Economic Survey

November 2009

Economic Policy Division, Malta

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The following symbols have been used throughout this document:

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

National Accounts estimates and other statistics which appear in this Economic Survey are provisional and subject to revision. Figures may not add up due to rounding.
This document is based on statistical information available up to 30th October 2009.

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1. State of the Economy

1. State of the Economy

The international economic and financial crisis has had significant repercussions on economies worldwide. It also resulted in a severe drop in global trade and Malta's main trading partners suffered from a contraction in economic activity. Given its high degree of openness, it was inevitable that the international economic environment would affect heavily on Malta's economic performance. The manufacturing sector and the tourism industry, in particular, suffered significant downturns. These developments left their mark on the labour market. On the other hand, certain other service activities proved to be relatively more resilient to the negative international economic scenario.

In the first two quarters of 2009, real GDP contracted by 2.6 per cent. This reflected a negative contribution from the domestic sector, being largely underpinned by a notable decline in investment outlays whilst private consumption registered a marginal decrease. The external sector contributed positively to GDP as imports declined more sharply than exports.

Following a buoyant performance in recent years, the labour market eased significantly during the twelve months to June 2009, being reflected in a decline in the gainfully occupied population and higher unemployment. To a large extent, these were related to most manufacturing sub-sectors and tourism related sectors. Nonetheless, market services employment continued to increase, sustaining the shift towards a more services-oriented economy. Furthermore, private sector employment continued to increase, albeit at a slower pace than that registered in recent years, whilst public sector employment declined. Part time employment as a primary job continued on an upward trend.

During the first half of 2009, turnover in the manufacturing sector declined by 21.6 per cent, reflecting lower exports. The electronics sub-sector and activities related to the automobile industry were particularly hard hit by the international crisis, whilst the chemicals sector also registered a significant decline in output.

The tourism industry also experienced depressed demand from travellers, reflecting lower disposable incomes and wealth levels and increasing concerns on the labour market. During the first nine months of 2009, tourist departures declined by 10.4 per cent. The downturn in the number of tourists was reflected in the decrease in gross foreign exchange earnings, which fell by 10.3 per cent in the first half of 2009.

The inflation rate, as measured by the twelve-month moving average Retail Price Index, remained relatively high during 2009, reaching 4.36 per cent in April 2009. Subsequently, inflationary pressures started to subside with the inflation rate falling gradually to 3.46 per cent in September 2009.

The current account deficit of €186.5 million recorded in the first two quarters of 2008 turned to a surplus of €29.8 million in the corresponding period of 2009. This improvement was primarily attributable to a decline of €193.4 million in the goods account deficit. An increase of €21.4 million in service account net inflows also contributed to the improvement in the current account balance. Meanwhile, an increase in current transfer net inflows offset an increase in net payments of income abroad.

During the nine months to September 2009, the deficit stood at €333.9 million from €258.3 million recorded in the same period a year earlier. This was mainly underpinned by higher recurrent expenditure outlays coupled with a decline in recurrent revenue.

The world economy now appears to be at a turning point and signs of improvements have become increasingly apparent, although the situation remains fragile. At this juncture, it is crucial to ensure that Maltese businesses can benefit from the opportunities presented once the recovery in the international economy takes hold. A stable macroeconomic framework is an important pre-requisite to retain Malta's attractiveness for investors, both local and foreign. Certain manufacturing sectors and the tourism industry will continue to face significant challenges from international competition. In the short term, it is critical to achieve price stability and wage moderation and to remove market imperfections in order to safeguard cost competitiveness. Furthermore, the flexibility of the labour and product markets is also important in order to render the economy flexible enough to adjust to changes in cyclical economic conditions. From a medium to long term perspective, it is necessary to continue the shift towards high value added activities and to improve productivity levels. The right conditions must be in place to encourage private investment, particularly in productive high value added activities which generate exports. The labour market also has a critical role and efforts should focus on increasing the participation rate and on continuing to upgrade education and skill levels. This would enable higher wages on a sustainable basis and support the process of convergence towards average EU income levels.

Local Scene

Economic Growth

In the first half of 2009, Malta's real GDP contracted by 2.6 per cent compared to the same period of 2008. In nominal terms, a marginal drop of 0.2 per cent was registered in the first two quarters of 2009, in contrast to a growth of 5.1 per cent registered during the first half of 2008. Lower domestic demand was the main contributor to the decline in GDP. This was driven primarily by a sizeable decrease of 26.2 per cent in investment. Household consumption registered a slight decline of 0.5 per cent in real terms. On the other hand general government expenditure was up by 1.7 per cent. The external sector contributed positively to GDP during the January-June 2009 period, as exports fell more than imports. Both exports and imports of goods and services fell sharply, registering declines of 11.6 per cent and 19.0 per cent respectively in real terms.

Sectoral Contributions to Gross Value Added

In the first six months of 2009, gross value added at basic prices dropped by 0.7 per cent when compared to the previous corresponding period. This mainly reflected drops in the manufacturing sector and to a lesser extent in the wholesale and retail trade and hotels and restaurants sectors. Conversely, positive growths were evidenced in the electricity and water supply, financial intermediation, other community, social and personal services activities and real estate, renting and business activities.

In the manufacturing sector, a negative performance was registered nearly throughout all activities. Notable declines were in particular recorded in the manufacture of radio, TV and communication equipment, manufacture of chemicals and chemical products and manufacture of rubber and plastic products sectors.

Labour Market

The challenging international economic environment of the past twelve months or so has left its mark over the Maltese labour market as its performance worsened especially relative to trends noted in recent years. Indeed, in June 2009, the gainfully occupied population stood at 144,743, a decline of 1,179 or 0.8 per cent over June 2008. At the same time, the number of persons registering for employment (under Part I and Part II of the Register) increased by 1,412 such that the unemployment rate stood at 4.8 per cent compared to 3.9 per cent a year earlier. These developments were reflected in an increased labour force which at the end of June 2009 stood at 152,016, an increase of 233 persons or 0.2 per cent over the same month the previous year. Meanwhile, part-time employment as a primary job increased by 1,038 or 3.8 per cent to 28,171.

Recent trends persisted with a shift away from direct production towards market services employment. Indeed, total direct production employment (exclusive of temporary employees) fell by 2,744 or 6.6 per cent to 38,999. On the other hand, market services employment recorded an increase of 1,651 or 1.6 per cent to 105,047. Consequently, the share of direct production in total employment fell from 28.6 per cent in June 2008 to around 26.9 per cent in June 2009. Meanwhile, public sector employment continued to follow a downward trend to stand at 40,672. At the same time, private sector employment increased by 143 or 0.1 per cent to 104,071. Consequently, by the end of the period, the share of public sector employment in the total gainfully occupied population fell to around 28 per cent.

Productive Activities

During the first six months of 2009, turnover in the manufacturing industry dropped significantly by 21.6 per cent. This was underpinned by a substantial decrease of 27.6 per cent in exports. Sectors which were mostly hit by the economic crisis included the radio, TV and communication equipment, electrical and machinery and apparatus, chemicals and chemical products and rubber and plastic products sectors. On the other hand, increases in exports were registered in the other transport equipment and food and beverages products sectors. Meanwhile, growth in local sales was marginal mainly reflecting rises in the chemicals and chemical products and other non-metallic mineral products sectors. The deterioration in the performance of the manufacturing industry led to a substantial drop in capital outlays by around 17 per cent to €36.1 million. The wage bill declined by 7.2 per cent reflecting lower average earnings per employee as well as lower employment levels.

Value added at factor cost per capita in 2008 rose by 8.1 per cent and stood at €32,888 owing to a drop in employment levels as value added at factor cost remained stable over the previous year. This development includes a rise in personnel cost per capita which was partially offset by a decline in gross operating surplus per capita. It is noteworthy that the former includes the voluntary redundant schemes granted to the employees of the Malta Shipyards. Indeed, excluding this factor, personnel costs per capita grew by 11.2 per cent.

Although the share of the agriculture and fisheries sector in the Maltese economy is small it still plays an important role in providing support for the tourism sector and helping to enhance the landscape and environment of the Maltese islands. During the first two quarters of 2009 the agriculture and fisheries sector contributed 1.8 per cent of Gross Value Added. During the first nine months of 2009 the volume of fresh fruit and vegetables sold through organized markets declined over the comparative period in the previous year, while over the same period the volume of fish landings registered an increase. Total volume of slaughtering for beef, pork and broilers declined in the period January-August 2009 over the same period in the previous year.

Services Activities

The domestic tourism industry was hard hit by the negative economic developments in Malta's tourist source markets, especially in UK and Germany. During January-September 2009, tourist departures decreased by 10.4 per cent over the previous comparable period, to 936,342 visitors. Gross foreign exchange earnings from tourism registered a decline of 10.3 per cent during the first half of 2009, to €227.8 million. On a per capita basis, expenditure by tourists increased by 4.0 per cent, to €457.6 during this period, while earnings per nights spent increased from €57.3 to €59.5. Meanwhile, the cruise liner industry declined from 407,465 arrivals during January-September 2008 to 294,795 arrivals in the corresponding 2009 period. Full-time employment in hotels and restaurants declined from 10,380 as at the end of June 2008 to 9,918 at the end of June 2009.

During the first nine months of 2009, the Malta Financial Services Authority (MFSA) has continued to influence the development of the financial services framework through its regulatory role and despite the ongoing uncertain international conditions MFSA has issued a significant number of new licenses. MFSA issued a number of Insurance Directives and insurance rules and has also issued an Insurance Intermediaries Introducers Regulation. During the period under review, the MFSA continued to strengthen its legal and regulatory framework through the implementation of the Capital Requirements Directive.

Malta Enterprise (ME) continued with its efforts to attract investment in high value added sectors and assist local companies to internationalise. During the period under review, ME approved new and expansion projects, granted financial assistance through various incentive schemes and approved interest rate subsidies. In 2009, Government set up an Inter-ministerial Task Force, in which ME is represented, to provide temporary financial assistance and tailor-made support to manufacturing companies which have been negatively hit by the global recession.

Prices and Incomes

The inflation rate, as measured by percentage changes in the 12-month moving average for the Retail Price Index (RPI), remained relatively high during the initial months of 2009. Indeed the inflation rate increased slightly from 4 per cent in October 2008 to 4.4 per cent in April 2009. Subsequently, it declined gradually to 3.5 per cent in September 2009. The main contributors to inflation during 2009 were Food and Water, Electricity, Gas and Other fuels sub-sectors.

The study based on collective agreements deposited at the Department of Industrial and Employment Relations showed an increase in the average weekly wage of €4.64 or 1.8 per cent. The highest percentage wage rise was registered in the Community and Business sub-sector, at 2.6 per cent, followed by the Storage and Warehousing sub-sector with an increase of 2.3 per cent.

Foreign Trade and Payments

The current account deficit of €186.5 million recorded in the first two quarters of 2008 turned to a surplus of €29.8 million or 1.1 per cent of GDP in the corresponding period of 2009. The main contributor to this performance was a decline of €193.4 million (equivalent to 7.1 percentage points of GDP) in the goods account deficit.

During the first nine months of 2009, total exports declined by €346.3 million in absolute terms while imports fell by €546.3 million. All commodity groups registered declines with a notable decrease being recorded in exports of machinery and transport equipment. There was also a broad based fall in imports, with industrial supplies decreasing significantly. A lower fuel import bill, reflecting developments in international oil prices, also contributed to the overall fall in imports. As a result, the trade gap narrowed from €1,095.7 million to €895.7 million.

Service account net inflows increased by €21.4 million, or 0.8 percentage points of GDP to reach 15.5 per cent of GDP in the January-June 2009 period. Net receipts for other services increased by €63.2 million offsetting declines in net travel receipts of €33.1 million and decreases in net transportation receipts of €8.7 million.

An income account deficit of €178.0 million or 6.5 per cent of GDP was registered in the first half of 2009, increasing by €73.8 million from the same period of 2008. The deterioration in the income account was mainly due to lower receipts on bond and note holdings as part of portfolio investment flows. Net direct investment outflows increased primarily due to higher dividends and distributed profits, reflecting higher profits made by foreign-owned companies in Malta. Meanwhile, a reduction was recorded in other investment net outflows.

Net inflows by way of current transfers were €75.3 million higher than the level registered in the first six months of 2008. This reflects an increase in inflows outpacing an increase in outflows, with Government transfers primarily underpinning this result. Figures are in line with higher tax proceeds earned on higher reported company profits.

A decrease in capital and financial account inflows was recorded during the first two quarters of 2009, decreasing from a net inflow of 11.7 per cent of GDP in the first half of 2008 to a net inflow of 1.3 per cent of GDP in the comparable period of 2009. The result was an addition to reserves equivalent to 2.4 per cent of GDP in the January-June 2009 period.

Financial Developments

During the nine months to September 2009, the structural deficit, as classified in the statement of the Consolidated Fund, reached €333.9 million, reflecting an increase in expenditure outlays coupled with a decline in revenue receipts.

Total expenditure outlays rose by €43.4 million to reach €1,887.5 million. This increase largely reflected higher recurrent expenditure which rose from €1,524.1 million to €1,559.9 million. Around 40 per cent of this increase reflected higher outlays on Programmes and Initiatives, in particular directed towards payments of social security benefits. Moreover, an increase of €2.5 million was recorded in interest on public debt. During the same period, capital expenditure increased by €5.1 million to €169.0 million, reflecting higher productive capital outlays which outweighed the decline in capital outlays of an infrastructural and social nature. Meanwhile, Government recurrent revenue decreased by €32.1 million to €1,553.6 million, reflecting a fall in indirect tax revenue which more than outweighed the increase recorded in direct tax revenue. Non-tax revenue declined by €9.3 million to €138.7 million.

The Maltese contribution to Euro area broad money (M3), which includes deposit liabilities both to residents of Malta and to other Euro area residents, stood at €8,596.7 million at the end of September 2009. This represents a decline over the comparative period in 2008, driven by a decline in the external counterpart of M3, which more than offset the increase in credit.

During the first nine months of 2009, foreign exchange markets have witnessed sharp swings in all major bilateral rates. Following a weakening of the Euro against the US Dollar in the second half of 2008 and the first quarter of 2009, the Euro appreciated considerably vis-à-vis the Dollar, in particular since May 2009. Meanwhile, exchange rate fluctuations between the Pound Sterling and the Euro were significant, although developments broadly resulted in a considerable appreciation of the Euro against the Pound Sterling.

International Scene

The past year was characterised by significant economic turmoil which started in international financial markets and which sparked a global recession. The economic crisis has hit countries directly through the financial system as well as through the subsequent collapse in global demand, albeit a number of countries were more hit via the latter channel. Central banks and governments around the world have intervened heavily to support the financial system and their economies. Such interventions have included the cutting of interest rates and sizeable liquidity injections by central banks, as well as deposit and guarantee schemes, fiscal stimulus packages, and recapitalisation of financial institutions by governments. These interventions by national authorities have avoided a systematic collapse of financial institutions and also helped in rebuilding trust and momentum across economic sectors. The world economy now appears to be at a turning point as signs of improvements in the economic situation have become increasingly apparent in latest months while signs of a prolonged recession are fading. Indeed, world GDP growth is expected to contract by 1.1 per cent in 2009 - a more positive outlook for 2009 than previous forecasts. The first signs of recovery from the recession in the global economy were aided by the strong performance of Asian countries during 2009. On the whole, during the second half of the year, other economies have also stabilised and/or started to recover.

Following the fall in prices experienced during the second half of 2008, oil and commodity prices rebounded during the first two quarters of 2009 amid better prospects as well as unabated demand from a number of emerging economies.

This section contains information which is based on macroeconomic projections as published by the European Commission in its Interim Economic Forecast of September 2009, as well as the International Monetary Fund's World Economic Outlook of October 2009. Tables 1.1 to 1.3 and Charts 1.1 and 1.2 portray a number of relevant economic indicators.

Output in the US economy declined substantially during the first half of 2009. Nevertheless, following the sizeable interventions by the US government and the Federal Reserve in countering the effects of the crisis, preliminary data for the second quarter points to an improvement in output in the US economy. Financial conditions in the US economy have also improved more than previously anticipated during the first half of 2009. The Japanese economy was significantly affected by the intensification of the international crisis, while output continued to suffer considerably during the first quarter of 2009 before turning positive in the subsequent quarter. The Chinese economy, on the other hand, avoided a severe recession and has rebounded strongly during the first half of 2009.

In the EU and Euro Area, the fall in GDP during the second half of 2008 was worse than anticipated and economic activity in the first quarter of 2009 was also weaker than previously expected. Nevertheless, the contraction in economic activity in both the EU and Euro Area has slowed down in the second quarter of 2009, thus also registering an improvement over the previous forecast. The

World GDP, Volume
annual percentage change

Table 1.1

	2006	2007	2008	2009*
World	5.1	5.2	3.0	-1.1
Advanced Economies	3.0	2.7	0.6	-3.4
EU 27	3.2	2.9	0.8	-4.0
Euro Area	3.0	2.8	0.7	-4.0
Germany	3.2	2.5	1.3	-5.1
France	2.2	2.3	0.4	-2.1
Italy	2.0	1.6	-1.0	-5.0
United Kingdom	2.9	2.6	0.6	-4.3
United States	2.8	2.1	0.4	-2.7
Japan	2.4	2.3	-0.7	-5.4
Canada	3.1	2.5	0.4	-2.5
Emerging and Developing Economies	7.9	8.3	6.0	1.7
Russia	7.4	8.1	5.6	-7.5
China	11.6	13.0	9.0	8.5

*Projections

Source: Eurostat, European Commission, IMF

Inflation: Harmonised Index of Consumer Prices*

percentage change on preceeding year

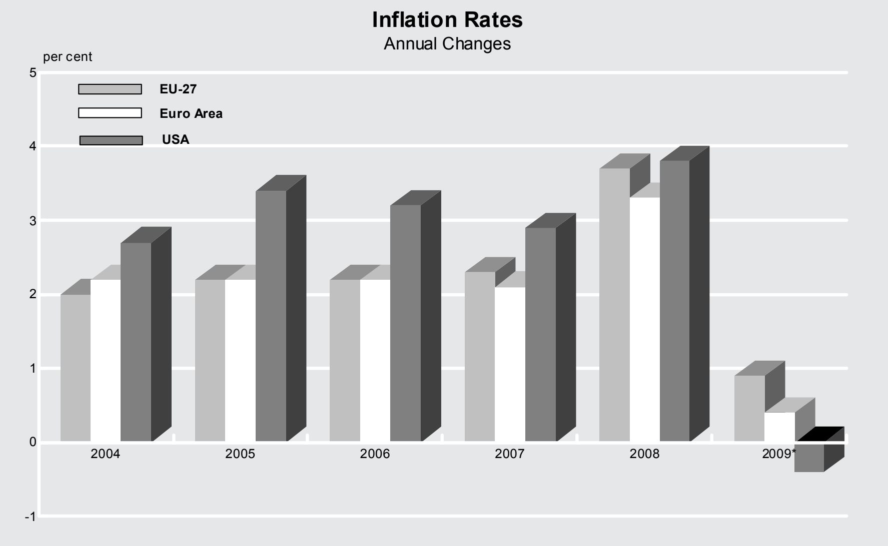
Table 1.2

	2006	2007	2008	2009**
EU 27	2.2	2.3	3.7	0.9
Euro Area	2.2	2.1	3.3	0.4
Germany	1.8	2.3	2.8	0.3
France	1.9	1.6	3.2	0.0
Italy	2.2	2.0	3.5	0.9
United Kingdom	2.3	2.3	3.6	1.9
United States	3.2	2.9	3.8	-0.4
Japan	0.3	0.0	1.4	-1.1

*National index if not available
**Projections

Source: Eurostat, European Commission, IMF

Chart 1.1



*Projections

Unemployment Rate*

per cent of labour force

Table 1.3

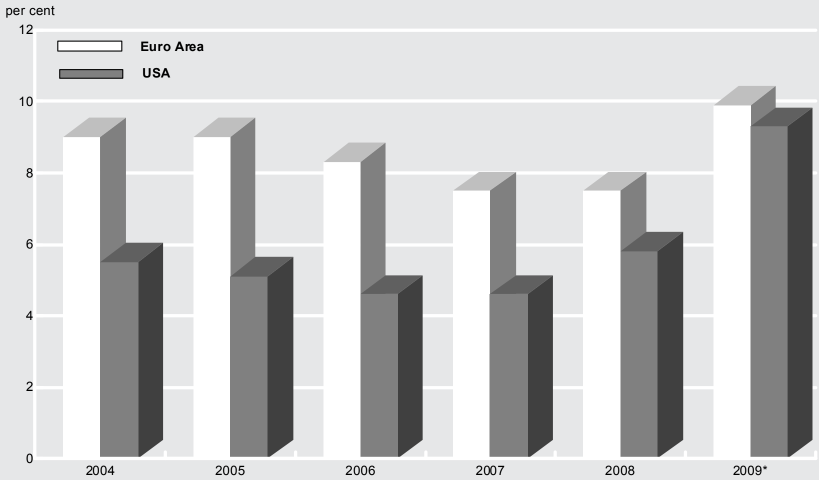
	2006	2007	2008	2009**
Euro Area	8.3	7.5	7.5	9.9
Germany	9.8	8.4	7.3	8.0
France	9.2	8.4	7.8	9.5
Italy	6.8	6.1	6.8	9.1
United Kingdom	5.4	5.3	5.6	7.6
USA	4.6	4.6	5.8	9.3
Japan	4.1	3.8	4.0	5.4

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

Source: Eurostat, European Commission, IMF

Chart 1.2

Unemployment Rates



*Projections

developments in the second quarter of 2009 were however, uneven, as a number of large Member States surprised on the upside while others experienced a larger than expected contraction.

Recent Developments[1]

According to the European Commission's September 2009 Interim Forecast, in the EU, real GDP contracted by 0.2 per cent in the second quarter of 2009 when compared to a contraction of 2.4 per cent in the previous quarter. On a similar note, real GDP for the Euro Area contracted by 2.5 per cent and 0.1 per cent respectively during the first and second quarters of 2009. While in both EU and Euro Area, the GDP contraction in the first quarter was worse than expected in the previous forecast, the second quarter surprised on the upside. Consumption activity contracted during the first quarter of 2009 but stabilised in the subsequent quarter. Private and public consumption have been a stabilising factor during the recession. The resilience in private consumption was the result of disinflation and support from nominal disposable income. In fact, wage stickiness as well as lags in the response of employment to lower economic activity, both sustained disposable income. Automatic stabilizers as well as discretionary measures have also helped sustain private consumption. Gross fixed capital formation, on the other hand, has been one of the main weaknesses in the recession. While the contraction in gross fixed capital formation was mostly due to non-construction investment, the ongoing correction in the housing market also held gross fixed capital formation back. Nevertheless, stimulus measures such as public investment projects provided support to economic activity. The EU and the Euro Area both suffered from the downturn in world trade. The contraction in exports slowed down during the second quarter of 2009, while imports continued to decrease. As a result, net exports have contributed positively in both the EU and the Euro Area. Large production cuts as well as stock depletion have occurred during the first two quarters of 2009, and inventory levels are starting to approach their long term average again thus signaling that considerable adjustment has already taken place.

The year-on-year inflation rate of the EU, as measured by the Harmonized Index of Consumer Prices (HICP), decreased to 0.9 per cent in the second quarter of 2009 when compared to a rate of 1.6 per cent in the previous quarter. Year-on-year HICP inflation in the Euro Area also decreased, reaching 0.2 per cent in the second quarter of 2009 from 1.0 per cent in the first quarter. The decline in headline inflation was largely the result of lower energy and food prices compared to the first two quarters of 2008. The weakening of consumer price inflation in both the EU and Euro Area has supported consumer expenditure.

Employment decreased in both the EU and Euro Area during the first quarter of 2009. In July 2009, the unemployment rate stood at 9.5 per cent and 9.0 per cent in the EU and Euro Area respectively, thus increasing over the course of 2008 and into 2009. Nevertheless, the deterioration in the labour market has been less than expected, reflecting Member States' past labour market reforms as well as the adoption of short-term policy measures such as short-term working schemes in a number of countries.

In Germany, the contraction in real GDP growth, which was driven by declining exports and investment, was worse than expected in the first quarter of 2009. Nevertheless, GDP growth surprised on the upside during the second quarter, turning positive to 0.3 per cent from a contraction of 3.5 per cent recorded in the previous quarter. Growth in the second quarter was supported by private and public consumption as well as a gradual recovery of exports and increased stability in investment demand. Private consumption was aided by low inflation, the effects of high wage growth during 2008, relief measures included in the fiscal stimulus package, as well as higher social transfers. Year-on-year HICP inflation stood at 0.8 per cent and 0.2 per cent in the first quarter and second quarter respectively. Unemployment remained contained during the first half of 2009, thus also aiding private consumption.

Following a contraction of 1.3 per cent in the first quarter of 2009, real GDP growth in the French economy reached 0.3 per cent in the second quarter. Growth was mainly supported by the positive contribution of net exports as exports increased mainly due to the positive performance in the automotive sector. Resilience in private consumption also aided growth. Year-on-year HICP inflation stood at 0.7 per cent in the first quarter of 2009 before decreasing to -0.2 per cent in the second quarter. The decrease in HICP inflation was the result of base effects following the sharp rises in energy and food prices during 2008. The labour market continued to deteriorate in the first half of 2009.

The Italian economy has been hit hard by the international economic and financial crisis and growth, during the first half of 2009, has been worse than previously anticipated. Indeed, according to the European Commission's September 2009 Interim Forecast, real GDP in the Italian economy has contracted by 2.7 per cent in the first quarter and continued to contract into the second quarter of the year. Nevertheless, the contraction in the second quarter was milder than that recorded in the previous quarter and reached 0.5 per cent. Year-on-year HICP inflation declined to 0.9 per cent in the second quarter when compared to 1.4 per cent recorded in the previous quarter. The developments in HICP inflation were due to the still positive base effects for energy prices.

GDP in the UK contracted successively during the first two quarters of 2009 albeit the contraction in growth was less pronounced in the second quarter. In fact, GDP growth contracted by 2.4 per cent and subsequently by 0.7 per cent during the first two quarters of the year. The contraction of growth during the first half of the year was the result of declining domestic demand. In fact, restrictive credit conditions, increasing spare capacity, as well as a decrease in new industrial orders, led to large reductions in fixed investment. Private consumption also suffered while government expenditure grew and gave modest support to economic activity during the first half of 2009. Moreover, imports declined more than exports, thus also leading to a modest positive contribution to GDP. Year-on-year HICP inflation stood at 3.0 per cent in the first quarter of the year before declining to 2.1 per cent in the second quarter. The labour market has weakened during the course of the first half of 2009 as the unemployment rate increased while employment also decreased in the second quarter of 2009.

In the US economy, output declined considerably in the first half of 2009. In fact, according to the IMF's World Economic Outlook of October 2009, the seasonally adjusted annual growth rate of the US reached -6.4 per cent in the first quarter of the year, before improving to -1.0 per cent in the second quarter. The improvement in the second quarter follows an unprecedented intervention by national authorities in response to the financial crisis which have aided consumer spending as well as the housing and financial markets. Also, as a result, financial conditions in the US have improved markedly and more than anticipated by the previous forecast. The depreciation of the US dollar over the course of the first half of this year has also in part, helped the US economy. The unemployment rate increased substantially during the first half of 2009.

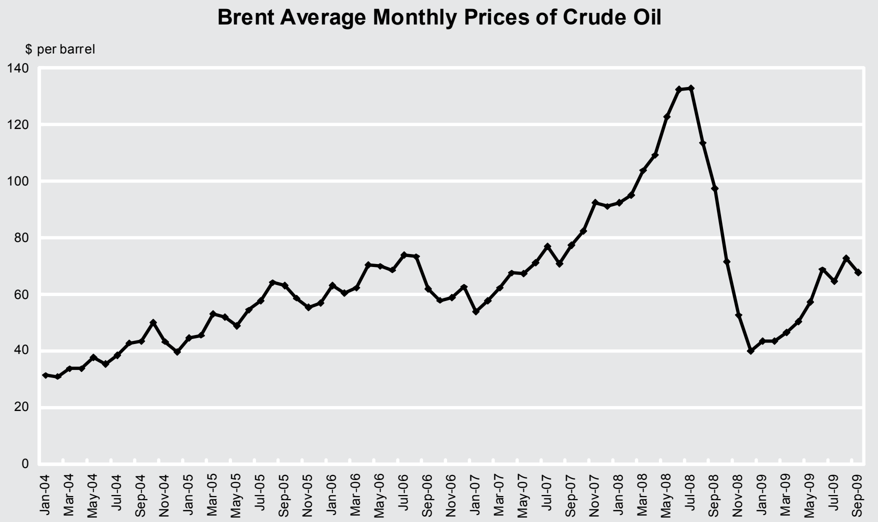
GDP growth in the Chinese economy registered a growth rate of 7.1 per cent during the first six months of 2009. The Chinese economy has been aided by a large fiscal stimulus package which helped stabilise financial markets and also aided demand conditions. In fact, in the first half of 2009, GDP growth in China was driven entirely by domestic demand. The Japanese economy, on the other hand, has been more severely hit by the international crisis. GDP contracted in the first quarter of 2009, but in the second quarter GDP growth turned positive and reached 0.9 per cent. During this period, exports contributed positively to growth while inventories and private demand hindered GDP growth, despite the implementation of the stimulus package. Meanwhile, the labour market has been deteriorating.

Commodity Markets

Crude oil prices increased sharply during the first half of 2008, reaching a monthly average high of $133 a barrel during the month of July. The hike in crude oil prices during this period was also accompanied by a depreciation of the US dollar with respect to the Euro, which helped attenuate the respective price hike in Euro terms for Euro Area countries. In fact, during the period January-July 2008 the monthly average price of crude oil increased by around 34 per cent when adjusted by the Euro to US$ bilateral exchange rate when compared to an increase of 44 per cent in US$ terms. Following their rally in the first half of 2008, crude oil prices declined sharply during the remaining two quarters of the year as the intensification of the economic crisis led to a worsening of the economic outlook. In fact, the Brent average monthly spot price of crude oil dropped to $40 a barrel in December 2008 thus representing a decrease of around 70 per cent from the level recorded in July of the same year. Subsequently, the price of crude oil experienced a strong increase throughout the first two quarters of 2009, and fluctuated during the third quarter to reach a monthly average of $67.7 per barrel in September 2009, thus representing an overall increase of around 56 per cent from the average price in January 2009. During this period, oil prices have increased on the back of perceptions that the global economy is exiting the recession and now entering recovery territory. While the current upward pressures on oil prices are in line with those experienced during past economic slowdowns and recoveries, such as during the period 2000-2001, oil consumption has declined more markedly this time round. Demand declined most prominently in the advanced economies, notably the US and Japan, although consumption also decreased in other emerging and developing countries.

In response to declining demand, OPEC has cut production in order to reduce excess capacity and support prices. Nevertheless, excess supply remained positive throughout the first half of 2009 before diminishing in recent months. Looking ahead, the risks of a price surge during the economic recovery are expected to be contained thanks to excess spare capacity and inventory levels over the medium-term outlook. Nevertheless, price developments will depend on the reaction of supply to recovering demand. Oil demand is expected to remain relatively subdued in advanced economies while strengthening in emerging economies. On the supply side, the financial crisis has also had the effect of delaying a number of oil related projects, albeit the set back to capacity expansion should only be a temporary one. Nevertheless, looking further ahead, the main concerns for oil supply relate to oil investments, geopolitical issues, as well as technical constraints. At the current juncture, more investment is needed to maintain current production levels. According to the IMF's World Economic Outlook of October 2009, the price of crude oil is expected to average around

Chart 1.3



$61 and $76 per barrel in 2009 and 2010 respectively. Chart 1.3 displays the Brent average monthly prices of crude oil between January 2004 and September 2009.

Food prices increased substantially in the first two quarters of 2008 before subsequently experiencing a sharp decline during the second half of the year. In fact, after reaching a high of 179.7 in June 2008, the IMF overall food price index declined by 33.4 per cent in December of the same year. Thereafter, the improving global economic and financial sentiment started driving food prices higher in 2009 which picked up in the second quarter of the year. In fact, the overall food price index of the IMF reached a level of 143.2 in June, marking an increase of around 20 per cent from December of the previous year. Subsequently, the food price index has decreased by around 8 per cent over the June to September 2009 period. Looking ahead, agricultural supply and demand balances remain relatively tight. At the same time, food demand in emerging economies has also led to lower food inventory ratios and a pickup in growth in these economies is also likely to keep market balances tight. Moreover, emerging bio-fuel linkages are leading to increased correlation between food and energy prices. Hence, increasing oil prices may also pose a risk to food prices as higher energy prices drive up costs of farming and increase the incentive to divert food crops towards the production of bio-fuel.

After increasing during the first quarter of 2008, metal prices have decreased during the second quarter before staging a sharp drop throughout the second half of the year and into the first months of 2009. On the whole, the IMF overall metal price index declined from a level of around 201 in March 2008 to 93.7 in February 2009, thus representing a decline of 53 per cent. In line with other commodity prices, the prices of metals have started to recover during the course of 2009, and the IMF overall metal price index has in fact also increased by around 44 per cent between February and September. This increase was led by price increases for copper, nickel and lead. Apart from the improvement in economic and financial prospects, the rebound in metal prices has also been affected by a number of specific factors. In fact, a number of key metal producers decreased production is response to falling metal prices. At the same time, demand from China also increased as industrial production in the country rebounded. Restocking of metal in the Chinese economy has, however, been a temporary factor which contributed to the rise in metal prices. Nevertheless, the prospects for metal prices hinge on the speed of China's recovery as well as on the pace of the recovery in the rest of the world.

Future Economic Prospects

Projections for main economic indicators are displayed in Table 1.4. According to the European Commission's September 2009 Interim Forecast, for 2009 as a whole, annual average GDP is expected to contract by 4.0 per cent in both the EU and Euro Area. While this is in line with previous forecasts, it masks higher growth in the second quarter of 2009 which was offset by lower carry over from growth in the last quarter of the previous year. Substantial improvements in growth momentum have been registered during the course of 2009. The upward revision in the growth outlook for the second half of 2009 also provides a positive risk outlook for the coming year. Moreover, the stabilization in financial markets as well as positive hard and soft data are offering support for a positive outlook beyond 2009. Moving into 2010, real GDP growth in the Euro Area is expected to turn positive and reach 0.3 per cent. The weak economic environment coupled with an expected deceleration in unit labour costs should continue to ease inflationary pressures. On the other hand, headline inflation is expected to increase towards the end of 2009, in line with the reversal of base effects. HICP inflation for 2009 is expected to reach 0.9 per cent and 0.4 per cent in the EU and Euro Area respectively. The labour market is expected to deteriorate further in the second half of 2009 lagging behind the downturn in economic activity. According to the IMF's World Economic Outlook of October 2009, unemployment in the Euro Area is expected to reach 11.7 per cent in 2010 when compared to 9.9 per cent in 2009.

Projections

Table 1.4

	2008	2009*	2010*
Real GDP (% change)			
Euro Area	0.7	-4.0	0.3
United States	0.4	-2.7	1.5
Japan	-0.7	-5.4	1.7
Inflation (% change)			
Euro Area	3.3	0.4	0.8
United States	3.8	-0.4	1.7
Japan	1.4	-1.1	-0.8
Unemployment Rate (% of labour force)			
Euro Area	7.5	9.9	11.7
United States	5.8	9.3	10.1
Japan	4.0	5.4	6.1

*Projections

Source: Eurostat, European Commission, IMF

Following negative growth in the first half of 2009, according to the IMF's World Economic Outlook of October 2009, GDP growth in the US is expected to turn positive during the second half of the year. This turnaround reflects the continued fiscal boost as well as the turnaround of both the inventory and housing cycles. Nevertheless, the effects of the fiscal stimulus are of a temporary nature. Moreover, markets remain weak thus weighing negatively on investment and consumption, while subdued growth in trading partners will also contribute to restrain growth in the coming year. In fact, following a contraction of 2.7 per cent expected for 2009, real GDP growth in the US economy is estimated to reach 1.5 per cent in 2010. Inflation for 2009 as a whole is expected to be negative at -0.4 per cent in 2009 before edging up to 1.7 per cent in the subsequent year. Unemployment for 2009 as a whole is expected to reach 9.3 per cent in the US economy, thus signifying a sizeable increase of 3.5 percentage points over the previous year. In 2010, unemployment is expected to increase by a further 0.8 percentage points when compared to 2009 to reach 10.1 per cent.

Footnote:

[1] Quarterly GDP growth rates referred to in this section relate to quarter-on-quarter growth rates.

2. Economic Growth

2. Economic Growth

Over the past months, specifically since Autumn 2008, the global economy has contracted sharply. This contraction reflected a combination of economic events that in themselves were inter-related. The credit crunch that could be dated to 2007, gave rise to serious crisis of confidence in September 2008 following the collapse of Lehman Brothers. The financial sector in various countries across the globe was also affected by this turmoil. In addition, a number of economies including some of Malta's main trading partners were negatively affected by the bursting of a bubble in their domestic property market. This resulted in a sharp slowdown in domestic demand and together with an accentuated drop in international trade led to a decline in economic activity and a concomitant rise in the unemployment rate.

Advanced economies, including most of Malta's trading patterns, experienced a firm decline in real GDP during the fourth quarter of 2008 and the first half of 2009. The rapidly evolving recession after Autumn 2008 led to extraordinary governments interventions, successive interest rate reduction and injections of liquidity by a number of central banks across the globe. Developments thus far indicate that the slide in the global economy may seem to have been arrested; nonetheless, the expected recovery is still characterised by a high degree of uncertainty.

Given the openness of the Maltese economy, it was inevitable that the international economic environment affects heavily on Malta' economic performance during the past year, especially during the first half of 2009. The contraction in economic activity in Malta's main trading partners depressed both exports and investment,

Box 2.1

GDP Flash Estimate for July-September 2009

NSO has compiled flash estimates for GDP and its expenditure components based on recent past trends and statistical imputations for the third quarter of 2009. It is pertinent to point out that the methodology used for the derivation of flash estimates for the third quarter is not comparable to that used in the normal production of GDP data.

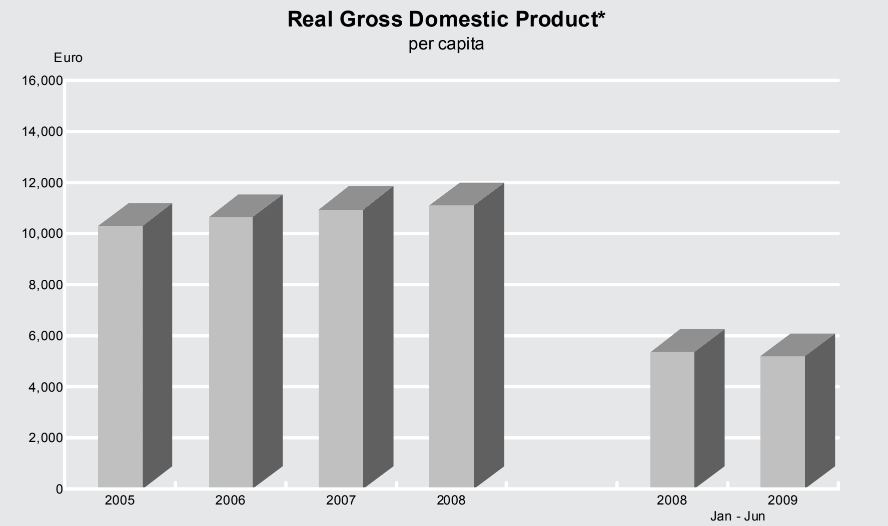
Nominal GDP during the July-September 2009 period is expected to register an annual increase of 1.7 per cent. This expansion in GDP is attributed to an increase in Government consumption (3.5 per cent) and to a less extent to a marginal increase in private consumption (0.1 per cent). The external sector also contributed positively to nominal GDP as exports declined by 16.8 per cent compared to a more accentuated decline in imports of 21.6 per cent. Gross fixed capital formation registered a decline of 18.3 in the period under observation.

and consequently imports. The slowdown in the external sector affected domestic activity as slower growth in incomes and labour market uncertainty resulted in a decline in private consumption.

In the first quarter of 2009, real Gross Domestic (GDP) fell by 1.9 per cent while a more pronounced contraction of 3.3 per cent was registered in the second quarter. This resulted in a negative growth rate of 2.6 per cent for the first half of 2009, compared to an expansion of 2.7 per cent registered in the same period of 2008. In nominal terms, a marginal drop of 0.2 per cent was registered in the first two quarters of 2009, in contrast to a growth of 5.1 per cent registered during the first half of 2008.

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

Chart 2.1



*Based on total population

National Expenditure

During the Survey period, Gross Domestic Product in nominal terms contracted marginally by 0.2 per cent and stood at €2,741.4 million. When measured in real terms, the decline in growth was more accentuated, with a negative growth of 2.6 per cent recorded during the first half of 2009, over the comparable period of 2008. This result reflected negative growth by almost all expenditure aggregates with the exception of Government expenditure, which registered an increase of 1.7 per cent. A positive contribution from the external sector was registered due to the fact that imports contracted more sharply than exports. Real GDP per capita declined from €5,365 in the first half of 2008 to €5,219 in the comparable period of 2009, as illustrated in Chart 2.1. Table 2.1 provides GDP data by category of expenditure at current and constant market prices, while Table 2.2 shows the respective relevant percentage changes.

GDP by Category of Expenditure

Table 2.1 — € million

	2006	2007	2008	2008 Jan-Jun	2009 Jan-Jun
At Current Market Prices					
Private Final Consumption Expenditure(1)	3,212.0	3,329.2	3,626.2	1,708.8	1,745.5
General Government Final Consumption Expenditure	1,018.4	1,038.7	1,219.1	586.2	619.9
Gross Fixed Capital Formation	1,025.1	1,076.8	901.0	488.9	356.1
Changes in Inventories	115.5	163.9	136.7	152.0	-14.0
Acquisitions less Disposals of Valuables	-3.9	-6.3	-14.8	-7.4	-5.5
Exports of Goods and Services	4,452.4	4,891.5	4,647.2	2,255.0	1,885.0
Total Final Expenditure	9,819.6	10,493.8	10,515.3	5,183.4	4,587.1
Less Imports of Goods and Services	4,705.4	5,045.9	4,828.1	2,436.7	1,845.7
Gross Domestic Product	5,114.2	5,447.9	5,687.2	2,746.7	2,741.4
At Constant 2000 Prices					
Private Final Consumption Expenditure(1)	2,843.4	2,899.9	3,068.7	1,463.8	1,456.9
General Government Final Consumption Expenditure	839.7	835.2	943.0	456.2	464.2
Gross Fixed Capital Formation	885.1	896.4	705.6	383.1	282.9
Changes in Inventories	102.5	144.6	118.9	132.3	-11.8
Acquisitions less Disposals of Valuables	-3.5	-5.6	-12.9	-6.5	-4.6
Exports of Goods and Services	4,164.7	4,277.3	4,044.9	1,923.8	1,700.5
Total Final Expenditure	8,832.0	9,047.9	8,868.2	4,352.8	3,888.1
Less Imports of Goods and Services	4,495.2	4,549.3	4,275.0	2,133.9	1,727.8
Gross Domestic Product	4,336.8	4,498.6	4,593.2	2,218.9	2,160.3

(1)Includes NPISH final consumption expenditure

Source: National Statistics Office

GDP by Category of Expenditure
Percentage Changes

Table 2.2

	2006	2007	2008	2008 Jan-Jun	2009 Jan-Jun
At Current Market Prices					
Private Final Consumption Expenditure[(1)]	3.0	3.6	8.9	8.3	2.1
General Government Final Consumption Expenditure	7.8	2.0	17.4	18.5	5.8
Gross Fixed Capital Formation	9.0	5.0	-16.3	-3.4	-27.2
Changes in Inventories	-	-	-	-	-
Acquisitions less Disposals of Valuables	-	-	-	-	-
Exports of Goods and Services	20.3	9.9	-5.0	-2.1	-16.4
Total Final Expenditure	12.4	6.9	0.2	3.7	-11.5
Less Imports of Goods and Services	18.9	7.2	-4.3	2.1	-24.3
Gross Domestic Product	7.0	6.5	4.4	5.1	-0.2
At Constant 2000 Prices					
Private Final Consumption Expenditure[(1)]	0.6	2.0	5.8	5.4	-0.5
General Government Final Consumption Expenditure	6.0	-0.5	12.9	14.5	1.7
Gross Fixed Capital Formation	2.4	1.3	-21.3	-10.2	-26.2
Changes in Inventories	-	-	-	-	-
Acquisitions less Disposals of Valuables	-	-	-	-	-
Exports of Goods and Services	10.5	2.7	-5.4	-5.1	-11.6
Total Final Expenditure	6.6	2.4	-2.0	0.2	-10.7
Less Imports of Goods and Services	9.5	1.2	-6.0	-2.3	-19.0
Gross Domestic Product	3.8	3.7	2.1	2.7	-2.6

[(1)]Includes NPISH final consumption expenditure

Source: National Statistics Office

Private Final Consumption Expenditure

The private final consumption expenditure category comprises household final consumption expenditure and non-profit institutions serving households (NPISH) final consumption expenditure. The latter is made up of expenditure by non-profit organisations such as trade unions and charity organisations.

In the first half of 2009, private consumption increased by 2.1 per cent in nominal terms, whilst in real terms private consumption declined by 0.5 per cent. The rate of growth registered in the first two quarter of 2009 is considerably lower than that registered in the corresponding period of 2008 although it must be noted that private consumption in 2008 was markedly high compared to the trend of previous years, partly in response to the fiscal measures announced in the Budget 2008.

The increase in consumption deflator decelerated slightly during the period under observation. Indeed, the consumption deflator for the first half of 2009 increased by 2.6 per cent compared with 2.8 per cent registered in the same period of 2008.

During the Survey period, a mixed performance was registered within the sub-components of private consumption. A notable drop of 11.0 per cent in consumption was registered in the alcoholic beverages, tobacco and narcotics sub-sector. Other declines were recorded in the clothing and footwear sub-sector, the furnishings, household equipment and routine maintenance of the house sub-sector, transport sub-sector and communication sub-sector. On the other hand, the housing, water, electricity, gas and other fuels sub-sector and the education sub-sector increased by 11.8 per cent and 8.1 per cent respectively, partly reflecting increases in Retail Price Index's components.

During the first half of 2009, the proportion of private consumption in real GDP showed an increase. Indeed, it went up from 65.9 per cent in the first six months of 2008 to 67.4 per cent in the corresponding period of 2009.

Private consumers' expenditure also includes expenditure by Maltese tourists abroad, and during the Survey period an increase of 6.1 per cent in this component was registered. Furthermore, expenditure by foreign tourists in Malta decreased remarkably by 10.3 per cent, from €253.9 million in the first half of 2008 to €227.8 million in the same period of 2009. It is to be noted that in the compilation of national accounts, expenditure by tourists in Malta is deducted from private final consumption expenditure and is added up to exports of goods and services. This procedure is followed to avoid the double counting of expenditure by tourists in Malta.

Table 2.3 outlines data on nominal Gross National Income (GNI) and private final consumption expenditure in per capita terms and expenditure by tourists. During the period under review GNI per capita declined by 3.5 per cent while private final consumption per capita increased by 1.4 per cent. Moreover, in the first six months of 2009 although tourist's expenditure declined by 10.3 per cent, per capita tourist expenditure recovered from the substantial declines in the previous years and increased by 4.0 per cent.

