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- to indicate that the figure is negligible;

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NACE Rev. 2

Section	Description
A	Agriculture, forestry and fishing
B	Mining and quarrying
C	Manufacturing
D	Electricity, gas, steam and air conditioning supply
E	Water supply, sewerage, waste management and remediation activities
F	Construction
G	Wholesale and retail trade; repair of motor vehicles and motorcycles
I	Accommodation and food service activities
H	Transportation and storage
J	Information and communication
K	Financial and insurance activities
L	Real estate activities
M	Professional, scientific and technical activities
N	Administrative and support service activities
O	Public Administration and defence; compulsory social security
P	Education
Q	Human health and social work activities
R	Arts, entertainment and recreation
S	Other service activities
T	Activities of households as employers; undifferentiated goods-and services-producing activities of households for own use
U	Activities of extraterritorial organisations and bodies

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Executive Summary

Despite the global economic slowdown, Malta continues to register strong economic growth rates, albeit lower than in previous years. In the first half of 2019, the Maltese economy registered a nominal growth rate of 7.3 per cent or a real growth rate of 4.7 per cent. This positive economic performance was a result of a larger contribution from the domestic side underpinned by the growth in public consumption expenditure and gross fixed capital formation. Private consumption expenditure also contributed positively to growth.

In terms of Gross Value Added (GVA), an increase of 7.5 per cent was recorded in the first half of 2019. Such growth can be mainly attributed to the services sector, with the primary and secondary sectors only marginally contributing to the growth in GVA. Furthermore, broad based growth in GVA can be observed, where the Construction sector, the Real Estate Activities sector and the Professional, Scientific and Technical Activities sector all registered double-digit growth rates.

Growth in compensation of employees, reached around €2.6 million during the first six months. The increase in compensation of employees was broad based with the largest increases registered in the Real Estate Activities (17.6 per cent), the Construction sector (11.6 per cent) and the Arts, Entertainment and Recreation sector (11.3 per cent).

Malta's inflation rate, based on a 12-month moving average as measured by the Harmonised Index of Consumer Prices (HICP), stood at 1.7 per cent in August of this year, whilst the annual rate stood at 1.9 per cent during the same month. The main contributors to this development were the food and non-alcoholic beverages index and the restaurants and hotels index, which contributed 0.58 percentage points and 0.52 percentage points respectively.

In 2018, the population in Malta totalled 493,559, up by 3.8 per cent when compared to 2017. This increase reflected improvements in life expectancy and increases in inward migration. Net migration increased significantly when compared to the previous year with third country nationals accounting for the largest share of net-migrants at 9,209 followed by other European Union (EU) nationals at 7,349.

The Maltese labour market is reflecting a buoyant economy, registering a growth in employment of 5.6 per cent. The unemployment rate, at 3.4 per cent, is well below the EU average unemployment rate. The overall activity rates stood at 74.9 per cent in the first quarter of 2019, which is an increase of over 2 percentage points compared to the corresponding quarter of 2018. A decomposition of the activity rates by age bracket indicates a drop in the activity rate of the 15-24 cohort, where individuals in this cohort are opting to continue their education. The female employment rate improved significantly in recent years, but it is still around 20 percentage points lower than the male figure.

The at-risk-of-poverty and social exclusion rate for Malta stood at 19.0 per cent in 2018, which is the lowest rate registered over the past decade. According to the latest data available, in 2017, Malta's at-risk-of-poverty and social exclusion rate was around 3 percentage points lower than the rate recorded at EU level.

Developments in international visible trade indicate that the overall trade balance was underpinned by an increase in the net import figure. In terms of destination and origin countries, both imports and exports from EU countries have increased in the first seven months of 2019.

Malta's strong current account surplus of 11.3 per cent in 2018 (and 8.0 per cent in the first half of 2019) has been driven mostly by a large services net export balance. The net payment balance in the primary income account was driven by net payments with respect to direct investments and has served as a partial offset to the strong current account balance. The net international investment position has also maintained its net asset position at around 61.6 per cent of Gross Domestic Product (GDP) as at the end of 2018. This was mostly due to strong asset holdings in the form of portfolio investment.

From a financial perspective, Maltese monetary financial institutions' (MFIs) contribution towards the stock of Euro Area (EA) Broad Money (M3) remained generally steady in the period between January and July 2019. This development ensued despite an increase in overnight deposits. In addition, during the same period, the contribution of deposits with an agreed maturity of up to two years to M3 was slightly negative, while the contribution of deposits redeemable at notice

up to three months was negligible. Moreover, there has been a slight decline in net claims on non-residents of the EA contribution, while the other counterparts component contributed negatively. The credit counterpart partially offset these developments as it registered the largest positive contribution towards Broad Money. Furthermore, in view of the persistent and prolonged low interest rate environment, depositors continued to be more inclined to hold highly short-term liquid deposits.

In the first seven months of 2019, the credit counterpart of broad money reached €18,938.6 million, reflecting an increase of 3.5 per cent when compared to December 2018. This was driven by increased credit to Maltese residents, while credit to EA residents declined marginally over the same period. In fact, in July 2019, credit to other EA residents reached €4,762.1 million, remaining largely unchanged when compared to December 2018.

In 2018, Government recorded a surplus of 1.9 per cent of GDP. The debt ratio maintained its declining trend, reaching 45.8 per cent of GDP at the end of last year. During the first eight months of 2019, recurrent revenue increased by 16.3 per cent due to higher tax revenues. Total government expenditure increased by 13.1 per cent over the same period mainly as a result of a €271.4 million increase in recurrent expenditure. Capital expenditure increased by €100.2 million during the first eight months of 2019, reaching €313.0 million, which was mainly financed from local funds.

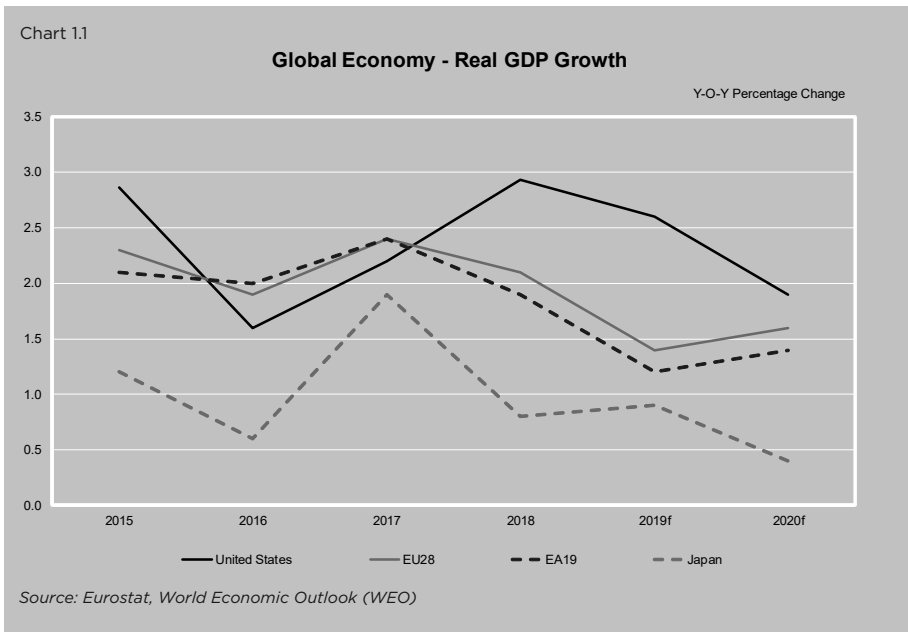
1. Macroeconomic Developments

1. Macroeconomic Developments

1.1 International Context

Following two-years of consecutive growth, 2018 started off with a positive momentum and a global outlook that was also optimistic although signs of downside risks were starting to emerge as a result of the looming trade wars and the deteriorating economic conditions in some emerging markets. In the second half of the year, global trade and manufacturing activity, especially in Europe, slowed down. In 2018, global Gross Domestic Product (GDP) growth outside the European Union (EU) amounted to 3.8 per cent and according to the European Commission Spring 2019 forecast, global growth was expected to decrease to 3.4 per cent in 2019. Meanwhile, the European economy grew by 2.1 per cent, below expectations at the beginning of 2018. Developments in the global economy are illustrated in Chart 1.1.

The start of 2019 has not provided the expected rebound. Headline figures for the advanced economies and China were surprising towards



the upside, however these improved statistics were not attributable to improved economic conditions but rather several one-off events.

The outlook for European growth shows that downside risks still prevail. European industrial output will not be in line with the surprising rates of the first quarter of this year with survey indicators hinting at a drawn-out weakness in the manufacturing industry. Services oriented sectors should however remain stable and relatively resilient.

Looking ahead, the uncertainty should strain private consumption especially in durable goods. Business investment appears to have underperformed in the second quarter of the year and a further cautious approach is to be expected across all major economies. The labour market, on the other hand has remained strong despite headwinds across economies. Brexit and continuous trade tensions between the United States (USA) and China fuelled further uncertainty across Europe. Yet, some of the market sentiment has been alleviated following the June G20 summit where the US and China agreed to resume trade talks and avoided further increases in tariffs. Any prolonged or escalation in trade tensions and uncertainty will lengthen current downturns and delay any potential pickups.

Global goods' import volumes (outside the EU) contracted in the end of 2018 and the first quarter of 2019 and is expected to decrease to 1.6 per cent by the end of year. This underpins the weak underlying momentum in investment, demand for capital goods and industrial output. A more resilient global services sector, by contrast, is expected to boost trade and support GDP growth. Global trade activity should bottom out at the start of 2020 and rebound to 3.1 per cent.

The growth outlook for the US and China has also deteriorated slightly since spring. China's growth tightened due to a combination of changes in regulation aimed to limit shadow banking and an increase in trade tensions with the US. Projections indicate that growth in China will weaken over the forecast horizon despite the monetary and fiscal stimulus deployed to help dampen the blow from the economic tensions with the US.

GDP growth in the US is expected to stay above potential growth for the remainder of 2019. This robust growth will gradually ease off as the effects of sizable tax cuts and higher government spending fades out. While the headline growth was strong on the back of robust exports and inventory accumulation, domestic demand and imports were relatively weaker pointing to a slowing momentum over the rest of the year.

Global growth is therefore exposed to several risks which are mostly skewed towards the downside, each of which are becoming more interconnected than before. These risks are inflated by a high level of uncertainty brought about by the shifts in US trade policy and the American withdrawal from the Iran Deal, Brexit and instability in emerging markets. Furthermore, yield curves have flattened or in some cases turned negative, including in the US, Germany and the UK during the early part of 2019.

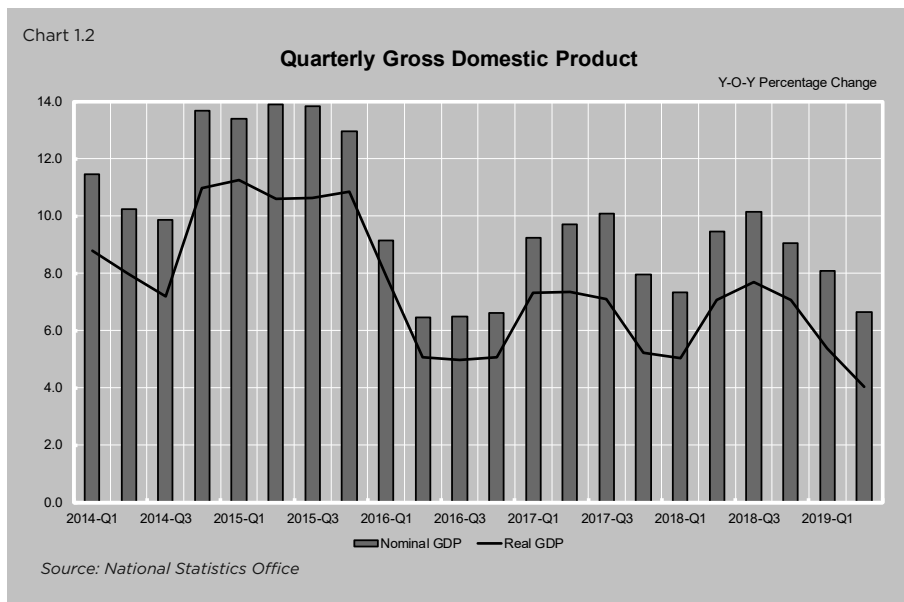
1.2 Gross Domestic Product: Expenditure Approach

The Maltese economy continued with its positive performance in the first half of 2019, albeit at a more moderate pace. Indeed, during this period, the Maltese economy registered a nominal growth rate of 7.3 per cent, or a real growth rate of 4.7 per cent, standing well above the average growth rates registered in the EU28 and the Euro Area (EA) in the same period. Specifically, total GDP amounted to €6.4 billion in nominal terms or €5.1 billion in real terms during the first half of 2019 (Chart 1.2).

The positive economic performance recorded in the first half of 2019 was mostly the result of a larger contribution from the domestic side of the economy, primarily attributable to growth in public consumption expenditure and gross fixed capital formation. Private consumption expenditure also contributed positively to growth.

Public consumption expenditure exhibited a growth rate of 13.7 per cent in the first half of 2019. This increase mainly reflected higher intermediate consumption and gross fixed capital formation on the part

Chart 1.2



of Government, as well as relatively lower proceeds from the Individual Investor Programme (IIP) in the first half of the year, when compared to the first half of 2018. Since proceeds from the IIP are recorded as market output in national accounts, they are deducted from public consumption and reclassified as export of services.

Gross Capital Formation is made up of Gross Fixed Capital Formation (GFCF), changes in inventories and acquisition less disposal of valuables. GFCF exhibited a growth rate of 14.2 per cent in the first half of 2019, mainly reflecting a growth in investment of buildings and structures as well as a growth in transport equipment.

Private final consumption expenditure, which includes household final consumption expenditure and consumption expenditure of non-profit institutions serving households (NPISH) registered a growth rate of 4.5 per cent during the first half of 2019. This seems to be indicating that following the extraordinary growth registered in 2018, private final consumption expenditure is stabilising again towards the growth registered in past years. In nominal terms, private consumption expenditure increased by 5.8 per cent. The growth in private household

consumption expenditure was registered across all consumption categories, backed by favourable developments in the labour market.

From an external standpoint, in the first half of 2019 Malta recorded a negative contribution from net exports of goods and services. In the first six months of 2019, import growth stood at 2.2 per cent while the export growth rate stood at 1.5 per cent. Further details on exports

Main Macroeconomic Indicators

Table 1.1

	2016	2017	2018	Jan- June 2018	Jan- June 2019
GDP growth at current market prices (%)	7.1	9.2	9.0	8.4	7.3
GDP growth at Chain Linked Volumes by period (Reference year 2010) (%) ¹	5.7	6.7	6.8	6.1	4.7
Expenditure Components of GDP					
at Current Market Prices by period (%)					
Private final consumption expenditure ²	3.1	4.4	8.1	6.9	5.8
General government final consumption expenditure	-1.3	4.2	15.4	11.0	16.5
: net of Individual Investor Programme (IIP) proceeds	5.7	7.7	10.9		
Gross fixed capital formation	2.0	-5.2	0.9	-2.5	17.5
Exports of goods and services	5.8	7.7	5.5	5.3	3.8
: net of Individual Investor Programme (IIP) proceeds	5.0	7.3	5.9		
Imports of goods and services	2.7	1.7	5.2	4.9	4.6
Expenditure Components of GDP					
at Chain Linked Volumes by period (Reference year 2010) (%)					
Private final consumption expenditure ²	2.4	3.3	7.3	6.4	4.5
General government final consumption expenditure	-3.0	2.5	12.6	8.3	13.7
Gross fixed capital formation	-0.3	-7.2	-1.8	-4.9	14.2
Exports of goods and services	4.5	4.8	2.6	2.9	1.5
Imports of goods and services	1.6	-0.4	2.6	3.3	2.2
Inflation rate (%)	0.9	1.2	1.8	1.3	1.7
Employment growth (National Accounts Definition) (%)	4.5	4.6	5.4	5.1	5.6
Unemployment rate (Harmonised definition, Eurostat) (%)	4.7	4.0	3.7	3.9	3.5
Compensation per employee (% change)	2.6	2.7	2.0	2.8	0.1
Labour productivity (% change)	1.2	2.1	1.3	0.9	-0.9
Nominal Unit Labour Cost (% change)	1.4	0.7	0.7	1.9	0.9
Real Unit Labour Costs (% change)	0.5	-0.5	-1.1	0.6	-0.7

¹ Users should note that chain-linking gives rise to components of GDP not adding up to the aggregate real GDP series. This non-additivity, similar to that in other countries' national accounts, is due to mathematical reasons and reflects the fact that chain-linked volumes are calculated by separately extrapolating both totals and their sub-components.

² Includes NPISH final consumption expenditure.

and imports of goods and services are provided in Chapter 3 of the Economic Survey.

Table 1.1 provides more detailed data on the growth of different components of GDP. Data presented in this Chapter are based on National Accounts data, compiled in accordance with the European System of Accounts (ESA2010) methodology. This accounting framework enables comparability with EU Member States as well as a systematic and detailed description of the economy and its core components.

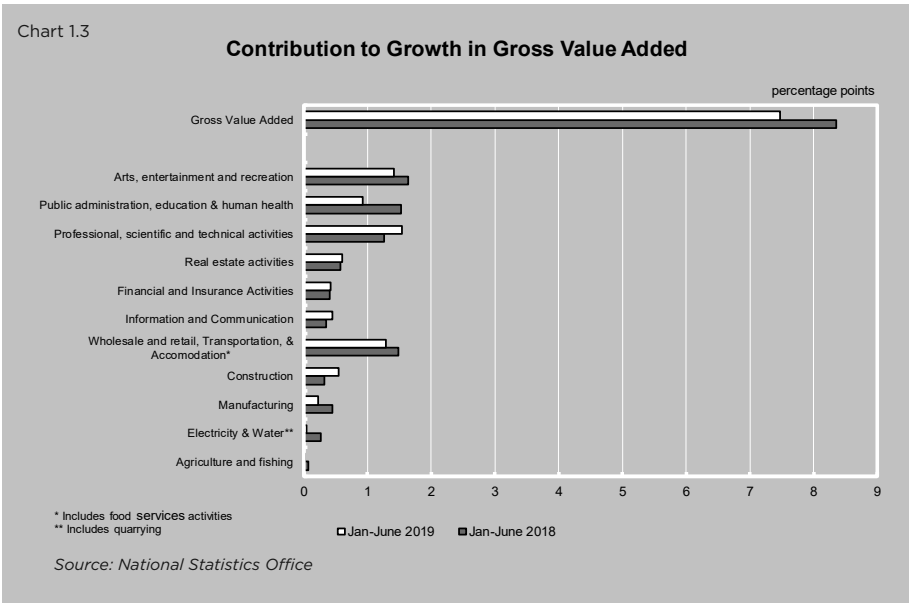
1.3 Maltese Economy - Sectoral analysis (Gross Value Added)

During the first half of 2019, total Gross Value Added (GVA) increased by 7.5 per cent over the same period in 2018, to reach €5.7 billion. The growth in GVA was attributable mostly to the Services sector which contributed 7.2 percentage points to growth, while the primary and secondary sectors together recorded a positive contribution to growth equivalent to 0.3 percentage points (Chart 1.3).

The growth in GVA was underpinned by increases registered in all sectors of the economy, with substantial growth rates registered in the Construction sector (14.8 per cent), the Real Estate Activities sector (12.2 per cent), the Professional, Scientific and Technical Activities sector (10.6 per cent), the Arts, Entertainment and Recreation sector (9.3 per cent), the Information and Communications sector (7 per cent) and the Financial and Insurance Activities sector (6.8 per cent). These sectors, as well as the Wholesale and Retail, Transportation and Accommodation sector, accounted for a contribution of 6.3 percentage points to GVA growth. An in-depth analysis of the local tourism industry is provided in Box 1.1. The lowest contribution to GVA was recorded in the Agriculture and Fishing sector, which remained almost unchanged from the previous year.

1.3.1 Manufacturing Performance

The performance of the main sub-sectors within manufacturing during the six months to June 2019 is analysed and compared to the



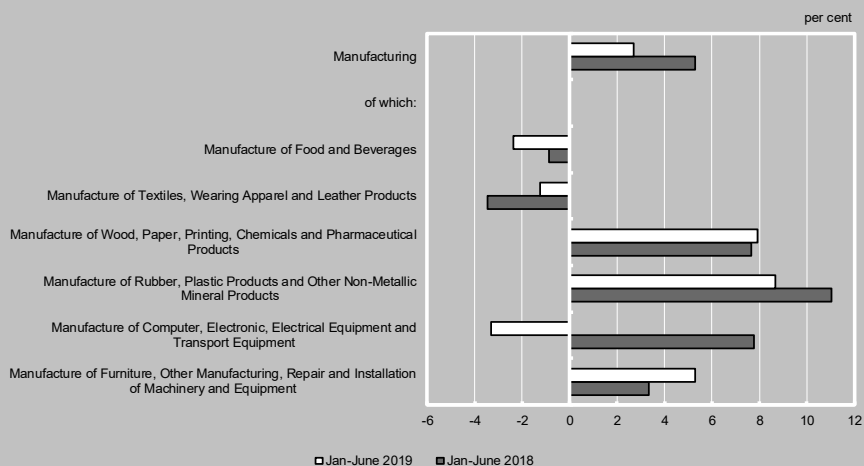
developments recorded during the same period a year earlier. Moreover, Chart 1.4 provides an assessment of the change in GVA of the different sub-sectors within the manufacturing industry.

GVA growth in the Manufacturing sector stood at 2.7 per cent during the first six months of 2019. This subdued growth rate was mainly underpinned by a decline in the growth rate in the manufacture of computer, electronic, electrical equipment and transport equipment sub-sector.

During the first six months of 2019, the manufacture of furniture, other manufacturing, repair and installation of machinery and equipment recorded a 5.3 per cent growth rate in GVA, whereas the manufacturing of wood, paper, printing, chemicals and pharmaceutical products recorded a marginally higher growth rate than that recorded in the same period last year, reaching 7.9 per cent. Moreover, the manufacture of rubber, plastic products and other non-metallic mineral products sub-sector also recorded a considerable increase of 8.7 per cent in the first six months of 2019. However, declines were recorded in the manufacture of computer, electronic, electrical and transport

Chart 1.4

Sectoral Developments in GVA - Manufacturing



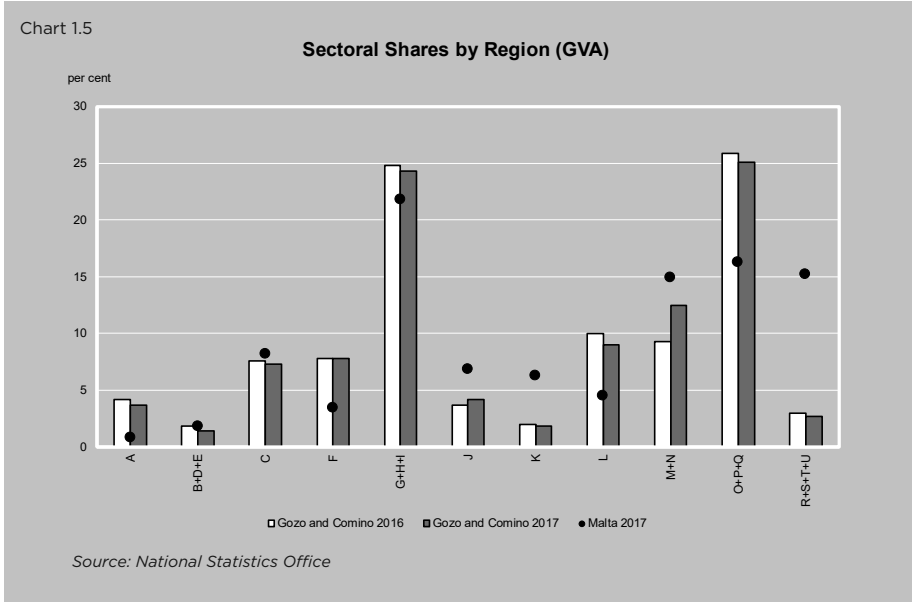
Source: National Statistics Office

equipment, and to a lesser extent, in the manufacture of the food and beverages and the manufacture of textiles, wearing apparel and leather products sectors.

1.3.2 Regional Developments (Gozo)

According to the latest available data, that of 2017, GDP at market prices in Gozo stood at €473.4 million, a share of 4.2 per cent of the national level. The contributions of Public Administration and Defence (NACE O-P-Q), Real Estate (NACE L) and Construction (NACE F) sectors to GVA in Gozo were higher than Malta's shares by 8.9 percentage points, 4.5 percentage points and 4.4 percentage points respectively. On the other hand, Gozo's shares were lower in the Arts, Entertainment and Recreation (NACE R-S-T-U), financial and insurance activities (NACE K) and information and communication (NACE J) sectors by 12.5 percentage points, 4.4 percentage points and 2.6 percentage points respectively.

The increase in GVA recorded in Gozo during 2017, which stood at 10.9 per cent, was primarily underpinned by the growth rate recorded in the NACE M-N with a contribution of 4.6 percentage points. The second



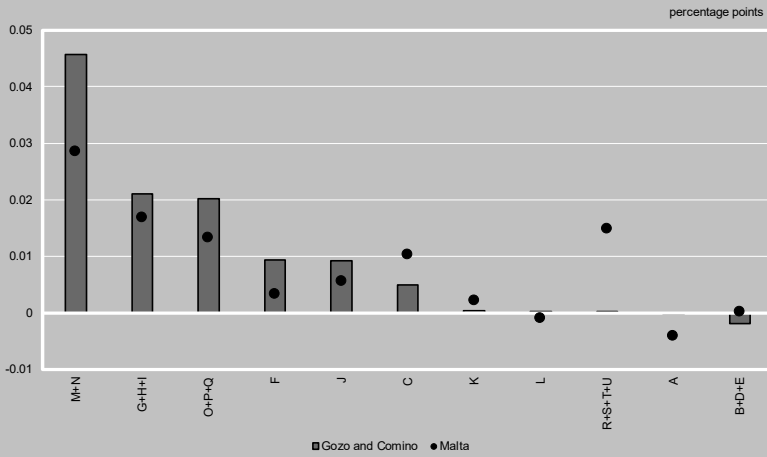
largest contribution was recorded in the wholesale and retail trade; repair of motor vehicles and motorcycles; transportation and storage; accommodation and food service activities (NACE G-H-I) sectors at 2.1 percentage points. The sectors recording a negative, albeit marginal, contribution were the agriculture, forestry and fishing (NACE A) and the mining and quarrying; electricity, gas, steam and air conditioning supply; water supply; sewerage, waste management and remediation activities (NACE B-D-E) sectors with a drop of 0.2 percentage points in total (Chart 1.6).

1.3.3 Contributors to GVA

On the output side, GVA is defined as the value of all newly generated goods and services (i.e. output) less the value of all goods and services consumed in their creation (i.e. intermediate consumption). Chart 1.7 illustrates the year-on-year growth in GVA and the evolution of the main contributors to this growth over time. One can clearly see, that it is output that is mainly driving GVA growth in Malta and not the reductions in intermediate consumption. Furthermore, the ratio of intermediate consumption to output is on a downward trajectory. This indicates that in the Maltese economy, intermediate costs are rising

Chart 1.6

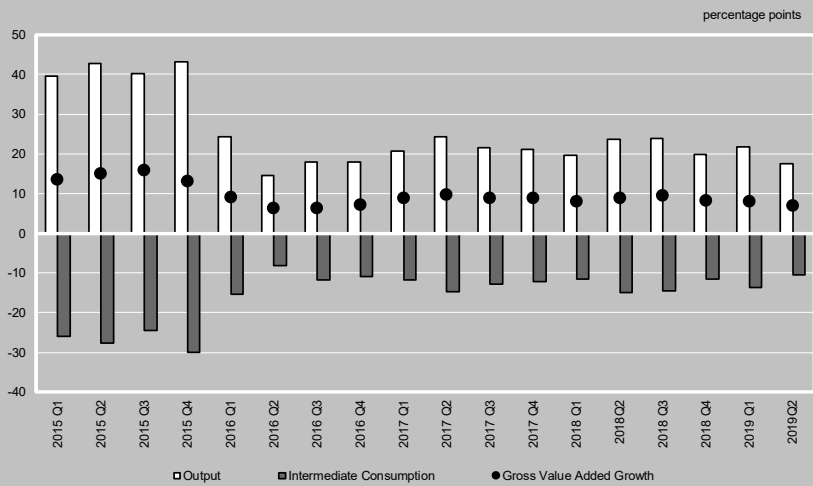
Contributions to growth in GVA by region 2017



Source: National Statistics Office

Chart 1.7

Growth in Gross Value Added and its Contributors



Source: National Statistics Office

more slowly than turnover, which points to the possible presence of economies of scale or the evolution to a less resource-intensive structure as the economy transitions further towards services.

