 with the corresponding period of 2014, leaving an invisible trade surplus of €800.8 million or 19.6 per cent of GDP. This improvement was mainly related to higher receipts from exports of personal, cultural and recreational services (which is inclusive of remote gaming), the strong performance in tourism and higher exports of telecommunications and IT services.

Exports of services increased by €92.6 million over the first six months of 2015. This was underpinned by an increase of €65.3 million in personal, cultural and recreational services. The strong performance in the tourism industry registered in the first half of 2015 was reflected in a significant increase of €48.3 million in travel receipts. An increase in receipts from telecommunications and IT services amounted to €22.0 million. These positive developments were partly offset by lower exports of financial services (€35.9 million) and insurance services (€10.2 million). The other business service category also declined marginally. On the other hand, imports of services increased by €5.7 million. This reflects higher spending by Maltese tourists abroad (€12.1 million), payments on construction services (€5.6 million) and payments for other business services (€19.1 million). These were partly mitigated by lower payments for transport (€11.1 million), insurance (€5.2 million), financial services (€17.6 million) and telecommunications and IT services (€5.3 million).

Primary Income

Primary income net payments, improved by €147.6 million during the first months of 2015, when compared to the same period in 2014. This development is mainly reflected by the changes in investment income which registered a significant reduction of €144.6 million in net payments mainly due to increases in investment income receivables of €46.4 million coupled with a

reduction in investment income payments amounting to €98.2 million. In addition, compensation of employees net receipts have increased by €1.5 million, whilst other primary income net payments have declined by €1.4 million. Table 7.8 illustrates the changes in both the primary and secondary income accounts.

Direct investment net payments registered a decrease of €66.3 million reaching a level of €4.3 billion during the first six months of 2015. This change was primarily driven by the lower dividends and lower interest payments by foreign direct investors. These were partly mitigated by higher re-invested earnings.

Portfolio investment registered an increase in net receipts of €50.9 million, reaching a level of €4.1 billion. This increase can be attributed mainly to higher interest income on portfolio investment assets. Investment income on equity and investment fund shares contributed to a lesser extent to the overall increase

Balance of Payments						
Current Account						
Table 7.8	€ million					
	2011	2012	2013	2014	2014	2015
					Jan-Jun	Jan-Jun
GOODS AND SERVICES						
Exports of Goods and Services	10,929.8	11,784.8	11,701.6	11,623.1	5,651.6	5,784.1
Imports of Goods and Services	10,757.7	11,438.5	11,160.7	11,094.3	5,474.0	5,618.2
Goods and Services Account	172.1	346.3	540.9	528.8	177.5	165.9
PRIMARY INCOME						
Income Received	9,955.8	10,006.2	9,972.5	9,845.8	4,911.4	4,962.9
Income Paid	10,383.8	10,366.7	10,376.3	10,352.6	5,106.7	5,010.7
Primary Income Account	-428.0	-360.5	-403.8	-506.8	-195.4	-47.8
SECONDARY INCOME (Net)						
General Government	735.5	790.0	777.3	819.1	397.9	415.6
Other Sectors	-648.8	-680.1	-638.2	-624.8	-306.6	-310.9
Secondary Income Account	86.7	109.8	139.1	194.3	91.3	104.7
Balance on Current Account	-169.2	95.6	276.2	216.4	73.5	222.8

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

Source: National Statistics Office

in the net receipts of portfolio investment, where such an increase amounted to €1.6 million.

Other investment net receipts amounted to €106.4 million during the first half of 2015, an increase of €27.4 million over the corresponding period of 2014. This was mainly due to the substantial decrease in other investment income (mainly interest) payments of €35.4 million, which more than offset the decrease in receipts of around €8.0 million. This is also reflected in the financial account where liability holdings have decreased whilst asset holdings related to other investment has increased to result in an overall increase in net assets.

Secondary Income

The secondary income account net receipts increased from €91.3 million in the January to June period of 2014 to €104.7 million in the corresponding period of 2015. This development is mainly attributed to the increase in net inflows of current transfers to general government (primarily in the form of current taxes on income paid by non-residents) which more than offset the increase in net outflows attributed to other sectors and personal transfers.

The Capital and Financial Account

The capital and financial accounts show the net acquisitions of financial assets and the net incurrence of liabilities between residents and non residents. Table 7.9 shows the main developments of the capital and financial accounts over the period covering January to June of 2014 and 2015. The share of the capital account as a percentage of GDP has increased by 1.1 percentage points, meaning that net acquisitions of non-produced non-financial assets have occupied a higher share of GDP, when comparing the January-June period of 2014 and 2015.

Further analysis of the capital account indicates that the net inflows in the capital account increased by €50.7 million where such a development was primarily driven by a €50.6 million increase in inflows. This was also mainly driven by changes

Current, Capital and Financial Flows

Table 7.9

€ million

	2011	2012	2013	2014	2014 Jan-Jun	2015 Jan-Jun
Capital Account	81.6	134.9	132.3	140.0	96.2	146.9
Financial Account*	-57.7	713.8	-261.2	23.5	93.0	567.2
Direct investment	-8,926.5	-9,154.0	-7,036.5	-6,816.9	-1,461.8	-3,559.8
Net acquisition of financial assets	-3,286.2	-6,592.5	-6,696.3	-6,687.5	-3,494.0	-3,048.1
Net incurrence of liabilities	5,640.4	2,561.5	340.2	129.4	-2,032.2	511.7
Portfolio Investment	11,623.0	9,318.2	8,796.0	12,385.8	6,812.1	747.2
Net acquisition of financial assets	11,750.4	8,921.7	8,127.0	12,727.4	7,341.0	450.9
Net incurrence of liabilities	127.4	-396.5	-669.0	341.5	528.9	-296.3
Financial Derivatives	-246.7	-438.5	-102.4	-576.7	206.8	-122.1
Net acquisition of financial assets	67.8	121.3	185.2	324.7	283.5	188.9
Net incurrence of liabilities	314.5	559.8	287.6	901.3	76.7	310.9
Other investments	-2,454.6	866.7	-1,879.5	-4,980.7	-5,887.8	3,566.7
Net acquisition of financial assets	1,693.5	2,237.6	1,687.4	-1,685.4	-4,310.6	-322.1
Net incurrence of liabilities	4,148.1	1,370.9	3,566.9	3,295.3	1,577.2	-3,888.8
Reserves	-52.9	121.4	-38.8	12.0	423.8	-64.8
Net Errors and Omissions	30.0	483.3	-669.8	-332.9	-76.6	197.5
			<i>Percentage of GDP</i>			
Current Account	-2.5%	1.3%	3.7%	2.7%	1.9%	5.4%
Capital Account	1.2%	1.9%	1.8%	1.8%	2.5%	3.6%
Reserve Assets	-0.8%	1.7%	-0.5%	0.2%	11.1%	-1.6%
Net errors and Omissions	0.4%	6.7%	-8.9%	-4.2%	-2.0%	4.8%

* Within the financial account a positive sign represents net lending of funds to the rest of the world, whilst a negative sign within the financial account represents net borrowing of funds

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

Source: National Statistics Office

relating to other general government capital transfers, which on their own contributed €51.2 million in increase in inflows.

As at the end of the first quarter of 2015, domestic residents held about €50 billion in direct investment assets, primarily debt instruments, whilst direct investment liabilities amounted to almost €160 billion primarily in the form of equity. During the period under review, foreign direct investments net assets recorded a decrease of €3.6 billion or 87.1 per cent of GDP. This development reflected a decrease in asset holdings by €3.0 billion and an increase in liability holdings by €511.7 million. The fall in asset holdings is mainly attributed to the decrease in debt instruments holdings by domestic residents and to a lesser extent due to developments in equity and investment funds. The increase in liability holdings is mainly attributed to the developments in debt instruments, which registered an increase

of €1.2 billion; this figure was partly offset by a decrease in equity and investment fund holdings by €697.0 million. During the period under review reinvested earnings increased by €290.2 million.

Domestic residents held around €100 billion in portfolio investment assets. Almost three-quarters of these assets are held in the form of equity and the rest relate to bond holdings. Portfolio investment liabilities amount to around €5 billion. Net portfolio investments asset holdings increased by €747.2 million during the January to June period of 2015 as opposed to the significant increase of €6.8 billion of the corresponding period of the previous year. Such a change relates to an increase in portfolio investment asset holdings of €450.9 million coupled with a decrease in liability holdings by €296.3 million. Developments in asset holdings are attributed to significant increases of €3.5 billion in equity asset holdings of financial corporations, which offset the drop in debt security asset holdings of €3.1 billion. Conversely, the decrease in portfolio liability holdings is mainly attributed to the drop in Equity and investment fund liability holdings amounting to €340.3 million.

Net Financial derivatives asset holdings registered a decrease €122.1 million during the period under review in 2015 as opposed to the €206.8 million net assets increase registered in the corresponding period of 2014. The change mainly emanated from an increase in liability holdings by €310.9 million partly offset by a decrease in asset holdings amounting to €188.9 million.

In the first quarter of 2015, other investment assets held by domestic residents amounted to around €70 billion, of which around €25 billion were made up of trade credits and €25 billion in loans to foreigners. Other investment liabilities amount to around €60 billion of which almost €40 billion are in the form of currency and deposits. The Other investment category registered an increase in net assets of €3.6 billion in the period under review in 2015, which contrasts with the decrease of €5.9 billion registered in the corresponding period of the previous

year. This substantial change is a result of both a decrease in asset holdings of €322.1 million and the sharp decrease in liability holdings of €3.9 billion. It is worth noting that the decrease in assets was mainly underpinned by a drop of €1.8 billion in lending by domestic banks to foreigners as currency and deposits held by foreigners with domestic banks declined by €4.1 billion.

During the first six months of 2015, net errors and omissions registered an inflow of €197.5 million which amounts to 4.8 per cent of GDP. A current account surplus amounting to €222.8 million, a capital account reaching a surplus of €146.9 million, together with the net inflow recorded under errors and omissions were not enough to finance the net outflows in the financial account (excluding reserves) of €632.0 million. This resulted in a decline in reserve assets by €64.8 million in the first six months of 2015.

8. Financial Developments

8. Financial Developments

During the period January to August 2015, the shortfall between recurrent revenue and total expenditure of central Government decreased by €68.9 million to reach €141.0 million. This improvement was mainly the result of higher recurrent revenue.

In the meantime, the public sector borrowing requirement declined from €516.9 million to €221.1 million, mainly on account of the developments in the sinking fund contribution and direct loan repayments.

In the first seven months of 2015, broad money (M3) increased by 8.5 per cent. This was primarily underpinned by the decline in the other counterparts component (including net interbank claims/liabilities within the Monetary Financial Institutions (MFI) sector) and an increase in credit to residents which more than offset declines in credit to Euro Area residents and a decline in net claims on non-residents of the Euro Area. Monetary policy remained expansionary as the European Central Bank (ECB) continued the use of non-standard monetary policy interventions in order to maintain financial stability, and thus continuing to play an important role in supporting financial intermediation within the Euro Area. The ECB maintained the same interest rates on the main refinancing operations, the marginal lending facility rate and the deposit facility throughout the first eight months of 2015 and up to the meeting of the Governing Council of 3rd September 2015. At the same time, amongst other measures, during the period under review, the ECB also resorted to modifying the conditions for asset-backed securities, took part in refinancing operations and published a number of guidelines. These measures also helped to further enhance the transmission of monetary policy, facilitating credit to the Euro Area and generating positive spillovers in markets.

Since mid-2014, the Euro experienced notable declines vis-à-vis the US Dollar and the UK Sterling. These declines intensified during the first quarter of 2015 before stabilizing and recovering to some extent by the end of the second quarter of 2015. At the

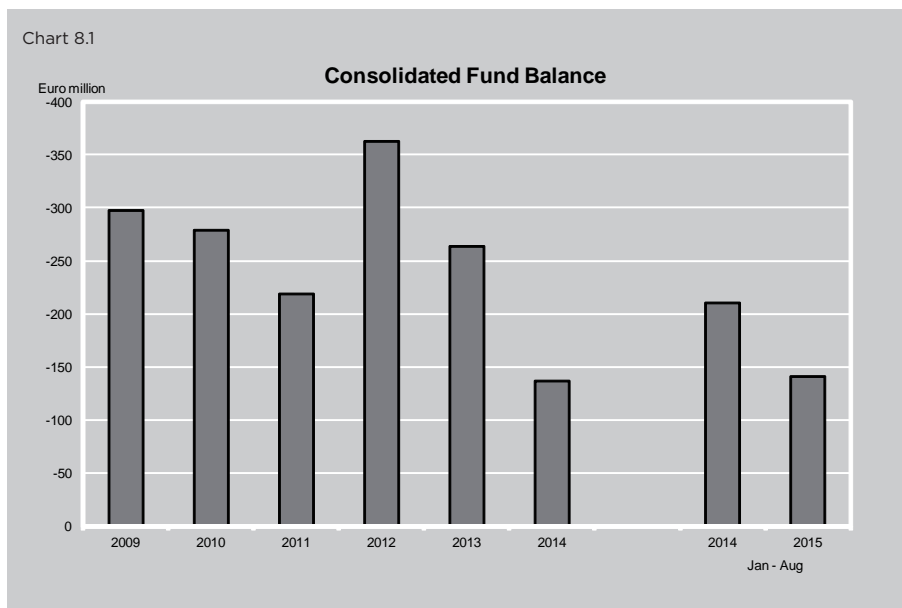
end of August 2015, the Euro vis-à-vis UK Sterling was around 8.5 per cent lower from the level prevailing a year earlier. Likewise, the Euro/USD also depreciated by 15.0 per cent from the level recorded in the same comparable months in 2014. In addition during the same period, the Euro traded at around JPY 136.07 which was 0.8 per cent lower than the corresponding month of the previous year.