GNI, Private Final Consumption Expenditure and Expenditure by Tourists
(at current market prices)

Table 2.3

	2006	2007	2008	2008 Jan-Jun	2009 Jan-Jun
Per Capita (€)					
GNI*	11,989	12,825	13,333	6,397	6,176
Private Final Consumption Expenditure*	7,876	8,114	8,795	4,153	4,213
Expenditure by Tourists	540.1	534.2	500.6	439.9	457.6
Per Capita (% change)					
GNI*	6.0	7.0	4.0	5.0	-3.5
Private Final Consumption Expenditure*	1.9	3.0	8.4	7.8	1.4
Expenditure by Tourists	3.5	-1.1	-6.3	-12.3	4.0

*Based on average total population

Source: National Statistics Office

General Government Final Consumption Expenditure

In the first six months of 2009, general Government expenditure expanded by 5.8 per cent in nominal terms compared to the remarkable increase of 18 per cent registered in the same period of 2008. In real terms, general Government increased by 1.7 per cent compared to 14.5 per cent in the first half of 2008.

General Government final consumption expenditure as a ratio of real GDP increased by 0.9 percentage points to 21.5 per cent in 2009. It is noteworthy to mention that general Government final consumption expenditure excludes outlays which finance transfer payments, such as National Insurance benefits, subsidies and grants. Such items of expenditure do not reflect the production of goods and services but constitute a redistribution of funds between different sectors of the economy.

Gross Capital Formation

Gross Capital Formation comprises gross fixed capital formation, changes in inventories and acquisitions less disposals of valuables. The main item within this component, gross fixed capital formation (GFCF), registered a significant decline of 27.2 per cent in nominal terms in the first half of 2008, falling from

Table 2.4

Gross Fixed Capital Formation

	2006	2007	2008	2008 Jan-Jun	2009 Jan-Jun
At Current Market Prices					
Gross Fixed Capital Formation (€ million)	1,025.1	1,076.8	901.0	488.904	356.133
% change	9.0	5.0	-16.3	-3.4	-27.2
GDP (€ million)	5,114.2	5,447.9	5,687.2	2,746.7	2,741.4
(GFCF/GDP) %	20.0	19.8	15.8	17.8	13.0
At Constant 2000 Prices					
Gross Fixed Capital Formation (€ million)	885.1	896.4	705.6	383.1	282.9
% change	2.4	1.3	-21.3	-10.2	-26.2
GDP (€ million)	4,336.8	4,498.6	4,593.2	2,218.9	2,160.3
(GFCF/GDP) %	20.4	19.9	15.4	17.3	13.1

Source: National Statistics Office

€488.9 million to €356.1 million. There was a similar decline in real terms, with GFCF decreasing by 26.2 per cent compared to a decline of 10.2 per cent registered in the same period of 2008. The sharp decline in investment was a major contributor to GDP contraction during the period under observation. This negative growth in investment is attributed to steep declines in both Government investment and private investment. Indeed, in the first half of 2009, Government investment fell by 38 per cent while private investment declined by 25 per cent. Investment is also further subdivided into three main categories: metal products and machinery, transport equipment category; construction category; and other products category. The first two categories, namely metal products and machinery, transport category, and construction registered significant declines amounting to 41.4 per cent and 23.5 per cent respectively, while the other product category registered only a marginal increase.

The ratio of investment to real GDP stood at 13.1 per cent during the January-June 2009 period, significantly lower than that registered in previous years. Data on gross fixed capital formation in both nominal and constant terms as well as the ratio to GDP is presented in Table 2.4

Foreign Demand and Supply

Developments in the external sector are of paramount importance to the growth prospects of the local economy. The severe negative external shocks witnessed during the past year resulted in heavy declines in international Maltese trade. In view of openness of the Maltese economy, the slowdown in external demand resulted in pronounced declines in both imports and exports of goods and services.

During the Survey period, exports registered a decline of 16.4 per cent in nominal terms to €1,885 million. In real terms, exports declined by 11.6 per cent given declines in average prices for exports. The decrease in exports of goods was the main contributor of the decline in exports of goods and services. Indeed, exports of goods declined by 30.0 per cent in the first half of 2009 compared with the same period of 2008, while the drop in export of services was more contained at 4.6 per cent in the same period. Export services was characterised by a notable drop in tourism earnings, however this was partly counterbalanced by a more stable performance in other export services.

Imports of goods and services also registered a decline during the Survey period. In nominal terms, imports decreased by 24.3 per cent. Similarly to exports, the main decline was registered in the goods sectors which decreased by 31.0 per cent while imports of services declined by 9.7 per cent. In real terms, imports of goods and services declined by 19.0 per cent.

The larger decline in imports compared to exports has contributed positively to growth from external balance of goods and services. Also, the current account turned to a positive of €29.8 million for the first half of 2009, in contrast to a deficit of €186.4 million for the same period of 2008.

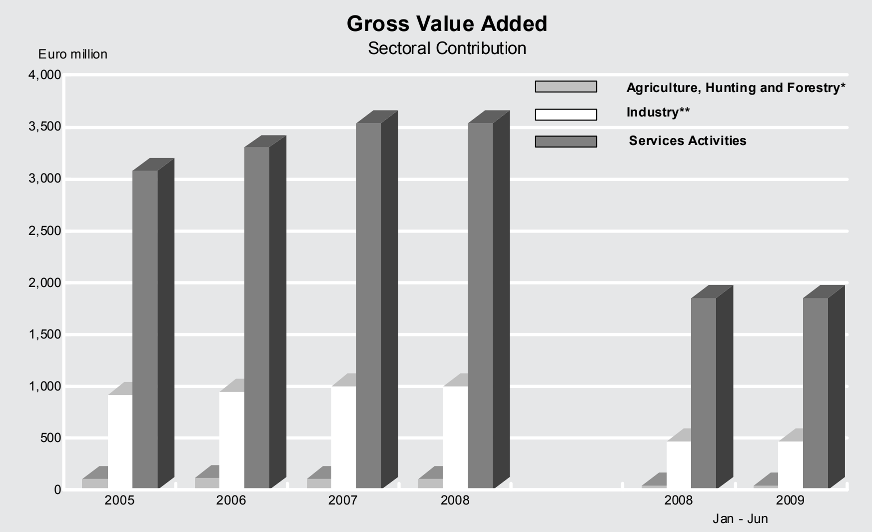
Sectoral Contribution to Gross Value Added

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

In the first six months of 2009, the gross value added declined by 0.7 per cent, when compared to the same period of last year. This mainly reflects substantial drops in the manufacturing sector and to a lesser extent in the wholesale and retail and hotels and restaurants sectors. Nevertheless, there were some sectors within the economy which registered positive growth mainly: electricity and water supply, financial intermediation, other community, social and personal service activities and real estate, renting and business activities.

Chart 2.2 depicts the sectoral contribution of agriculture, hunting and forestry, industry and services activities to GVA at basic prices for the years between 2005 and 2008. It is evident that the Maltese economy is becoming more service-oriented. During this four-year period, the share of agriculture, hunting and forestry dropped by one percentage point to 1.7 per cent and the share of industry dropped by 1.4 percentage points and stood at 21.0 per cent. Consequently, the share of services activities to the total economy increased to 77.3 per cent. In the first six months to 2009, the share of agriculture, hunting and forestry remained the same while there was a redistribution between the industry and services activities, as the share of latter increased by 1.4 percentage points and reached 78.1 per cent.

Chart 2.2



*Includes fishing and operation of fish hatcheries and fish farms

**Includes energy and construction

Table 2.5 shows the sectoral contribution to gross value added for the period 2006-2009. During the first six months of 2009, GVA at basic prices for agriculture, hunting and forestry (including fishing) increased marginally by €0.7 million, mainly owing to increase in the agriculture sub-sector. Meanwhile, the GVA at basic prices in the industry activities stood at €482.1 million, dropping by €35.8 million. This is attributable to a substantial decline in the manufacturing sector which was partially offset by a rise in the electricity and water supply sub-sector.

In the January-June 2009 period, the GVA at basic prices in the services activities increased by €17.6 million to reach €1,871.3 million. The main contributors towards this growth were the other community, social and personal service activities, health and social work and to a lesser extent real estate, renting and business activities and financial intermediation. These increases were partially offset by declines in other sectors mainly, the wholesale and retail trade and hotels and restaurants sectors.

Sectoral Contribution to Gross Value Added

(at basic prices)

Table 2.5 € million

	2006	2007	2008	2008 Jan-Jun	2009 Jan-Jun
Agriculture, Hunting and Forestry	90.2	79.7	76.5	38.4	38.9
Fishing	35.4	34.2	6.6	3.7	3.9
Mining and Quarrying	13.6	13.3	15.8	7.8	8.3
Manufacturing	717.0	769.5	820.9	398.1	334.8
Electricity, Gas and Water Supply	72.5	70.6	23.7	23.7	51.1
Construction	172.3	171.6	177.6	88.4	88.0
Wholesale and Retail Trade[(1)]	543.6	557.8	569.9	284.2	251.5
Hotels and Restaurants	233.1	251.3	253.7	104.3	88.6
Transport, Storage and Communication	417.7	446.8	482.7	225.2	223.3
Financial Intermediation	219.2	204.8	226.4	114.0	122.5
Real Estate, Renting and Business Activities	728.6	793.6	855.4	418.9	434.2
Public Administration and Defence[(2)]	296.9	315.9	333.5	166.4	169.8
Education	264.6	277.3	288.3	143.9	150.3
Health and Social Work	264.3	282.3	315.8	159.6	170.1
Other Community, Social and Personal Service Activities	337.5	434.8	486.8	233.7	257.3
Private Households with Employed Persons	6.9	7.1	7.3	3.6	3.7
Gross Value Added	4,413.4	4,710.4	4,941.0	2,413.8	2,396.3

[(1)]Includes Repair of Motor Vehicles, Motorcycles and Personal and Household Goods

[(2)]Includes Compulsory Social Security

Source: National Statistics Office

The agriculture, hunting and forestry sector increased marginally in the six months to 2009 and stood at €38.9 million. This reflects rises in output which were nearly matched by increases in the intermediate consumption. The share of this sector towards the total economy remained the same as in January-June 2008 at 1.6 per cent.

The manufacturing activities dropped significantly in January-June 2009 when compared to the same period of 2008. It decreased by €63.3 million and reached €334.8 million. This decrease reflects a considerable decline in output which was partially offset by a drop in intermediate consumption. Nearly all sectors within the manufacturing activities have registered negative or negligible growth in GVA with the exception of the manufacture of other transport equipment sector that increased by €13.4 million. However, it is pertinent to note that this is largely due to a re-classification within the sector. The main contributors towards this negative drop were the manufacture of radio, TV and communication equipment (€23.1 million), manufacture of chemicals and chemical products (€15.4 million) and manufacture of rubber and plastic products (€10.6 million). This performance was reflected in the share of manufacturing activities towards total GVA at basic prices which dropped by 2.5 percentage points to 14.0 per cent. Nevertheless, manufacturing remained an important contributor to the Maltese economy in terms of GVA.

Despite the decline in output of the electricity and water supply sector in the first six months of 2009, GVA at basic prices in this sector rose notably from €23.7 million to €51.1 million. Performance in output reflects the revision in utility tariffs regime towards the end of 2008. There was a larger drop in intermediate consumption reflecting significant lower fuel costs.

The GVA at basic prices for January-June 2009 for the construction sector dropped marginally and stood at €88.0 million. This is underpinned by a decrease in output. The construction sector maintained its share within the total Maltese economy at 3.7 per cent, unchanged from the January-June 2008.

Reflecting the subdued performance of private consumption, the wholesale and retail trade sector registered a considerably decline in its GVA at basic prices in the period under review of €32.7 million and stood at €251.5 million. This result is underpinned by a drop in output in this sector of the same magnitude as intermediate consumption remained stable. Furthermore, this drop mainly reflects a decrease in the wholesale trade sub-sector (€27.7 million) as well as a drop of €6.2 million in the retail trade services sub-sector, which were marginally offset by an increase in the sale, maintenance and repairs of motor vechicles and motorcycles sub-sector. The share of the wholesale and retail trade sector in total GVA at basic prices decreased by 1.3 percentage points and stood at 10.5 per cent.

Following positive growths in the January-June period of 2007 and 2008, the GVA at basic prices of the hotels and restaurants sector declined substantially by €15.7 million in the same period of 2009 and stood at €88.6 million. A drop in the output was only marginally offset by a drop in intermediate consumption. Indeed, the share of hotels and restaurants in the total economy GVA at basic prices dropped by 0.6 percentage points to 3.7 per cent. This reflects the downturn in the domestic tourism industry.

The GVA at basic prices for the transport, storage and communication sector dropped marginally in the first six months of 2009 owing to drops in output which were not completely matched by drops in intermediate consumption. At sub-sectoral level this drop mainly reflects declines in the land transport and transport via pipelines (€4.8 million) and in post-telecommunications (€1.1 million). However, these were partially offset by a significant increase in GVA in the air transport services sub-sector by €4.1 million. The transport, storage and communication sector maintained its share of 9.3 per cent in the total GVA at basic prices during the period under review.

The financial intermediation sector recorded a rise of €8.5 million in its GVA at basic prices and reached €122.5 million. This reflected a significant drop in intermediate consumption coupled with a rise in output of a lesser magnitude. This positive outcome is due to an increase in GVA at basic prices of the financial intermediation services sub-sector (€12.3 million) which was partially offset by a decrease of €3.5 million in the services auxiliary to financial intermediation sub-sector. Consequently, the share of this sector in the total Maltese economy increased by 0.4 percentage points and stood at 5.1 per cent.

Real estate, renting and other business activities sector registered significant growth in the period under review as its GVA at basic prices increased by €15.3 million and reached €434.2 million. This was principally underpinned by a rise in output as intermediate consumption maintained last period's levels. At a sub-sectoral level, the main contributor to this growth was the other business activities sub-sector which rose by €16.5 million. Meanwhile, the real estate services sub-sector increased marginally, whilst renting of machinery and computer related sub-sectors declined slightly. As a result, the share of real estate, renting and other business activities in GVA increased by 0.7 percentage points to 18.1 per cent.

The GVA at basic prices in the public administration and defence sector rose by €3.4 million and stood at €169.8 million, underpinned by an increase in output coupled with a marginal drop in intermediate consumption. The share of this sector within the total GVA at basic prices increased by 0.2 percentage points and stood at 7.1 per cent.

The education sector has registered a growth in its GVA at basic prices in the January-June period of 2009 as it increased by €6.4 million and reached €150.3 million. This reflects a rise in output which was partially offset by an increase in intermediate consumption. The share of the education sector within the total economy increased by 0.3 percentage points and stood at 6.3 per cent.

The GVA at basic prices in the health and social work sector has also registered significant growth as it rose by €10.5 million and stood at €170.1 million. This was the result of an increase in output coupled with a drop in intermediate consumption. The share of this sector within total GVA at basic prices rose by 0.5 percentage points and stood at 7.1 per cent.

The other community, social and personal services activities was on a steep upward trend in recent years. In the period under review it continued to register a positive performance. It increased by €23.6 million to reach €257.3 million. This reflects developments in the recreational, cultural and sports activities (includes remote gaming activities) sub-sector. Growth in GVA reflected a rise in output that exceeded the rise in intermediate consumption. This sector was the main contributor to growth in total GVA. The share of this sector towards the total economy continued to increase and stood at 10.7 per cent, 1.1 percentage points higher than the share recorded in 2008.

Gross National Income

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

During the January-June 2009 period, GNI at market prices contracted by €73.2 million, or by 2.8 per cent, to €2,558.7 million. This decline was underpinned by decreases in all components making up GNI. Table 2.6 provides more detailed information on the components of GNI at market prices for the 2006-2009

Gross National Income

Table 2.6 — € million

	2006	2007	2008	2008 Jan-Jun	2009 Jan-Jun
Compensation of employees	2,239.5	2,344.7	2,481.4	1,219.3	1,250.3
Gross operating surplus and mixed income	2,203.2	2,388.7	2,469.4	1,209.5	1,160.0
Taxes on production and imports	780.8	826.5	858.0	401.9	373.7
Less Subsidies	109.4	112.1	121.7	83.9	42.7
Gross Domestic Product at current market prices	5,114.2	5,447.9	5,687.2	2,746.7	2,741.4
Net compensation of employees from the rest of the world	-2.8	-1.8	-1.7	-0.6	-0.8
Subsidies less Taxes on products from/to the rest of the EU	-12.6	-16.7	-21.5	-10.6	-5.7
Net property income from the rest of the world	-209.7	-167.1	-167.1	-103.6	-176.2
Gross National Income at current market prices	4,889.1	5,262.3	5,496.9	2,631.9	2,558.7

Source: National Statistics Office

period. It is pertinent to highlight that the main contributor to the contraction in GDP was the profit component whereas an increase in aggregate wage bill was recorded.

Chart 2.3 illustrates the developments in compensation of employees and GDP at market prices over the period 2005-2008. In the first six months of 2009, the share of employee compensation to GDP at market prices increased by 1.2 percentage points, from a ratio of 44.4 per cent to 45.6 per cent. On a sectoral level, notable increases in nominal terms were registered during the Survey period in the financial intermediate (10.9 per cent), health and social work (6.8 per cent) and education (5.4 per cent). On the other hand, declines were noted in fishing (3.0 per cent), agriculture (2.1 per cent), and transport and communications (1.1 per cent).

Chart 2.4 and Table 2.7 illustrates developments in compensation of employees and total employment through an analysis of average weekly compensation per employee. Data on compensation of employees includes the earnings of both full-time and part-time employees. In estimating average weekly wage per

Chart 2.3

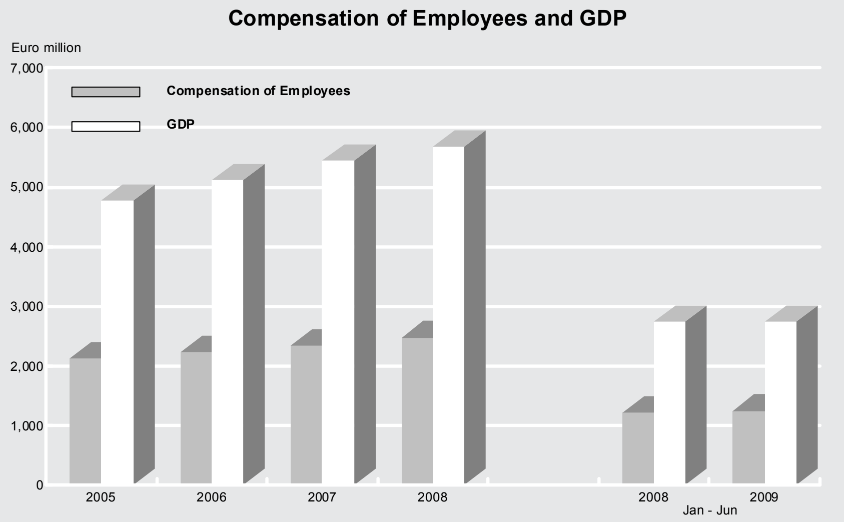
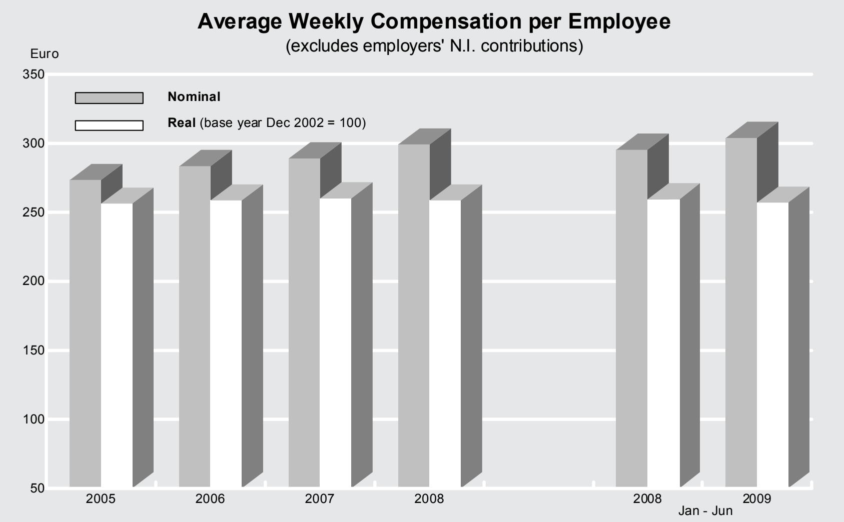


Chart 2.4



Average Weekly Wage per Employee*

Table 2.7

	Nominal		Real**	
	Value	Change	Value	Change
	€	%	€	%
2005	273.46	2.1	256.35	-0.9
2006	284.09	3.9	259.13	1.1
2007	289.14	1.8	260.48	0.5
2008	299.45	3.6	258.75	-0.7
2008 (Jan-Jun)	295.51	3.3	259.74	-0.5
2009 (Jan-Jun)	303.78	2.8	257.45	-0.9

*Excludes employers' National Insurance contributions

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

Source: National Statistics Office

employee, aggregate wages and salaries are divided by the employment level according to the national accounts definition. Moreover, in estimating average weekly wages per employee, the segment of National Insurance contribution paid by employers is excluded from calculations. Real average weekly wage figures were obtained by deflating them by the Retail Price Index.

During the Survey period, the average weekly compensation per employee in nominal terms stood at €303.78, registering an increase of 2.8 per cent over the same period of 2008. On the other hand, real average weekly compensation registered a decline of 0.9 per cent, from €259.74 in the first half of 2008 to €257.45 in the corresponding period of 2009.

Gross operating surplus and mixed income stood at €1,160.0 million, registering a decrease of €49.5 million, representing a decline of 4.1 per cent over the January-September 2009 period. The share of this category of income to GDP at market prices during the first half of 2009 decreased by 1.7 percentage points to 42.3 per cent.

Taxes on production and imports registered a decline of €28.1 million, equivalent of a drop of 7.0 per cent. Similarly, subsidies declined from €83.9 million to €42.7 million during the period under review.

Net property income from the rest of the world measures the difference between income receivable by Maltese owners of financial assets held abroad and income receivable by foreign residents from Maltese financial assets. When compared to the first half of 2008, net property income from the rest of the world deteriorated by €72.6 million. Net compensation of employees from the rest of the world, defined as the difference between total remuneration earned abroad by Maltese nationals less total remuneration earned locally by non-Maltese nationals decreased only marginally. Subsidies less taxes paid to the rest of the EU decreased from minus €10.6 to a negative of €5.7 million. Consequently, GNI suffered a sharper drop than GDP, as it contracted by 2.8 per cent during the first half of 2009.

3. Employment

3. Employment

The challenging international economic environment since the last quarter of 2008 has left its mark over the Maltese economy and consequently also on the labour market. Its performance worsened especially relative to trends noted in recent years. This was evidenced in levels for the gainfully occupied population, increasing unemployment levels and a slowdown in part-time employment growth. To a large extent, this reflected developments within most manufacturing sub-sectors and tourism related sectors. Nonetheless, overall private sector employment registered an improvement, being driven by continued growth in market services employment. Indeed, the shift towards a more services-oriented economy was sustained, whilst the share of private sector employment also continued to increase as public sector employment declined.

Table 3.1 shows that in June 2009, the gainfully occupied population stood at 144,743, a decline of 1,179 or 0.8 per cent over June 2008. At the same time, the number of persons registering for employment (under Part I and Part II of the Register) increased by 1,412 such that the unemployment rate stood at 4.8 per cent compared to 3.9 per cent a year earlier. These developments were reflected in an increased labour force which at the end of June 2009 stood at 152,016, an increase of 233 persons or 0.2 per cent over the same month the previous year. Meanwhile, part-time employment as a primary job increased by 1,038 or 3.8 per cent to 28,171.

Since data in this Chapter is in line with the latest revisions of the Employment and Training Corporation (ETC) it is not directly comparable to data presented in previous Economic Surveys. Data is based on the standard NACE classifications of economic activities. The latest available data for employment relates to June 2009, whilst unemployment data relates to September 2009.

Labour Market Developments

This section presents an overview of major labour market developments during the period between June 2005 and June 2009. Chart 3.1 shows that throughout this period the labour force increased by 6,302 or 4.3 per cent to 152,016. This reflects a growth rate of 13.7 per cent for the female labour supply which stood at 48,240 at the end of June 2009. During the same period, the male labour supply remained relatively unchanged at 103,776.

Labour Market Performance

Table 3.1

	2005 Jun	2006 Jun	2007 Jun	2008 Jun	2009 Jun
Labour Supply	145,714	147,280	148,636	151,783	152,016
Males	103,272	103,625	103,495	104,475	103,776
Females	42,442	43,655	45,141	47,308	48,240
Gainfully Occupied	138,784	140,219	142,299	145,922	144,743
Males	97,768	98,113	98,521	99,944	98,184
Females	41,016	42,106	43,778	45,978	46,559
Total Private Sector	93,241	96,959	99,615	103,928	104,071
Private Direct Production	33,377	33,224	33,418	32,780	31,698
Private Market Services	59,212	63,154	65,646	70,514	71,829
Temporary Employment	652	581	551	634	544
Total Public Sector	45,543	43,260	42,684	41,994	40,672
Public Sector	45,288	43,070	42,498	41,845	40,519
Temporary Employment	255	190	186	149	153
Registered Unemployed*	6,930	7,061	6,337	5,861	7,273
Males	5,504	5,512	4,974	4,531	5,592
Females	1,426	1,549	1,363	1,330	1,681
% of Labour Supply	4.8	4.8	4.3	3.9	4.8
of which unemployment under Part I (%)	4.3	4.5	3.8	3.5	4.5
Self-Employed**	16,516	16,632	16,807	17,127	17,325
Males	14,268	14,274	14,350	14,531	14,651
Females	2,248	2,358	2,457	2,596	2,674
% of Gainfully Occupied	11.9	11.9	11.8	11.7	12.0
Memorandum:					
Total Direct Production***	42,932	42,890	42,693	41,743	38,999
Total Market Services***	94,945	96,558	98,869	103,396	105,047
Total Private Sector Share	67.2%	69.1%	70.0%	71.2%	71.9%
Total Public Sector Share	32.8%	30.9%	30.0%	28.8%	28.1%
Part-time Employment as Primary Job	22,229	23,825	25,844	27,133	28,171

*Includes both Parts I and II of the registered unemployed
**Included in the Private Sector
***Excluding temporary employees

Source: Employment and Training Corporation

Box 3.1

The Labour Force Survey

The Labour Force Survey (LFS) is a household survey carried out by the National Statistics Office (NSO) in accordance with the methodologies of Eurostat and the International Labour Organisation (ILO). The LFS provides information regarding the labour market, salary conditions and other indicators related to the labour market. However, it is not directly comparable to statistics emanating from the Employment and Training Centre (ETC) mainly due to differences in definitions and methodology of the two databases. Additionally, one must express caution in interpreting LFS results over time as absolute changes of 1,800 or less may be the result of a sampling error. A review of the developments in the labour market occurring during the year to the second quarter of 2009 based on LFS data is presented below.

During the year to the second quarter of 2009, the labour supply increased by 3,095 or 1.8 per cent to 173,388. At the same time, employment increased by 1,247 or 0.8 per cent to 161,279. This reflects an increase in male employment from 105,397 in the second quarter of 2008 to 107,177 in the second quarter of 2009 and a decline in female employment of 533 or 1.0 per cent to 54,102. Consequently, at the end of this period, male employment accounted for 66.5 per cent of total employment while females accounted for the remaining 33.5 per cent. Unemployment increased by 1,848 or 18 per cent to 12,109, largely reflecting an increase in male unemployment.

At the end of the April-June quarter of 2009, the activity rate (defined as the labour force as a percentage of the population of working age) stood at 59 per cent, relatively unchanged when compared to the same quarter of 2008. This reflected an increase of 0.8 percentage points in the male activity rate to 76.9 per cent and a decline in that of females of 0.7 percentage points to 40.4 per cent. At the same time, the number of inactive persons increased by 1,204 or 0.7 per cent to 175,688, of which 67.2 per cent is accounted for by females.

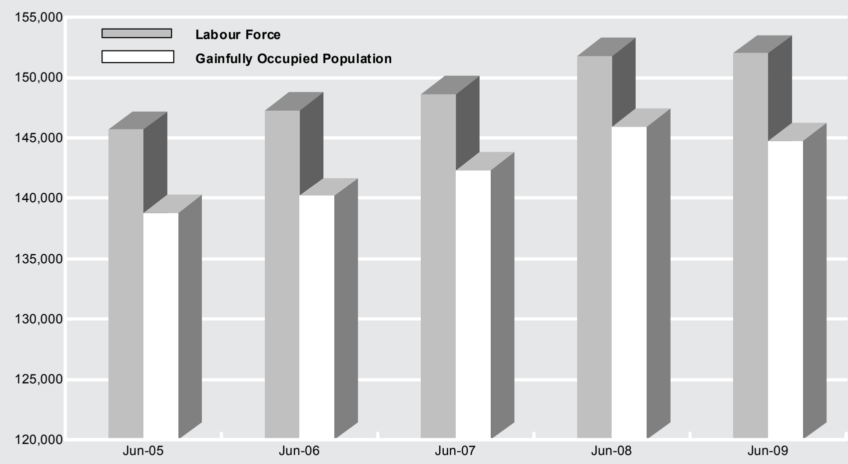
Throughout the same period, the employment rate (showing the number of persons engaged in employment as a per cent of the total working age population) declined by 0.5 percentage points to 54.9 per cent. This reflects a decline in the female employment rate from 38.6 per cent to 37.6 per cent and no change in the male employment rate which stood at 71.5 per cent.

The unemployment rate during the second quarter of 2009 stood at 7 per cent, 1 percentage point higher than that recorded in the second quarter of 2008. This reflected increases in both the male and female unemployment rates. In fact, the former increased by 1 percentage point to 7 per cent while the latter increased by 0.8 percentage points to 6.9 per cent. An age distribution perspective shows that the unemployment rate increased both for people aged between 15 and 24 years and those aged 25 and more. However, the increase of the younger age group amounted to 2.7 percentage points while that of the older age group amounted to only 0.6 percentage points. Consequently, the unemployment rate for people aged between 15 and 24 years stood at 15.7 per cent while that for persons aged 25 or more stood at 5.2 per cent.

From a sectoral perspective, the largest shares in total employment were accounted for by the manufacturing and wholesale and retail trade sectors which together accounted for more than 30 per cent of total employment. Average gross annual salaries improved during the period under observation. Indeed, the average salary increased from €13,405 in the second quarter of 2008 to €13,896 in the second quarter of 2009. The highest average gross annual salaries were those for legislators, senior officials and managers at around €23 thousand followed by that for professionals at around €19 thousand. Meanwhile, the lowest average wages were accounted for by persons employed in elementary occupations and skilled agricultural and fishery workers at around €11 thousand.

Chart 3.1

Labour Force and Gainfully Occupied Population

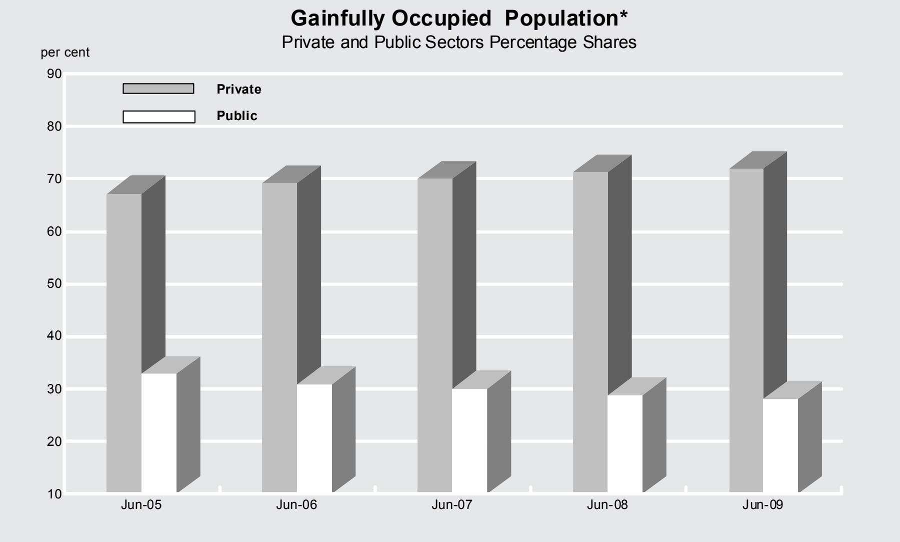


The developments in the gainfully occupied population were similar to those observed in the labour force. Indeed, it increased by 5,959 or 4.3 per cent, reflecting a 0.4 per cent increase in the male gainfully occupied population and 13.5 per cent increase for females. Consequently, the total gainfully occupied population stood at 144,743, of which 98,184 or 67.8 per cent were males and 46,559 or 32.2 per cent were females.

Throughout this period, public sector employment continued to follow a downward trend to stand at 40,672. At the same time, private sector employment increased by 11.6 per cent to 104,071. As shown in Chart 3.2, by the end of the period, the share of public and private sector employment in the total gainfully occupied population amounted to around 28 per cent and 72 per cent respectively.

Following the positive developments recorded in recent years, the number of persons registering for employment increased to 7,273. This reflects a decline of 1,069 persons or 15.4 per cent over the three year period to June 2008 which was more than offset by an increase of 1,412 or 24.1 per cent during the year to June 2009. Consequently, by the end of this period, the unemployment rate stood at 4.8 per cent, unchanged from June 2005.

Chart 3.2



*Including temporary employees

Private Sector Employment

The surge in private sector employment throughout the four year period to June 2009 was largely accounted for by jobs in private market services that increased by 21.3 per cent to 71,829. This was only partly mitigated by a decline in private direct production of 5 per cent to 31,698. Consequently, the share of private direct production in private sector employment fell from 35.8 per cent in June 2005 to 30.5 per cent in June 2009. Temporary private sector employment amounted to 544, accounting for the remaining 0.5 per cent of total private sector employment.

At the end of June 2009, the number of self-employed persons within private sector employment amounted to 16.6 per cent, down from 17.7 per cent in June 2005. Nonetheless, throughout this period, the number of self-employed persons increased by 809 or 4.9 percent to 17,325. This increase reflected an increase of around 400 persons in both males and females self-employed, equivalent to an increase of 2.7 per cent in the case of males and to 19 per cent in the case of females. Consequently, the share of female in the number of total self-employed amounted to 15.4 per cent in June 2009, 1.8 percentage points higher than the share recorded in June 2005. Nevertheless, the share of females in total self employed remained relatively low in comparison to the share of females in the gainfully occupied population, probably reflecting the role of cultural traits and deeply-ingrained societal habits.

Public Sector Employment

Throughout the period under observation, public sector employment maintained a downward trend. In total, it has declined by 4,871 persons or 10.7 per cent between June 2005 and June 2009 such that it stood at 40,672 by the end of the period under review. Table 3.2 shows that, to a large extent, this reflected the restructuring of public enterprises, privatisation of state-owned companies and the implementation of Government's policy to restrict recruitment in non-essential categories of Government departments. This led public sector employment to account for 28.1 per cent of the total gainfully occupied population compared to 32.8 per cent four years earlier.

In June 2009, employment in Government departments stood at 29,979, reflecting a decline of 1,127 persons or 3.6 per cent over June 2005. However, throughout this period, its share in total public sector employment increased from 68.3 per cent to 73.7 per cent as the employment levels in other categories of public sector employment declined more sharply.

Employment in companies with a public majority shareholding accounted for the greatest share of the decline in total public sector employment. Indeed, the number of employees in this category at the end of June 2009 amounted to around 40 per cent of the level as at June 2005. This was mainly attributable to the privatisation of Air Supplies and Catering Co. Ltd., Maltapost plc, Tug Malta Ltd. and Maltacom plc as well as the closing down of Sea Malta Co. Ltd. It is

Public Sector Employment

Table 3.2

	2005 Jun	**2006** Jun	**2007** Jun	**2008** Jun	**2009** Jun
Government Departments	31,106	30,658	30,377	30,235	29,979
Companies with public sector majority shareholding	5,500	3,591	3,192	2,607	2,222
Independent Statutory Bodies	8,682	8,821	8,929	9,003	8,318
Temporary Employees	255	190	186	149	153
Total	45,543	43,260	42,684	41,994	40,672

Source: Employment and Training Corporation

also noted that a number of companies with public majority shareholding undertook a number of restructuring initiatives which contributed towards this decline. Consequently, this category's share in total public sector employment fell from 12.1 per cent in June 2005 to 5.5 per cent in June 2009.

At the end of June 2009, independent statutory bodies employed 8,318 persons, a decline of 364 or 4.2 per cent over the same month four years earlier. During the period between June 2005 and June 2008, employment in this category followed a gradually increasing trend as a result of the shifting of certain activities from Government departments to independent statutory bodies. The decline registered between June 2008 and June 2009 largely reflects the restructuring of Malta Shipyards Ltd. Following these developments, this category's contribution to total public sector employment increased from 19.1 per cent in June 2005 to 20.5 per cent in June 2009.

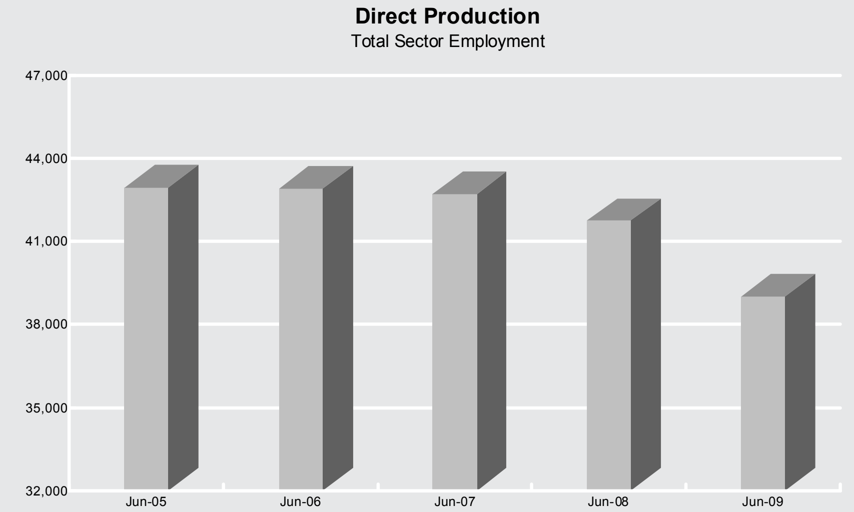
Sectoral Employment

Data shows that, during the four year period to June 2009, a shift away from direct production towards market services employment persisted. Indeed, total direct production employment (exclusive of temporary employees) fell by 3,933 or 9.2 per cent to 38,999. On the other hand, market services employment recorded an increase of 10,102 or 10.6 per cent to 105,047 by the end of the period under observation. Consequently, the share of direct production in total employment fell from 30.9 per cent in June 2005 to 26.9 per cent in June 2009, reflecting a 4 percentage point increase in the share of market services employment. This section proceeds to provide an overview of the major developments in both direct production and market services during the period under review.

Direct Production

The substantial decline noted in total direct production employment in Chart 3.3 is largely a reflection of developments in the manufacturing sector. In fact, over the period from June 2005 to June 2009, it recorded a decline in employment of 4,074 or 16.4 per cent to 20,756. Table 3.3 also shows a significant decline of 1,305 or 42 per cent in employment in the agriculture, hunting and forestry sector. However, this reflects the reclassification of a number of public sector employees from the agricultural, hunting and forestry sector to the construction sector. Indeed, the latter is noted to have recorded an increase of 1,917 or 18 per cent to 12,548 by the end of the period under observation. Other significant developments are noted in the electricity, gas and water supply sector. Indeed,

Chart 3.3



Employment in Direct Production*

Table 3.3

	2005 Jun	2006 Jun	2007 Jun	2008 Jun	2009 Jun
Agriculture, Hunting and Forestry	3,107	3,048	2,981	2,998	1,802
Private	1,658	1,640	1,641	1,641	1,638
Public	1,449	1,408	1,340	1,357	164
Fishing	446	468	536	534	512
Private	446	468	536	534	512
Public	0	0	0	0	0
Mining and Quarrying	510	511	494	478	472
Private	510	511	494	478	472
Public	0	0	0	0	0
Manufacturing	24,830	24,023	23,911	23,063	20,756
Private	23,047	22,271	22,145	21,314	20,330
Public	1,783	1,752	1,766	1,749	426
Electricity, Gas and Water	3,408	3,259	3,109	2,993	2,909
Private	3	5	8	8	10
Public	3,405	3,254	3,101	2,985	2,899
Construction	10,631	11,581	11,662	11,677	12,548
Private	7,713	8,329	8,594	8,805	8,736
Public	2,918	3,252	3,068	2,872	3,812
Total Employment in Direct Production	42,932	42,890	42,693	41,743	38,999
Private	33,377	33,224	33,418	32,780	31,698
Public	9,555	9,666	9,275	8,963	7,301

* Excluding temporary employees

Source: Employment and Training Corporation

in June 2009, employees in this sector amounted to 2,909, a decline of 499 or 14.6 per cent when compared to June 2005. Meanwhile, employment in the fishing sector registered an increase whilst there were job losses in the mining and quarrying sectors.

It is also noted that the employment trends observed throughout the early years of the period under observation within the respective sectors of direct production continued in the year to June 2009. Indeed, during these twelve months, the major contributor towards the decline in total direct production employment was the manufacturing sector. Contrary to the previous year, Table 3.4 shows that the larger share of this decline was accounted for by the public sector, largely reflecting the restructuring of Malta Shipyards Ltd. Additionally, private sector decreases have been significantly higher than in previous year.

Data for the major sub-sectors contributing to the total increases and decreases in total manufacturing employment are presented in Table 3.5. It shows that over the four years to June 2009, the manufacturing of textiles and textile products, rubber and plastic products, electrical and optical equipment and transport equipment sectors recorded the largest declines which were partly offset by significant improvements in the manufacturing of chemicals, chemical products and manmade fibres sector. At the same time, employment in the manufacturing of pulp, paper and paper products (including publishing and printing), other non-metallic mineral products, basic metals and fabricated metal products sectors as well as manufacturing sub-sectors not elsewhere classified remained relatively stable.

Changes in Manufacturing Employment*

Table 3.4

	2006-05	**2007-06**	**2008-07**	**2009-08**
	Jun	Jun	Jun	Jun
Total Change	-807	-112	-848	-2,307
Private	-776	-126	-831	-984
Public	-31	14	-17	-1,323
Total Private Increases	657	380	464	432
Total Public Increases	8	15	1	0
Total Private Decreases	1,433	506	1,296	1,416
Total Public Decreases	39	1	18	1,323

* Excluding temporary employees

Source: Compiled from Employment and Training Corporation data

Manufacturing Employment*

Table 3.5

	2005 Jun	2006 Jun	2007 Jun	2008 Jun	2009 Jun
Mfg of Food Products, Beverages and Tobacco	3,761	3,687	3,597	3,633	3,524
Private	3,761	3,687	3,597	3,633	3,524
Public	0	0	0	0	0
Mfg of Textiles and Textile Products	2,655	1,713	1,538	930	872
Private	2,655	1,713	1,538	930	872
Public	0	0	0	0	0
Mfg of Leather and Leather Products	378	215	207	145	128
Private	378	215	207	145	128
Public	0	0	0	0	0
Mfg of Wood and Wood Products	198	187	165	163	160
Private	198	187	165	163	160
Public	0	0	0	0	0
Mfg of Pulp, Paper and Paper Products; Publishing and Printing	1931	1,931	1,928	1,906	1,954
Private	1,835	1,874	1,872	1,849	1,899
Public	96	57	56	57	55
Mfg of Coke, Refined Petroleum Products and Nuclear Fuel	1	3	5	4	4
Private	1	3	5	4	4
Public	0	0	0	0	0
Mfg of Chemicals, Chemical Products and Man-Made Fibres	844	962	1,033	1,192	1,221
Private	844	962	1,033	1,192	1,221
Public	0	0	0	0	0
Mfg of Rubber and Plastic Products	1,742	1,643	1,665	1,588	1,223
Private	1,742	1,643	1,665	1,588	1,223
Public	0	0	0	0	0
Mfg of Other Non-Metallic Mineral Products	1,201	1,247	1,280	1,285	1,266
Private	1,201	1,247	1,280	1,285	1,266
Public	0	0	0	0	0
Mfg of Basic Metals and Fabricated Metal Products	1,286	1,306	1,286	1,301	1,335
Private	1,286	1,306	1,286	1,301	1,335
Public	0	0	0	0	0
Mfg of Machinery and Equipment n.e.c	525	521	559	518	464
Private	525	521	559	518	464
Public	0	0	0	0	0
Mfg of Electrical and Optical Equipment	5,053	5,362	5,356	5,240	4,548
Private	5,053	5,362	5,356	5,240	4,548
Public	0	0	0	0	0
Mfg of Transport Equipment	2,132	2,135	2,223	2,283	1,261
Private	445	440	513	591	890
Public	1,687	1,695	1,710	1,692	371
Manufacturing n.e.c.	3,123	3,111	3,069	2,875	2,796
Private	3,123	3,111	3,069	2,875	2,796
Public	0	0	0	0	0
Total Manufacturing Employment	24,830	24,023	23,911	23,063	20,756

* Excluding temporary employees

Source: Employment and Training Corporation

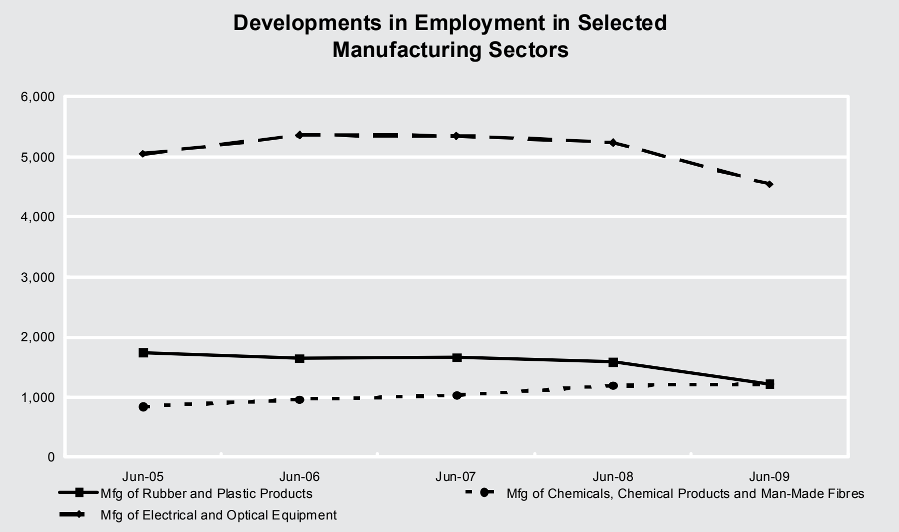
Manufacturing of Chemicals, Chemical Products and Manmade Fibres

Chart 3.4 shows that in June 2009, employment in the manufacturing of chemicals, chemical products and manmade fibres sector stood at 1,221, up by 377 persons or 44.7 per cent when compared to June 2005. In midst of the ongoing global recession, the increase during the last twelve months was subdued at 29 employees or 2.4 per cent. Nonetheless, the sector remains one of the emerging growth sectors in the Maltese economy as evidenced by its increasing share in total manufacturing employment. Indeed, this increased from 3.4 per cent in June 2005 to 5.9 per cent in June 2009.

Manufacturing of Rubber and Plastic Products

Employment in the manufacturing of rubber and plastic products sector was generally on a downward trend in recent years. During the year to June 2009, the labour complement in this sector decreased by 365 or 23.0 per cent to 1,223. Consequently, by the end of the period under observation, the sector's share in total manufacturing employment declined by 1.1 percentage points over June 2005 and stood at 5.9 per cent.

Chart 3.4



Manufacturing of Pulp, Paper and Paper Products (including Publishing and Printing)

During the four year period under observation, employment in the manufacturing of pulp, paper and paper products sector remained relatively stable at 1,954 in June 2009. Consequently, the sector's share in total manufacturing employment increased from 7.8 per cent in June 2005 to 9.4 per cent in June 2009 as employment in most other manufacturing sectors declined.