Box 1.1

Tourism

In the first seven months of 2019, inbound tourists amounted to 1,512,388, an increase of 4.2 per cent over the same period in 2018.

The share of inbound tourists visiting Malta for a holiday stood at 88.7 per cent in the first seven months of 2019, an increase of almost 1.0 percentage point when compared to the share in the previous year. The overall increase in inbound tourists was primarily characterised by a rise of 5.1 per cent in first-time tourists. However, repeat tourists increased by 1.5 per cent. Between January and July 2019, tourists aged between 25 and 44, and those aged 24 or less increased by 12.1 per cent and 9.1 per cent respectively. On the other hand, tourists aged 45 years and over recorded drops.

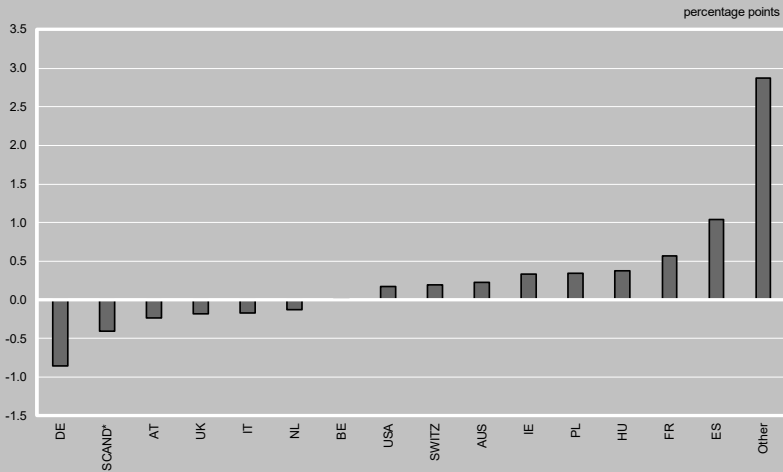
Growth in inbound tourists was mostly underpinned by the 'Other' markets, which comprise tourists from Romania, Russia, Czech Republic and Japan among others, with a contribution of 2.9 percentage points. Spanish, French and Hungarian tourists recorded increases too at 1.0 percentage point, 0.6 percentage points and 0.4 percentage points respectively. Traditional markets such as the German, British and Italian recorded drops.

The average length of stay of tourists in the first seven months of 2019 stood at 6.8 days, 0.1 of a day less than the average recorded in the same period of 2018. During the period under review, each tourist on average spent €772.59 in 2019.

Box 1.1 cont.

Chart 1

Contributions to annual rate of change
Jan-July 2019/2018

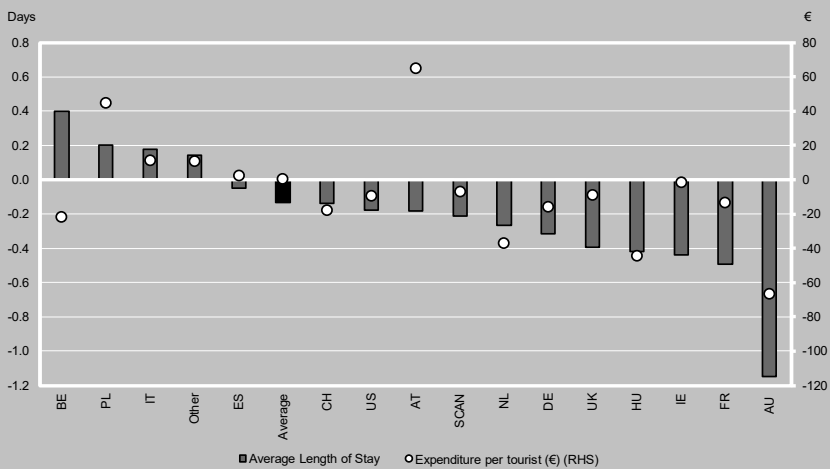


*Scandinavia includes Denmark, Finland, Norway and Sweden

Source: National Statistics Office

Chart 2

Average Length of Stay and Expenditure per capita
Difference between 2019 and 2018



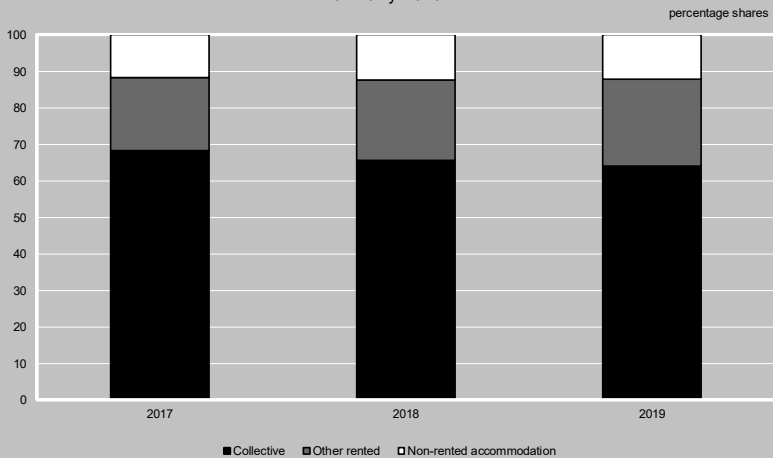
Source: National Statistics Office

Box 1.1 cont.

More tourists are opting for non-package travel, with the share standing at 69.5 per cent of total tourists during the period January to July 2019. This is 5.0 percentage points higher than the share recorded in 2018. Increases in the number of tourists residing in all accommodation types were noted in the January-July period, nevertheless the share of tourists residing in collective accommodation establishments remains on a downward trajectory, reaching 64.0 per cent in 2019.

Chart 3

Tourist share by type of accommodation
Jan-July 2019



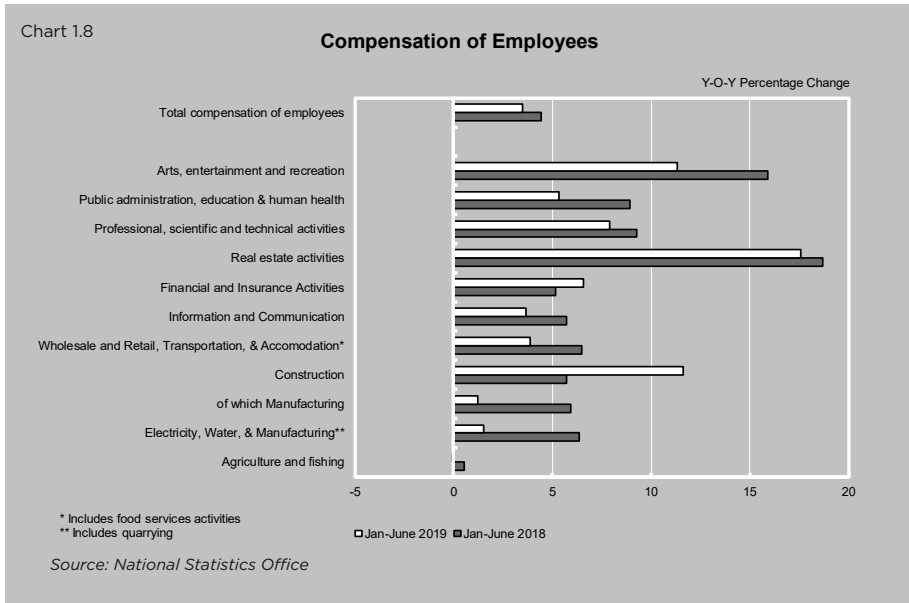
Source: National Statistics Office

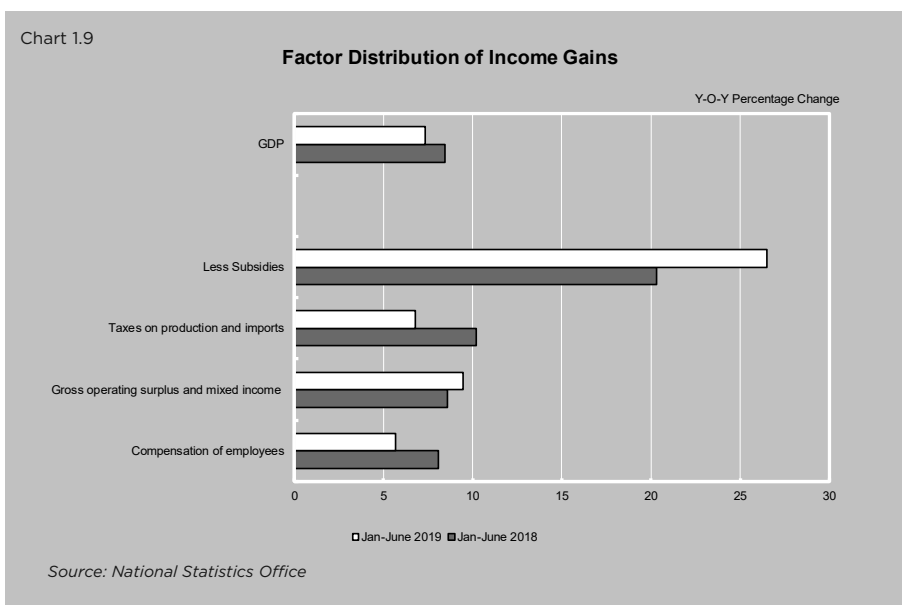
1.4 Gross Domestic Product: Income Approach

In the first half of 2019, compensation of employees reached €2.6 million with the growth being mainly supported by an increase in employment of 5.6 per cent. The increase in absolute values for compensation of employees was broad-based with no exceptions. From a sectoral perspective, the largest percentage increase in compensation of employees during this period was registered in real estate activities, which increased by 17.6 per cent. The second and third largest growth rates were recorded in the construction industry followed by the arts, entertainment and recreation sector. These increments stood at 11.6 and 11.3 per cent respectively. (Chart 1.8).

The factor distribution of income gains in the first half of 2019 was somewhat less balanced when compared to the same period last year, with the compensation of employees rising by 5.7 per cent whilst gross operating surplus and mixed income rising by 9.5 per cent.

Meanwhile, revenue from taxes on production and imports did not increase at a faster rate than the GDP growth, while the growth rate



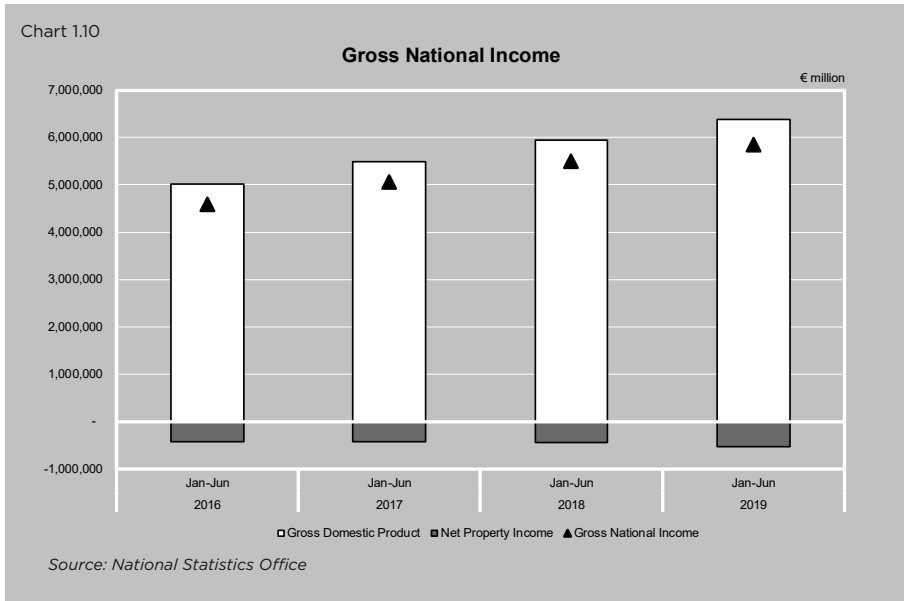


of subsidies was higher in the first half of 2019 compared to the corresponding period last year. Developments factor distribution of income gains in the first six months of both 2018 and 2019 are shown in Chart 1.9.

1.4.1 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. GNI represents the total primary income receivable by resident institutional units, irrespective of where that income was generated. In the last 5 years, GNI was smaller than GDP as the return to foreigners on their domestic investment exceeded the returns generated abroad by domestic nationals.

The largest portion of this return to foreigners is attributable to Net Property Income, which includes the profits generated in Malta by foreign owned companies. This category has seen a sharp increase in 2016 but has increased at a more moderate pace thereafter.



Net property income paid abroad in the first half of 2019 amounted to €535.8 million, a 22 per cent increase from the amount registered in the same period in 2018. Net compensation of employees from the rest of the world is also increasing rapidly as more firms are choosing to employ more foreign workers to mitigate the shortage of labour in Malta. As such, net payments abroad of compensation of employees have increased from €9.3 million in the first half of 2016 to €23.6 million in the first half of 2019 (Chart 1.10).

Box 1.2

Labour Productivity and Competitiveness

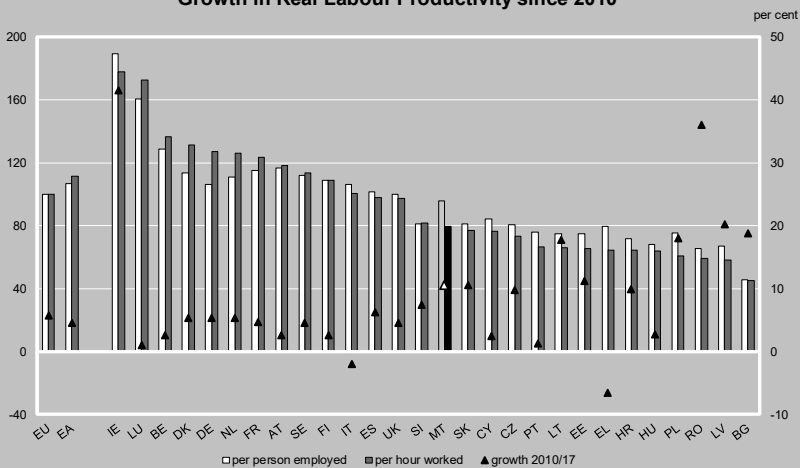
This section evaluates Malta's price competitive position based on unit labour costs and labour productivity as an important determinant of Malta's per capita income levels.

At 94.0 per cent of the European Union (EU), Malta's nominal productivity per person employed in 2018 was close to the EU average. Nevertheless, when measured per hours worked, nominal labour productivity amounted to 81 per cent of the EU average. Real labour productivity has increased by 10.6 per cent between 2010 and 2018, which is a notable level of growth when considering the high level of convergence already achieved.

Since 2010, Malta's unit labour costs rose only marginally higher than the EU and Euro Area averages. Nevertheless, at 1.5 per cent, the rise in nominal unit labour costs has been relatively contained. In real terms, growth in unit labour costs

Chart 1

Relative Nominal Labour Productivity as a % of EU28 and Growth in Real Labour Productivity since 2010

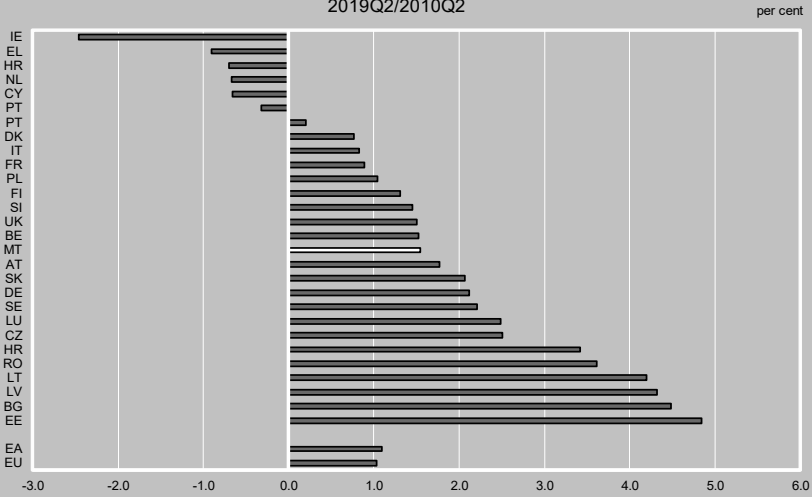


Source: Eurostat

Box 1.2 cont.

Chart 2

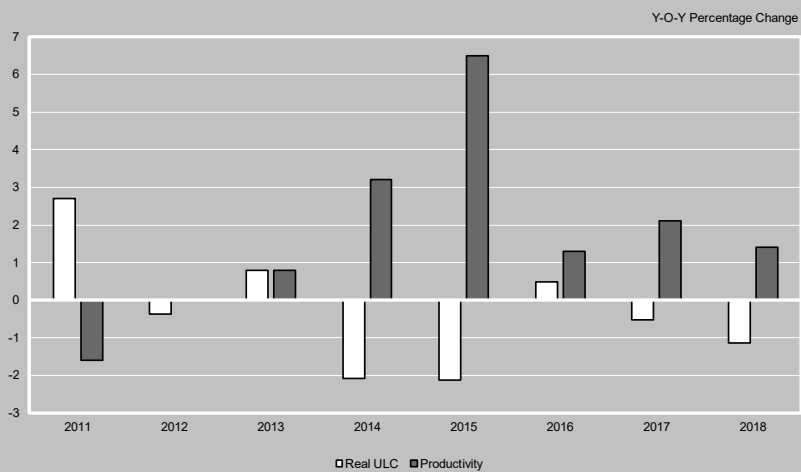
Average Annual Growth in Nominal Unit Labour Cost
2019Q2/2010Q2



Source: Eurostat

Chart 3

Productivity and Real Unit Labour Costs for Malta



Source: Eurostat

Box 1.2 cont.

has declined, particularly after 2013, as growth in compensation per employee subsided and labour productivity strengthened.

1.5 Inflation

1.5.1 International Comparison

In August 2019, Malta's 12-month moving average rate of inflation as measured by the Harmonised Index of Consumer Prices (HICP) stood at 1.7 per cent, whereas the annual rate was 1.9 per cent during the same month.

The main contributors to the 12-month moving average rate of inflation were the Food and Non-alcoholic Beverages Index and the Restaurants and Hotels Index with contributions of 0.58 percentage points and

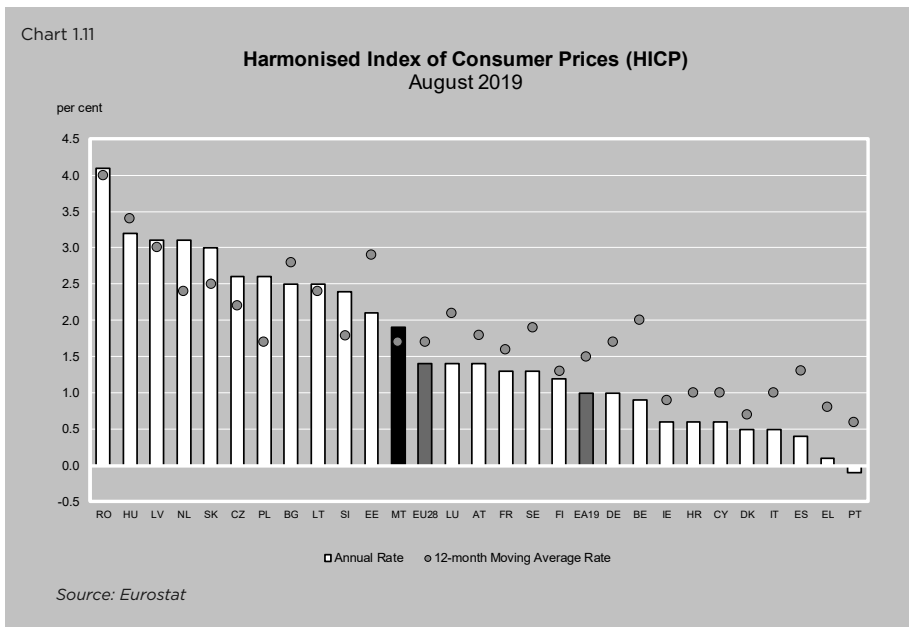
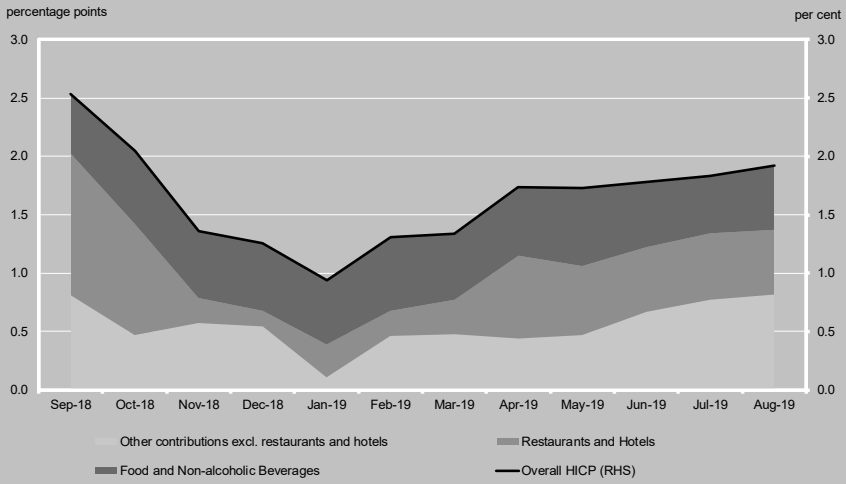


Chart 1.12

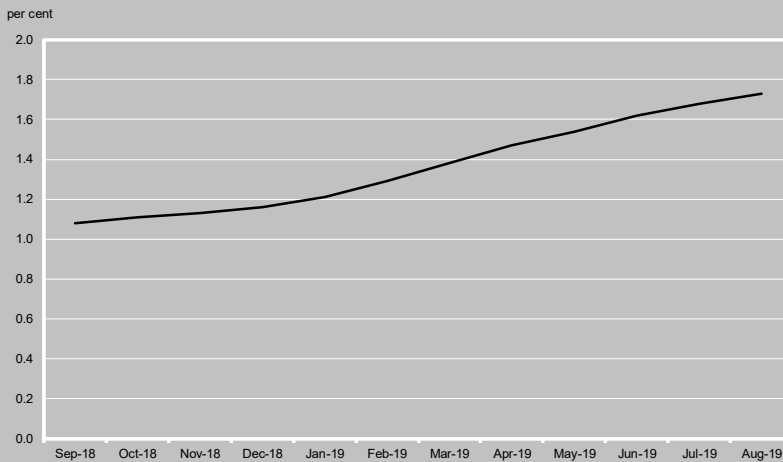
Impacts on the Annual Rate - HICP



Source: National Statistics Office

Chart 1.13

12-Month Moving Average Rate - RPI



Source: National Statistics Office

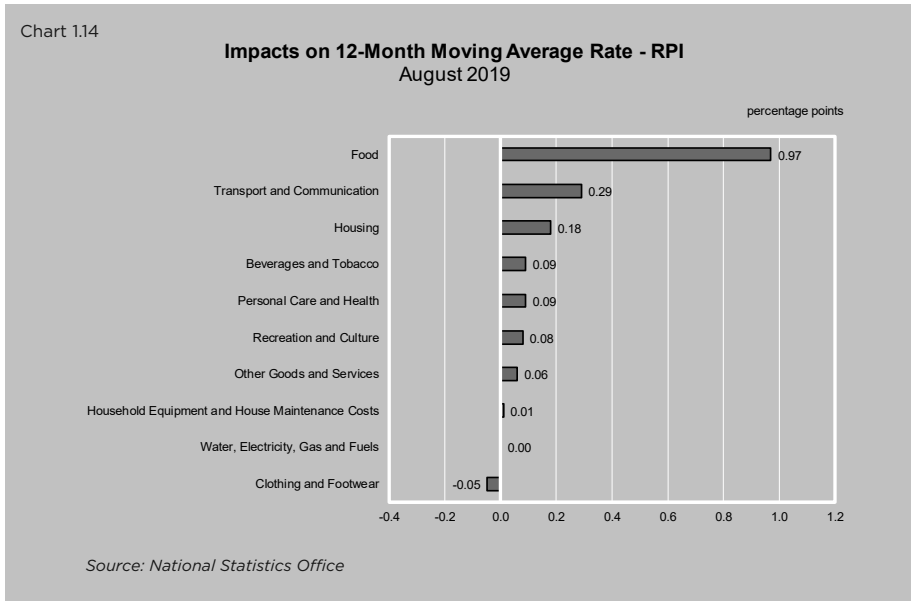
0.52 percentage points respectively (Chart 1.12). The contributions of the other indices tallied to 0.55 percentage points.

1.5.2 Retail Price Index

The official rate used to compute the Cost of Living Adjustment (COLA) is the 12-month moving average rate of inflation as measured by the Retail Price Index (RPI). To be noted that the weight composition of the HICP and the RPI is different.

During the twelve months till August 2019, the 12-month moving average rate of inflation as measured by the RPI stood at 1.73 per cent (Chart 1.13).

The Food sub-index brought about the largest upward impact on the 12-month moving average rate of inflation in August 2019, with a contribution of 0.97 percentage points. This contribution was mainly driven by developments in the prices for take-aways, bread and vegetables. The second highest contribution was recorded in the Transport and Communication sub-index at 0.29 percentage points, mainly on the back of price developments in fuels, bundled telecommunication services and motor vehicles.



The only sub-index that showed a negative contribution in August was Clothing and Footwear, mainly due to price decreases in women’s garments.

Box 1.3

Residential Property Prices

According to the Property Price Index (PPI) compiled by the National Statistics Office and based on administrative records¹, property prices increased by 5.7 per cent on average in 2018. This was the 11th lowest rate out of 27 Member States. During the year, Portugal recorded the highest rate at 10.3 per cent whereas the lowest rate was Sweden’s (-0.9 per cent).

During the first quarter of 2019, the PPI for Malta increased by 6.5 per cent when compared to the same quarter of last year.



Source: Eurostat

Footnote:

¹ Commissioner for Revenue (CfR).

2. Labour Market and Social Developments

2. Labour Market and Social Developments

2.1 Introduction

The Maltese Labour market continues to perform strongly on the back of a buoyant economy, particularly in the services sector, while the unemployment rate remains one of the lowest in the European Union (EU). The at-risk-of-poverty or social exclusion rate has continued to fall while the measures of income inequality remain below the EU average.