Public Finance

Unless otherwise stated, the analysis in this section is based on Government finance data as classified in the statement of

Government Revenue and Expenditure				
(January-August)				
Table 8.1	€ million			
	2012	2013	2014	2015
Recurrent Revenue	1,704.9	1,837.8	1,986.8	2,222.4
Tax Revenue	1,513.7	1,630.3	1,733.2	1,918.5
Direct Tax Revenue	879.7	982.3	1,052.5	1,137.4
Indirect Tax Revenue	634.0	648.0	680.7	781.1
Non-Tax Revenue	191.2	207.5	253.6	304.0
Total Expenditure	1,972.6	2,034.7	2,196.7	2,363.4
Recurrent Expenditure	1,598.4	1,667.6	1,790.8	1,939.3
Interest on Public Debt	147.5	148.6	151.8	152.7
Capital Expenditure	226.7	218.5	254.1	271.4
Productive	68.3	74.1	56.8	45.6
Infrastructure	129.9	117.3	149.4	174.3
Social	28.4	27.2	47.9	51.5
Balance of recurrent revenue and total expenditure	-267.6	-196.9	-209.9	-141.0
Financed by:				
Receipts from sale of shares	0.0	0.0	0.0	0.7
Sinking Funds of Converted Loans	28.4	0.0	0.0	0.0
Sinking Fund Contribution and Direct Loan Repayments	-86.2	-155.5	-293.2	-79.7
Equity Acquisition	-11.0	-11.7	-13.8	-1.1
Public Sector Borrowing Requirement	-336.3	-364.1	-516.9	-221.1
Local Loans	454.4	369.6	573.8	258.3
Repayment of Loan made by government	0.0	0.0	0.0	0.0

Source: National Statistics Office

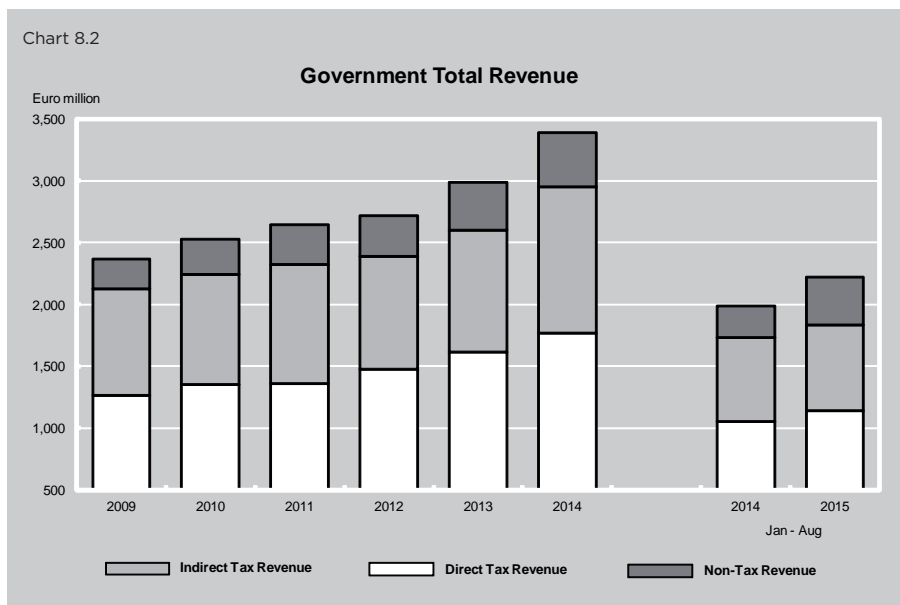


the Consolidated Fund, where such data is defined on a cash basis rather than on an accruals system. Consequently, this data is to be interpreted with caution since developments in Government's net financial position may not fully reflect actual spending and revenue flows on an accruals basis. Table 8.1 presents Government's fiscal position during the January to August 2012 to 2015 period, whilst Chart 8.1 illustrates trends in the consolidated fund balance.

Revenue

During the first eight months of 2015, recurrent revenue increased by €235.6 million, to reach €2,222.4 million. The increase was mainly the result of higher tax revenues, and non-tax revenue. Developments in the components of Government revenue for the periods January to August 2012 to 2015 are presented in Appendix Table 8.1. Furthermore, Chart 8.2 illustrates recent trends in the components of Government revenue.

During the first eight months of 2015, the share of Government revenue from taxes stood at its lowest for the past five years at 86.3 per cent of total recurrent revenue. Nonetheless, revenue



from taxes increased by €185.3 million during the period January to August 2015 reaching €1,918.5 million. This increase was mainly characterised by the robust performance of indirect tax revenue which increased by €100.4 million, advancing from €680.7 million to €781.1 million. The increase in indirect tax revenue mainly reflected higher revenue from customs and excise duties, essentially reflecting payments of arrears by Enemalta. To a lesser extent, increases over the same comparable period last year were also registered in revenue from licences, taxes and fines and receipts from Value Added Tax (VAT).

Meanwhile, over the same comparative period, revenue from direct taxes also registered an increase of €84.9 million, rising from €1,052.5 million in the first eight months of 2014 to €1,137.4 million. The increase in direct tax revenue reflected the impact of stronger economic growth, corporate profits and employment, increased capital gains and further efficiency in revenue collection.

When compared to the same period of 2014, revenue from income tax receipts during the first eight months of 2015 increased by €64.9 million to reach €694.0 million. This

was mainly attributable to the positive developments in the international financial and business sector, the domestic labour market and the property and financial services sectors.

Developments in the domestic labour market also supported the increase in revenue from social security contributions which, during the first eight months of 2015, increased by €19.9 million to €443.4 million. The positive developments in social security contributions reflect the strong increase in the female participation rate underpinned by the positive impact of the policies in place intended to encourage the involvement of women in labour markets. They are also supported by the pension reform initiatives legislated in 2006, resulting in a more dynamic increase in the maximum pensionable income and a lower number of retirees, reflecting the increase in retirement age.

During the period under review, receipts from customs and excise duties increased by €63.3 million to €160.2 million. The increase was mainly due to higher revenue from excise duty on petroleum as Enemalta continues to pay its arrears. In addition, higher proceeds were also received from excise duty on cigarettes and cement.

When compared to January to August 2014, revenue from licences, taxes and fines increased by €19.0 million in the corresponding 2015 period, reaching €180.3 million. This increase is mainly on account of higher proceeds from duty on documents reflecting the measures announced in the 2015 Budget.

Receipts from VAT during the January to August 2015 period amounted to €440.6 million, thus increasing by €18.1 million when compared to the January to August 2014 period. Alongside with a more pronounced consumption pattern evident in the Maltese economy, these developments partially reflect higher expenditure by foreign tourists in Malta during the period under review.

Non-tax revenue, which mainly comprises grants, the transfer of profits generated by the Central Bank of Malta (CBM), fees of office, and rents, increased by €50.3 million in the first eight months of 2015 to reach €304.0 million when compared to the corresponding period in 2014. This increase was mainly underpinned by significantly higher revenue from European Union (EU) grants.

When compared to the first eight months of 2014, revenue from grants increased by €23.9 million, reflecting higher Structural Funds under the EU 2007-2013 Financial Framework. Higher revenue from grants was also registered for Structural, Agriculture Guarantee and Cohesion Funds under the EU 2014-2020 Financial Framework. During the first eight months of 2015, revenue from miscellaneous receipts increased by €17.3 million to €33.05 million, largely underpinned by revenue from miscellaneous receipts and revenue generated from sale of land and sale of non-financial assets.

Furthermore, revenue from fees of office increased by €4.0 million, to reach €29.2 million mainly as a result of proceeds from the Individual Investor Programme (IIP) and an increase in revenue from guarantee fees. These increases were being offset by a decline in revenue under this category of revenue as fees which were previously collected by the land and public registry and by the Passport Office are now being collected by the Identity Malta Agency, with the latter passing these revenue to Government in the form of dividends. Therefore, these revenue streams will now feature under dividends on investments.

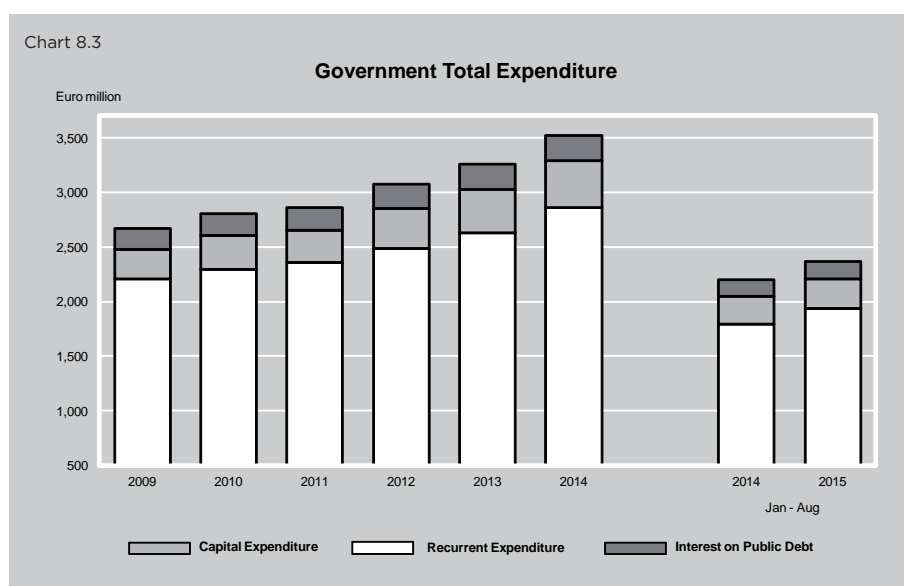
Indeed, when compared to the first eight months of 2014, revenue from dividends on investments increased by €5.0 million to reach €9.3 million in 2015. This increase was mainly underpinned by dividends receivable from Public Limited Companies. Transfer of funds from the Identity Malta Agency has declined when compared to the revenue received from fees of office over the same comparable period, but this revenue is expected to accrue at year end.

Moreover, revenue from rental income reached €21.5 million for the January-August 2015 period, an increase of €1.4 million when compared to the same period in 2014. Meanwhile, while revenue from reimbursements and revenue from repayment of Government loans and interest remained relatively stable during the period under review and totalled €15.5 million, revenue from the transfer of profits of the CBM decreased marginally by €1.0 million to €36.0 million during the January to August 2015 period, which transfer is expected to be accrued at end-of-year.

Expenditure

During January to August 2015, total Government expenditure, including both recurrent and capital expenditure, as well as interest payments on public debt, increased by €166.7 million to reach €2,363.4 million. This increase was mainly due to higher recurrent expenditure and also increases in capital expenditure.

During the first eight months of 2015, recurrent expenditure amounted to €1,939.3 million, an increase of €148.5 million while capital expenditure increased by €17.3 million to €271.4 million. Over the same period, interest on public debt increased



marginally by €0.9 million to €152.7 million. Chart 8.3 illustrates recent trends in Government expenditure.

Recurrent Expenditure

Recurrent expenditure is classified under four categories; Personal Emoluments, Operational and Maintenance Expenditure, Contributions to Government Entities, and Programmes and Initiatives.

Programmes and Initiatives comprises of expenditure and social transfer payments made in respect of ad hoc programmes run by Government, as well as subsidies, payments and grants for the provision of services to citizens and to charitable and private institutions but excludes operational costs of Government departments. It also includes payments of own resources as contribution to the EU budget. During the first eight months of 2015 under review, this category of expenditure increased by €83.0 million to €1,189.2 million.

The increase was on account of higher outlays to various programmes and initiatives in prime sectors including social welfare, education, health, tourism and payment of own resources. More specifically with respect to social welfare, higher outlays were recorded in respect of social security benefits (largely retirement pensions), towards a one-time additional bonus to compensate those employees, pensioners and other beneficiaries who did not benefit from the reduction in income tax, and towards the State Contribution which also features as revenue. Higher outlays compared to the same period last year were influenced by an extra payment for retirement pensions and social assistance which this year fell due in August rather than in September as last year. Furthermore, higher outlays were also recorded in respect of medicines and surgical materials, the provision of a spare capacity for electricity, support to Church schools, and the provision of free child care. Increased expenditure was also recorded in respect of the MTA route development. On the other hand, lower outlays were recorded towards students' maintenance grants and towards the transport

Public Service Obligation as ownership of the public transport provider has shifted to the private sector.

Personal Emoluments includes all salaries and wages paid to elected officials and civil servants, as well as any bonuses and supplements paid to employees in excess of standard remunerations including any allowances and overtime payments. In the period under review, this category of expenditure increased by €23.1 million to €450.2 million when compared to the corresponding period of the previous year. Higher personal emoluments were mainly recorded in respect of salaries and wages, overtime and allowances primarily in the health and education sectors.

Contributions towards Government Entities reflect funding to Government Entities including Parastatals, Corporations and Authorities. This category of expenditure reached €197.8 million during the period under review, thus representing an increase of €25.0 million when compared to the same period a year earlier. Developments in this category mainly reflected higher outlays towards post secondary and tertiary education and the subventions towards the Water Services Corporation and the Engineering Resources Co. Ltd. Higher allocations were also registered towards the creative economy and towards Karen Grech Rehabilitation Hospital.

Operational and Maintenance expenditure includes payments for utilities, contractual services, materials and supplies, transport and rent. During the period under review, this category of expenditure increased by €17.4 million over the same period in 2014, to €102.1 million, mainly due to higher outlays in respect of health and elderly care contractual services. In addition, there were increases in rent and transport by the education sector.

Appendix Table 8.2 presents the developments in Government's recurrent expenditure on a cost centre basis for the first eight months of 2015. The nomenclature of Ministries as well as the cost centres referred to in this Chapter reflect the allocation of portfolios and assignment of responsibility for Government

Departments and Government Entities. A direct comparison with data for past years is therefore not always possible.

Around 30 per cent of Government's total recurrent expenditure consists of retirement pensions, children's allowances and social assistance. These expenditures are highly influenced by developments in compensation of employees, inflation, as well as demographic changes apart from a number of structural reforms undertaken with respect to pension and social benefits. During the first eight months of 2015, welfare payments reached €569.0 million, as contributory benefits increased by €44.8 million while non-contributory benefits were €6.8 million lower than the comparable period in 2014. The increase in contributory benefits mainly reflects increases in outlays towards retirement pensions and bonus reflecting the timing of outlays described earlier.

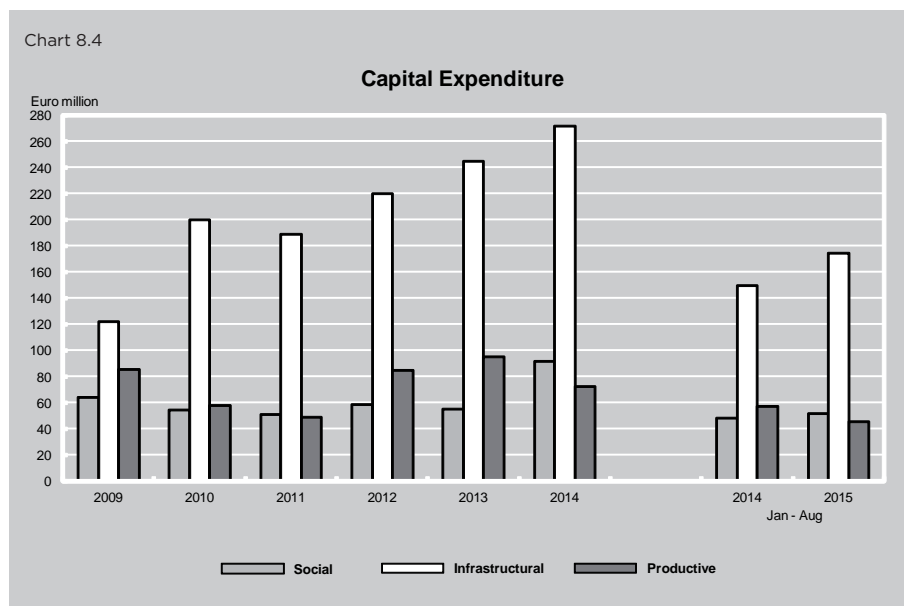
Meanwhile, the decline in non-contributory benefits was mainly due to lower outlays towards children's allowance in the January to August 2015 period as the January 2015 benefit was paid in December 2014. To a lesser extent, supplementary assistance also contributed to the decline in non-contributory benefits, which however was more than offset by an increase in social assistance reflecting the timing of outlays described earlier. Expenditures by the Department of Social Security relating to the State contribution in terms of the Social Security Act 1987 (Cap. 318), which also features as revenue, increased by €6.2 million to €137.7 million during the first eight months of 2015 and is therefore deficit neutral.