Manufacturing of Electrical and Optical Equipment

Employment in the manufacturing of electrical and optical equipment sector followed a gradually downward trend during the period between June 2005 and June 2008. Indeed, following a significant increase recorded during the first year of this period, the sector recorded declines in sub-sequent years. This was particularly significant in the twelve months to June 2009, as employment within the sector decline by 692 or 13.2 per cent. Nonetheless, at the end of this period, employment in this sector still amounted to 4,548, accounting for 21.9 per cent of total manufacturing employment.

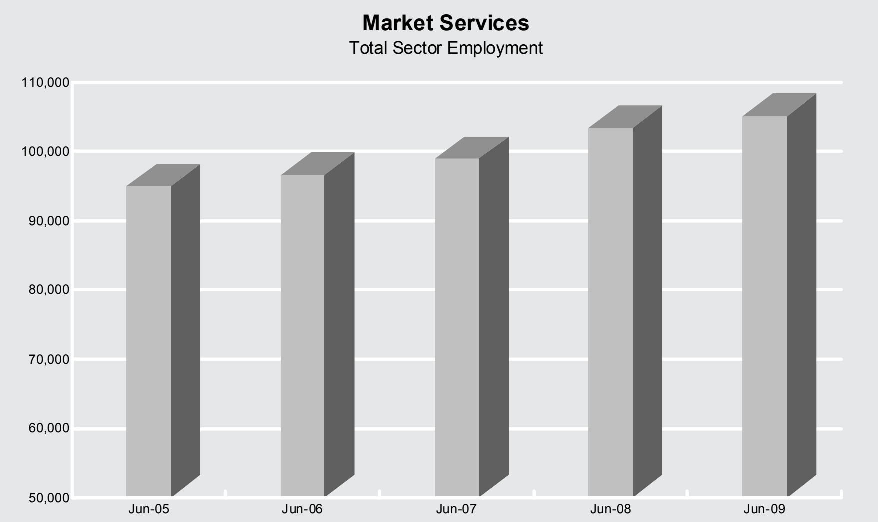
Manufacturing of Transport Equipment

During the three years to June 2008, the manufacturing of transport equipment sector's average annual growth rate amounted to around 2 per cent. However, a significant decline of 1,022 persons or 44.8 per cent was recorded in the year ending June 2009. This was the result of the restructuring process at Malta Shipyards Ltd.. Following these developments, the manufacturing of transport equipment sector's share in total manufacturing employment fell from 8.6 per cent in June 2005 to 6.1 per cent in June 2009.

Manufacturing n.e.c.

The major sub-sectors which are classified in this sector mainly include the manufacture of furniture, games and toys as well as recycling. Throughout the period under observation, employment within the sector has followed a downward trend and stood at 2,796 in June 2009. Similar developments were evidenced during the twelve months to June 2009, as the sector recorded a decline of 79 employees or 2.7 per cent such that the sector's share in total manufacturing employment stood at 13.5 per cent.

Chart 3.5



Market Services

Chart 3.5 shows that employment in market services has increased every year throughout the four year period to June 2009. In fact, it has been the main generator of jobs in recent years, recording a growth rate of 10.6 per cent between June 2005 and June 2009. Notably, the increase in employment in market services during the last year of this period amounted to 1,651 persons or 1.6 per cent. Table 3.6 shows that job gains by the private sector in the twelve months to June 2009 amounted to 1,869 while job losses amounted to 554. It is noteworthy that the total private sector increases were significantly below these recorded in previous years, while the total private increases were higher. At the same time, job gains in the public sector amounted to 430, partly offset by job losses amounting to 94.

The major contributor to growth in market services was the real estate, renting and other business activities sub-sector. Nonetheless, practically all sectors reported growth during the four year period under observation. Increases in every sector were also observed in the year to June 2009 with the exception of the hotels and restaurants sector. The developments in the respective market services sectors are presented in Table 3.7 and further analysed in this section.

Table 3.6

Changes in Employment in Market Services*

	2006-05 Jun	2007-06 Jun	2008-07 Jun	2009-08 Jun
Total Change	1,613	2,311	4,527	1,651
Private	3,942	2,492	4,868	1,315
Public	-2,329	-181	-341	336
Total Private Increases	3,961	2,788	4,941	1,869
Total Public Increases	144	261	528	430
Total Private Decreases	19	296	73	554
Total Public Decreases	2,473	442	869	94

*Excluding temporary employees

Source: Compiled from Employment and Training Corporation data

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

During the period between June 2005 and June 2009, employment in the wholesale and retail sector increased by 916 or 4.3 per cent to 22,095. Chart 3.6 shows that employment growth experienced throughout this period continued throughout the last twelve months albeit at a slower pace. In fact, the increase amounted to 147 or 0.7 per cent compared to an average annual growth rate of 1.2 per cent during the previous three years. Employment in the wholesale and retail sector accounted for 21 per cent of total market service employment compared to 22.3 per cent recorded in June 2005.

Hotels and Restaurants

During the four years to June 2009, employment in hotels and restaurants has had a relatively volatile performance, with a significant increase of 6.1 per cent being registered in the twelve months to June 2008. However, this increase was partly reversed during the last twelve months of the period. Indeed, during the year to June 2009, employment in the hotels and restaurants sector declined by 462 persons or 4.5 per cent reflecting weakening demand from Malta's major tourist source markets, in particular, the UK, Germany and France. Following these developments the share of hotels and restaurant employees in total market services employment fell from 10.1 per cent in June 2005 to 9.4 per cent in June 2009.

Table 3.7

Employment in Market Services*

	2005 Jun	2006 Jun	2007 Jun	2008 Jun	2009 Jun
Wholesale and Retail (including Repair of Motor Vehicles, Motorcycles and Personal and Household Goods)	21179	21,342	21,395	21,948	22,095
Private	21,061	21,317	21,373	21,929	22,078
Public	118	25	22	19	17
Hotels and Restaurants	9,561	9,828	9,781	10,380	9,918
Private	9,282	9,588	9,666	10,269	9,809
Public	279	240	115	111	109
Transport, Storage and Communications	11,296	11,134	10,769	11,106	11,309
Private	6,656	8,137	8,205	8,975	9,267
Public	4,640	2,997	2,564	2,131	2,042
Financial Intermediation	5,063	5181	5,358	5,637	5,694
Private	4,589	4,703	4,872	5,148	5,185
Public	474	478	486	489	509
Real Estate, Renting and Business Activities	9,364	10,607	12,005	13,320	14,258
Private	8,226	9,439	10,857	12,158	13,064
Public	1,138	1,168	1,148	1,162	1,194
Public Administration and Defence (including Compulsory Social Security)	10,850	10,646	10,790	10,802	10,973
Private	3	1	1	1	0
Public	10,847	10,645	10,789	10,801	10,973
Education	12,058	12,179	12,365	12,514	12,634
Private	2,900	2,968	3,162	3,444	3,475
Public	9,158	9,211	9,203	9,070	9,159
Health and Social Work	9,213	9,261	9,469	10,054	10,333
Private	1,444	1,482	1,594	1,752	1,923
Public	7,769	7,779	7,875	8,302	8,410
Other Community, Social and Personal Service Activities**	6,212	6,232	6,790	7,464	7,650
Private	4,902	5,371	5,969	6,667	6,845
Public	1,310	861	821	797	805
Extra-Territorial Organisations and Bodies	149	148	147	171	183
Private	149	148	147	171	183
Public	0	0	0	0	0
Total Employment in Market Services	94,945	96,558	98,869	103,396	105,047

* Excluding temporary employees

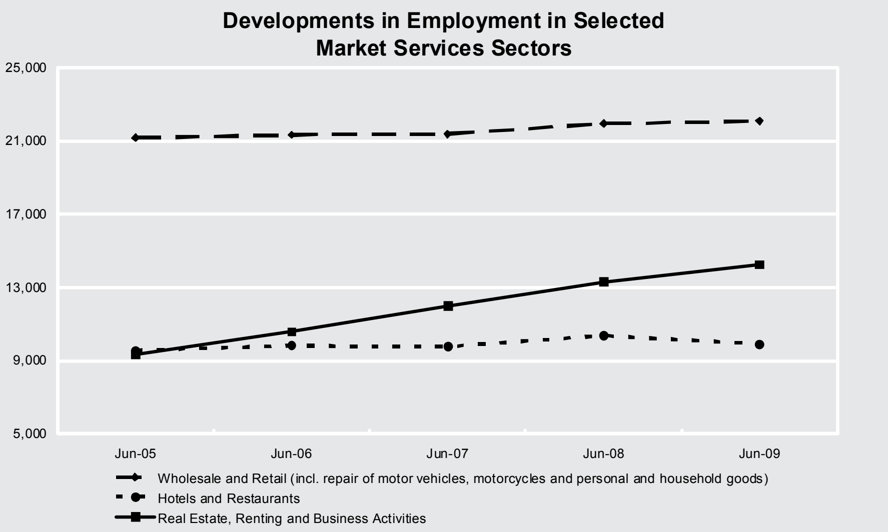
**Includes Private Households with Employed Persons

Source: Employment and Training Corporation

Transport, Storage and Communication

Employment in the transport, storage and communication sector was relatively stable over the four year period under observation. While the sector's private sector employment increased by 2,611, its public sector employment declined by 2,598, reflecting the privatisation of Maltapost plc. In June 2009, employment in the transport, storage and communication sector stood at 11,309, an increase of 203 or 1.8 per cent over June 2008. The share of the transport, storage and

Chart 3.6



communication sector employment in total market services employment declined by 1.1 percentage points to 10.8 per cent over the four years to June 2009 as employment levels in other market services sectors increased more sharply.

Financial Intermediation

During the four years to June 2009, employment in the financial intermediation sector followed a consistent gradual upward trend, with an annual average growth of 3 per cent. Indeed, the increase in the sector's employment from June 2005 to June 2009 amounted to 631 or 12.5 per cent, with both the financial intermediation and insurance and pension funding sub-sectors recording growth. Notably, during the twelve months to June 2009, sectoral employment increased marginally by 1 per cent. Following these developments, the financial intermediation sector's share in total market services employment remained relatively stable at 5.4 per cent.

Real Estate, Renting and Business Activities

At the end of June 2009, employment in the real estate, renting and business activities sector stood at 14,258, reflecting an increase of 938 or 7 per cent over the same month the previous year. This reflects a continuation of the trend noted in previous years, although the sector's employment growth rate was relatively lower. In fact, employment in the real estate, renting and business activities sector increased by a significant 4,894 or 52.3 per cent during the four year period to June 2009. While these were mainly concentrated in the other business activities sub-sector, notable growth have also been recorded in the computer and related activities sub-sector. By the end of this period, the real estate, renting and business activities sector's share in total market services employment stood at 13.6 per cent, 3.7 percentage points higher than that recorded in June 2005.

Other Community, Social and Personal Service Activities

The other community, social and personal service activities sector has been increasing its share in total market services employment throughout the period under observation such that at the end of June 2009 it stood at 7.3 per cent. During this period, it recorded an increase of 1,438 or 23.1 per cent to 7,650. To a large extent, this reflected developments in the recreational, cultural and sporting activities sub-sector as well as other service activities sub-sector (which includes remote gaming activities). Amidst the ongoing weakening economic activity, the sector's performance throughout the twelve months to June 2009 has been positive. In fact, during this period, employment in this sector increased by 186 or 2.5 per cent.

Unemployment

In contrast to previous sections, the latest available data on unemployment analysed in this section pertains to September 2009, and relates only to persons listed under Part I of the Register. It therefore includes new job-seekers who left school, re-entrants into the labour market and job losers who have been made redundant by their former employers. Workers who have been dismissed from work due to disciplinary action, those who left work on their own free will, refuse work or training opportunities or were struck off the Part I register after an inspection by the law enforcement personnel are not included in the analysis as these fall under Part II of the Register.

During the year to September 2009, unemployment increased by 1,303 or 24.2 per cent to 6,693. This largely reflected an increase in the number of unemployed males. Indeed, males accounted for almost three quarters of the increase as the number of females registering for employment increased by 361. Consequently, female unemployment accounted for 22.8 per cent of total registered unemployed (under Part I).

Table 3.8 shows that out of the 6,693 persons registering for employment in September 2009, 39.7 per cent have been registering for a period between 9 to 48 weeks, 5 percentage points higher compared to September 2008. A lower share of persons which fall within the long term unemployed category is also noticeable, as the percentage in total unemployed persons registering for over 48 weeks fell from 40.7 in September 2008 to 38.5 in September 2009. Nonetheless, the number of long-term unemployed increased by almost 400 persons. The share of persons registering for less than 9 weeks declined by 2.8 percentage points to 21.8 per cent of total unemployed.

Table 3.9 shows that in terms of age distribution, young and old aged persons fared relatively worse. In fact, the share of those aged between 16 to 24 years in total unemployment increased from 18.1 per cent in September 2008 to 19.3 per cent in September 2009 while that for persons aged over 49 years increased from 23.2 per cent to 24.4 per cent. At the same time, the share of persons aged between 24 and 49 years in total unemployment declined by 2.4 percentage points to 56.3 per cent.

Table 3.10 shows that the increase in the number of unemployed recorded during the year to September 2009 is mainly attributable to persons registering for non-manual work. Specifically, the largest contributions to the increase came from miscellaneous non-manual work and clerical and related work which at the end of June 2009 accounted for 15 per cent and 14.3 per cent of total unemployment respectively. The technological and professional category also accounted for a substantial part of the increase in the number of unemployed such that its share in the total unemployed remained relatively unchanged at

Registered Unemployed*
by duration of registration

Table 3.8

	Registered Unemployed	under 9 weeks %	9 - 48 weeks %	over 48 weeks %
2004	7,390	16.8	38.6	44.6
2005	6,696	21.6	37.0	41.4
2006	6,446	20.9	36.5	42.7
2007	5,469	19.6	37.4	43.0
2008	5,785	21.0	39.1	39.9
2008 (Sep)	5,390	24.6	34.7	40.7
2009 (Sep)	6,693	21.8	39.7	38.5

*Includes Part I of the registered unemployed

Source: Employment and Training Corporation

Registered Unemployed*

by age distribution

Table 3.9

	Registered Unemployed	16 - 24 years %	25 - 49 years %	over 49 years %
2004	7,390	26.3	56.4	17.3
2005	6,696	28.2	55.1	16.7
2006	6,446	26.1	55.9	18.0
2007	5,469	20.6	58.9	20.5
2008	5,785	18.6	58.1	23.3
2008 (Sep)	5,390	18.1	58.7	23.2
2009 (Sep)	6,693	19.3	56.3	24.4

*Includes Part I of the registered unemployed

Source: Employment and Training Corporation

Registered Unemployed Classified by Occupation*

at September 2009

Table 3.10

	Registered Unemployed			**Percentage Share**		
	Males	Females	Total	Males	Females	Total
Non-Manual						
Clerical & related workers	437	517	954	8.5	33.9	14.3
Supervisory	42	2	44	0.8	0.1	0.7
Technological & professional	666	131	797	12.9	8.6	11.9
Miscellaneous non-manual	609	396	1005	11.8	26.0	15.0
Total Non-Manual	1,754	1,046	2,800	33.9	68.6	41.8
Manual						
Agriculture	207	1	208	4.0	0.1	3.1
Construction	544	0	544	10.5	0.0	8.1
Textiles	5	15	20	0.1	1.0	0.3
Printing	10	0	10	0.2	0.0	0.1
Metal working	219	0	219	4.2	0.0	3.3
Catering	176	29	205	3.4	1.9	3.1
Other services	380	163	543	7.4	10.7	8.1
Labouring	590	93	683	11.4	6.1	10.2
Miscellaneous	948	110	1058	18.3	7.2	15.8
Total Manual	3,079	411	3,490	59.6	27.0	52.1
Disabled persons	336	67	403	6.5	4.4	6.0
Total	5,169	1,524	6,693	100.0	100.0	100.0

*Includes Part I of the registered unemployed

Source: Employment and Training Corporation

Part-Time Employment

Table 3.11

	2005 Jun	2006 Jun	2007 Jun	2008 Jun	2009 Jun
Part-Timers holding a full-time job	17,154	18,531	19,984	20,774	21,702
Males	12,852	13,735	14,537	14,848	15,235
Females	4,302	4,796	5,447	5,926	6,467
Part-Timers as a primary job	22,229	23,825	25,844	27,133	28,171
Males	8,677	9,430	10,449	11,034	11,481
Females	13,552	14,395	15,395	16,099	16,690
Total Part-Time Employment	39,383	42,356	45,828	47,907	49,873
Males	21,529	23,165	24,986	25,882	26,716
Females	17,854	19,191	20,842	22,025	23,157

Source: Employment and Training Corporation

around 11.9 per cent. The manual category contributed to approximately 36 per cent of the increase in employment, mainly through the construction and other services category. Consequently, the share of manual unemployed in total unemployment stood at 52.1 per cent compared to 56.1 per cent in September 2008.

Part-Time Activity

Table 3.11 shows that since June 2005, total part-time employment followed an upward trend. Indeed, it increased from 39,383 in June 2005 to 49,873 in June 2009, recording a growth rate of 26.6 per cent. This partly reflects an increase of 1,966 or 4.1 per cent in the final year of the period under observation.

The increase registered during the four year period to June 2009 was registered in both part-timers holding a full-time job and part-time as a primary job. Around 60 per cent of the increase in total part-time employment was accounted for by higher part-time employment as a primary job. Consequently, the relative shares in total part-time employment remained relatively unchanged, specifically, with 56.5 per cent for persons employed part-time as their primary job. While significant increases were recorded in both male and female categories, males continued to account for the larger share of total part-timers also holding a full-time job and females continued to account for the larger share of persons employed on a part-time basis as their primary job.

Indeed over the four year period to June 2009, the number of male part-timers holding a full-time job increased by 2,383 or 18.5 per cent to 15,235 while the respective figure for females increased by 2,165 or 50.3 per cent to 6,467. On the other hand, males employed part-time as their primary job increased by 2,804 or 32.3 per cent to 11,481 while females employed part-time as a primary job increased by 3,138 or 23.2 per cent to 16,690. The share of males in total part-time employment amounted to 53.6 per cent.

4. Productive Activities

4. Productive Activities

Being relatively export-oriented, the local manufacturing industry was highly affected by the repercussions of the sharp deterioration in international trade brought about by the ongoing economic crisis. Indeed, following a drop in exports in the first half of 2008 a significantly sharper decline was registered by the domestic manufacturing industry during the January-June 2009 period.

Turnover in the manufacturing industry dropped by 21.6 per cent reflecting a decline in exports of 27.6 per cent which more than offset the marginal rise of 1.0 per cent in local sales. The sectors that were mostly hit by the international crisis included the radio, TV and communication equipment, electrical and machinery and apparatus, chemical and chemical products and the rubber and plastic products sectors. On the other hand, increases in exports were registered in the other transport equipment and the food and beverages products sectors.

Accounting for 35 per cent of total manufacturing output, the radio, TV and communication equipment is the largest sector within the manufacturing industry. Meanwhile exports of this sector amount to nearly 50 per cent of the total output exported by the manufacturing industry. Following a significant increase in January-June 2006, exports by this sector declined in the subsequent years, registering a significant drop of 32.4 per cent in the January-June 2009 period. Though it remained the largest sector within the manufacturing industry, its share in total turnover dropped by 13 percentage points during the period under review.

Following a significant growth in local sales of the total manufacturing industry in the first six months of 2008, a marginal increase of 1 per cent was recorded in the corresponding period of 2009. This was mainly underpinned by rises in the chemicals and chemical products and other non-metallic mineral products sectors. On the other hand, declines were registered in the fabricated metal products, food and beverages products and paper and paper products sectors. It is noteworthy that the increase in local sales of the chemicals and chemical products sector reflects a shift by an enterprise from exports to sales to another domestic firm.

The deterioration in the demand for local manufactured exports also had an impact on investment activity. Indeed, capital outlays dropped substantially by €43.4 million to €36.1 million.

Employment by the manufacturing industry declined in the first half of 2009 though such declines were relatively subdued as compared to manufacturing turnover. Facing lower export demand, a number of manufacturing companies have generally resorted to a reduction of labour hours in a bid to cut down on production costs. This is reflected in a reversal in the upward trend of average weekly earnings per employee which declined by €5 to €309 during the first half of 2009. In this context, it is pertinent to note that with a view to safeguard employment Government has provided targeted and temporary assistance to a number of relatively large manufacturing companies which have been especially hit by the downturn in global demand.

Value added at factor cost measures the wealth generation capability of the manufacturing industry. Value added at factor cost per capita increased by 8.1 per cent in 2008, reflecting a rise of 22.5 per cent in personnel costs per capita which was partially offset by a drop in gross operating surplus of 7.3 per cent. It is pertinent to note that the significant increase in the former largely reflects the inclusion of the payments in respect of the voluntary redundancy scheme granted to Malta Shipyards employees in personnel costs. During 2008, notable shifts in the sectoral composition of value added at factor cost were registered. In particular, the share of value added at factor cost of the radio, TV and communication sector which has been the largest in the manufacturing industry up to 2007, decreased considerably in 2008 and was surpassed by the chemicals and chemical products and the foods and beverages sectors. Indeed, the former was the largest contributor to manufacturing value added at factor cost during 2008.

Though small in size, the local agricultural and fisheries sector maintains an important socio-economic role. In 2008, agricultural factor income at current prices decreased by 5.4 per cent over the previous year. Final production at basic prices increased by 7.4 per cent in 2008 when compared to the previous year, driven by higher prices for crop, livestock, and other animal products. During the first two quarters of 2009, the share of agriculture and fisheries in gross value added of the total economy increased marginally to 1.8 per cent from 1.7 per cent in the previous year. The wholesale value of fruit and vegetables sold through organised markets increased by 3.2 per cent during the period January-September 2009. During the first eight months of 2009, the volume of slaughtering decreased by 9.7 per cent. The value of fish landings during the first three quarters of 2009 increased by 8.2 per cent when compared to the same period in 2008.

This Chapter first reviews the performance of local manufacturing industry in the first six months of 2009. Data provided by the National Statistics Office (NSO) and analysed in the Chapter is based on the results of a monthly survey conducted amongst a representative sample of manufacturing firms. Hence, such data is not directly comparable to those found in other Chapters of this Economic Survey.

The second part of this Chapter reviews sectoral value added at factor cost for the total manufacturing industry. Data for this section is compiled by the NSO from annual business surveys and is classified according to NACE. The methodology adopted by the NSO in data collection and compilation of value added at factor cost is in line with the Structural Business Council Regulation 58/97, thereby being comparable to European Union (EU) methodology. This Chapter then concludes with a review of the activity in the agriculture and fisheries sector.

Domestic Manufacturing Performance

During the six months to June 2009, turnover in the total manufacturing industry dropped significantly by 21.6 per cent and stood at €878 million. This was attributable to declines in exports across most of the manufacturing sector but mainly in the radio, TV and communication equipment sector. Other sectors such as chemicals and chemical products and rubber and plastic also registered significant declines in export levels. Moreover, albeit to a lesser extent declines in export levels were also registered in the medical, precision and optical instruments, electrical machinery and apparatus and furniture and other manufacturing sectors. Conversely, increases in exports were registered in the other transport equipment (which includes the airplane maintenance activities) and in the food and beverages sectors.

Local sales by the manufacturing industry increased marginally by €2.3 million and reached €237 million in the period under review. This is mainly attributable to rises in the domestic sales of the other non-metallic mineral products and chemicals and chemical products sectors. The performance of the latter is due to a former export-oriented enterprise whose turnover was sold to another enterprise based in Malta and therefore shifting from export-turnover to local sales. Conversely, significant declines in local sales were registered by the fabricated metals products and by the food and beverages sector.

Chart 4.1

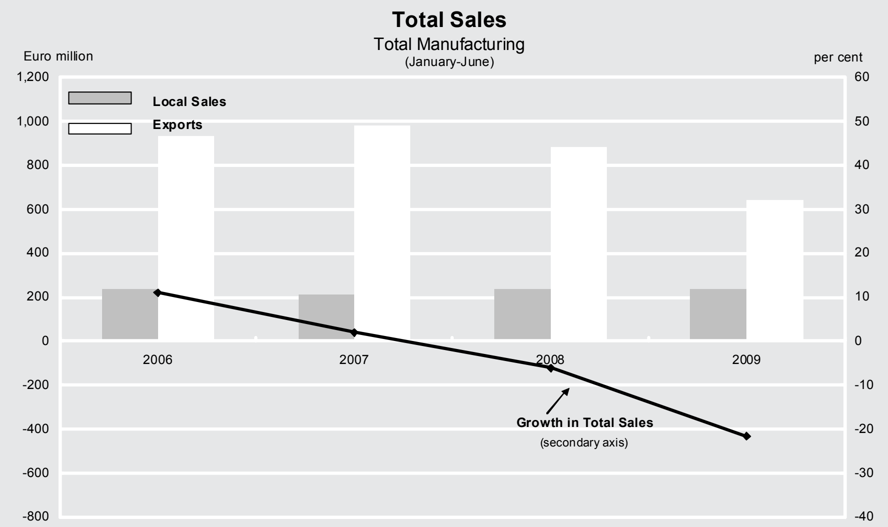


Chart 4.2

Chart 4.1 shows developments in exports and local sales over the years between 2006 and 2009. It is pertinent to note that data on exports may include re-exports. Growth in total sales followed a downward trend, registering negative growth in 2008 and 2009. Though the manufacturing industry remained oriented towards the export market, the share of exports in total turnover dropped significantly by seven percentage points over the observed period and stood at 73.0 per cent in January-June 2009.

As illustrated in Chart 4.2, following an upward trend registered in the previous periods prior 2008, the average weekly compensation per employee for the total manufacturing industry decreased by 1.6 per cent and stood at €309 in the six months of 2009. However, the total wage bill in the manufacturing industry fell more sharply than employment. This reflects a degree of labour rigidity. Faced with low demand, enterprises have tended to adjust by reducing working time in a bid to reduce production costs. This had an impact on average earnings.

Meanwhile, Chart 4.3 presents developments in capital outlays in the industry between the years 2006 and 2009. A sharp decline in capital outlays was registered with investment being around half the level registered during the corresponding 2008 period. This investment performance mainly reflects lower capital outlays by the radio, TV and communication equipment, manufacture of food and beverages, chemicals and chemical products sectors, publishing and printing and furniture and other manufacturing. These declines in capital outlays

Chart 4.3

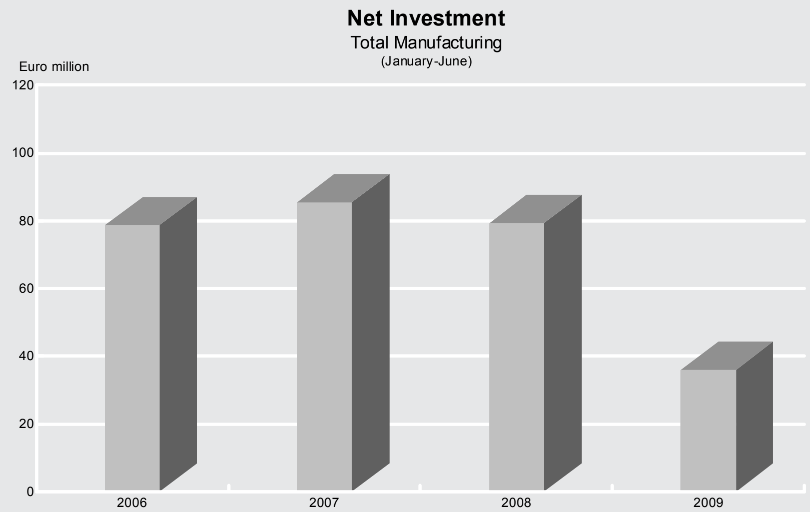
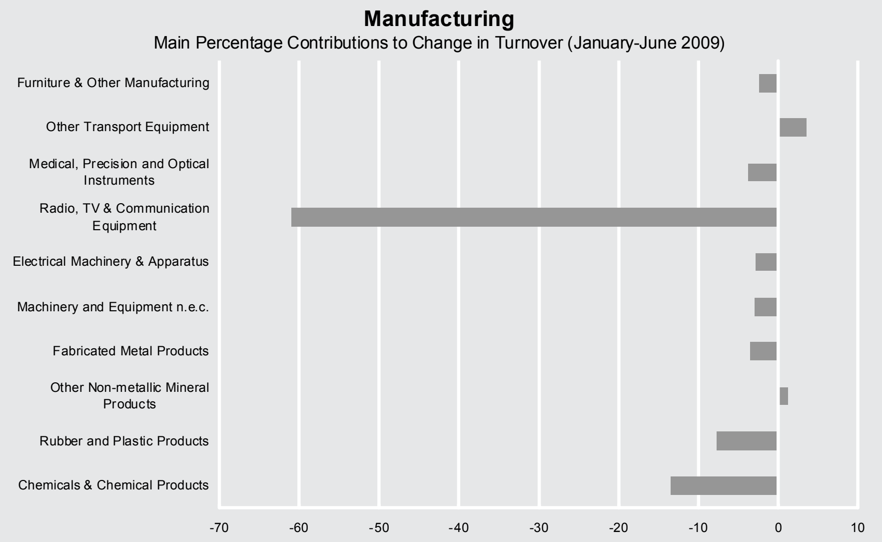


Chart 4.4



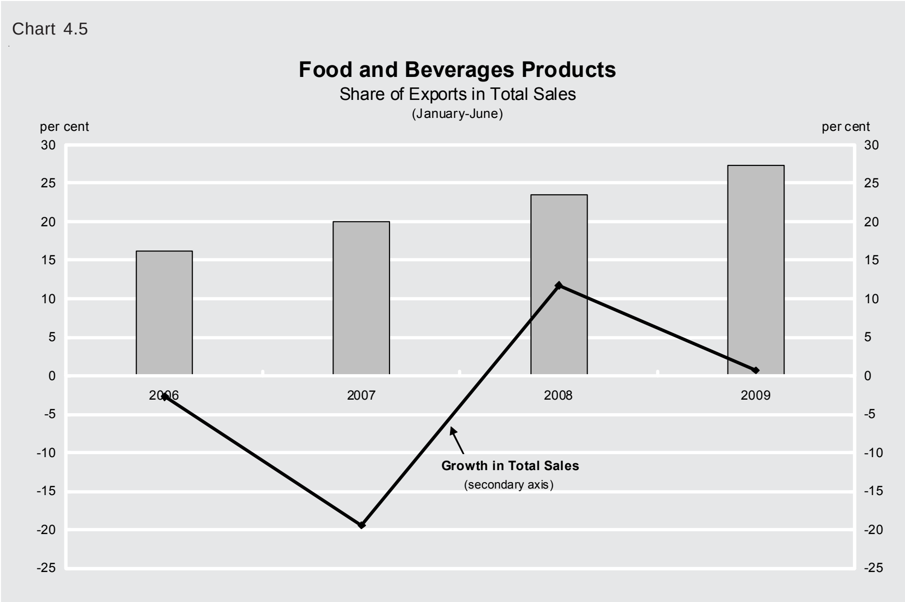
were only partially compensated by increases in investment outlays in the textiles and textile products, other transport equipment and medical precision and optical instruments sectors.

The main contributors towards the change in total sales in the manufacturing industry for January-June 2009 are depicted in Chart 4.4. Declines in total sales by the radio, TV and communication equipment sector and to a much lesser extent by the chemicals and chemical products sector contributed negatively to total sales by the manufacturing industry. Less pronounced negative contributions to total sales were also recorded by most of the other manufacturing sectors. Indeed, positive contributions to growth were only recorded by the other non-metallic products and other transport equipment sectors, the latter including the airplane maintenance activities.

The main sectors within the manufacturing industry are analysed in the following section. Appendix Table 4.1 provides statistical data on the industrial performance at a sectoral level.

Food and Beverages Products

The food and beverages products sector remained one of the most locally-oriented sectors in the manufacturing industry. In fact, as illustrated in Chart 4.5 this sector directed around 73 per cent of its output to the local market. With



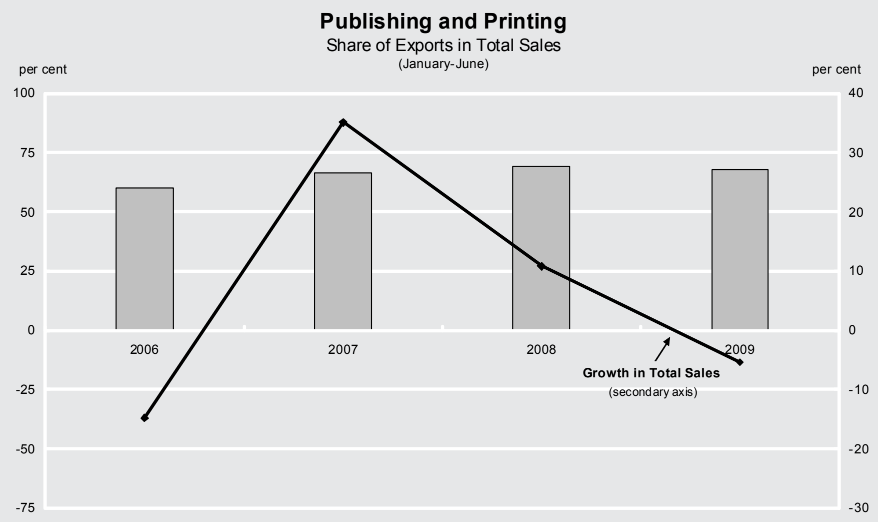
a share of 16.0 per cent in total turnover, the food and beverages sector also remained the second largest sector within the manufacturing industry, following the radio, TV and communication equipment sector. The food sub-sector directs around 65 per cent of its output to the local market while the beverages sub-sector is nearly wholly locally oriented.

During the first six months of 2009, total sectoral turnover rose marginally and stood at €140.6 million. This was underpinned by a rise of 20.4 per cent in exports which was partly offset by a drop of 5.1 per cent in local sales. The increase in exports was mainly attributable to the food sub-sector as exports by this sub-sector increased by 19.8 per cent. Meanwhile, local sales dropped in both the food and beverages sub-sectors by 4.9 per cent and 5.6 per cent respectively. Net investment levels in the food and beverages products sector dropped considerably by €11.3 million and stood at €3.3 million, reflecting a sharp decline in capital outlays by the beverages sub-sector.

Publishing and Printing

Following a positive performance recorded by the publishing and printing sector during the first six months of 2007 and 2008, turnover by this sector declined during the period under review. Nonetheless, this sector was not one of the hardest hit by the international crisis. Indeed, turnover by this sector dropped by 5.4 per cent and stood at €75.1 million. This performance mainly reflected a

Chart 4.6



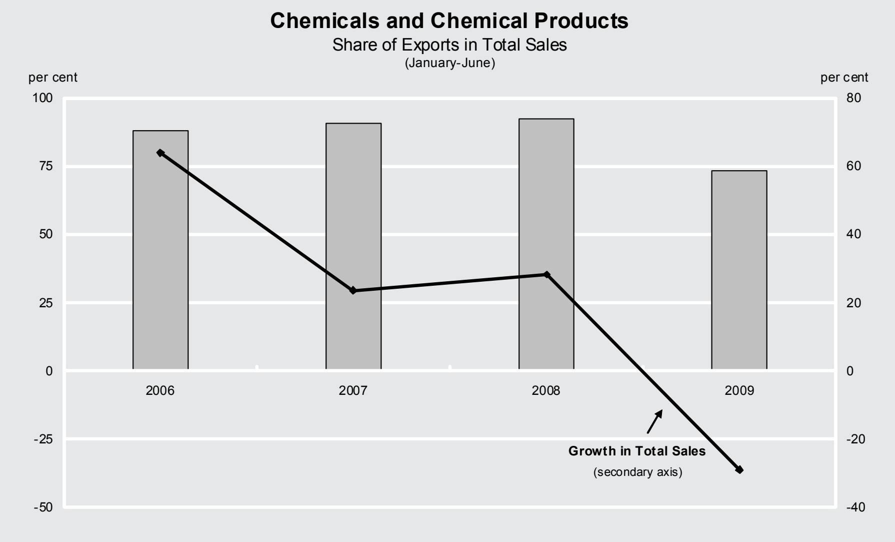
decrease in exports of 7.4 per cent to €50.9 million. As shown in Chart 4.6, this sector remained significantly dependent upon the international market exporting around 68 per cent of its output. Capital outlays by the publishing and printing sector dropped significantly from €10.6 million in January-June 2008 to €4.5 million in the corresponding 2009 period.

Despite this performance, average weekly earnings per employee in this sector increased by €37 to €386 exceeding the average of the total manufacturing industry by around 25 per cent.

Chemicals and Chemical Products

The chemicals and chemical products sector is made up of export-oriented firms producing pharmaceuticals and toiletries as well as local-oriented firms producing products such as paints, detergents and insecticides. At 9.0 per cent, the share of the chemicals and chemical products sector remained the third largest share in the manufacturing industry, over the recent years to 2008. This sector was one of the fast-growing sectors in the Maltese economy and its total turnover nearly doubled in the period between 2005 and 2008 on the back of significant increases in exports. This positive performance was somewhat reversed in the first six months of 2009 as the turnover of this sector dropped significantly by 29.2 per cent to €79.4 million. This decline was underpinned by a significant drop in exports of 43.7 per cent. On the other hand, local sales

Chart 4.7



increased from €8.8 million in 2008 to €21.2 million, reflecting the shift in turnover by an enterprise from exports towards sales to another local firm. Indeed, despite remaining export-oriented, as depicted in Chart 4.7, the share of exports to total sales declined from 92 per cent in January-June 2008 to 73 per cent in the period under review.

Capital outlays decreased substantially by €7.6 million to €2.9 million. The average weekly earnings per employee increased by €17 and stood at €398, the highest within the manufacturing industry.

Rubber and Plastic Products

The increases in turnover registered by this sector in 2007 and 2008 were reversed in 2009, as total sales dropped by 40.8 per cent to €31.0 million. This decline reflected a drop of 50.6 per cent in exports coupled with a decline of 6.0 per cent in local sales. Consequently, the share of exports in total sectoral output declined from 78.0 per cent in January-June 2008 to 65.0 per cent in the same period of 2009. Capital outlays in this sector declined from €2.9million in 2008 to €0.7 million in 2009. These developments are depicted in Chart 4.8.

In contrast to the steady growth registered in previous years, average weekly earning per employee fell considerably by €35 or around 11 per cent to €278, during the Survey period.

Chart 4.8

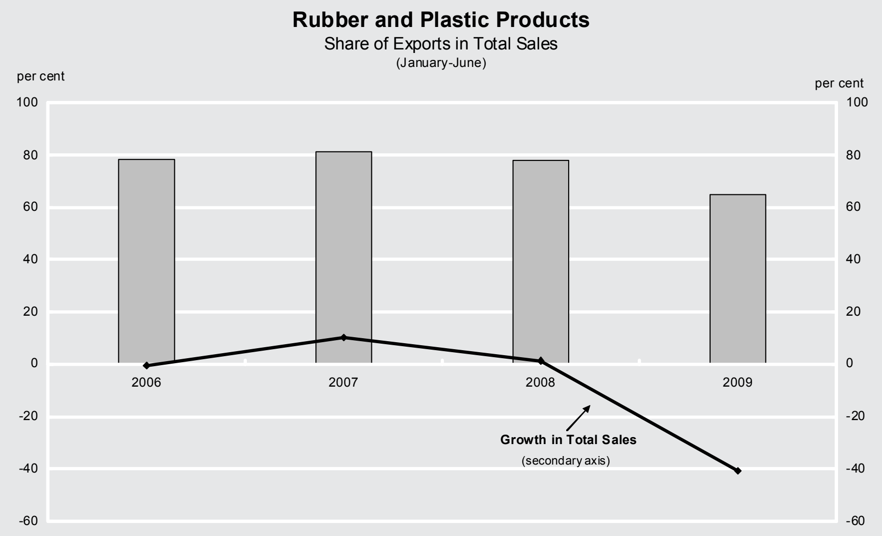
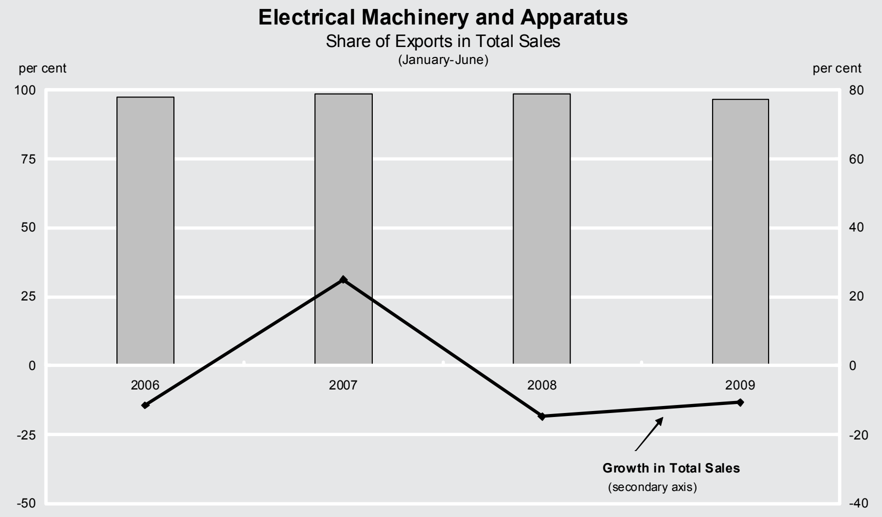


Chart 4.9



Electrical Machinery and Apparatus

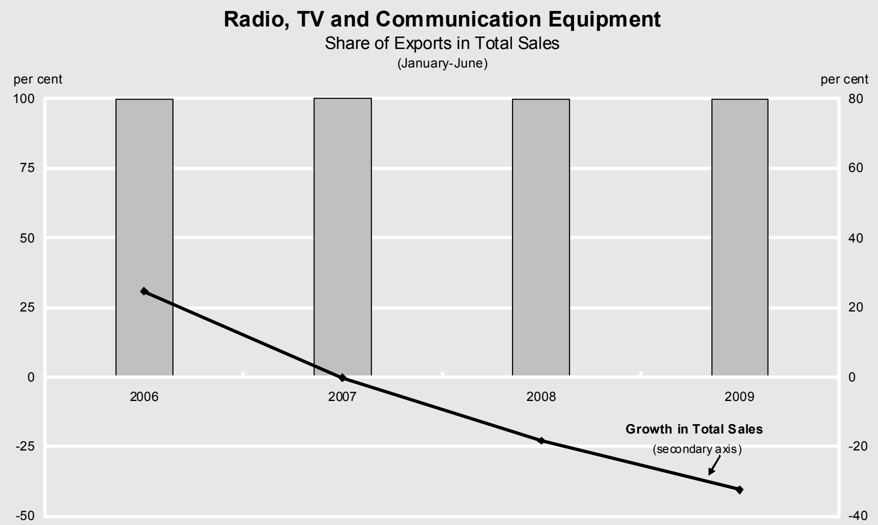
As illustrated in Chart 4.9. the electrical machinery and apparatus sector is almost exclusively export-oriented, with around 96 per cent of its output directed towards foreign markets. Following a drop of about 15 per cent in the first six months of 2008, the total sales of the electrical machinery and apparatus sector continued to decrease in the period under review declining by 10.7 per cent to €58.3 million. This reflects a decline in exports of this sector of 12.3 per cent to €56.3 million. Furthermore, during the first six months of 2009, capital outlays maintained the same levels registered in the previous corresponding period and stood at €1.5 million.

Radio, TV and Communication Equipment

As shown in Chart 4.10, the radio, TV and communication equipment sector is exclusively dependent upon exports. The main manufacturing activity in this sector consists of electronic components and other precision communication products. The sector's turnover mainly reflects the performance of a small number of relatively large foreign subsidiaries, which in turn are affected by international economic developments, in particular market conditions for electronic products.

During the period under review, the performance of this sector continued to reflect the unfavourable international developments. Following a drop of 18.3

Chart 4.10



per cent during the first six months of 2008, the turnover of this sector declined sharply by 32.4 per cent to €308.2 million. This reflected a similar drop in exports which declined to €307.8 million. However, with a share of total turnover amounting to 35 per cent, the radio, TV and communication equipment sector remained the largest sector within the total economy. Investment levels also declined substantially by €15.6 million to €7.2 million.

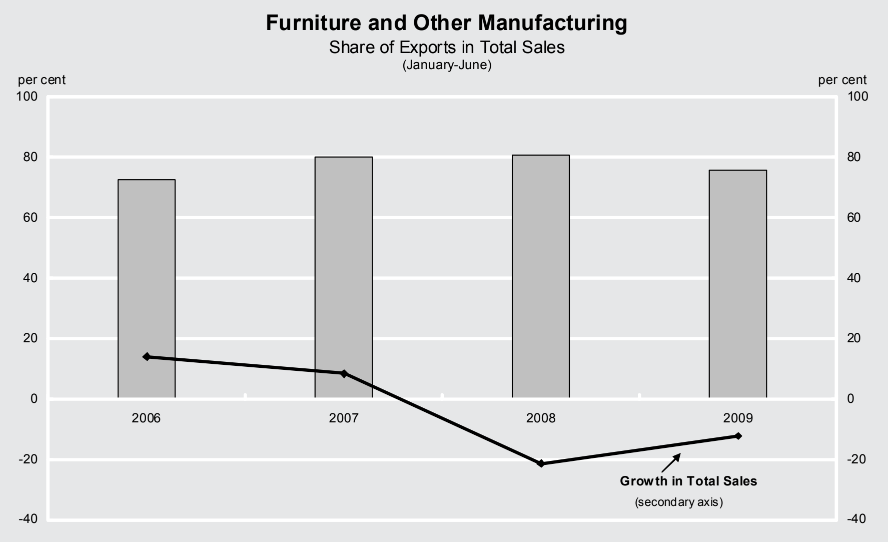
Average weekly earnings per employee contracted by €34 or 9.2 per cent during the Survey period, thus reversing the upward trend registered in recent years.

Furniture and Other Manufacturing

This sector compromises a cluster of primarily locally-oriented manufacturers of furniture products, while a number of other firms are engaged in the manufacture of toys, games and jewellery items which are mainly directed towards the export market.

As illustrated in Chart 4.11, following a significant drop of 21.4 per cent in the first six months of 2008, the turnover in this sector dropped by 12.2 per cent to €42.4 million in the same period of 2009. This was attributable to a drop of 17.6 per cent in exports mainly reflecting lower exports by the jewellery and related articles and the games and toys sub-sectors. Meanwhile, local sales increased by €1.0 million reflecting an improvement in the furniture sub-sector.

Chart 4.11



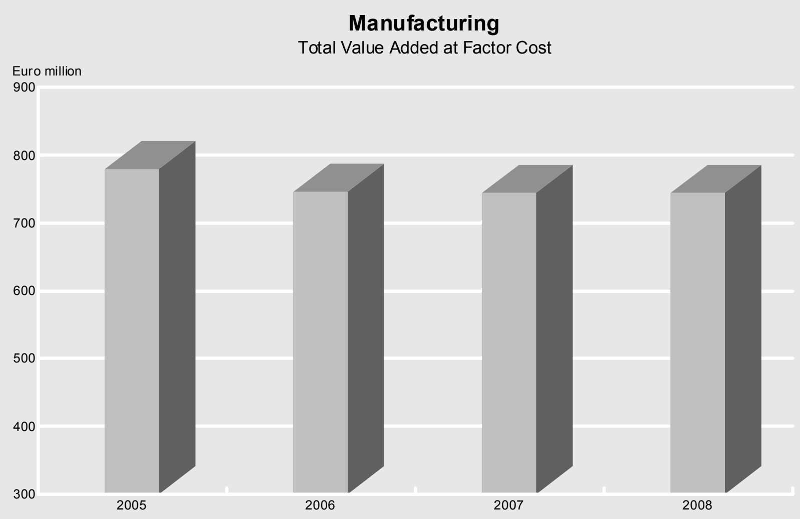
Following relatively high investment outlays in the first six months of 2008, capital outlays in this sector declined significantly by €4.1 million to €2.4 million. This was mainly underpinned by a drop in net investment by the games and toys sub-sector.