2.2 Labour Supply

2.2.1 Dependency Ratio

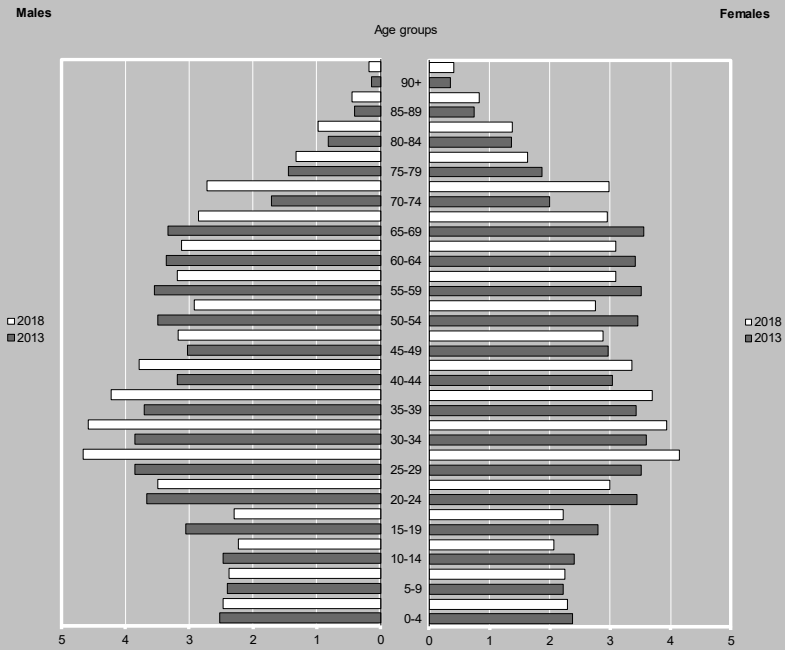
In 2018, the population in Malta totalled 493,559, up by 3.8 per cent when compared to 2017. Such an increase reflects improvements in life expectancy and also increases in inward migration. The share of people aged 65+ out of the total population stood at 18.7 per cent in 2018, whereas the share of the working age population, which had previously been declining, is slowly stabilising, reaching 67.6 per cent in 2018.

The developments in the dependency ratios shed light on the dynamics of the ageing process, by relating the number of individuals that are likely to be 'dependent' – youths and the elderly – on the support of others for their daily living to the number of individuals who can provide such support. Key indicators of age dependency are the old-age-dependency ratio (OADR - showing persons aged 65 years or more in relation to the number of individuals aged 15-64 years), the ageing of the aged ratio (80+ age bracket as a percentage of the 65+ age bracket) and the economic old-age dependency ratio (inactive population aged 65+ as a percentage of the employed population 15-64).

While both the old age dependency ratio and the ageing of the aged ratio have continued to increase, the economic old age dependency ratio is on a declining trend. Improved employment rates, particularly

Chart 2.1

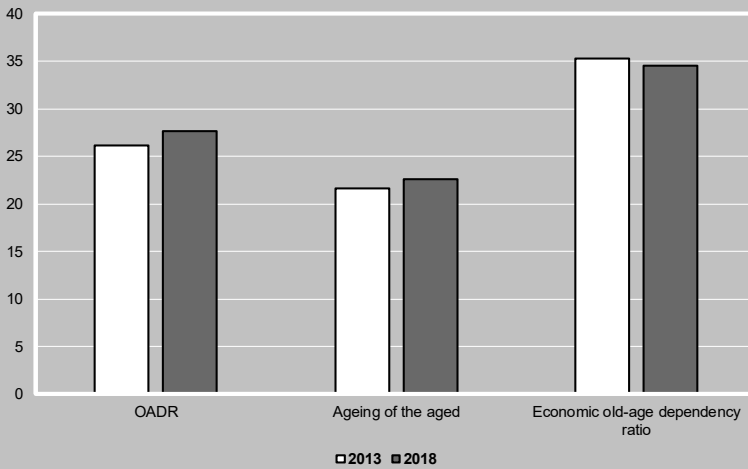
MT - Population by Age Groups and Sex as a Share of Total Population



Source: National Statistics Office

Chart 2.2

Dependency Ratios (%)



Source: National Statistics Office

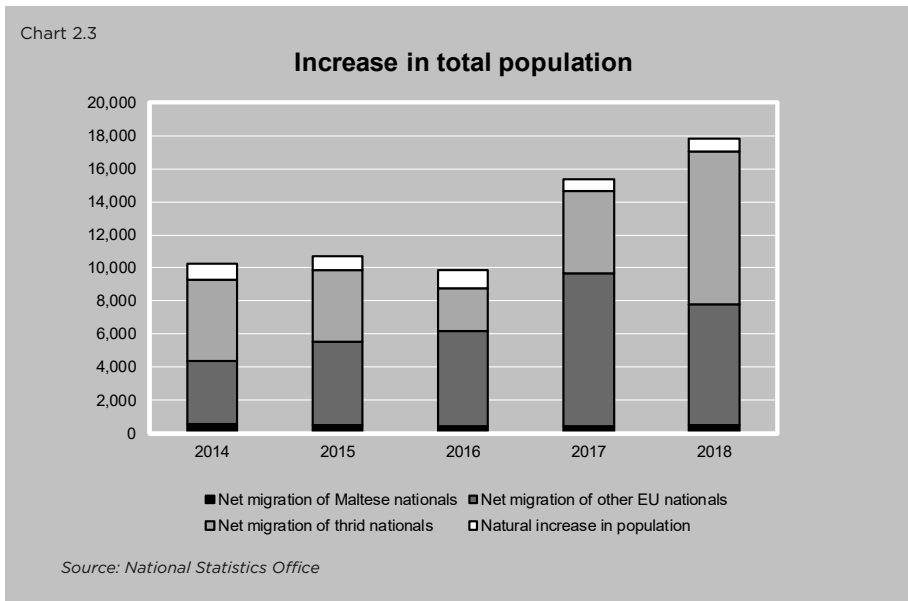
for women and older workers, as well as the positive net migration of people of working age are all contributing to ease pressure stemming from rising old-age dependency.

2.2.2 Regional overview

The population in Gozo increased by 2.0 per cent in 2018, the highest rate recorded since 2012. The share of Gozo’s population in relation to the total population stood at 6.8 per cent in 2018, 0.1 percentage point lower than the rate recorded in the previous year. Furthermore, the share of the population that is 65+ stood at 21.9 per cent, 3.4 percentage points higher than the share recorded in Malta. This is also reflected in the old-age dependency ratio of Gozo which stood at 33.5 per cent in 2018, 6.3 percentage points higher than the rate in Malta.

2.2.3 Net Migration

Net migration (immigration less emigration) increased by 16.5 per cent when compared to the previous year, reaching a total of 17,102 persons by the end of 2018. Third-country nationals accounted for the largest share of net-migrants at 9,209 followed by other EU nationals at 7,349.



2.2.4 Labour Supply

According to the Labour Force Survey (LFS), overall activity rates stood at 74.9 per cent in the first quarter of 2019, an increase of over 2 percentage points when compared to the corresponding quarter of the previous year. This is 1.2 percentage points higher than the rate recorded at EU level in the first quarter of 2019.

A closer look at the developments in the activity rates between the first quarter of 2018 and the same period in 2019, shows that for the age group 15-24, activity rates declined for both males and females, as more young people opted to continue their education. All other categories reported increases for both genders with the strongest rise being recorded for people aged 25-64. Of significance is the rise in female activity rates for this age bracket which increased by more than 5 percentage points.

2.3 Labour Market Outcomes

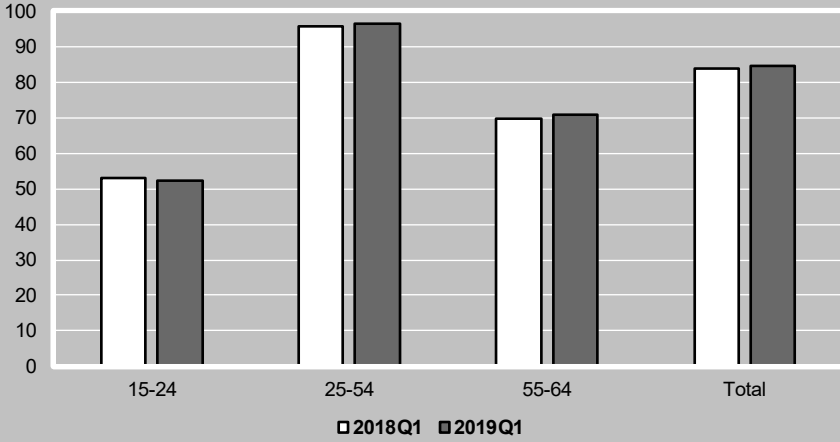
During the first quarter of 2019, the number of employed persons (aged 15-64) increased by around 13,000 reaching an employment rate of 72.2 per cent out of the total working age population. This remains higher than the average rate recorded across the EU. The highest employment rates observed are for people aged between 25 and 54, where out of every 100 individuals in that age bracket, 86.7 were in employment.

Significant improvements have been recorded in female employment rates, nevertheless they are still lower than those for males by almost 20 percentage points. The gender gap is observed to increase with age, ranging from a narrow gap of 1.4 percentage points for the 15-24 age bracket to 34 percentage points difference for those aged between 55 and 64 years, thus supporting the idea there is a cohort effect underway conditioning trends in female participation in the labour market.

Administrative records from Jobsplus show that the sectors contributing mostly to full-time employment growth included the Professional, Scientific and Technical Activities (1.4 percentage points), Accommodation and Food Services Activities (0.8 percentage points) and Construction (0.8 percentage points). Together, these sectors

Chart 2.4

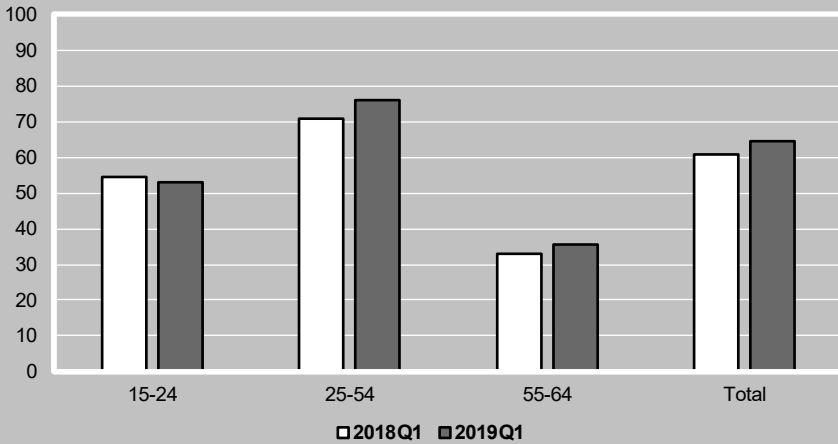
Activity Rates, Males



Source: National Statistics Office

Chart 2.5

Activity Rates, Females



Source: National Statistics Office

made up almost 40 per cent of the increase in full-time employment in the private sector.

The market services contributed 6.5 percentage points in March 2019 while the contribution of direct production has remained stable at 1 percentage point.

The contribution of Construction to the growth in private sector employment in direct production reached almost 1.0 percentage point while that of Manufacturing stood at 0.1 percentage point in March 2019.

In March 2019, the contribution of the Retail sector increased to 0.5 percentage points in the market services sub-category, with the contributions from the other sectors either decreasing marginally or remaining stable.

Almost one in every five Europeans working in Malta is engaged in the Arts, Entertainment and Recreation sector and more than one in every five engaged with the Administrative and Support Service Activities sector in Malta is a third-country national. The Administrative and

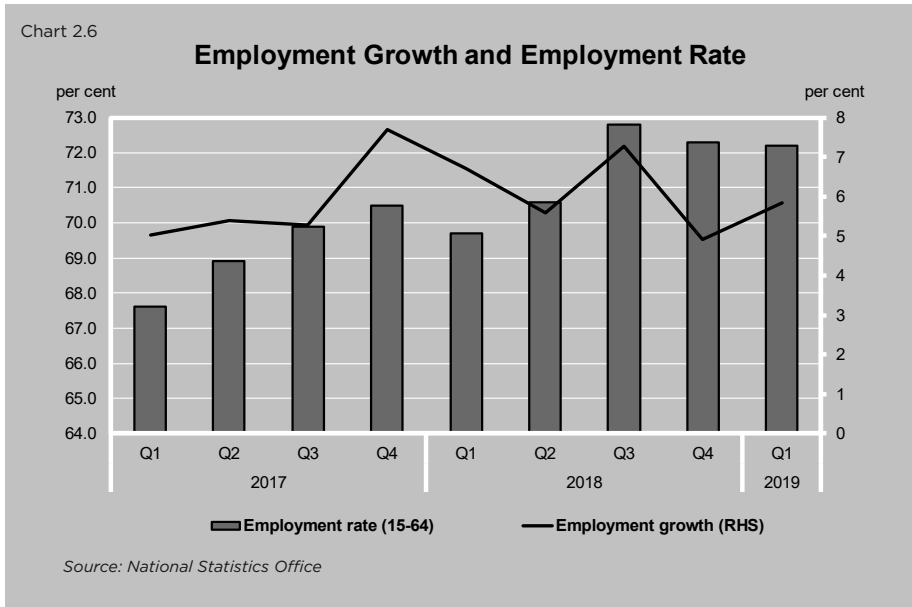
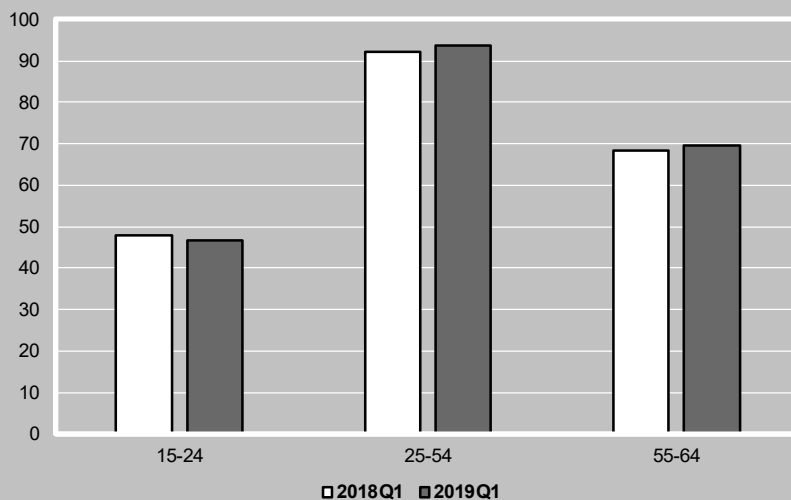
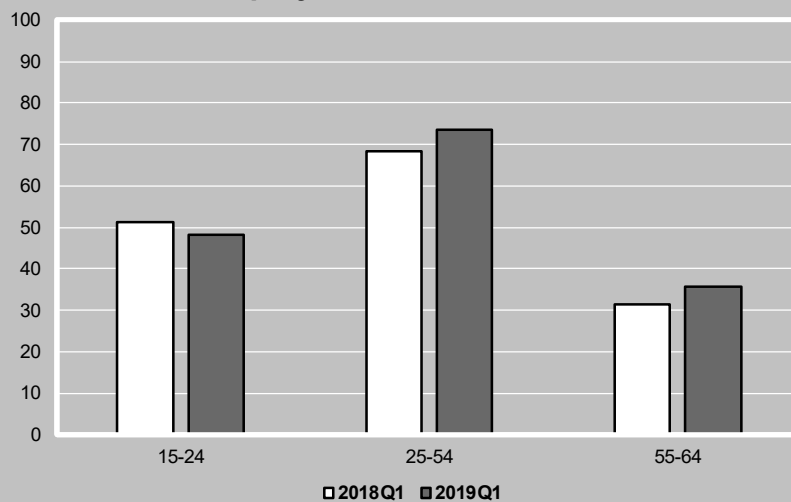


Chart 2.7

Employment Rates, Males



Employment Rates, Females



Source: National Statistics Office

Support Service Activities sector employs the largest share of foreign workers at 14.6 per cent. Followed by the Accommodation & Food Service Activities and the Arts, Entertainment & Recreation which employ 12.6 per cent and 12.5 per cent of the full-time foreign workers in Malta respectively.

Unemployment rates have continued to decline even further reaching 3.4 per cent at the end of the second quarter of 2019, 0.4 percentage points lower than the corresponding period in 2018. Both female and male unemployment rates, at 3.7 per cent and 3.2 per cent respectively,

Contribution to Growth in Private Sector Employment*

Table 2.1

percentage points

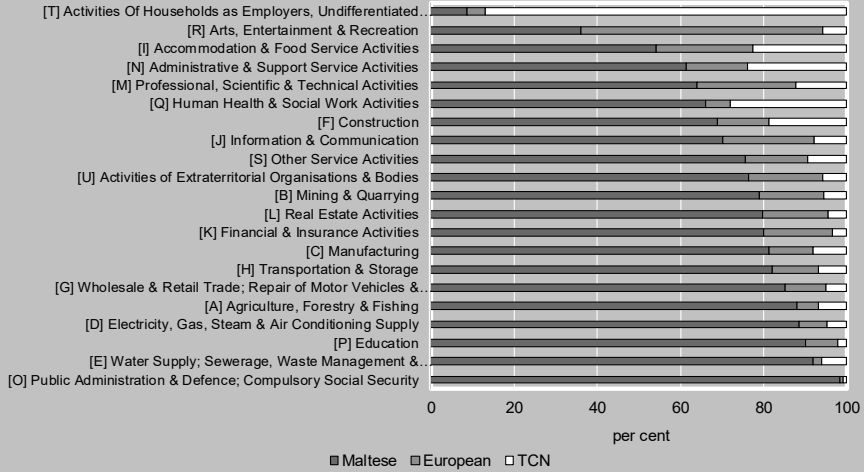
	Dec 2017/ Dec 2016	Dec 2018/ Dec 2017	Mar 2019/ Mar 2018
Direct Production	0.8	1.0	1.0
F Construction	0.4	0.6	0.8
C Manufacturing	0.4	0.3	0.1
A Agriculture, forestry and fishing	-0.0	0.1	0.1
E Water supply; sewerage, waste management and remediation activities	0.0	0.0	0.0
D Electricity, gas, steam and air conditioning supply	0.0	-0.0	0.0
B Mining and quarrying	0.0	-0.0	-0.0
Market Services	7.1	6.9	6.5
M Professional, scientific and technical activities	1.0	1.4	1.4
I Accommodation and food service activities	0.7	0.9	0.8
Q Human health and social work activities	0.6	0.8	0.7
N Administrative and support service activities	1.7	1.0	0.7
R Arts, entertainment and recreation	1.0	0.6	0.6
K Financial and insurance activities	0.6	0.6	0.5
H Transportation and storage	0.3	0.5	0.5
G Wholesale and retail trade; repair of motor vehicles and motorcycles	0.4	0.4	0.5
S Other service activities	0.2	0.3	0.3
J Information and Communication	0.2	0.2	0.2
P Education	0.2	0.0	0.2
L Real estate activities	0.2	0.1	0.1
U Activities of extraterritorial organisations and bodies	-0.0	0.0	0.0
T Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	0.1	-0.0	-0.0

* including temporary

Source: Jobsplus

Chart 2.8

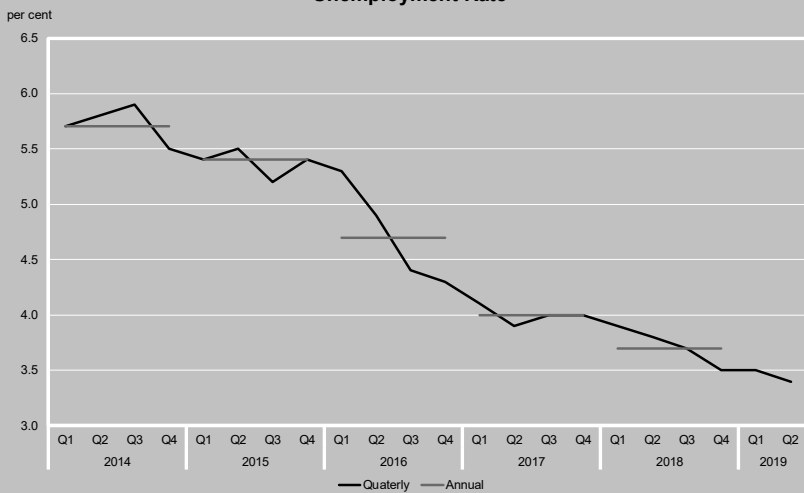
Sectoral Employment Shares (%) (for the year 2018)



Source: Jobsplus

Chart 2.9

Unemployment Rate



Source: Eurostat

are well below the EU averages of 6.0 per cent and 6.4 per cent respectively.

2.4 Sectoral Wages – Collective Agreements

This section illustrates the development in the average weekly wage rates based on collective agreements as deposited with the Department

		Level 1	Level 2	Level 3	Weighted Average
B	Mining support services activities	313.38	358.48	398.71	361.44
CA	Manufacture of food products, beverages and tobacco products	252.59	307.51	391.97	312.98
CB	Manufacture of textiles, apparel, leather and related products	315.16	331.23	394.00	339.03
CC	Manufacture of wood and paper products, and printing	322.92	382.63	451.44	388.38
CE	Manufacture of chemicals and chemical products	290.04	333.08	360.89	328.86
CF	Manufacture of pharmaceuticals, medicinal chemical and botanical products	351.59	376.82	433.87	402.02
CG	Manufacture of rubber and plastics products, and other non-metallic mineral products	276.27	358.81	387.87	347.81
CH	Manufacture of basic metals and fabricated metal products, except machinery and equipment	307.30	331.61	370.81	334.97
CI	Manufacture of computer, electronic and optical products	245.19	290.61	341.89	307.19
CJ	Manufacture of electrical equipment	248.76	344.26	396.66	345.71
CK	Manufacture of machinery and equipment	218.10	362.81	422.28	363.14
CL	Manufacture of transport equipment	235.66	301.02	365.66	322.15
CM	Other manufacturing, and repair and installation of machinery and equipment	268.76	345.83	464.95	365.43
E	Water supply; sewerage, waste management and remediation activities	253.07	336.14	508.92	340.58
F	Construction	245.81	287.59	336.78	285.14
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	228.66	288.96	385.69	307.75
H	Transportation and storage	289.85	341.01	528.35	380.78
I	Accommodation and food service activities	245.47	274.22	306.19	278.78
J	Information and communication	237.26	305.21	399.00	374.42
K	Financial and insurance activities	310.21	463.68	764.23	602.51
L	Real estate activities	230.82	323.14	503.15	415.77
MA	Legal, accounting, management, architecture, engineering, technical testing and analysis activities	259.69	364.64	421.21	392.94
N	Administrative and support service activities	233.17	290.45	489.49	316.01
O	Public administration and defence; compulsory social security	224.22	319.03	480.26	409.32
P	Education	251.15	345.80	495.63	441.58
QB	Residential care and social work activities	249.16	306.56	449.53	336.18
R	Arts, entertainment and recreation	277.10	345.31	461.12	396.19
S	Other service activities	209.79	316.66	468.16	353.04
All sectors		245.44	324.52	462.69	369.77
Direct production		259.67	325.17	391.36	327.49
Services		240.34	324.34	471.38	378.95

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

of Industrial and Employment Relations, covering the period between August 2018 and August 2019.

As at August 2019, the weighted average weekly wage for all firms stood at €369.77 (Table 2.2). The highest average weekly wage for this period was recorded in the Financial and Insurance sector (€602.51), while the lowest was recorded in the Accommodation and Food

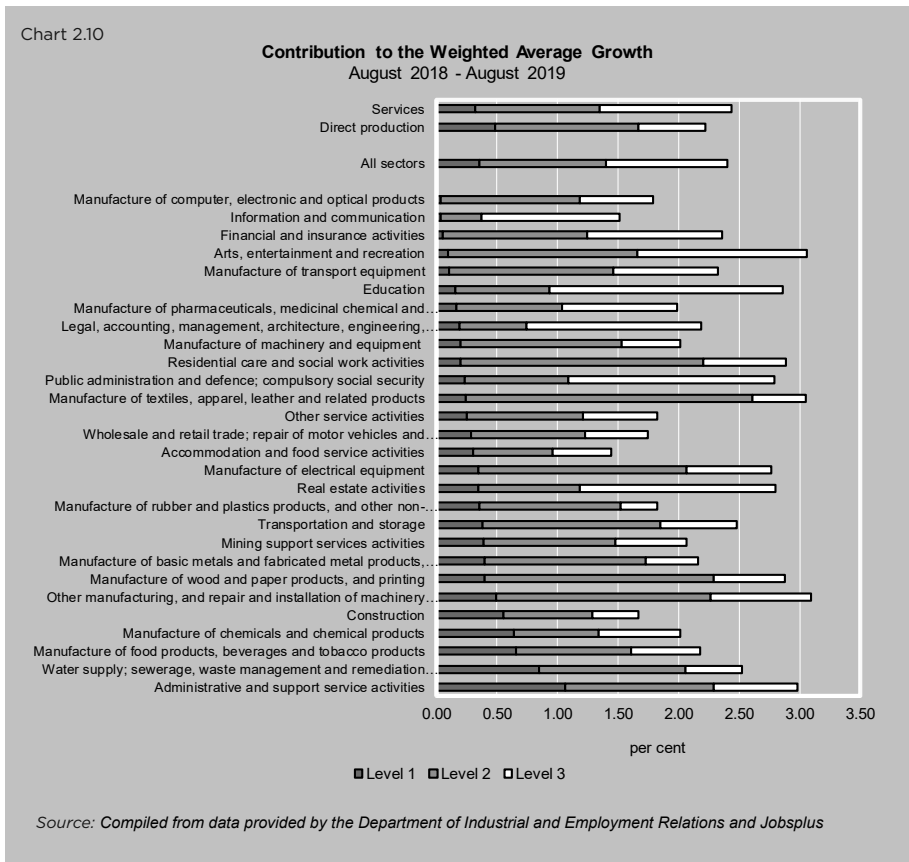
		Level 1	Level 2	Level 3	Weighted Average
CM	Other manufacturing, and repair and installation of machinery and equipment	3.52	3.27	2.67	3.09
R	Arts, entertainment and recreation	4.39	3.12	2.97	3.06
CB	Manufacture of textiles, apparel, leather and related products	3.05	2.90	3.77	3.06
N	Administrative and support service activities	2.33	3.36	3.07	2.98
QB	Residential care and social work activities	2.30	2.90	2.94	2.88
CC	Manufacture of wood and paper products, and printing	2.98	2.89	2.81	2.88
P	Education	2.28	2.97	2.85	2.86
L	Real estate activities	1.98	2.87	2.86	2.81
O	Public administration and defence; compulsory social security	2.03	2.78	2.84	2.79
CJ	Manufacture of electrical equipment	3.21	2.75	2.66	2.77
E	Water supply; sewerage, waste management and remediation activities	2.59	2.58	2.38	2.53
H	Transportation and storage	2.29	2.10	3.13	2.48
K	Financial and insurance activities	2.43	2.34	2.36	2.36
CL	Manufacture of transport equipment	3.21	2.50	2.05	2.33
MA	Legal, accounting, management, architecture, engineering, technical testing and analysis activities	2.52	2.15	2.17	2.19
CA	Manufacture of food products, beverages and tobacco products	2.09	2.22	2.18	2.17
CH	Manufacture of basic metals and fabricated metal products, except machinery and equipment	2.36	2.18	1.95	2.16
B	Mining support services activities	2.40	2.09	1.87	2.07
CE	Manufacture of chemicals and chemical products	1.90	2.15	1.98	2.01
CK	Manufacture of machinery and equipment	2.67	2.06	1.77	2.01
CF	Manufacture of pharmaceuticals, medicinal chemical and botanical products	2.43	2.16	1.78	1.99
CG	Manufacture of rubber and plastics products, and other non-metallic mineral products	2.16	1.78	1.70	1.83
S	Other service activities	1.47	1.67	2.05	1.82
CI	Manufacture of computer, electronic and optical products	2.40	1.91	1.58	1.79
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	1.95	1.71	1.72	1.75
F	Construction	2.04	1.68	1.28	1.67
J	Information and communication	0.99	2.02	1.41	1.52
I	Accommodation and food service activities	1.66	1.49	1.26	1.44
All sectors		2.20	2.39	2.45	2.40
Direct production		2.36	2.31	1.99	2.22
Services		2.15	2.41	2.49	2.43

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

Service Activities sector (€278.78). The lowest reported average wage was recorded at Level 1 under Other Services sector (€209.79), which includes, among others, repairs of computers, hairdressing services and funeral services. The highest average wage was recorded in the Financial and Insurance sector under Level 3 at €764.23.