Capital Expenditure

Central Government capital expenditure consists of three broad categories, namely productive investment, infrastructural investment and capital outlays on social development. Capital expenditure is presented on a Ministry basis as per the Departmental Accounting System (DAS).

Total capital expenditure increased further by €17.3 million to €271.4 million during the first eight months of 2015. The increase in expenditure was due to higher infrastructural and social capital outlays. The share of infrastructural investment in Government's total capital programme increased by 5.4 percentage points to 64.2 per cent in the first eight months of 2015, whilst the share of spending towards productive investment decreased by 5.5 percentage points to 16.8 per cent. Furthermore, social capital outlays made up 19.0 per cent of total capital expenditure in the January to August 2015. Appendix Table 8.3 displays a breakdown of Government's capital expenditure programme for the January to August 2012 to 2015 period. Chart 8.4 presents developments in capital expenditure over recent years.

During the period under review, Government's capital outlays for productive investment decreased by €11.2 million to €45.6 million. This decrease was mainly underpinned by a lower equity injection in the national air carrier, which decreased to €12.0 million from €15.0 million in 2014. This represents around 28 per cent of the equity injection which is to be paid by year end. An €8.3 million decline in productive investment was also underpinned by lower capital outlays towards the Securities



Markets Programme and the EU Agriculture Fund for Rural Development, EU Agriculture Guarantee Fund and EU Fisheries Fund. This was partly offset by increases recorded in expenditure towards the development of industry, particularly towards the Enterprise Investment Incentive and expenditure towards productive investment classified under the Other category, which increased by €4.3 and €3.2 million, respectively.

Infrastructural investment recorded an increase of €24.9 million, reaching €174.3 million during the January to August 2015 period when compared to the same period a year ago. This increase was largely the result of a €25.5 million increase in capital outlays with respect to waste water treatment infrastructure which increased to €33.8 million partly due to outlays on the autoclave animal waste facility, together with an increase of €20.9 million in capital outlays towards several infrastructural projects co-financed by EU funds (excluding Cohesion Funds referred to earlier and EU funds towards the development of industry). Higher outlays on infrastructural investment were also registered in relation to acquisition of property for public purposes. Meanwhile, these higher outlays were partially offset by lower expenditure towards road construction and improvement and the integrated flood relief project as funded by EU Cohesion Funds, which cumulatively registered declines of €16.6 million. Lower expenditure outlays were also recorded in relation to infrastructural investment classified under the Other category and PC Leasing.

Social investment amounted to €51.5 million in the first eight months of 2015, increasing by €3.6 million. This increase was mainly due to an increase of €6.0 million towards investment funded by the External Borders Fund, which mainly consists of capital outlays on inshore patrol crafts and to a lesser extent, expenditure on the modernisation of communications infrastructures. Other increases of €3.6 million were also attributable to capital outlays classified under the Other category. Meanwhile, lower outlays towards social investment amounting to €7.2 million were recorded towards the health sector, in part reflecting the completion of the Oncology Centre.

International Comparison

The following is an analysis of the fiscal position of the EU Member States for 2014. Table 8.2 presents the Government budgetary position as a percentage of Gross Domestic Product

General Government Net Lending (+) or Borrowing (-)					
as a percentage of GDP					
Table 8.2	per cent				
	2012	2013	2014	2015	2016
Austria	-2.2	-1.3	-2.4	-2.0	-2.0
Belgium	-4.1	-2.9	-3.2	-2.6	-2.4
Bulgaria	-0.7	-0.9	-2.8	-2.9	-2.9
Croatia	-5.3	-5.4	-5.7	-5.6	-5.7
Cyprus	-5.8	-4.9	-8.8	-1.1	-0.1
Czech Republic	-3.9	-1.2	-2.0	-2.0	-1.5
Denmark	-3.7	-1.1	1.2	-1.5	-2.6
Estonia	-0.2	-0.2	0.6	-0.2	-0.1
Finland	-2.1	-2.5	-3.2	-3.3	-3.2
France	-4.8	-4.1	-4.0	-3.8	-3.5
Germany	0.1	0.1	0.7	0.6	0.5
Greece	-8.7	-12.3	-3.5	-2.1	-2.2
Hungary	-2.3	-2.5	-2.6	-2.5	-2.2
Ireland	-8.1	-5.8	-4.1	-2.8	-2.9
Italy	-3.0	-2.9	-3.0	-2.6	-2.0
Latvia	-0.8	-0.7	-1.4	-1.4	-1.6
Lithuania	-3.1	-2.6	-0.7	-1.4	-0.7
Luxembourg	0.1	0.9	0.6	-0.0	0.3
Netherlands	-4.0	-2.3	-2.3	-1.7	-1.2
Poland	-3.7	-4.0	-3.2	-2.8	-2.6
Portugal	-5.6	-4.8	-4.5	-3.1	-2.8
Romania	-2.9	-2.2	-1.5	-1.6	-3.5
Slovakia	-4.2	-2.6	-2.9	-2.7	-2.5
Slovenia	-4.0	-14.9	-4.9	-2.9	-2.8
Spain	-10.3	-6.8	-5.8	-4.5	-3.5
Sweden	-0.9	-1.4	-1.9	-1.5	-1.0
United Kingdom*	-8.3	-5.7	-5.7	-4.5	-3.1
EU 28	-4.2	-3.2	-2.9	-2.5	-2.0
Euro Area	-3.6	-2.9	-2.4	-2.0	-1.7
United States	-8.9	-5.6	-4.9	-4.2	-3.8
Japan	-8.7	-8.5	-7.8	-7.1	-6.5
Malta	-3.6	-2.6	-2.1	-1.8	-1.5

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

Source: AMECO Database

(GDP), while Table 8.3 presents the general Government debt position, also as a percentage of GDP, for the EU Member States. Data presented in this section is based on the ESA 2010 system of national accounts and is therefore not directly comparable with data presented in previous sections of this Chapter. It is pertinent to note that data for EU Member States, including data for Malta, reflect the Government deficit and debt data based on figures reported in the first 2015 notification by EU Member States for the years 2011-2014, for the application of the excessive deficit procedure (EDP) in accordance with Council Regulation (EC) No. 479/2009, as amended by Council Regulation No. 679/2010 and by Commission Regulation (EU) No 220/2014¹. Data for the United States and for Japan is reproduced from the spring update of the AMECO Database.

In 2014, the Government deficit of both the Euro Area (EA19) and the EU28 decreased in absolute terms compared with 2013, while the Government debt rose in both zones. In the Euro Area, the Government deficit to GDP ratio decreased from 2.9 per cent in 2013 to 2.4 per cent in 2014, and in the EU28 from 3.2 per cent to 2.9 per cent. Despite the continued fiscal consolidation efforts, the Government debt to GDP ratio in the Euro Area increased from 90.9 per cent at the end of 2013 to 91.9 per cent at the end of 2014, and in the EU28 from 85.5 per cent to 86.8 per cent of GDP.

In 2014, Denmark, Germany, Estonia and Luxembourg registered a Government surplus, and the lowest Government deficits in percentage of GDP were recorded in Lithuania, Latvia and Romania. Twelve Member States had deficits higher than the 3 per cent of GDP benchmark, ranging from 8.8 per cent of GDP in Cyprus to 3.2 per cent of GDP in Belgium, Poland and Finland. In the meantime, Malta recorded a Government deficit ratio of 2.1 per cent of GDP, down from 2.6 per cent in 2013.

At the end of 2014, the lowest ratios of Government debt to GDP were recorded in Estonia, Luxembourg, Bulgaria, Romania and Latvia. Sixteen Member States had Government debt ratios higher than 60 per cent of GDP, with the highest registered

General Government Gross Debt

as a percentage of GDP

Table 8.3

per cent

	2012	2013	2014	2015	2016
Austria	81.5	80.9	84.5	87.0	85.8
Belgium	103.8	104.4	106.5	106.5	106.4
Bulgaria	18.0	18.3	27.6	29.8	31.2
Croatia	69.2	80.6	85.0	90.5	93.9
Cyprus	79.5	102.2	107.5	106.7	108.4
Czech Republic	44.6	45.0	42.6	41.5	41.6
Denmark	45.6	45.0	45.2	39.5	39.2
Estonia	9.7	10.1	10.6	10.3	9.8
Finland	52.9	55.8	59.3	62.6	64.8
France	89.6	92.3	95.0	96.4	97.0
Germany	79.3	77.1	74.7	71.5	68.2
Greece	156.9	175.0	177.1	180.2	173.5
Hungary	78.5	77.3	76.9	75.0	73.5
Ireland	121.7	123.2	109.7	107.1	103.8
Italy	123.1	128.5	132.1	133.1	130.6
Latvia	40.9	38.2	40.0	37.3	40.4
Lithuania	39.8	38.8	40.9	41.7	37.3
Luxembourg	21.9	24.0	23.6	24.9	25.3
Netherlands	66.5	68.6	68.8	69.9	68.9
Poland	54.4	55.7	50.1	50.9	50.8
Portugal	125.8	129.7	130.2	124.4	123.0
Romania	37.3	38.0	39.8	40.1	42.4
Slovakia	52.1	54.6	53.6	53.4	53.5
Slovenia	53.7	70.3	80.9	81.5	81.7
Spain	84.4	92.1	97.7	100.4	101.4
Sweden	36.6	38.7	43.9	44.2	43.4
United Kingdom*	85.8	87.3	89.4	89.9	90.1
EU 28	83.7	85.5	86.8	86.2	85.1
Euro Area	89.1	90.9	91.9	91.7	90.2
United States	102.9	104.7	104.8	104.9	104.7
Japan	236.7	243.2	247.0	250.8	251.9
Malta	67.4	69.2	68.0	67.2	65.4

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

Source: AMECO Database

in Greece, Italy, Portugal, Ireland, Cyprus and Belgium. Malta recorded a Government debt ratio of 68.0 per cent, down from 69.2 per cent in 2013.

In 2014, Government expenditure in the Euro Area was equivalent to 49.0 per cent of GDP and Government revenue to 46.6 per cent. The figures for the EU28 were 48.1 per cent and 45.2 per cent, respectively. In both zones, the Government expenditure ratio decreased between 2013 and 2014, while the Government revenue ratio remained stable for the Euro Area and slightly decreased for the EU28.

Box 8.1

General Government Budgetary Developments

The Quarterly Accounts of General Government published by the National Statistics Office (NSO), depict the Government's fiscal position using the updated European System of Accounts (ESA) 2010 methodology. Under this system, mandatory for all European Union (EU) Member States, adjustments are carried out to the cash balances of the Consolidated Fund transactions to include all Government accounts, exclude all financial transactions, and include accrual adjustments. Moreover, data pertaining to Extra Budgetary Units (EBUs) and local councils are also included. It is therefore pertinent to note, that the data presented below is not comparable to that classified in the statement of the Consolidated Fund as provided in other sections of this Chapter. Nevertheless, conformity to the use of ESA 2010 methodology in line with the procedure defined in Article 104 of the Maastricht Treaty, allows for the international comparability of data for reporting purposes. The following analysis relates to general Government budgetary developments during the first two quarters of 2015.

Given that General Government data in ESA 2010 for the second quarter of 2015 was not fully available by the cut-off date of this publication, the reported budgetary performance of General Government for the first half of 2015 should be treated as provisional. Moreover, it is worth noting that due to seasonal

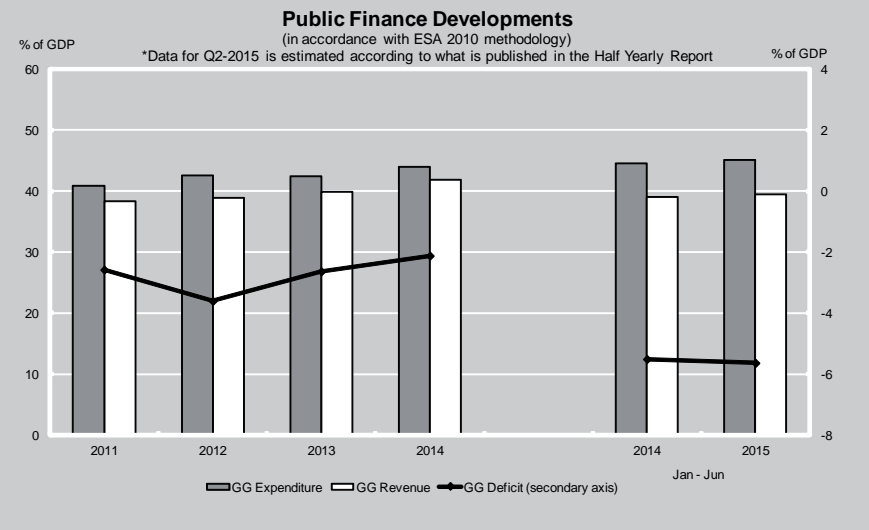
Box 8.1 continued

factors, a larger proportion of revenue and to a lesser extent expenditure materialises in the last quarter of the year. As a result, the in-year budgetary performance will not be symmetrical between the first half and the second half of the year. Seasonal patterns may also vary from one year to the next due to the timing of payments and receipts. Therefore, in-year deficit-to-GDP figures which measure the in-year budgetary performance should be read with caution.

As depicted in Chart 1, during the first half of 2015 the deficit ratio is estimated at 5.6 per cent of Gross Domestic Product (GDP), broadly in line with than the corresponding period of the previous year.

The revenue-to-GDP ratio for the first six months of 2015 period are estimated to have increased from 39.1 per cent to 39.4 per cent. The increase was mainly underpinned by a higher ratio to GDP of other capital transfers and investment grants stemming from revenue from EU funds under the 2007-2013 Financial Framework and a more pronounced growth in revenue from customs and excise duties and licences, taxes and fines which was however offset by a more subdued growth in Value Added Tax (VAT) revenue.