Value Added

This sector analyses developments in value added of the manufacturing industry during the 2005-2008 period. The data compiled for this analysis is based on the manufacturers' responses to an annual business statistics questionnaire, in line with the Structural Business Statistics Council Regulation 58/97. According to this methodology, value added at factor cost is made up of personnel costs and gross operating surplus. Personnel costs comprise wages and salaries and employers' social security costs, whilst gross operating surplus is the surplus generated by operating activities net of labour cost.

Value added data provides an indication of the contribution of sectoral performance towards developments in the total manufacturing industry. As illustrated in Chart 4.12, following a decline in 2006, total value added at factor cost remained relatively stable in 2007 and 2008. This reflected a drop in gross operating surplus which was matched by a rise in personnel costs. It is pertinent to note that this increase in personnel costs partly reflects the inclusion in 2008 of the voluntary redundancy scheme granted to Malta Shipyard employees.

Chart 4.12



Value Added at Factor Cost per capita

Table 4.1 €

	2005	2006	2007	2008*
Food, Beverages and Tobacco Products	33,601	27,121	25,245	29,948
Textiles and Textile Products	29,149	44,067	51,908	54,047
Wearing Apparel and Clothes	32,255	16,673	12,713	20,560
Leather and Leather Products	12,697	7,833	9,588	9,923
Wood and Wood Products	13,896	12,656	13,277	15,334
Paper and Paper Products	23,099	24,318	22,121	22,654
Publishing and Printing	23,990	26,595	27,947	29,719
Chemicals and Chemical Products	53,032	94,021	110,129	109,541
Rubber and Plastic Products	25,302	25,872	24,826	29,211
Other Non-Metallic Mineral Products	21,366	23,601	23,859	21,448
Fabricated Metal Products	22,031	18,364	19,720	20,691
Machinery and Equipment n.e.c.	29,077	26,522	20,967	21,324
Electrical Machinery and Apparatus	37,683	45,430	43,826	49,012
Radio, TV and Communication Equipment	47,077	43,220	40,457	35,573
Medical, Precision and Optical Instruments	19,972	21,376	25,483	24,263
Motor Vehicles, Trailers and Semi-Trailers	12,880	15,644	14,212	15,074
Other Transport Equipment	27,191	14,010	13,661	14,809
Furniture and Other Manufacturing n.e.c.	24,966	26,219	24,669	25,374
Recycling	37,321	54,374	56,735	45,446
Total Manufacturing	30,382	30,150	30,416	32,888

* Provisional

Source: National Statistics Office

Table 4.1 presents developments in value added at factor cost per capita of the manufacturing industry at a sectoral level.

In 2008, the value added at factor cost per capita increased by 8.1 per cent. This reflected higher personnel costs per capita, whilst gross operating surplus per capita declined. After remaining relatively stable in 2007, personnel costs have rose considerably by 22.5 per cent in 2008. However, this was impacted by the voluntary redundancy scheme granted to Malta Shipyards employees in 2008. Excluding this factor, personnel costs per capita would have increased by 11.2 per cent. Meanwhile, gross operating surplus per capita dropped by 7.3 per cent in 2008, following a marginal 0.9 per cent rise in 2007. Sectoral developments of personnel costs per capita and gross operating surplus per capita are depicted in Table 4.2 and Table 4.3 respectively.

Chart 4.13 illustrates the trend followed between 2005 and 2008 in the two components of value added at factor cost per capita. At 51.5 per cent, gross operating surplus per capita had the larger share in value added per capita in

Personnel Costs per capita

Table 4.2 €

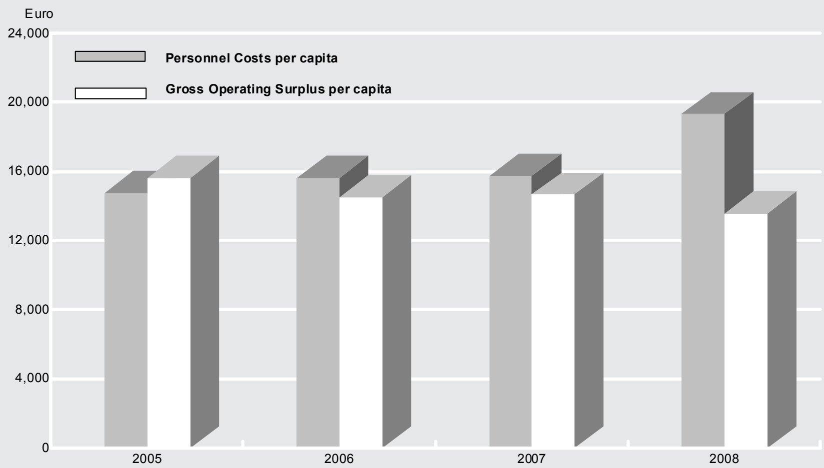
	2005	2006	2007	2008*
Food, Beverages and Tobacco Products	13,363	13,830	13,586	14,704
Textiles and Textile Products	14,028	17,358	17,330	13,913
Wearing Apparel and Clothes	12,153	12,206	7,648	12,495
Leather and Leather Products	12,041	8,275	9,129	9,558
Wood and Wood Products	9,588	9,438	9,716	11,405
Paper and Paper Products	15,159	15,985	16,324	18,518
Publishing and Printing	15,592	16,581	16,918	17,517
Chemicals and Chemical Products	15,925	17,326	19,211	21,193
Rubber and Plastic Products	14,395	15,477	15,582	16,268
Other Non-Metallic Mineral Products	10,898	11,615	11,904	12,294
Fabricated Metal Products	13,014	12,420	12,853	13,104
Machinery and Equipment n.e.c.	12,933	13,178	12,950	13,957
Electrical Machinery and Apparatus	16,607	16,178	16,100	17,012
Radio, TV and Communication Equipment	18,595	19,064	20,491	20,171
Medical, Precision and Optical Instruments	13,284	16,723	17,428	16,591
Motor Vehicles, Trailers and Semi-Trailers	9,250	11,698	11,712	11,972
Other Transport Equipment	18,803	20,761	20,398	50,117
Furniture and Other Manufacturing n.e.c.	13,165	14,239	13,976	14,631
Recycling	11,493	12,311	12,409	12,570
Total Manufacturing	14,739	15,633	15,763	19,309

* Provisional

Source: National Statistics Office

Chart 4.13

Composition of per capita Value Added at Factor Cost



Gross Operating Surplus per capita

Table 4.3 €

	2005	2006	2007	2008*
Food, Beverages and Tobacco Products	20,238	13,291	11,659	15,244
Textiles and Textile Products	15,120	26,710	34,578	40,135
Wearing Apparel and Clothes	20,102	4,468	5,065	8,066
Leather and Leather Products	656	-442	459	365
Wood and Wood Products	4,309	3,218	3,561	3,929
Paper and Paper Products	7,939	8,333	5,797	4,135
Publishing and Printing	8,398	10,015	11,029	12,202
Chemicals and Chemical Products	37,107	76,695	90,918	88,347
Rubber and Plastic Products	10,908	10,395	9,244	12,943
Other Non-Metallic Mineral Products	10,467	11,986	11,955	9,154
Fabricated Metal Products	9,017	5,944	6,867	7,587
Machinery and Equipment n.e.c.	16,144	13,344	8,017	7,367
Electrical Machinery and Apparatus	21,076	29,252	27,726	32,000
Radio, TV and Communication Equipment	28,482	24,157	19,966	15,402
Medical, Precision and Optical Instruments	6,689	4,653	8,055	7,673
Motor Vehicles, Trailers and Semi-Trailers	3,630	3,945	2,500	3,102
Other Transport Equipment	8,388	-6,751	-6,737	-35,308
Furniture and Other Manufacturing n.e.c.	11,801	11,980	10,693	10,743
Recycling	25,828	42,064	44,326	32,876
Total Manufacturing	15,643	14,516	14,653	13,579

* Provisional

Source: National Statistics Office

2005. However, its share dropped in subsequent years to 2008, with personnel costs per capita accounting for the larger share.

An analysis of productivity changes in the manufacturing industry is carried out by taking into account the effects of prices on value added using the implicit Gross Domestic Product (GDP) deflator having 2000 as the base year. Developments in sectoral real value added at factor cost per capita are presented in Table 4.4 while Chart 4.14 illustrates trends for the average value added at factor cost per capita in nominal and real terms. Following declines of 4.1 per cent and 1.6 per cent in 2006 and 2007 respectively, real value added per capita increased by 5.5 per cent in 2008 and stood at €26,523.

Table 4.5 shows nominal and real average value added at factor cost per capita for the aggregate manufacturing industry. A productivity index with 2000 as a base year was compiled to reflect developments in real per capita value added. The productivity index was above 2000 levels throughout the whole period under review. Following a decline in 2004, the productivity index increased significantly

Value Added at Factor Cost per capita

in real terms

Table 4.4 €

	2005	2006	2007	2008*
Food, Beverages and Tobacco Products	29,475	22,984	20,864	24,152
Textiles and Textile Products	25,569	37,345	42,899	43,586
Wearing Apparel and Clothes	28,294	14,130	10,507	16,581
Leather and Leather Products	11,138	6,639	7,924	8,002
Wood and Wood Products	12,190	10,725	10,973	12,366
Paper and Paper Products	20,262	20,609	18,282	18,269
Publishing and Printing	21,044	22,539	23,097	23,967
Chemicals and Chemical Products	46,519	79,679	91,016	88,339
Rubber and Plastic Products	22,195	21,925	20,518	23,557
Other Non-Metallic Mineral Products	18,742	20,001	19,718	17,297
Fabricated Metal Products	19,326	15,563	16,297	16,687
Machinery and Equipment n.e.c.	25,506	22,476	17,328	17,197
Electrical Machinery and Apparatus	33,055	38,500	36,220	39,526
Radio, TV and Communication Equipment	41,295	36,628	33,436	28,688
Medical, Precision and Optical Instruments	17,520	18,115	21,060	19,567
Motor Vehicles, Trailers and Semi-Trailers	11,298	13,257	11,745	12,156
Other Transport Equipment	23,852	11,873	11,290	11,943
Furniture and Other Manufacturing n.e.c.	21,900	22,220	20,387	20,463
Recycling	32,738	46,080	46,888	36,650
Total Manufacturing	26,651	25,551	25,138	26,523

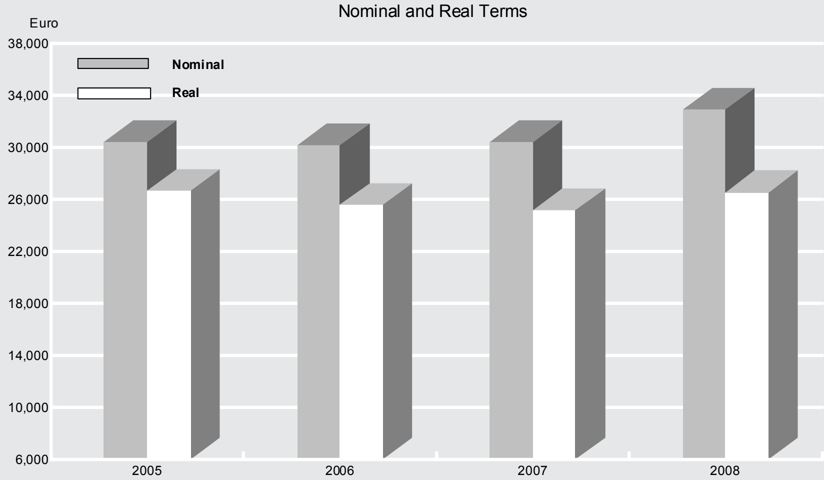
* Provisional

Source: National Statistics Office

Chart 4.14

Average Value Added at Factor Cost per capita

Nominal and Real Terms



Average Value Added at Factor Cost per capita
nominal and real terms

Table 4.5

	2002	2003	2004	2005	2006	2007	2008*
Average Value Added at factor cost per capita (€) at current prices	23,618	25,346	25,012	30,382	30,150	30,416	32,888
Average Value Added at factor cost per capita (€) at constant prices	22,073	23,042	22,332	26,651	25,551	25,138	26,523
Percentage change	4.4	4.4	-3.1	19.3	-4.1	-1.6	5.5
Productivity Index 2000=100	101	106	102	122	117	115	125

* Provisional

Compiled from data provided by the National Statistics Office

in 2005 but declined in 2006 and 2007 by 4.1 per cent and 1.6 per cent respectively. In 2008, the productivity index rose again and it stood at 25 percentage points above 2000 levels.

Sectoral Analysis

This section reviews the main sectoral contributors to value added at factor cost generated within the manufacturing industry. As depicted in Table 4.6, in 2008, high value-added sectors such as chemicals and chemical products sustained the growth registered in recent years. In fact, the chemicals and chemical products sector had the largest share of value added at factor cost in manufacturing in 2008. Indeed, its share increased from 6.8 per cent in 2005 to 18.8 per cent in 2008. On the other hand, the share of the wearing apparel and clothes, other transport equipment and furniture and other manufacturing n.e.c. sectors declined by a notable margin. After being the largest contributor to total value added in the manufacturing industry for the past recent years, the share of the value added by the radio, TV and communication equipment sector dropped significantly from 17.4 per cent in 2007 to 13.9 per cent in 2008.

The declines recorded in 2006 and 2007 in the share of value added at factor cost of the food, beverages and tobacco products sector was somewhat reversed in 2008. At 14.1 per cent, this sector was the second largest contribution to total value added in the manufacturing industry. In 2008, its value added at factor cost per capita increased by 18.6 per cent underpinned by a substantial rise of 30.7 per cent in gross operating surplus per capita coupled with an increase of

Composition of Value Added at Factor Cost

Table 4.6 per cent

	2005	2006	2007	2008*
Food, Beverages and Tobacco Products	17.1	14.5	13.1	14.1
Textiles and Textile Products	4.1	2.7	3.0	3.2
Wearing Apparel and Clothes	6.1	2.6	1.8	1.1
Leather and Leather Products	0.6	0.3	0.3	0.3
Wood and Wood Products	0.3	0.5	0.5	0.5
Paper and Paper Products	0.8	0.9	0.8	0.8
Publishing and Printing	6.4	7.3	7.7	8.2
Chemicals and Chemical Products	6.8	13.6	17.1	18.8
Rubber and Plastic Products	6.1	6.2	6.0	6.6
Other Non-Metallic Mineral Products	3.4	3.9	4.1	3.5
Fabricated Metal Products	3.5	2.9	3.2	3.3
Machinery and Equipment n.e.c.	2.0	1.9	1.5	1.4
Electrical Machinery and Apparatus	5.4	7.5	7.5	8.7
Radio, TV and Communication Equipment	17.6	18.9	17.4	13.9
Medical, Precision and Optical Instruments	3.3	2.8	3.1	3.0
Motor Vehicles, Trailers and Semi-Trailers	0.1	0.2	0.2	0.2
Other Transport Equipment	7.7	3.9	3.9	3.9
Furniture and Other Manufacturing n.e.c.	8.1	8.6	8.1	7.8
Recycling	0.4	0.5	0.6	0.8
Total Manufacturing	100.0	100.0	100.0	100.0

* Provisional

Source: National Statistics Office

8.2 per cent in personnel costs per capita. The share of gross operating surplus per capita in value added at factor cost declined in recent years, from 60.2 per cent in 2005, to a significantly lower 51 per cent in subsequent years.

The share of publishing and printing followed a consistent upward trend throughout the four-year period to 2008, increasing from 6.4 per cent in 2005 to 8.2 per cent in 2008. Value added at factor cost per capita grew by an average annual growth rate of 7.3 per cent throughout the period, reflecting average growths of 13.1 per cent in the gross operating surplus per capita coupled with a 4.0 per cent average growth rate in the personnel costs per capita. Though remaining the larger share within the value added at factor cost per capita, the share of personnel costs per capita dropped from 65.0 per cent in 2005 to 58.9 per cent in 2008.

The share of the chemicals and chemical products sector in total value added within the manufacturing industry followed a rapid upward trend, increasing significantly from 6.8 per cent in 2005 to 18.8 per cent in 2008. As a result in

2008, this sector had the largest share in value added within the manufacturing industry. This sector's value added at factor cost per capita increased significantly by 77.3 per cent and 17.1 per cent in 2006 and 2007 respectively. Subsequently in 2008 the value added at factor cost per capita of this sector remained relatively stable as a decline in gross operating surplus per capita of 2.8 per cent was partially offset by a rise of 10.3 per cent in personnel costs. With a share of 80.7 per cent, gross operating surplus per capita maintained its larger share within the value added at factor cost per capita in 2008.

The share of value added at factor cost of the electrical machinery and apparatus sector increased by 3.3 percentage points between 2005 and 2008 to 8.7 per cent in 2008. The value added at factor cost per capita in this sector followed a generally upward trend throughout the four years to 2008. An increase of 11.8 per cent was recorded in 2008 reflecting a rise in gross operating surplus per capita of 15.4 per cent coupled with an increase in personnel costs per capita of 5.7 per cent. This increased the share of gross operating surplus per capita in value added by 2 percentage points to 65.3 per cent.

The radio, TV and communication equipment sector has been the largest contributor to the value added at factor cost of the manufacturing sector in recent years. However, the share of this sector declined significantly in 2008 by 3.5 percentage points to 13.9 per cent. As a result, this sector became the third largest contributor to value added at factor cost within the manufacturing industry in 2008, being preceeded by the chemicals and chemical products and food, beverages and tobacco products sectors. The downward trend in value added at factor cost per capita persisted in 2008, with a drop of 12.1 per cent. This was underpinned by a decline in the gross operating surplus per capita of 22.9 per cent as personnel costs per capita remained relatively stable. The share of the gross operating surplus per capita in value added at factor cost per capita has not remained the larger contributor to sectoral value added at factor cost per capita, falling from 60.5 per cent in 2005 to 43.3 per cent in 2008.

The share of value added at factor cost of the furniture and other manufacturing sector in the total manufacturing industry, hovered around 8 per cent over the four year period to 2008. It thus remained one of the largest sectors within the manufacturing industry. The value added at factor cost per capita remained relatively stable over the period under review reflecting a marginal drop in the gross operating surplus per capita coupled with a marginal increase in personnel costs per capita. The share of personnel costs per capita of the furniture and other manufacturing sector in the value added at factor cost of the sector has followed an upward trend in the period under review, increasing from 52.7 per cent in 2005 to 57.7 per cent in 2008.

Agriculture and Fisheries

The contribution of the agriculture and fisheries sectors to the Maltese economy is small. However, they still retain importance within the context of the impact on the environment and landscape. Moreover, the local agriculture and fisheries sectors lend to enhancing the islands' social fabric. Agriculture also serves the welfare of the local farming community, providing an integrated framework within the varied produce of the sector as well as in marketing and distribution. The fishing sector also contributes to the local heritage and as a tourist attraction. The share of agriculture and fisheries in Gross Value Added has been decreasing over the years, declining from 2.9 per cent in 2004 to 1.7 per cent in 2008. These sectors' share of gross value added in the total economy was 1.8 per cent during the first two quarters of 2009, remaining stable when compared to the same period in the previous year. This section reviews the economic accounts for agriculture for the year 2008 as well as recent developments in the agriculture and fisheries sector on the basis of the latest available data for 2009.

Economic Accounts for Agriculture

Agricultural activities in Malta encompass the production of fruit and vegetables, livestock, as well as dairy products. Such produce also serves as inputs for the domestic processing of meat and meat preparation, canning of fruit and vegetables, animal feeds, as well as wines. Due to its small size, this sector does not benefit from economies of scale while operators in this sector also face the additional challenges of scarce water supply and fragmented land ownership.

The Economic Accounts for Agriculture which are published by the National Statistics Office (NSO) comprise agricultural statistics based on methodologies according to the European Accounts for Agriculture and Forestry (EAA/EAF 97, rev. 1.1), as well as ESA 95 (European System of Accounts) and the revised methodology on Agriculture Labour Input Statistics. The following analysis is based on agriculture statistics which cover private enterprises and is thus not comparable with data on this sector presented in other Chapters in this Economic Survey.

As shown in Table 4.7, agricultural factor income at current market prices decreased by 5.4 per cent in 2008 to €58.9 million when compared to the previous year. This decrease was the result of higher total production at producer prices which was more than offset by the increase in intermediate consumption as well as the decline in subsidies not directly linked with production. At the same time, lower subsidies on production and higher fixed capital consumption contributed only marginally to the decrease in agricultural factor income at current market prices.

The distribution of factor income at current market prices is presented in Table 4.8. During 2008, entrepreneurial income decreased by 5.9 per cent to €54.6 million. Entrepreneurial income represented around 93 per cent of factor income at market prices. Rents and interest levels, which have a small share in agricultural factor income, remained broadly unchanged at €0.8 million and €0.6 million respectively.

As shown from Table 4.9, final production at basic prices increased by 7.4 per cent in 2008, thus reaching €136.4 million. This increase in total final production was mainly the result of higher crop products followed by livestock products which both registered an increase of 10.2 per cent and 6.5 per cent respectively in 2008. Crop products and livestock products are the major contributors to final production at basic prices, with a share of around 39 per cent and 36 per cent respectively. Other animal products and secondary activities also increased by 5.4 per cent and 1.0 per cent respectively in 2008 when compared to 2007.

Table 4.10 displays the annual producer price indices for agricultural products. Developments in the output price and input price indices have implications on the profitability performance of the agricultural sector.

The output index registered an increase of 3.3 per cent in 2008 when compared to the previous year. During this period, a decrease of 33.5 per cent was recorded in the potatoes index followed by lower declines in the forage and fruit indexes which decreased by 9.5 per cent and 1.7 per cent respectively. Nevertheless, these decreases were more than offset by the increases in other indices, namely animal products and fresh vegetables which registered increases of 20.4 per cent and 9.0 per cent respectively in 2008. The animals index also increased by 1.8 per cent in 2008, though its positive contribution to the total index was relatively low. The input index increased by 18.0 per cent in 2008. This was mainly the result of an increase in animal feeding stuffs of 27.3 per cent during this period. Increases in the indices of energy and lubricants, maintenance of

Factor Income at Current Prices

Table 4.7 € thousand

	2005	2006	2007	2008
Total final production at producer prices	109,851	111,894	115,231	124,998
add subsidies on production	13,175	13,198	11,800	11,410
Total final production at basic prices	123,026	125,093	127,031	136,407
less intermediate consumption	65,140	66,546	71,609	80,494
Gross value added at basic prices	57,886	58,547	55,422	55,913
less fixed capital consumption	3,795	4,029	3,912	4,030
Net value added at basic prices	54,091	54,518	51,509	51,884
add other subsidies not directly linked with production	6,291	6,153	10,770	7,005
Factor income at current prices	60,382	60,671	62,280	58,889

Source: National Statistics Office

Distribution of Factor Income

(at Current Prices)

Table 4.8 € thousand

	2005	2006	2007	2008
Factor Income	60,382	60,671	62,280	58,889
Entrepreneurial income (profits)	55,996	56,502	58,045	54,607
Compensation of employees (wages)	2,764	2,839	2,897	2,947
Interest	701	619	635	586
Rents	921	711	703	750

Source: National Statistics Office

Final Production at Basic Prices by Type of Product

(at Current Market Prices)

Table 4.9 € thousand

	2005	2006	2007	2008
Final production at basic prices	123,026	125,093	127,031	136,407
Livestock products	47,863	46,159	46,510	49,541
Other animal products	23,833	24,322	24,938	26,297
Crop products	43,645	45,342	47,956	52,866
Secondary activities	7,684	9,270	7,627	7,704

Source: National Statistics Office

Annual Producer Price Indices for Agricultural Products
(2005 = 100)

Table 4.10

	Weight	2006	2007	2008
Output index at producer prices	**100.0**	**100.3**	**107.6**	**111.1**
Forage	2.8	105.3	134.2	121.4
Potatoes	6.5	113.2	152.9	101.7
Fresh vegetables	22.0	94.5	101.1	110.2
Fruit	4.8	107.1	121.7	119.6
Animals	42.9	100.6	101.7	103.5
Animal products	21.0	99.3	105.6	127.1
Input index at producer prices	**100.0**	**103.3**	**108.8**	**128.4**
Goods and services currently consumed in agriculture	**91.7**	**103.2**	**108.7**	**130.3**
Seeds and planting stock	4.1	108.3	111.4	112.7
Energy; lubricants	11.1	113.4	108.7	129.0
Fertilisers and soil improvers	1.7	119.6	118.0	154.8
Plant protection products and pesticides	0.9	100.3	105.3	106.2
Veterinary expenses	2.3	104.0	108.4	114.6
Animal feeding stuffs	46.7	100.0	109.7	139.6
Maintenance of materials	9.0	100.7	107.2	127.1
Maintenance of buildings	4.1	100.4	102.9	105.7
Other goods and services	11.9	104.7	106.0	113.2
Goods and services contributing to agricultural investment	**8.3**	**105.1**	**109.7**	**107.3**

Source: National Statistics Office

materials, fertilizers and soil improvers, and other goods and services were also registered albeit their contribution to the increase in the input index was much lower.

Fisheries

Despite that the Maltese fisheries sector is small in size it serves an important scope within the social, economic, and environmental well being of the local community. The activities in the local fisheries sector include traditional fishing methods as well as fish farming aquaculture techniques. The local fish market is provided by traditional fishing methods and primarily provide dolphin-fish (*lampuki*), blue fin tuna, and swordfish. On the other hand, aquaculture fish farming techniques mainly cater for exportation purposes.

Box 4.1

Recent Developments in the Agricultural Sector

During the period January-September 2009, Government provided €12.0 million in aid through agricultural support schemes. The Special Market Programme for Maltese Agriculture provides financial assistance to the Maltese agricultural sector, aimed at helping the sector adapt to the liberalised trade environment which ensued the removal of levies on imported agricultural and agro-food products in 2004.

The main indicators for the agricultural sector are presented in Table 4a. The total volume of beef, pork and broiler slaughtering registered a decrease of 9.7 per cent during the period January-August 2009 over the same period in the previous year. This decline was mainly brought about by the decrease of 13.6 per cent in pork slaughtering. During this period, broiler slaughtering also decreased by 7.7 per cent albeit their contribution to the drop in total slaughtering was lower. Meanwhile, beef slaughtering increased by 5.9 per cent.

Agricultural Indicators

Table 4a

	2008 Jan-Sep	2009 Jan-Sep
Slaughtering (tonnes)*		
Beef	954	1,010
Pork	5,537	4,786
Broilers	3,328	3,073
	(2005 = 100)	
Fresh Fruit		
Price Index	130.9	148.2
Volume Index	127.0	126.3
Fresh Vegetables		
Price Index	104.9	129.3
Volume Index	118.0	102.4

* Data pertains to January-August

Source: National Statistics Office

During the first three quarters of 2009, the total volume of fruit and vegetables sold amounted to 33.6 million kilos, thus representing a decrease of 12.3 per cent over the same comparative period in the previous year. The average price of fruit and vegetables increased during this period. During the first nine months of 2009, the wholesale value of fruit and vegetables sold through organised markets increased by 3.2 per cent, reaching €17 million when compared to the same period in the previous year. This indicates the price inelastic nature of demand for fresh fruit and vegetables.

The price index of fresh fruit increased by 13.2 per cent during the first nine months of 2009 when compared to the same period in 2008. At the same time, the volume index of fresh fruit sold decreased by 0.6 per cent. The decrease in the total volume of fresh fruit sold was mainly the result of a decline of notable decrease in the volume of oranges and lemons. The main increases in the volume of fresh fruit were registered in cherry plums and other fruit, albeit their positive contribution to the total volume of fresh fruit was more than offset by the aforementioned decreases.

Box 4.1 continued

Imports of Major Agricultural Commodities

Table 4b € million

	2006	2007	2008	2008 Jan-Sep	2009 Jan-Sep
Live Animals	0.9	1.0	0.5	0.4	0.4
Meat and Edible Offals	39.5	42.2	47.8	35.8	34.2
Fish*	36.9	72.1	49.9	46.4	16.1
Dairy Produce	30.5	33.8	39.1	30.1	25.4
Edible Fruits and Nuts	21.3	26.6	27.3	19.5	17.4
Cereals	19.4	40.1	47.0	38.2	11.8
Preparations of Meat, Fish	25.5	26.2	33.1	24.9	25.2
Sugar & Confectionery	17.6	20.1	15.6	11.4	10.2
Cereal Prep.	40.7	43.2	49.1	35.1	36.5
Veg. and Fruit Prep.	18.5	20.2	21.6	16.2	16.4
Misc. Edible Prep.	26.9	28.5	32.9	25.3	23.7
Beverages, Spirits, Vinegar	29.6	33.3	42.4	32.7	30.8
Feeds	18.3	21.5	27.2	19.2	19.8
Total	325.6	408.7	433.4	335.1	267.9

*Imports of fish for 2007 have been revised downwards. Imports data for the first half of 2008 have been revised upwards, as a result of information on fish-farming made available from the Aquaculture Census carried out by NSO, for reference year 2008. Data for January-September 2009 is highly provisional.

Source: National Statistics Office

The price index of vegetables increased by 23.3 per cent in the period January-September 2009 when compared to the same period of the previous year. At the same time, the volume index of fresh vegetables sold decreased by 13.2 per cent. The decline in the volume index was the result of a general decline in volume for most of the vegetables, most notably declines in potatoes, tomatoes, water melons, as well as cauliflowers. Increases were registered in the volume of dry onions, eggplant, lettuce and pumpkins albeit their contribution was minor.

Table 4b presents data for imports of major agricultural commodities. The value of imports of main agricultural commodities declined by 20.1 per cent to €267.9 million during the period January-September 2009 over the comparative period in 2008. This was mainly attributable to the decline in imports of fish, followed by a decline in cereals. It is pertinent to highlight that data for fish imports for the first three months of 2009 is highly provisional. At the same time, imports of all other agricultural commodities displayed in Table 4b also decreased during the period January-September 2009 over the same period in the previous year, with the exception of preparation of meat and fish, cereal preparation, and vegetable and fruit preparation, as well as feeds. Nevertheless, the positive contribution of these items was relatively low.

Fresh Fish Indices

Table 4.11 — 2005 = 100

	2008 Jan-Sep	2009 Jan-Sep
Price Index	144.47	121.84
Volume Index	69.62	97.38

Source: National Statistics Office

Table 4.11 displays the price and volume indices for fresh fish for the period January-September 2008 and 2009. The price index for fresh fish decreased by 15.7 per cent. Meanwhile, the average volume of fresh fish increased by 39.9 per cent during the first nine months of 2009 over the comparative period in 2008. During the same period, the other fish category and blue fin tuna landings contributed most to the increase in total volume of fish landings.

Sampled Manufacturing Firms
(January-June)

Appendix Table 4.1

	2006	2007	2008*	2009*
MANUFACTURING TOTAL				
Sales (€ 000)	1,170,153	1,193,211	1,120,412	878,329
Wages (€ 000)	139,343	143,614	142,474	132,284
Net Investment (€ 000)	78,751	85,549	79,481	36,118
Exports (€ 000)	932,708	982,570	885,642	641,293
Local Sales (€ 000)	237,445	210,643	234,770	237,036
Avg. Weekly Sales/Employee (€)	2,432	2,516	2,473	2,054
Avg. Weekly Earnings/Employee (€)	290	303	314	309
Avg. Weekly Exports/Employee (€)	1,938	2,072	1,955	1,500
FOOD AND BEVERAGES PRODUCTS				
Sales (€ 000)	155,104	124,997	139,672	140,649
Wages (€ 000)	20,067	18,298	19,341	20,366
Net Investment (€ 000)	5,490	19,569	14,665	3,349
Exports (€ 000)	31,094	29,339	31,975	38,484
Local Sales (€ 000)	124,010	95,658	107,697	102,165
Avg. Weekly Sales/Employee (€)	1,931	1,779	1,961	1,997
Avg. Weekly Earnings/Employee (€)	250	260	272	289
Avg. Weekly Exports/Employee (€)	387	418	449	546
TEXTILES AND TEXTILE PRODUCTS				
Sales (€ 000)	22,764	20,877	21,067	17,612
Wages (€ 000)	3,459	3,186	2,492	2,452
Net Investment (€ 000)	5,202	3,190	324	6,717
Exports (€ 000)	22,515	20,633	20,849	17,278
Local Sales (€ 000)	249	244	219	334
Avg. Weekly Sales/Employee (€)	2,020	1,883	2,208	1,869
Avg. Weekly Earnings/Employee (€)	307	287	261	260
Avg. Weekly Exports/Employee (€)	1,998	1,861	2,185	1,833
WEARING APPAREL AND CLOTHES				
Sales (€ 000)	28,078	26,569	16,976	11,926
Wages (€ 000)	6,442	6,204	2,087	1,528
Net Investment (€ 000)	96	114	23	9
Exports (€ 000)	25,476	23,684	14,161	9,979
Local Sales (€ 000)	2,602	2,885	2,815	1,947
Avg. Weekly Sales/Employee (€)	940	976	1,964	1,644
Avg. Weekly Earnings/Employee (€)	216	228	241	211
Avg. Weekly Exports/Employee (€)	853	870	1,638	1,376

Sampled Manufacturing Firms
(January-June)

Appendix Table 4.1 continued

	2006	2007	2008*	2009*
LEATHER AND LEATHER PRODUCTS				
Sales (€ 000)	4,355	2,484	1,211	879
Wages (€ 000)	1,267	850	497	451
Net Investment (€ 000)	0	112	0	0
Exports (€ 000)	4,123	2,152	870	526
Local Sales (€ 000)	232	332	341	353
Avg. Weekly Sales/Employee (€)	785	508	448	376
Avg. Weekly Earnings/Employee (€)	228	174	184	193
Avg. Weekly Exports/Employee (€)	743	440	322	225
WOOD AND WOOD PRODUCTS				
Sales (€ 000)	774	2,883	3,726	3,059
Wages (€ 000)	437	935	1,125	1,020
Net Investment (€ 000)	42	82	101	87
Exports (€ 000)	11	753	1,011	657
Local Sales (€ 000)	763	2,130	2,715	2,402
Avg. Weekly Sales/Employee (€)	389	685	728	690
Avg. Weekly Earnings/Employee (€)	220	222	220	230
Avg. Weekly Exports/Employee (€)	6	179	197	148
PAPER AND PAPER PRODUCTS				
Sales (€ 000)	8,730	7,779	8,250	6,584
Wages (€ 000)	2,058	2,124	2,150	1,967
Net Investment (€ 000)	201	187	1,261	2
Exports (€ 000)**	813	324	434	178
Local Sales (€ 000)	7,917	7,455	7,816	6,406
Avg. Weekly Sales/Employee (€)	1,260	1,118	1,259	1,023
Avg. Weekly Earnings/Employee (€)	297	305	328	306
Avg. Weekly Exports/Employee (€)	117	47	66	28
PUBLISHING AND PRINTING				
Sales (€ 000)	53,039	71,656	79,393	75,136
Wages (€ 000)	14,153	14,849	15,920	16,460
Net Investment (€ 000)	2,403	17,323	10,646	4,495
Exports (€ 000)	31,787	47,469	55,039	50,949
Local Sales (€ 000)	21,252	24,187	24,354	24,187
Avg. Weekly Sales/Employee (€)	1,259	1,664	1,738	1,764
Avg. Weekly Earnings/Employee (€)	336	345	349	386
Avg. Weekly Exports/Employee (€)	755	1,102	1,205	1,196

Sampled Manufacturing Firms
(January-June)

Appendix Table 4.1 continued

	2006	2007	2008*	2009*
CHEMICALS AND CHEMICAL PRODUCTS				
Sales (€ 000)	70,756	87,390	112,052	79,381
Wages (€ 000)	7,489	9,046	11,019	11,788
Net Investment (€ 000)	9,188	11,760	10,499	2,890
Exports (€ 000)	62,366	79,289	103,296	58,205
Local Sales (€ 000)	8,390	8,101	8,756	21,176
Avg. Weekly Sales/Employee (€)	3,061	3,395	3,872	2,679
Avg. Weekly Earnings/Employee (€)	324	351	381	398
Avg. Weekly Exports/Employee (€)	2,698	3,080	3,570	1,965
RUBBER AND PLASTIC PRODUCTS				
Sales (€ 000)	46,932	51,711	52,376	31,018
Wages (€ 000)	11,808	12,289	12,905	9,573
Net Investment (€ 000)	1,299	2,514	2,931	740
Exports (€ 000)	36,823	41,946	40,819	20,155
Local Sales (€ 000)	10,109	9,765	11,557	10,862
Avg. Weekly Sales/Employee (€)	1,139	1,256	1,272	900
Avg. Weekly Earnings/Employee (€)	287	298	313	278
Avg. Weekly Exports/Employee (€)	894	1,019	991	585
OTHER NON-METALLIC MINERAL PRODUCTS				
Sales (€ 000)	23,853	23,625	28,390	31,199
Wages (€ 000)	4,287	4,599	4,992	5,063
Net Investment (€ 000)	623	2,333	4,210	452
Exports (€ 000)	2,228	2,837	3,297	1,833
Local Sales (€ 000)	21,625	20,788	25,093	29,366
Avg. Weekly Sales/Employee (€)	1,255	1,189	1,337	1,426
Avg. Weekly Earnings/Employee (€)	226	231	235	231
Avg. Weekly Exports/Employee (€)	117	143	155	84
FABRICATED METAL PRODUCTS				
Sales (€ 000)	20,414	21,720	29,362	20,916
Wages (€ 000)	4,340	4,050	4,332	4,341
Net Investment (€ 000)	235	668	665	372
Exports (€ 000)	6,791	6,921	7,392	5,319
Local Sales (€ 000)	13,624	14,799	21,971	15,597
Avg. Weekly Sales/Employee (€)	1,221	1,433	1,851	1,247
Avg. Weekly Earnings/Employee (€)	260	267	273	259
Avg. Weekly Exports/Employee (€)	406	457	466	317

Sampled Manufacturing Firms
(January-June)

Appendix Table 4.1 continued

	2006	2007	2008*	2009*
MACHINERY AND EQUIPMENT N.E.C.				
Sales (€ 000)	15,549	17,285	17,856	10,752
Wages (€ 000)	2,559	3,040	3,082	3,204
Net Investment (€ 000)	70	235	343	179
Exports (€ 000)	13,369	14,218	14,850	8,538
Local Sales (€ 000)	2,180	3,067	3,006	2,213
Avg. Weekly Sales/Employee (€)	1,643	1,456	1,543	944
Avg. Weekly Earnings/Employee (€)	270	256	266	281
Avg. Weekly Exports/Employee (€)	1,413	1,198	1,284	750
ELECTRICAL MACHINERY AND APPARATUS				
Sales (€ 000)	61,291	76,618	65,296	58,339
Wages (€ 000)	10,028	11,570	11,314	9,672
Net Investment (€ 000)	1,010	3,187	1,546	1,521
Exports (€ 000)	59,643	75,551	64,284	56,346
Local Sales (€ 000)	1,648	1,068	1,012	1,992
Avg. Weekly Sales/Employee (€)	1,842	2,103	1,809	1,747
Avg. Weekly Earnings/Employee (€)	301	318	313	290
Avg. Weekly Exports/Employee (€)	1,793	2,073	1,781	1,687
RADIO, TV AND COMMUNICATION EQUIPMENT				
Sales (€ 000)	558,984	557,951	455,873	308,249
Wages (€ 000)	27,977	29,995	28,683	20,821
Net Investment (€ 000)	48,233	20,375	22,777	7,216
Exports (€ 000)	558,165	557,222	455,010	307,771
Local Sales (€ 000)	819	729	862	478
Avg. Weekly Sales/Employee (€)	6,774	6,546	5,896	4,986
Avg. Weekly Earnings/Employee (€)	339	352	371	337
Avg. Weekly Exports/Employee (€)	6,764	6,537	5,884	4,978
MEDICAL, PRECISION AND OPTICAL INSTRUMENTS				
Sales (€ 000)	24,589	23,425	25,513	16,526
Wages (€ 000)	7,263	6,912	7,381	6,375
Net Investment (€ 000)	954	967	1,052	1,459
Exports (€ 000)	19,148	17,477	19,729	11,384
Local Sales (€ 000)	5,440	5,948	5,784	5,143
Avg. Weekly Sales/Employee (€)	944	1,035	1,057	735
Avg. Weekly Earnings/Employee (€)	279	305	306	283
Avg. Weekly Exports/Employee (€)	735	772	817	506

Sampled Manufacturing Firms
(January-June)

Appendix Table 4.1 continued

	2006	2007	2008*	2009*
MOTOR VEHICLES, TRAILERS AND SEMI-TRAILERS				
Sales (€ 000)	851	548	285	355
Wages (€ 000)	261	256	118	166
Net Investment (€ 000)	1	2	60	0
Exports (€ 000)	407	204	107	89
Local Sales (€ 000)	444	344	177	266
Avg. Weekly Sales/Employee (€)	618	405	476	462
Avg. Weekly Earnings/Employee (€)	189	189	197	216
Avg. Weekly Exports/Employee (€)	295	151	180	116
OTHER TRANSPORT EQUIPMENT				
Sales (€ 000)	17,377	14,180	14,765	23,305
Wages (€ 000)	2,892	3,167	3,490	5,912
Net Investment (€ 000)	33	64	1,881	4,218
Exports (€ 000)	16,765	13,282	13,439	21,387
Local Sales (€ 000)	612	897	1,326	1,918
Avg. Weekly Sales/Employee (€)	2,494	1,759	1,646	1,524
Avg. Weekly Earnings/Employee (€)	415	393	389	387
Avg. Weekly Exports/Employee (€)	2,406	1,648	1,498	1,399
FURNITURE AND OTHER MANUFACTURING N.E.C.				
Sales (€ 000)	56,713	61,515	48,348	42,446
Wages (€ 000)	12,556	12,242	11,547	11,125
Net Investment (€ 000)	3,671	2,867	6,497	2,412
Exports (€ 000)	41,184	49,269	39,079	32,215
Local Sales (€ 000)	15,529	12,246	9,269	10,231
Avg. Weekly Sales/Employee (€)	1,305	1,575	1,284	1,155
Avg. Weekly Earnings/Employee (€)	289	313	307	303
Avg. Weekly Exports/Employee (€)	947	1,261	1,038	877

*Provisional

Source: National Statistics Office

5. Services Activities

5. Services Activities

Within the services sector, tourism has long been an important pillar of the Maltese economy, contributing significantly to employment creation and foreign exchange earnings. The tourism industry is dependent on various external influences. The international economic and financial crisis is having a profound impact on the global tourism industry. Indeed, as the full effect of the ongoing economic recession is unfolding especially on the labour market, travellers are becoming more price conscious and as disposable incomes and wealth levels shrink, travellers are less willing to go on holiday. These factors had an impact on the domestic tourism industry as Malta's main markets experienced depressed demand and declining consumer and business confidence. Moreover, changes in energy prices impinge on airlines' profitability. This is a crucial issue for Malta given that local tourism is highly dependent on air transport. The prospect of increasing oil prices thus poses a risk to the future outlook of the domestic tourism industry. Exchange rate developments are another important factor affecting the tourism industry. As a Euro Area Member State, the strengthening of the Euro against the Sterling is a particular challenge for the local tourism industry at this juncture. The world tourism market is also characterised by an increasingly competitive environment, especially in the Mediterranean region, where developments directly affect activity in the domestic tourism market.

In view of the unfavourable international economic environment which is negatively impinging on the domestic tourism industry, in the first nine months of 2009, Government increased its efforts to support the tourism industry. Through additional Government funds earmarked specifically to address the slowdown in tourist departures in 2009, the Malta Tourism Authority (MTA) intensified its marketing and advertising campaigns and stepped up its efforts to improve air links and to identify and tap underserved routes through low-cost airlines in order to improve Malta's accessibility. Moreover, both the Government and the private sector continued to invest in this sector including effort to diversify and upgrade the domestic tourism market, as well as to offer a more price competitive package to the potential tourist.

During January-September 2009, tourist departures decreased by 10.4 per cent over the previous comparable period, to 936,342 visitors. Gross foreign exchange earnings from tourism registered a decline of 10.3 per cent during the first half of 2009, to €227.8 million. This reflects the downturn in the number of tourists, as on a per capita basis, expenditure by tourists reversed the downward trend registered in previous years and increased by 4.0 per cent, to €457.6 during this period. Earnings per nights spent also increased from €57.3 to €59.5. Meanwhile, the cruise liner industry registered a negative performance, declining from a level of 407,465 arrivals during January-September 2008 to 294,795 arrivals in the corresponding 2009 period. Full-time employment in hotels and restaurants declined from 10,380 as at the end of June 2008 to 9,918 at the end of June 2009. Table 5.1 presents selected tourism indicators.

The Malta Financial Services Authority (MFSA) is the supervisory Authority and single regulator for the financial services sector which includes banking, investment and insurance. Moreover, the MFSA incorporates the Registry of Companies and the Board of Governors also acts as the Listing Authority for the purposes of the Financial Markets Act. During the first nine months of 2009, the MFSA issued a number of new licences particularly in the investment services, insurance and trust sectors. During this period, the MFSA issued a number of Insurance Directives and insurance rules and has also issued an Insurance Intermediaries Introducers Regulation. Moreover, the MFSA has issued revised Investment Services Rules for Retail Collective Investment Schemes and Investment Services Rules for Professional Investor Funds. During the period under review, the MFSA continued to strengthen its legal and regulatory framework through the implementation of the Capital Requirements Directive.

Malta Enterprise (ME) is responsible for both attracting foreign investment to Malta as well as to provide the necessary support and assistance to businesses operating on the island to improve their international competitiveness. In addition to its central investment promotion function, ME is also responsible to promote

Main Tourism Indicators

Table 5.1

	2006	**2007**	**2008**	**2008** Jan-Sep	**2009** Jan-Sep
Tourist Departures	1,124,236	1,243,510	1,290,856	1,045,169	936,342
Nights spent (000's)	10,661	11,017	11,262	9,002	8,076
Cruise Passengers*	392,940	477,071	537,707	407,465	294,795
Total full-time employment in hotels and restaurants**	9,525	9,931	10,010	10,380(1)	9,918(1)

*Excluding Maltese cruise passengers
**The data presented is based on the distribution of the administrative records of the ETC of the gainfully occupied population according to the standard NACE classification of economic activities
(1)Data as at end of June

Source: National Statistics Office, Employment and Training Corporation the country's external trade by helping companies in Malta to develop new export markets.

During the period under review, ME approved new and expansion projects, granted financial assistance through various incentive schemes and approved interest rate subsidies. ME also continued with its efforts to attract investment in high value added sectors and to assist local companies to internationalise. ME has also coordinated a number of projects aimed at promoting innovation, technology transfers and providing more technological infrastructural support to businesses. During the period under review, ME provided assistance to support research and development and the implementation of eco-innovative technologies. In 2009, Government set up an Inter-ministerial Task Force, in which ME is represented, to provide temporary financial assistance and tailor-made support to manufacturing companies which have been negatively hit by the global recession.

Tourism

The international economic and financial crisis is negatively impinging on tourism activity worldwide. In the second half of 2008 and the first months of 2009, international tourism growth slowed significantly under the influence of an extremely volatile world economy, which undermined both consumer and business confidence and resulted in the current global economic recession. As a result, the local tourism industry suffered declines in the last four months of 2008, which persisted in the first nine months of 2009. In fact, tourist departures between January-September 2009 stood at 936,342, a decrease of 10.4 per cent over the corresponding period in 2008. Nights spent decreased by 10.3 per cent during the first nine months of 2009. Following a declining trend in recent years, the average length of stay remained relatively stable during the first three quarters of 2009 at a level of 8.6 nights. Reflecting the lower level of activity, full-time employment in hotels and restaurants declined by 462 jobs to 9,918 as at the end of June 2009.

During the first nine months of 2009, the performance of the domestic cruise liner industry followed the general declining trend registered in most of the Mediterranean destinations. During this period, cruise passenger arrivals declined by 27.7 per cent to 294,795 over the corresponding 2008 period.