Table 2.3 shows the percentage changes in average weekly wages between August 2018 and August 2019, while Chart 2.11 illustrates the contributions to these sectoral growth rates. The weighted average increase for all firms stood at 2.4 per cent, mainly underpinned by the growth in Level 2 wages (1.05 percentage points).

Wages in direct production increased by €7.13 (2.22 per cent) on average mainly driven by Level 2 wages (1.18 percentage points). The



Box 2.1

Collective Agreements Methodology

The sample used in this exercise comprises 141 firms employing 59,610 full-time employees, with 35 firms engaged in direct production and employing 8,354 individuals, the remaining 106 firms operate in the services sector with 51,256 employees. The total coverage ratio is 34 per cent of total employment. The weekly wages are divided into three distinguished levels as per International Standard Classification of Occupation (ISCO-08) ten-skill level groups excluding military occupation. ISCO is a system of classification and aggregation of occupational information under the International Labour Office (ILO). Level 1 includes ISCO major group 9, which reflects elementary occupations. Level 2 includes ISCO major groups 4 to 8 referring to clerk, service and sales workers, skilled agricultural and fishery workers, craft and related trades workers, and plant and machine operators and assemblers. Lastly, Level 3 includes ISCO major groups 1 to 3 covering managers, senior official and legislators, professionals, technicians and associate professionals.

In this analysis, definite contracts of employment are not considered and any employment benefits over and above the basic wage such as production bonuses, overtime payments, social security and allowances and other non-wage incomes, are excluded. This source of non-wage income can be quite significant for some sectors of employment, such that the employees' actual average weekly remuneration might be higher than that reported in this study.

The results presented - comparing the figures for 2019 with those of 2018 - are directly comparable since the analysis is based on the same employment weighting structure and sample of firms. Hence, the difference represents the actual change in wages over the year. However, the wage estimates are not directly comparable to those published in previous Economic Surveys.

Box 2.1 cont.

Comparability is hampered by the methodology and sampling procedure adopted (mainly the inclusion of additional firms and exclusion of others). Thus, the individual firms' weighting in each category would change reflecting the changes in employment levels. The average wages rate may also change due to the reclassification of grades of a new collective agreement.

average wage in the Services sector increased by €9.01 (2.4 per cent), primarily underpinned by Level 3 wages with a contribution of 1.09 percentage points.

The sector which recorded the highest percentage increase across levels, was the Other Manufacturing, and Repair and Installation of Machinery and Equipment at 3.09 per cent in which most of the workers are classified under Level 2.

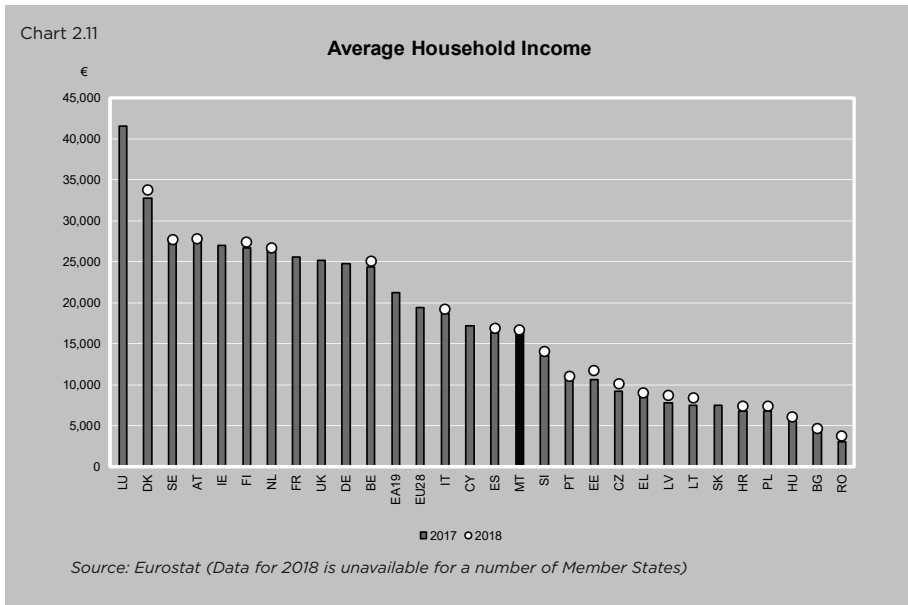
Level 1 wages in the Arts, Entertainment and Recreation Activities recorded the highest overall percentage increase at 4.39 per cent. For Level 2, the highest increase was 3.36 per cent for Administrative and Support Service Activities whilst for Level 3, the highest increase was 3.77 per cent for Manufacture of Textiles, Apparel, Leather and Related Products Activities.

2.5 Social Conditions

The following section provides an analysis of household income, disposable income, as well as poverty and social exclusion.

2.5.1 Average Household Income

During 2018, the Maltese average household income has continued to improve converging steadily towards the EU28 average as shown in Chart 2.12. Malta's average household income as a proportion of the



Euro Area (EA) average has increased by nearly 18 percentage points since 2008; from 59.0 per cent in 2008 to 76.9 per cent in 2017. A similar positive and converging trend is also observed when comparing to the EU average.

2.5.2 Income Distribution

Although the average household income in Malta is lower than the EU average, both the income quintile share ratio and the Gini coefficient indicators suggest that Malta has a relatively fair distribution of income when compared to the EU average. The income quintile share ratio (S80/S20) has been stable indicating that income of the wealthiest 20 per cent of the population is on average 4.3 times higher than the income of the bottom quintile. The gap decreases to 3.1 times for persons aged 65 and over. The Gini coefficient, after social transfers, has also remained relatively stable, hovering around 28. At EU level, both ratios are higher, indicating that income inequality is less pronounced in Malta. Furthermore, the gap between the values of EU28 and Malta, have also slightly increased during 2017, indicating a further relative improvement for Malta.

Income Distribution

Table 2.4

	EU	Malta	
	2017	2017	2018
<i>S80/S20 ratio</i>	5.1	4.2	4.3
<i>Gini-coefficient</i>	30.7	28.2	28.7

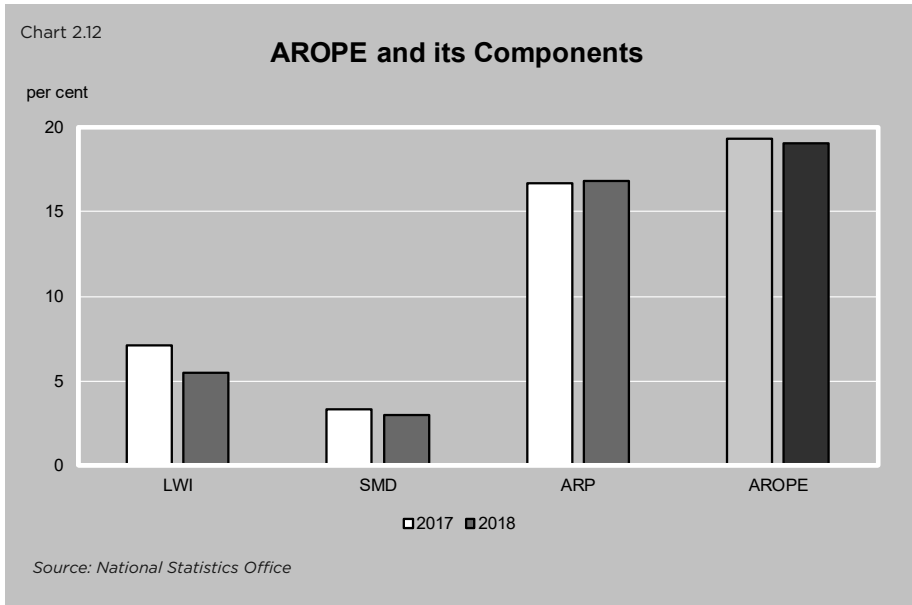
2.5.3 Poverty and Social Exclusion

The principal headline indicator of the Europe 2020 targets on poverty and social exclusion is the people at-risk-of-poverty-or-social-exclusion (AROPE) rate. The AROPE provides the share of persons who are either at-risk-of-poverty, severely materially deprived or residing in a household with low work intensity.

The AROPE for Malta stood at 19.0 per cent in 2018, which is the lowest AROPE rate registered over this past decade. According to the latest data available, in 2017¹, Malta's AROPE was more than 3 percentage points lower than the rate recorded at EU level. This gap has been consistent over time.

The at-risk-of-poverty (ARP) rate before social transfers stood at 23.6 per cent in 2018 for Malta. In the EU, the rate was 23.7 per cent in 2017, with Malta's corresponding rate standing at 22.8 per cent. After the inclusion of social transfers, the ARP rate for Malta, which is one of the components of the AROPE rate, dropped by nearly 7 percentage points to 16.8 per cent in 2018 (0.1 percentage points higher than 2017). A similar drop was noted for the EU in 2017.

In 2018, the severe material deprivation rate (SMD) among persons living in households was equal to 3.0 per cent, 0.3 percentage points less than the rate in 2017. This drop was mainly due to improvements



in the households' ability to: spend one week's annual holiday away from home; and face unexpected financial expenses.

Similarly, the share of persons residing in a household with low work intensity (LWI) decreased from 7.1 per cent in 2017 to 5.5 per cent in 2018.

Footnote:

¹ EU data for the year 2018 is not available.

3. International Trade and the Balance of Payments

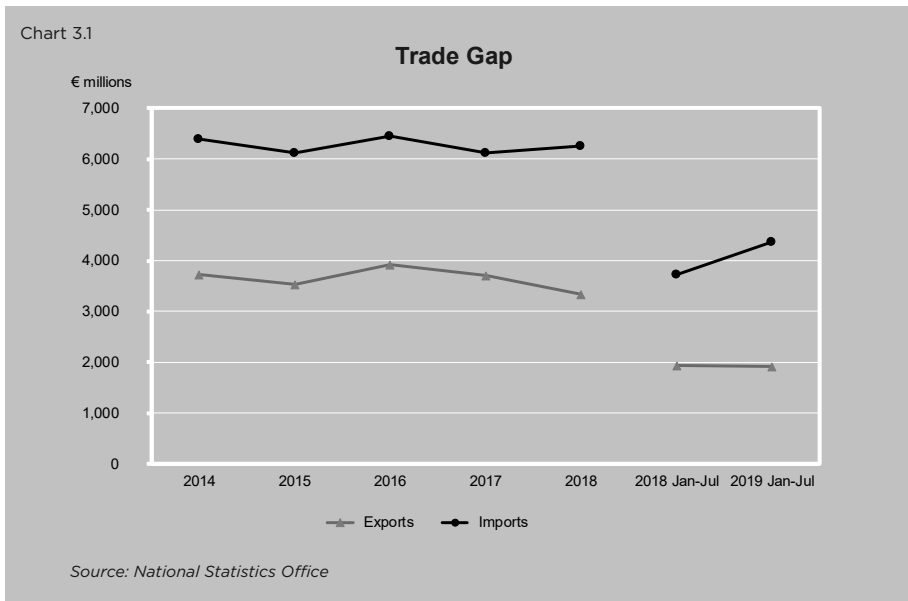
3. International Trade and the Balance of Payments

The central focus for this Chapter will be the external sector and is structured as follows:

1. Analysis of international trade in goods data;
2. Balance of Payments and the Net International Investment position; and
3. Exchange rate analysis.

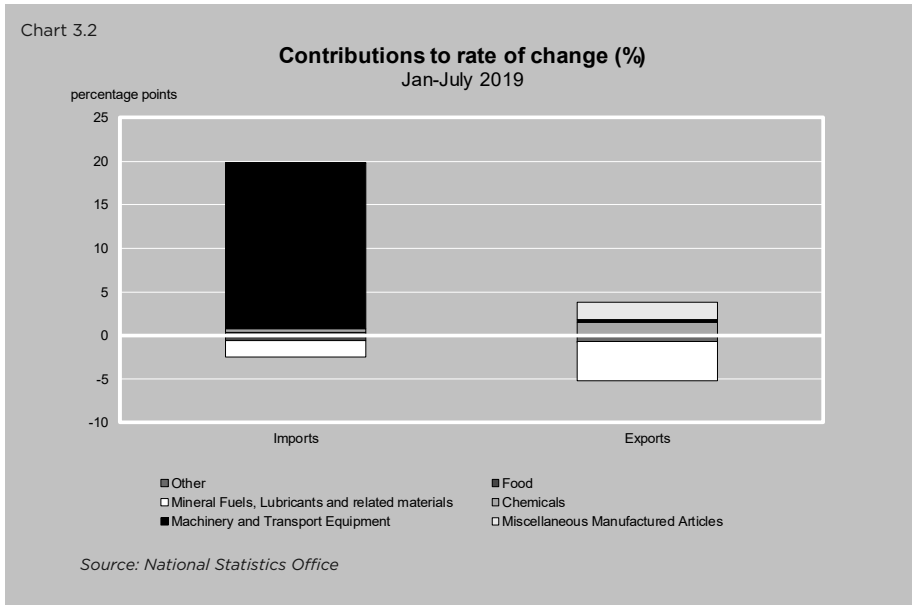
3.1 International Trade

In 2018, the total value of imported goods amounted to €6,265.2 million while exports of goods totalled €3,331.2 million. Consequently, during 2018, total imports recorded an increase of €139.7 million, whereas exports decreased by €376.5 million, thus resulting in a widening of the visible trade gap amounting to €2,934.1 million (Chart 3.1). In percentage terms, imports increased by 2.3 per cent while exports decreased by 10.2 per cent. Mineral fuels, lubricants and related



materials underpinned the rise in imports with a contribution of 2.8 percentage points to the overall increase recorded in 2018. This was followed by chemicals with a contribution of 1.3 percentage points, whereas the contribution of machinery and transport equipment was in negative territory at 3.8 percentage points. Mineral fuels, lubricants and related materials brought about the biggest drop in exports with a negative contribution of 11.6 percentage points. This was partly offset by the increase in exports attributable to miscellaneous manufactured articles with a positive contribution of 2.9 percentage points.

Between January and July of 2019, the negative trade gap in the visible trade amounted to €2,451.1 million, €675.0 million higher than the corresponding period of 2018. This was mainly brought about by an increase in the importation of machinery and transport equipment with a contribution of 19.0 percentage points (Chart 3.2). To be noted, that the mineral fuels, lubricants and related materials partially offset the impact of this increase, with a negative contribution of 1.9 percentage points. The same category contributed negatively (-4.5 percentage points) towards the overall drop of 1.35 per cent in exports as well. Nevertheless, this effect was mitigated by the developments in miscellaneous manufactured articles and chemicals with positive



contributions of 2.0 percentage points and 1.6 percentage points respectively.

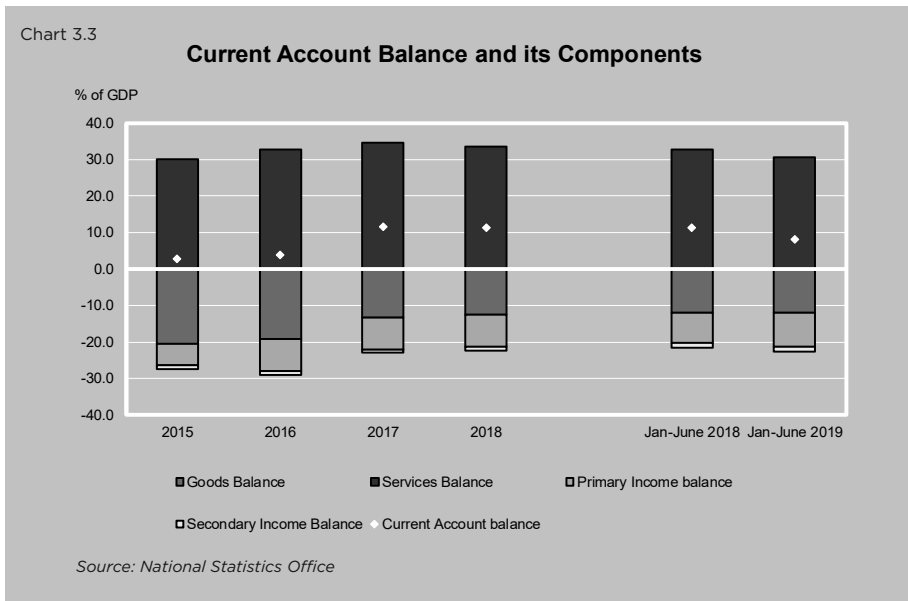
In the first seven months of 2019, the share of imports from European Union (EU) countries amounted to 66.8 per cent of total imports whereas the share of exports to the EU stood at 50.1 per cent of total exports. It is to be noted, that these are the highest shares registered since 2014.

3.1.1 Current Account

The current account surplus expressed as a percentage of Gross Domestic Product (GDP) averaged 7.3 per cent over the past four years (Chart 3.3). The balance in 2018 reached 11.3 per cent of GDP. In the first half of 2019, the surplus expressed as a percentage of GDP stood at 8.0 per cent. Malta’s surplus is supported by a strong positive external trade balance.

3.1.1.1 Goods and Services

The goods and services balance makes up a substantial part of the current account surplus. The goods and services balance has been



constantly positive due to the very strong net export balance in the services account, which offset the net import balance in the goods account, as illustrated in Chart 3.4.

The global economic recovery following the financial crisis has led to an increased demand for Malta’s exports. A more diversified economy underpinned by the transition to a service-based economy, resulted in improvements in competitiveness.

When comparing the first half of 2019 with that of 2018, the overall goods and services’ surplus dropped slightly by 2.1 percentage points mainly due to a decrease in the net export services balance and a concomitant increase in net import goods balances.

The disaggregation of the services balance, as shown in Chart 3.5, suggests that the services net export balance is strongly affected by the developments in the net exports of the personal, cultural and recreational services sector. The net import balance of other business services (which is mostly made up of professional and management consulting services) was 17.1 per cent of GDP in 2018.

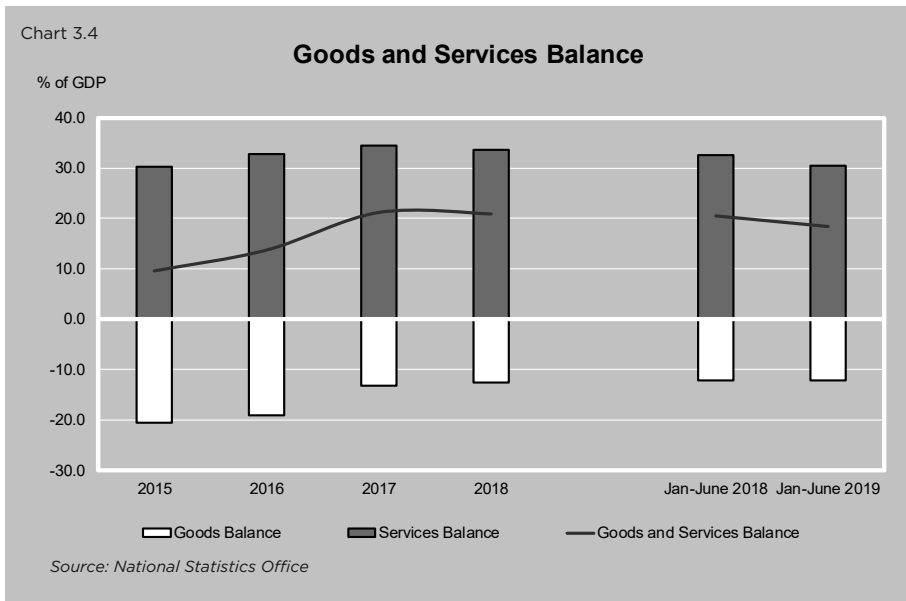
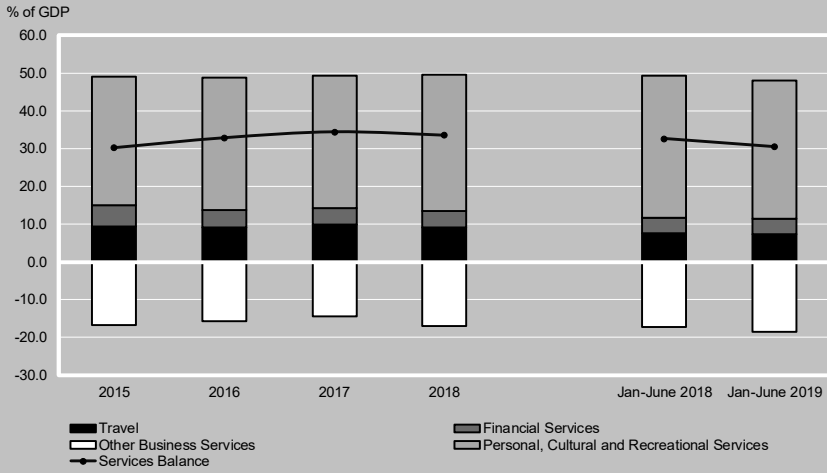


Chart 3.5

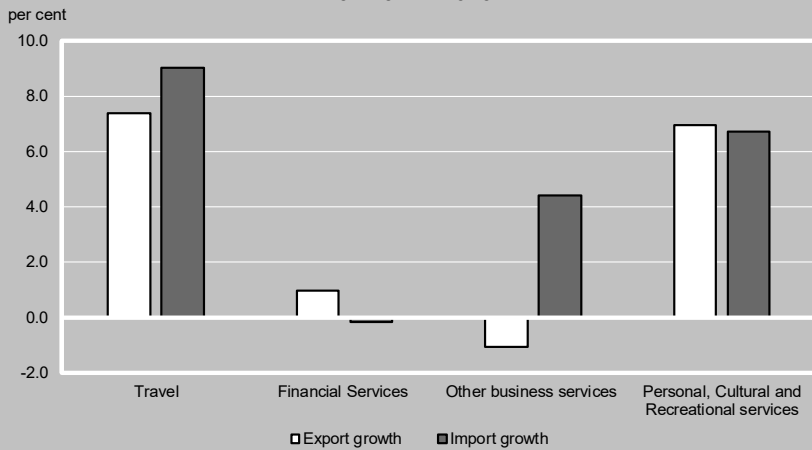
Services Components



Source: National Statistics Office

Chart 3.6

Services Imports and Exports Growth (%) Jan-June 2019



Source: National Statistics Office

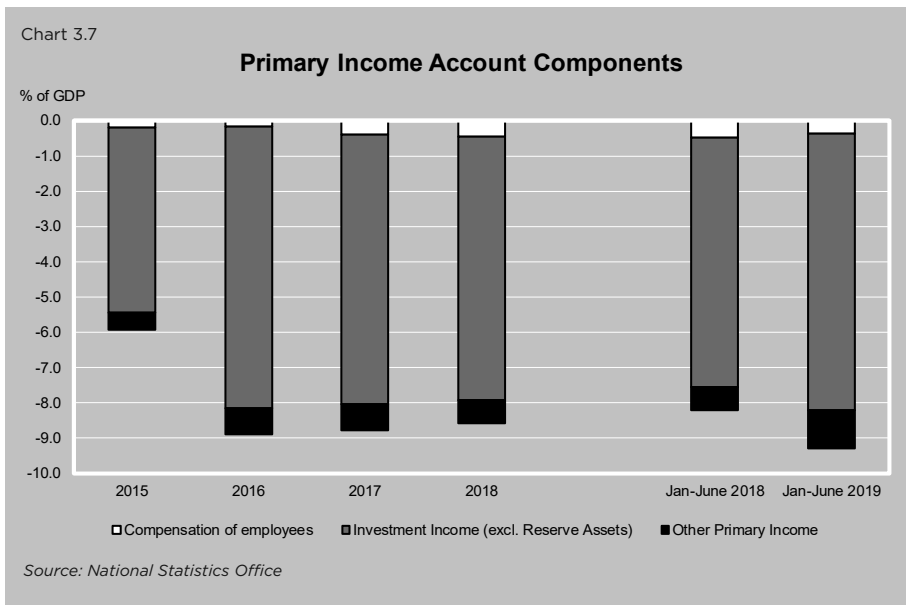
In the first half of 2019, there was a slight drop in the services net export balance when compared to the corresponding period in 2018. This is primarily due to higher net imports of other business services (Chart 3.6).

The growth in exports observed in the first half of 2019 is mostly attributable to the travel and the personal, cultural and recreational services sectors, with a value of 7.4 per cent and 6.9 per cent respectively.

3.1.1.2 Primary Income Account

The primary income account consists of income transfers which mainly refer to either compensation of employees; direct, portfolio and other investment income, as well as other primary income. Investment income accounts for most of the changes when it comes to the primary income account. When comparing the first half of 2018 with 2019, the primary balance remained in a net payment balance, but increased due to an increase in net payment of investment income.

A disaggregation of the investment income component shows that direct investment net payments stood at 73.6 per cent of GDP. From

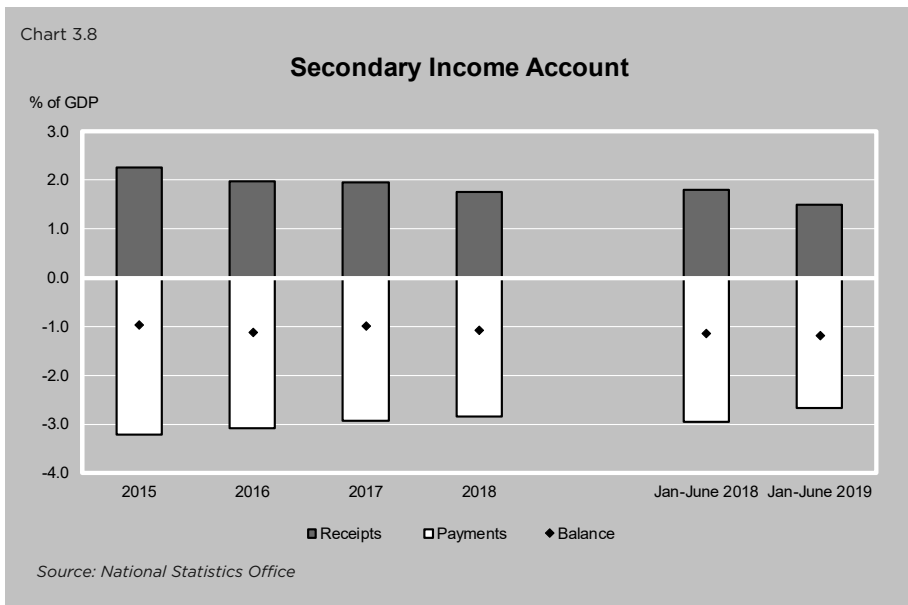


the first half of 2018 to 2019, a fall of 5.6 percentage points of GDP is registered. Throughout the first half of 2019, Portfolio Investment net income receivables experienced a fall of 7.5 percentage points, contributing mostly to the difference in the primary income net payment balance when compared to the first half of 2018.

3.1.1.3 Secondary Income Account

The secondary income account is a relatively smaller component of the current account. It shows current transfers between residents and non-residents which do not relate to income derived from an economic activity.

The basic composition of the secondary income account can be seen in Chart 3.8. In the first half of 2019, the secondary income balance dropped slightly by 0.4 percentage points since both the receipts and payments dropped when compared to the corresponding period in 2018.