Chart 1



Box 8.1 continued

When compared to the first two quarters of 2014, the expenditure-to-GDP ratio in the first half of 2015 is estimated to have increased by 0.5 percentage points to 45.1 per cent of GDP. This increase is mainly on account of higher outlays on gross fixed capital formation, primarily reflecting higher expenditure on projects financed from EU funds under the 2007-2013 Financial Framework as well as higher outlays on projects financed from national sources. A higher ratio is also estimated for other current transfers payable, which increase is mostly consolidated in revenue and therefore deficit neutral. During the same period, the ratio of compensation of employees to GDP is estimated to have remained relatively stable implying that wages are growing in line with GDP growth. Meanwhile, lower ratios were recorded in respect of social payments and

The near-term outlook for the EU economy has improved as GDP growth picked up again towards the end of 2014. Survey indicators and recent data suggest that the momentum is continuing as underpinned by three factors that boost GDP growth in the short run. Firstly, the fall in commodity prices helped to boost real household income; secondly, macroeconomic policy has become more supportive of growth; and thirdly, the Euro's exchange rate has depreciated strongly which is expected to benefit the exports of Euro Area Member States while increasing import prices.

In the Euro Area, the non-standard monetary policy measures taken by the ECB are expected to have some positive impact on the fiscal outlook through the decline in borrowing costs and the higher inflation outlook. Supported by the cyclical strengthening of economic activity and to a lesser extent by the further reduction in interest payments on public debt, Government deficit ratios are projected to continue falling over this year and next to reach 2.0 per cent of GDP in the EU28 and 1.7 per cent in

the Euro Area in 2016. Following the substantial fiscal adjustment achieved over the last few years, the aggregated fiscal policy stance in 2014 and 2015 in the EU and the Euro Area is expected to be broadly neutral. The debt-to-GDP ratio is estimated to have peaked at 88.6 per cent in the EU and at 94.2 per cent in the Euro Area in 2014, and is expected to finally embark on a declining path this year and even more so next year, as nominal GDP growth picks up.

For Malta, the Commission's Spring forecast expects the deficit to narrow to 1.8 per cent of GDP in 2015 and to further decrease to 1.5 per cent of GDP in 2016, on a no-policy-change assumption. The debt ratio is projected to decrease further to 65.4 per cent of GDP by 2016.

The Council closed Excessive Deficit Procedures (EDP) against Austria, Belgium, Czech Republic, Denmark, Finland, the Netherlands and Slovakia in 2014. The Council also closed procedures for Poland and Malta earlier in June of 2015. It adopted decisions abrogating previous Council decisions on the existence of excessive deficits in these countries, confirming that they have reduced their deficits below 3 per cent of GDP, as defined in accordance with Article 126(6) of the Treaty on the functioning of the EU (ex Article 104(6) of the Treaty establishing the European Community) and specified in the Stability and Growth Pact legislation. For Finland, the notified deficit for 2014 and the planned deficit and debt ratios for 2015 provide prima facie evidence on the existence of an excessive deficit based on both the deficit and debt criterion in Finland. Given that a new Finnish Government was formed late in June 2015 following the April election, Finland has not yet had the opportunity to take new corrective measures to ensure compliance with the deficit and debt criteria. A re-evaluation of the fulfilment of the deficit and debt criteria by Finland would be required following the provision of information on the planned measures to be included in the revised Stability Programme.

On the other hand, both Belgium and Italy have debt levels in excess of the 60 per cent GDP reference, and according to

Commission's forecasts, are not projected to make sufficient progress towards compliance with the debt reduction benchmark. However, in both cases, when considering the relevant factors, the debt criterion as defined in the Treaty and in Regulation (EC) No 1467/1997 should be considered as currently complied with. For the UK, the Commission has assessed that the country has not taken effective action in response to the Council recommendation of 2 December 2009 and has therefore adopted Commission recommendations for a Council decision establishing that no effective action has been taken in accordance with Article 126(8) and for a Council recommendation in accordance with Article 126(7) to bring an end to the situation of an excessive government deficit by 2016-17. As a consequence, nine of the EU's 28 Member States remain subject to an excessive deficit procedure.

In 2014, the United States (US) reported a Government fiscal deficit-to-GDP ratio of 4.9 per cent, representing a 0.7 percentage point improvement from that reported in 2013. The gross debt-to-GDP ratio increased marginally from 104.7 per cent in 2013 to reach 104.8 per cent in 2014. Meanwhile, in Japan, the Government deficit-to-GDP ratio in 2014 decreased to 7.8 per cent of GDP when compared to 8.5 per cent recorded in 2013. Furthermore, Japan's debt-to-GDP ratio increased to 247.0 per cent in 2014 when compared to 243.2 per cent in 2013. In this context, it is noted that both the EU28 and the EA19 compare favourably to the US and Japan with respect to both the deficit and debt ratios to GDP.

Monetary Developments

The contribution of Maltese monetary financial institutions (MFIs) to the stock of Euro Area Broad Money (M3) has increased between January and July 2015. This was mainly underpinned by an increase in overnight deposits. Conversely, the contributions towards M3 of deposits redeemable at notice up to three months and deposits with an agreed maturity of up to two years were negative, despite being only marginal for the former. At the same time, there has also been a decline in net claims on non-

residents of the Euro Area whereas developments in the credit and other counterparts components contributed positively to Broad Money. Demand from the private sector continued to be relatively weak, also following an earlier tightening in credit standards. In addition, possibly also due to the relatively low interest rate environment, depositors were more inclined to hold highly liquid short-term deposits in their respective bank accounts.

Contribution of Resident MFIs to Euro Area Monetary Aggregates

In the period January-July 2015, the contribution of Maltese resident MFIs to total monetary aggregates (M3) of the Euro Area registered an increase of 8.5 per cent, reaching €15,626.3 million when compared to €14,402.5 million registered in December 2014. Such an increase was mainly attributable to an increase in overnight deposits which more than outweighed negative contributions from both deposits with an agreed maturity of up to two years and deposits with agreed maturity of up to three months. The main developments in monetary indicators are illustrated in Table 8.4. Such developments reflect the persistent preference towards short-term liquid money balances in the form of overnight deposits, although short-term maturity deposits and two-year term maturity deposits remain significant.

During the first seven months of 2015, narrow money (M1) reached €11,066.2 million, increasing by 16.3 per cent when compared to €9,512.7 million registered in December 2014. This was primarily due to a 17.4 per cent increase in overnight deposits in the same period which reached €10,185.3 in July 2015. Overnight deposits increased throughout the first half of 2015 but registered a marginal decline in July 2015. Such developments are mirrored in deposits from both residents of Malta as well as deposits from Euro Area residents albeit due to their share, the former represented the main contributors to the developments in total overnight deposits.

Contribution of Resident MFIs to Euro Area Monetary Aggregates⁽¹⁾

Table 8.4

€ million

	2014 (Dec)	2015 (Mar)	2015 (Jun)	2015* (Jul)	Jul-15 - Dec-14 % Change
Narrow Money (M1)	9,512.7	10,099.3	11,078.7	11,066.2	16.3
Currency issued ⁽²⁾	839.4	848.4	865.9	880.9	4.9
Overnight deposits ⁽³⁾	8,673.3	9,250.9	10,212.8	10,185.3	17.4
Intermediate Money (M2)	14,281.1	14,317.2	15,406.5	15,486.5	8.4
Narrow Money (M1)	9,512.7	10,099.3	11,078.7	11,066.2	16.3
Deposits redeemable at notice up to 3 months ⁽³⁾	124.4	121.5	116.9	115.3	-7.3
Deposits with agreed maturity up to 2 years ⁽³⁾	4,644.0	4,096.5	4,210.9	4,304.9	-7.3
Broad Money (M3)⁽⁴⁾	14,402.5	14,410.3	15,517.9	15,626.3	8.5
Intermediate Money (M2)	14,281.1	14,317.2	15,406.5	15,486.5	8.4
Debt securities issued up to 2 years initial maturity	121.4	93.0	111.4	139.8	15.1

* 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⁾ M3-M2 comprises repurchase agreements and debt securities up to 2 years' maturity issued by MFIs in Malta less holdings by MFIs in Malta of such securities issued by MFIs anywhere in the Euro Area. Figures also include MMFs shares/units issued less holdings in such units by MMFs and credit institutions resident in the Euro Area and holdings by non-residents of the Euro Area.

Source: Central Bank of Malta

Currency issued registered an increase of 4.9 per cent between January-July 2015 reaching €880.9 million, however its positive contribution to M1 was low due to its small share. The overall increase in currency issued was underpinned by growth registered throughout the period under review, although the highest increases were registered in the second quarter followed by a noteworthy increase registered in July.

In the first seven months of 2015, deposits redeemable at notice up to three months declined by 7.3 per cent when compared to December 2014, reaching €115.3 million. An analogous decline in such deposits from Maltese residents was the main contributor to this development as the increase in deposits from other Euro Area residents was negligible due to their very small share.

Resident Deposits					
Table 8.5	€ million				
	2012 (Dec)	2013 (Dec)	2014 (Dec)	2015* (Jul)	Jul-15 - Dec-14 % Change
Overnight Deposits ⁽¹⁾	5,735.7	6,522.3	8,415.6	9,767.8	16.1
Deposits redeemable at notice up to 3 months	151.7	113.8	124.4	115.3	-7.3
Deposits with agreed maturity up to 2 years	3,883.9	3,993.4	3,914.2	3,708.6	-5.3
Total resident deposits	9,771.3	10,629.4	12,454.2	13,591.7	9.1
* Provisional					
⁽¹⁾ Overnight deposits are deposits withdrawable on demand and exclude interbank deposits and deposits held by central Government.					
Source: Central Bank of Malta					

On a similar note, there has also been a decrease of 7.3 per cent during the same period in deposits with an agreed maturity of up to two years which reached €4,304.9 million in July 2015. During the first quarter of 2015, deposits with an agreed maturity of up to two years decreased substantially following lower deposits from both Euro Area and Maltese residents. Conversely deposits with agreed maturity of up to two years experienced an increase in the second quarter of 2015 as the developments in Euro Area residents' deposits outweighed the slight decline in Maltese residents' deposits. In the subsequent month deposits with up to two years agreed maturity increased by a lesser amount; this time the increase was also led by higher deposits from Euro Area residents which more than offset a more marginal decline in Maltese residents' deposits.

As can be seen from Table 8.5, total resident deposits increased by 9.1 per cent between January and July 2015 when compared to December 2014, reaching €13,591.7 million. Such an increase is mainly due to the positive contribution from overnight deposits which increased by 16.1 per cent during the period under review. At the same time, there has been a 7.3 per cent decline in deposits redeemable at notice up to three months, while two

year maturity deposits declined by 5.3 per cent. Nonetheless, due to its share, the latter had a larger negative contribution towards total resident deposits than the former.

Contribution of Resident MFIs to Counterparts to Euro Area Monetary Aggregates

The developments in the contribution of resident MFIs to counterparts to Euro Area monetary aggregates since the end of 2014 are displayed in Table 8.6. During the first seven months of 2015, Maltese MFIs' contribution to the Euro Area broad money stock (M3) increased, mainly led by the positive contributory effect from a decline in other counterparts which more than offset the decline in net claims on non-residents of the Euro Area. The credit counterpart registered a small positive contribution towards the growth in Euro Area broad money during the period under review as higher credit to residents offset declines in credit to non-residents.

Contribution of Resident MFIs to Counterparts to Euro Area Monetary Aggregates
Table 8.6

	2014 (Dec)	2015 (Mar)	2015 (Jun)	2015* (Jul)	Jul-15 - Dec-14 % Change
Broad Money (M3)⁽¹⁾	14,402.6	14,410.3	15,517.9	15,626.3	8.5
Credit Counterpart⁽²⁾	15,768.4	16,089.2	16,223.3	15,897.3	0.8
Credit to residents of Malta	11,736.8	12,004.6	12,170.0	12,227.2	4.2
Credit to general Government	2,497.7	2,673.7	2,838.3	2,892.6	15.8
Credit to other residents	9,239.1	9,330.9	9,331.6	9,334.6	1.0
Credit to other Euro Area residents	4,031.6	4,084.7	4,053.4	3,670.1	-9.0
Net claims on non-residents of the Euro Area	11,609.6	12,201.1	10,054.9	10,370.9	-10.7
Other counterparts (net)⁽³⁾	12,975.4	13,880.0	10,760.3	10,641.8	-18.0

* 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

Between January-July 2015, the credit counterpart of broad money reached €15,897.3 million, representing a slight increase of 0.8 per cent when compared to December 2014. Higher credit to Maltese residents was the leading factor behind this development as its growth outweighed the decline in credit to other Euro Area residents. In the first seven months of 2015, credit to residents of Malta increased by 4.2 per cent, reaching €12,227.2 million when compared to December 2014. Both lending to general Government and the private sector supported local credit developments. However, while the former registered an increase of 15.8 per cent, credit to the private sector increased by 1.0 per cent. On the other hand, lending to other Euro Area residents declined by 9.0 per cent, reaching €3,670.1 million during the same comparative period. This was led by a 21.4 per cent decline in credit to the private sector which outweighed a 12.0 per cent rise in credit to general Government.

Table 8.7, illustrates credit developments to Maltese residents excluding general Government. These dynamics shed light on the 1.0 per cent increase registered in private sector loans during the first seven months of 2015. This increase was primarily the result of higher loans provided to households and individuals which increased by 4.4 per cent between January and July 2015. Positive contributions also stemmed from increases in credit to the other category and to real estate, renting and business activities which increased by 12.6 per cent and 18.7 per cent, respectively. Loans to hotels and restaurants increased by 13.2 per cent, while loans to manufacturing remained relatively stable declining by just 0.2 per cent. The slow growth in credit was primarily attributable to the persistent decline in lending to the construction (28.3 per cent) sector and lower lending to the electricity, gas and water supply (31.5 per cent). Declines in credit were also registered in the wholesale, retail trade and repairs (2.8 per cent) and the transport, storage and communication sectors (5.4 per cent).

Foreign capital from outside the Euro Area also affects the growth dynamics in M3. Net claims representing the external counterpart of M3 decreased substantially by 10.7 per cent during

Credit to Other Residents⁽¹⁾

Loans by Economic Activity

Table 8.7

	2012 (Dec)	2013 (Dec)	2014 (Dec)	2015* (Jul)	Jul-15 - Dec-14 % Change
Total Credit	9,605.1	9,581.5	9,239.1	9,334.6	1.0
Total Loans ⁽²⁾	9,056.8	9,029.6	9,105.8	9,173.5	0.7
Electricity, gas & water supply	280.1	293.1	422.8	289.6	-31.5
Transport, storage & communication	502.0	478.0	451.1	426.9	-5.4
Manufacturing	308.8	297.3	287.9	287.4	-0.2
Construction	1,024.0	894.7	802.5	575.5	-28.3
Hotels & restaurants	468.2	462.5	436.0	493.7	13.2
Wholesale & retail trade; repairs	829.9	782.2	849.5	826.1	-2.8
Real estate, renting & business activities	423.4	455.4	502.3	596.5	18.7
Households & individuals	3,776.8	3,959.4	4,243.8	4,428.6	4.4
Other ⁽³⁾	1,443.6	1,407.1	1,109.9	1,249.2	12.6

* 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 presented in this Table 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

the first seven months of 2015, reaching €10,370.9 million. This decline was mainly the result of the decrease registered during the second quarter of the year which outweighed the increases registered in the first three months of the year and during the month of July 2015. Nevertheless, the negative contribution from the developments in net claims on non-residents of the Euro Area was offset by the decrease in the other counterparts net balance which declined by 18.0 per cent during the period January-July 2015 over December 2014, reaching €10,641.8 million. These developments almost followed the same dynamics in net claims, registering the highest decline during the second quarter of the year albeit also followed by a slight decline in July 2015 which when combined more than offset the increase registered in the first three months of the year. The decline in the net claims component reflects a more rapid decline in resident credit institutions' liabilities to other Euro Area banks with respect to

their claims on them while the other counterparts' component mainly reflects interbank transactions across the Euro Area and contributes negatively to M3.