According to the latest edition of the World Tourism Barometer[1], international tourist arrivals suffered a sharp drop since January 2009. Results for the first three quarters of 2009 reflect the severe impact of the global economic crisis exacerbated in some regions by concerns about the outbreak of influenza A(H1N1) virus. The European market is still enduring the impact of the recession in the majority of its source markets. Moreover, outbound tourism from the UK, which is a significant source market for Malta, continued to endure the effects of the depreciation of the Pound Sterling against the Euro during the period under review.

As the economic crisis started to leave its marks on the domestic tourism industry, the MTA intensified its marketing efforts, supported by additional Government funds. Besides targeting tour operators, marketing efforts were also being directed to the independent traveller as the 'last minute' booking trend took further hold during the period under review. The MTA has also continued to seek to reduce seasonality through its efforts to increase the characteristically low load factor on flights in the shoulder months. To this effect it continued to implement its segmentation strategy to generate greater interest in segments like history, culture and incentive travel. In addition, the MTA also took action to address underserved routes. In fact, during the first three quarters of 2009, airline seat capacity has increased as new and underserved routes operated by various airlines have been identified.

In the first nine months of 2009, in view of the challenging period faced by the domestic tourism industry, Government has issued a number of funding and subsidy schemes aimed at assisting tourism operators. Such schemes included the subsidy scheme on interest rates on loans taken for refurbishment and extension projects by hotels and self-catering premises. Government has also reached an agreement with local banks to temporarily suspend repayments of capital on loans for up to one year on a case-by-case basis for hotel owners and for operations directed towards the tourism industry. During this period, Government has continued with its commitment to invest in Malta's historical heritage as well as to upgrade the tourism product.

Monthly Distribution

During the period January-September 2009, tourist departures decreased to 936,342, from 1,045,169 in the corresponding 2008 period. On a monthly basis, lower tourist inflows were evident throughout the period under review when compared to the same months of 2008. March recorded the major decline, whereby tourist departures declined by 21.4 per cent over March 2008, followed by January and May with declines of 19.1 per cent and 17.6 per cent respectively over the corresponding months in 2008. The significant decline in tourist

Monthly Tourist Departures

Table 5.2

	2006	2007	2008	2009
January	50,523	51,736	63,850	51,643
February	47,302	50,547	57,336	51,243
March	64,343	71,280	90,503	71,153
April	97,785	101,792	104,894	101,597
May	102,737	109,027	131,353	108,279
June	109,038	117,421	129,378	113,953
July	131,806	147,699	149,493	135,783
August	164,302	176,372	178,569	172,395
September	121,955	143,697	139,793	130,296
January/September	889,791	969,571	1,045,169	936,342
% change	-3.7	7.6	9.6	-10.4
October	116,427	139,930	126,941	
November	71,535	82,477	73,606	
December	46,483	51,532	45,140	
Total	1,124,236	1,243,510	1,290,856	
% change	-4.0	10.6	3.8	

Source: National Statistics Office

Quarterly Distribution of Tourist Departures

Table 5.3 per cent

	2006	2007	2008	2009
Q1	18.2	17.9	20.3	18.6
Q2	34.8	33.9	35.0	34.6
Q3	47.0	48.2	44.8	46.8

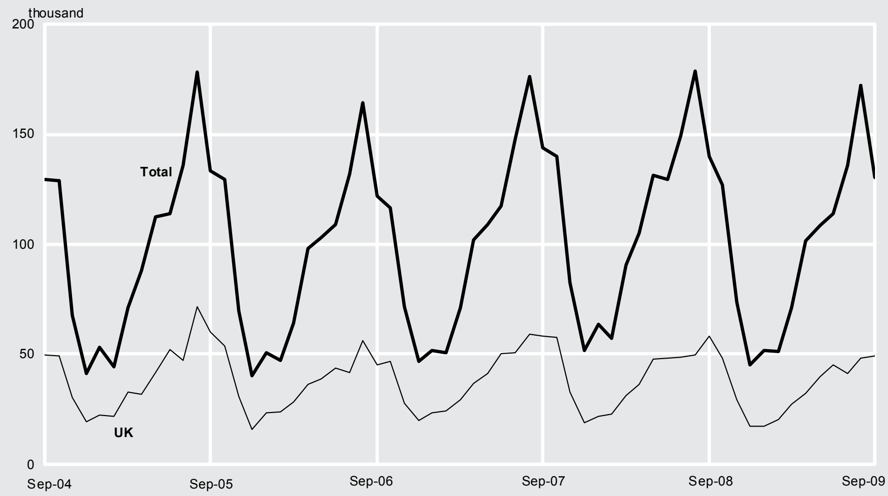
Source: National Statistics Office

departures in March is partly attributable to the fact that in 2009 Easter recess fell in April. Moreover, this contributed to the relatively lower decline recorded in April 2009. The first four months of 2009 represented around 29 per cent of the total volume recorded during the period under review, similarly to the 30 per cent share recorded in the 2008 comparable period. August remained the peak month accounting for 18.4 per cent of the total departures, followed by July with a share of 14.5 per cent. Data on the monthly distribution of tourist departures is shown in Table 5.2.

As indicated in Table 5.3 which presents the distribution of tourist departures on a quarterly basis, a high degree of seasonality in tourist departures persisted during the period under review. During the first quarter of 2009, tourist departures declined by 1.7 percentage points over the previous corresponding period. Similarly, the second quarter of 2009 registered a marginal decline of 0.4 percentage points. Meanwhile, the third quarter recorded an increase of 2.0 percentage points from 44.8 per cent to 46.8 per cent. The strong seasonality patterns, with a high concentration of tourists in the spring and summer months of the year and a low concentration in the winter period, is also evident in Chart 5.1. This seasonal concentration gives rise to a number of challenges for the industry as the resources such as the local infrastructure network, hotels and the labour market are being severely constrained during the peak season and underutilized during the low season. This highlights the importance of continuous efforts in order to achieve a better seasonal distribution.

Chart 5.1

Tourist Departures



Tourist Nationality

Chart 5.2 illustrates the relative market share of Malta's main source markets over January-December 1990-2008 period. Over this period, increased diversification in Malta's tourist source markets was achieved. Although the UK remains the major market in the Maltese tourism sector, its share has generally declined over the years, while other markets have gained in importance. Indeed, the relative share of the UK market declined from 51.6 per cent in 1990 to 35.2 per cent in 2008. The German market had increased its share between 1990 and 2000 but then registered a drop in its market share to 11.7 per cent by 2008 which is below the 1990 ratio of 14.9 per cent. The share of the Italian market fluctuated from 7.3 per cent in 1990 to 11.2 per cent in 2008. Meanwhile, the share of the French market increased to 6.5 per cent in 1995 but subsequently remained relatively stable. The share of the 'other' markets category increased from 22.2 per cent in 1990 to 35.6 per cent in 2008.

During the period January-September 2009, the UK and the French market shares remained relatively stable when compared to those prevailing in the corresponding 2008 period. Meanwhile, the German market share decreased from 11.4 per cent to 10.1 per cent during the period under review. On the other hand, the Italian market share increased to 14.3 per cent from 11.7 per cent in the previous comparable period. This increase reflects the introduction of new

Chart 5.2

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

routes by low-cost airlines already operating from Malta, which continued to improve Malta's accessibility. During the first nine months of 2009, Spain's market share recorded a marginal decline of 0.3 per cent to 3.8 per cent.

A detailed breakdown of tourist departures by nationality is presented in Table 5.4. During January-September 2009, similar to the experience by other European countries, almost all the source markets reported negative results, reflecting the impact of the international economic crisis. Arrivals from the UK market decreased by 37,434 or 10.4 per cent, while tourists from Belgium decreased by 6,917 or 26.8 per cent. The Scandinavian market also recorded a relative significant decrease of 17,754 or 25.6 per cent while arrivals from the German market decreased by 24,838 or 20.8 per cent. Tourists from France declined by 8,734 or 12.6 per cent, while tourists from the Dutch market decreased by 2,875 or 9.4 per cent. Arrivals from the Austrian market decreased by 1,246 or 7.6 per cent, while arrivals from the USA market decreased by 3,035 or 21.9 per cent. Following a year characterised by growth due to the opening of new routes by low-cost airlines, arrivals from Ireland and Spain recorded a decline of 17.8 per cent and 18.0 per cent respectively during the first nine months of 2009. Meanwhile, during the period under review, increases were recorded in the Italian market by 11,894 or 9.7 per cent, the Libyan market by 2,318 or 34.4 per cent and in the Swiss market by 0.3 per cent.

Tourist Departures by Nationality

Table 5.4

	2006	2007	2008	2008 Jan-Sep	2009 Jan-Sep
United Kingdom	431,344	482,405	454,356	359,150	321,716
Germany	125,810	130,049	150,793	119,135	94,297
Italy	112,548	113,651	144,456	122,031	133,925
France	73,400	75,149	81,152	69,052	60,318
Netherlands	37,832	34,783	36,920	30,673	27,798
Scandinavia*	73,683	87,281	85,514	69,442	51,688
Libya	9,198	9,259	9,403	6,744	9,062
Belgium	29,077	26,456	29,619	25,763	18,846
Austria	23,540	20,384	19,825	16,348	15,102
Switzerland	21,403	22,023	21,994	16,864	16,907
USA	16,969	20,423	18,021	13,831	10,796
Others	169,432	221,647	238,803	196,136	175,887
TOTAL	1,124,236	1,243,510	1,290,856	1,045,169	936,342

*Includes Denmark, Finland, Norway, Sweden

Source: National Statistics Office

Cruise Passengers

The cruise liner industry has experienced continuous expansions in recent years. Investment in the Valletta cruise terminal, coupled with its strategic central Mediterranean location, have proved instrumental in generating the volume increases to make Valletta one of Europe's top cruise harbours. However, during the first nine months of 2009, cruise passenger arrivals declined by 27.7 per cent to 294,795 over the corresponding 2008 period. This decline was mainly attributable to significant drops in the Spanish and Italian markets. This performance in the first nine months of 2009 is similar to developments in most Mediterranean destinations, some of which already had recorded a decline in 2008.

Accommodation

Table 5.5 provides data concerning Malta's accommodation capacity by category of units and beds.

By the end of August 2009, the number of hotels increased by two units over the December 2008 level. This increase is attributable to the 3-Star category while the 5-Star, 4-Star and 2-Star accommodation categories remained unchanged. In terms of hotel bed-stock capacity, in August 2009, there was an increase of 1,238 beds from the December 2008 level. This increase is mainly

Main Types of Tourist Accommodation

Table 5.5

	2007 (Dec)		2008 (Dec)		2009 (Aug)	
	Establishments	Bed-Places	Establishments	Bed-Places	Establishments	Bed-Places
Hotels						
Five Star	15	6,461	16	7,469	16	7,611
Four Star	41	14,995	41	15,117	41	15,103
Three Star	39	8,680	39	8,904	41	10,044
Two Star	8	651	8	696	8	666
Total	103	30,787	104	32,186	106	33,424
Other N.E.C.						
Guesthouses	24	672	24	681	24	677
Holiday Complexes	28	5,685	28	5,037	28	4,961
Hostels	7	906	7	1,025	7	1,048
Other N.E.C. Total	59	7,263	59	6,743	59	6,686

Source: National Statistics Office

from the 3-Star and the 5-Star category that recorded an increase in bed-stock capacity of 1,140 beds and 142 beds respectively. Meanwhile, the 4-Star and 2-Star categories recorded a decrease of 14 beds and 30 beds respectively.

The total number of guesthouses, holiday complexes and hostels as at the end of August 2009 remained unchanged. The bed-stock level in the guesthouses and holiday complexes decreased by 4 beds and 76 beds respectively, while the bed stock in hostels increased by 23 beds as at the end of August 2009.

Another important element of consideration in the analysis of the tourism industry is the occupancy rate for various types of accommodation. As illustrated in Table 5.6, during January-August 2009, the 5-Star, 4-Star, tourist villages, aparthotels, hostels and guesthouses accommodation categories reached their peak inflow in August, while the 3-Star and 2-Star accommodation categories reached their peak inflow in July. The 5-Star accommodation category recorded the highest occupancy rate of 94 per cent. This was followed by the occupancy rate of 89 per cent for the 4-Star category. At 55 per cent and 70 per cent respectively, the 3-Star and 2-Star accommodation category registered their highest occupancy rates in July 2009. The relatively low occupancy rate in the 3-Star category, also in the peak summer months, suggests that this category was the most hit by the downturn in tourism departures.

Monthly Accommodation Occupancy Rates - 2009*

Table 5.6 per cent

	Hotels				Tourist Villages & Aparthotels Hostels & Guesthouses
	5 Star	4 Star	3 Star	2 Star	
January	27	39	27	19	29
February	35	52	30	17	35
March	36	47	31	22	34
April	57	57	33	29	40
May	55	57	33	41	44
June	66	69	38	35	47
July	77	84	55	70	67
August	94	89	54	62	69
Average	56	63	39	37	46

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

Source: National Statistics Office

The average length of stay by tourists is another important indicator of the performance of the tourism industry. In line with a declining European average length of outbound trips as tourists are opting for shorter trips, the average length of nights spent has followed a downward trend in recent years. However, during January-September 2009, the average length of nights spent remained relatively stable at 8.6 nights.

Employment

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

Full-time employment in hotels and restaurants stood at 9,918 persons in June 2009, a decrease of 462 jobs over the corresponding 2008 period. Employment in this sector corresponded to 6.8 per cent of the gainfully occupied population in June 2009. Private sector employment in hotels and restaurants amounted to 9,809, or 13.7 per cent of the persons employed in private market services.

Foreign Exchange Earnings

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

Earnings from Tourism

Table 5.7

	Gross Earnings (€ million)	Per Capita Earnings (€)	Earnings Per Nights Spent (€)	Ratio to exports of goods and services (%)	Ratio to exports of manufactured goods (%)
2006	607.2	540.1	56.9	13.6	31.3
2007	664.2	534.2	60.3	13.6	34.3
2008	646.2	500.6	57.4	13.9	37.4
2008 (Jan-Jun)	253.9	439.9	57.3	11.3	28.7
2009 (Jan-Jun)	227.8	457.6	59.5	12.1	35.5

Source: National Statistics Office

Chart 5.3

During January-June 2009, gross foreign exchange earnings stood at €227.8 million, a decrease of 10.3 per cent over the previous comparable period. This is mainly due to a lower number of tourist departures. The declining trend in per capita earnings was partially reversed in the first half of 2009 as an increase of 4.0 per cent was registered. Similarly, earnings per nights spent increased to €59.5 during the first six months of 2009 from €57.3 in the corresponding 2008 period.

During January-June 2009, gross earnings from tourism accounted for 12.1 per cent of exports of goods and services, an increase of 0.8 percentage points over the corresponding 2008 period. Similarly, the ratio of foreign exchange earnings from tourism to exports of manufactured goods increased from 28.7 per cent to 35.5 per cent during the first half of 2009 as the decline in manufacturing exports outweighed the drop in tourism earnings.

Malta Financial Services Authority

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

During the first nine months of 2009, MFSA has continued to influence the development of the financial services framework through its regulatory role and despite the ongoing uncertain international conditions MFSA has issued a significant number of new licences.

During the period under review, seven investment services licences were issued, increasing the total number of licences to 82 by the end of September 2009. Meanwhile, the number of recognised fund administrators declined from sixteen as at the end of 2008 to thirteen as at the end of September 2009. Meanwhile, during the first three quarters of 2009, the MFSA issued 62 new Collective Investment Scheme (CIS) Licences, namely professional investor funds. The total number of CIS licences as at the end of September 2009 was 400.

During January-September 2009, the number of credit and financial institutions licensed under the Banking Act (1994) and the Financial Institutions Act (1994) remained unchanged at 22 and 15 institutions respectively.

With regards to the insurance sector, as at the end of September 2009, new licenses issued by the MFSA included two affiliated insurance companies and one general insurance company. The MFSA also licensed one new insurance manager bringing the total number of enrolled insurance managers to thirteen. Registered insurance brokers increased by two to 69 during the period under review. Moreover, the MFSA licensed 18 new tied insurance intermediaries.

During the period under review, five companies have also been authorised to receive property under trusts and to act as trustee or co-trustee. By the end of September 2009, there were 103 companies authorised as trustees. During January-September 2009, 1,914 new companies were registered with the Registry of Companies of which 1,867 represent local companies and 47 are partnerships.

In April 2009, the MFSA has issued a number of Insurance Directives and insurance rules substituting the repealed Insurance Directives including Insurance Rule 7 titled *Separate Management of Long Term Business and General Business*, Insurance Rule 20 titled *Assistance Insurance* and Insurance Rule 27 titled *Insurers' Internal Controls*. The MFSA has also issued an Insurance Intermediaries Introducers Regulation. Moreover, the MFSA has issued revised Investment Services Rules for Retail CIS and Investment Services

Rules for Professional Investor Funds (PIF). These rules reflect new procedures relating to the statistical reporting requirements applicable to retail CIS and PIF licensed in Malta.

During the period under review, MFSA continued to strengthen its legal and regulatory framework through the implementation of the Capital Requirements Directive, which among others has led to changes in legislation related to banking and financial institutions, investment services and financial markets. Other legislative developments concerning Insurance Business Regulations were issued by Legal Notices 259 and 260 of 2009 to come into force on 1 January 2010. Moreover, Legal Notice 138, 139 and 140 of 2009 were issued relating to the Central Securities Depository Regulations and the Designated Financial Instruments Regulations. In addition, amendments were also issued concerning Special Funds Act Regulations through Legal Notice 167 of 2009. The Depositor Compensation Scheme was also the subject of substantial changes through Legal Notice 227 of 2009 intended to strengthen the financial base and management structures and also to raise the total amount of compensation that may be paid out to depositors to €100,000.

Throughout the period under review, the MFSA continued with its responsibilities for consumer education and consumer protection in the financial services sector. Moreover, the Authority strived to improve the level of competition in the sector.

The training and development of human resources in the industry has continued to feature high on the MFSA agenda. In May 2009, the MFSA Education Consultative Council (ECC) launched the Skills Gap Action Plan. This aims to promote financial services related careers and also includes concrete measures aimed at introducing the necessary training required to fill the skills gaps identified in the MFSA Survey in 2008. Other aspects of the Action Plan cover continuous professional development and address the ways and means for making these initiatives more accessible to small and medium sized firms operating in the sector.

The MFSA has also signed a number of bilateral Memoranda of Understanding (MoUs) with international regulators of financial services and is also a signatory to specialised multilateral MoUs through organisations such as the International Organization of Securities Commissions (IOSCO) and the Committee of European Securities Regulators (CESR). The aim of these bilateral and multilateral MoUs is to facilitate the exchange of information and to create a formal framework for regulatory collaboration and co-operation between various regulatory authorities. On 18 February 2009, a MoU has been signed between the MFSA and the Cayman Islands Monetary Authority (CIMA). This MoU recognises the need for mutual cooperation between the MFSA and the CIMA in the carrying out of their regulatory and supervisory functions.

Malta Enterprise Corporation

Malta Enterprise (ME) is responsible for both attracting foreign investment to Malta as well as to provide the necessary support and assistance to businesses operating on the island to improve their international competitiveness. In addition to its central investment promotion function, Malta Enterprise is also responsible to promote the country's external trade by helping companies in Malta to develop new export markets.

In line with ME's strategy, the priority focus in attracting FDI remained to target manufacturing and service activities with high value added and operations with research and development content. As a result, ME has set its targeting function mainly on those international companies with research and development activities related to healthcare, pharmaceuticals and medical related products/ services, Information Communication Technology, mechanical precision engineering, maintenance and servicing, knowledge-based services, back office operations and qualified skill based support operations, education and training related operations, logistic based services support and renewable sources of energy.

During the period under review, ME continued in its investment promotion activities and was active to consolidate its external relations and develop joint business promotion initiatives. A number of meetings and events were held in order to encourage foreign companies to invest in Malta and in order to revive business contacts and renew commercial relationships between foreign and local organizations. Contacts were also established with the local supporting institutions in the targeted regions.

During January-September 2009, the Corporation approved fifteen new projects, twelve of which originated from abroad. Almost half of these new projects pertained to the Information Communications Technology industry, while three other new approved projects related to the aviation industry. Meanwhile, ME approved assistance to twelve expansion projects, seven of which were undertaken by locally-owned concerns. The five foreign expansion projects mainly related to the electronics and pharmaceutical industries.

As a response to the international economic crisis, in 2009 Government set up an Inter-ministerial Task Force, in which ME is represented to provide temporary financial assistance to help a number of sustainable enterprises which, due to the current demand conditions risk suffering a decline in the medium-term productive capabilities. These companies mainly operated in the mechanical, automotive, electronics, printing and food sectors.

During the period under review, interest rate subsidies on loans, amounting to €7.9 million, were granted to two companies operating in the aviation and printing sectors. Moreover, ME approved the allocation of 79,763sqm in industrial space to eighteen foreign and local companies. Loan guarantees, amounting to €630,000, were approved to two companies in the electronics and software sectors. Meanwhile, soft loan assistance of €2.2 million was approved to an existing company operating in the pharmaceuticals sector. Additonally, two foreign companies were granted a Business Development grant of around €360,000, aimed to support high-value added projects and generate job opportunities to qualified or highly skilled personnel. In addition, assistance was also granted to support research and development and the implementation of eco-innovative technologies.

During January-September 2009, ME disbursed a total of €4.6 million in financial assistance channelled through various incentive schemes relating to Investment Aid, Small and Medium Sized Enterprises Development, Enterprise Support, Access to Finance, Employment and Training and Research and Development[2]. Such assistance was disbursed for projects approved in previous years and includes also special assistance approved to some of the companies which were negatively hit by the global recession. Furthermore, a loan guarantee of €800,000 was issued during the period under review.

Meanwhile, ME launched a group of schemes to promote the take-up of research and development by enterprises, one of which is co-financed from the European and Regional Development Fund. These new schemes aim to provide assistance to enterprises for Industrial Research and Experimental Development projects, help SMEs in temporarily engaging highly qualified personnel to work on Research and Development projects, assist in the setting up, expansion and animation of innovation clusters and support enterprises carrying out collaborative Research and Development projects with partners from the EUREKA[3] European network.

Furthermore, through Legal Notice 243 of 2009 under the Income Tax Act, tax credits are being provided to persons that further their studies (approved certifications, degrees or post-graduate degrees) in areas of specialisation that are required by the local industry.

Through the Business Advisory Services Scheme, ME continued to provide customised mentoring services including innovation management techniques and optimising energy utilisation. During the first nine months of 2009, the majority of these services involved Energy Audits to enterprises.

During the period under review, ME was entrusted with the administration of seven schemes funded through European Regional Development Fund with a value of €30 million. Six of these schemes were launched under the '20 Million for Industry' scheme and included schemes focusing on tapping new markets, small start-ups, innovation, environment, e-business and research and development. Up to September 2009, 90 applicants benefited from these schemes with a total allocated grant of €5.6 million. Moreover, further applications for these schemes are being evaluated. In addition, €3.33 million were granted under a further ERDF scheme related to Energy Grant. Fifty-five projects benefited under this scheme while further applications are being evaluated.

Moreover, in January 2009, ME launched the Equity Financing programme, with the objective of preparing entrepreneurs with innovative ideas for equity financing, either through national or foreign equity funds. The programme is targeted mainly towards start-ups and smaller companies for which funding requirements fall between €100,000 and €2,000,000.

Since April 2008, ME has been participating in the Enterprise Europe Network (EEN), which offers support and advice to businesses across Europe. The EEN Malta Office participates actively in the Information and Communications Technology and environmental sectoral groups.

During the period under review, the Kordin Business Incubation Centre (KBIC) has promoted both its in-house services and also its outreach program. Five new start-up companies engaged in electronics, renewable energy sources, medical devices and microbiology started their pre-incubation programme.

Footnotes:

[1] Published by United Nations World Tourism Organization, October 2009

[2] These incentive schemes include Soft Loans, Loan Interest Subsidy, Gozo Regeneration Scheme, Tax Credits, Start-Ups, SME Development Grant, Exploratory Award, EUREKA, Business Development Scheme, Trade Promotion, Business Advisory Services, ERDF International Competitiveness Grant Scheme, Eco Innovation and Discover Enterprise.

[3] The EUREKA network assists companies in matching their resources and to collaborate with research institutes for the development of advanced technologies and market oriented products.

6. Prices and Incomes

6. Prices and Incomes

This Chapter reviews domestic inflationary developments during the twelve months to September 2009. Given, the high degree of openness of the Maltese economy, an analysis of price movements in other EU Member States is also provided. This is followed by a more detailed analysis of the changes in domestic sectoral wages taking place between September 2008 and September 2009.

Inflationary pressures continued to exercise notable strain during the period under review. Indeed, during the twelve months to September 2009, inflation as measured by Retail Price Index (RPI) stood at 3.46 per cent. The largest contributor to this rate of inflation was the Food sub-index followed by the Water, Electricity, Gas and Other fuels sub-index.

The second part of this Chapter analyses average weekly wages in both direct production and market services sectors making use of a representative sample of companies based on collective agreements deposited within the Department of Industrial and Employment Relations. The overall rate of weekly wage increase resulted to be €4.64 or 1.8 per cent. The highest percentage wage rise was registered in the Community and Business sub-sector, at 2.6 per cent. Employees in the sample were categorised along different average weekly wage brackets. Around 60 per cent of all employees in the sample earned an average weekly wage of more than €236.08.

Inflation

The official measure of inflation in Malta is computed by comparing the average RPI in the 12-months leading to the month under review with the corresponding average in the previous 12-month period. Table 6.1 presents domestic inflation rates, while monthly RPI readings between January 2006 and September 2009 are presented in Table 6.2. In addition, Chart 6.1 depicts the trend of the domestic 12-month moving inflation rate for the period covering September 2004 to September 2009.

The inflation rate followed a general downward trend between September 2006 and September 2007, declining from 3.42 per cent to 0.81 per cent. Subsequently, in the following months, the inflation rate increased steadily reaching 4.36 per cent in April 2009. During the last few months, inflationary pressures started to subside, with the inflation rate falling gradually to 3.46 per cent in September 2009.

Box 6.1

Harmonised Index of Consumer Prices (HICP)

Consumer price inflation in the Euro Area is measured by the Harmonised Index of Consumer Prices (HICP). The HICP is compiled by Eurostat and the national statistical institutes in accordance with harmonised statistical methods. Given that this index is compiled according to a harmonised approach and a single set of definitions developed by Eurostat in conjunction with EU Member States, it enables comparability among EU Member States.

Inflation rates as measured by the 12-month moving average HICP for the period January 2006 to September 2009 are illustrated in the Table below. The HICP inflation rate rose significantly during 2008, reaching the rate of 4.7 per cent in December. It was broadly stable during the first five months of 2009. Subsequently, it declined gradually to 3.2 per cent in September 2009.

The 12-month moving average inflation in September 2009 mainly reflects developments in the restaurants, cafes and the like, vegetables, electricity, meat and bread and cereals. On the other hand, negative contributions were mainly recorded by motor cars, passenger transport by air, fuels and information processing equipment sub-indices.

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

per cent

	2006	2007	2008	2009
January	2.6	2.5	0.9	4.6
February	2.6	2.4	1.2	4.6
March	2.6	2.2	1.5	4.6
April	2.7	1.8	1.9	4.5
May	2.8	1.4	2.3	4.5
June	2.9	1.1	2.8	4.3
July	3.1	0.7	3.3	3.9
August	3.1	0.5	3.7	3.6
September	3.2	0.4	4.0	3.2
October	3.1	0.3	4.4	
November	2.8	0.5	4.5	
December	2.6	0.7	4.7	

Source: National Statistics Office

Developments in the trend of each sub-index of the RPI provide an understanding of the underlying inflationary movements in the overall rate. The average for the twelve months to September for the 2007-2009 period for the sub-indices composing the RPI, grouped by commodities are illustrated in Table 6.3. Noticeable changes were registered in the Water, Electricity, Gas and Other fuels and Food sub-indices showing increases of around 31 per cent and 8 per cent respectively.

The Food sub-index 12-month moving average maintained its high average rate rising slightly to 8.23 per cent when compared to 7.88 per cent recorded during

12-Month Moving Average Inflation Rate

Table 6.1 per cent

	2006	2007	2008	2009
January	2.99	2.70	1.43	4.26
February	2.92	2.60	1.64	4.30
March	2.92	2.37	1.94	4.32
April	3.00	2.04	2.25	4.36
May	3.05	1.67	2.60	4.34
June	3.11	1.37	2.94	4.23
July	3.30	1.10	3.28	3.95
August	3.38	0.93	3.54	3.71
September	3.42	0.81	3.73	3.46
October	3.27	0.83	3.99	
November	3.01	1.04	4.12	
December	2.77	1.25	4.26	

Source: National Statistics Office

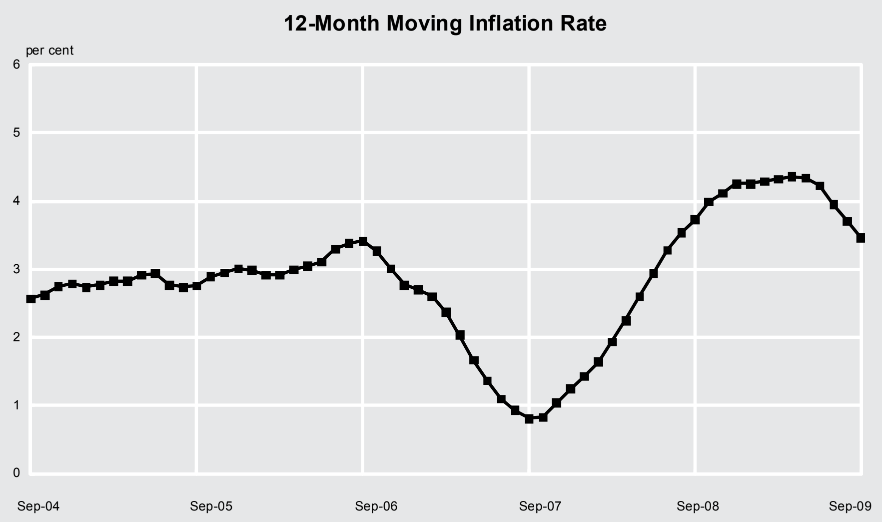
Retail Price Index

Table 6.2 December 2002=100

	2006	2007	2008	2009
January	107.06	108.58	112.42	116.44
February	107.70	108.86	112.89	117.59
March	109.05	109.40	113.66	118.50
April	110.32	110.16	114.08	118.65
May	110.89	110.44	114.58	118.65
June	110.52	110.53	114.99	118.14
July	109.95	110.67	115.98	117.70
August	109.50	110.98	115.88	117.69
September	110.19	112.21	116.84	118.22
October	110.64	113.20	119.34	
November	109.88	113.50	118.97	
December	109.88	113.52	119.12	
Average Jan-Dec	109.63	111.00	115.73	

Source: National Statistics Office

Chart 6.1



Index by Commodity Group

(Average for 12 months to September)

Table 6.3 December 2002=100

Commodity Group	Weight	2007	2008	2009
Food	23.82	108.99	117.58	127.26
Beverages and Tobacco	6.11	118.56	121.71	127.16
Clothing and Footwear	8.24	86.38	91.84	92.26
Housing	7.57	119.06	123.39	127.60
Water, Electricity, Gas and Fuels	2.25	148.70	158.78	207.22
Transport and Communications	23.13	111.73	113.92	111.37
Recreation and Culture	8.84	102.50	103.53	104.83
Household Equipment & House Maintenance Costs	7.65	105.62	105.71	105.59
Personal Care and Health	6.22	116.50	118.70	121.94
Other Goods and Services	6.17	117.78	119.92	122.45

Source: National Statistics Office

the same period last year. The contribution of this sub-index towards the 12-month moving average inflation rate was 1.96 percentage points in September 2009. Higher price increases for food were registered especially in the first quarter this year, with the annual rate reaching a high of 11.00 per cent in March 2009. This was mainly attributed to the increase in the prices of vegetables, fruit, bakery products and served meals and food.

The 12-month moving average rate for the Beverages and Tobacco sub-index increased from 2.66 to 4.48 per cent in September 2009 while its contribution was 0.27 percentage points. Major developments were observed in the average prices of alcoholic served beverages, recording annual rates of around 6 per cent. However, it is also worth noting that the off-sales alcoholic beverages index recorded declines during this year.

The 12-month moving average of the Clothing and Footwear sub-index in September 2009 increased only slightly by 0.45 per cent, in contrast to a rise of 6.32 per cent recorded in September 2008. Annual increases in this sub-index's items were mainly observed in underwear, swimwear, and babies garments. Conversely, clothing materials and outwear clothing generally registered decreases in their respective index.

The Housing sub-index registered an increase of 3.41 per cent, thus contributing 0.26 percentage points to the overall 12-month moving average inflation rate. Major fluctuations in repair services, materials for plastering and cement, electricity equipment, dwelling maintenance and rentals and increases in the materials for plumbing and other construction works underpinned this increase. It should be noted that all items under this sub-index registered annual increases except for materials for painting index which remained unchanged.

The Water, Electricity, Gas and Fuels sub-index recorded an increase of 30.5 per cent over September 2008, contributing to 0.69 percentage points to the overall inflation rate. Water charges and cylinder gas prices showed the largest annual increases at 24 per cent and 95 per cent respectively while liquid fuels, namely kerosene, registered a decrease.

The 12-month moving average of the Household Equipment and House Maintenance Cost sub-index decreased slightly by 0.11 per cent in September 2009 with a marginal negative contribution to the overall index. Minor declines were mainly recorded in average prices of some household textiles articles and carpets during September 2009. On the other hand, increases were recorded in the average price of household appliances and other household textiles.

In September 2009, the 12-month moving average rate for the Transport and Communications sub-index decreased by 2.24 per cent with a negative contribution of 0.52 percentage points. Since the beginning of the year, the Transport and Communications sub-index has been recording negative contributions to the 12-month moving average inflation rate and this was mainly attributed to changes in the car registration fees regime. On the other hand, car licenses increased significantly by 35 per cent reflecting the revision in annual circulation tax this year.

In September 2009, the 12-month moving average rate for the Personal Care and Health sub-index increased by 2.73 per cent with a contribution of 0.17 percentage points to the inflation rate. Annual increases were recorded mainly in medical, dental and hospital services. The medicines sub-index recorded an annual rate of 1.3 per cent in September 2009.

The Recreation and Culture sub-index 12-month moving average increased by 1.26 per cent with a total contribution of 0.11 percentage points to the overall RPI inflation rate of September 2009. Annual increases were mainly noticed in education expenses including school fees and tuition, as well as in average prices of audio visual equipment.

The Other Goods and Services sub-index increases, during the period under review, were mainly observed in jewellery, watches and clocks, pets services and food sub-indices.

International Comparison

Inflation rates for the EU Member States based on the 12-month moving average of the Harmonized Index of Consumer Prices (HICP) as at September 2009 are illustrated in Table 6.4. This harmonised approach enables direct comparability among Member States.

Following the relatively high inflation rate in 2008, inflationary pressures eased significantly during 2009, reflecting the negative demand conditions and base effects. Indeed, in September 2009 the average EU inflation rate fell to 1.4 per cent from 3.7 per cent in December 2008.

Inflationary developments in the EU in September 2009 show that Latvia registered the highest inflation rate of 6.5 per cent, followed by Lithuania and Romania both at 6.2 per cent, Bulgaria at 4.4 per cent and Poland at 3.9 per cent. On the other hand, Ireland and Portugal experienced deflationary rates of -0.5 per cent and -0.3 per cent respectively. The lowest positive inflation rate was recorded in Luxembourg at 0.2 per cent followed by Spain at 0.3 per cent and France at 0.5 per cent.

The deceleration in the average inflation rate in the EU 27 Member states was mainly driven by declines in the 12-month moving average inflation rate in

European Union Inflation Rates
(Harmonised Index of Consumer Prices)

Table 6.4 per cent

	2006	2007	2008	2009[(1)]
Austria*	1.7	2.2	3.5	0.8
Belgium	2.3	1.8	4.3	0.9
Bulgaria	7.4	7.6	12.6	4.4
Cyprus	2.2	2.2	4.4	0.9
Czech Republic	2.1	3.0	6.4	1.6
Denmark	1.9	1.7	3.4	1.6
Estonia	4.4	6.7	10.8	2.8
Finland	1.3	1.6	3.5	2.3
France	1.9	1.6	3.3	0.5
Germany	1.8	2.3	3.1	0.6
Greece	3.3	3.0	4.4	1.6
Hungary	4.0	7.9	6.8	3.8
Ireland	2.7	2.9	3.4	-0.5
Italy	2.2	2.0	3.4	1.3
Latvia	6.6	10.1	15.8	6.5
Lithuania	3.8	5.8	10.8	6.2
Luxembourg	3.0	2.7	4.6	0.2
Netherlands*	1.7	1.6	2.1	1.3
Poland	1.3	2.6	4.2	3.9
Portugal	3.0	2.4	2.9	-0.3
Romania	6.6	4.9	7.9	6.2
Slovakia	4.3	1.9	3.6	1.9
Slovenia	2.5	3.8	6.1	1.3
Spain	3.6	2.8	4.5	0.3
Sweden	1.5	1.7	3.3	2.0
United Kingdom	2.3	2.3	3.2	2.6
EU 27*	2.3	2.4	3.7	1.4
Euro Area*	2.2	2.1	3.3	0.7
Malta	2.6	0.7	4.0	3.2

* Provisional for September 2009
(1) For 2009, figures relate to September

Source: Eurostat, National Statistics Office

Transport (-2.5 per cent), Clothing and Footwear (-1.0 per cent) and Communications (-0.9 per cent) sub-indices. On the other hand, Alcoholics beverages, tobacco and narcotics (5.4 per cent), Education (3.3 per cent) and Housing sub-indices (3.3 per cent) contributed positively to the overall inflation rate in the EU.

Although, Malta's inflation rate fell during 2009, reaching 3.2 per cent in September 2009, it was significantly higher than the average for the EU 27 and the Euro Area.

Sectoral Wages

The following part of this Chapter analyses developments in average weekly wage rates on the basis of collective agreements signed up between the employer and the respective trade union and deposited at the Department of Industrial and Employment Relations. The period covered is between September 2008 and September 2009. Collective agreements deposited between this period are added to the pool of registered collective agreements. Usually, there will include both renewals of older agreements and in some cases new agreements. The collective agreements cover different periods with average weekly wages including or excluding the cost of living increase. The sample under review is made up of 199 firms employing 26,610 employees, where 85 firms are engaged in direct production and employ 11,783 employees while the remaining 114 firms operate in the market services with 14,827 employees. The data for weekly wages is divided into four major employment categories namely labourers, skilled tradesmen, clerical and managerial grades. Definite contracts of employment are not considered in this analysis. The data also excludes employment benefits over and above the basic wage, such as production bonuses, overtime payments, social security and allowances, and other non-wage income. Non-wage income can be quite significant for some categories of employment. Hence, the employees' actual average weekly remuneration might be higher than that reported in this study.

It is also pertinent to note that results shown with data based on gainfully occupied population published in other Chapters of this Economic Survey cannot be compared directly with this Section since the information is based only on a sample of collective agreements and includes only the basic weekly wage. Furthermore, the tables and data presented in this Chapter are not directly comparable to those published in previous issues of the Economic Survey. Direct comparability is limited by the methodology and the sampling procedure adopted, mainly the inclusion of additional firms and exclusion of others which may result in changes in the individual firms' weighting in each category as well as changes in employment levels. The reported average wage rates may also change either when a new collective agreement results in a reclassification of grades or when new trainees are paid the entry level pay wage.

Collective agreements included in the sample are grouped according to their respective sub-sector of economic activity. The average of the minimum and maximum wage scales for each individual collective agreement is then calculated. This gives the sub-sectoral mean wage. In those cases where the collective agreement excludes the cost of living increase, the figures obtained are then increased by the cost of living adjustments, which stood at €3.49 and €4.08 for 2008 and 2009 respectively. Subsequently, the mean wages are weighted according to employment levels in each sub-sector.

Table 6.5 shows the average weekly wage rates for the various employment categories in the sampled firms as at September 2008. The overall weighted average wage of all firms stood at €259.74. The weighted average wage for those employed in direct production stood at €236.02, whereas the average wage for those employed in services stood at €278.60, implying a wage gap of €42.58. The highest average weekly wage rates were recorded in the Banking and Other Financial Institutions sub-sector (€344.50) and the Paper and Printing sub-sector (€300.03). These were followed by Transport (€292.65), Transport Equipment (€264.89), Electricity and Gas Services (€257.44), Community & Business (€252.93) and Communications (€252.04) sub-sectors. On the other hand, the lowest paid sub-sectors were the Leather and Leather Goods sub-sector (€192.48), the Machinery sub-sector (€197.18), and the Non-Metallic sub-sector (€199.69).

At €158.04, the Labourer grade in the Leather and Leather Goods sub-sector corresponded to the lowest weekly average wage in 2008. On the other hand, the highest weekly average wage rate was earned by the Banking and Other Financial Institutions Managerial grade (€482.39).

The weighted average weekly wage for all firms as at September 2009 stood at €264.38. The sub-sectors offering the highest remuneration remained unchanged from those in September 2008, namely the Banking and OFI sub-sector (€350.83) and the Paper and Printing sub-sector (€304.11). Similarly, the least remunerated sub-sectors in the sample were the Leather and Leather Goods sub-sector (€196.56), the Machinery sub-sector (€201.26) and the Non-Metallic sub-sector (€203.77). The lowest reported wage, that is the Labourer grade under the Leather and Leather Goods sub-sector (€162.12), was still €15.65 or 10.7 per

Average Weekly Wages - September 2008

Table 6.5 €

	Labourer	Skilled Tradesman	Clerical/ Executive	Managerial	Weighted Average
Oil Drilling	220.71	221.88	213.72	234.69	220.99
Food	219.59	228.81	231.61	249.60	225.71
Beverages	225.45	302.64	255.58	278.32	251.56
Textiles, Footwear and Clothing	195.42	226.78	220.62	216.38	203.02
Furniture & Fixtures	211.94	256.38	249.83	262.77	237.44
Paper & Printing	275.87	327.10	278.00	328.56	300.03
Leather & Leather Goods	158.04	174.36	189.85	214.89	192.48
Chemicals	219.81	268.92	261.13	289.30	236.62
Non-Metallic Products	185.19	230.61	-	239.34	199.69
Metal Products	233.29	221.43	234.30	269.25	231.59
Machinery	189.80	203.30	186.43	226.35	197.18
Electrical Machinery	188.90	247.23	216.67	279.74	215.87
Transport Equipment	220.12	244.94	243.43	319.27	264.89
Miscellaneous	221.39	251.70	254.58	274.24	236.29
Electricity & Gas Services	221.09	253.55	249.52	400.93	257.44
Construction	196.53	246.95	252.86	-	210.26
Wholesale & Retail Trade	205.53	226.53	217.38	280.68	226.16
Banking & OFI	251.20	287.94	321.65	482.39	344.50
Insurance & Real Estate	219.96	229.16	234.63	255.77	235.01
Transport	234.02	269.87	255.59	442.31	292.65
Storage and Warehousing	218.74	251.68	235.79	281.78	231.54
Communications	244.19	268.44	226.53	311.14	252.04
Community & Business	222.38	281.91	212.53	285.04	252.93
Recreation Services	223.13	229.39	238.91	274.63	230.57
Hotels & Catering Ests	224.17	244.46	234.88	227.71	230.24
All Firms	215.27	261.01	267.48	321.84	259.74
Direct Production	210.89	258.23	243.37	296.97	236.02
Market Services	225.77	265.12	270.50	333.17	278.60

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

cent over the National Minimum Wage for 2009 which stood at €146.47. The highest average wage remained that of the Managerial grade in the Banking and other Financial Institutions sub-sector at €501.33, while other relatively high wages were those for the Managerial grade in the Transport sub-sector (€446.41) and the Electricity and Gas Services sub-sector (€405.01).

Sectoral average weekly wages as at September 2009 are shown in Table 6.6. Since both Table 6.5 and Table 6.6 are based on the same employment weighting structure and the same sample of firms they are directly comparable. Thus, the differences in the corresponding wage rates represent the change in wages occurring during the period under observation.

Average Weekly Wages - September 2009

Table 6.6 €

	Labourer	Skilled Tradesman	Clerical/ Executive	Managerial	Weighted Average
Oil Drilling	224.79	225.96	217.80	238.77	225.07
Food	223.67	233.81	236.56	253.68	229.94
Beverages	229.53	306.72	259.66	282.40	255.64
Textiles, Footwear and Clothing	199.50	230.86	224.70	220.46	207.10
Furniture & Fixtures	216.02	260.46	253.91	266.85	241.52
Paper & Printing	279.95	331.18	282.10	332.64	304.11
Leather & Leather Goods	162.12	178.44	193.93	218.97	196.56
Chemicals	223.89	273.00	265.21	293.75	240.76
Non-Metallic Products	189.27	234.69	-	243.42	203.77
Metal Products	237.37	225.51	238.38	273.33	235.67
Machinery	193.88	207.38	190.51	230.43	201.26
Electrical Machinery	192.98	251.31	220.75	283.82	219.95
Transport Equipment	224.20	249.02	247.51	323.35	268.97
Miscellaneous	225.61	258.33	258.66	279.11	240.42
Electricity & Gas Services	225.17	257.63	253.60	405.01	261.52
Construction	200.61	251.03	256.94	-	214.30
Wholesale & Retail Trade	209.61	230.61	221.54	284.76	230.23
Banking & OFI	255.50	296.83	327.36	501.33	350.83
Insurance & Real Estate	224.04	233.24	238.71	259.85	239.09
Transport	239.74	273.95	259.72	446.41	296.78
Storage and Warehousing	223.79	257.10	241.27	288.53	236.87
Communications	248.28	272.53	231.82	315.97	256.83
Community & Business	228.68	289.67	217.56	292.73	259.50
Recreation Services	227.21	233.47	242.99	278.71	234.65
Hotels & Catering Ests	228.25	248.54	238.96	231.83	234.32
All Firms	219.74	265.56	272.31	327.58	264.38
Direct Production	215.04	262.40	247.57	301.17	240.11
Market Services	230.95	270.18	275.42	339.75	283.76

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

Table 6.7 shows percentage changes in average weekly wage occurring between September 2008 and September 2009. The weighted average increase for all firms stood at 1.8 per cent, with the direct production recording the rate of 1.7 per cent while market services sector registered a wage rate increase of 1.9 per cent. In absolute terms, while the average wage in the direct production increased by €4.09 to reach €240.11 in September 2009, the average weekly wage rate in the market services sector increased by €5.16, reaching €283.76 in September 2009. Furthermore, the sub-sectors which recorded the highest percentage increases were the Community and Business sub-sector which registered an increase of 2.6 per cent, the Storage and Warehousing sub-sector with an increase of 2.3 per cent and the Machinery sub-sector and the Leather

Changes in Average Weekly Wages

September 2009 - September 2008

Table 6.7 per cent

	Labourer	Skilled Tradesman	Clerical/ Executive	Managerial	Weighted Average
Oil Drilling	1.8	1.8	1.9	1.7	1.8
Food	1.9	2.2	2.1	1.6	1.9
Beverages	1.8	1.3	1.6	1.5	1.6
Textiles, Footwear and Clothing	2.1	1.8	1.8	1.9	2.0
Furniture & Fixtures	1.9	1.6	1.6	1.6	1.7
Paper & Printing	1.5	1.2	1.5	1.2	1.4
Leather & Leather Goods	2.6	2.3	2.1	1.9	2.1
Chemicals	1.9	1.5	1.6	1.5	1.8
Non-Metallic Products	2.2	1.8	-	1.7	2.0
Metal Products	1.7	1.8	1.7	1.5	1.8
Machinery	2.1	2.0	2.2	1.8	2.1
Electrical Machinery	2.2	1.7	1.9	1.5	1.9
Transport Equipment	1.9	1.7	1.7	1.3	1.5
Miscellaneous	1.9	2.6	1.6	1.8	1.7
Electricity & Gas Services	1.8	1.6	1.6	1.0	1.6
Construction	2.1	1.7	1.6	-	1.9
Wholesale & Retail Trade	2.0	1.8	1.9	1.5	1.8
Banking & OFI	1.7	3.1	1.8	3.9	1.8
Insurance & Real Estate	1.9	1.8	1.7	1.6	1.7
Transport	2.4	1.5	1.6	0.9	1.4
Storage and Warehousing	2.3	2.2	2.3	2.4	2.3
Communications	1.7	1.5	2.3	1.6	1.9
Community & Business	2.8	2.8	2.4	2.7	2.6
Recreation Services	1.8	1.8	1.7	1.5	1.8
Hotels & Catering Ests	1.8	1.7	1.7	1.8	1.8
All Firms	2.1	1.7	1.8	1.8	1.8
Direct Production	2.0	1.6	1.7	1.4	1.7
Market Services	2.3	1.9	1.8	2.0	1.9

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

and Leather goods sub-sectors, both with an increase of 2.1 per cent. The highest overall percentage increase was registered in the Managerial grade under the Banking and OFI sub-sector with a percentage increase of 3.9 per cent. This was followed by the Skilled Tradesman under the Banking and OFI (3.1 per cent) and then by the Skilled Tradesman and Labourer both under the Community and Business sub-sector (2.8 per cent).