3.1.2 Capital and Financial Account

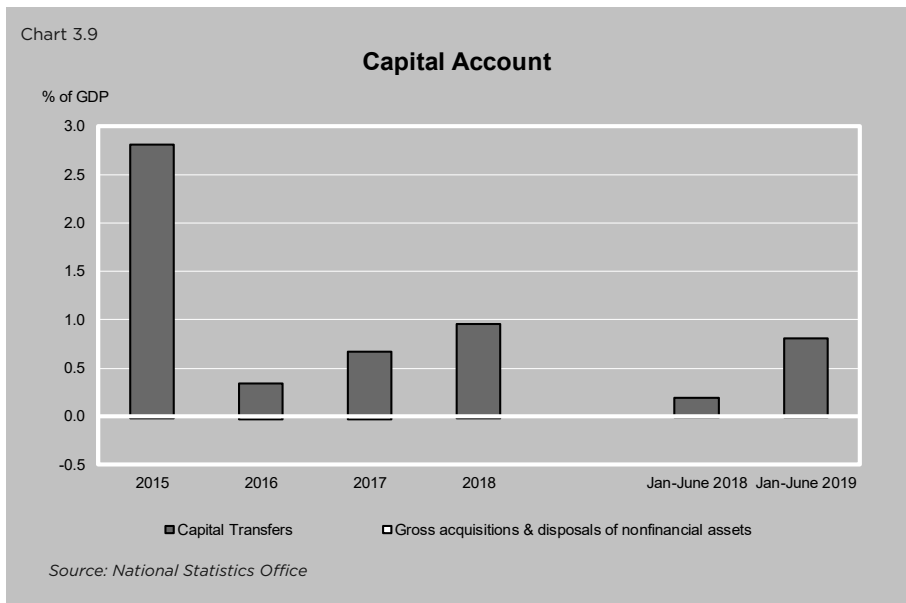
3.1.2.1 Capital Account

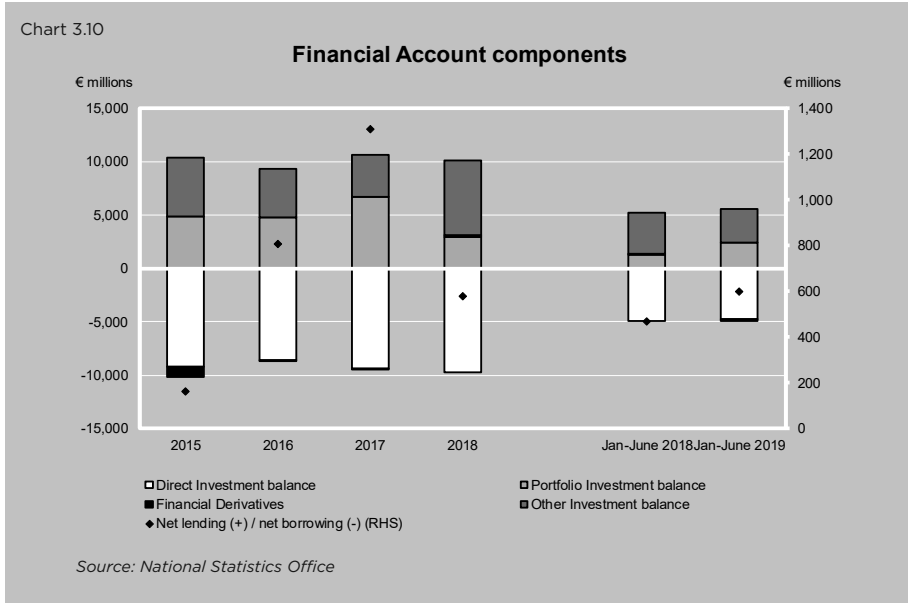
The capital account within the balance of payments shows movements of non-financial assets between Malta and the rest of the world. This account is divided into acquisitions (and disposals) of tangible assets and capital transfers by either the Government or the private sector. Chart 3.9 shows that net acquisitions of non-financial assets were negligible over the past few years. The main item in the capital account related to net inflows of capital transfers related to other capital transfers made by Government. When comparing the first two quarters of 2019 with those of 2018, an increase of 0.6 percentage points can be observed.

3.1.2.2 Financial Account Flows

The financial account records the inflows and outflows of financial assets and liabilities. It is divided into direct investment, portfolio investment, financial derivatives and other investment. Chart 3.10 shows the main balances for each of these subcomponents.

Over the past few years, direct investment in Malta has been in a net borrowing position since acquisition of financial assets from abroad has





been on a constant negative trend, while the net incurrence of liabilities has been consistently positive. This means that foreign companies are engaging in direct investment in Malta. The general trend for direct investment can be observed in Chart 3.10.

Portfolio Investment is also an important component in the Maltese balance of payments. Portfolio investment includes investments in debt or equity securities in another economy other than those found in direct investment. In Malta's case, portfolio investment is in a net lending position meaning that Maltese companies are investing in foreign assets especially in the form of equity and investment fund shares coupled with debt securities. The net acquisition of financial assets of portfolio investment have been consistently positive, though such acquisitions have declined in 2018 when compared to the previous year. The incurrence of liabilities has also increased, though to a much lesser extent. The overall strong net lending position in portfolio investment helps in offsetting the net borrowing position in direct investment.

The other investment category is a residual component which includes all those investments which do not qualify in either of the above categories. It may include currency and deposits, other equity, trade

credits and other accounts receivable and payable. Chart 3.10 shows that the other investment net lending balance has been on the increase due to increases in net acquisitions of financial assets and a drop in the incurrences of liabilities. Over the first half of 2019, there were no significant discrepancies in other investment when compared to the same period in 2018.

Financial derivatives are those securities whose value is derived from the value of other assets. This category accounts for a very small portion of the financial account and its influence over the rest of the financial account is minimal. Over the past few years, Malta has been acquiring assets of this type consistently whilst it has also been incurring liabilities. The overall balance in 2018 was positive contrary to previous years, meaning that Malta was a net lender in this aspect.

Overall, the markers (right hand side axis) in Chart 3.10 suggests that the financial account has been in an overall net lending position thanks to net lending positions in terms of portfolio and other investment.

3.1.3 Net International Investment Position

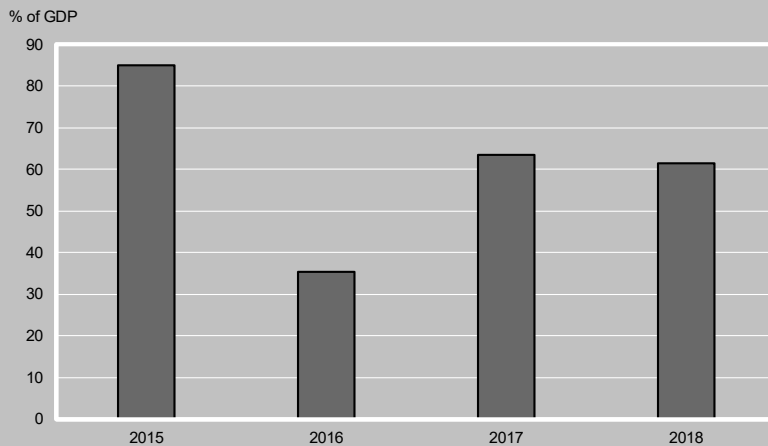
The Net International Investment Position (NIIP) statement shows the stock of financial assets and liabilities held in Malta. It is directly related to the financial account within the balance of payments which records the flows associated with these stock balances. Chart 3.11 shows the evolution of the NIIP for Malta, which has been in a net lending position for more than a decade. A net lending position would suggest that there are more foreign assets than there are foreign liabilities held in Malta. Since the NIIP balance is essentially the asset stock less the liabilities stock, the evolution of the overall NIIP can be best explained by a decomposition of all these assets and liabilities as shown in Charts 3.12 and 3.13 respectively.

3.1.3.1 Assets

In terms of assets, Chart 3.12 shows that a large portion of the assets being held in Malta are in the form of portfolio investment and, to a lesser extent, direct investment. As at the second quarter of 2019, direct investment assets held in Malta amounted to €73.9 billion, equivalent to a reduction of 1.5 per cent between the second quarter of 2019 and 2015. Assets held in the form of portfolio investment were on an

Chart 3.11

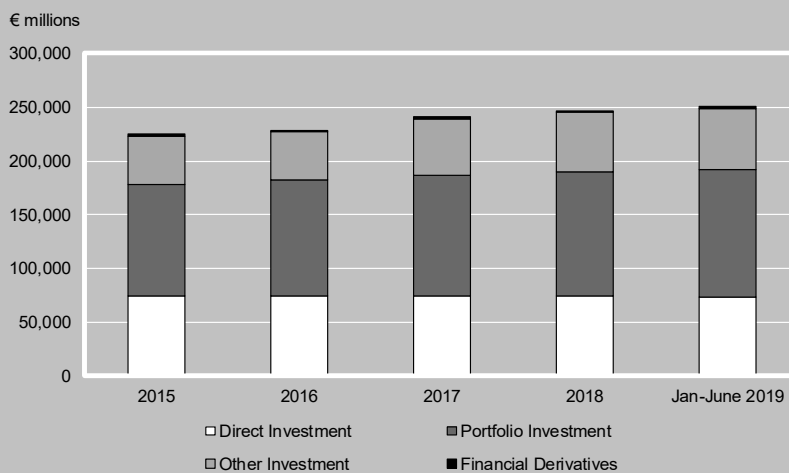
Net International Investment Position



Source: National Statistics Office

Chart 3.12

Assets



Source: National Statistics Office

upward trend over the period under review, reaching €117.8 billion in the first half of 2019. Likewise, other investment has also been on an upward trajectory. These increases reflect Malta’s overall positive NIIP indicator with consistently strong asset positions.

3.1.3.2 Liabilities

A substantial part of the liabilities held in Malta are in the form of direct investment (81.1 per cent of all liabilities held as at the second quarter of 2019). Furthermore, Chart 3.13 indicates that these stocks of direct investment liabilities have been on an upward trend since 2015. As at 2015, direct investment liability stocks stood at €161.6 billion and increased to €197.6 billion, in the first half of 2019, an increase of 22.3 per cent. This significant increase in liabilities partially accounts for the drops witnessed in the overall NIIP balance (Chart 3.13). Between 2015 and the second quarter of 2019, portfolio investment liabilities increased, though to a much lesser extent (1.7 per cent), whilst other investment liabilities decreased by 20.2 per cent.

3.1.4 Savings and Investment Gap

A rising current account surplus would suggest domestic savings are financing domestic investments in the form of net foreign assets. This

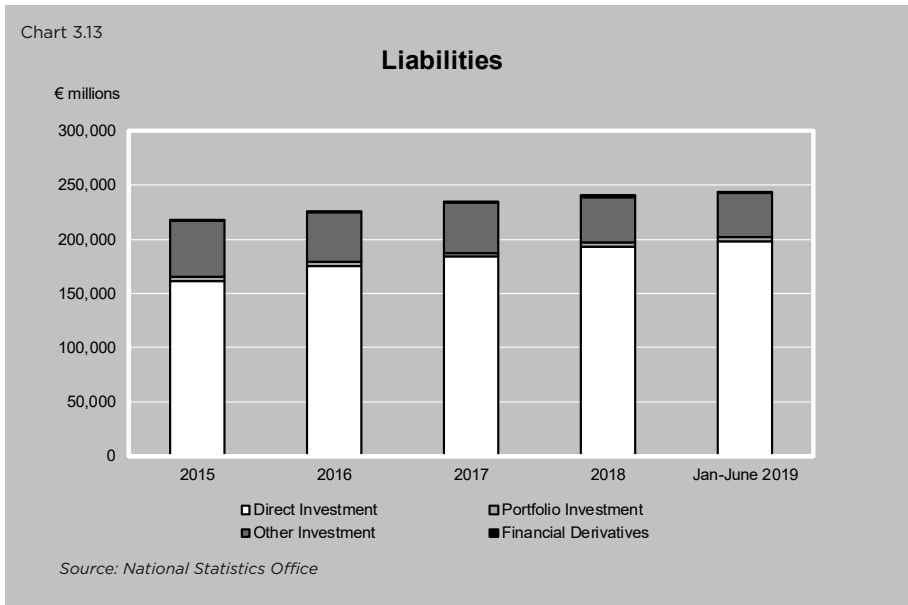
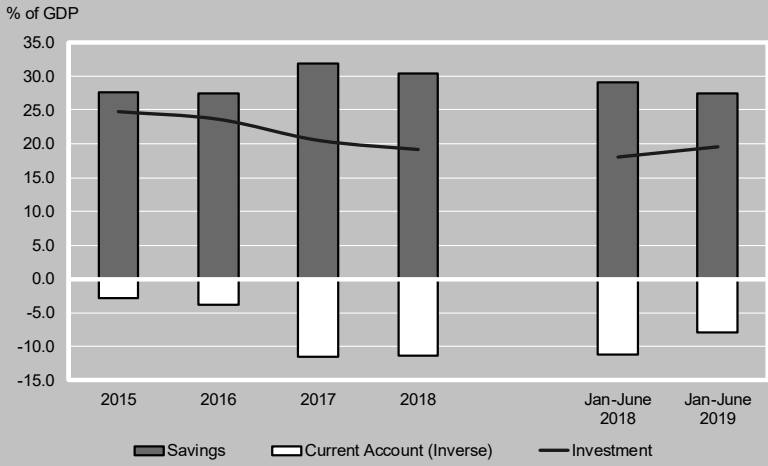


Chart 3.14

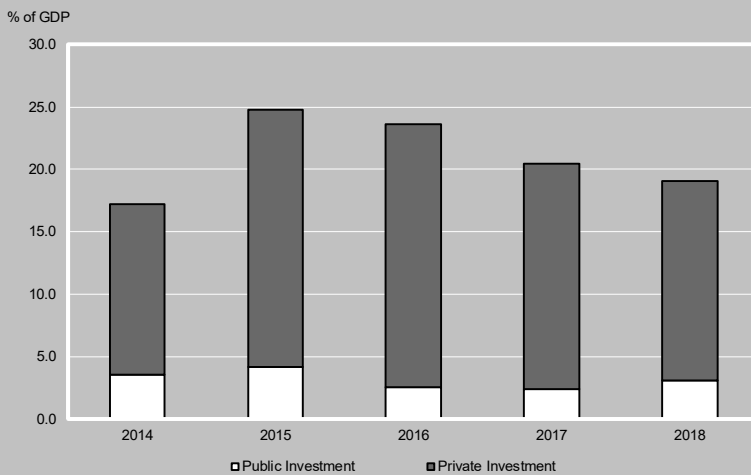
Investment Financing



Source: National Statistics Office

Chart 3.15

Investment



Source: National Statistics Office

is visible in Chart 3.14, where the current account inverse (or the net lending position) has been increasing over the past few years. This is indicative of a strong economy which is also investing in foreign assets.

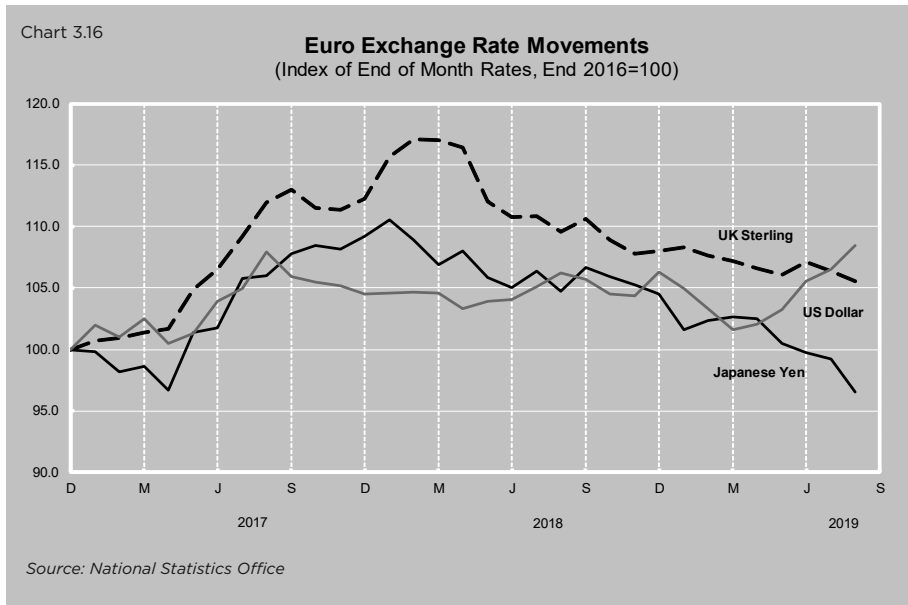
In terms of investment in the domestic economy, the private investment was 16.0 per cent of GDP in 2018.

3.2 Exchange Rate Developments

Movements in exchange rates have economywide implications ranging from influencing international trade flows, to impacting the real return of an investor’s portfolio. Consequently, exchange rate developments have a bearing on economies, firms and consumers, thus affecting both the real, as well as the financial sectors of an economy.

3.2.1 Euro exchange rate movements

Chart 3.16 shows the developments in exchange rate markets since the end of 2016, portraying an indexed Euro exchange rate against the three major currencies, namely the US Dollar, UK Sterling and the Japanese Yen. The Euro appreciated by 17.0 per cent against the US Dollar between December 2016 and March 2018. However, since then,



the Euro has depreciated by 7.7 per cent to reach US \$1.14 by the end of 2018, partly reflecting the growing divergence between the Euro Area (EA) and the United States (US) monetary policy. The Euro to US Dollar exchange rate was relatively stable in the subsequent months hovering around a value of US \$1.13 till August 2019. From a longer-term perspective, the exchange rate was trading at 10.5 per cent below its 10-year average level of US \$1.24.

In the meantime, the UK Sterling has weakened against the Euro, partly as a result of the uncertainty brought about by the Brexit negotiations. Indeed, since December 2016, the Euro has appreciated by 8.4 per cent against the UK Sterling and in August 2019 the exchange rate stood at £0.92. The value of the Euro against the UK Sterling as at the end of August 2019 was trading at around 9.1 per cent above its 10-year average level of £0.84.

Although the value of the Euro against the Japanese Yen in August 2018 was in line with the exchange rate trading in the first quarter of 2017, the Euro had initially appreciated reaching a maximum of JPY137.15 by February 2018, before gradually depreciating thereafter as a result of a weaker economic activity and higher inflationary pressures experienced by a number of EA Member States. The Euro against the Yen rate was trading at JPY118.18 by the end of August 2019, and consequently from a longer-term perspective, the exchange rate was trading at 4.5 per cent below the 10-year average mark of JPY123.75.

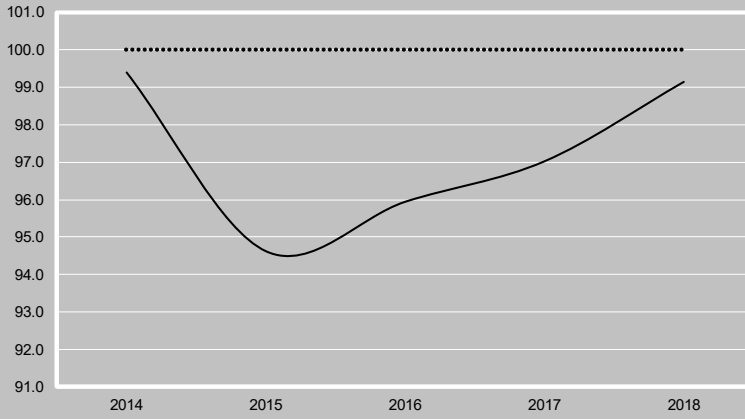
3.2.2 Real Effective exchange rate

The real effective exchange rate (REER) is a weighted average value of a country's currency relative to the exchange rate of its main trading partners adjusted for inflation. Chart 3.17 shows the developments in the REER for Malta with respect to 42 trading partners using the Consumer Price Index as deflator. The REER for Malta dropped after 2014, marking an increase in competitiveness relative to its main trading partners. Over the last few years, the REER appreciated but remained below the base year level (2010 = 100).

It is to be noted that the REER has one important limitation, in that the weights are computed using solely trade in goods. This is especially an issue for Malta given the importance of the services industry. Hence, other indicators are generally utilised to assess Malta's external

Chart 3.17

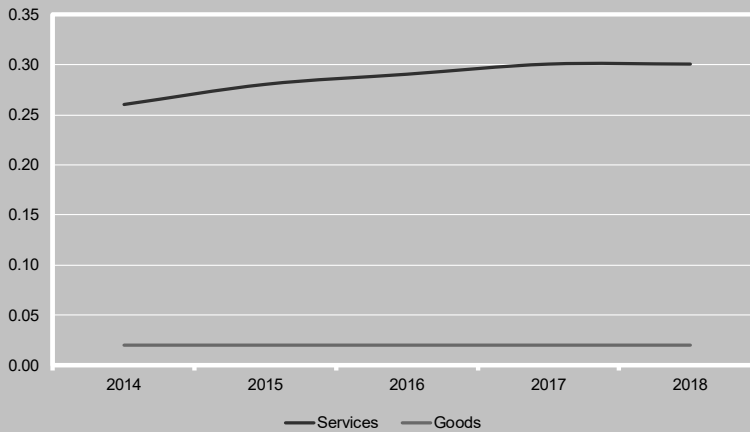
Real Effective Exchange Rate (CPI Deflator) for Malta 2010=100



Source: National Statistics Office and Economic Policy Department

Chart 3.18

Export Market shares (% of world exports)



Source: National Statistics Office and Economic Policy Department

competitiveness such as export market shares. Chart 3.18 shows the evolution of export market shares for Malta with respect to goods and services. The goods export market share has maintained a steady value of 0.02 per cent, whilst the export market shares for services has increased from 0.26 per cent in 2014 to 0.30 per cent in 2018. This development shows that Malta has gained export competitiveness relative to the rest of the world.

4. Monetary Developments

4. Monetary Developments

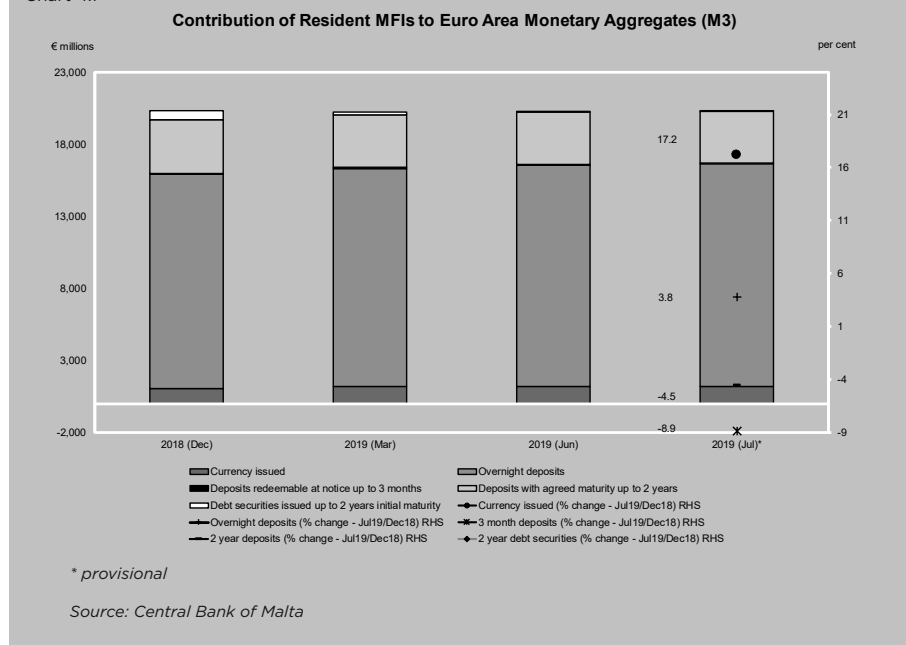
Maltese monetary financial institutions' (MFIs) contribution towards the stock of Euro Area (EA) Broad Money (M3) remained generally steady for the period January-July 2019. This development ensued despite an increase in overnight deposits. In addition, during the same period, the contribution towards M3 of deposits with an agreed maturity of up to two years was slightly negative, while the contribution of deposits redeemable at notice up to three months was basically negligible. Moreover, there has been a slight decline in net claims on non-residents of the EA contribution, while the other counterparts component contributed negatively, given its increase. The credit counterpart partially offset these developments as it registered the largest positive contribution towards Broad Money. Furthermore, in view of the persistent and prolonged low interest rate environment, depositors continued to be more inclined to hold highly short-term liquid deposits.

4.1 Contribution of Resident MFIs to EA Monetary Aggregates¹

In the first seven months of 2019, the contribution of Maltese resident MFIs to total monetary aggregates (M3)² of the EA remained stable reaching €20,347.5 million when compared to €20,351.2 million registered in December 2018. This slight decline resulted mainly from lower debt securities up to two years initial maturity that cancelled out the positive contribution stemming from an increase in overnight deposits³. Chart 4.1 illustrates the main developments in these monetary indicators. These figures reflect a general preference towards maintaining highly short-term liquid money balances.

Between January and July 2019, narrow money (M1) reached €16,643.3 million, reflecting an increase of 4.6 per cent when compared to the €15,904.3 million registered in December 2018. Driving this development was a 3.8 per cent increase in overnight deposits during the same comparative period, which reached a level of €15,437.8 million in July 2019. Such figures portray Maltese residents' deposits as the main contributors to the developments in total overnight deposits. In

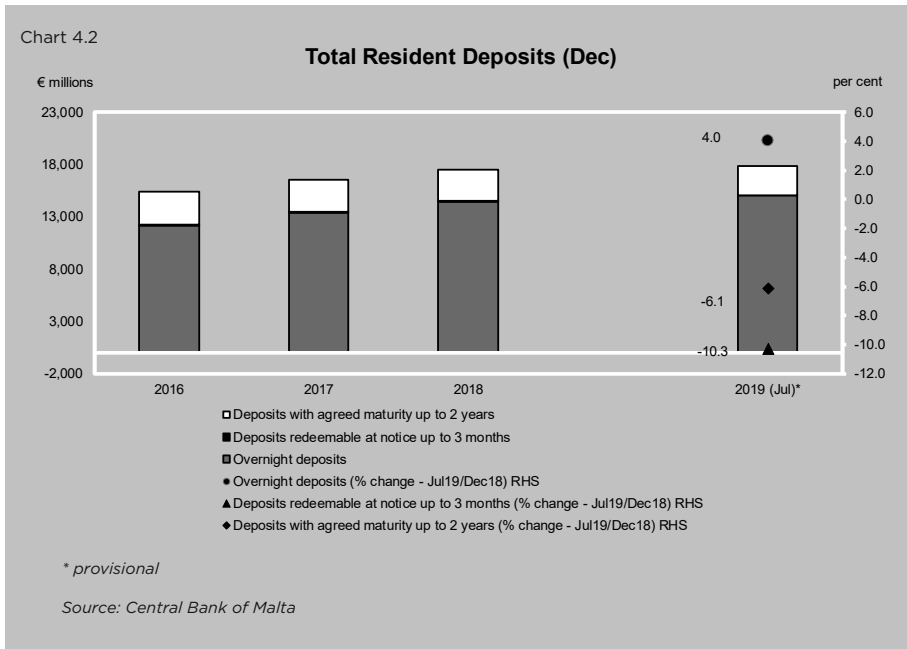
Chart 4.1



addition, currency issued⁴ increased noticeably by 17.2 per cent in the first seven months of 2019, reaching €1,205.5 million.

In the first seven months of 2019, deposits redeemable at notice up to three months decreased by 8.9 per cent when compared to December of 2018, reaching €70.5 million in July 2019. During this period, three-month deposits from Maltese residents declined, while those from other EA residents increased noticeably. However, given their share, the contribution towards intermediate money (M2) from both was negligible. Over the same reviewed period, such developments have been also complemented with a decrease of 4.5 per cent in deposits with an agreed maturity of up to two years, which totalled €3,559.2 million in July 2019.

As illustrated in Chart 4.2, for the months of January to July 2019, total resident deposits increased by 2.2 per cent when compared to December 2018, reaching €17,852.8 million. This was mainly driven by the positive contribution stemming from overnight deposits⁵ which increased by 4.0 per cent during the same period. However, there



has been a noticeable decrease of 10.3 per cent and 6.1 per cent in deposits redeemable at notice up to three months, as well as in two-year maturity deposits respectively. Nevertheless, both contributions were almost negligible due to their smaller share compared to overnight deposits.