The Money Market

Over the recent years the ECB continued with the use of non-standard monetary policy tools in order to maintain economic and financial stability in the post financial crisis period. Indeed, since September 2008, the ECB has complemented traditional monetary policy with a number of non-standard monetary policy measures that were unprecedented in nature, scope and magnitude and which had the aim of safeguarding the primary objective of price stability and ensuring an appropriate monetary policy transmission mechanism. The ECB has continued to play a crucial role in supporting financial intermediation within the Euro Area, in safeguarding the refinancing tools of solvent banks and in facilitating the reinstatement of confidence in financial markets.

In September 2014, the Governing Council of the ECB opted to decrease the interest rate on the main refinancing operations (MROs) by 10 basis points to reach 0.05 per cent and to cut the marginal lending facility rate by a further 10 basis points to reach 0.30 per cent. In addition, the Governing Council also decided to reduce the interest rate on the deposit facility by another 10 basis points, thus reaching -0.20 per cent. These low interest rate levels remained unchanged up till this year's meeting of the Governing Council of 3 September. In September 2014, the ECB also modified the loan-level reporting requirements for those asset-backed securities (ABSs) that are used as collateral in monetary policy operations and which were unable to satisfy the timeline announced on the 24 of November 2012. Indeed, as of the start of October 2014, ABSs for which the mandatory level of compliance had not been attained would become ineligible for use as Eurosystem collateral. This decision was taken in order to secure a smooth transition to compliance as well as a level playing field between different ABSs classes at different stages of the compliance process. In order to enhance the functioning

of monetary policy transmission and support bank lending to the real economy, on the 18 of September 2014, the ECB also allotted €82.6 billion in its first of eight targeted longer-term refinancing operations (TLTROs) to be conducted between September 2014 and June 2016. During September, the Governing Council also decided that a new covered bond purchase programme (CBPP3) should be initiated.

Subsequently, in October of 2014, the ECB's Governing Council agreed on key details for operations of new programmes, which are to last for at least two years, to buy simple and transparent ABSs as well as a broad portfolio of euro-denominated covered bonds thus further enhancing the transmission of monetary policy, facilitating credit to the Euro Area, generate positive spillovers in markets and thus also easing the ECB's monetary policy stance. Akin to a year earlier, during the month of November 2014, the ECB suspended repayments of the three-year longer-term refinancing operations (LTROs) for the duration of the year-end period.

During January 2015, the Governing Council approved the operational details of its expanded asset purchase programme and which, in order to address the risks of a too prolonged period of low inflation, would add the purchase of sovereign bonds to the existing private sector asset purchase programmes. During the same month, the Governing Council also decided that the interest rate for the remaining six TLTROs (a series of TLTROs was announced on 5th June 2014) would be equal to the rate on the Eurosystem's MROs prevailing at the time when each TLTRO was conducted.

In February 2015, the ECB published a new Guideline (ECB/2014/60) on the implementation of monetary policy, simplifying and improving the clarity of the existing framework for monetary policy implementation. In particular, the new guideline also made several changes to the eligibility criteria of ABSs. Subsequently, in March 2015, the ECB decided for a secondary markets public sector asset purchase programme (PSPP) (ECB/2015/10).

During April 2015, the ECB approved amendments to the initial list of agencies located in the Euro Area issuing securities that are eligible for the PSPP. In addition, Guideline (EU) 2015/732 of the ECB of 16 April 2015, on the implementation of the Eurosystem monetary policy framework, reflected changes to the Eurosystem's collateral framework relating to the acceptable coupon structures for eligible marketable assets. In particular, the adjustment clarified that marketable assets with floating rate coupons can remain eligible as long as the actual cash flow due to note holders remains non-negative.

In the month of July 2015, the Governing Council of the ECB decided to publish a set of guiding principles in order to illustrate the Eurosystem's preferences with regard to the ABSs that it considers for purchase in the context of the ABS purchase programme. The aim was to provide market participants with greater clarity.

During August 2015, the ECB also published an additional guideline (ECB/2015/27) amending the General Documentation on the implementation of monetary policy within the Eurosystem, thus revising the provisions on counterparty eligibility and adding a new class of eligible assets in the Eurosystem collateral framework, namely the non-marketable debt instruments backed by eligible credit claims (DECCs).

It is also to be noted, that the ECB played a crucial role in mitigating the consequences of the Greek debt crisis and in maintaining financial stability in the Euro Area. Specifically, during the crisis period, the ECB decided to revise the haircut schedule applicable to marketable debt instruments issued or fully guaranteed by the Hellenic Republic, such that the latter could therefore constitute eligible collateral for the purpose of the Eurosystem credit operations subject to a haircut schedule. In addition, the ECB also lifted the waiver affecting the marketable debt instruments which were issued or fully guaranteed by Greece, specifically since it was not possible to assume a successful conclusion of the programme review. The Governing Council also took important decisions on the level of provision

of emergency liquidity assistance (ELA) to Greek banks together with decisions to adjust the haircuts on collateral accepted by the Bank of Greece for ELA.

Risk aversion in financial markets is generally reflected in interbank rates. As the level of risk aversion rises, lending institutions are less willing to exchange credit in the interbank market. During the first half of 2011, interbank rates were on an upward trend reaching their peak during the third quarter of the year, signalling renewed tensions and intensified risk aversion levels in financial markets. Subsequently, however, interbank rates started a rapid decline before somewhat stabilising from mid-2012 up till the end of 2013. Interbank rates edged up mildly in the first half of 2014 but from June 2014 onwards, interbank rates continued to decline with some of them even reaching negative values. Indeed, the overnight rate remained largely stable from August 2012 up till November 2013 where it stood at 0.10 per cent. It peaked again at 0.25 per cent in April 2014 but continued to decline in the following months to reach a negative value of 0.12 per cent in July 2015. Long-term rates remained higher compared to their short-term counterparts during the same comparable period despite also continuing to decline steadily with the one-year rate reaching 0.17 per cent in July 2015.

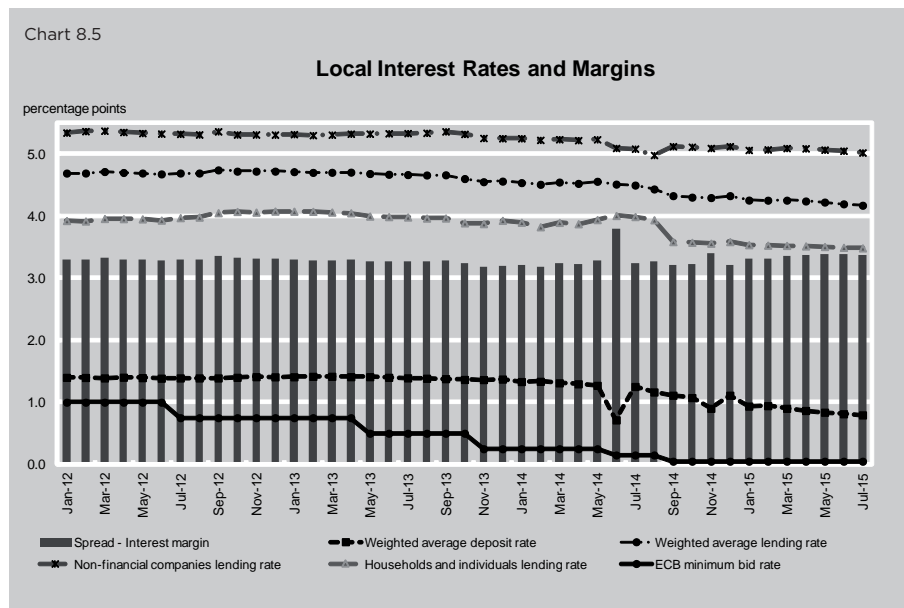
One needs to consider that Euro Area interbank money market interest rates also have a bearing on Malta Treasury Bills. Indeed the former represent an alternative portfolio investment opportunity for local investors. During the first eight months of 2015, the Malta Government issued €459.2 million worth of Treasury Bills on the primary market, representing a decline of €183.2 million when compared to the level of Treasury Bills that were issued during the same period a year earlier. Yields in the primary and secondary markets for Malta Treasury Bills have been on a declining trend since September 2012. As of July 2015, the yield on three-month bills in the primary market stood at a negative rate of 0.04 per cent while the yield on six-month bills stood at 0.00 per cent when compared to rates of 0.29 per cent

and 0.35 per cent, respectively registered in the same month a year earlier.

No trades were executed in Treasury Bills for the period January to August 2015. In comparison, the turnover in the secondary market for Treasury Bills recorded in the comparable period of 2014 reached €10.1 million.

Deposit and Lending Rates

Developments in deposits and lending rates, in conjunction with the interest margin between their weighted averages, as well as the ECB minimum bid rate are outlined in Chart 8.5. As from January 2012, the spread between the weighted average lending and deposit rate remained largely stable up until May 2014. Indeed, the stable interest margin persisted despite the progressive downward movements in the ECB minimum bid rate which declined from the level of 1.0 per cent registered up till June 2012 to 0.25 per cent up till May 2014. In June 2014, the interest rate margin increased to 3.8 per cent from 3.3 per cent in the previous month, reflecting a decrease in the weighted average deposit rate. At the same time, in June 2014, the ECB



minimum bid rate declined further to 0.15 per cent. Subsequently there has been a downward adjustment in the spread level which was caused by a reversal in the change in the weighted average deposit rate observed in the previous month. Concurrently, the ECB rate declined further in September 2014 to reach 0.05 per cent. The dynamics of such a stable spread level between lending and deposit rates reflects only an overall marginal decrease in deposit rates and a corresponding minimal decline in lending rates over the aforementioned period. Throughout the second half of 2014 and the first half of 2015, the interest margin between the deposit and lending rates experienced a mild increase, reaching 3.4 per cent in July 2015 when compared to 3.2 per cent registered in the same month a year earlier. This development stemmed from a relatively faster decline in the deposit rate when compared to the lending rate. The ECB minimum bid rate remained unchanged at 0.05 per cent.

The Capital Market

Between January and August 2015, the Government issued €260.3 million worth of stocks on the primary market. In addition, stocks worth €374.4 million were re-integrated into other issued stock during the period reviewed while total redeemed stocks amounted to €69.9 million. During the period under review, merged stocks amounted to €195.4 million.

A strong decline in the primary corporate bond market was experienced between January and August 2015 when compared to the same period a year earlier. In fact, newly issued corporate bonds decreased by 54.1 per cent when compared to the same period of last year, reaching €90.0 million as at August 2015 from €196.0 million registered a year earlier. In addition, redeemed corporate bonds decreased by 14.5 per cent, reaching €10.3 million. On the other hand, there has been a significant increase in deductions which stood at €1.4 million as at August 2015 when compared to €0.8 million during the same period in 2014.

The activities of Government stock in the secondary market are portrayed in Table 8.8. The trading activity for Government

Government Stocks
Activity on the Secondary Market

Table 8.8

	2014 Jan-Aug	2015 Jan-Mar	2015 Apr-Jun	2015 Jul-Aug	2015 Jan-Aug
Turnover in Government Stocks:					
Nominal Value (€ million)	562.9	260.5	203.4	64.8	528.7
Market Value (€ million)	617.2	311.5	257.3	77.6	646.4
Number of Transactions	5927	5,559	5,462	1,097	12,118
Average Value per Transaction (€)*	94,980	46,852	37,247	59,065	43,628
Amount sold by CBM (€ million)**		94.6	42.4	24.7	161.6
Amount bought by CBM (€ million)**		81.2	153.7	36.9	271.8

* Based on Nominal Values

** Based on Market Values

Source: Central Bank of Malta

bonds in the secondary market registered an increase in turnover of 4.7 per cent during the period January to August 2015, reaching €646.4 million. The number of deals during this period also increased significantly to 12,118 deals from 5,927 in January-August 2014. In the period January to August 2015, deals trading was mainly concentrated in the two issues: 3.0 per cent MGS 2040 and 4.1 per cent MGS 2034, registering 3,141 and 1,650 deals, respectively. The value transacted by the CBM in the local secondary Government bond market amounted to €433.5 million during the first eight months of 2015.

A range of secondary market indicators is presented in Table 8.9. Aggregate turnover for equities increased significantly to €54.8 million in the first eight months of 2015, compared to a level of €34.7 million registered in the comparable period of 2014. Between January and August 2015, Bank of Valletta and HSBC Bank Malta share issues registered the largest level of trading activity standing at 2,228 and 1,206 deals, respectively.