Table 6.8 provides information about the distribution of employees along different average weekly wage brackets as at September 2009. Average weekly wage rates between the different sub-sectors and between firms engaged in direct production and those in the market services which are presented in Table 6.8

Proportion of Sampled Employees in Wage Ranges

Table 6.8 per cent

Sector \ Wage Range	Up to €166.07	€166.08 - €190.07	€190.08 - €213.07	€213.08 - €236.07	Over €236.08
Oil Drilling	0.0	0.0	0.0	92.1	7.9
Food	0.0	13.4	2.1	24.8	59.7
Beverages	0.0	0.0	4.7	30.8	64.5
Textiles, Footwear & Clothing	10.1	2.2	25.1	45.2	17.3
Furniture & Fixtures	0.0	0.0	0.0	43.8	56.3
Paper & Printing	0.0	0.0	3.5	4.8	91.7
Leather & Leather Goods	12.5	25.0	12.5	50.0	0.0
Chemicals	0.0	1.7	0.0	68.3	29.9
Non-Metallic Products	0.0	70.0	0.0	20.0	10.0
Metal Products	0.0	5.4	14.9	13.1	66.7
Machinery	8.0	10.5	54.9	16.0	10.5
Electrical Machinery	4.0	13.7	47.9	0.6	33.8
Transport Equipment	0.0	0.0	0.5	11.4	88.1
Miscellaneous	2.3	11.3	0.9	1.1	84.4
Electricity & Gas	0.0	0.0	0.0	46.0	54.0
Construction	0.0	0.0	68.5	0.0	31.5
Wholesale & Retail Trade	0.0	9.9	3.7	58.8	27.6
Banking & OFI	0.0	0.0	0.0	0.0	100.0
Insurance & Real Estate	0.0	0.0	0.0	48.6	51.4
Transport	2.2	1.5	4.5	8.3	83.5
Storage and Warehousing	0.0	0.0	0.0	68.4	31.6
Communications	0.0	6.8	7.5	34.3	51.4
Community & Business	0.3	7.9	16.1	12.0	63.6
Recreation Services	0.0	5.1	15.4	44.9	34.6
Hotels & Catering Ests	0.1	1.5	8.8	58.2	31.5
All Firms	1.5	6.1	14.9	17.9	59.7
Direct Production	2.4	8.4	22.5	19.5	47.2
Market Services	0.8	4.3	9.2	16.8	68.9

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

and discussed above, are indicative of the different types and levels of skills and expertise required and the different operational structures present in each subsector. The largest share of employees for all firms (59.7 per cent) earned on average a weekly wage that fell within the highest weekly wage bracket of €236.08 and above. The second largest proportion (17.9 per cent) fell within the €213.08 – €236.07 bracket. Moreover, while 68.9 per cent of those employed in the services sector fell in the highest wage bracket, only 47.2 per cent of those employed in the direct production earned more than €236.08 weekly. The percentage of employees earning up to €166.07 per week stood at 1.5 per cent, the majority of which were engaged in the Leather and Leather Goods sub-sector (12.5 per cent). On the other hand, all employees in the Banking and OFI sub-sector earned more than €236.08 per week.

7. Foreign Trade and Payments

7. Foreign Trade and Payments

In the first six months of 2009, the current account deficit decreased by €216.3 million to register a surplus of €29.8 million or 1.1 per cent of GDP. The improvement in the current account balance was primarily linked to a decline in the goods account deficit of €193.4 million, equivalent to 7.1 percentage points of GDP.

During the first nine months of 2009, total exports declined following a significant fall in exports of machinery and transport equipment, with all the commodity groups registering declines. However, a larger fall in imports was recorded, resulting in a narrowing trade gap from €1,095.7 million to €895.7 million. The decrease in imports was mainly due to lower imports of industrial supplies, while consumer goods imports as well as capital goods and other imports also declined. A decrease in fuel imports was recorded, reflecting developments in international oil prices, which offset the increase in capital goods. However, capital goods imports would have decreased once exceptional import items are excluded.

Service account net inflows registered an improvement in the January-June 2009 period, as net receipts for other services increased by €63.2 million outpacing declines in net travel receipts of €33.1 million and decreases in net transportation receipts of €8.7 million. Lower tourism earnings of €26.1 million and higher Maltese tourist expenditure abroad of €7.0 million were recorded. As a result, the services balance improved by €21.4 million, or 0.8 percentage points to reach 15.5 per cent of GDP.

The imbalance in the income account increased further by €73.8 million in the first half of 2009 to a deficit of €178.0 million or 6.5 per cent of GDP. The deterioration in the income account was mainly due to lower receipts on bond and note holdings as part of portfolio investment flows. Net direct investment outflows increased primarily due to higher dividends and distributed profits, reflecting higher profits made by foreign-owned companies in Malta. Meanwhile, a reduction was recorded in other investment net outflows.

Net inflows by way of current transfers were €75.3 million higher than the level registered in the first six months of 2008. This reflects an increase in inflows outpacing an increase in outflows as both increased substantially, with Government transfers primarily underpinning this result. Figures are in line with higher tax proceeds earned on higher reported company profits.

An inflow in the capital and financial account excluding reserves was recorded during the first two quarters of 2009. The capital and financial account deteriorated from a net inflow of 11.7 per cent of GDP in the first half of 2008 to a net inflow of 1.3 per cent in the comparable period of 2009. As a result, an addition to reserves equivalent to 2.4 per cent of GDP was recorded in the January-June 2009 period.

This Chapter is based on the latest available NSO data, which for trade relates to January-September 2009 and for the balance of payments relates to January-June 2009.

Foreign Trade

Trade developments during the first nine months of 2009 were significantly influenced by the international financial and economic crisis, with many developed economies slipping into recession. Businesses have embarked on serious cost-cutting programs while consumers have re-assessed their consumption patterns. The end result has been a significant reduction in world trade, with the IMF World Economic Outlook issued in October 2009 forecasting a 25 per cent drop in global exports of goods in 2009.

Domestic exports were significantly influenced by these developments. Following a decline of almost 10 per cent in 2008, total exports declined by almost a quarter in the period under review. This largely reflected a significant fall in exports of machinery and transport equipment. Furthermore, all the commodity groups registered declines in exports. Machinery and transport equipment remains the largest export sector, but its share has fallen from 2005. On the other hand, chemicals exports have increased their share to become the second largest export sector. However, even this sector has recorded a decline in export activity.

All the broad economic categories of imports decreased during the January-September 2009 period, with the major decline occurring in industrial supplies. As the fall in imports outweighed that in exports, the trade gap narrowed by €200.0 million to €895.7 million. If exceptional imports are excluded, the trade gap would have narrowed by €382.9 million. These exceptional items include aircraft, sea vessels and cranes. Further details are provided in Table 7.1 and Chart 7.1. As illustrated in Chart 7.2, despite the improvement in the trade gap, the rate of import cover deteriorated from 58.3 per cent to 57.0 per cent.

Foreign Trade

Table 7.1	2005	2006	2007	2008	2008 Jan-Sep	2009 Jan-Sep
Imports (c.i.f.)	3,117.2	3,487.6	3,580.3	3,429.9	2,630.4	2,084.1
Total Exports (f.o.b.)	1,959.1	2,256.7	2,287.5	2,060.9	1,534.7	1,188.4
Trade Gap	-1,158.1	-1,230.9	-1,292.8	-1,369.0	-1,095.7	-895.7
of which:						
Exceptional Item (Exports)*	-	38.9	-	-	-	-
Exceptional Item (Imports)*	72.7	160.0	146.9	51.3	51.3	234.2

€ million

Source: National Statistics Office

Chart 7.1

Foreign Trade

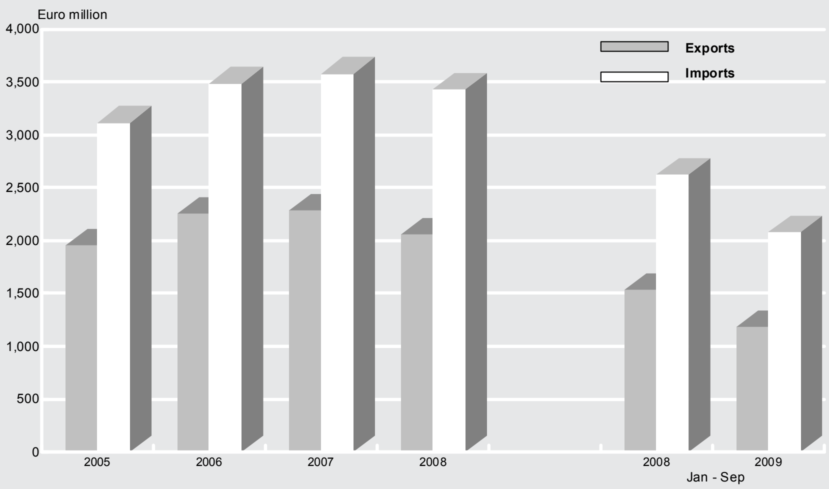
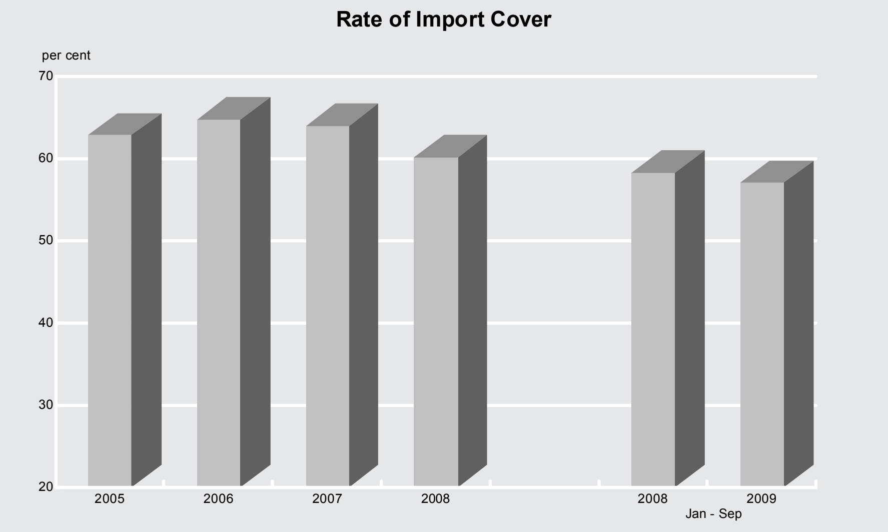


Chart 7.2



Exports

During the first three quarters of 2009, exports registered a fall of 22.6 per cent from €1,534.7 million to €1,188.4 million. The major contributor to this decrease was the machinery and transport equipment sector which contracted by 24.6 per cent from €891.9 million to €672.3 million. This decline contributed 14.3 percentage points to the fall in total exports. Exchange rate developments, particularly with respect to the US Dollar can have a significant influence on trade developments in this industry. The performance of this sector was heavily influenced by the fall in global demand. In particular, it is worth noting that the sector is partly tied to the automotive and information technology sectors which were severely hit during this international crisis.

Exports by the chemicals sector decreased by 17.4 per cent, providing the second largest contribution to the decline in exports, with 1.9 percentage points. Another 1.7 percentage points were added to the fall in exports by a 30.1 per cent decline in semi-manufacture exports. Significant declines were registered in the fuel, scientific instruments, other manufactures, clothing, food, beverages and tobacco categories. The latter included a lower value of fish exports. The declines in printed matter and toys and games categories were more contained. The commodity breakdown of exports is provided in Table 7.2.

As shown in Chart 7.3, the major exporting sector remained machinery and transport equipment with a share of 56.6 per cent in total exports, although this

Commodity Breakdown of Exports

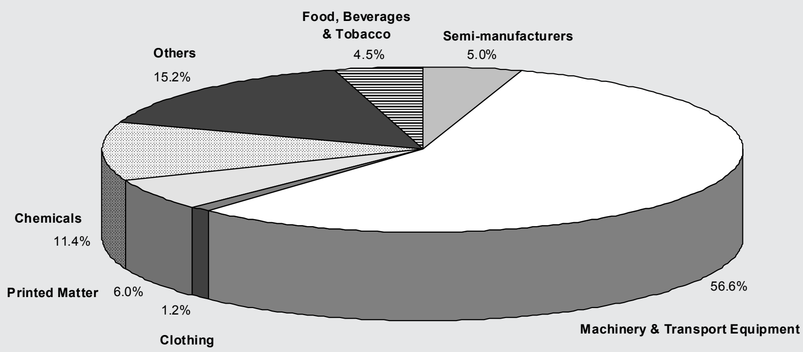
Table 7.2 € million

	2005	2006	2007	2008	2008 Jan-Sep	2009 Jan-Sep
Total Exports						
Food, Beverages and Tobacco	109.0	127.3	158.4	157.6	64.8	53.7
Chemicals	95.5	138.7	199.4	215.6	164.1	135.5
Semi-manufactures	126.1	115.4	115.3	110.1	85.8	60.0
Machinery and Transport Equipment	1,197.1	1,440.0	1,373.3	1,164.4	891.9	672.3
Clothing	93.8	62.9	47.0	30.2	23.0	14.4
Fuels	21.8	30.9	53.6	45.2	37.2	19.5
Printed Matter	80.1	81.7	92.9	99.4	79.2	71.4
Toys and Games	66.5	70.3	69.9	66.2	52.9	51.8
Scientific Instruments	62.2	79.3	66.4	56.6	44.7	29.9
Other Manufactures	106.9	110.3	111.3	115.6	91.1	79.9
Total Exports	1,959.1	2,256.7	2,287.5	2,060.9	1,534.7	1,188.4

Source: National Statistics Office

Chart 7.3

Breakdown of Exports
January-September 2009



share has fallen gradually from 61.1 per cent in 2005. It is followed by other exports which include toys and games, scientific instruments, fuels and other manufactures. These amounted to a share of 15.2 per cent, which has increased from 13.1 per cent in 2005. A notable increase in the share of chemicals exports was achieved, as this increased from 4.9 per cent in 2005 to 11.4 per cent in the first nine months of 2009. Food, beverages and tobacco, semi-manufactures and printed matter have similar shares ranging from 4.5 per cent to 6.0 per cent. However, a downward trend has been observed for semi-manufactures since 2005. The share of clothing has declined notably from 4.8 per cent in 2005 to a marginal 1.2 per cent.

Geographical Distribution – Exports

Table 7.3 provides a detailed analysis of the geographical distribution of exports. Exports to the EU fell by 28.1 per cent, reflecting lower exports to all of Malta's trading partners. During the period under review, exports to Germany decreased by 28.1 per cent whereas the UK and French markets recorded declines of 45.4 per cent and 24.3 per cent respectively. Exports to the Euro Area declined

Total Exports by Main Geographical Areas

Table 7.3 € million

	2005	2006	2007	2008	2008 Jan-Sep	2009 Jan-Sep
Europe	1,027.2	1,179.9	1,133.4	961.3	749.5	542.1
EU	1,004.7	1,150.7	1,106.9	921.4	717.4	516.1
Italy	100.5	81.4	90.8	103.1	85.9	58.1
Germany	236.3	283.0	305.3	266.9	213.9	153.9
France	283.8	326.7	271.3	234.4	173.4	131.3
U.K.	216.2	213.2	222.0	166.9	128.7	70.3
Netherlands	17.5	20.2	12.5	21.5	14.9	14.7
Belgium	43.5	24.0	14.6	6.8	5.7	4.2
Others	106.9	202.2	190.4	121.8	94.9	83.6
Euro Area	713.5	855.6	798.8	692.6	542.5	403.0
Other European countries	22.6	29.2	26.5	39.9	32.1	26.0
Africa	143.2	120.5	121.3	132.4	106.4	106.5
America	301.7	298.8	279.7	209.5	157.0	127.9
USA	263.9	275.5	246.7	183.0	136.4	106.4
Others	37.9	23.3	33.0	26.5	20.6	21.5
Oceania	3.6	4.3	6.8	4.9	3.7	3.1
Asia	460.9	631.4	719.9	713.9	485.4	394.0
Japan	79.2	121.7	164.0	157.9	64.8	40.5
Singapore	225.8	280.0	305.0	275.0	210.2	155.5
Others	155.9	229.7	250.9	281.0	210.4	198.0
Ships & Aircraft	22.4	21.9	26.5	38.9	32.7	14.8
Total Exports	1,959.1	2,256.7	2,287.5	2,060.9	1,534.7	1,188.4
Exports to the EU as % of Total	51.3	51.0	48.4	44.7	46.7	43.4

Source: National Statistics Office

by €139.5 million to €403.0 million while exports to other European countries declined by €6.1 million to €26.0 million.

In the first nine months of 2009, exports to the American continent also recorded a decrease. This was underpinned by exports to the USA which declined by €30.0 million to reach €106.4 million. Exports to Oceania also fell from €3.7 million in January-September 2008 to €3.1 million in the corresponding period of 2009.

Exports to Africa during the first nine months of 2009 remained broadly at the levels recorded in the same period last year. Exports to Asia decreased by 18.8 per cent to €394.0 million. This was principally due to lower exports of €54.7 million to Singapore, which is a major export market for the machinery and transport equipment sector. Moreover, exports to Japan declined by €24.3 million and a decline in exports of €12.4 million to other Asian countries was also registered.

Imports

During the first nine months of 2009, imports declined by 20.8 per cent or €546.3 million to €2,084.1 million. Table 7.4 provides details of imports by broad

Imports by Broad Economic Category

Table 7.4 — € million

	2005	2006	2007	2008	2008 Jan-Sep	2009 Jan-Sep
Consumer Goods						
Food and Beverages	283.4	292.4	319.7	358.3	264.9	258.1
Durable Goods	353.0	367.4	386.0	361.6	269.5	206.5
Others	193.1	204.2	209.8	228.3	174.4	148.5
Total	829.5	864.0	915.5	948.2	708.8	613.1
Industrial Supplies						
Primary	54.9	64.8	104.8	92.6	79.1	29.6
Semi-finished	1,241.5	1,471.7	1,387.9	1,215.5	963.5	632.3
Finished	83.2	101.1	91.3	94.9	68.2	82.9
Total	1,379.6	1,637.6	1,584.0	1,403.0	1,110.8	744.8
Capital and Others						
Capital Goods	562.0	654.2	631.2	492.6	387.3	481.4
Fuel	327.4	305.0	417.8	559.6	403.9	228.7
Non-specified and Gold	18.7	26.9	31.7	26.5	19.6	16.1
Total	908.1	986.1	1,080.7	1,078.7	810.8	726.2
Total Imports	3,117.2	3,487.6	3,580.3	3,429.9	2,630.4	2,084.1

Source: National Statistics Office

economic category. Industrial supplies were the major contributor to the decline in imports, with a fall of €366.0 million. Consumer goods also registered a decrease of €95.7 million, in line with the decline in domestic consumption. Meanwhile, capital goods and others also decreased by €84.6 million.

Industrial supplies registered a decline of 32.9 per cent from €1,110.8 million in January-September 2008 to €744.8 million in the same period this year. Semi-finished supplies contributed mostly to the decline, with 12.6 percentage points to the fall in total imports, while primary supplies contributed 1.9 percentage points. On the other hand, finished supplies offset some of the decline with a marginal 0.6 percentage points. These developments reflect the sharp fall in manufacturing output.

During the first three quarters of 2009, imports of capital goods and others decreased by 10.4 per cent to €726.2 million from €810.8 million recorded in the same period of the preceding year. Fuel imports were the main factor behind this performance, contributing 6.7 percentage points to the fall in total imports. A lower fuel import bill reflected lower oil prices since July 2008 stemming from increasing concerns about the global economic outlook. Indeed, the average price of London Brent crude oil decreased from €72.90 over January-September 2008 to €43.10 over January-September 2009. Capital goods registered an increase of 24.3 per cent to reach €481.4 million. However, if exceptional import items are excluded, capital goods imports would have decreased by €88.8 million.

Chart 7.4

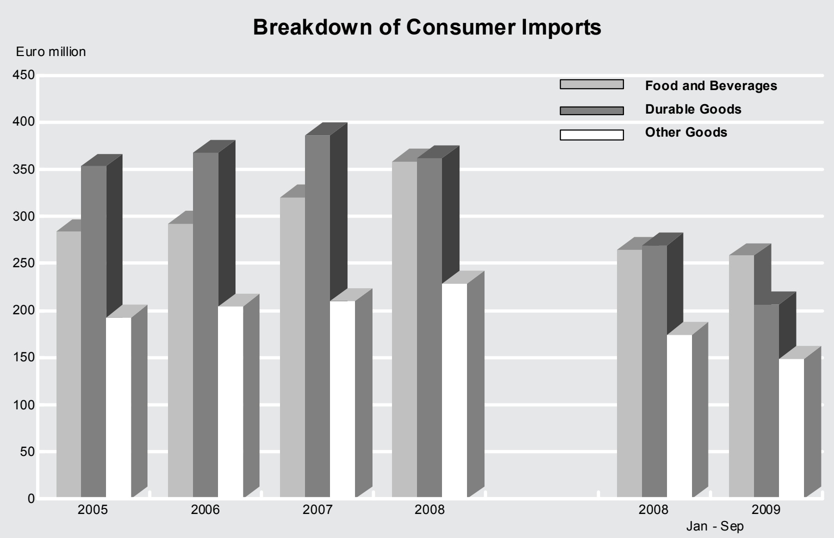
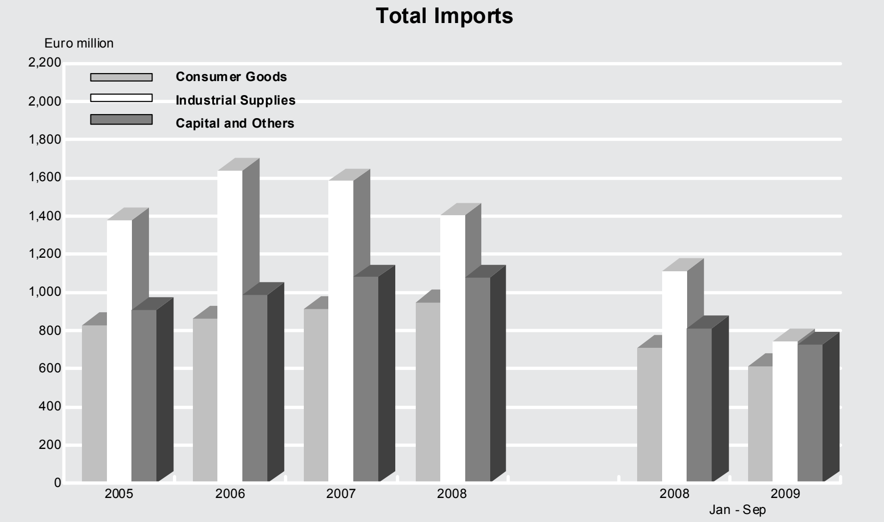


Chart 7.5



Imports of consumer goods decreased by 13.5 per cent to €613.1 million during the first nine months of 2009, from €708.8 million recorded in the same period of 2008. Durable goods were primarily responsible, contributing 2.4 percentage points to the decrease in total imports. Food and beverages provided another negative 0.3 percentage points while other consumer goods contributed another negative 1.0 percentage point. The composition of consumer imports is illustrated in Chart 7.4. A breakdown of imports by broad economic category is provided in Chart 7.5.

Geographical Distribution – Imports

A detailed analysis of the geographical distribution of imports is shown in Table 7.5. Imports from the EU declined by 25.6 per cent. It is noteworthy that sharp drops were recorded in imports from Malta's main trading partners, with the exception of imports from Germany which decreased by a more contained 6.5 per cent. Imports from the Euro Area fell by €341.4 million to €1,101.9 million while imports from other European countries increased by €16.2 million to €152.4 million. Furthermore, imports from the American continent increased by €67.0 million to €161.2 million, while imports from Oceania decreased by €2.5 million to €7.7 million.

Imports by Main Geographical Areas

Table 7.5 € million

	2005	2006	2007	2008	2008 Jan-Sep	2009 Jan-Sep
Europe	2,376.0	2,546.9	2,701.3	2,622.9	2,005.0	1,543.1
EU	2,265.9	2,421.7	2,564.3	2,401.6	1,868.8	1,390.8
Italy	956.7	965.9	876.6	905.6	693.3	482.6
U.K.	335.9	343.9	498.7	434.4	337.8	237.0
Germany	280.1	263.2	290.4	260.9	202.3	189.1
France	291.3	405.9	420.1	273.3	224.6	161.6
Netherlands	102.4	119.3	107.9	128.7	102.7	76.9
Others	299.5	323.5	370.6	398.7	308.1	243.6
Euro Area	1,862.9	2,005.2	1,962.3	1,849.3	1,443.3	1,101.9
Other European Countries	110.1	125.2	137.0	221.3	136.2	152.4
Africa	125.3	50.3	29.3	75.0	57.0	40.2
America	189.7	218.2	241.7	121.0	94.2	161.2
USA	162.3	179.5	206.7	75.0	52.8	67.1
Others	27.4	38.7	35.0	46.0	41.4	94.1
Oceania	8.5	36.8	8.9	13.0	10.2	7.7
Asia	417.6	635.3	598.7	597.1	463.1	331.5
Japan	57.2	70.5	67.4	59.4	48.2	27.4
Singapore	119.3	213.7	173.6	200.8	157.2	79.7
Others	241.2	351.0	357.7	336.9	257.7	224.4
Total Imports	3,117.2	3,487.6	3,580.3	3,429.9	2,630.4	2,084.1
Imports from the EU as % of Total	72.7	69.4	71.6	70.0	71.0	66.7

Source: National Statistics Office

During the first three quarters of 2009, imports from Africa decreased by €16.8 million to €40.2 million. Imports from Asia fell by 28.4 per cent to €331.5 million, primarily due to a decline of €77.5 million in imports from Singapore. Imports decreased by €20.8 million and by €33.3 million from Japan and other Asian countries respectively.

Geographical Distribution – Trade Balance

The narrowing of the overall trade gap principally reflected an improvement in the trade balance with the EU, as well as with a number of other countries. As illustrated in Table 7.6, during January-September 2009, the trade balance with the EU improved to a deficit of €874.7 million from €1,151.4 million in the same period of 2008. This is mainly attributed to a lower deficit recorded with Italy (-€182.9 million), other EU countries (-€45.0 million) and the UK (-€42.4 million). On the other hand, the trade balance with Germany worsened by €46.8 million turning to a deficit of €35.2 million.

Regarding countries outside the EU, the trade surplus recorded with Libya increased by €36.2 million to reach €45.8 million in the first nine months of

Trade Balances with Various Countries

Table 7.6 € million

	2005	2006	2007	2008	2008 Jan-Sep	2009 Jan-Sep
EU	-1,261.2	-1,271.0	-1,457.4	-1,480.2	-1,151.4	-874.7
Belgium	-14.8	-35.1	-53.6	-55.8	-41.8	-35.1
France	-7.5	-79.3	-148.8	-38.9	-51.2	-30.3
Germany	-43.8	19.8	14.9	6.0	11.6	-35.2
Italy	-856.2	-884.5	-785.8	-802.5	-607.4	-424.5
Netherlands	-84.9	-99.1	-95.4	-107.2	-87.8	-62.2
United Kingdom	-119.7	-130.8	-276.7	-267.5	-209.1	-166.7
Other EU	-134.3	-62.2	-112.0	-214.3	-165.7	-120.7
Other Countries						
USA	101.6	95.9	40.0	108.0	83.6	39.3
Japan	22.1	51.1	96.6	98.5	16.6	13.1
Singapore	106.5	66.3	131.4	74.2	53.0	75.8
Libya	81.2	59.3	50.1	12.9	9.6	45.8
China	-40.4	-51.0	-67.5	-82.2	-62.2	-76.0

Source: National Statistics Office

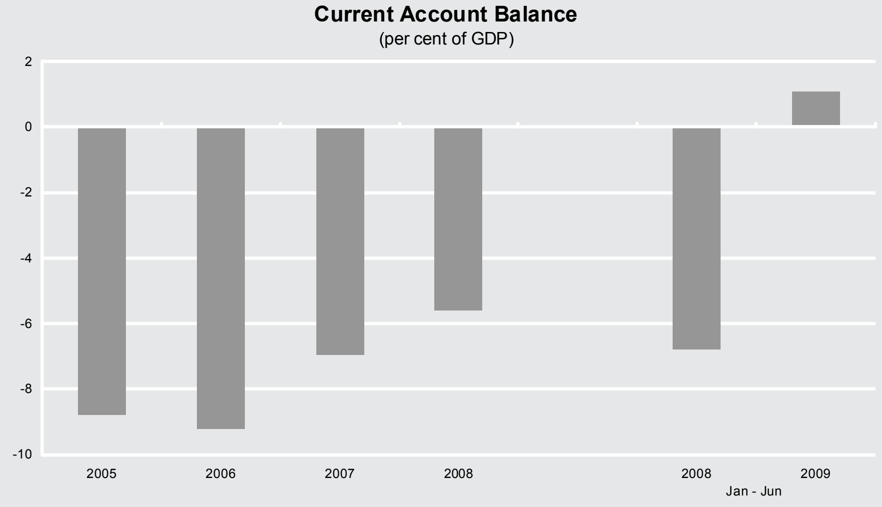
2009. An increase of €22.8 million in the trade surplus with Singapore was also recorded. Conversely, the trade surplus with the USA declined by €44.3 million to €39.3 million, while the trade surplus with Japan decreased by €3.5 million. Moreover, the trade deficit with China increased by €13.8 million to €76.0 million.

Balance of Payments

The Current Account

The current account in the balance of payments has been consistently in deficit in recent years. This increased over the period 2003 to 2006 to reach 9.2 per cent of GDP. A reversal of the trend was observed in the following two years, as the deficit gradually decreased to 5.6 per cent of GDP in 2008. Chart 7.6 shows these developments starting from 2005. Services were the main contributor to the narrowing of the current account deficit as a gradual and significant increase in net receipts from 13.9 per cent of GDP in 2006 to 17.3 per cent of GDP in 2008 was recorded. Meanwhile, a narrowing income account deficit since 2006 roughly offset a widening goods account deficit. Current transfers turned to a net inflow position in 2008, further contributing to the recent improvement in the current account deficit.

Chart 7.6

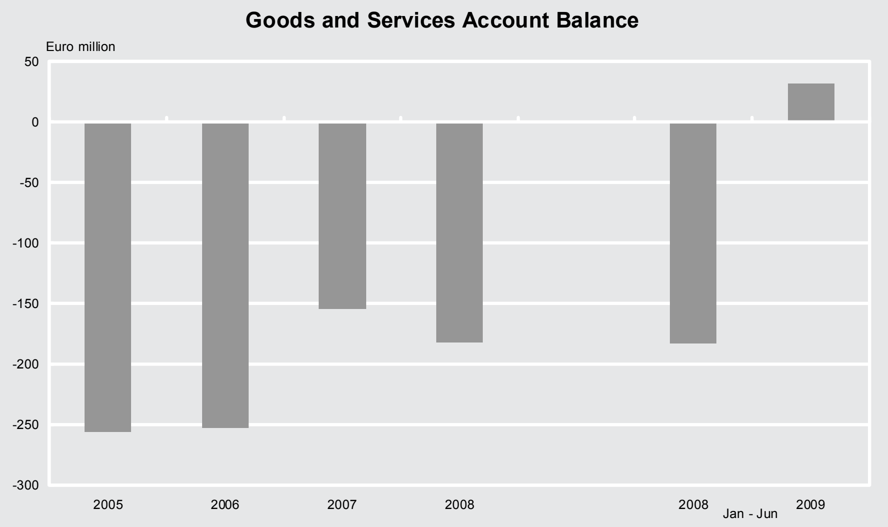


The turnaround in the performance of the current account was sustained over the first half of 2009, as a surplus of 1.1 per cent of GDP was registered, compared to a deficit of 6.8 per cent of GDP in the corresponding period of the previous year. The surplus amounted to €29.8 million, representing an improvement of €216.3 million. Chiefly responsible for this was the goods account, as a deficit of 21.4 per cent of GDP in the first six months of 2008 decreased to a deficit of 14.3 per cent of GDP in the same period of 2009. An improved services account surplus further contributed to the resulting current account surplus. An increase in current transfer net inflows offset an increase in net payments of income abroad.

The Goods and Services Account

An improvement in the goods and services balance was registered in the first two quarters of 2009, from a deficit of €183.1 million in the first half of 2008 to a surplus of €31.7 million. The deficit in the goods and services account is shown in Chart 7.7. Despite the decline in exports of goods and services, the external imbalance in goods and services narrowed as imports of goods and services fell sharply. A narrowing in the goods account deficit largely underpinned this development, as the deficit decreased by €193.4 million to €393.3 million during the first half of 2009. It is worth noting that the improvement in the goods balance was mainly due to a decrease of €516.1 million in imports which exceeded the drop in exports of €322.7 million during the period under review.[1]

Chart 7.7



This marks a reversal from the trend increase in the goods deficit registered since 2002. Developments in international trade are provided in the corresponding section in this Chapter.

The positive balance in the services account registered an increase of €21.4 million in the first six months of 2009, to reach €425.0 million. Lower payments for services imports exceeded the decline in receipts from service exports. Indeed, service exports declined by €53.7 million whilst payments for service imports were €75.1 million less than the corresponding period of 2008.

Service exports worldwide have also been negatively affected by the crisis, with the IMF World Economic Outlook forecasting a 14 per cent decline for 2009. Service exports were also more resilient than goods exports in the Maltese economy, particularly exports of other services (excluding tourism).

Net travel receipts decreased by €33.1 million to €104.5 million. This was underpinned by a reduction of €26.1 million in tourism earnings, and increased expenditure by Maltese tourists abroad of €7.0 million. The international economic crisis has significantly affected world tourism demand, with most EU countries including some of Malta’s direct competitors recording lower tourist earnings.

Net transportation receipts decreased by €8.7 million to €59.3 million, reflecting lower receipts which exceeded the reduction in payments. The lower transportation receipts possibly reflect the weaker tourism demand and the drop in international trade resulting from the international crisis. On the other hand, a considerable increase of €63.2 million was recorded for net receipts in the other services section to register €261.2 million. Again, this primarily reflected a decrease in payments which more than offset the lower receipts.

Financial services were mainly responsible for the improvement in the services account surplus, registering an improvement of €82.2 million during the first two quarters of 2009. Thus, this category turned to a net inflow as payments decreased substantially. It is also worth noting that despite the international financial crisis, receipts from financial services rendered abroad remained relatively stable during the period under consideration, dropping marginally by 1.4 per cent.

Computer and information services registered a significant decrease in net outflows of €10.7 million, with a reduction in payments being the main determinant. An increase in net receipts of €4.4 million for royalties and licence fees resulted principally from an increase in receipts. Government services also registered an increase in receipts of €2.6 million, while insurance services net outflows decreased by €1.6 million as a result of decreased payments.

The remaining services account categories saw decreases in inflows. Personal, cultural and recreational services were hit negatively, as net receipts decreased by €18.8 million principally through reduced receipts. Audiovisual and related services were the main factor behind this performance. The other personal, cultural and recreational services, which include the remote gaming industry, remained relatively stable, with receipts dropping by a marginal 1.0 per cent. It is also interesting to note that at €237.4 million, export receipts from personal, cultural and recreational services exceeded tourism revenues of €227.8 million during the period under review. Other business services were also a drag on the positive performance of the services account, with net receipts falling by €14.3 million mainly on account of higher payments. Net inflows for communications services turned to a net outflow, after decreasing by €5.2 million primarily due to higher payments.

In the other business services category; merchanting and other trade-related services recorded a decrease in net inflows of €14.6 million; operational leasing services registered an increase in net inflows of €4.6 million; and miscellaneous business, professional and technical services net outflows increased by €4.3

Balance of Payments

Goods, Services and Income Account (Net)

Table 7.7 € million

	2005	2006	2007	2008	2008 Jan-Jun	2009 Jan-Jun
GOODS						
General Merchandise Transactions	-979.8	-1,018.2	-1,026.5	-1,219.0	-618.4	-408.8
Nonmonetary Gold	-17.0	-24.3	-24.9	-22.8	-11.7	-8.8
Others	92.5	76.3	69.9	76.5	43.3	24.3
Total Goods	-904.4	-966.2	-981.4	-1,165.3	-586.7	-393.3
SERVICES						
Transportation	63.6	79.5	89.7	137.1	68.0	59.3
Travel	394.7	354.1	392.4	349.4	137.6	104.5
Other Services	189.3	279.4	344.9	496.3	198.0	261.2
Total Services	647.7	713.1	827.0	982.8	403.6	425.0
Total Goods and Services	-256.7	-253.1	-154.4	-182.4	-183.1	31.7
INCOME						
Compensation of employees	9.2	-2.8	-1.8	-1.7	-0.6	-0.7
Investment Income	-208.8	-209.7	-167.1	-167.1	-103.6	-177.2
Total Income	-199.6	-212.5	-168.9	-168.8	-104.2	-178.0
Total Goods, Services and Income	-456.3	-465.6	-323.3	-351.3	-287.3	-146.3

Source: National Statistics Office

million. It is worth noting that this category accounts for a major share of the service flows in the other business services category. Receipts amounted to €239.8 million, and represent the largest services export, preceding personal, cultural and recreational services and tourism earnings. Of particular interest were advertising, market research and public opinion polling which registered increases in net outflows of €11.8 million, and architectural, engineering, and other technical services where net outflows increased by €1.3 million. Table 7.7 illustrates the developments in the goods, service and income account.

The Income Account and Current Transfers

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

Balance of Payments

Current Account

Table 7.8 € million

	2005	2006	2007	2008	2008 Jan-Jun	2009 Jan-Jun
GOODS AND SERVICES						
Exports of Goods and Services	3,700.3	4,452.4	4,891.5	4,649.0	2,256.8	1,880.4
Imports of Goods and Services	-3,957.0	-4,705.4	-5,045.9	-4,831.4	-2,439.9	-1,848.7
Goods and Services Account	-256.7	-253.1	-154.4	-182.4	-183.1	31.7
INCOME						
Income Received	973.9	1,463.1	1,953.5	2,197.3	998.4	905.0
Income Paid	-1,173.5	-1,675.6	-2,122.4	-2,366.1	-1,102.6	-1,083.0
Income Account	-199.6	-212.5	-168.9	-168.8	-104.2	-178.0
CURRENT TRANSFERS (Net)						
General Government Transfers	21.7	1.3	-31.4	63.9	118.5	202.6
Private Transfers	14.3	-7.7	-24.5	-29.6	-17.8	-26.5
Total Net Current Transfers	35.9	-6.4	-55.8	33.3	100.8	176.1
Balance on Current Account	-420.4	-472.0	-379.2	-317.9	-186.5	29.8

Source: National Statistics Office

Income received decreased by €93.4 million in the first six months of 2009. This amounts to a decrease of 9.4 per cent when compared to the same period of the previous year. Income paid also decreased by €19.6 million or 1.8 per cent. This resulted in a larger deficit in the income account of €178.0 million as compared to a deficit of €104.2 million in the same period of 2008.

Net direct investment outflows increased by €92.5 million reflecting higher profits by foreign owned companies registered in Malta. This was translated into higher dividends and distributed profits whilst a net decrease of €36.1 million in reinvested earnings was registered. It is worth noting that 20.9 per cent of income on equity was re-invested in the Maltese economy during the first two quarters of 2009, down from 40.4 per cent a year earlier. Net portfolio investment inflows decreased by €108.8 million primarily due to lower receipts on bond and note holdings by banks which more than offset higher receipts on bond and note holdings by monetary authorities. This is partly related to lower bond and note holdings by banks and an increase in bond and note holdings by monetary authorities during 2008, as documented in the financial account of the balance of payments. Another important factor is the composition of bond and note holdings which determines their risk and hence the coupon rate payable on such holdings. Meanwhile, other investment offset some of this performance as net outflows decreased by €127.6 million principally through lower payments abroad by banks coinciding with a decline in other investment liabilities recorded in the financial account during the first half of 2009.

An increase of €75.3 million was recorded in current transfers, with net inflows increasing from €100.8 million in the first six months of 2008 to €176.1 million in the corresponding period of 2009. Inflows increased by €167.5 million, outpacing an increase in outflows of €92.1 million. This category of the current account includes tax proceeds received from non-resident companies and amounts reclaimed by shareholders when dividends are paid out. It is worth noting that profitability, dividend policy, tax policy and the timing of claims all have a bearing on fund flows. Figures are consistent with higher tax proceeds earned on higher reported company profits. Workers' remittances' net outflows increased by €0.2 million to reach €1.7 million. Other transfers net outflows also increased to €24.8 million, up by €8.5 million. This meant that private transfers' net outflows increased from €17.8 million to €26.5 million.

The Capital and Financial Account

All transactions taking place between domestic and foreign residents that involve a change of ownership of an asset are accounted for in the capital and financial account. A foreign investor acquiring a domestic asset is considered as a capital inflow while a domestic resident acquiring a foreign asset is considered as a capital outflow. By definition, the capital and financial account including changes in reserve assets and net errors and omissions mirrors the current account. Indeed, the capital and financial account provides the financing of the current account. It also acts as a double entry system to pure financial transactions between foreigners and domestic residents including borrowing and lending, the purchase and sale of investment assets, loan repayments and deposit creation. The following provides an analysis of capital and financial flows and the composition of such flows in Malta, as reflected in the balance of payments. For this analysis, the financial account is taken to exclude net errors and omissions as well as reserve assets. Thus, if the current account deficit is more than adequately financed by a net inflow of funds (equivalent to an increase in net liabilities or a fall in net assets), the result would be shown in increased reserve assets.

During the first half of 2009, the balance in the capital account amounted to an inflow of €8.9 million, a decrease of €2.6 million compared to the same period of the previous year. As shown in Table 7.9, the capital account stood at 0.3 per cent of GDP compared to 0.4 per cent of GDP a year earlier. The decrease in the positive balance was mainly due to a reduction of €2.8 million in receipts of

Government transfers. This is attributable to lower funds received under the various EU Programmes.

Net foreign direct investment inflows increased from 5.1 per cent of GDP to 6.8 per cent of GDP. The increase of €48.0 million occurred as funds invested abroad decreased by a significant €69.9 million, thus more than offsetting the decrease in funds invested in the local economy of €21.9 million. Equity capital was the main channel for changes in flows of funds invested abroad. Furthermore, an increase in other capital investments in Malta partly offset the decrease in re-invested earnings highlighted previously.

The Maltese economy registered FDI inflows of 7.5 per cent of GDP during the first six months of 2009, representing a decline from 8.3 per cent of GDP registered in the comparable period of 2008. This decline is attributable to developments in the financial intermediation sector. Although FDI inflows were lower during the first half of 2009, they still stood at a significant level despite tight global credit conditions and increased volatility observed with the onset of the financial crisis.

Net portfolio investment outflows of €41.2 million were registered in the first half of 2009, having decreased by €1,375.0 million from the same period of

Current, Capital and Financial Flows*

(per cent of GDP)

Table 7.9

	2005	2006	2007	2008	2008 Jan-Jun	2009 Jan-Jun
Current Account	-8.8	-9.2	-7.0	-5.6	-6.8	1.1
Capital Account	3.3	3.0	0.9	0.5	0.4	0.3
Financial Account excl. Reserves	10.2	7.7	8.8	3.0	11.3	1.0
Net Foreign Direct Investment	11.7	28.7	12.3	7.2	5.1	6.8
Net Portfolio Investment Equity Flows	-1.1	-1.4	-1.6	-0.9	0.2	-1.1
Net Portfolio Debt Flows	-43.6	-37.4	8.4	7.5	-51.7	-0.4
Net Financial Derivatives	-0.4	0.5	2.2	-6.0	-0.7	-2.2
Net Other Investment Flows	43.6	17.3	-12.5	-4.7	58.4	-2.1
Reserve Assets	3.9	1.6	6.0	-1.9	0.8	2.4
Net Errors and Omissions	-0.7	0.1	3.2	0.2	-4.1	–

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

Source: National Statistics Office

2008. A shift of banks away from bond and note holdings towards money-market instruments was noted, while monetary authorities increased their holdings of bonds and notes. This is mostly evident in a significant decline in net portfolio debt outflows of 0.4 per cent of GDP in the January-June 2009 period. It is worth noting that the significant disposal of foreign bond holdings registered primarily in the fourth quarter of 2008 and also in the first quarter of 2009 has been partially reversed as foreign bond holdings increased in the second quarter of 2009.

Financial derivatives recorded net outflows of €60.8 million, an increase of €42.3 million mainly due to bank operations and to some extent also due to monetary authority operations. This meant that net outflows increased from 0.7 per cent of GDP to 2.2 per cent of GDP.

Other investment net outflows of €57.5 million were recorded during the six months of 2009, after a substantial net inflow of €1,605.1 million was generated in the same period of 2008. This represented a net outflow of 2.1 per cent of GDP compared to net inflows equal to 58.4 per cent of GDP a year earlier. Assets held decreased during the first six months of 2009, as bank loans were repaid and banks' holdings of foreign currency and deposits declined. Liabilities held also decreased as banks repaid loans whilst currency and deposits held by foreigners in domestic banks declined during the first six months of 2009. It has to be noted that a number of banks operating with non-residents registered in Malta affect fund flows in the financial account.

Net errors and omissions stood at a positive €0.5 million. Capital and financial account inflows of €36.8 million or 1.3 per cent of GDP were added to a current account surplus of €29.8 million or 1.1 per cent of GDP to generate an increase in reserve assets of €67.0 million or 2.4 per cent of GDP during the first six months of 2009.

Footnotes:

[1] Data on fund flows with respect to trade in goods in this section are taken from Balance of Payments accounts for Goods F.O.B. which is not directly comparable to data for goods in trade statistics.

8. Financial Developments

8. Financial Developments

During the January-September 2009 period, the structural deficit reached €333.9 million from €258.3 million recorded during the comparable period in 2008. This deterioration in the fiscal balance was attributed to an increase in recurrent expenditure coupled with a decline in recurrent revenue. As a result of this fiscal development as well as the repayment of €251.2 million in respect of matured stock, the contribution of €8.5 million to the Sinking Fund and an equity acquisition of €0.5 million, the public sector borrowing requirement in the period under review increased to €594.1 million.

During the first nine months of 2009, the Maltese MFIs' contribution to the Euro area broad money stock (M3) declined, mainly driven by a decline in net claims on non-residents of the Euro area, which more than offset the increase in credit. Meanwhile, in response to the global downturn, further to reducing the interest rate on the main refinancing operations of the Eurosystem from 4.25 per cent in July 2008 to 1.00 per cent by May 2009, the European Central Bank (ECB) implemented several enhanced credit support measures to increase liquidity in money markets.