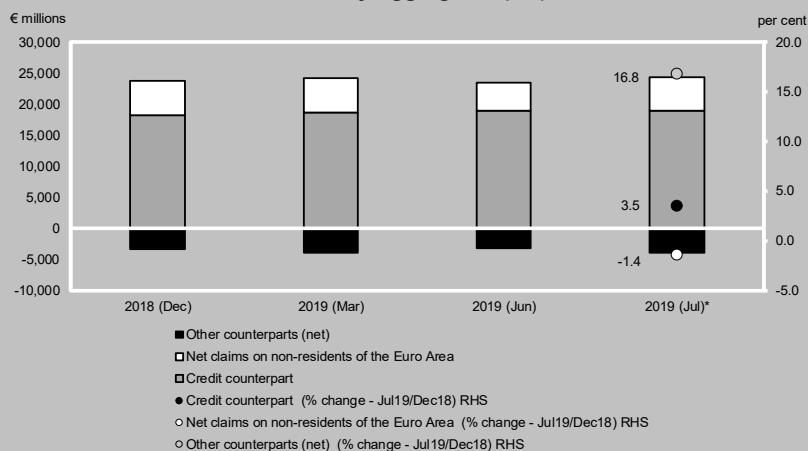
4.2 Contribution of Resident MFIs to Counterparts to EA Monetary Aggregates

Chart 4.3 portrays the developments in the contribution of resident MFIs to counterparts to EA monetary aggregates since the end of 2018. Between January and July 2019, Maltese MFIs' contribution to the EA broad money stock (M3)⁶ remained practically unchanged.

In the first seven months of 2019, the credit counterpart⁷ of broad money reached €18,938.6 million, reflecting an increase of 3.5 per cent when compared to December 2018. This was driven by increased

Chart 4.3

Contribution of Resident MFIs to Counterparts to EA Monetary Aggregates (M3)



* provisional

Source: Central Bank of Malta

credit to Maltese residents, while credit to EA residents declined marginally over the same period. In fact, in July 2019, credit to other EA residents reached €4,762.1 million, remaining largely unchanged. Credit to the private sector, which decreased by 7.0 per cent in EA credit developments, was offset by an increase of 13.6 per cent in credit to general Government during the same period, while lending to Maltese residents increased by a total of 4.8 per cent, reaching €14,176.4 million in July 2019. This was led primarily by a 4.9 per cent increase in credit to the private sector, followed by a 4.4 per cent increase in credit to general Government.

Growth dynamics in M3 are also affected by foreign capital from outside the EA. The external counterpart of M3 represented by net claims declined by 1.4 per cent between January and July 2019 when compared to December 2018, reaching €5,384.0 million. The decline in net claims on non-residents of the EA was complemented by a more sizeable other counterparts net negative balance which expanded by 16.8 per cent during the first seven months of 2019, reaching €3,975.4 million. The decline in the net claims component reflects a slowdown

in resident credit institutions' liabilities to other EA banks with respect to their claims on them, while the other counterparts⁸ component mainly reflects interbank transactions across the EA and contributes negatively to M3.

4.3 Sectoral Credit Developments

Chart 4.4 portrays sectoral credit developments to Maltese residents, excluding Government, over the recent years. In the first seven months of 2019, the provision of loans to the private sector increased by 4.9 per cent from December of the previous year. This was mainly due to an increase in loans granted to 'households and individuals' which when compared to the same period a year earlier, increased by 5.4 per cent in the first seven months of 2019, followed by a significant increase in 'other' loans category, which increased by 12.8 per cent.

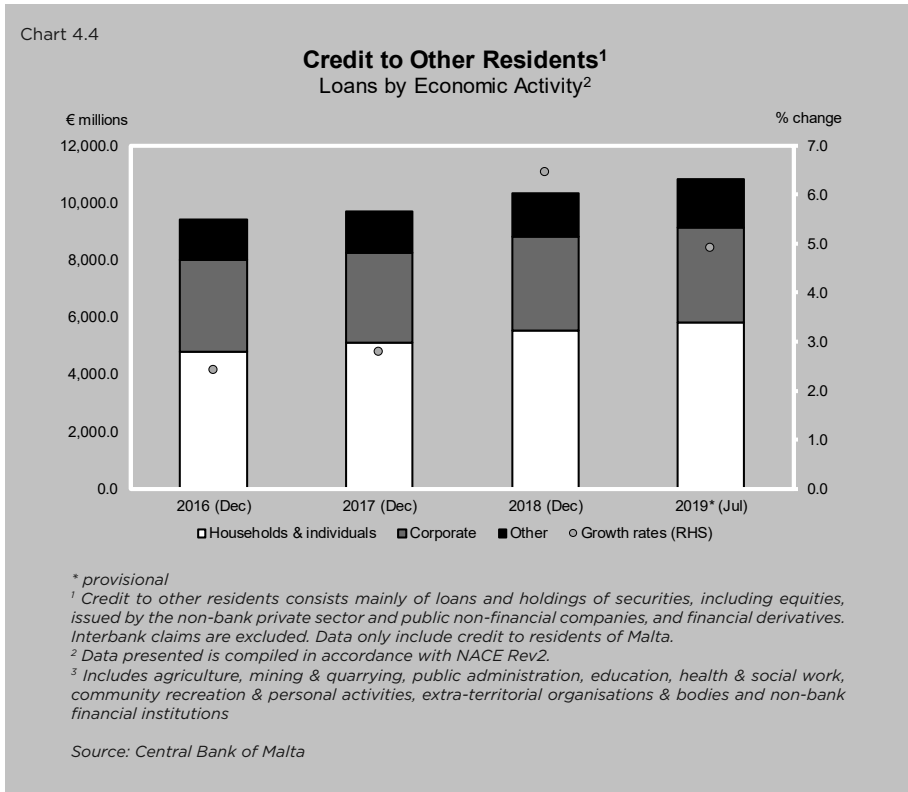
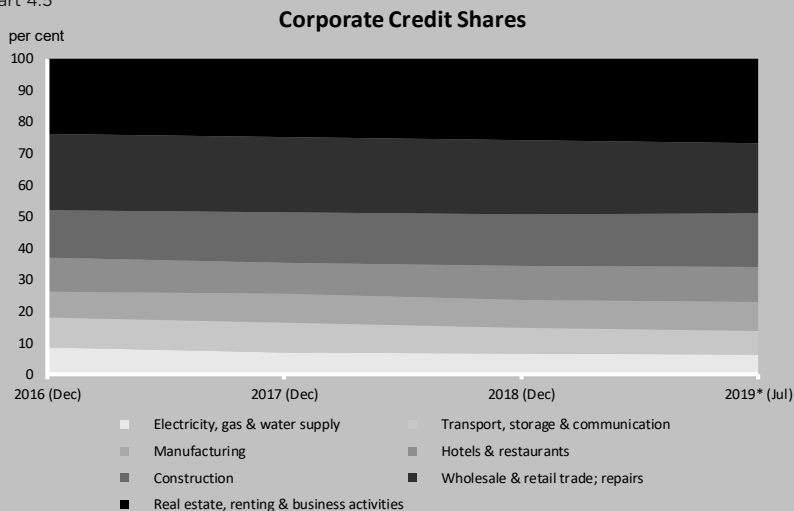


Chart 4.5



* provisional

Source: Central Bank of Malta

Loans given to the ‘corporate’ category increased only by 0.5 per cent. Chart 4.5 explores the sectoral composition of loans to the ‘corporate’ category from December 2016 to July 2019. In terms of their share and contribution to the overall increase in credit, the largest contributions between July 2017 and December 2018 stemmed from higher share of loans to the ‘real estate, renting and business activities’ sector (+4.7 per cent), followed by smaller positive contributions from increases in loans to ‘construction’ (+4.0 per cent), ‘hotels and restaurants’ (+5.5 per cent) and ‘manufacturing’ (+2.5 per cent). The increases in loans to the aforementioned sectors was largely, albeit not completely, offset by declines in credit to the other corporate sectors, most notably a 5.6 per cent decrease in loans to ‘wholesale and retail trade’ sector followed by declines registered in ‘transport, storage & communication’ (-9.1 per cent) and ‘electricity, gas and water supply’ (-1.0 per cent).

4.4 The Money Market

The European Central Bank (ECB) plays a major role in sustaining economic and financial stability throughout the EA. During the first six

months of 2019, risks to economic growth were tilted to the downside, leading to the weakening in economic growth prospects. Moreover, the ECB's Financial Stability Review of May 2019 noted that the low interest rate environment of recent years had contributed to a build-up of vulnerabilities in some segments of the corporate sector within the EA.

In January 2019, the Governing Council of the ECB declared their intention to continue reinvesting the principal payments from maturing securities purchased under the asset purchase programme for an extended period. The objective is that of maintaining favourable liquidity conditions and an ample degree of monetary accommodation. With the aim of preserving favourable bank lending conditions and the continued transmission of monetary policy, in March of this year, the ECB announced the launch of a new series of quarterly targeted longer-term refinancing operations (TLTRO-III). This would allow counterparties to borrow a portion of the stock of eligible loans at a rate indexed to the interest rate on the main refinancing operations. In addition, during the same month, the ECB also announced that the Eurosystem's lending operations will continue to be conducted as fixed rate tender procedures with full allotment as a minimum until the end of the reserve maintenance period starting in March 2021.

In March 2019, the ECB also announced that as of October 2019, it will start publishing the Euro Short-Term Rate (€STR), which will consist of a new overnight unsecured interest rate. Additionally, the ECB announced it stands ready to further support private sector efforts in the transition away from the Euro Overnight Index Average (EONIA) by providing the computation of a one-off spread between the €STR and EONIA. The spread will be calculated by the ECB according to the methodology publicly recommended by the Working Group on Euro Risk-Free Rates.

During May 2019, the ECB published its amendments to the Eurosystem's monetary policy implementation guidelines. Specifically, the ECB aimed at harmonising the definition of agencies as issuers or guarantors of debt instruments. Moreover, the amendments led the transparency requirements of the European Union (EU) Securitisation

Regulation to become part of a collateral framework. Other changes included the phasing out of the use of rating tools from the general framework for monetary policy operations.

In June 2019, the Governing Council reconfirmed that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged. The key ECB interest rates are expected to remain at their present levels through the first half of 2020.

In July 2019, the Governing Council also outlined the need for a highly accommodative stance for monetary policy noting that further action would be considered if the medium-term inflation outlook continues to fall short of the target range. In this context, the Eurosystem Committees were tasked with examining various options. In September 2019, the Governing Council of the ECB announced that as from the start of November 2019, net purchases will be restarted under the asset purchase programme (APP). During the same month, a two-tier system for reserve remuneration was also announced to support the bank-based transmission of monetary policy.

Interbank rates, which are the rates of interest charged between banks on short-term loans, generally indicate the risk appetite in financial markets. The overnight rate remained stable throughout the first seven months of 2019, registering at -0.37 per cent as at end of July 2019. Both short-term and longer-term interbank rates have maintained their low levels throughout the first seven months of 2019, while the one-month, three-month, six-month and one-year rates edged further downwards in June and July 2019. The three-month rates reached -0.36 per cent at the end of July, which is 0.04 percentage points less than July 2018. One-year rates reported a decrease of 10 basis points in July 2019 when compared to the same month a year earlier, standing at -0.28 per cent at the end of July 2019.

The interest rates of EA interbank money markets have a bearing on Maltese Treasury Bills, as they represent an alternative portfolio investment opportunity for local investors. During the first eight months of 2019, the Maltese Government issued €705.9 million worth of Treasury Bills in the primary market. This level is €9.7 million lower

than the level of Treasury Bills that were issued during the same period in 2018. Yields in the primary market for Malta Treasury Bills did not experience significant fluctuations during 2018, while secondary market yields have all experienced an overall decline. During the first seven months of 2019, yields in the primary market continued to remain stable while those in the secondary markets reported overall decreases, except for February 2019. As at July 2019, the yield on three-month bills in the primary market stood at a negative rate of 0.36 per cent, compared to a negative rate of 0.35 per cent in the same month a year earlier. Meanwhile, while during the same period, the primary market yield on one-year bills stood at -0.33 per cent, compared to a yield of -0.29 reported in August 2018.

There were no trades executed in Treasury Bills for the period starting January to August 2019 and the comparable period of 2018.

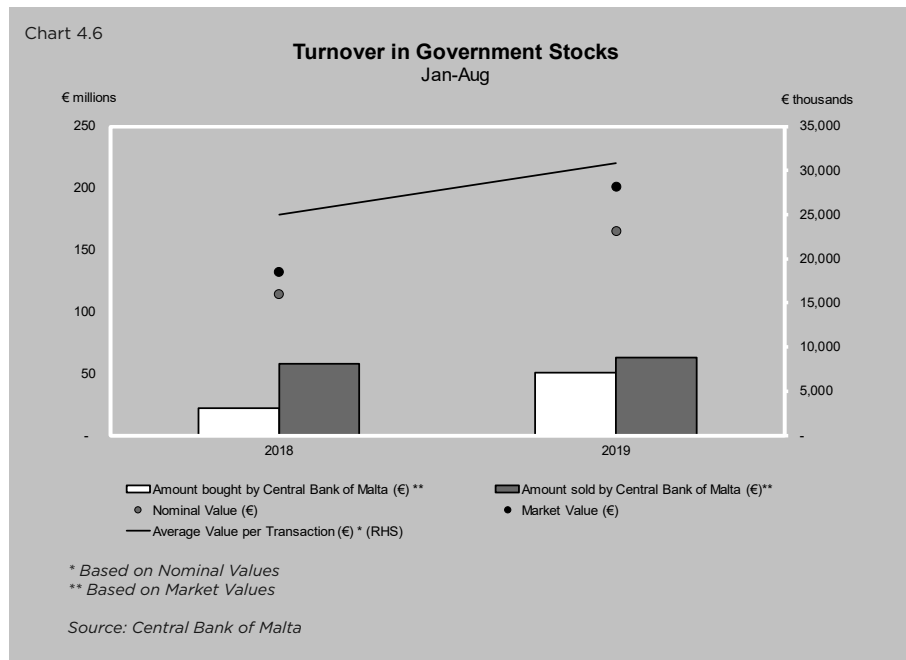
4.5 The Capital Market

During January-August 2019, the Maltese Government issued €180.0 million worth of stocks on the primary market, with redeemed stocks totalling up to €175.9 million.

Newly-issued corporate bonds increased from €67.0 million as at August 2018 to €238.0 million as at August of this year. Redemption of corporate bonds registered at €90.0 million, that is, an increase of €34.6 million for the period ending August 2019 when compared to the same period a year earlier. No deductions were recorded as at August 2019; this was analogous to the developments reported in the same period of 2018. Moreover, there were a total of €20.1 million worth of rollovers between January and August 2019, as opposed to the first eight months of 2018 where no rollovers had been recorded.

Chart 4.6 depicts secondary market trading activities related to Government stocks. During January to August 2019, trading activity rose from the same period of 2018. In fact, during the period under review, there was an increase of turnover levels of 51.7 per cent, reaching €201.0 million. During January to August 2019, the number of deals increased to 5,374 in comparison to 4,571 for the same period of 2018, reflecting an increase of 17.6 per cent. Trading was mainly concerned

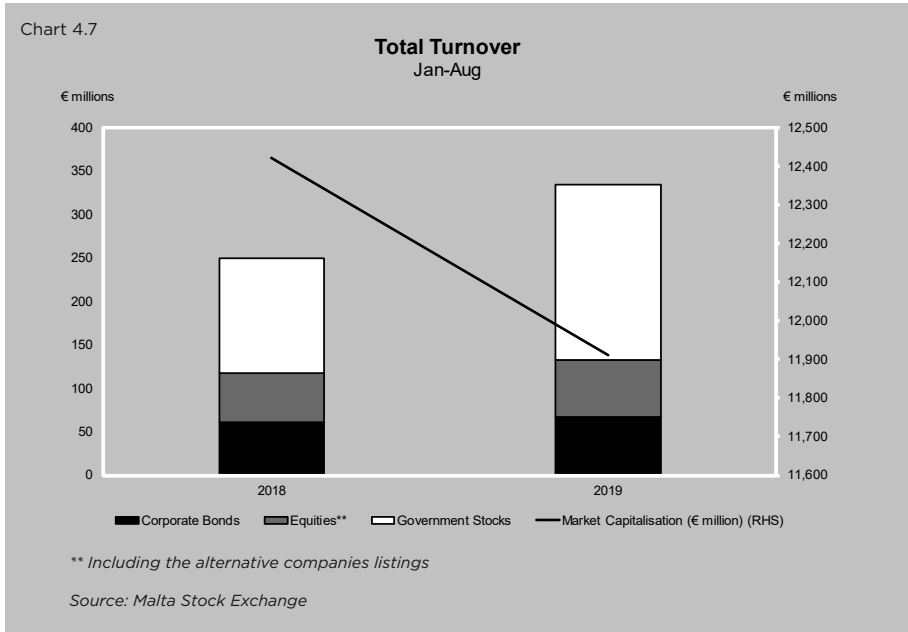
Chart 4.6



in two issues during the first eight months of 2019, namely: 2.1 per cent MGS 2039 and 3.0 per cent MGS 2040, which respectively registered 1,254 and 527 deals. The Central Bank of Malta (CBM) transacted a total value of €113.2 million in the local Government bond market during the first eight months of 2019.

Secondary market indicators relative to the capital market are shown in Chart 4.7. During the period January to August 2019, there was an increase in the aggregate turnover for equities, the latter reaching €66.5 million when compared to a level of €57.0 million registered in the same period of 2018. During the first eight months of 2019, the Bank of Valletta and BMIT Technologies plc share issues registered the largest level of trading activity standing at 2,003 and 780 deals, respectively.

As at end of August 2019, the Malta Stock Exchange Share Index rose to 9,769.8 when compared to 8,513.4 registered in the same period of the previous year, thus representing an increase of 14.8 per cent. Market capitalisation in the equity market increased from €4,180.2 million in August 2018 to €4,807.4 million in August 2019.



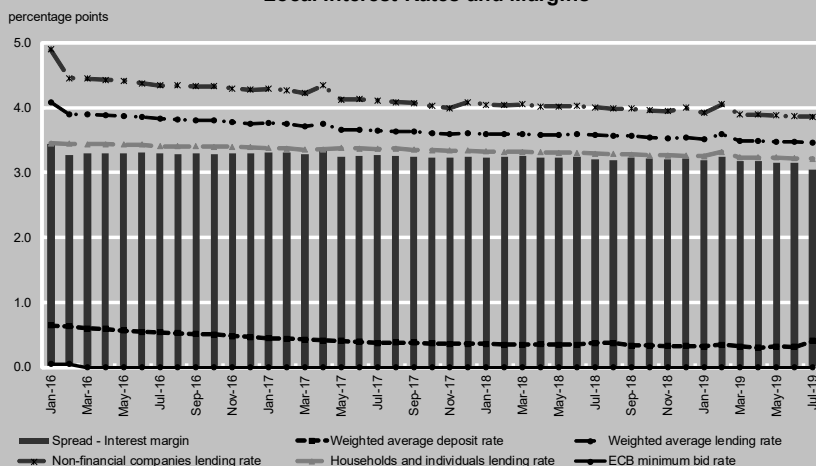
By the end of August 2019, there was an increase in total market capitalisation of €1,263.9 million reaching €13,097.2 million, when compared to €11,833.3 million recorded in the same period a year earlier. This increase was underpinned mainly by increases in the market capitalisation for equities, MGSs and corporate bonds, whilst there was a decrease in the Treasury Bills market capitalisation.

4.6 Deposit and Lending Rates

Chart 4.8 outlines the developments in deposits and lending rates, in conjunction with the interest margin between their weighted averages, as well as the ECB minimum bid rate. Throughout the first seven months of 2019, the weighted average deposit rate remained relatively stable at around 0.32 per cent, with the exception of a noticeable increase in the last month to 0.41 per cent. In addition, the weighted average lending rate hovered around the 3.50 per cent mark. The overall spread between weighted average deposit and lending rates followed a generally downward path throughout the first seven months of 2019, reaching 3.05 per cent as at end July 2019. The 'households

Chart 4.8

Local Interest Rates and Margins



Source: Central Bank of Malta

and individual' and 'non-financial companies' lending rates declined only marginally by 0.08 and 0.15 percentage points respectively by the end of July 2019 when compared to the rate registered in the same period ending July 2018. Throughout the period under review, the ECB minimum bid rate remained unchanged at its zero rate.

Footnotes:

¹ Figures show the contribution of Maltese monetary financial institutions (MFIs) to the Euro Area (EA) totals, and include deposit liabilities to both residents of Malta and other EA residents.

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

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

⁴ 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.

⁵ Overnight deposits are deposits withdrawable on demand and exclude interbank deposits and deposits held by central Government.

⁶ This does not represent holdings of M3 by residents of Malta but rather the contribution of MFIs in Malta to the EA aggregate.

⁷ Credit includes, besides lending, claims in the form of debt securities and shares and other equity.

⁸ Includes net interbank claims/liabilities within the MFI sector. These counterparts make a negative contribution to M3.

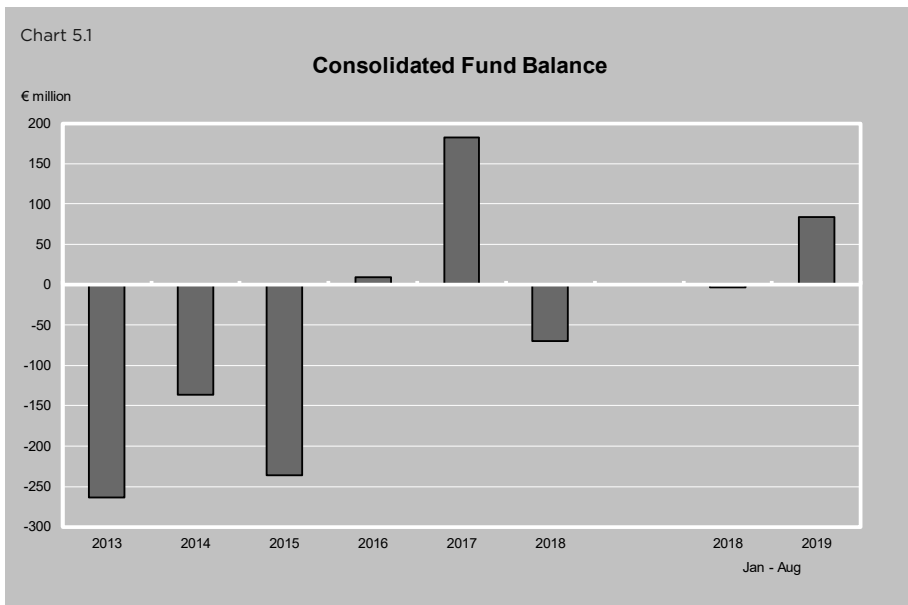
5. Public Finances

5. Public Finances

The general Government recorded a surplus of €235.6 million or 1.9 per cent of Gross Domestic Product (GDP) in 2018. In order to achieve compliance with the provisions of the European System of Accounts (ESA 2010), adjustments are carried out to the Consolidated Fund data to include Extra Budgetary Units' (EBUs) and local Government accounts, and actual spending and revenue flows on an accrual basis. On a cash basis, in 2018, the central Government's Consolidated Fund registered a deficit of €70.2 million. Chart 5.1 presents the developments in the Consolidated Fund balance over recent years. The debt ratio maintained its declining trend, reaching 45.8 per cent of GDP in 2018.

5.1 Consolidated Fund Developments

Unless otherwise stated, the analysis in this section is based on Government finance data as classified in the statement of the Consolidated Fund, where such data is defined on a cash basis rather than on an accruals system. These data must be interpreted with caution since developments in Government's net financial position may not fully reflect actual spending and revenue flows on an accrual basis.



During the eight months to August 2019, recurrent revenue increased by €446.1 million, whereas total expenditure increased by €359.0 million. Consequently, the Government's Consolidated Fund balance increased by €87.1 million to a surplus of €83.9 million. Meanwhile, the public sector borrowing requirement decreased from €283.3 million to €122.7 million reflecting developments in the sinking fund contribution and direct loan repayments. Table 5.1 presents developments in Government revenue and expenditure on a cash basis for the first eight months of the period 2016-2019.

Government Revenue and Expenditure				
(January-August)				
Table 5.1	€ million			
	2016	2017	2018	2019
Recurrent Revenue	2,322.6	2,583.8	2,744.1	3,190.2
Tax Revenue	2,119.0	2,299.7	2,516.9	2,846.3
Direct Tax Revenue	1,263.3	1,364.0	1,500.1	1,713.9
Indirect Tax Revenue	855.7	935.7	1,016.8	1,132.3
Non-Tax Revenue	203.7	284.1	227.3	343.9
Total Expenditure	2,401.8	2,552.7	2,747.2	3,106.3
Recurrent Expenditure	2,063.7	2,221.6	2,395.3	2,666.8
Interest on Public Debt	149.8	144.4	139.1	126.5
Capital Expenditure	188.3	186.7	212.8	313.0
Balance of recurrent revenue and total expenditure	-79.1	31.1	-3.1	83.9
Financed by:				
Receipts from sale of shares	1.1	0.9	0.9	0.9
Sinking Funds of Converted Loans	0.0	0.0	0.0	0.0
Sinking Fund Contribution and Direct Loan Repayments	-305.2	-90.2	-218.1	-197.3
Equity Acquisition	-12.5	-2.1	-63.0	-10.3
Repayment of Loan made by Government	12.0	0.0	0.0	0.0
Public Sector Borrowing Requirement	-383.7	-60.3	-283.3	-122.8
Local Loans	438.7	257.8	93.5	279.7

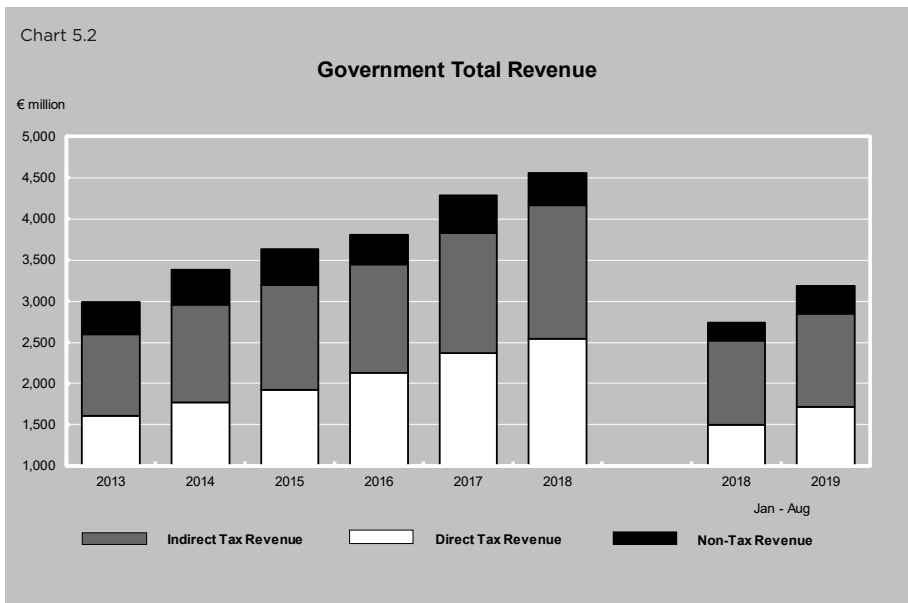
Source: National Statistics Office

5.1.1 Recurrent Revenue

During the first eight months of 2019, recurrent revenue increased by 16.3 per cent, mainly resulting from higher tax revenues. Developments in the components of Government revenue for the first eight months between 2016 and 2019 are presented in Appendix Table 5.1. Furthermore, Chart 5.2 illustrates recent trends in the components of Government revenue.