Selected Indicators of the Capital Market

Table 8.9

	2014	2015	2015	2015	2015
	Jan-Aug	Jan-Mar	Apr-Jun	Jul-Aug	Jan-Aug
Corporate Bonds*					
Number of Listings**	45.0	45.0	45.0	46.0	46.0
Turnover (€ million)	23.2	19.6	11.1	15.7	46.4
Equities*					
Number of Issues Outstanding**	24.0	24.0	23.0	23.0	23.0
Turnover (€ million)	34.7	20.8	18.9	15.1	54.8
Total Listed Securities*					
Total Turnover (€ million)**	685.4	351.9	287.6	108.4	747.9
Market Capitalisation (€ million)**/**	10,103.4	10,992.3	11,066.7	11,243.0	11,243.0
MSE Ord. Share Index**	3,295.5	3,776.1	4,090.6	4,208.0	4,208.0

*Including the Alternative Companies listing

**As at end of period

***Including Malta Government Stocks and Treasury Bills

Source: Malta Stock Exchange

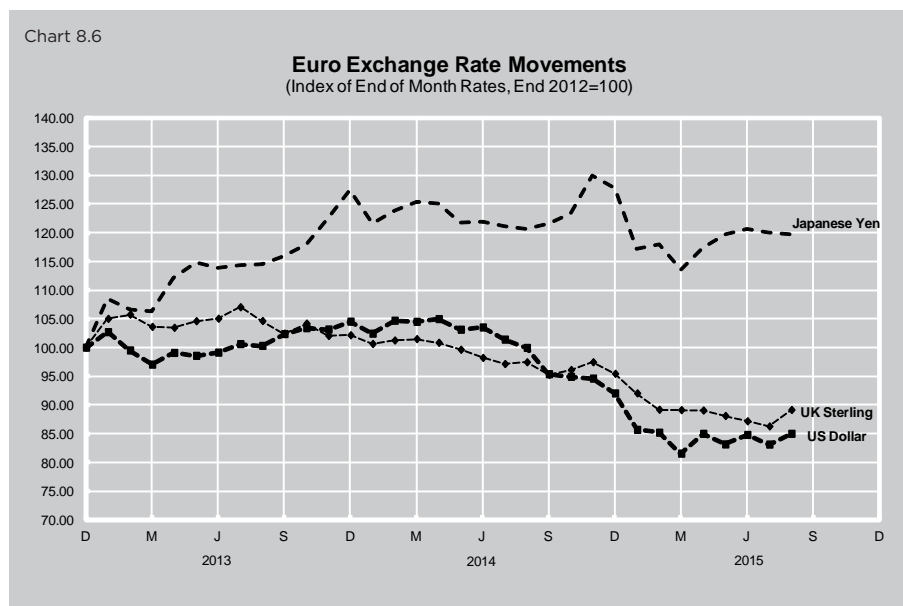
As of August 2015, the Malta Stock Exchange Share Index closed at 4,208.0 reflecting an increase of 27.7 per cent over the same period in 2014. Market capitalisation in the equity market increased from €2,963.7 million in August 2014 to €3,770.2 million at the end of August 2015.

As at the end of August 2015, total market capitalisation stood at €11,243.0 million, increasing by €1,139.6 million from the level of €10,103.4 million prevailing in the same period last year. This increase was underpinned mainly by increases in the market capitalisation for equities and to a lesser extent an increase in market capitalisation for Malta Government Stock and corporate bonds. On the other hand, market capitalisation for treasury bills declined substantially during the period under review, although the effect on total market capitalisation was low in comparison.

Exchange Rate Developments

The exchange rate is one of the key relative prices for an economy. Movements in the exchange rate have economy-wide implications that range from influencing international trade flows to impacting the real return of an investor's portfolio, thus having a bearing on both the real, as well as the financial sectors of an economy. Exchange rates are also sensitive to developments in monetary policy. From a policy maker's perspective, exchange rate developments have important implications on the overall price competitiveness of the country's exports. In view of the latter, the volatility that has been exhibited in exchange rate markets following the onset of the international economic and financial crisis and the European sovereign debt crisis is yet another challenge which economic operators have had to endure.

Chart 8.6 outlines an indexed Euro exchange rate against the three major currencies, namely the US Dollar, UK Sterling and the Japanese Yen since the end of 2012. Between mid-2012 and the early months of 2014, the Euro appreciated vis-à-vis the Japanese Yen and registered a relatively more stable performance in



respect of the US Dollar and UK Sterling up until the first few months of 2014. However, since the beginning of the second quarter of 2014, the Euro started to experience notable declines vis-à-vis the US Dollar and the UK Sterling. This downward trend continued to intensify during the first quarter of 2015 but then started to show greater stability. With regards to the Japanese Yen, the upward trend in the exchange rate persisted up to the end of 2014, after which the rate experienced a sharp decline in the subsequent quarter, even though it recovered thereafter.

The Euro vis-à-vis the US dollar declined during the first quarter of 2013 reaching US\$ 1.28, before gradually appreciating thereafter, when it reached US\$1.38 by the end of the year. Throughout the first half of 2014, the Euro seemed to stabilize relative to the US dollar, hovering around US\$ 1.37. In the subsequent months, the Euro-dollar exchange rate experienced significant declines up to the first quarter of 2015 when the Euro was trading at a low level of US\$ 1.06, thus representing a substantial decline of around 22 per cent from the level prevailing in the same comparable period a year earlier. The depreciation in the Euro currency experienced during this period can be mainly attributable to the increased uncertainties in financial markets in respect to the risks associated with sovereign bonds as well as the weak economic activity of a number of Euro Area Member States as well as the expected tightening of monetary policy in the USA. These developments also shadow a higher level of concern amongst market participants which renders alternative assets – notably the US Dollar – relatively more attractive. The Euro/USD exchange rate registered a slight improvement in the following months and at the end of August 2015, when it was trading at around US\$ 1.12, which from a longer term perspective, is 15.8 per cent below its 10-year average level of US\$ 1.33.

The trend appreciation of the Euro during 2013 occurred also in respect of the UK Sterling with the rate hovering around GBP 0.85 during the first half of 2013. However, a reversal was observed in the following months with the Euro gradually depreciating against the Sterling to GBP 0.83 by the end of the year. This downward trend persisted in the subsequent

year with the rate reaching GBP 0.78 by the end of 2014. The decline in the value of the Euro vis-à-vis the Sterling intensified in the first quarter of 2015 up to July with the Euro reaching a low of GBP 0.70 reflecting an 11.2 per cent reduction in its value compared to the level prevailing in the previous year. This sharp decline reflected the relatively stronger economic performance registered by the UK, increased uncertainties in the sovereign bonds market, along with the possibility of a Greek exit from the Eurozone. The value of the Euro vis-à-vis the Sterling somewhat stabilised in the subsequent months and was trading at GBP 0.73 at the end of August 2015.

As illustrated in Chart 8.6, the Euro experienced an overall sharp appreciation in respect of the Japanese Yen during 2013. The strong positive trend experienced in the first half of the year, persisted up to December 2013 reaching a high of JPY 145.02, effectively reflecting the new regime of monetary policy easing introduced by the Bank of Japan. This exchange rate depreciated marginally in the first month of 2014 and then somewhat stabilised in the following nine months, hovering around JPY 139. In November 2014, a spike was observed and the value of the Euro peaked to around JPY 148 following news of negative growth prospects in Japan and China. In December 2014, a downward adjustment in the exchange rate was observed up to April 2015 with the rate reaching JPY 127.96 following the Eurozone uncertainty, thus reflecting a 10.9 per cent decline in its value compared to the level prevailing in the previous year. As at the end of August 2015, the Euro traded at JPY 136.07 which was in line with the corresponding month of the previous year. From a longer term perspective, the Euro is currently trading notably above the 10-year average mark of JPY 133.

Footnote:

¹ For comparability purposes, data in this section for Malta does not reflect the latest local update as published by the NSO, which update will feature in the second fiscal notification in October.

Government Revenue

(January-August)

Appendix Table 8.1

€ thousand

	2012	2013	2014	2015
Tax Revenue	1,513,717	1,630,283	1,733,182	1,918,470
Direct Tax Revenue	879,667	982,253	1,052,515	1,137,357
Income Tax	516,273	592,733	629,051	693,976
Social Security	363,394	389,519	423,464	443,381
Indirect Tax Revenue	634,050	648,030	680,667	781,113
Customs and Excise Duties	107,541	127,064	96,905	160,222
Licences, Taxes and Fines	156,174	144,108	161,313	180,307
Value Added Tax	370,335	376,858	422,449	440,584
Non-Tax Revenue	191,227	207,533	253,619	303,960
Fees of Office	21,805	21,099	25,175	29,154
Reimbursements	18,065	13,843	14,738	15,413
Rents	17,293	17,115	20,145	21,515
Dividends on Investments	11,939	9,962	4,306	9,273
Repayment of Government Loans and interest	569	1,408	1,031	132
Miscellaneous Receipts	53,445	14,516	15,739	33,050
Public Corporations	0	0	0	0
Central Bank of Malta	42,000	36,000	37,000	36,000
Grants	26,111	93,589	135,485	159,423
Recurrent Revenue	1,704,944	1,837,815	1,986,801	2,222,430
Extraordinary Receipts	28,425	0	0	700
Loans	454,394	369,621	573,841	258,287
Repayment of Loans made by Government	0	30	0	0
Total Revenue	2,187,763	2,207,466	2,560,642	2,481,418

Source: The Treasury, Ministry for Finance

Government Recurrent Expenditure

(January-August)

Appendix Table 8.2

€ thousand

	2012	2013	2014	2015
Office of the President	1,455	1,446	1,715	2,291
House of Representatives	2,039	1,734	1,909	2,306
Office of the Ombudsman	550	700	700	800
National Audit Office	1,456	1,615	1,980	2,025
Office of the Prime Minister	19,660	11,282	17,161	17,621
Public Service Commission	272	288	280	339
Information	838	824	711	742
Government Printing Press	842	831	845	840
Electoral Office	3,803	7,263	6,310	6,841
Government Property Division	2,608	5,571	4,777	4,808
Ministry for European Affairs and Implementation of the Electoral Manifesto	0	4,393	5,283	7,697
Ministry for Foreign Affairs	15,211	11,536	12,847	14,129
Ministry for Tourism [Culture and the Environment]	25,130	34,858	42,406	31,511
Local Government	26,674	27,589	27,619	26,809
Ministry for Education and Employment	135,388	105,139	138,543	164,874
Education	98,159	112,664	120,072	129,329
Ministry for Sustainable Development, the Environment and Climate Change	0	31,983	29,851	29,345
Ministry for Transport and Infrastructure	0	29,413	57,680	54,402
Ministry for Gozo	36,792	15,300	16,678	16,786
Ministry for Social Dialogue, Consumer Affairs and Civil Liberties	0	5,651	6,234	6,566
Industrial and Employment Relations	769	774	784	781
Ministry for the Economy, Investment and Small Business	0	18,371	18,250	20,006
Trade Services [Commerce]	988	977	1,033	1,036
Ministry for the Family and Social Solidarity	0	24,500	32,161	42,452
Social Policy [Security]	110,909	119,998	131,419	137,665
Social Security Benefits	508,569	526,386	530,958	568,960
Social Welfare Standards	558	610	611	675
Elderly and Community Care	32,979	42,560	48,963	52,141
Ministry for Home Affairs and National Security	0	15,623	18,757	14,145
Armed Forces of Malta	23,160	23,817	24,694	26,672

Government Recurrent Expenditure

(January-August)

Appendix Table 8.2 continued

€ thousand

	2012	2013	2014	2015
Police	29,021	32,273	34,102	35,332
Correctional Services	5,581	5,787	6,276	6,749
Probation and Parole [Services]	351	518	541	597
Civil Protection	2,720	2,572	2,699	2,899
Land and Public Registry Division	2,394	2,639	3,000	0
Judicial	7,232	8,098	8,033	8,369
Ministry for Finance	0	70,960	69,268	71,873
Treasury	3,656	2,842	3,110	3,793
Pensions	60,935	58,570	62,116	62,078
Inland Revenue	4,592	4,636	4,702	5,010
V.A.T.	3,747	3,902	3,639	3,430
Customs	6,528	6,474	7,346	6,973
Contracts	735	660	779	918
Economic Policy	665	626	737	790
Ministry for Energy and the Conservation of Water	0	30,242	19,714	-
Ministry for Health [the Elderly and Community Care]	224,999	253,141	263,512	-
Ministry for Energy [the Conservation of Water] and Health	-	-	-	35,603
[Ministry for] Health	-	-	-	293,918
Ministry for Justice, Culture and Local Government	-	-	-	16,365
Ministry for Resources and Rural Affairs	52,843	-	-	-
Ministry of Finance, the Economy and Investment	106,192	-	-	-
Ministry for Justice and Home Affairs	11,532	-	-	-
Ministry for Infrastructure, Transport and Communications	25,869	-	-	-
Recurrent Expenditure	1,598,401	1,667,633	1,790,803	1,939,291

Note: [] denotes change in name of cost centres

Source: The Treasury, Ministry for Finance

Government Capital Expenditure

(January-August)

Appendix Table 8.3

€ thousand

	2012	2013	2014	2015
Productive Investment	68,343	74,056	56,810	45,639
Development of Industry	8,495	3,939	4,660	9,000
Securities Markets Programme	0	0	4,000	0
Gozo	340	166	239	311
EU Agriculture Fund for Rural Development, EU Agriculture Guarantee Fund and EU Fisheries Fund	10,940	11,702	14,917	10,611
Film Industry	5,510	756	1,021	2,519
Contribution to Treasury Clearance Fund	18,034	14,000	14,700	14,700
Equity Acquisition - Air Malta plc	20,000	40,000	14,980	2,996
Other	5,024	3,493	2,294	5,503
Infrastructure	129,888	117,301	149,373	174,269
Acquisition of Property	6,948	5,955	4,773	10,312
Upgrading Works at main Touristic Areas	2,092	1,451	570	307
Roads	10,092	10,686	31,508	19,983
Integrated Health Information System	1,722	2,146	2,922	2,002
ICT	18,113	12,621	17,292	18,505
Gozo	2,258	1,150	2,225	1,919
Waste and Sewage Treatment	3,673	4,485	8,264	33,813
Freeport	1,149	0	0	0
PC Leasing	5,828	5,600	2,418	0
Integrated Flood Relief	5,066	6,231	9,373	4,319
National Identity Management System	1,247	1,269	2,819	4,390
Development of Industry	2,645	4,517	1,814	674
Other EU Funded Projects	58,549	49,442	42,945	63,874
Other	10,506	11,750	22,449	14,172
Social	28,434	27,170	47,926	51,494
Health	4,364	10,638	11,103	3,936
Elderly and Community Care	1,359	682	444	760
Waste Management	1,501	2,139	844	1,639
Gozo	2,494	953	1,021	1,650
Education	7,835	6,386	11,446	12,590
External Borders Fund	6,883	1,064	14,073	20,109
Other	3,998	5,308	8,995	10,809
Total Capital Expenditure	226,665	218,527	254,109	271,403

Source: The Treasury, Ministry for Finance

Statistical Annex

Population

	2007	2008	2009	2010	2011	2012	2013	2014
Total Population (000's)	407,832	410,926	414,027	414,989	417,546	421,364	425,384	429,344
Males (000's)	202,734	204,607	206,203	206,405	207,695	209,880	212,424	214,735
Females (000's)	205,098	206,319	207,824	208,584	209,851	211,484	212,960	214,609
% Increase per annum	0.5%	0.8%	0.8%	0.2%	0.6%	0.9%	1.0%	0.9%
Natural Increase per annum	654	770	808	888	898	712	796	921
Crude Birth Rate (per 1000 population)	9.3	9.8	9.8	9.4	10.0	9.8	9.5	9.8
Crude Mortality Rate (per 1000 population)	7.6	7.9	7.8	7.3	7.8	8.1	7.6	7.7
Crude Marriage Rate (per 1000 population)	6.1	6.1	5.7	6.3	6.2	6.7	6.1	6.7
Infant Mortality Rate (per 1000 births)	6.6	8.5	5.5	5.6	6.5	5.3	6.7	5.0
Life Expectancy (at birth)	79.9	79.7	80.4	81.5	80.9	80.9	81.9	82.1
Males	77.6	77.1	77.9	79.3	78.7	78.6	79.6	79.8
Females	82.2	82.3	82.7	83.6	83.0	83.0	84.0	84.3
Life Expectancy (at age 65)	18.6	18.7	18.9	20.0	19.4	19.4	20.1	20.2
Males	16.7	17.1	16.8	18.5	17.7	17.6	18.4	18.5
Females	20.3	20.1	20.6	21.1	21.0	21.0	21.5	21.7