Following the outbreak of financial turbulence in the summer of 2007, the Euro initially strengthened considerably against all major currencies. However, whilst the trend was broadly sustained for the EUR-GBP rate of exchange, the trend was partly reversed in the last quarter of 2008 for US Dollar and Japanese Yen exchanges vis-à-vis the Euro. Meanwhile, during the first nine months of 2009, and in particular since the second quarter of 2009, the Euro appreciated steadily again against all major currencies.

Public Finance

The analysis in this Chapter is based on Government finance data as classified in the statement of the Consolidated Fund, unless otherwise indicated, and is thus defined on a cash basis rather than on an accruals basis. Consequently, a discrepancy may result between Government's net financial position and actual spending and revenue collection. Thus, such data should be interpreted with caution. Table 8.1 presents Government's fiscal position during the January-September 2006-2009 period, whilst Chart 8.1 illustrates recent trends in total expenditure and recurrent revenue.

Government Revenue and Expenditure

(January-September)

Table 8.1 € million

	2006	2007	2008	2009
Recurrent Revenue	1,467.2	1,504.0	1,585.7	1,553.6
Tax Revenue	1,251.6	1,325.4	1,437.7	1,415.0
Direct Tax Revenue	669.7	728.2	817.0	857.9
Indirect Tax Revenue	581.9	597.2	620.7	557.1
Non-Tax Revenue	215.5	178.6	148.0	138.7
Total Expenditure	1,636.9	1,674.7	1,844.1	1,887.5
Recurrent Expenditure	1,304.7	1,357.3	1,524.1	1,559.9
Interest on Public Debt	146.5	146.8	156.1	158.6
Capital Expenditure	185.7	170.7	163.9	169.0
Productive	53.3	26.5	42.8	58.4
Infrastructure	48.2	73.4	79.8	70.6
Social	84.2	70.8	41.3	39.9
Structural Balance	-169.7	-170.7	-258.3	-333.9
Financed by:				
Extraordinary Receipts	185.2	3.3	33.3	0.0
Receipts from sale of shares	172.8	0.0	0.0	0.0
Sinking Funds of Converted Loans	12.4	3.3	33.3	0.0
Sinking Fund Contribution and Direct Loan Repayments	-15.5	-10.9	-102.7	-259.6
Equity Acquisition	0.0	0.0	-6.5	-0.5
Public Sector Borrowing Requirement	–	-178.3	-334.2	-594.1
Local Loans	23.3	67.2	232.7	355.8

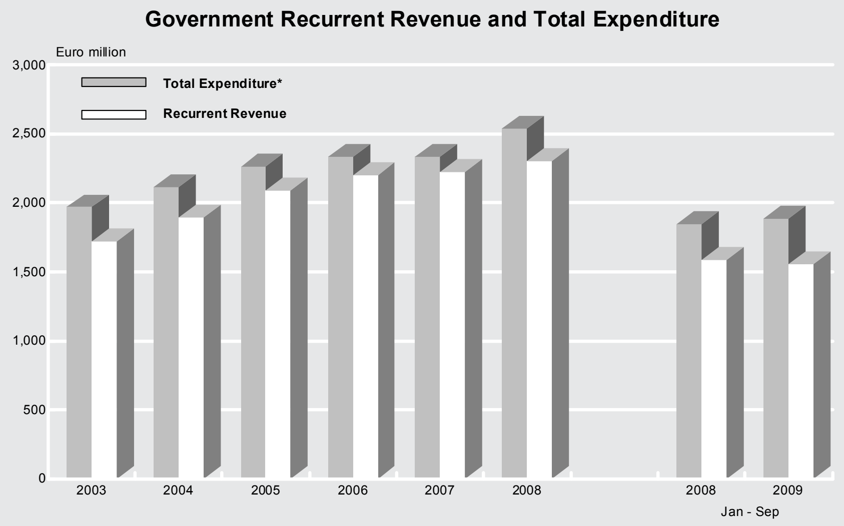
Source: The Treasury, Ministry of Finance, the Economy and Investment

Revenue

During the first nine months to September 2009, Government recurrent revenue decreased by €32.1 million to €1,553.6 million, mainly reflecting a decline in tax revenue while a drop in non-tax revenue was also recorded. Appendix Table 8.1 presents developments in the components of Government revenue for the January-September 2006-2009 period.

During the period under review, tax revenue, which comprises the main source of Government revenue, declined by €22.8 million to €1,415.0 million, mainly reflecting a decline in indirect tax revenue that more than outweighed the increase registered in direct tax revenue. Direct tax revenue increased by €40.8 million to €857.9 million, reflecting higher receipts from both income tax and social security. Meanwhile, indirect tax revenue fell by €63.6 million to €557.1 million, underpinned by lower revenue from customs and excise duties and Value Added Tax (VAT) that exceeded higher receipts from licences, taxes and fines.

Chart 8.1



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

During the January-September 2009 period, income tax revenue rose by €21.5 million to €500.1 million. This was mainly attributable to higher provisional tax, which comprises tax on profits reported by companies and self-employed persons. Furthermore, this was also influenced by the fact that in the last quarter of 2008 a number of enterprises delayed their statutory monthly transfers of income tax in an effort to ease cash flow problems which they were facing due to the international economic crisis. Moreover income tax from the final settlement system continued on an upward trend. On the other hand, revenue from capital gains tax decreased by around €12 million reflecting developments in the property and financial services sectors. Meanwhile, social security contributions increased by €19.3 million to €357.8 million, partly due to higher wages and partly due to arrears.

Revenue from customs and excise duties fell by €55.5 million to €74.6 million during the nine months to September 2009, partly reflecting lower trade activity and to a lesser extent, lower revenue from import duties. Meanwhile, increased receipts were mainly recorded from excise duties on machine-made cigarettes following the measure announced in the 2009 Budget.

On the other hand, receipts from licences, taxes and fines rose by €14.7 million during the period under review to reach €176.8 million. This rise was mainly attributed to the reform of the previous motor vehicle tax system into an emissions-based registration and licencing system. Moreover, due to the anticipation of this reformed system the number of motor vehicles registered declined in the later months of 2008 but increased in the beginning of 2009 leading to an increase in the motor vehicle registration tax during the period under review. Moreover, revenue from gaming tax sustained the upward trend registered in recent years thus contributing to the increase in licences, taxes and fines. On the other hand, lower revenue from duty on documents was recorded, reflecting the currently subdued property market. In addition, revenue from the airport tax also declined as the tax was terminated with effect from 1 November 2008.

During the period under review, receipts from Value Added Tax (VAT) declined by €22.9 million to €305.7 million. This reflected the subdued consumption patterns evident in the Maltese economy as a result of the international crisis.

During the January-September 2009 period, non-tax revenue declined by €9.3 million to €138.7 million. The main categories of non-tax revenue include fees of office, the transfer of profits generated by the Central Bank of Malta, rents and grants.

At €34.6 million, revenue from fees of office remained relatively unchanged during the nine months to September 2009. Revenue from eco-contribution, which is the main item under this revenue category, declined by €2.0 million as households minimised the consumption of environmentally damaging products. On the other hand, revenue from fees for rights of use increased by €4.6 million mainly reflecting revenue from licences paid in respect of a service provider operating within the telecommunications sector. Similarly, a decline was also recorded in revenue from court fees.

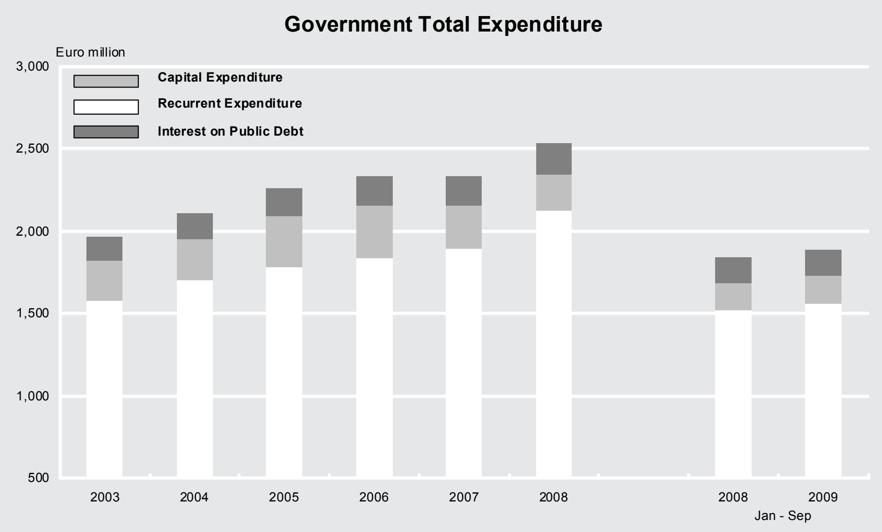
Revenue resulting from the transfer of profits generated by the Central Bank of Malta increased by €12.9 million to €41.6 million. This extraordinary increase in profits is related to the demonetisation of the Maltese Lira currency notes and coins. On the other hand, revenue from dividends on investment declined by half, and stood at €8.9 million. Moreover, revenue from grants fell by €4.7 million to €14.3 million, mainly due to a decline in the forthcoming funds under the EU Structural Funds and Cohesion Funds 2004-2006 Programme which exceeded the increase in the EU Structural Funds 2007-2013 Programme. Furthermore, revenue from miscellaneous receipts declined by €3.6 million and stood at €8.3 million, namely reflecting lower revenue generated from the sale of property. This was only partly offset by higher proceeds from sale of Malta Government stocks by auction which also falls under this revenue category.

Expenditure

During the January-September 2009 period, total expenditure which consists of recurrent and capital expenditure and interest on public debt, rose by €43.4 million and stood at €1,887.5 million. This increase was largely attributable to a rise in recurrent expenditure. It is noteworthy that total Government expenditure excludes the contribution to the Sinking Fund in respect of local and foreign loans, direct loan repayments and equity acquisition.

Recurrent expenditure, which constituted around 83 per cent of total expenditure rose by €35.8 million from €1,524.1 million in the first nine months of 2008 to €1,559.9 million in the corresponding 2009 period. Higher outlays were particularly directed towards social assistance, health and education. During the same timeframe, capital outlays, which comprised 9 per cent of total expenditure, increased marginally, to €169.0 million. Meanwhile, interest on public debt, which made up around 8 per cent of total Government outlays, stood at €158.6 million. Chart 8.2 illustrates trends in Government expenditure over recent years.

Chart 8.2



Recurrent Expenditure

Recurrent expenditure is classified under four main categories, namely, Personal Emoluments, Operational and Maintenance Expenses, Programmes and Initiatives and Contributions to Government Entities. The Programmes and Initiatives category accounted for around 40 per cent of the rise in recurrent expenditure during the nine months to September 2009. This category of expenditure which accounted for around 63 per cent of total recurrent expenditure comprises payments, including social transfers, made in respect of ad hoc programmes run by Government, as well as subsidies, payments and grants for provision of services to citizens, charitable and private institutions but excludes operational costs of Government departments. Recurrent expenditure under the Programmes and Initiatives category rose by €13.9 million and stood at €980.0 million during the nine months to September 2009. Similar to recent years, higher expenditure outlays were mainly recorded in respect of social security benefits and medicines and surgical materials. On the other hand, lower outlays were recorded in view of the phasing out of broad-based energy support measures to utility providers related to Government subsidies on electricity consumption which in October 2008 were replaced by the tariff structure.

Personal Emoluments accounted for around a fourth of total recurrent expenditure and stood at €376.1 million. It increased by €16.8 million during the nine months to September 2009 when compared to the same period last year. Higher personal emoluments were mainly recorded by the Health Division and the Education Division.

The share of Contributions to Government Entities stood at around 8 per cent of total recurrent expenditure. This category of expenditure rose by €1.0 million to reach €122.8 million during the period under review. This item of expenditure registered a significant reduction in outlays in line with Government's policy to gradually cut back subsidies to Government entities. However, this was offset by higher outlays in particular directed towards public entities within the Ministry of Education, Culture, Youth and Sport, the Ministry for Social Policy and the Health Division.

The share of Operational and Maintenance expenditure stood at 5.0 per cent of total recurrent expenditure. This category of expenditure mainly consists of expenditure on utilities consumption across Ministries and Government departments, contractual services mainly on education and the national health system. Expenditure outlays in this regard rose by €4.1 million to €81.0 million during the nine months to September 2009 mainly reflecting an increase in expenditure on contractual services.

Appendix Table 8.2 presents developments in recurrent expenditure on a cost centre basis for the first nine months of the 2006-2009 period. It is pertinent to note that the nomenclature of Ministries and the pertinent cost centres referred to in this Chapter reflect classifications as presented in Parliament for appropriation for 2009, thus reflecting the change in Ministerial Portfolios in March 2008. As a result, direct comparison with data for previous periods is not always possible.

One of Government's main items of recurrent expenditure consists of welfare payments, which principally comprise of retirement pensions as well as children's allowance, social assistance and other benefits. Outlays under this item of expenditure are influenced by developments in compensation of employees, inflation as well as demographic changes. During the nine months to September 2009, welfare payments increased by €30.3 million to €502.0 million, mainly reflecting increases in contributory benefits, while non-contributory benefits also registered an increase albeit of a lower magnitude. Expenditure on retirement pensions, which is the main contributory benefit, increased by €20.5 million. Meanwhile, social assistance, which is the main non-contributory benefit, rose by €3.3 million during the period under review. Moreover, the State contribution in terms of the Social Security Act, 1987 (Cap. 318) which falls under the Department of Social Security reflects revenue derived from social security contributions. Expenditure under this cost centre increased by €4.4 million to €112.5 million during the nine months to September 2009.

Recurrent expenditure incurred by the Health Division stood at €204.5 million. Higher outlays were recorded in respect of medicines and surgical materials, maintenance of medical equipment, contractual services and increased expenditure in the running of specialised hospitals. Moreover, increased expenditure was also recorded in respect of personal emoluments. Meanwhile, expenditure in respect of the Elderly and Community Care stood at €38.8 million. Expenditure related to homes for the elderly operating under the public-private partnership scheme, the home care services scheme as well as the residential care in private homes increased over the period under review.

During the period under review, recurrent expenditure by the Ministry of Education, Culture, Youth and Sport, stood at €103.4 million. Higher outlays mainly reflected expenditure related to the collective agreement for academic staff in public entities providing higher education as well as increased contribution to church schools. Moreover, expenditure by the Education Division stood at €94.6 million. The recruitment of additional teaching staff contributed to higher personal emoluments incurred by this Division.

Expenditure outlays incurred by the Ministry for Resources and Rural Affairs stood at €68.4 million during the period under review. Higher expenditure was incurred in relation to the solid waste management strategy. Moreover, recurrent expenditure recorded by the Ministry for Infrastructure, Transport and Communication stood at €65.9 million during the period under review. Subsidies to public entities which form part of the expenditure by this Ministry, were curtailed significantly by around €40 million.

In particular, the restructuring in the energy and water tariffs enabled a more timely adjustment of consumer utility prices to the cost of generating and distributing utilities thus resulting in lower Government outlays towards utilities. Moreover, the curtailment of subsidies to other public entities and the termination of subsidies to Malta Shipyards Ltd also contributed to lower Government outlays on subsidies.

Capital Expenditure

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

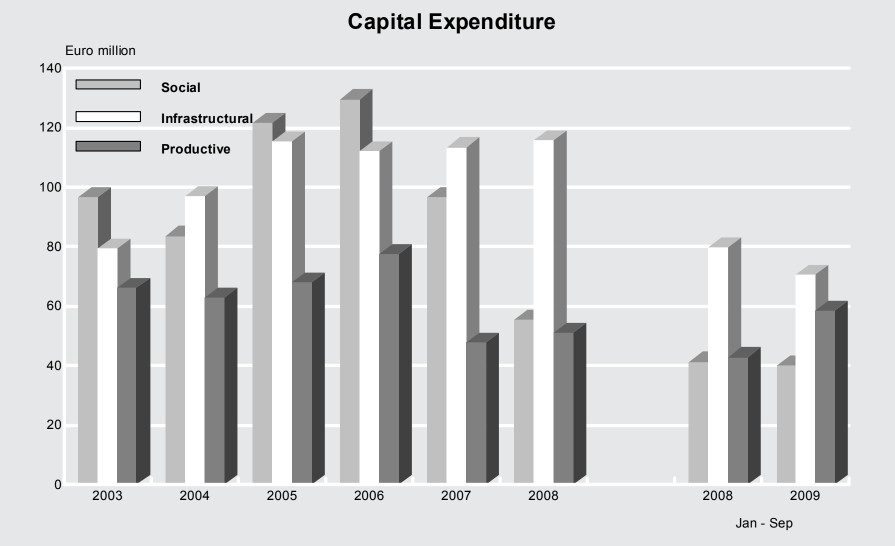
During the nine months to September 2009, total capital expenditure rose by €5.1 million to €169.0 million, when compared to that recorded during the same period a year earlier. Higher investment outlays were recorded with respect to productive investment which more than outweighed lower capital expenditure recorded with respect to infrastructural and social investment. The share of productive investment in the total capital programme rose to 34.6 per cent in the nine months to September 2009, when compared to 26.1 per cent recorded in the same period a year earlier. On the other hand, the share of infrastructural investment fell by 6.9 percentage points to 41.8 per cent over the same period. Furthermore, social investment made up 23.6 per cent in the January-September 2009 period, 1.6 percentage points lower than the share recorded during the corresponding 2008 period. Appendix Table 8.3 presents a breakdown of Government's capital expenditure programme for the January-September 2006-2009 period. Meanwhile, Chart 8.3 illustrates developments in capital expenditure over recent years.

During the period under review, Government's capital outlays for productive investment rose from €42.8 to €58.4 million. This increase was mainly underpinned by higher outlays totalling €8.6 million financed from the EU

Agricultural Fund for Rural Development. Furthermore, investment outlays administered primarily by the Malta Tourism Authority are directed towards the promotion of the local tourism industry. Such outlays rose by around €5.0 million during the first nine months of 2009. Capital outlays towards the development of industry increased to €10.0 million primarily on account of higher incentives to the film industry. On the other hand, productive outlays directed to Gozo declined by €1.9 million to stand at €3.4 million, principally reflecting lower outlays directed towards Gozo Ferries Co. Ltd.

Infrastructural investment decreased by €9.1million to €70.6 million during the January-September 2009 period. This decline mainly reflected lower capital outlays with respect to road construction and improvement which reached €9.3 million in the first nine months to September 2009 as compared to €14.2 million recorded during the same period a year earlier. Furthermore, infrastructural expenditure on the integrated health information system was nearly halved to €3.7 million during the period under review. Furthermore, higher outlays directed towards the ICT sector principally reflected investment earmarked for the Government's PC leasing scheme during the period under review. Moreover, higher investment outlays directed towards the waste treatment sector were largely underpinned by increased expenditure co-financed by the EU Cohesion Fund 2007-2013 programme and principally administered by the Water Services Corporation. This outweighed lower outlays directed towards the upgrading of the waste treatment plant and material recovery facility financed from EU

Chart 8.3



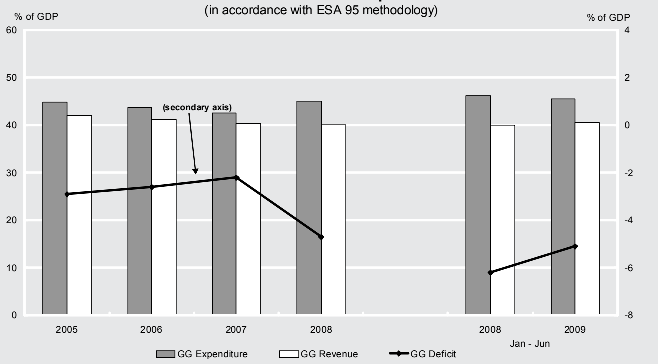
Box 8.1

General Government Budgetary Developments

The following analysis presents Government's fiscal position as published by the National Statistics Office (NSO) in the Quarterly Accounts for General Government. Such data is in accordance with the European System of Accounts 1995 (ESA 95) and pertains to the January-June 2009 period. It is pertinent to note that such data is not comparable to data based on the statement of the Consolidated Fund provided in other sections of this Chapter. As presented in Chart 1, the deficit-to-GDP ratio for the January-June 2009 period stood at 5.1 per cent.

Chart 1

Public Finance Developments
(in accordance with ESA 95 methodology)



The expenditure-to-GDP ratio fell from 46.3 per cent to 45.6 per cent, mainly underpinned by lower ratios of gross capital formation and subsidies. It is noteworthy that lower Government expenditure directed towards subsidies largely reflected the phasing out of energy support measures related to Government subsidies on electricity consumption, which in October 2008 were replaced by the tariff structure. Meanwhile, a marginal decline was also recorded in the ratio of intermediate consumption, principally reflecting the assimilation of the Shipyards within the General Government sector in 2008 consistent with the privatisation process. On the other hand, an increase was registered in the ratio of compensation of employees, which also, in part, reflected the reclassification of the Shipyards within the General Government sector. During the same period, an increase was also recorded in social benefits and social transfers in kind.

The revenue-to-GDP ratio rose from 40.0 per cent to 40.5 per cent during the six months to June 2009. This rise was underpinned by a higher ratio of current taxes on income and wealth which more than outweighed the decline recorded in the ratio of taxes on production and imports, which largely reflected lower revenue from value added type taxes and lower receipts from excise tax on petroleum. Moreover, a lower ratio of market output was also recorded, principally reflecting lower market output registered under the Shipyards. Meanwhile, the ratios of property income and social contributions declined only marginally.

Cohesion Fund 2004-2006 Programme coupled with lower capital outlays related to the sewage system extension and the sewer master plan.

Investment related to social development declined by €1.4 million to €39.9 million during the January-September 2009 period. Lower capital outlays were mainly related to the health sector reflecting the completion of the construction of the new hospital. Social investment directed to the health sector fell from €17.8 million to €3.0 million during the period under review. Moreover, social capital directed towards the elderly and community care rose marginally from €0.8 million to €1.2 million, namely reflecting increased investment in buildings and equipment of centres providing medical services coupled with investment in night centres for the elderly. On the other hand, social capital outlays directed towards the education sector increased by €2.1 million to €5.9 million, namely reflecting higher capital outlays directed towards the Foundation for Tomorrow Schools, which increased from €1.7 million to €3.6 million during the period under review. Furthermore, €2.3 million were invested in the Housing Building Programme in the first nine months of 2009, contributing to higher outlays recorded under the housing sector, which stood at €3.2 million. Meanwhile, €8.9 million were recorded under the External Borders Fund which mainly consists of capital outlays on inshore patrol crafts and to a lesser extent, expenditure on the modernisation of communications infrastructures.

International Comparison

The EU Member States' budgetary position for the 2005-2008 period is presented in Table 8.2 while Table 8.3 presents the EU Member States' General Government debt position. General Government fiscal data presented in this Section is according to the ESA95 methodology and is thus not comparable with data based on the statement of the Consolidated Fund presented in other Sections of this Chapter. Moreover, it is pertinent to note that data for the EU Member States, including Malta, is that presented in the Eurostat News Release which provides Government fiscal data as reported by EU Member States for the excessive deficit procedure according to Council Regulation (EC) No. 3605/93.

Following fiscal consolidation registered in recent years, in 2008 budgetary positions in the Euro Area and the EU deteriorated for the first time in five years on the back of the international financial crisis and the economic downturn that impinged negatively on the EU economies. Indeed, in 2008 the average general Government budget deficit for the EU27 rose to 2.3 per cent of GDP from 0.8 per cent recorded in the previous year. Almost the same deterioration took place in the Euro Area, where the average budget deficit increased by 1.4 percentage points reaching 2.0 per cent of GDP in 2008. Whereas in 2007 only two Member States exceeded the 3 per cent target, by 2008 this number had risen to eleven Member States. This primarily reflected the international crisis which had intensified in the last quarter of 2008. It is also worth noting that in 2008 four Member States recorded a deficit in excess of 5 per cent of GDP, with the deficit in Greece reaching 7.7 per cent of GDP.

In 2008, the deterioration in the budget balance was sizable in Ireland where a minor surplus was turned into a deficit exceeding 7 per cent of GDP. Similarly,

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

as a percentage of GDP

Table 8.2 per cent

	2005	2006	2007	2008
Austria	-1.6	-1.6	-0.6	-0.4
Belgium	-2.7	0.3	-0.2	-1.2
Bulgaria	1.9	3.0	0.1	1.8
Cyprus	-2.4	-1.2	3.4	0.9
Czech Republic	-3.6	-2.6	-0.7	-2.1
Denmark	5.2	5.2	4.5	3.4
Estonia	1.6	2.3	2.6	-2.7
Finland	2.8	4.0	5.2	4.5
France	-2.9	-2.3	-2.7	-3.4
Germany	-3.3	-1.6	0.2	0.0
Greece	-5.2	-2.9	-3.7	-7.7
Hungary	-7.9	-9.3	-5.0	-3.8
Ireland	1.7	3.0	0.3	-7.2
Italy	-4.3	-3.3	-1.5	-2.7
Latvia	-0.4	-0.5	-0.3	-4.1
Lithuania	-0.5	-0.4	-1.0	-3.2
Luxembourg	0.0	1.3	3.7	2.5
Netherlands	-0.3	0.5	0.2	0.7
Poland	-4.1	-3.6	-1.9	-3.6
Portugal	-6.1	-3.9	-2.6	-2.7
Romania	-1.2	-2.2	-2.5	-5.5
Slovakia	-2.8	-3.5	-1.9	-2.3
Slovenia	-1.4	-1.3	0.0	-1.8
Spain	1.0	2.0	1.9	-4.1
Sweden	2.3	2.5	3.8	2.5
United Kingdom*	-3.1	-2.6	-2.7	-6.9
EU 27	-2.4	-1.4	-0.8	-2.3
Euro Area	-2.5	-1.3	-0.6	-2.0
Malta	-2.9	-2.6	-2.2	-4.7

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

Source: Eurostat, National Statistics Office, Ministry of Finance, the Economy and Investment a general Government surplus of 1.9 per cent of GDP in Spain was turned into a deficit of 4.1 per cent. In Greece the deficit surged from 3.7 per cent of GDP to 7.7 per cent of GDP. A deterioration of a lesser extent was also recorded in the budget deficit of Malta, Slovenia and Italy, while in the case of France, the deficit deteriorated from 2.7 per cent of GDP to 3.4 per cent. Meanwhile, the previously significant surplus registered by Cyprus declined considerably in 2008. A balanced budget was maintained by Germany in 2008. The only countries to report a notable improvement were the Netherlands and Bulgaria, increasing their surplus to 0.7 per cent and 1.8 per cent of GDP respectively. Apart from Cyprus, the Netherlands and Bulgaria, only Luxembourg, Denmark, Sweden

General Government Gross Debt

as a percentage of GDP

Table 8.3 per cent

	2005	2006	2007	2008
Austria	63.9	62.2	59.5	62.6
Belgium	92.1	88.1	84.2	89.8
Bulgaria	29.2	22.7	18.2	14.1
Cyprus	69.1	64.6	58.3	48.4
Czech Republic	29.7	29.4	29.0	30.0
Denmark	37.1	31.3	26.8	33.5
Estonia	4.6	4.5	3.8	4.6
Finland	41.8	39.3	35.2	34.1
France	66.4	63.7	63.8	67.4
Germany	68.0	67.6	65.0	65.9
Greece	100.0	97.1	95.6	99.2
Hungary	61.8	65.6	65.9	72.9
Ireland	27.6	25.0	25.1	44.1
Italy	105.8	106.5	103.5	105.8
Latvia	12.4	10.7	9.0	19.5
Lithuania	18.4	18.0	16.9	15.6
Luxembourg	6.1	6.6	6.6	13.5
Netherlands	51.8	47.4	45.5	58.2
Poland	47.1	47.7	45.0	47.2
Portugal	63.6	64.7	63.6	66.3
Romania	15.8	12.4	12.6	13.6
Slovakia	34.2	30.5	29.3	27.7
Slovenia	27.0	26.7	23.3	22.5
Spain	43.0	39.6	36.1	39.7
Sweden	51.0	45.9	40.5	38.0
United Kingdom*	41.8	42.6	43.3	55.5
EU 27	62.7	61.3	58.7	61.5
Euro Area	70.1	68.3	66.0	69.3
Malta	70.2	63.6	62.0	63.8

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

Source: Eurostat, National Statistics Office, Ministry of Finance, the Economy and Investment and Finland recorded surpluses in 2008, the latter at a level of 4.5 per cent of GDP.

Relative to 2007, the budgetary position weakened in many Member States. Significant deteriorations were recorded in the Baltic States. In the Czech Republic the deficit worsened though remaining below the 3 per threshold, while in Poland the deficit rose above it. In Hungary, the deficit remained above the 3 per cent threshold. In Romania and the UK the deficit deteriorated to 5.5 per cent and 6.9 per cent of GDP respectively and hence clearly exceeded the 3 per cent of GDP reference value.

As a result of these fiscal developments and also in view of the Commission Services Spring 2008 forecast, during 2009 a Council Decision on the existence of an excessive deficit was taken in respect of nine Member States, namely Poland, Romania, Lithuania, Malta, France, Latvia, Ireland, Greece and Spain.

The deteriorating public finances, low growth, subdued inflation and public interventions in the financial system were reflected in rising debt-to-GDP ratios for both the EU and the Euro Area. Indeed, from 58.7 per cent in 2007, the General Government debt ratio in the EU surpassed the 60 per cent mark in 2008 increasing to 61.5 per cent. During the same period, an increase of 3.3 percentage points was recorded in the debt ratio of the Euro Area, reaching 69.3 per cent.

Aggregate data for the EU and the Euro Area seems to mask diverging developments in the debt ratios at country level. These range from a decline in the debt-to-GDP ratio of almost 10 percentage points in Cyprus to an increase of almost 20 percentage points in Ireland. In 2008 there were seven Member States which registered an improvement in the debt-to-GDP ratio. Eight Member States including Malta registered a marginal increase in the debt ratio of less than the EU average increase. Another eight Member States registered a deterioration of between 2.8 percentage points of GDP and 10 percentage points of GDP. Meanwhile, there were four Member States that registered a significant deterioration in excess of 10 percentage points of GDP.

There are several other Member States which before the crisis had low or very low debt levels, which however rose sharply in 2008. This group of countries includes Ireland, Latvia and the UK. Moreover, while the debt ratio for Italy surpassed again the 100 per cent of GDP mark, that for Greece and Belgium rose closer to this threshold. Other Member States, in particular, Austria, France, Germany, Hungary, Portugal and Malta reported general Government debt levels that exceeded the 60 per cent of GDP threshold in 2008.

Monetary Developments

Entry into the Euro area brought about significant changes to statistics relating to monetary aggregates and their counterparts. As from January 2008, monetary aggregates statistics reflect the contribution of Monetary Financial Institutions (MFIs) resident in Malta to the Euro area's total monetary aggregates and counterparts.

During the first nine months of 2009, the Maltese MFIs' contribution to the Euro area broad money stock (M3) declined, driven by a decline in the external counterpart of M3, or net claims on non-residents of the Euro area, which more than offset the increase in credit. Meanwhile, a marginal increase in other counterparts of M3 also contributed to the decline in M3.

Contribution of Resident MFIs to Euro Area Monetary Aggregates

During the nine months to September 2009, the contribution of Monetary Financial Institutions (MFIs) resident in Malta to the Euro area's total monetary aggregates, which includes deposit liabilities to both residents of Malta as well as other Euro area residents, declined by 1.0 per cent to €8,596.7 million. A major factor contributing to this decline in broad money over the period under review was a drop in deposits which partly reflected a base effect as residents' deposits had increased exceptionally in the run-up to the Euro changeover, and partly due to the impact of the prevailing environment of extremely low interest rates on the attractiveness of holding the most liquid monetary assets. Moreover, growth in residents' deposits may also have been dampened by the issue of government and corporate securities on the primary market. Developments in the main monetary indicators are presented in Table 8.4.

The narrow money (M1) component increased by 8.3 per cent or €320.8 million during the first nine months of 2009 to €4,170.4 million, as a rise in overnight deposits was partly offset by a drop in currency issued. Indeed, whilst overnight deposits increased by €371.1 million, currency issued dropped by €50.3 million, mainly on account of a significant drop in the first quarter of 2009 amounting to €67.4 million, which was partly reversed in the subsequent quarters. The expansion in overnight deposits was mainly driven by an increase in balances

Contribution of Resident MFIs to Euro Area Monetary Aggregates[1]

Table 8.4 € million

	2008 (Dec)	2009 (Mar)	2009 (Jun)	2009* (Sep)	Sep-09 - Dec-08 % Change
Narrow Money (M1)	3,849.6	3,915.0	4,092.7	4,170.4	8.3
Currency issued[2]	669.2	601.8	614.5	618.9	-7.5
Overnight deposits[3]	3,180.4	3,313.2	3,478.2	3,551.5	11.7
Intermediate Money (M2)	8,824.5	8,731.0	8,708.7	8,721.3	-1.2
Narrow Money (M1)	3,849.6	3,915.0	4,092.7	4,170.4	8.3
Deposits redeemable at notice up to 3 months[3]	114.2	111.8	110.5	109.8	-3.9
Deposits with agreed maturity up to 2 years[3]	4,860.7	4,704.2	4,505.5	4,441.1	-8.6
Broad Money (M3)	8,680.3	8,585.7	8,604.3	8,596.7	-1.0
Intermediate Money (M2)	8,824.5	8,731.0	8,708.7	8,721.3	-1.2
Repurchase agreements	0.0	0.0	0.0	0.0	0.0
Debt securities issued up to 2 years initial maturity[4]	-144.3	-145.3	-104.4	-124.6	-13.6

* Provisional

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

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

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

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

Source: Central Bank of Malta

belonging to Maltese private non-financial companies and households, although overnight deposits belonging to other Euro area residents also edged up. However, it should be noted that overnight deposits belonging to other Euro area residents had declined significantly by the end of 2008, such that the increase registered during the first nine months of 2009 is mainly a base effect.

In contrast, deposits redeemable at up to three months' notice and those with an agreed maturity of up to two years both registered persistent declines during the nine months to September 2009, falling by 3.9 per cent and 8.6 per cent respectively. While the absolute drop in the former amounted to €4.4 million, the contraction in the latter totalled €419.6 million and stemmed mainly from lower balances belonging to residents. Indeed, as indicated in Table 8.5, the decline in resident deposits with an agreed maturity of up to two years outpaced the decline in overall Euro-denominated deposits. Apart from the above-mentioned shift into more liquid monetary assets, possibly accentuated by issues of securities by both the government and the corporate sector, the decline in deposits may have also resulted from a shift into deposits with maturities exceeding two years, which were being offered at attractive rates by some banks.

Resident Deposits

Table 8.5 — € million

	2006 (Dec)	2007 (Dec)	2008 (Dec)	2009* (Sep)	Sep-09 - Dec-08 % Change
Overnight Deposits[1]	2,746.5	3,085.2	3,120.0	3,470.9	11.2
Deposits redeemable at notice up to 3 months	71.8	105.3	114.2	109.8	-3.9
Deposits with agreed maturity up to 2 years	3,520.6	4,474.6	4,668.0	4,204.0	-9.9
Total resident deposits	6,338.9	7,665.1	7,902.2	7,784.7	-1.5

* Provisional

[1]Overnight deposits are deposits withdrawable on demand and exclude interbank deposits and deposits held by central Government.

Source: Central Bank of Malta

As a result of these developments, residents' deposits declined by 1.5 per cent during the period under review. Consequently, intermediate money (M2) declined by 1.2 per cent to €8,721.3 million by the end of the third quarter of 2009. In this context, it is pertinent to note that the decline in M2, on account of the decline in resident deposits, is in part attributable to a base effect as the build-up in deposits that had begun during the final months of 2007, ahead of the euro changeover, and which persisted throughout 2008, had led to an acceleration in year-on-year deposit growth rates.

Meanwhile, whilst the outstanding amount of repurchase agreements is negligible, the amount of net debt securities with maturity up to two years, which includes debt securities up to two years issued by MFIs in Malta less holdings by MFIs in Malta of such securities issued by MFIs anywhere in the Euro area, is negative. As a result, the effect of these marketable instruments on the Maltese contribution to Euro area M3 was negative.

Contribution of Resident MFIs to Counterparts to Euro Area Monetary Aggregates

The decline in the Maltese MFIs' contribution to the Euro area broad money stock (M3) is mainly on account of a deceleration in the external counterpart of M3, which more than offset the increase in credit. Table 8.6 illustrates developments of the contribution of resident MFIs to counterparts to Euro area monetary aggregates since the end of 2008.

Contribution of Resident MFIs to Counterparts to Euro Area Monetary Aggregates

Table 8.6

	2008 (Dec)	2009 (Mar)	2009 (Jun)	2009* (Sep)	Sep-09 - Dec-08 % Change
Broad Money (M3)[(1)]	8,680.3	8,585.7	8,604.4	8,596.7	-1.0
Credit Counterpart[(2)]	12,092.5	12,456.3	12,218.7	12,506.9	3.4
Credit to residents of Malta	8,867.4	9,000.4	9,304.5	9,471.3	6.8
Credit to general Government	1,600.4	1,658.5	1,855.9	1,918.7	19.9
Credit to other residents	7,266.9	7,341.9	7,448.6	7,552.6	3.9
Credit to other Euro area residents	3,225.1	3,455.9	2,914.2	3,035.6	-5.9
Net claims on non-residents of the Euro area	7,378.2	6,481.2	6,751.3	6,919.1	-6.2
Other counterparts (net)[(3)]	10,790.5	10,351.8	10,365.7	10,829.4	0.4

* Provisional

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

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

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

Source: Central Bank of Malta

The credit counterpart of M3 increased by 3.4 per cent to €12,506.9 million, over the nine months to September 2009. This development reflects a substantial pick up in credit granted to general Government, which increased by €318.2 million to €1,918.7 million, as MFI holdings of Treasury Bills and Malta Government Stocks increased significantly. Credit to other sectors in the local residents' category also increased, registering a growth of 3.9 percent during the period January-September 2009, to a balance of €7,552.6 million. This increase was mainly due to higher loans taken up by private non-financial companies. As indicated in Table 8.7, the increase in loans to private non-financial companies was mainly due to higher outstanding credit to households and to the real estate, renting and business activities sector. In contrast, credit to other Euro area residents declined by €189.5 million.

The external counterpart of M3, or net claims on non-residents of the Euro area, declined by €459.1 million to €6,919.1 million, as the decline in claims on non-residents of the Euro area, which stemmed predominantly from a decline in loans to the non-bank private sector and from lower holdings of securities issued by governments in non-Euro area countries, outpaced the decline in liabilities to them. The latter reflects a sizeable drop in time deposits belonging to banks and private non-financial companies resident outside the Euro area.

Deposit Money Banks
Loans by Economic Activity

Table 8.7

	2006 (Dec)	2007 (Dec)	2008 (Dec)	2009* (Sep)	Sep-09 - Dec-08 % Change
Total Loans	5,788.9	6,330.6	7,150.4	7,454.9	4.3
Loans to Private Non-Financial Companies	5,367.6	5,908.8	6,516.3	6,825.7	4.7
Electricity, gas & water supply	9.1	13.1	9.0	10.4	16.1
Transport, storage & communication	235.5	234.1	341.9	351.4	2.8
Manufacturing	263.2	298.5	298.0	296.7	-0.4
Construction	603.8	676.0	730.3	736.0	0.8
Hotels & restaurants	488.6	474.6	455.2	463.8	1.9
Wholesale & retail traide; repairs	715.0	732.4	757.1	765.2	1.1
Real estate, renting & business activities	589.5	701.8	864.8	937.1	8.4
Households & individuals	2,251.1	2,578.2	2,857.4	3,067.1	7.3
Other[1]	211.8	200.2	202.6	197.9	-2.3

* Provisional
[1] Includes agriculture, fishing, mining and quarrying, financial intermediation, public administration, education, health and social work, community recreation and personal activities, and extra-territorial organisations and bodies

Source: Malta Stock Exchange

Meanwhile, other counterpart balances, which mainly reflect interbank transactions across the Euro area, increased by €38.9 million between December 2008 and September 2009. This increase reflected the fact that resident credit institutions' liabilities to other Euro area banks increased faster than their claims on them, contributing negatively to M3.

Deposit and Lending Rates

The crisis in financial markets deepened significantly since its emergence in the summer of 2007, and whilst during the first three quarters of 2008 policy measures by the European Central Bank mainly encompassed significant injections of liquidity into money markets to bring down interbank rates, subsequent interventions were made in official interest rates to restore financial stability. As a consequence, average deposit and lending rates declined significantly from a peak in the third quarter of 2008, reflecting consecutive cuts in the European Central Bank's minimum bid rate between October 2008 and May 2009. However, whilst during the last quarter of 2008 and the first month of 2009 cuts in the minimum bid rate were almost fully transmitted to borrowers and only marginally to depositors, in the subsequent months, further cuts in the minimum bid rate resulted in a larger decline in deposit rates compared to lending rates, as the latter remained broadly unchanged since January 2009.

Weighted average deposit rates declined by 144 basis points, from a peak of 3.05 per cent in September 2008 to 1.62 per cent in September 2009. The decline in average deposit rates mainly resulted from significant declines in interest rates payable on time deposits to the effect of 150 basis points. Meanwhile, the decline in average lending rates was more pronounced between October 2008 and January 2009 when the weighted average lending rate declined from 6.19 per cent in September 2008 to 4.50 per cent in January 2009, remaining relatively stable thereafter. Declines in lending rates were most pronounced for consumer credit, which declined from 7.94 per cent in September 2008 to 5.69 per cent in March 2009, before edging up slightly thereafter to 5.88 per cent by September 2009.

As a result of these developments, at 216 basis points, in January 2009 the spread between the average lending and deposit rates was at a historically low level at least for the last decade, before edging up marginally to 287 basis points by September 2009 on account of further declines in average deposit rates.

The Money Market

As from Euro adoption on 1 January 2008, the Central Bank of Malta became a member of the Eurosystem and ceased to be directly responsible for the formulation of monetary policy in Malta. As from that date, the Central Bank of Malta became responsible for the implementation in Malta of the ECB Governing Council's monetary policy decisions using a range of monetary policy instruments.

In January 2009, the ECB announced adjustments to its capital subscription key. The shares of the national Central Banks in the ECB's capital key are weighted according to the shares of the respective Member States in the total population and the gross domestic product of the European Union (EU). The weightings are adjusted every five years or whenever a country joins the EU. Accordingly, on 1 January 2009 the ECB's capital key was adjusted on account of the five-yearly update. As a result, national Central Banks transferred among themselves capital shares to the extent necessary to ensure that the distribution of the shares corresponds to the adjusted key, such that the total amount of the subscribed capital of the ECB remained unchanged. Following the adjustment, the Central Bank of Malta's share in the ECB's capital key increased from 0.0622 per cent of the ECB's capital to 0.0632 per cent.

Moreover, during the period under review, the Governing Council of the ECB adopted changes to the framework for the implementation of monetary policy in the Euro area, mainly relating to risk control measures and minimum reserve requirements.

Since the onset of turbulences in interbank markets, in a bid to counter the adverse consequences of the financial crisis, the ECB's unprecedented monetary policy response encompassed both standard measures in the form of interest rate changes, as well as 'non-standard' measures in terms of the ECB's policy of enhanced credit support.

The combination of uncertainty about the strength of banks' balance sheets and increased risk aversion, particularly following the collapse of Lehman Brothers, resulted in a much larger and more encompassing credit crisis, such that on 8 October 2008 the European Central Bank, along with the Bank of Canada, the Bank of England, the US Federal Reserve, Sveriges Riksbank and the Swiss National Bank announced co-ordinated reductions in policy interest rates to the effect of 50 basis points. As a result, the interest rate on the main refinancing operations of the Eurosystem was reduced to 3.75 per cent.

In the subsequent three meetings to January 2009, the Governing Council reduced the key ECB interest rates by 50 basis points, 75 basis points and a further 50 basis points respectively. At 2 per cent, Euro area interest rates thus fell to the lowest level in more than three years. Nonetheless, the ECB signalled that borrowing costs could fall even further, in particular as the economic situation in the Euro area was expected to deteriorate even further. Indeed, between March and May 2009, the Governing Council reduced the key ECB interest rates by a further 100 basis points to 1.0 per cent, bringing the total reduction in the interest rate on the main refinancing operations of the Eurosystem since the start of the current easing cycle to 325 basis points.

Thereafter, the Governing Council of the ECB left the key ECB interest rates unchanged as, although uncertainty remains high, latest indications suggest the Euro area economy is stabilising and is expected to recover at a gradual pace, whilst price stability is expected to be maintained over the medium term.

Further to reducing the key policy rate from 4.25 per cent to 1.0 per cent, the ECB implemented a number of 'non-standard' liquidity management operations. Indeed, the ECB is currently engaged in enhanced credit support measures, to enhance the flow of credit beyond what could be achieved through policy interest rate reductions alone.

During the first three quarters of 2008, the ECB primarily frontloaded the provision of liquidity early in the maintenance period, which commences on the settlement day of the first main refinancing operation following the meeting of the Governing Council, and subsequently absorbed the resulting surplus liquidity towards the end of the maintenance period so that the average supply of liquidity in any maintenance period remains unchanged.

However, when in mid-September 2008, interbank lending came to a virtual halt, with effect from the main refinancing operation to be settled on 15 October 2008, the ECB conducted weekly main refinancing operations through a fixed rate tender procedure with full allotment at the interest rate on the main refinancing operations. Initially, such measure was intended to last until the maintenance period ending 20 January 2009. However, the measure was extended, although since January 2009, in longer-term refinancing operations with full allotment, the fixed rate may include a spread in addition to the rate on the main refinancing operations, depending on the prevailing circumstances.

Further initiatives by the ECB to address interbank lending included the lengthening of the maturities of refinancing operations, initially to six months and subsequently to one year, as well as an expansion of the list of assets eligible as collateral in Eurosystem credit operations, and the provision to Eurosystem counterparties of US Dollar and Swiss franc funding against Euro cash via foreign exchange swaps operations. Moreover, the ECB narrowed the standing facilities corridor in October 2008 from 200 basis points to 100 basis points around the interest rate on the main refinancing operations. As of 21 January 2009, the corridor of standing facility rates was re-widened symmetrically to 200 basis points.

In addition, in July 2009, the Eurosystem initiated a programme for purchasing Euro-denominated covered bonds. Covered bonds are debt securities issued by banks, which give them access to funding of a longer-term nature than the ECB's refinancing operations, thus allowing banks to manage the maturity mismatch between their assets and liabilities.

On account of these developments, unsecured money market interest rates have proven relatively volatile. In particular, EURIBOR rates rose substantially between mid-September and mid-October as credit and liquidity premia increased markedly. Unsecured rates then fell sharply, mainly against the background of lower key ECB interest rates. Indeed, the three-month EURIBOR rate declined from a record high of 5.11 per cent in October 2008 to 0.77 per cent by September 2009, whereas the one-year EURIBOR rate was close to

5.4 per cent between June and September 2008 but retreated to 1.26 per cent by September 2009. Meanwhile, overnight interbank interest rates (EONIA) increased by around 25 basis points during the third quarter of 2008, in line with the Governing Council's decision to increase the ECB's interest rates, to a peak of 4.30 per cent in August 2008. However, since the last quarter of 2008, the EONIA declined significantly to 0.35 per cent in August 2009, before edging up marginally to 0.36 per cent by the end of September 2009, reflecting developments in the deposit facility rate.

As an alternative portfolio investment opportunity for domestic banks, Euro area money market interest rates affect the local market for Malta Treasury Bills. Indeed, during the first nine months of 2009, Government continued to resort to short-term debt issues to finance its short-term liquidity requirements, issuing a total of €1,366.7 million worth of Treasury Bills on the primary market, compared to €766.0 million issued over the same period last year. Yields in the primary market for Treasury Bills followed an increasing trend between the second and third quarters of 2008. However, in the subsequent months to September 2009, the yield on Treasury Bills receded significantly, reflecting lower official short-term interest rates. Indeed, by September 2009, the yield on three-month bills declined from 4.94 per cent in June 2008 to 1.46 per cent in September 2009, whilst the yield on six-month Treasury Bills declined by 351 basis points between July 2008 and September 2009 to 1.57 per cent.