The share of Government revenue from taxes reached 89.2 per cent of total recurrent revenue during the first eight months of 2019. Tax revenue increased by 13.1 per cent, reaching €2,846.3 million during the period under review, mainly underpinned by developments in direct tax revenues, which increased by €213.8 million, while revenue from indirect taxes increased by €115.6 million and non-tax revenues increased by €116.6 million.

During the period January to August 2019, proceeds from income tax increased by 16.3 per cent while social security contributions were 11.0 per cent higher. Developments in direct tax revenue reflect the sustained economic growth path followed over recent years as well



as enhanced efficiency in revenue collection. Economic growth was particularly influenced by tax-rich components, in particular, corporate profits, a strong labour market performance and increased tourism earnings. Meanwhile, higher social security contributions also reflect the positive effect of various Government initiatives in the labour market, namely measures encouraging female participation in the labour market and reforms in social security including the taper of benefits and making work pay which allowed for claimants to move from dependency on social benefits to join the labour market.

During the eight months to August 2019, revenue from indirect taxes increased by 11.4 per cent, reflecting higher revenue registered in all the three components making up indirect tax revenue. Revenue from Value Added Tax (VAT) increased by €98.5 million, supported by increases in tourism spending and household consumption. Meanwhile, revenue from Customs and Excise Duties and Licences, Taxes and Fines increased by €9.3 million and €7.8 million, respectively. Higher revenue from customs and excise duties largely reflects higher proceeds from petroleum, cement, tobacco and machine-made cigarettes. Furthermore, higher receipts from licences, taxes and fines mainly reflect higher proceeds from gaming taxes and annual circulation licence fees.

Non-tax revenue mainly comprises grants, fees of office, the transfer of profits generated by the Central Bank of Malta (CBM) and reimbursements. During the eight months to August 2019, non-tax revenue increased by €116.6 million mainly reflecting higher revenue amounting to €117.6 million from European Union (EU) grants and mirroring payments on behalf of the EU with respect to projects co-financed within the 2014-2020 financial framework. Miscellaneous receipts increased by €11.8 million confirming higher premium receivable from the sale of Malta Government Stocks. Revenue from rents was €5.7 million higher, largely reflecting increased revenue from rents of commercial tenements. Meanwhile, revenue from dividends from investments declined by €11.9 million, being mainly underpinned by lower revenue from dividends from public limited companies and to a lesser extent, by lower receipts from the Identity Malta Agency. Furthermore, revenue from the transfer of profits generated by the

CBM declined by €8.0 million. These developments are within the trajectory estimated for 2019.

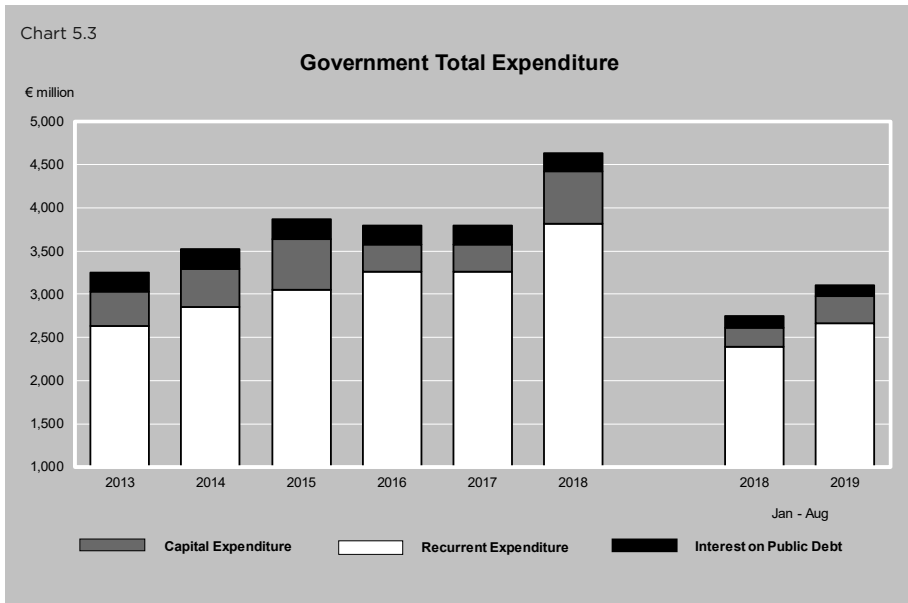
5.1.2 Expenditure

Total Government expenditure increased by 13.1 per cent during the eight months to August 2019, as recurrent expenditure increased by €271.4 million and capital expenditure increased by €100.2 million. Interest on public debt declined by €12.6 million. Chart 5.3 presents the recent trend in the Government expenditure disaggregated by components.

Recurrent Expenditure

Recurrent expenditure is classified under four categories, that include, Personal Emoluments, Operational and Maintenance Expenditure, Programmes and Initiatives and Contributions to Government Entities. Of the increase in recurrent expenditure, 60.2 per cent was attributable to the increases in the Programmes and Initiatives component.

The Programmes and Initiatives component refers to expenditure that includes 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 this year, expenditure on Programmes and Initiatives increased by €163.3 million, mainly reflecting a higher contribution to the EU budget on account of seasonal differences in the timing of when payments fall due in 2019 compared to 2018, as well as due to an increase in Malta's 2019 forecast Gross National Income (GNI). Higher outlays were also recorded towards the State Contribution (which also features as revenue) and on social security benefits, in particular, retirement and widows' pensions. It is noteworthy that higher outlays towards social security benefits also reflect seasonal conditions in the timing of payments. Higher expenditure in respect of the extension of the school transport network, a transfer of €12.9 million to the Contingency Reserve Fund, as well as higher outlays towards urban landscaping and on medicines and surgical materials were registered.

Contributions towards Government Entities include the funding of Government entities, Parastatals, Corporations and Authorities. Outlays in this expenditure category amounted to €319.8 million for the period January to August 2019, recording a €48.1 million increase over the level recorded during the same period last year.

Personal Emoluments include 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. During the eight months to August 2019, this category of expenditure increased by €44.0 million and stood at €585.2 million, mainly underpinned by higher outlays directed towards the health, education and national security.

Operational and Maintenance expenditure, which includes payments for utilities, contractual services, materials and supplies, transport and rent, increased by €16.0 million to €136.7 million during the first eight months of 2019.

Developments in Government's recurrent expenditure on a cost centre basis for the January to August 2019 period are presented in Appendix Table 5.2. The nomenclature of Ministries and the cost centres referred in this Chapter reflect the allocation of portfolios and assignment of responsibility for Government Departments and Government Entities. Thus, a direct comparison with data of past years is not always possible.

Social Security Benefits comprised 25.1 per cent of Government recurrent expenditure during the first eight months of 2019, remaining the major component of Government's total recurrent expenditure. Contributory benefits make up 82 per cent of social security benefits that include retirement pensions, while the remaining 18 per cent consist of non-contributory benefits, mainly social assistance, old age pensions and children's allowance. Welfare payments reached €669.0 million during the eight months to August 2019. Contributory benefits increased by €21.6 million, largely reflecting higher outlays towards retirement pensions. Meanwhile, non-contributory benefits declined marginally to €119.7 million.

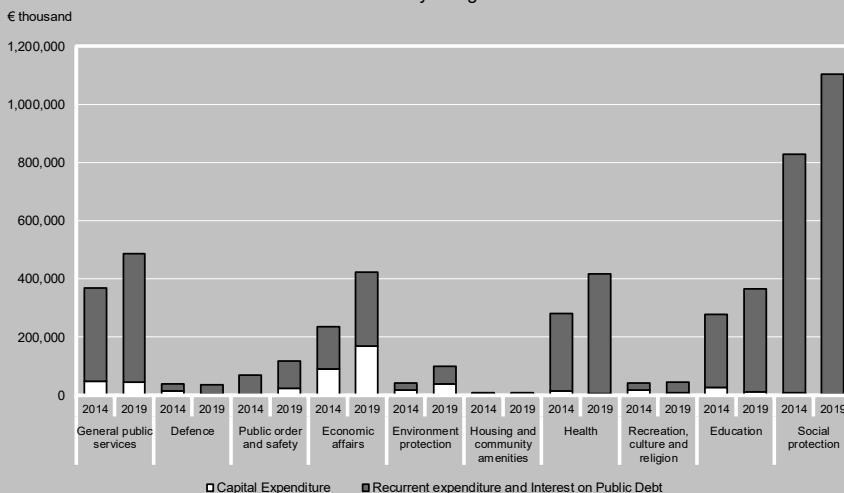
Analysis of Recurrent Expenditure by Functional Classification

The structure of recurrent expenditure can be classified by the main socio-economic functions of Government (according to the Classification of the Functions of Government – COFOG). The different economic functions are the general public service; defence, public order and safety; economic affairs; environment protection; housing and community amenities; health; recreation; culture and religion; education and social protection. Developments in the main components of Government expenditure for the main COFOG categories are presented in Chart 5.4 and Appendix Table 5.3.

Over the medium-term, the main expenditure categories have remained largely unchanged in terms of significance. Nevertheless, in spite of higher nominal expenditure, the share of recurrent expenditure paid out on social protection declined by 2.7 percentage points to 39.4 per cent during the eight months to August 2019, when compared to the same period in 2014. A drop of 0.7 percentage points is also noted in the share of expenditure towards general public services (including interest on public debt). Meanwhile, the share of recurrent expenditure

Chart 5.4

Expenditure by Functional Classification
January - August



spent on economic affairs and health increased by 1.7 percentage points and 1.1 percentage points respectively in January to August 2019, compared to 2014. Furthermore, the share of recurrent expenditure on environment protection accounted for 2.2 per cent of recurrent expenditure when compared to 1.2 per cent recorded in 2014.

Recurrent expenditure has increased by €271.4 million when comparing the first eight months of 2019 with the same period in 2018, reflecting higher outlays directed towards most expenditure categories. The most significant expenditure increases were directed towards the general public service (+€81.6 million), social protection (+€57.2 million), health (+€42.2 million), economic affairs (+€26.3 million), education (+€25.9 million) and environment protection (+€23.5 million).

Capital Expenditure

During the eight months to August 2019, capital expenditure increased by €100.2 million, comprising 10.1 per cent of total Government expenditure. According to the latest available expenditure data by economic function, during the January to August 2019 period, around 54 per cent of capital outlays were directed to the economic affairs

category, followed by around 15 per cent of capital outlays directed towards the general public services category. Meanwhile, education, health, recreation, culture and religion, public order and safety and environment protection, in aggregate accounted for around 29 per cent of total capital expenditure.

During the period under review, higher capital outlays were mainly recorded by the economic affairs (+€49.0 million) and environment protection (+€29.1 million) sectors. Other less pronounced developments were registered in the general public services (+€15.0 million), public order and safety (+€12.8 million) and defence (+€2.2 million) categories. These developments were in part offset by declines recorded in the health (-€5.9 million) and recreation, culture and religion (-€1.5 million) categories.

Total capital expenditure during the January to August 2019 period totalled €313.0 million and is mainly financed from local funds. Developments in total capital expenditure are underpinned by trends in the nationally funded capital programme (excluding investment and equity acquisitions), which increased by €44.4 million, to €206.8 million during the period under review. Meanwhile, foreign funding increased by €42.9 million, to €80.4 million, while the Malta local co-financing, ineligible costs, funding gap and sponsorship component increased by €13.0 million to €25.8 million.

5.2 Main Budgetary Developments

The Quarterly Accounts of general Government published by the National Statistics Office (NSO) depict the Government's fiscal position using the updated ESA 2010 methodology. Under this system, mandatory for all 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 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.

In 2018, Malta reported headline and structural budget surpluses, in line with the provisions of the Stability and Growth Pact. In 2018, the general Government surplus stood at 1.9 per cent of GDP, exceeding the surplus target of 0.5 per cent of GDP planned in 2018 Budget, which was then subsequently revised to 1.1 per cent of GDP in the 2018 Update of the Stability Programme.

Medium-term targets consistent with both EU and national legally bound requirements (i.e. the Stability and Growth Pact as well as the Fiscal Responsibility Act) are determined on the basis of the structural budget balance. This is the budget balance net of the effects of one-off and other temporary measures and also net of the estimated cyclical components of the budget. The structural balance reached a surplus of 1.5 per cent of GDP in 2018, well above the medium-term objective of a balanced budgetary position in structural terms.

During 2018, the general Government revenue-to-GDP stood at 38.7 per cent of GDP. The strong developments in the property market and record labour market performance supported strong domestic demand conditions, resulting in an increase in revenue from taxes on production and imports mainly due to the positive developments in VAT and taxes on financial and capital transactions. During 2018, lower net revenue was transferred from income tax as a more efficient and expedient administrative process of refunds reduced the amount of funds transferred to central Government despite the increase in gross receipts, thus rendering the results not directly comparable to 2017.

In 2018, the ratio of general Government expenditure to GDP increased by 0.9 percentage points to 36.7 per cent. The increase in the expenditure to GDP ratio mainly resulted from higher capital expenditure, as gross fixed capital formation and capital transfers increased by 1.2 percentage points of GDP. Higher capital expenditure was directed to roads, the waste management, health and education and included higher infrastructure expenditure financed from both the EU and local funds. In addition, intermediate consumption increased by 0.1 percentage point of GDP, reflecting increased outlays by EBUs,

as well as higher contributions to government entities operating in the energy, waste and financial sectors, and higher expenditure towards health and residential care related activities.

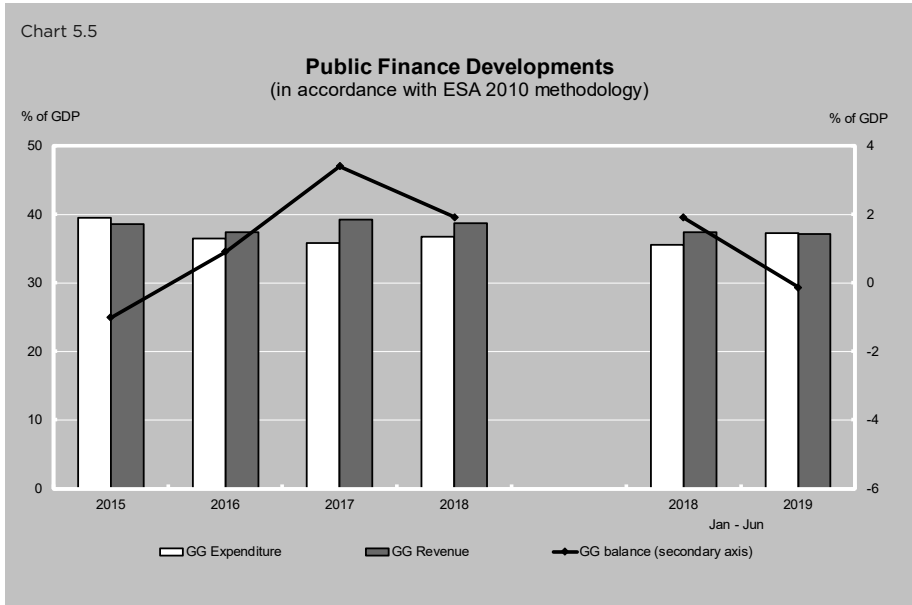
Conversely, the ratio of social payments declined by 0.4 percentage points due to various efforts conducted to improve the efficiency in public spending, namely, the spending reviews and other consolidation measures legislated in previous Budgets, particularly the tapering of social benefits and the further extension of the retirement age in 2018.

Against the background of the ensuing low interest rate environment and the Treasury's debt management strategy, expenditure on interest payments declined in both absolute and relative terms in 2018. Meanwhile, expenditure on subsidies and on compensation of employees as a share of GDP remained relatively unchanged in 2018. Developments in the latter reflect moderate increases in civil service salaries, as well as less buoyant than planned recruitment.

5.2.1 Budgetary Developments during the first half of 2019

The analysis in this section is based on general Government data in ESA 2010 for the first quarter of 2019. Since actual data for the second quarter of 2019 not fully available by the deadline date, provisional data is used for the second quarter. It is worth noting, that due to seasonal 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 is not symmetrical between the first half and the second half of the year. Seasonal patterns may also vary from one quarter 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. Chart 5.5 presents public finance developments in accordance with ESA2010 methodology over recent years.

The general Government balance is estimated to have recorded a deficit of €8.5 million during the first half of 2019.



During the first half of 2019, revenue is estimated to have increased by €144.6 million to €2,368.9 million, equivalent to 37.1 per cent of GDP, mainly on account of higher tax proceeds and capital transfers receivable. The positive developments in tax components is mainly attributed to the buoyant state of the economy, including labour market developments.

When compared to the first two quarters of 2018, during the first half of 2019 expenditure increased by €266.2 million to €2,377.4 million or 37.2 per cent of GDP. Expenditure increases were most pronounced for intermediate consumption, gross fixed capital formation, current transfers payable and social payments.

Government Revenue

(January-August)

Appendix Table 5.1

€ thousand

	2016	2017	2018	2019
Tax Revenue	2,118,960	2,299,698	2,516,865	2,846,290
Direct Tax Revenue	1,263,274	1,364,038	1,500,113	1,713,948
Income Tax	771,170	833,252	920,880	1,071,225
Social Security	492,105	530,786	579,232	642,723
Indirect Tax Revenue	855,685	935,660	1,016,753	1,132,341
Customs and Excise Duties	170,594	195,957	204,695	214,007
Licences, Taxes and Fines	210,493	221,952	254,329	262,101
Value Added Tax	474,598	517,751	557,729	656,233
Non-Tax Revenue	203,670	284,091	227,259	343,895
Fees of Office	32,997	66,566	52,607	53,629
Reimbursements	16,708	22,993	27,904	28,275
Rents	22,253	22,088	22,048	27,792
Dividends on Investments	12,441	19,125	23,333	11,385
Repayment of Government Loans and interest	73	34	32	71
Miscellaneous Receipts	24,158	22,839	22,254	34,056
Public Corporations	0	0	0	0
Central Bank of Malta	36,000	36,000	28,000	20,000
Grants	59,041	94,447	51,082	168,687
Recurrent Revenue	2,322,630	2,583,789	2,744,125	3,190,185
Extraordinary Receipts	1,131	889	91,889	889
Loans	438,669	257,770	93,527	279,713
Repayment of Loans made by Government	11,984	0	0	0
Total Revenue	2,774,413	2,842,448	2,929,540	3,470,786

Source: The Treasury, Ministry for Finance

Government Recurrent Expenditure

(January-August)

Appendix Table 5.2

€ thousand

	2016	2017	2018	2019
Office of the President	2,683	3,412	3,554	3,060
House of Representatives	2,826	2,855	3,798	7,250
Office of the Ombudsman	600	900	800	700
National Audit Office	2,160	2,363	2,565	2,610
Office of the Prime Minister	24,248	21,560	22,244	35,786
Information	676	616	681	705
Government Printing Press	825	864	877	989
Electoral Office	1,224	6,636	1,528	6,759
Public Service Commission	363	371	399	434
Ministry for Health	313,936	348,713	367,995	409,361
Ministry for the Economy, Investment and Small Businesses	21,135	12,438	13,266	12,558
Commerce	1,115	981	898	871
Ministry for Education and Employment	170,956	168,687	187,462	187,717
Education	137,783	146,070	160,318	183,146
Ministry for Energy and Water Management	0	0	55,981	64,684
Ministry for European Affairs and Equality	16,232	34,650	12,037	12,567
Industrial and Employment Relations	960	986	836	984
Ministry for Finance	67,116	87,372	84,633	135,726
Economic Policy	745	865	1,084	1,036
Treasury	4,095	5,355	16,913	17,191
Commissioner for Revenue	0	0	0	12,201
Customs	6,855	6,322	6,982	7,791
Contracts	987	920	1,001	1,056
Ministry for Tourism	44,275	42,776	57,567	79,325
Ministry for Home Affairs and National Security	8,876	8,919	9,360	16,055
Armed Forces of Malta	27,145	29,514	30,146	31,611
Police	35,357	36,749	39,747	47,938
Correctional Services	6,755	7,312	8,511	9,933
Probation and Parole	647	677	718	777
Civil Protection	3,467	3,356	3,571	4,331

Government Recurrent Expenditure

(January-August)

Appendix Table 5.2 continued

€ thousand

	2016	2017	2018	2019
Ministry for Justice, Culture and Local Government	24,753	26,180	45,669	48,941
Judicial	8,591	9,347	11,586	13,519
Local Government	27,405	29,918	30,974	33,543
Ministry for the Environment, Sustainable Development and Climate Change	31,654	40,356	51,406	53,634
Ambjent Malta	0	0	0	16,276
Ministry for Foreign Affairs and Trade Promotion	15,013	16,438	17,615	18,475
Ministry for Transport, Infrastructure and Capital Projects	60,801	59,952	60,309	63,719
Ministry for Gozo	18,186	19,616	22,765	25,748
Ministry for the Family, Children's Rights and Social Solidarity	40,798	51,249	56,834	61,636
Social Policy	151,893	163,030	183,169	204,407
Social Security Benefits	591,399	625,949	647,696	669,049
Pensions	64,814	69,917	80,151	67,920
Elderly and Community Care	60,998	67,266	78,635	94,393
Commissioner for Standards in Public Life	0	0	0	350
[Inland Revenue]	5,269	5,352	5,831	0
[V.A.T.]	4,149	4,853	6,419	0
[Social Welfare Standards]	678	691	804	0
[Government Property Division]	4,516	0	0	0
[Ministry for Energy and Health]	41,819	0	0	0
[Energy and Projects]	0	31,006	0	0
[Ministry for Competitiveness and Digital, Maritime and Service Economy]	0	9,715	0	0
[Ministry for Social Dialogue, Consumer Affairs and Civil Liberties]	6,917	8,497	0	0
Recurrent Expenditure	2,063,693	2,221,572	2,395,336	2,666,762

Note: [] denotes change in name of cost centres

Source: The Treasury, Ministry for Finance

Government Expenditure by COFOG category
(January-August)

Appendix Table 5.3

€ thousand

COFOG	Personal Emoluments			Operational and Maintenance Expenses			Programmes and Initiatives			Contributions to Government Entities		
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
General public services	52,245	60,367	65,468	18,132	22,352	32,352	155,943	136,273	189,193	5,987	13,645	27,207
Defence	25,351	26,821	27,111	3,909	3,145	4,134	397	347	582	130	150	121
Public order and safety	55,924	61,400	70,921	6,966	7,576	11,599	2,650	3,834	4,804	5,541	5,779	6,506
Economic affairs	45,954	41,851	40,320	7,398	6,338	7,921	77,924	99,221	100,537	65,776	79,898	104,801
Environment protection	642	0	3,152	206	243	187	15,704	19,391	39,985	12,662	18,615	18,453
Housing and community amenities	437	962	876	52	218	402	2,039	4,757	4,705	7,488	5,629	2,977
Health	152,680	164,730	181,087	36,361	39,023	39,555	125,847	130,925	153,964	35,066	35,299	37,525
Recreation, culture and religion	4,393	4,515	4,653	659	924	1,284	5,633	7,302	7,703	15,550	21,623	21,365
Education	131,861	146,304	155,442	16,525	17,049	10,482	78,259	98,407	119,800	70,631	65,890	67,862
Social protection	32,221	34,256	36,194	20,355	23,809	28,801	903,472	961,268	1,003,708	22,603	25,201	33,024
Total	501,708	541,206	585,225	110,563	120,676	136,717	1,367,869	1,461,724	1,624,981	241,432	271,730	319,840
	Interest Expenditure			Capital Expenditure			Total expenditure					
	2017	2018	2019	2017	2018	2019	2017	2018	2019			
General public services	144,439	139,124	126,487	14,723	31,310	46,297	391,470	403,071	487,004			
Defence	0	0	0	3,219	756	2,988	33,006	31,219	34,936			
Public order and safety	0	0	0	18,085	10,806	23,561	89,165	89,394	117,390			
Economic affairs	0	0	0	99,814	121,466	170,493	296,866	348,794	424,073			
Environment protection	0	0	0	7,125	9,779	38,861	36,339	48,028	100,638			
Housing and community amenities	0	0	0	1,581	440	124	11,597	12,007	9,084			
Health	0	0	0	7,060	11,876	5,931	357,014	381,853	418,061			
Recreation, culture and religion	0	0	0	12,674	10,690	9,171	38,909	45,054	44,176			
Education	0	0	0	19,763	13,126	13,171	317,038	340,775	366,756			
Social protection	0	0	0	2,629	2,516	2,408	981,280	1,047,049	1,104,135			
Total	144,439	139,124	126,487	186,674	212,784	315,003	2,552,685	2,747,244	3,106,253			

Statistical Annex

Population

Table I

	2011	2012	2013	2014	2015	2016	2017	2018
Total Population (000's)	417,546	422,509	429,424	439,691	450,415	460,297	475,701	493,559
Males (000's)	207,695	210,383	214,533	220,488	226,396	231,663	240,599	251,836
Females (000's)	209,851	212,126	214,891	219,203	224,019	228,634	235,102	241,723
% Increase per annum	0.6%	1.2%	1.6%	2.4%	2.4%	2.2%	3.3%	3.8%
Natural Increase per annum	898	712	796	921	883	1,134	748	756
Crude Birth Rate (per 1,000 population)	10.0	9.8	9.5	9.6	9.7	9.8	9.2	9.2
Crude Mortality Rate (per 1,000 population)	7.8	8.1	7.6	7.5	7.7	7.3	7.6	7.6
Crude Marriage Rate (per 1,000 population) ¹	6.2	6.7	6.1	6.6	6.7	6.7	6.3	5.8
Infant Mortality Rate (per 1,000 births)	6.5	5.3	6.7	5.0	5.8	7.4	6.7	5.6
Life Expectancy (at birth)	80.9	80.9	81.9	82.1	82.0	82.6	82.4	82.5
Males	78.7	78.6	79.6	79.9	79.8	80.6	80.2	80.4
Females	83.0	83.1	84.0	84.3	84.1	84.4	84.6	84.6
Life Expectancy (at age 65)	19.4	19.4	20.1	20.3	20.3	21.0	20.7	20.8
Males	17.7	17.6	18.4	18.7	18.8	19.7	19.0	19.2
Females	21.0	21.0	21.5	21.7	21.6	22.1	22.2	22.3

¹The numerator corresponds to marriages registered in Malta and occurring in the reference year.

Source: National Statistics Office

Table II

Social Indicators

	2011	2012	2013	2014	2015	2016	2017	2018
GDP at current market prices per capita (€)	16,412	17,064	17,944	19,565	21,686	22,706	24,126	25,564
Quality of Life								
Motor Vehicle Licences per 1,000 population ¹	747.1	744.4	752.1	762.5	770.2	779.8	782.1	780.7
Internet Subscriptions per 1,000 population*	308.2	321.3	333.0	344.7	362.3	372.1	381.2	388.7
Mobile Phone Subscriptions per 1,000 population*	1249.6	1259.7	1286.3	1242.3	1237.9	1271.9	1271.3	1247.8
Fixed Telephone Lines per 1,000 population*	556.1	543.8	538.7	523.9	511.1	509.2	505.1	517.5
Education								
Number of teachers (000)	8.6	8.0	7.8	8.0	8.2	8.7	8.8	9.1
Number of pupils/students (000)	79.0	78.6	78.5	78.5	79.6	80.4	80.3	82.3
of which:								
University students (All Courses)	10,188	10,533	10,873	10,957	11,115	11,062	11,092	11,014
Electricity²								
Total Generated (000 MWh) ³	2,169.0	2,268.0	2,216.0	2,170.0	2,257	2,248	2,369	2,395
Number of Consumers (000)	265.7	272.2	277.6	283.9	289.5	295.0	314.5	319.9
Domestic Consumption (million kwh)	597.2	616.0	608.8	604.3	644.1	641.8	692.1	803.2
Water								
Total annual production (million m ³)	29.6	30.8	30.5	30.4	31.2	32.0	33.1	33.5
Average daily consumption (000 m ³)	69	72	73	73	76	77	79.9	81.3
Social Security								
Total Payments (€ million)	1,106.7	1,190.3	1,264.0	1,352.9	1,411.6	1,502.4	1,607.0	1,687.4
Total Contributions (€ million)	585.6	609.7	645.3	699.2	739.6	804.4	875.1	967.8
Welfare Gap (€ million)	521.1	580.6	618.7	653.7	672.0	698.0	731.9	719.5

¹ Amount of motor vehicles irrespective of whether they are commercial or not.