Source: National Statistics Office

Table II
Social Indicators

	2007	2008	2009	2010	2011	2012	2013	2014
GDP at current market prices per capita (€)	14,155	14,971	14,883	15,923	16,558	17,177	17,795	18,580
Quality of Life								
Motor Vehicle Licences per 1000 population	704.7	718.5	725.1	736.6	751.9	751.6	762.6	780.8
Internet Subscriptions per 1000 population	...	...	284.9	283.0	309.2	325.1	336.2	353.4
Mobile Phone Subscriptions per 1000 population	...	...	1,017.7	1,097.3	1,253.9	1,274.4	1,308.6	1,273.7
Fixed Telephone Lines per 1000 population	...	...	595.3	596.4	558.0	550.1	543.8	537.2
Education								
Number of teachers (000)	8.8	8.5	9.5	10.0	8.6	8.0	8.0	8.6
Number of pupils/students (000)	83.2	82.4	83.1	84.0	79.0	78.6	78.8	78.5
of which:								
University students (All Courses)	9,556	9,238	9,724	10,004	10,188	10,533	10,873	11,026
Electricity								
Total Generated (000 MWh)*	2,296.0	2,275.0	2,167.0	2,113.0	2,169.0	2,268.0	2,216.0	2,170
Number of Consumers (000)*	246.0	254.1	265.7	260.5	265.7	272.2	277.6	283.9
Domestic Consumption (million kwh)*	645	670	443.3	604.3	597.2	616.0	608.8	604.3
Water								
Total annual production (million m ³)	30.8	30.8	29.2	28.8	29.6	30.8	30.5	30.4
Average daily consumption (000 m ³)	69	70	68	68	69	72	73	73
Social Security								
Total Payments (€ million)	835.5	927.2	1,027.7	1,096.4	1,106.7	1,190.3	1,264.0	1,352.9
Total Contributions (€ million)	480.3	510.1	526.1	552.1	585.6	609.7	645.3	699.2
Welfare Gap (€ million)	355.3	417.1	501.6	544.3	521.1	580.6	618.7	653.7

*Refer to Financial Year

Source: National Statistics Office Malta and Communications Authority

Table III
Factor Incomes in Gross National Income

	€ million															
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015				
Compensation of employees	2,176.5	2,229.5	2,366.2	2,503.0	2,668.9	2,736.1	2,845.3	3,035.8	3,208.5	3,378.4	3,561.8	1,506.2	1,584.5	1,674.4	1,759.7	1,831.8
Gross operating surplus and mixed income	2,093.9	2,268.6	2,338.2	2,534.3	2,722.6	2,632.2	2,961.5	2,988.8	3,134.4	3,257.3	3,387.3	1,462.1	1,499.8	1,569.1	1,617.8	1,785.7
Taxes on production and imports	653.2	740.8	781.1	826.2	858.1	831.1	865.4	933.4	954.5	993.5	1,112.3	416.7	448.3	438.6	499.3	532.7
Subsidies	71.1	89.6	99.4	105.9	121.0	60.8	72.6	65.1	92.3	95.6	120.1	34.7	44.9	42.2	61.3	61.8
Gross Domestic Product at market prices	4,852.4	5,149.3	5,386.1	5,757.5	6,128.7	6,138.6	6,599.5	6,892.8	7,205.0	7,533.6	7,941.3	3,350.3	3,487.8	3,639.9	3,815.5	4,088.5
Net Income from Abroad	-16.8	-183.2	-216.1	-156.8	-96.1	-333.2	-278.2	-223.7	-316.8	-388.7	-353.3	-163.3	-165.2	-247.5	-45.3	-7.9
Gross National Income at market prices	4,835.6	4,966.1	5,170.0	5,600.7	6,032.6	5,805.4	6,321.3	6,669.2	6,888.2	7,144.9	7,588.0	3,186.9	3,322.6	3,392.4	3,770.2	4,080.5
Sectoral Percentage Contribution to Gross Value Added (at basic prices)																
Agriculture, hunting and forestry ⁽¹⁾	2.3	2.2	2.2	2.0	1.4	1.7	1.7	1.5	1.5	1.5	1.3	1.5	1.4	1.4	1.3	1.3
Industry ⁽²⁾	24.9	23.5	22.4	21.2	22.0	20.3	20.1	19.3	17.4	16.9	15.7	20.1	17.7	17.5	16.4	15.7
Services Activities	72.7	74.3	75.4	76.8	76.6	78.0	78.2	79.2	81.1	81.6	83.0	78.3	80.9	81.0	82.3	83.0

⁽¹⁾ Includes fishing and operation of fish hatcheries and fish farms⁽²⁾ Includes energy and construction

Source: National Statistics Office

Table IV
Gross National Income and Expenditure

	€ million															
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015				
GNI at current market prices	4,835.6	4,966.1	5,170.0	5,600.7	6,032.6	5,805.4	6,321.3	6,669.2	6,886.2	7,144.9	7,588.0	3,186.9	3,322.6	3,392.4	3,770.2	4,080.5
% annual increase of GNI	2.8%	2.7%	4.1%	8.3%	7.7%	-3.8%	8.9%	5.5%	3.3%	3.7%	6.2%	4.3%	4.3%	2.1%	11.1%	8.2%
GDP at current market prices	4,852.4	5,149.3	5,386.1	5,757.5	6,128.7	6,138.6	6,599.5	6,892.8	7,205.0	7,533.6	7,941.3	3,350.3	3,487.8	3,639.9	3,815.5	4,088.5
% annual increase of GDP	2.0%	6.1%	4.6%	6.9%	6.4%	0.2%	7.5%	4.4%	4.5%	4.6%	5.4%	4.1%	4.1%	4.4%	4.8%	7.2%
GDP at constant prices	5,753.7	5,971.4	6,080.6	6,323.0	6,534.6	6,373.7	6,599.5	6,738.7	6,909.1	7,091.7	7,343.0	3,151.0	3,223.1	3,323.7	3,426.3	3,600.7
Total Final Consumption Expenditure	3,990.0	4,176.1	4,421.8	4,517.7	4,814.8	4,956.2	5,101.3	5,370.0	5,563.6	5,720.8	5,973.5	2,646.6	2,726.5	2,797.1	2,924.0	3,063.6
current market prices	4,656.7	4,740.8	4,897.1	4,932.4	5,063.3	5,089.2	5,101.3	5,265.1	5,339.7	5,416.2	5,637.0	2,599.6	2,626.0	2,649.1	2,752.1	2,858.7
constant prices	82.2%	81.1%	82.1%	78.5%	78.6%	80.7%	77.3%	77.9%	77.2%	75.9%	75.2%	79.0%	78.2%	76.8%	76.6%	74.9%
Ratio (%) of consumption to GDP at m.p.																
General Government Final Consumption Expenditure	926.9	932.4	1,002.7	1,032.7	1,209.4	1,213.9	1,286.4	1,344.5	1,447.6	1,479.6	1,611.7	660.8	707.3	730.6	799.6	850.1
current market prices	1,120.5	1,102.2	1,155.7	1,166.4	1,309.9	1,266.2	1,286.4	1,335.5	1,419.5	1,423.0	1,530.3	656.9	696.3	704.6	760.6	794.6
constant prices	19.1%	18.1%	18.6%	17.9%	19.7%	19.8%	19.5%	19.5%	20.1%	19.6%	20.3%	19.7%	20.3%	20.1%	21.0%	20.8%
Ratio (%) of Government consumption to GDP at m.p.																
Private Final Consumption Expenditure⁽¹⁾	3,063.1	3,243.8	3,419.1	3,485.0	3,605.5	3,742.3	3,814.9	4,025.5	4,116.1	4,241.2	4,361.8	1,985.8	2,019.2	2,066.6	2,124.4	2,213.6
current market prices	3,534.2	3,634.9	3,738.4	3,763.2	3,755.4	3,822.6	3,814.9	3,929.6	3,921.3	3,993.9	4,108.6	1,942.7	1,930.3	1,945.1	1,992.6	2,065.2
constant prices	63.1%	63.0%	63.5%	60.5%	58.8%	61.0%	57.8%	58.4%	57.1%	56.3%	54.9%	59.3%	57.9%	56.8%	55.7%	54.1%
Ratio (%) of private consumption to GDP at m.p.																
Gross Fixed Capital Formation	999.6	1,132.9	1,183.2	1,286.2	1,203.1	1,114.8	1,411.6	1,205.4	1,320.6	1,340.0	1,499.2	621.1	660.5	662.5	732.9	872.3
current market prices	1,107.7	1,286.2	1,319.6	1,393.9	1,266.3	1,116.4	1,411.6	1,153.2	1,205.6	1,197.3	1,305.7	600.3	607.3	594.6	642.2	715.8
constant prices	20.6%	22.0%	22.0%	22.4%	19.6%	18.2%	21.4%	17.5%	18.3%	17.8%	18.9%	18.5%	18.9%	18.2%	19.2%	21.3%
Ratio (%) fixed investment to GDP at m.p.																

⁽¹⁾ including NPISH final consumption expenditure

Source: National Statistics Office

Labour

Table V

	2010	2011	2012	2013	2014	2013 April	2014 April	2015 April
Labour Supply	154,010	156,737	159,839	164,864	170,541	163,280	169,083	174,408
Gainfully Occupied	146,955	150,167	153,000	157,482	163,549	156,104	161,792	168,840
Males	98,709	99,489	100,150	101,704	104,548	100,997	103,704	107,218
Females	48,246	50,678	52,850	55,778	59,001	55,107	58,088	61,622
Private Direct Production	31,545	31,988	31,617	31,552	31,885	31,453	31,856	32,296
of which:								
Construction	9,077	9,097	8,976	8,813	8,988	8,789	8,977	9,277
Manufacturing	19,852	20,328	20,111	20,231	20,357	20,180	20,348	20,451
Others	2,616	2,563	2,530	2,508	2,540	2,484	2,531	2,568
Private Market Services	74,802	77,161	80,498	84,013	87,699	82,835	86,296	92,474
of which:								
Wholesale and Retail (including Repair of Motor Vehicles, Motorcycles and Personal and Household Goods)	22,520	22,615	22,851	23,155	23,777	23,008	23,709	24,273
Accommodation and Food Services	9,702	9,811	10,022	10,103	10,334	9,981	10,229	10,440
Financial and Insurance Activities	6,188	6,467	6,701	7,003	7,372	6,840	7,248	7,607
Others	36,392	38,268	40,924	43,752	46,216	43,006	45,110	50,154
Public Sector	40,608	41,018	40,885	41,917	43,965	41,816	43,640	44,070
of which:								
Government Departments	29,947	30,333	30,319	31,298	32,282	31,215	32,073	32,949
Independent Statutory Bodies	8,506	8,629	8,747	8,788	9,063	8,767	8,963	9,291
Companies with Public Sector majority shareholding	2,155	2,056	1,819	1,831	2,620	1,834	2,604	1,830
of which Temporary Employment	627	649	601	558	505	560	529	418
Registered Unemployed*	7,055	6,570	6,839	7,382	6,992	7,176	7,291	5,568
Males	5,542	5,179	5,303	5,626	5,306	5,486	5,554	4,155
Females	1,513	1,391	1,536	1,756	1,686	1,690	1,737	1,413
Self-Employed	17,736	17,716	17,865	18,102	18,554	17,995	18,440	19,032

Note: Employment data has been revised

* Includes both Parts I and II of the registered unemployed

Data for 2010 - 2014 shows annual averages while data for 2013 April, 2014 April, 2015 April shows data as at end April

Source: Employment and Training Corporation

Tourism

Table VI

	2007	2008	2009	2010	2011	2012	2013	2014	2013	2014	2015
									Jan-Jul	Jan-Jul	Jan-Jul
Inbound Tourists (000's)	1,243.5	1,290.9	1,182.5	1,338.8	1,415.0	1,443.4	1,582.2	1,689.8	848.9	922.1	970.1
of which from:											
United Kingdom	482.4	454.4	398.5	415.1	438.8	441.3	454.7	487.7	249.1	267.7	283.9
Italy	113.7	144.5	161.7	219.7	201.8	202.2	233.8	262.6	121.4	136.1	158.0
Germany	130.0	150.8	127.4	126.2	134.3	137.5	147.1	143.1	76.7	70.3	74.3
Libya	9.3	9.4	14.3	15.9	6.3	17.2	34.6	30.8	16.5	25.4	4.5
Scandinavian Countries	87.3	85.5	66.8	92.9	93.8	97.4	105.1	108.6	56.8	64.9	63.0
Other	420.9	446.3	413.8	469.1	540.1	547.9	606.9	657.0	328.5	357.7	386.2
Cruise Passengers (000's)⁽¹⁾	473.7	532.3	415.5	467.6	493.2	555.7	424.6	465.4	188.3	203.8	277.0
Expenditure from Inbound Tourism (€million)	1,061.1	1,069.4	924.9	1,132.0	1,221.3	1,326.5	1,440.4	1,528.8	740.3	793.1	845.8
Total Sector Employment in Hotels and Restaurants	9,638	10,211	9,789	9,775	9,841	10,022	10,103	10,334	10,064 ⁽²⁾	10,282 ⁽²⁾	10,270 ⁽²⁾
% of Gainfully Occupied	6.8	7.0	6.7	6.7	6.6	6.6	6.4	6.3	6.4 ⁽²⁾	6.3 ⁽²⁾	6.1 ⁽²⁾
Outbound Tourists (000's)	2290	2610	2645	2943	3085	331.1	363.5	390.7	191.2	204.9	223.5
Days Stayed / Nights Spent (000's)	11,017	10,962	9,949	11,148	11,241	11,860	12,890	13,522	6,678	7,018	7,313
% of which spent in :											
5 star	14.0	14.1	16.4	14.2	15.3	13.6	12.6	11.6	12.7	12.5	10.9
4 star	33.5	33.4	31.2	32.9	33.0	31.8	31.3	31.5	32.5	32.0	32.0
3 star	15.3	13.1	12.0	13.0	12.9	13.2	14.4	17.4	15.2	18.1	17.4
2 star	2.1	2.4	1.4	1.0	1.1	0.9	0.7	1.3	0.8	1.3	1.5
1 star	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unclassified	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Guest Houses	0.5	1.0	0.6	0.8	0.6	0.9	1.0	1.0	1.0	1.0	1.1
Flats/Private Residences	27.6	28.7	31.4	31.3	30.3	32.1	33.1	34.4	30.6	32.8	34.5
Tourist Village/Aparthotels/Hostels/Holiday Complex/Camp Sites/Bed & Breakfast	7.0	7.2	7.0	6.9	6.8	7.6	6.9	2.7	7.3	2.4	2.7