² Refer to Financial Year.

³ Electricity generation from power plants and the interconnector.

Source: National Statistics Office

⁰ Source: Malta Communications Authority

Factor Incomes in Gross National Income

	2011	2012	2013	2014	2015	2016	2017	2018	2013 Jan-Jun	2014 Jan-Jun	2015 Jan-Jun	2016 Jan-Jun	2017 Jan-Jun	2018 Jan-Jun	2019 Jan-Jun
Compensation of employees	3,035.8	3,207.6	3,415.2	3,666.4	4,026.6	4,313.5	4,633.4	4,979.0	1,690.3	1,805.6	1,983.5	2,129.3	2,278.9	2,463.4	2,603.1
Gross operating surplus and mixed income	2,926.9	3,095.4	3,324.6	3,841.9	4,562.3	4,885.9	5,391.9	5,943.0	1,603.0	1,843.6	2,178.8	2,350.3	2,617.6	2,842.9	3,112.3
Taxes on production and imports	934.4	957.4	1,001.1	1,121.6	1,204.0	1,284.5	1,423.8	1,593.9	441.4	505.2	550.3	595.1	657.8	724.1	773.4
Subsidies	65.1	92.3	95.6	121.6	134.9	137.3	146.3	192.0	42.2	62.5	62.5	64.3	69.4	83.6	105.6
Gross Domestic Product at market prices	6,832.0	7,168.0	7,645.3	8,508.3	9,657.9	10,346.5	11,302.8	12,323.8	3,692.5	4,092.0	4,650.1	5,010.3	5,484.9	5,946.9	6,383.2
Net income from Abroad	-221.7	-291.1	-334.5	-329.8	-511.9	-863.8	-923.5	-968.9	-212.8	-158.2	-272.9	-421.4	-423.6	-450.5	-535.8
Gross National Income at market prices	6,610.3	6,877.0	7,310.8	8,178.5	9,146.0	9,482.8	10,379.3	11,354.9	3,479.6	3,933.8	4,377.1	4,588.9	5,061.4	5,496.3	5,847.4
Sectoral Percentage Contribution to Gross Value Added (at basic prices)															
Agriculture, hunting and forestry ¹	1.6	1.5	1.4	1.3	1.2	1.4	0.9	1.0	1.3	1.1	1.1	1.1	1.0	0.9	0.9
Industry ²	19.3	17.4	17.0	15.5	13.9	13.4	13.6	13.7	17.7	16.1	14.5	14.0	13.8	13.7	13.5
Services Activities	79.1	81.1	81.7	83.2	84.9	85.2	85.5	85.3	81.0	82.7	84.4	84.9	85.2	85.3	85.6

¹Includes fishing and operation of fish hatcheries and fish farms.

²Includes energy and construction.

Source: National Statistics Office

Gross National Income and Expenditure

Table IV € million

	2012	2013	2014	2015	2016	2017	2018	2016	2017	2018	2019
								Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun
GNI at current market prices	6,877.0	7,310.8	8,178.5	9,146.0	9,482.8	10,379.3	11,354.9	4,588.9	5,061.4	5,496.3	5,847.4
% annual increase of GNI	8.8%	6.3%	11.9%	11.8%	3.7%	9.5%	9.4%	4.8%	10.3%	8.6%	6.4%
GDP at current market prices	7,168.0	7,645.3	8,508.3	9,657.9	10,346.5	11,302.8	12,323.8	5,010.3	5,484.9	5,946.9	6,383.2
% annual increase of GDP	8.6%	6.7%	11.3%	13.5%	7.1%	9.2%	9.0%	7.7%	9.5%	8.4%	7.3%
GDP at constant prices	6,872.4	7,189.3	7,815.2	8,660.6	9,152.2	9,767.6	10,429.1	4,299.3	4,614.8	4,895.0	5,124.0
Total Final Consumption Expenditure											
current market prices	5,543.3	5,700.9	5,948.9	6,327.0	6,446.5	6,726.8	7,398.2	3,218.6	3,309.7	3,574.0	3,883.7
constant prices	5,312.3	5,387.0	5,576.4	5,834.4	5,891.2	6,074.4	6,600.4	2,938.2	2,991.5	3,197.9	3,421.8
Ratio (%) of consumption to GDP at m.p.	77.3%	74.6%	69.9%	65.5%	62.3%	59.5%	60.0%	64.2%	60.3%	60.1%	60.8%
General Government Final Consumption Expenditure											
current market prices	1,448.4	1,478.8	1,604.5	1,689.1	1,667.1	1,737.3	2,005.6	885.3	865.1	960.3	1,118.3
constant prices	1,405.2	1,399.9	1,491.9	1,547.2	1,501.4	1,538.7	1,732.9	798.2	770.5	834.4	948.9
Ratio (%) of Government consumption to GDP at m.p.	20.2%	19.3%	18.9%	17.5%	16.1%	15.4%	16.3%	17.7%	15.8%	16.1%	17.5%
Private Final Consumption Expenditure¹											
current market prices	4,094.8	4,222.1	4,344.4	4,637.9	4,779.4	4,989.5	5,392.6	2,333.2	2,444.6	2,613.7	2,765.5
constant prices	3,907.7	3,987.3	4,084.9	4,287.7	4,390.8	4,537.0	4,867.2	2,140.0	2,221.3	2,363.6	2,470.5
Ratio (%) of private consumption to GDP at m.p.	57.1%	55.2%	51.1%	48.0%	46.2%	44.1%	43.8%	46.6%	44.6%	44.0%	43.3%
Gross Fixed Capital Formation											
current market prices	1,297.5	1,333.6	1,468.0	2,397.7	2,445.1	2,318.2	2,338.5	1,210.4	1,085.3	1,058.6	1,244.3
constant prices	1,198.4	1,213.7	1,299.2	2,022.6	2,017.2	1,872.3	1,838.0	1,002.3	883.7	840.0	959.3
Ratio (%) fixed investment to GDP at m.p.	18.1%	17.4%	17.3%	24.8%	23.6%	20.5%	19.0%	24.2%	19.8%	17.8%	19.5%

¹Including NPISH final consumption expenditure.

Source: National Statistics Office

Labour

Table V

	2014	2015	2016	2017	2018	2017	2018	2019
						March	March	March
Labour Supply	170,731	177,399	184,758	195,710	207,163	191,426	203,562	215,750
Gainfully Occupied	163,760	172,104	181,192	193,210	205,316	188,777	201,608	213,878
Males	104,688	108,962	113,550	119,827	126,101	117,477	124,067	130,915
Females	59,072	63,142	67,642	73,383	79,215	71,300	77,541	83,063
Private Direct Production	31,910	32,579	33,201	34,106	33,445	33,724	35,085	36,614
of which:								
Construction	8,995	9,426	9,819	10,380	11,036	10,166	10,816	12,027
Manufacturing	20,380	20,556	20,716	21,026	21,634	20,851	21,515	21,713
Others	2,535	2,597	2,666	2,700	2,775	2,707	2,754	2,874
Private Market Services	87,885	95,266	103,344	113,160	122,648	109,575	119,635	129,664
of which:								
Wholesale and Retail (including Repair of Motor Vehicles, Motorcycles and Personal and Household Goods)	23,819	24,621	25,478	26,177	26,609	26,020	26,423	27,154
Accommodation and Food Services	10,396	10,760	11,404	12,438	13,560	11,939	13,163	14,356
Financial and Insurance Activities	7,379	7,787	8,194	8,938	9,801	8,672	9,524	10,314
Others	46,291	52,118	58,268	65,607	72,678	62,944	70,525	77,840
Public Sector	43,965	44,239	44,647	45,944	47,223	45,478	46,888	47,700
of which:								
Government Departments	32,279	33,029	33,099	33,575	34,070	33,413	33,930	34,241
Independent Statutory Bodies	9,062	9,346	9,717	10,524	11,094	10,285	11,025	11,282
Companies with Public Sector majority shareholding	2,624	1,864	1,831	1,845	2,059	1,780	1,933	2,177
of which Temporary Employment	505	429	417	417	417	417	417	417
Registered Unemployed*	6,971	5,295	3,566	2,500	1,847	2,649	1,954	1,772
Males	5,294	3,978	2,621	1,774	1,297	1,913	1,389	1,245
Females	1,677	1,317	945	726	550	736	565	527
Self Employed	18,615	19,522	20,263	21,261	22,477	20,976	22,052	23,671

Note: Employment data is subject to revision.

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

Data for 2014 - 2018 shows annual averages while data for 2017, 2018, 2019 shows data as at end March.

Source: JobsPlus

Tourism

Table VI

	2011	2012	2013	2014	2015	2016	2017	2018	2017 Jan-Jul	2018 Jan-Jul	2019 Jan-Jul
Inbound Tourists (000's)	1,415.0	1,443.4	1,582.2	1,689.8	1,783.4	1,965.9	2,273.8	2,586.7	1,241.2	1,451.5	1,512.4
of which from:											
United Kingdom	438.8	441.3	454.7	487.7	526.0	560.0	560.9	640.6	305.3	356.9	354.3
Italy	201.8	202.2	233.8	262.6	282.8	315.2	363.7	390.6	202.0	218.7	216.3
Germany	134.3	137.5	147.1	143.1	141.9	156.8	193.0	227.0	100.1	130.1	117.6
Libya	6.3	17.2	34.6	30.8	6.7	3.4	2.8	3.4	1.6 ^u	2.3 ^u	1.8 ^u
Scandinavian Countries*	93.8	97.4	105.1	108.6	117.4	124.0	135.3	128.3	73.2	74.6	68.7
Other	540.1	547.9	606.9	657.0	708.7	806.6	1,018.1	1,208.9	559.0	668.9	753.8
Cruise Passengers (000's)¹	483.2	555.7	424.6	465.4	591.7	615.2	658.2	623.4	266.2 ^z	250.6 ^z	339.0 ^z
Expenditure from Inbound Tourism (£ million)	1,221.3	1,326.5	1,440.4	1,528.6	1,639.1	1,709.0	1,946.9	2,101.8	1,009.5	1,120.8	1,168.5
Total Sector Employment in Hotels and Restaurants	9,841	10,022	10,103	10,396	10,760	11,404	12,438	13,560	11,835 ^z	13,008 ^z	14,267 ^z
% of Gainfully Occupied	6.6	6.6	6.4	6.3	6.3	6.3	6.4	6.6	6.3	6.5	6.7
Outbound Tourists (000's)	308.5	331.1	363.5	390.7	427.6	496.8	572.5	667.0	240.7 ^z	283.9 ^z	305.0 ^z
Days Stayed/Nights Spent (000's)	11,241.5	11,859.5	12,890.3	13,522.1	14,151.6	14,961.4	16,509.1	18,569.7	8,626.4	10,059.6	10,281.7
% of which spent in:											
5 star	15.3	13.6	12.6	11.6	10.2	9.8	9.4	8.3	10.1	8.8	8.1
4 star	33.0	31.8	31.3	31.5	30.3	29.7	28.4	26.4	29.4	28.0	26.6
3 star	12.9	13.2	14.4	17.4	16.6	14.4	13.9	13.3	14.7	14.0	12.6
2 star	1.1	0.9	0.7	1.3	1.4	1.4	1.4	1.3	1.5	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	0.1	0.1	0.0	0.1	0.0	0.0
Guest Houses	0.6	0.9	1.0	1.0	1.0	1.1	1.1	1.5	1.1	1.6	1.9
Flats/Private Residences	30.3	32.1	33.1	34.4	37.8	40.6	43.0	45.7	40.3	42.9	46.1
Tourist Village/Aparthotels/Holiday Complex/Camp Sites/Bed & Breakfast	6.8	7.6	6.9	2.7	2.6	2.9	2.8	3.4	2.8	3.5	3.2

* Under represented - between 20 and 49 sample observations.

^u Denmark, Finland, Norway and Sweden

¹ Excluding embarkations and Maltese cruise passengers.

^z Data for January-June.

^z Data shows average for January-March.

Source: National Statistics Office, JobsPlus

		Foreign Trade										€ million	
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2017	2018	2019
		Jan-Jul	Jan-Jul	Jan-Jul	Jan-Jul	Jan-Jul	Jan-Jul	Jan-Jul	Jan-Jul	Jan-Jul	Jan-Jul	Jan-Jul	Jan-Jul
Imports and Exports													
Imports (c.i.f.)		5,341.8	6,189.6	5,638.8	6,402.4	6,136.4	6,448.5	6,125.5	6,265.2		3,602.0	3,721.0	4,369.6
Consumer goods*		1,466.4	1,722.6	1,586.1	1,756.7	1,649.4	1,639.3	1,793.1	1,950.0		1,022.6	1,112.2	1,096.7
Industrial supplies*		2,989.5	3,656.5	3,185.1	3,335.0	2,745.0	2,528.0	2,652.9	2,916.6		1,548.7	1,653.6	1,677.3
Capital goods and others*		875.9	810.5	867.6	1,310.7	1,741.9	2,281.3	1,679.5	1,398.7		1,030.8	955.2	1,595.7
Total Exports (f.o.b.)		3,818.0	4,432.9	3,924.5	3,768.3	3,601.6	3,927.6	3,707.7	3,331.2		1,989.0	1,944.9	1,918.5
of which manufactures		3,744.6	4,328.9	3,809.0	3,657.4	3,468.6	3,755.2	3,521.0	3,169.2		1,960.4	1,889.8	1,858.7
Trade Gap		-1,523.8	-1,756.7	-1,714.3	-2,834.1	-2,534.8	-2,520.9	-2,417.8	-2,934.1		-1,613.0	-1,776.1	-2,451.1
as % of GDP at		-22.3%	-24.5%	-22.4%	-31.0%	-26.2%	-24.4%	-21.4%	-23.8%		-29.4%	-28.9%	-38.4%
current market prices													
Selected Groupings													
EU		3,372.5	4,089.8	3,285.0	3,230.8	3,660.6	3,206.2	3,303.4	4,119.0		1,901.6	2,448.6	2,918.2
Imports		1,305.3	1,298.8	1,253.9	1,138.4	1,124.1	1,231.1	1,427.0	1,499.9		841.6	880.6	962.1
Exports		363.0	373.1	310.0	391.1	419.3	349.4	405.7	511.9		256.6	317.5	1,129.7
United Kingdom		150.4	124.6	107.8	116.8	140.2	107.0	78.5	61.7		44.7	35.8	34.3
Italy		1,448.1	1,989.3	1,411.1	1,180.5	1,302.2	1,237.4	1,234.1	1,430.0		721.3	860.7	649.7
Imports		171.2	174.2	154.1	163.6	142.2	214.1	401.8	331.8		246.4	190.3	176.5
Exports		317.9	320.1	321.4	324.6	380.0	375.1	423.7	448.9		234.1	265.1	292.9
Germany		326.2	358.5	348.6	314.4	345.8	399.3	402.6	425.8		242.2	263.7	277.0
Imports		376.1	369.1	285.6	224.9	234.2	251.6	229.9	296.6		145.5	189.1	248.7
Exports		244.9	296.9	253.0	204.1	242.4	238.7	238.0	271.3		133.1	164.9	154.0
America		353.2	278.6	387.9	986.3	816.2	1,714.8	978.2	505.4		612.4	340.9	273.4
Imports		226.1	254.7	224.6	231.0	222.0	802.5	196.0	231.0		107.1	135.1	140.3
Exports		35.7	197.1	254.7	236.0	164.2	263.7	284.7	260.0		157.1	126.4	85.5
Africa		234.3	773.9	617.0	969.7	931.2	562.9	592.6	468.3		298.1	321.3	181.8
Imports		641.9	769.5	827.6	732.9	784.0	786.7	947.8	943.8		584.1	551.5	570.0
Exports		1,092.1	1,019.5	1,059.6	766.6	715.7	671.4	640.7	601.8		295.0	287.5	309.0

* Treated differently from other parts in the Survey

Source: National Statistics Office

Table VIII
Balance of Payments

	€ millions											
	2012	2013	2014	2015	2016	2017	2018	2017 Jan-Jun	2018 Jan-Jun	2019 Jan-Jun	2019 Jan-Jun	
Goods Balance¹												
Imports (f.o.b.)	-1,099.5	-1,134.3	-1,212.3	-1,977.0	-1,966.7	-1,493.9	-1,549.1	-720.8	-718.4	2,765.2	2,777.7	
Exports (f.o.b.)	4,303.5	3,970.2	3,736.8	4,667.7	4,550.1	4,506.7	4,703.1	2,151.2	2,205.0	1,467.5	1,562.5	
Services-Net												
Transport-net	1,449.8	1,618.5	2,226.5	2,911.0	3,395.6	3,895.5	4,128.4	1,855.4	1,938.8	1,983.2	1,983.2	
Travel-net	-55.5	-87.1	-133.2	56.3	235.3	301.3	453.0	148.9	205.2	194.8	194.8	
Other Services-net	723.4	768.4	845.8	914.0	937.8	1,114.1	1,129.4	425.9	450.7	483.3	483.3	
Primary Income-Net												
Compensation of Employees-net	-360.7	-427.9	-475.6	-573.0	-920.1	-992.6	-1,055.3	-462.9	-488.4	-607.9	-607.9	
Investment Income-net	-4.2	-19.1	-34.5	-19.4	-19.2	-43.8	-55.0	-20.0	-28.4	-23.6	-23.6	
Secondary Income-Net												
General Government-net	-356.5	-408.8	-441.1	-553.6	-900.9	-948.8	-1,000.2	-443.0	-460.1	-584.4	-584.4	
Private-net	-18.4	-45.1	-43.2	-91.2	-114.5	-111.0	-131.6	-59.2	-67.5	-76.9	-76.9	
Current A/C-Net												
General Government-net	N/A	N/A	N/A	6.1	4.3	9.7	-1.0	0.3	-0.5	-2.1	-2.1	
Private-net	N/A	N/A	N/A	-97.4	-118.8	-120.6	-130.6	-59.6	-67.0	-74.8	-74.8	
Current A/C-Net	-28.8	11.2	495.5	269.8	394.3	1,298.1	1,392.4	612.5	665.5	523.1	523.1	
Goods Balance as % of GDP at m.p.	-15.3%	-14.8%	-14.2%	-20.5%	-19.0%	-13.2%	-12.6%	-13.1%	-12.1%	-12.3%	-12.3%	
Imports Balance as % of GDP at m.p.	20.2%	21.2%	25.2%	30.1%	32.8%	34.5%	35.5%	33.8%	32.6%	31.2%	31.2%	
Exports Balance as % of GDP at m.p.	-5.0%	-5.6%	-5.6%	-5.9%	-6.9%	-8.6%	-8.6%	-8.4%	-8.2%	-9.5%	-9.5%	
Primary Income as % of GDP at m.p.	-0.3%	-0.6%	-0.5%	-0.9%	-1.1%	-1.0%	-1.1%	-1.1%	-1.1%	-1.2%	-1.2%	
Current A/C Balance as % of GDP at m.p.	-0.4%	0.1%	5.8%	2.8%	3.8%	11.5%	11.3%	11.2%	11.2%	8.2%	8.2%	
Capital A/C-Net	136.5	133.2	142.8	288.7	32.2	72.9	115.3	17.8	10.8	52.4	52.4	
Financial A/C-Net	1,006.8	-24.6	443.9	164.2	805.6	1,307.7	580.1	980.2	467.2	598.8	598.8	
Direct Investment-net	-9,020.6	-7,036.9	-6,795.0	-9,222.4	-8,621.8	-9,366.7	-9,684.6	-4,459.2	-4,878.5	-4,760.8	-4,760.8	
Portfolio Investment-net ²	9,435.2	9,141.4	13,206.0	4,899.9	4,757.2	6,721.9	2,959.8	3,665.5	1,251.5	2,406.8	2,406.8	
Financial Derivatives-net ³	-438.5	-104.4	-573.2	-897.4	-6.4	-106.8	180.4	-89.3	127.7	-123.3	-123.3	
Other Investment-net ³	909.4	-1,985.9	-5,416.0	5,457.6	4,588.3	3,913.0	6,956.6	1,762.1	3,838.8	3,183.2	3,183.2	
Reserve Assets ³	121.4	-38.8	12.0	-73.5	88.3	146.4	168.0	81.1	127.7	-107.1	-107.1	

¹ For Balance of Payments purposes, both imports and exports are taken at f.o.b., thus the trade balance is different from that shown under Table VII.
² The Financial Account-Net in this Table includes Reserve Assets but does not include Errors and Omissions.
³ As from 1st January 2009, following Malta's entry into the Euro Area (EA), a reclassification of the external reserves of the country has been carried out. Indeed, this report that, as from this date, all cross-border claims that Malta has within the EA, as well as all claims that the country has in euro-denomination, are no longer considered as being part of Malta's reserve assets. In addition, as happened in other EA Member States, Malta has transferred a fraction of its external reserves to the European Central Bank (ECB) in exchange for a claim on the ECB, which, being an intra-Eurosystem asset, is also not considered as being part of the country's external reserves. As a result of this, the portfolio investment account, the financial derivatives account and the other investment account recorded significant changes in their net balances.

Note: The balance of payments is compiled in accordance with the sixth edition of the International Monetary Fund's Balance of Payments Manual (BPM6). The split of secondary income-net is not yet available for the 2012-2014 period.

Source: National Statistics Office

Government Revenue and Expenditure

	€ million																				
	2010		2011		2012		2013		2014		2015		2016		2017		2018		2019		
	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	
Government Recurrent Revenue	2,525.4	2,643.8	2,715.7	2,982.1	3,387.2	3,634.8	3,807.0	4,291.2	4,599.8												
Increase/(Decrease) % per annum	6.5	4.7	2.7	10.2	13.2	7.3	4.7	12.7	6.3												
of which:																					
Tax Revenue	2,242.5	2,323.4	2,393.0	2,602.5	2,953.7	3,195.6	3,446.0	3,829.3	4,167.8												
Direct Tax Revenue	1,353.3	1,361.7	1,475.6	1,612.9	1,767.3	1,924.2	2,132.7	2,372.5	2,541.0												
Indirect Tax Revenue	889.2	961.7	917.3	989.6	1,186.4	1,271.4	1,313.3	1,456.7	1,626.8												
Non-Tax Revenue	282.8	320.5	322.8	389.6	433.5	439.2	361.0	461.9	392.0												
Total Government Expenditure	2,804.6	2,862.4	3,078.0	3,255.3	3,523.5	3,870.6	3,798.1	4,108.5	4,630.0												
Increase/(Decrease) % per annum	5.1	2.1	7.5	5.8	8.2	9.9	-1.9	8.2	12.7												
of which:																					
Recurrent Expenditure	2,296.3	2,361.3	2,488.4	2,632.6	2,857.0	3,056.8	3,264.3	3,543.3	3,821.4												
Capital Expenditure	311.5	288.7	363.8	394.7	435.3	581.5	310.3	350.2	605.0												
% of Total Government Expenditure	11.1	10.1	11.8	12.1	12.4	15.0	8.2	8.5	13.1												
Interest on Public Debt	196.8	212.5	225.8	227.9	231.1	232.3	223.5	215.1	203.6												
Balance of recurrent revenue and total expenditure	-279.2	-218.6	-362.3	-283.2	-136.3	-235.8	8.9	182.7	-70.2												
Financed by:																					
Extraordinary Receipts	0.0	9.6	28.4	28.4	0.0	0.8	1.1	0.9	1.0												
Receipts from sale of shares	0.0	0.0	0.0	0.0	0.0	0.8	1.1	0.9	0.9												
Sinking Funds of Converted Loans	0.0	9.6	28.4	28.4	0.0	0.0	0.0	0.0	0.1												
Sinking Fund Contribution & Direct Loan Repayment	-207.4	-141.9	-361.3	-380.8	-427.2	-384.1	-545.1	-427.9	-444.0												
Equity Acquisition	-0.2	-6.0	-33.4	-26.5	-13.8	-41.1	-13.0	-71.4	-63.5												
Loan Facility Agreement with the Hellenic Republic	-19.8	-30.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0												
Loan Facility Agreement with Air Malta plc	0.0	-52.0	-52.0	0.0	0.0	0.0	0.0	0.0	0.0												
Repayment of Loans made by Government	0.0	0.0	52.0	0.0	0.0	40.4	12.2	0.0	0.0												
Public Sector Borrowing Requirement	-506.6	-439.8	-728.6	-642.1	-577.3	-619.8	-535.9	-315.7	-576.7												
Loans	577.7	567.8	645.7	627.1	648.8	473.2	597.9	357.4	243.5												

Source: National Statistics Office

Contribution of Resident MFIs to Euro Area Monetary Aggregates and Counterparts¹

Table X

€ million

	2011	2012	2013	2014	2015	2016	2017	2018	2019* Jan-Jul
Broad Money (M3)²	10,349.7	11,340.8	12,588.1	14,341.8	16,229.4	17,809.2	19,522.7	20,351.2	20,347.5
Intermediate Money (M2)	10,145.5	11,149.3	12,422.6	14,220.4	16,104.3	17,713.5	18,739.9	19,710.4	20,273.0
% Increase/(Decrease) of which:	9.9	11.4	11.4	14.5	13.2	10.0	5.8	5.2	2.9
Narrow Money (M1)	5,958.3	6,632.0	7,476.9	9,472.7	12,148.2	13,551.2	14,912.2	15,904.3	16,643.3
Currency issued ³	710.6	726.5	778.7	839.4	893.1	939.5	968.7	1,028.7	1,205.5
% Increase/(Decrease)	2.2	7.2	7.8	7.8	6.4	5.2	3.1	6.2	17.2 ⁴
Overnight deposits ⁴	5,247.7	5,905.5	6,698.3	8,633.3	11,255.1	12,611.8	13,943.5	14,875.6	15,437.8
Deposits redeemable at notice up to 3 months ⁴	125.1	153.2	113.8	124.4	123.0	105.0	47.4	77.3	70.5
Deposits with agreed maturity up to 2 years ⁴	4,062.1	4,364.1	4,831.9	4,623.3	3,833.1	4,057.3	3,780.3	3,728.7	3,559.2
Credit Counterpart⁵	16,939.1	16,504.3	15,348.6	15,736.1	16,407.6	17,012.7	17,405.6	18,295.2	18,938.6
of which:									
Credit to residents of Malta	11,768.7	11,892.2	12,059.4	11,718.4	12,393.6	12,706.1	12,943.9	13,531.3	14,176.4
Credit to other Euro Area residents	5,170.4	4,612.0	3,289.1	4,017.7	4,014.0	4,306.6	4,461.7	4,763.9	4,762.1
Net claims on non-residents of the Euro Area	7,649.4	10,092.6	9,614.7	11,880.8	11,034.4	9,421.8	6,714.9	5,460.3	5,384.0
Other counterparts (net)⁶	14,238.8	15,256.1	12,375.2	13,275.1	11,212.7	8,625.3	4,597.8	3,404.2	3,975.4

* Provisional

¹Figures show the contribution of Maltese Monetary Financial Institutions (MFIs) to the Euro Area (EA) aggregates.

²M3 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 EA aggregate. As from December 2008, figures also include MMFs shares/units issued less holdings in such units by MMFs and credit institutions resident in the EA and holdings by non-residents of the EA.

³Comprises 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.

⁴Deposits with MFIs exclude interbank deposits and deposits held by Central Government.

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

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

⁷This significant increase occurred between Dec-18 and Jan-19 as a result of a change in the European Central Bank Capital Key.

Source: Central Bank of Malta