⁽¹⁾ Excluding embarkations and Maltese cruise passengers

⁽²⁾ Data shows average for January-April

Source: National Statistics Office, Employment & Training Corporation

Foreign Trade

Table VII

	€ million											
	2007	2008	2009	2010	2011	2012	2013	2014	2014	2014	2015	
									Jan-Jul	Jan-Jul	Jan-Jul	
Imports and Exports												
Imports (c.i.f.)	3,603.9	3,897.2	3,475.3	4,331.3	5,341.4	6,189.3	5,689.0	6,391.3	3,510.1	3,557.3	3,807.6	
Consumer goods*	1,024.7	1,156.9	1,057.8	1,200.5	1,465.9	1,722.1	1,598.1	1,754.0	951.9	1,018.8	916.5	
Industrial supplies*	1,943.4	2,128.0	1,707.3	2,291.9	2,899.5	3,666.3	3,222.1	3,330.3	2,021.2	1,981.7	1,636.1	
Capital goods and others*	635.8	610.2	710.3	838.9	876.0	811.0	868.8	1,307.1	537.0	556.9	1,255.0	
Total Exports (l.o.b.)	2,597.4	2,455.8	2,087.4	2,809.3	3,819.0	4,438.8	3,925.5	3,737.0	2,270.1	2,267.6	2,107.4	
of which manufactures	2,481.7	2,350.7	2,065.5	2,729.4	3,745.6	4,334.9	3,810.0	3,626.1	2,240.9	2,242.3	2,084.3	
Trade Gap	-1,006.5	-1,441.4	-1,387.9	-1,522.0	-1,522.4	-1,750.5	-1,763.5	-2,654.3	-1,240.0	-1,289.7	-1,700.2	
as % of GDP at current market prices	-18.7%	-25.0%	-22.6%	-24.8%	-23.1%	-25.4%	-24.5%	-35.2%	-25.8%	-25.9%	-36.1%	
Selected Groupings												
EU												
Imports	2,591.6	2,755.8	2,425.9	2,717.7	3,359.5	3,952.0	3,294.8	3,217.9	2,017.1	1,803.8	2,144.7	
Exports	1,108.8	954.2	820.7	1,149.1	1,301.9	1,296.0	1,246.1	1,104.1	736.3	669.0	610.5	
United Kingdom												
Imports	498.6	457.5	380.3	389.7	362.7	372.7	309.3	390.2	187.5	189.9	287.9	
Exports	222.1	165.4	100.5	131.4	150.4	124.6	107.8	99.3	62.2	55.7	73.2	
Italy												
Imports	902.7	1,027.5	861.4	1,067.3	1,447.7	1,988.7	1,410.2	1,172.4	910.5	651.9	718.0	
Exports	90.8	114.6	105.2	157.6	171.2	174.2	154.1	159.9	74.6	111.7	73.2	
Germany												
Imports	290.5	267.6	272.4	295.2	317.8	320.1	321.2	323.2	198.7	203.3	194.3	
Exports	306.8	270.4	222.0	281.6	326.2	358.5	348.6	309.2	206.4	197.9	196.7	
France												
Imports	420.1	381.4	338.9	338.5	376.1	369.1	285.6	224.6	179.8	134.0	123.1	
Exports	271.3	237.3	187.4	238.6	244.9	296.9	253.0	204.1	148.3	107.8	127.6	
America												
Imports	241.4	132.9	229.5	276.9	353.5	278.9	387.9	886.6	167.4	418.9	685.0	
Exports	279.7	209.5	185.3	228.8	226.7	255.4	224.7	231.3	137.1	139.7	120.6	
Africa												
Imports	29.3	128.5	72.4	151.5	35.8	197.2	256.4	236.1	200.0	152.3	76.9	
Exports	121.3	132.4	137.2	162.7	234.3	776.8	617.3	971.3	367.7	630.0	615.1	
Asia												
Imports	597.2	597.8	457.7	611.7	641.9	769.9	827.6	733.6	524.5	402.0	404.5	
Exports	719.9	713.9	528.1	686.5	1,092.1	1,020.4	1,059.6	767.4	605.4	433.0	405.1	

* Treated differently from other parts in the survey
Source: National Statistics Office

Balance of payments

	Balance of payments										Emillions	
	2008	2009	2010	2011	2012	2013	2014	2013	2014	2015	Jan-Jun	Jan-Jun
Goods Balance⁽¹⁾	-1,246.0	-1,116.9	-1,251.2	-1,207.8	-1,108.4	-1,103.7	-1,114.0	-541.7	-1,114.0	-541.7	Jan-Jun	Jan-Jun
Imports (f.o.b.)	3,735.3	3,116.2	3,777.7	4,062.7	4,303.5	3,965.3	3,725.5	1,934.1	3,725.5	1,934.1	1,856.0	1,894.5
Exports (f.o.b.)	2,489.3	1,999.3	2,526.5	2,844.9	3,195.1	2,861.6	2,611.5	1,392.4	2,611.5	1,392.4	1,319.5	1,359.5
Services-Net	1,286.9	1,042.7	1,211.9	1,379.9	1,454.7	1,644.6	1,642.8	700.8	1,642.8	700.8	714.0	800.8
Transport-net	93.0	86.3	-24.6	-44.6	-28.6	-36.8	-135.3	-28.5	-135.3	-28.5	-52.5	-41.6
Travel-net	519.7	432.8	580.4	672.1	723.4	768.4	845.8	280.9	845.8	280.9	316.8	352.9
Other Services-net	674.1	523.6	656.1	752.4	759.9	913.0	932.4	448.3	932.4	448.3	449.7	489.5
Primary Income-Net	-153.9	-419.2	-344.8	-428.0	-360.5	-403.8	-506.8	-175.4	-506.8	-175.4	-195.4	-47.8
Compensation of Employees-net	3.9	7.6	-3.4	2.3	-4.8	0.8	5.9	0.3	5.9	0.3	1.7	3.2
Investment Income-net	-157.8	-426.8	-341.5	-430.3	-355.7	-404.6	-512.6	-175.8	-512.6	-175.8	-197.1	-51.0
Secondary Income-Net	48.5	89.4	76.8	86.7	109.8	139.1	194.3	80.6	194.3	80.6	91.3	104.7
General Government-net	749.9	1,257.2	1,116.6	735.5	790.0	777.3	819.1	408.4	819.1	408.4	397.9	415.6
Private-net	-701.4	-1,167.8	-1,039.8	-648.8	-680.1	-638.2	-624.8	-327.8	-624.8	-327.8	-306.6	-310.9
Current A/C-Net	-64.5	-403.8	-307.4	-169.2	-95.6	-276.2	-216.4	64.3	-216.4	64.3	73.5	222.8
Goods Balance ⁽¹⁾ as % of GDP at m.p.	-20.3%	-18.2%	-19.0%	-17.5%	-15.4%	-14.7%	-14.0%	-14.9%	-14.0%	-14.9%	-14.1%	-15.5%
Imports Balance as % of GDP at m.p.	21.0%	17.0%	18.4%	20.0%	20.2%	21.8%	20.7%	19.3%	20.7%	19.3%	18.7%	19.6%
Primary Income a/c Balance as % of GDP at m.p.	-2.5%	-6.8%	-5.2%	-6.2%	-5.0%	-5.4%	-6.4%	-4.8%	-6.4%	-4.8%	-5.1%	-1.2%
Secondary Income a/c Balance as % of GDP at m.p.	0.8%	1.5%	1.2%	1.3%	1.5%	1.8%	2.4%	2.2%	2.4%	2.2%	2.4%	2.6%
Current a/c Balance as % of GDP at m.p.	-1.1%	-6.6%	-4.7%	-2.5%	-1.3%	-3.7%	-2.7%	1.8%	-2.7%	1.8%	1.9%	5.4%
Capital A/C-Net	23.4	74.4	128.9	81.6	134.9	132.3	140.0	46.2	140.0	46.2	96.2	146.9
Financial A/C-Net⁽²⁾	-281.5	22.6	-33.9	-57.7	713.8	-261.2	23.5	-385.0	23.5	-385.0	93.0	567.2
Direct Investment-net	883.4	-5,409.2	-4,505.3	-9,926.5	-9,154.0	-7,036.5	-6,816.9	-4,068.0	-6,816.9	-4,068.0	-1,461.8	-3,559.8
Portfolio Investment-net	2,523.0	6,335.3	4,867.7	11,623.0	9,318.2	8,796.0	12,385.8	4,996.3	12,385.8	4,996.3	6,812.1	747.2
Financial Derivatives-net	0.0	735.3	-262.6	-246.7	-438.5	-102.4	-576.7	-164.8	-576.7	-164.8	206.8	-122.1
Other Investment-net	-3,579.2	-1,641.2	-157.3	-2,454.6	866.7	-1,879.5	-4,980.7	-1,087.5	-4,980.7	-1,087.5	-5,887.8	3,566.7
Reserve Assets	-108.7	2.4	23.6	-52.9	121.4	-38.8	12.0	-61.0	12.0	-61.0	423.8	-64.8

(1) For Balance of Payments purposes, both Imports and Exports are shown at f.o.b. but the net balance is different from that shown under 'f.o.b.'
(2) The Financial Accounts in this table include Reserve Assets but do not include Errors and Omissions.

Table IX
Government Revenue and Expenditure

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Government Recurrent Revenue	2,200.6	2,224.5	2,302.1	2,370.8	2,525.4	2,643.8	2,716	2,992.1	3,387.2
Increase/(Decrease) % per annum	5.4	1.1	3.5	3.0	6.5	4.7	2.7	10.2	13.2
of which:									
Tax Revenue	1,857.1	1,982.0	2,098.3	2,130.1	2,242.5	2,323.4	2,393.0	2,602.5	2,953.7
Direct Tax Revenue	1,069.0	1,143.7	1,246.0	1,265.5	1,353.3	1,361.7	1,475.6	1,612.9	1,767.3
Indirect Tax Revenue	788.1	838.3	852.3	864.6	889.2	961.7	917.3	989.6	1,186.4
Non-Tax Revenue	343.5	242.4	203.8	240.6	282.8	320.5	322.8	389.6	433.5
Total Government Expenditure	2,335.4	2,333.6	2,535.3	2,667.8	2,804.6	2,862.4	3,078.0	3,255.3	3,523.5
Increase/(Decrease) % per annum	3.2	-0.1	8.6	5.2	5.1	2.1	7.5	5.8	8.2
of which:									
Recurrent Expenditure	1,835.9	1,896.6	2,124.1	2,204.4	2,296.3	2,361.3	2,488.4	2,632.6	2,857.0
Capital Expenditure	319.2	257.9	222.1	271.3	311.5	288.7	363.8	394.7	435.3
% of Total Government Expenditure	13.7	11.1	8.8	10.2	11.1	10.1	11.8	12.1	12.4
Interest on Public Debt	180.2	179.1	189.0	192.0	196.8	212.5	225.8	227.9	231.1
Balance of recurrent revenue and total expenditure	-134.8	-109.1	-233.1	-297.0	-279.2	-218.6	-362.3	-263.2	-136.3
Financed by:									
Extraordinary Receipts	201.8	14.9	33.3	2.8	0.0	9.6	28.4	28.4	0.0
Receipts from sale of shares	172.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sinking Funds of Converted Loans	29.0	14.9	33.3	2.8	0.0	9.6	28.4	28.4	0.0
Sinking Fund Contribution & Direct Loan Repayment	-26.7	-21.2	-111.4	-269.4	-207.4	-141.9	-361.3	-380.8	-427.2
Equity Acquisition	0.0	0.0	-6.5	-0.5	-0.2	-6.0	-33.4	-26.5	-13.8
Loan Facility Agreement with the Hellenic Republic	0.0	0.0	0.0	0.0	-19.8	-30.8	0.0	0.0	0.0
Loan Facility Agreement with Air Malta plc	0.0	0.0	0.0	0.0	0.0	-52.0	-52.0	0.0	0.0
Public Sector Borrowing Requirement	40.3	-115.5	-317.7	-564.2	-506.6	-439.8	-780.6	-642.1	-577.3
Loans	0.0	126.0	285.7	455.8	577.7	567.8	645.7	627.1	648.8
Repayment of Loans made by Government	0.0	0.0	0.0	0.0	0.0	0.0	52.0	0.0	0.0

Source: National Statistics Office

Monetary Aggregates and Their Counterparts*

	2001	2002	2003	2004	2005	2006	2007
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	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	5.6	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	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	2012	2013	2014	2015*	2015*		
									Jan-Jul		
Broad Money (M3)⁽²⁾	8,861.8	8,883.3	9,370.5	9,676.3	10,517.8	11,626.3	14,402.5	15,626.3			
Intermediate Money (M2)	8,824.5	8,671.1	9,129.9	9,472.0	10,326.3	11,460.9	14,281.1	15,466.5			
% Increase/ (Decrease) of which:	-	-1.7	5.3	3.8	9.0	11.0	24.6	8.4			
Narrow Money (M1)	3,849.6	4,359.5	4,999.0	5,425.6	6,006.6	6,725.7	9,512.7	11,066.2			
Currency issued ⁽³⁾	689.2	639.8	674.4	710.6	726.5	778.7	839.4	880.9			
% Increase/ (Decrease)	-	-4.4	5.4	5.4	2.2	7.2	7.8	4.9			
Overnight deposits ⁽⁴⁾	3,180.4	3,719.8	4,324.6	4,715.0	5,280.1	5,947.0	8,673.3	10,185.3			
Deposits redeemable at notice up to 3 months ⁽⁴⁾	114.3	111.7	124.3	125.1	153.2	113.1	124.4	115.3			
Deposits with agreed maturity up to 2 years ⁽⁴⁾	4,860.7	4,199.9	4,005.6	3,921.3	4,166.4	4,622.1	4,644.0	4,304.9			
Credit Counterpart⁽⁵⁾	12,143.4	13,232.0	14,466.7	16,074.3	15,603.3	14,433.3	15,768.4	15,897.3			
of which:											
Credit to residents of Malta	8,885.0	9,719.8	10,279.1	10,903.9	10,991.2	11,144.2	11,736.8	12,227.2			
Credit to other Euro Area residents	3,258.4	3,512.2	4,187.6	5,170.4	4,612.0	3,289.1	4,031.6	3,670.1			
Net claims on non-residents of the Euro Area	7,367.8	6,646.9	8,183.3	7,840.0	10,169.1	9,567.1	11,609.6	10,370.9			
Other counterparts (net)⁽⁶⁾	10,649.4	10,995.6	13,279.4	14,238.0	15,254.6	12,374.0	12,875.4	10,641.8			

* 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 of December 2008 figures also include MIF's share units issued less holdings in such units by MIFs 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