During the nine months to September 2009, at €180.4 million, turnover in the secondary market for Treasury Bills almost doubled over the same period in the previous year. Meanwhile, yields in the secondary market for Treasury Bills declined significantly since reaching a peak between June and July 2008. Indeed, the yield on three-month and one-year Bills declined from 4.94 per cent and 5.19 per cent in June 2008 to 1.46 per cent and 1.62 per cent respectively by September 2009, whilst the yield on six-month Treasury Bills declined by 350 basis points between July 2008 and September 2009 to 1.58 per cent.

The Capital Market

Between January and September 2009, Government issued €369.9 million worth of stocks on the primary market, mostly bearing medium-term maturities. Meanwhile, three stocks worth €208.2 million were redeemed during the same period. Furthermore, a number of stocks were re-integrated into other issued stocks in order to further reduce the fragmentation of Government debt. Consequently, at the end of September 2009 two stocks had an outstanding value exceeding €400 million and around 40 per cent of Government debt was concentrated in three bonds.

In January 2009, 5.1% MGS 2014 (III) FI Aug 08 and 5.1% MGS 2014 (III) FI Oct 08 were integrated with 5.1% MGS 2014 (III), while 5% MGS 2021 FI Aug 08 and 5% MGS 2021 FI Oct 08 were integrated with 5% MGS 2021 in February 2009. In the subsequent month, 5% MGS 2021 FI Mar 09 was issued, whereas 5.9% MGS 2009 (III) was redeemed. The following quarter was characterised by various new listings, namely 3.6% MGS 2013 (IV), 3.6% MGS 2013 (IV) FI April 09, and 7% MGS 2019 (II). In July, 5.2% MGS 2020 FI June 09 and 3.6% MGS 2013 (IV) June 09 were issued, whilst 7% MGS 2009 was redeemed. In August 2009, 5% MGS 2021 FI Mar 09 was integrated with 5% MGS 2021. In September 2009, 5% MGS 2021 Aug 09 and 3.6% MGS 2013 (IV) FI Aug 09 were issued while, 5.9% MGS 2009 (II) matured and was redeemed.

During the first three quarters of 2009, there were numerous new listing in the primary corporate bond market. Indeed, 7% MIDI plc Euro Bonds 2016-2018 and 7% MIDI plc GBP Bonds 2016-2018 were issued in January while 6% Gasan Finance Company plc Bonds 2014-2016, 7% FIMBank plc EUR Bonds 2012-2019 and 7% FIMBank plc USD Bonds 2012-2019 were issued in May. In July, 5.35% Bank of Valletta plc Sub Bonds 2019, 6.25% IHI Bonds 2015-2019 and 6.25% Tumas Investments plc Bonds 2014-2016 were issued. Thereafter, in September 2009, 6.25% Corinthia Finance plc Bonds 2016-2019 was issued. Thus, during the first nine months of 2009, €210.3 million worth of stocks denominated in Euro, and €7.2 million and €8.1 million denominated in Pound Sterling and US Dollar respectively, were issued. In contrast, in the comparative period in the previous year, €32.0 million worth of corporate bonds were issued. Meanwhile, two bonds, namely 3.8% European Investment Bank Bonds 2009 and 6.4% Gasan Finance Company Plc 2008/11 were redeemed in March and May 2009 respectively. Furthermore, 5% IHI Convertible Bonds 2010 experienced deduction in June 2009.

During the first nine months of 2009, turnover in the secondary market for Government bonds was notably lower than that recorded in the commensurate period last year. Indeed, turnover in the secondary market for Malta Government Stocks amounted to €159.6 million between January and September 2009 as compared to €200.2 million during the corresponding 2008 period. Nonetheless, as indicated in Table 8.8, the number of transactions recorded stood at 1,955, compared to 1,706 during the corresponding 2008 period. As a result, the average value per transaction based on the nominal value of stocks declined significantly

Government Stocks
Activity on the Secondary Market

Table 8.8

	2009 Jan-Mar	2009 Apr-Jun	2009 Jul-Sep	2009 Jan-Sep
Turnover in Government Stocks:				
Nominal Value (€ million)	21.4	56.6	72.1	150.1
Market Value (€ million)	23.3	59.7	76.6	159.6
Number of Transactions	610	733	612	1,955
Average Value per Transaction (€)*	35,033	77,274	117,832	76,790
Amount sold by CBM (€ million)**	2.1	17.5	16.1	35.7
Amount bought by CBM (€ million)**	14.1	20.3	38.3	72.6

* Based on Nominal Values
** Based on Market Values

Source: Central Bank of Malta

by 31.4 per cent to €76,790. During the first three quarters of 2009, trading was highly concentrated in 5% MGS 2021 (III) registering the highest volume of transactions of 432 deals. The value transacted by the Central Bank of Malta in the local secondary market amounted to €108.4 million.

Table 8.9 displays selected indicators of the secondary market. Between January and September 2009, turnover in the secondary market for corporate bonds amounted to €24.2 million, compared to €17.8 million during the first nine months of 2008. At a turnover of €4.8 million, the highest market value of stock transacted related to 4.6% HSBC Bank Malta plc 2017, as in the corresponding period in the previous year. Total listings of corporate bonds reached 37 by the end of the third quarter in 2009.

The market turnover of equities traded between January and September 2009 declined considerably to €18.1 million, from €43.0 million during the period January-September 2008. The bulk of the trading activity took place in the shares of Bank of Valletta plc and HSBC Bank Malta plc.

The Malta Stock Exchange Share Index closed at 3,201.5 at the end of September 2009, such that the Index declined by 14.0 per cent over the end of September 2008. This reflected the commensurate decline in market capitalisation in the

Table 8.9

Selected Indicators of the Capital Market

	2009 Jan-Mar	2009 Apr-Jun	2009 Jul-Sep	2009 Jan-Sep
Corporate Bonds*				
Number of Listings**	32.0	34.0	37.0	37.0
Turnover (€ million)	5.2	6.1	12.9	24.2
Equities*				
Number of Issues Outstanding**	18.0	18.0	18.0	18.0
Turnover (€ million)	5.6	8.3	4.2	18.1
Total Listed Securities*				
Total Turnover (€ million)***	94.7	138.5	148.6	381.9
Market Capitalisation (€ million)**/***	6,383.1	6,799.8	7,180.3	7,180.3
MSE Ord. Share Index**	2,698.4	2,939.6	3,201.5	3,201.5

*Including the Alternative Companies listing
**As at end of period
***Including Malta Government Stocks and Treasury Bills

Source: Malta Stock Exchange

equity market from €2,979.3 million at the end of September 2008 to €2,560.9 million.

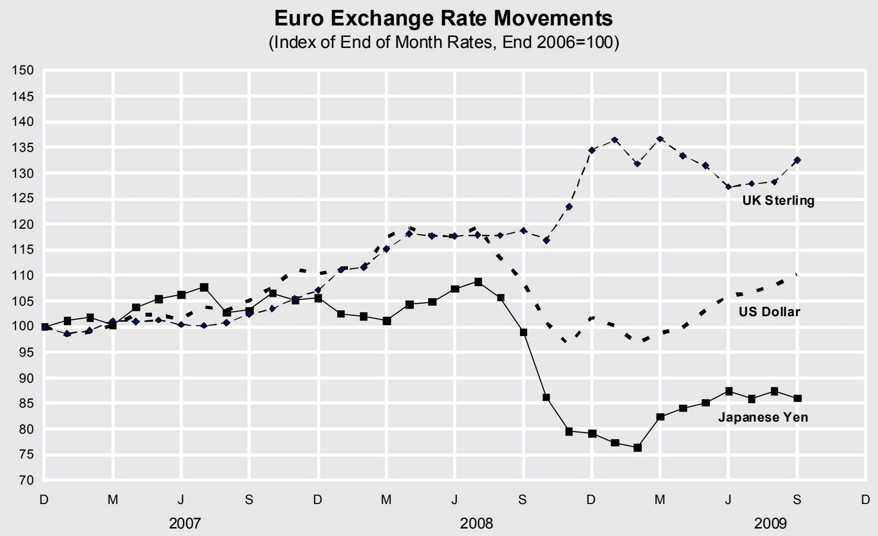
Market capitalisation increased from €6,948.1 million at the end of the third quarter of 2008 to €7,180.3 million by the end of September 2009, mainly reflecting significant increases in market capitalisation in the markets for corporate bonds, Malta Government Stocks and Treasury Bills, in part offset by the decline in market capitalisation in the equity market.

Exchange Rate Developments

Since the outbreak of financial turbulence in the summer of 2007, foreign exchange markets have witnessed sharp swings in all major bilateral rates. Movements of the Euro exchange rate against other major currencies are illustrated in Chart 8.4.

Until the summer of 2008, the Euro strengthened against the US Dollar, reflecting the market perception that the turbulence originated in the United States, such that by July 2008, the Euro traded at USD1.58. Subsequently however, and especially after the intensification of the financial crisis, the Euro weakened

Chart 8.4



against the US Dollar, as the latter benefited from both increasing risk aversion worldwide as well as from temporary factors associated with a widespread shortage of Dollar liquidity in financial markets. Indeed, Dollar appreciation can be traced back in part to the markets' perception of the international status of the Dollar, playing the role of safe haven in periods of heightened risk aversion. As a result, the Euro traded at USD1.28 by the end of February 2009. Since the second quarter of 2009, however, the Euro has steadily appreciated against the Dollar. Indeed, following a phase of sharp appreciation in May, partly driven by easing tensions in financial markets and the resulting decline in risk perceptions, the Euro has strengthened slightly amid concerns over the US fiscal outlook and, more recently, data releases pointing to an improved economic outlook for the Euro area. By the end of September 2009, the Euro appreciated to USD1.46.

Meanwhile, exchange rate fluctuations over the past few months between the Pound Sterling and the Euro were significant, although developments broadly resulted in a considerable appreciation of the Euro vis-à-vis the Pound Sterling. Indeed, after continuing to slide towards near parity with the Euro towards the end of 2008, the Sterling appreciated marginally by the second quarter of 2009 as markets came to believe that the past falls in the Pound were not justified by fundamentals. However, more favourable indicators for economic activity in the Euro area as compared to the UK and concerns that the Sterling's long run value may have been fundamentally undermined by the financial crisis, resulted in the re-emergence of the downward spiral of the Sterling in the third quarter of 2009, such that by September 2009 the Euro traded at GBP0.89, compared to GBP0.80 a year earlier.

Although initially the Euro fluctuated within a relatively narrow range against the Japanese Yen, following the intensification of the financial crisis in the autumn of 2008, the Yen appreciated considerably vis-à-vis the Euro, boosted by falling policy interest rates worldwide and rising financial volatility. Indeed, risk aversion in financial markets led Japanese investors to repatriate funds, causing the Euro exchange rate to fluctuate against the Yen from a high of Yen168.45 in July 2008 to a low of Yen118.30 by February 2009. Thereafter, as risk sentiments improved, the Euro appreciated marginally against the Yen such that by the end of September 2009, the Euro traded at Yen133.14.

Government Revenue

(January-September)

Appendix Table 8.1 € thousand

	2006	2007	2008	2009
Tax Revenue	1,251,613	1,325,410	1,437,744	1,414,958
Direct Tax Revenue	669,745	728,230	817,042	857,886
Income Tax	361,655	411,025	478,555	500,103
Social Security	308,090	317,205	338,487	357,784
Indirect Tax Revenue	581,868	597,180	620,702	557,072
Customs and Excise Duties	125,713	128,224	130,129	74,625
Licences, Taxes and Fines	164,600	167,449	162,055	176,793
Value Added Tax	291,555	301,507	328,518	305,654
Non-Tax Revenue	215,541	178,563	147,997	138,669
Fees of Office	30,096	41,321	34,377	34,603
Reimbursements	17,628	17,766	16,054	14,203
Rents	18,093	17,255	16,803	16,740
Dividends on Investments	10,146	15,369	16,847	8,891
Repayment of, and Interest on Loans made by Government	25	23	19	16
Miscellaneous Receipts	23,541	22,156	11,827	8,257
Public Corporations	4,386	4,386	4,386	0
Central Bank of Malta	23,295	25,395	28,691	41,615
Grants	88,331	34,892	18,993	14,343
Recurrent Revenue	1,467,154	1,503,973	1,585,741	1,553,627
Extraordinary Receipts	185,213	3,322	33,318	0
Loans	23,294	67,224	232,722	355,793
Total Revenue	1,675,660	1,574,518	1,851,780	1,909,420

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

Government Recurrent Expenditure

(January-September)

Appendix Table 8.2 € thousand

	2006	2007	2008	2009
Office of the President	1,034	1,195	1,129	1,383
House of Representatives	1,985	2,110	1,964	2,211
Office of the Ombudsman	326	326	253	328
National Audit Office	1,537	1,165	1,500	1,550
Office of the Prime Minister	11,474	10,990	11,604	14,559
Public Service Commission	245	245	275	249
Armed Forces of Malta	23,587	23,913	26,132	29,697
Tourism [Ministry for Tourism and Culture]	7,454	7,240	8,894	2,244
Local Government	13,932	14,274	20,298	16,055
Information	855	769	758	870
Government Printing Press	862	881	875	833
Electoral Office	2,350	2,676	5,102	4,862
Ministry of Foreign Affairs	14,766	14,854	15,904	15,651
Ministry for Gozo	33,909	34,132	37,517	39,048
Ministry for Infrastructure, Transport and Communication	-	-	-	65,884
Civil Aviation	922	908	1,472	1,488
Land and Public Registration Division	1,605	1,989	2,053	2,010
Ministry for Resources and [Infrastructure] Rural Affairs	27,354	27,631	28,403	68,365
Ministry of Education, [Youth & Employment] Culture, Youth and Sport	76,515	80,853	87,708	103,352
Education	85,174	87,436	91,239	94,604
Libraries and Archives	1,046	1,067	886	933
Ministry for the [Family & Social Solidarity] Social Policy	12,646	16,751	23,298	25,251
Social Security	97,384	102,464	108,052	112,501
Social Security Benefits	406,331	428,401	471,661	502,001
Social Welfare Standards	645	655	645	612
Health [Ministry of Health, the Elderly & Community Care]	140,464	148,821	180,547	204,528
Elderly and Community Care	28,053	28,546	33,358	38,849
Industrial and Employment Relations	890	881	769	868
Ministry of Finance, the Economy and Investment	49,008	51,092	57,090	60,042
Treasury	2,141	2,003	2,846	2,779
Pensions	55,935	58,197	62,195	64,180
Inland Revenue	18,763	4,335	3,895	3,968
Customs	8,251	7,554	8,162	7,996
V.A.T.	5,174	5,188	4,610	4,566

Government Recurrent Expenditure

(January-September)

Appendix Table 8.2 continued — € thousand

	2006	2007	2008	2009
Contracts	699	738	753	830
Economic Policy	596	724	722	753
Government Property Division	2,420	3,429	2,467	2,302
Commerce	3,252	2,721	2,671	1,554
Consumer and Competition	801	2,048	2,676	1,382
Ministry for Justice and Home Affairs	5,250	6,094	6,971	10,863
Judicial	6,247	6,285	6,604	7,060
Police	27,258	28,132	30,563	31,431
Correctional Services	4,941	5,740	5,856	6,447
Civil Protection	2,187	2,448	2,562	2,923
[Ministry for Competitiveness & Communications]	5,313	5,455	6,447	-
[Ministry for Investment, Industry & IT]	65,292	75,052	98,364	-
[Ministry for Resources and the Environment]	39,145	38,092	43,499	-
[Ministry for Urban Development & Roads]	6,676	8,901	10,803	-
[Housing]	2,003	1,891	2,042	-
Recurrent Expenditure	1,304,699	1,357,296	1,524,095	1,559,863

Note: [ ] denotes change in name of cost centres

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

Government Capital Expenditure

(January-September)

Appendix Table 8.3 — € thousand

	2006	2007	2008	2009
Productive Investment	53,302	26,469	42,796	58,433
Malta Tourism Authority	15,297	14,675	21,064	25,791
Development of Industry	7,549	2,073	3,401	9,957
Gozo	6,245	5,565	5,293	3,426
EU Agriculture Fund for Rural Development	-	0	0	8,645
Other	24,210	4,156	13,038	10,614
Infrastructure	48,219	73,431	79,777	70,641
Acquisition of Property	1,989	1,165	3,186	3,828
Upgrading Works at main Touristic Areas	1,214	792	1,101	1,365
Roads	15,763	19,175	14,150	9,324
Integrated Health Information System	-	-	7,988	3,680
ICT	6,765	7,603	12,340	14,091
Waste Treatment	2,807	10,887	16,073	17,481
Freeport	5,609	5,411	3,960	3,288
Other	14,073	28,397	20,979	17,584
Social	84,184	70,756	41,295	39,935
Health	67,212	52,315	17,775	3,043
Elderly and Community Care	580	890	795	1,171
Environment	0	6,990	10,000	10,580
Housing	766	1,034	1,956	3,210
Education	3,051	3,774	3,760	5,905
External Borders Fund	-	-	-	8,875
Other	12,574	5,753	7,009	7,151
Total Capital Expenditure	185,705	170,655	163,868	169,009

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

Statistical Annex

Population

Table I

	2001	2002	2003	2004	2005	2006	2007	2008
Total Population (000's)	394.6	397.3	399.9	402.7	405.0	407.8	410.3	413.6
Males (000's)	195.4	196.8	198.1	199.6	200.8	202.6	204.1	205.9
Females (000's)	199.3	200.5	201.8	203.1	204.2	205.2	206.2	207.7
% Increase per annum	0.8	0.7	0.6	0.7	0.6	0.7	0.6	0.8
Natural Increase per annum	1,022	887	886	888	728	669	760	883
Crude Birth Rate (per 1000 population)	10.1	9.9	10.2	9.7	9.6	9.6	9.5	10.0
Crude Mortality Rate (per 1000 population)	7.5	7.7	7.9	7.5	7.7	7.9	7.6	7.9
Crude Marriage Rate (per 1000 population)	5.6	5.7	5.9	6.0	5.9	6.2	6.1	6.0
Infant Mortality Rate (per 1000 births)	4.4	6.0	5.9	5.9	6.0	3.6	6.5	8.2
Life Expectancy (at birth)								
Males	76.1	75.7	76.4	76.7	77.7	76.8	77.2	76.7
Females	80.9	80.5	80.4	80.5	81.4	81.2	81.8	82.3
Life Expectancy (at age 65)								
Males	15.4	15.0	15.7	16.4	16.7	16.1	16.6	17.5
Females	18.6	19.0	18.7	18.8	19.8	19.5	18.5	20.5

Source: National Statistics Office

Social Indicators

Table II

	2001	2002	2003	2004	2005	2006	2007	2008
GDP at current market prices per capita (€)	10,270	10,799	11,013	11,174	11,852	12,541	13,278	13,795
Quality of Life								
Motor Vehicle Licences per 1000 population	643.9	657.8	673.9	673.4	671.1	682.7	699.8	712.4
Internet Subscriptions per 1000 population	130.1	168.6	195.7	218.2	219.0	234.0	245.0	270.1
Mobile Phone Subscriptions per 1000 population	559.0	696.9	725.0	765.8	802.0	851.4	907.0	930.5
Fixed Telephone Lines per 1000 population	526.5	521.7	520.9	523.3	517.0	515.0	556.0	592.1
Education(1)								
Number of teachers (000)	7.9	8.0	8.5	8.5	8.4	8.8	9.2	9.4
Number of pupils/students (000)	88.1	87.1	90.1	90.4	88.8	86.3	83.2	83.8
of which:								
University students (All Courses)	7,493	7,332	9,006	7,955	9,530	8,922	9,556	9,281
Electricity								
Total Generated (000 MWh)*	1,943.4	2,055.1	2,208.0	2,216.1	2,263.1	2,260.7	2,296.0	2,275.0
Number of Consumers (000)*	213.8	220.0	234.5	236.0	241.0	243.0	246.0	254.1
Domestic Consumption (million kwh)*	540.3	561.9	623.7	623.7	669.5	657.6	645	641
Water								
Total annual production (million m^3)	33.6	34.1	34.2	32.8	31.3	30.5	31.0	31.0
Average daily consumption (000 m^3)	92	93	94	90	88	90	88	84
Social Security								
Total Payments (€ million)	621.2	641.5	680.6	718.4	749.4	796.6	835.5	927.2
Total Contributions (€ million)	417.2	421.8	438.9	441.9	455.6	471.5	480.3	510.1
Welfare Gap (€ million)	204.3	219.4	241.8	276.5	293.7	325.2	355.3	417.1

*Refer to Financial Year

(1) Education data has been revised

Source: National Statistics Office

Factor Incomes in Gross National Income

Table III — € million

	2001	2002	2003	2004	2005	2006	2007	2008	2007 Jan-Jun	2008 Jan-Jun	2009 Jan-Jun
Compensation of employees	1,880.3	1,949.5	2,051.9	2,055.7	2,130.9	2,239.5	2,344.7	2,481.4	1,152.7	1,219.3	1,250.3
Gross operating surplus and mixed income	1,687.8	1,834.1	1,866.0	1,841.1	2,010.8	2,203.2	2,388.7	2,469.4	1,132.6	1,209.5	1,160.0
Taxes on production and imports	535.3	582.1	566.1	671.8	740.8	780.8	826.5	858.0	381.1	401.9	373.7
Subsidies	66.4	90.1	95.6	86.0	101.2	109.4	112.1	121.7	54.0	83.9	42.7
Gross Domestic Product at market prices	**4,037.0**	**4,275.6**	**4,388.4**	**4,482.6**	**4,781.2**	**5,114.2**	**5,447.9**	**5,687.2**	**2,612.5**	**2,746.7**	**2,741.4**
Net Income from Abroad	40.9	27.7	-22.4	-54.3	-217.9	-225.1	-185.6	-190.3	-117.9	-114.8	-182.7
Gross National Income at market prices	**4,077.9**	**4,303.3**	**4,366.0**	**4,428.3**	**4,563.3**	**4,889.1**	**5,262.3**	**5,496.9**	**2,494.6**	**2,631.9**	**2,558.7**
Sectoral Percentage Contribution to Gross Value Added (at basic prices)											
Agriculture, hunting and forestry [(1)]	2.8	2.8	2.9	2.9	2.7	2.8	2.4	1.7	1.9	1.7	1.8
Industry [(2)]	24.6	25.4	24.8	23.0	22.4	22.1	21.8	21.0	23.0	21.5	20.1
Services Activities	72.7	71.8	72.3	74.1	74.9	75.1	75.8	77.3	75.1	76.8	78.1

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

[(2)] Includes energy and construction

Source: National Statistics Office

Gross National Income and Expenditure

Table IV — € million

	2001	2002	2003	2004	2005	2006	2007	2008	2007 Jan-Jun	2008 Jan-Jun	2009 Jan-Jun
GNI at current market prices	4,077.9	4,303.3	4,366.0	4,428.3	4,563.3	4,889.1	5,262.3	5,496.9	2,494.6	2,631.9	2,558.7
% annual increase of GNI	5.3	5.5	1.5	1.4	3.0	7.1	7.6	4.5	9.3	5.5	2.8
GDP at current market prices	4,037.0	4,275.6	4,388.4	4,482.6	4,781.2	5,114.2	5,447.9	5,687.2	2,612.5	2,746.7	2,741.4
% annual increase of GDP	1.6	5.9	2.6	2.1	6.7	7.0	6.5	4.4	6.7	5.1	-0.2
GDP at constant prices	3,909.1	4,011.5	3,999.2	4,016.0	4,179.0	4,336.8	4,498.6	4,593.2	2,159.7	2,218.9	2,160.3
Total Final Consumption Expenditure											
current market prices	3,515.3	3,563.2	3,739.2	3,908.7	4,062.9	4,230.5	4,367.9	4,845.3	2,071.8	2,294.9	2,365.4
constant prices	3,377.9	3,365.1	3,490.4	3,560.3	3,617.8	3,683.1	3,735.2	4,011.7	1,787.0	1,920.0	1,921.1
Ratio (%) of consumption to GDP at m.p.	87.1	83.3	85.2	87.2	85.0	82.7	80.2	85.2	79.3	83.6	86.3
General Government Final Consumption Expenditure											
current market prices	810.6	853.8	901.9	933.9	944.7	1,018.4	1,038.7	1,219.1	494.6	586.2	619.9
constant prices	740.2	767.7	792.8	796.5	792.6	839.7	835.2	943.0	398.3	456.2	464.2
Ratio (%) of Government consumption to GDP at m.p.	20.1	20.0	20.6	20.8	19.8	19.9	19.1	21.4	18.9	21.3	22.6
Private Final Consumption Expenditure(1)											
current market prices	2,704.7	2,709.4	2,837.3	2,974.7	3,118.3	3,212.0	3,329.1	3,626.2	1,577.2	1,708.8	1,745.5
constant prices	2,637.7	2,597.4	2,697.5	2,763.8	2,825.3	2,843.4	2,899.9	3,068.7	1,388.7	1,463.9	1,456.9
Ratio (%) of private consumption to GDP at m.p.	67.0	63.4	64.7	66.4	65.2	62.8	61.1	63.8	60.4	62.2	63.7
Gross Fixed Capital Formation											
current market prices	832.6	695.3	861.3	855.9	940.3	1,025.1	1,076.8	901.0	506.1	488.9	356.1
constant prices	803.6	646.9	796.2	783.8	864.0	885.1	896.4	705.6	426.5	383.2	282.9
Ratio (%) fixed investment to GDP at m.p.	20.6	16.3	19.6	19.1	19.7	20.0	19.8	15.8	19.4	17.8	13.0

(1)Including NPISH final consumption expenditure

Source: National Statistics Office

Labour

Table V

	2001	2002	2003	2004	2005	2006	2007	2008	2007 Jun	2008 Jun	2009 Jun
Labour Supply	**145,095**	**145,104**	**145,086**	**145,836**	**145,948**	**147,366**	**148,940**	**151,423**	**148,636**	**151,783**	**152,016**
Gainfully Occupied	**137,662**	**137,588**	**136,911**	**137,733**	**138,569**	**140,205**	**142,768**	**145,050**	**142,299**	**145,922**	**144,743**
Males	98,174	97,834	96,888	97,178	97,298	97,601	98,436	98,729	98,521	99,944	98,184
Females	39,488	39,754	40,023	40,555	41,271	42,604	44,332	46,321	43,778	45,978	46,559
Private Direct Production	**34,677**	**34,451**	**33,271**	**33,170**	**32,857**	**33,021**	**32,472**	**32,471**	**33,418**	**32,780**	**31,698**
of which:											
Construction	7,088	7,269	7,145	7,422	7,966	8,323	8,600	8,874	8,594	8,805	8,736
Manufacturing	25,102	24,672	23,558	23,169	22,284	22,068	21,229	20,938	22,145	21,314	20,330
Others	2,487	2,510	2,568	2,579	2,607	2,630	2,643	2,659	2,679	2,661	2,632
Private Market Services	**53,322**	**54,909**	**55,834**	**57,855**	**59,927**	**63,624**	**67,605**	**71,088**	**65,646**	**70,514**	**71,829**
of which:											
Wholesale and Retail (including Repair of Motor Vehicles, Motorcycles and Personal and Household Goods)	19,721	19,981	20,371	20,999	21,330	21,246	21,465	22,060	21,373	21,929	22,078
Hotels and Restaurants	8,324	8,435	8,514	8,780	9,123	9,212	9,823	9,898	9,666	10,269	9,809
Transport Storage and Communications	5,392	5,843	5,796	6,524	6,704	7,908	8,705	9,108	8,005	8,975	9,267
Financial Intermediation	4,643	4,557	4,560	4,517	4,616	4,736	4,937	5,135	4,872	5,148	5,185
Others	15,242	16,093	16,593	17,035	18,154	20,522	22,675	24,887	21,730	24,193	25,490
Public Sector	**48,487**	**47,154**	**46,826**	**45,747**	**44,970**	**42,827**	**41,992**	**40,780**	**42,498**	**41,845**	**40,519**
of which:											
Government Departments	32,379	31,921	31,960	31,564	30,969	30,532	30,426	30,171	30,377	30,235	29,979
Independent Statutory Bodies	8,333	7,975	8,582	8,699	8,686	8,917	9,053	8,095	8,929	9,003	8,318
Companies with Public Sector majority s/hldg	7,775	7,258	6,284	5,484	5,315	3,378	2,513	2,514	3,192	2,607	2,222
of which:											
Direct Production	1,084	960	260	246	221	150	140	135	139	139	129
Market Services	6,691	6,298	6,024	5,238	5,094	3,228	2,373	2,379	3053	2,468	2,093
Temporary Employment	**1,176**	**1,074**	**980**	**961**	**815**	**733**	**699**	**711**	**737**	**783**	**697**
Registered Unemployed*	**7,433**	**7,516**	**8,175**	**8,103**	**7,379**	**7,161**	**6,172**	**6,373**	**6,337**	**5,861**	**7,273**
Males	6,161	6,174	6,606	6,511	5,715	5,544	4,684	5,004	4,974	4,531	5,592
Females	1,272	1,342	1,569	1,592	1,664	1,617	1,488	1,369	1,363	1,330	1,681
Per cent of Labour Supply	5.1%	5.2%	5.6%	5.6%	5.1%	4.9%	4.1%	4.2%	4.3%	3.9%	4.8%
of which unemployment under Part I (%)	4.7%	4.7%	5.2%	5.1%	4.6%	4.4%	3.7%	3.8%	3.8%	3.5%	4.5%
Self Employed	15,469	15,674	15,860	15,159	16,521	16,632	16,897	17,142	16,807	17,127	17,325

Note: Employment data has been revised

* Includes both Parts I and II of the registered unemployed

Source: Employment and Training Corporation

Tourism

Table VI

	2001	2002	2003	2004	2005	2006	2007	2008	2007 Jan-Sep	2008 Jan-Sep	2009 Jan-Sep
Tourist Arrivals/Departures[1][2] (000's)	1,180.8	1,132.3	1,118.2	1,157.7	1,170.6	1,124.2	1,243.5	1,290.9	969.6	1,045.2	936.3
of which from:											
United Kingdom	466.8	467.4	473.1	453.0	482.6	431.3	482.4	454.4	372.9	359.1	321.7
Italy	95.3	88.2	92.7	102.6	92.4	112.5	113.7	144.5	96.2	122.0	133.9
Germany	166.4	148.5	125.4	135.2	138.2	125.8	130.0	150.8	92.7	119.1	94.3
Libya	32.4	25.0	17.5	12.8	10.7	9.2	9.3	9.4	7.4	6.7	9.1
Scandinavian Countries	50.4	40.0	47.0	68.9	72.6	73.7	87.3	85.5	65.5	69.4	51.7
Other	369.5	363.2	362.5	385.2	374.1	371.7	420.8	446.3	334.9	368.7	325.7
Cruise Passengers (000's)[3]	259.4	341.6	383.6	285.0	312.3	392.9	477.1	537.7	357.6	407.5	294.8
Gross Income (€ million)	589.2	614.0	634.0	620.9	611.0	607.2	664.2	646.2	251.7[4]	253.9[4]	227.8[4]
as ratio (%) of exports of goods and services	17.8	17.0	17.9	17.5	16.5	13.6	13.6	13.9	10.9[4]	11.3[4]	12.1[4]
Total Sector Employment in Hotels and Restaurants	8,625	8,749	8,826	8,661	8,809	9,525	9,931	10,010	9,781[5]	10,380[5]	9,918[5]
% of Gainfully Occupied	6.3	6.4	6.4	6.3	6.4	6.8	7.0	6.9	6.9[5]	7.1[5]	6.8[5]
Travel Abroad (000's)	164.9	156.7	174.4	220.2	224.9	257.2	279.7	299.0	188.2[6]	201.1[6]	195.9[6]
Estimated Expenditure (€ million)	189.2	154.6	188.5	205.1	216.3	253.0	271.8	296.8	109.0[4]	116.3[4]	123.4[4]
Days Stayed / Nights Spent[2] (000's)	11,067	10,599	11,293	11,175	11,085	10,661	11,017	11,262	8,789	9,002	8,076
% of which spent in :											
5 star	8.2	8.5	8.4	9.4	10.6	11.8	14.0	14.3	13.7	13.8	15.9
4 star	26.2	29.6	27.9	32.7	34.0	35.3	33.5	32.8	33.2	33.1	30.8
3 star	14.8	16.4	15.6	18.0	19.7	16.6	15.2	13.0	15.4	13.1	12.0
2 star	1.8	1.7	1.8	1.3	0.9	1.9	2.1	2.3	2.0	2.7	1.4
1 star	-	-	-	-	-	-	-	-	-	-	-
Unclassified	0.2	0.1	0.2	0.1	0.1	-	-	-	-	-	-
Guest Houses	0.6	0.5	0.6	0.7	0.8	0.5	0.5	1.0	0.6	1.1	0.7
Flats/Private Residences	32.4	33.8	33.1	29.7	26.9	27.2	28.3	29.2	28.1	29.0	31.9
Complexes/Tourist Village/Aparthotels	15.8	9.4	12.6	8.1	7.0	6.7	6.4	7.3	7.0	7.2	7.3

[1] As from 2001 tourism data is based on the Inbound Tourism Survey

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

[3] Excluding Maltese cruise passengers

[4] Data for January-June period

[5] Data as at end of June

[6] Data for January-August period

Source: National Statistics Office, Employment & Training Corporation

Foreign Trade

Table VII — € million

	2001	2002	2003	2004	2005	2006	2007	2008	2007 Jan-Sep	2008 Jan-Sep	2009 Jan-Sep
Imports and Exports											
Imports (cif)	2,853.9	2,859.3	2,984.4	3,328.6	3,117.2	3,487.6	3,580.3	3,429.9	2,619.0	2,630.4	2,084.1
Consumer goods	708.8	744.7	784.1	851.3	911.3	940.2	1,020.0	1,088.1	741.7	809.8	670.3
Industrial supplies	1,678.1	1,648.5	1,709.8	1,642.0	1,642.5	1,892.4	1,924.0	1,848.3	1,433.7	1,432.7	932.0
Capital goods and others	467.0	465.9	490.8	851.3	563.4	655.0	636.3	493.6	443.6	387.9	481.9
Total Exports	2,051.5	2,255.8	2,162.4	2,112.3	1,959.1	2,256.7	2,287.5	2,060.9	1,659.5	1,534.7	1,188.4
of which manufactures	2,029.6	2,089.7	2,122.8	2,057.8	1,900.1	2,176.1	2,171.8	1,956.1	1,644.0	1,516.5	1,176.2
Trade Gap	-802.5	-603.5	-822.0	-1,216.4	-1,158.1	-1,230.9	-1,292.8	-1,369.0	-959.6	-1,095.7	-895.7
as % of GDP at current market prices	-19.9	-14.1	-18.7	-27.1	-24.2	-24.1	-23.7	-24.1	-24.8*	-25.2*	-21.2*
Selected Groupings											
EU											
Imports	1,836.6	1,941.2	2,042.9	2,497.1	2,265.9	2,421.7	2,564.3	2,401.6	1,893.1	1,868.8	1,390.8
Exports	1,010.8	1,026.8	1,001.9	1,017.4	1,004.7	1,150.7	1,106.9	921.4	849.8	717.4	516.1
United Kingdom:											
Imports	286.7	297.5	276.3	367.4	335.9	343.9	498.7	434.4	344.8	337.8	237.0
Exports	177.5	261.4	253.9	242.3	216.2	213.2	222.0	166.9	169.9	128.7	70.3
Italy:											
Imports	567.2	632.9	685.8	772.3	956.7	965.9	876.6	905.6	645.3	693.3	482.6
Exports	70.3	76.2	73.4	65.0	100.5	81.4	90.8	103.1	69.3	85.9	58.1
Germany											
Imports	250.2	229.4	235.3	391.9	280.1	263.2	290.4	260.9	201.2	202.3	189.1
Exports	267.4	218.0	221.8	228.4	236.3	283.0	305.3	266.9	235.0	213.9	153.9
France:											
Imports	428.8	477.8	509.9	566.3	291.3	405.9	420.1	273.3	350.0	224.6	161.6
Exports	326.6	279.5	280.0	327.5	283.8	326.7	271.3	234.4	200.1	173.4	131.3
America:											
Imports	366.6	296.8	270.0	197.7	189.7	218.2	241.7	121.0	144.7	94.3	161.2
Exports	415.3	381.3	333.6	351.0	301.7	298.8	279.7	209.5	202.3	157.0	127.9
Africa:											
Imports	66.6	40.3	25.2	59.9	125.3	50.3	29.3	75.0	21.2	57.0	40.2
Exports	76.9	104.4	81.8	109.3	143.2	120.5	121.3	132.4	94.0	106.4	106.5
Asia:											
Imports	459.6	430.9	489.6	457.9	417.6	635.3	598.7	597.1	448.4	463.1	331.5
Exports	405.8	577.0	594.5	544.4	460.9	631.4	719.9	713.9	471.8	485.4	394.0

* Based on Jan - Jun GDP and Trade data

Source: National Statistics Office

Balance of Payments

Table VIII — € million

	2001	2002	2003	2004	2005	2006	2007	2008	2007 Jan-Jun	2008 Jan-Jun	2009 Jan-Jun
Goods Balance[(1)]	-578.9	-343.7	-565.1	-693.3	-904.4	-966.2	-981.4	-1,165.3	-440.5	-586.7	-393.3
Imports (f.o.b.)	-2,698.5	-2,700.5	-2,836.3	-2,881.5	-2,987.5	-3,301.5	-3,388.2	-3,275.2	-1,616.7	-1,664.1	-1,148.0
Exports (f.o.b.)	2,119.6	2,356.8	2,271.2	2,188.2	2,083.2	2,335.4	2,406.8	2,110.0	1,176.1	1,077.4	754.7
Services-Net	388.3	446.3	489.7	519.8	647.7	713.1	827.0	982.8	357.3	403.6	425.0
Transport-net	10.8	-14.2	-21.8	63.7	63.6	79.5	89.7	137.1	42.4	68.0	59.3
Travel-net	400.0	459.4	445.4	415.8	394.7	354.1	392.4	349.4	142.7	137.6	104.5
Other Services-net	-22.5	1.2	66.1	40.2	189.3	279.4	344.9	496.3	172.1	198.0	261.2
Income- Net	40.9	27.7	-22.4	-43.5	-199.6	-212.5	-168.9	-168.8	-110.2	-104.2	-178.0
Compensation of Employees-net	5.7	12.9	13.1	13.5	9.2	-2.8	-1.8	-1.7	0.2	-0.6	-0.7
Investment Income-net	35.2	14.7	-35.5	-56.9	-208.8	-209.7	-167.1	-167.1	-110.4	-103.6	-177.2
Current Transfers-Net	-5.5	-25.6	-38.8	-48.7	35.9	-6.4	-55.8	33.3	-3.7	100.8	176.1
General Government-net	8.4	7.3	20.8	11.7	21.7	1.3	-31.4	62.9	8.6	118.5	202.6
Private-net	-13.9	-32.9	-59.6	-60.4	14.3	-7.7	-24.5	-29.6	-12.3	-17.8	-26.5
Current A/C-Net	-155.3	104.8	-136.5	-265.6	-420.4	-472.0	-379.2	-317.9	-197.2	-186.5	29.8
Goods Balance[(1)] as % of GDP at m.p.	-14.3%	-8.0%	-12.9%	-15.5%	-18.9%	-18.9%	-18.0%	-20.5%	-16.9%	-21.4%	-14.3%
Invisible Balance as % of GDP at m.p.	9.6%	10.4%	11.2%	11.6%	13.5%	13.9%	15.2%	17.3%	13.7%	14.7%	15.5%
Income a/c Balance as % of GDP at m.p.	1.0%	0.6%	-0.5%	-1.0%	-4.2%	-4.2%	-3.1%	-3.0%	-4.2%	-3.8%	-6.5%
Current a/c Balance as % of GDP at m.p.	-3.8%	2.5%	-3.1%	-5.9%	-8.8%	-9.2%	-7.0%	-5.6%	-7.5%	-6.8%	1.1%
Capital A/C-Net	1.5	6.7	15.4	66.6	155.7	153.1	51.4	27.6	6.1	11.5	8.9
Financial A/C-Net	-118.7	-50.4	96.0	140.3	299.8	313.2	151.6	280.8	221.4	286.4	-39.2
Direct Investment-net	253.1	-417.0	367.7	311.9	560.1	1,468.1	672.7	410.8	340.5	139.4	187.4
Portfolio Investment-net[(2)]	-512.7	-371.3	-1,394.8	-1,681.1	-2,137.3	-1,980.3	368.0	372.7	-556.4	-1,416.2	-41.2
Financial Derivatives-net[(2)]	...	...	21.0	-14.0	-18.4	24.9	120.2	-343.0	31.5	-18.5	-60.8
Other Investment-net[(2)]	409.6	1,021.8	1,229.5	1,362.3	2,083.3	883.5	-682.8	-268.2	185.0	1,605.1	-57.5
Reserve Assets[(2)]	-268.7	-283.8	-127.5	161.1	-187.8	-83.0	-326.5	108.7	220.8	-23.3	-67.1

[(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)] As from 1 January 2008, following Malta's entry into the euro area, a reclassification of the external reserves of the country has been carried out. Indeed, this meant that, as from this date, all cross-border claims that Malta has within the euro area as well as 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 euro area 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 being compiled in accordance with the fifth edition of the IMF's Balance of Payments Manual.

Source: National Statistics Office

Government Revenue and Expenditure

Table IX € million

	2001	2002	2003	2004	2005	2006	2007	2008	2007 Jan-Sep	2008 Jan-Sep	2009 Jan-Sep
Government Recurrent Revenue	1,557.4	1,676.7	1,721.9	1,893.8	2,088.1	2,200.6	2,224.5	2,302.1	1,504.0	1,585.7	1,553.6
Increase/(Decrease) % per annum	8.2	7.7	2.7	10.0	10.3	5.4	1.1	3.5	2.5	5.4	-2.0
of which:											
Tax Revenue	1,382.9	1,478.5	1,556.7	1,635.2	1,724.4	1,857.1	1,982.0	2,098.3	1,325.4	1,437.7	1,415.0
Direct Tax Revenue	804.6	864.9	916.8	933.6	972.0	1,069.0	1,143.7	1,246.0	728.2	817.0	857.9
Indirect Tax Revenue	578.6	613.6	639.6	701.6	752.4	788.1	838.3	852.3	597.2	620.7	557.1
Non-Tax Revenue	174.4	198.3	165.2	258.6	363.6	343.5	242.4	203.8	178.6	148.0	138.7
Total Government Expenditure	1,756.1	1,881.0	1,967.6	2,112.7	2,263.5	2,335.4	2,333.6	2,535.3	1,674.7	1,844.1	1,887.5
Increase/(Decrease) % per annum	7.3	7.1	4.6	7.4	7.1	3.2	-0.1	8.6	2.3	10.1	2.4
of which:											
Recurrent Expenditure	1,431.6	1,504.8	1,578.6	1,707.0	1,784.3	1,835.9	1,896.6	2,124.1	1,357.3	1,524.1	1,559.9
Capital Expenditure	187.7	227.6	242.3	243.7	305.1	319.2	257.9	222.1	170.7	163.9	169.0
% of Total Government Expenditure	10.7	12.1	12.3	11.5	13.5	13.7	11.1	8.8	10.2	8.9	9.0
Interest on Public Debt	136.7	148.6	146.8	162.1	174.2	180.2	179.1	189.0	146.8	156.1	158.6
Structural Deficit	-198.7	-204.2	-245.7	-219.0	-175.4	-134.8	-109.1	-233.1	-170.7	-258.3	-333.9
Financed by:											
Extraordinary Receipts	51.2	94.6	4.9	20.7	59.6	201.8	14.9	33.3	3.3	33.3	0.0
Receipts from sale of shares	0.0	63.6	0.0	0.0	50.8	172.8	0.0	0.0	0.0	0.0	0.0
Sinking Funds of Converted Loans	51.2	31.0	4.9	20.7	8.9	29.0	14.9	33.3	3.3	33.3	0.0
Sinking Fund Contribution & Direct Loan Repayment	-29.6	-27.5	-29.6	-62.7	-32.1	-26.7	-21.2	-111.4	-10.9	-102.7	-259.6
Equity Acquisition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-6.5	0.0	-6.5	-0.5
Public Sector Borrowing Requirement	-177.1	-137.1	-270.4	-260.9	-147.9	40.3	-115.5	-317.7	-178.3	-334.2	-594.1
Loans	248.8	24.7	307.7	232.7	256.2	0.0	126.0	285.7	67.2	232.7	355.8

Source: National Statistics Office

Monetary Aggregates and Their Counterparts*

Table X a — € million

	2001	2002	2003	2004	2005	2006	2007
Broad Money (M3)	5,779.4	6,479.2	6,636.9	6,797.8	7,085.0	7,451.7	8,275.3
Intermediate Money (M2)	5,779.4	6,479.2	6,636.9	6,797.8	7,085.0	7,451.7	8,275.3
% Increase per annum	10.0	12.1	2.4	2.4	4.2	5.2	11.1
of which:							
Narrow Money (M1)	2,988.4	3,185.2	3,472.9	3,682.5	3,890.2	3,859.4	3,695.4
Currency in Circulation	975.8	1,017.5	1,072.4	1,132.1	1,162.2	1,112.9	610.2
% Increase/ (Decrease) per annum	5.7	4.3	5.4	5.6	2.7	-4.2	-45.2
Deposits withdrawals on demand	2,012.6	2,167.5	2,400.4	2,550.4	2,728.0	2,746.5	3,085.2
Deposits redeemable at notice up to 3 months	61.3	65.0	67.1	70.0	73.3	71.8	105.3
Deposits with agreed maturity up to 2 years	2,729.8	3,229.0	3,096.9	3,045.2	3,121.5	3,520.6	4,474.6
Domestic Credit	5,413.7	5,593.8	5,747.5	6,063.7	6,141.8	6,705.9	7,424.5
of which:							
Net Claims of Central Government	1,192.6	1,256.7	1,324.0	1,269.7	1,031.2	850.1	1,023.8
Claims on other residents	4,221.1	4,337.3	4,423.4	4,793.9	5,110.6	5,855.8	6,400.6
Net Foreign Assets	2,538.1	3,031.2	3,723.1	3,786.9	4,215.0	4,804.9	5,199.9
Increase/(Decrease) % per annum	11.2	19.4	22.8	1.7	11.3	14.0	8.2
of which:							
Central Bank of Malta	1,785.5	2,053.6	2,142.6	2,027.3	2,172.4	2,214.9	2,532.9
Other Monetary Financial Institutions	752.6	977.6	1,580.5	1,759.7	2,042.6	2,590.0	2,667.0
Other Counterparts to Broad Money	2,172.4	2,146.1	2,833.6	3,052.9	3,271.8	4,059.1	4,349.1

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

In view of Euro adoption and the consequent changes in the compilation of monetary data, comparable statistics for 2008 onwards are not available.

Source: Central Bank of Malta

Contribution of Resident MFIs to Euro Area Monetary Aggregates and Counterparts[1]

Table X b — € million

	2008	2009* Jan-Sep
Broad Money (M3)[2]	8,680.3	8,596.7
Intermediate Money (M2)	8,824.5	8,721.3
% Increase/ (Decrease)		-1.2
of which:		
Narrow Money (M1)	3,849.6	4,170.4
Currency issued[3]	669.2	618.9
% Increase/ (Decrease)		-7.5
Overnight deposits[4]	3,180.4	3,551.5
Deposits redeemable at notice up to 3 months[4]	114.2	109.8
Deposits with agreed maturity up to 2 years[4]	4,860.7	4,441.1
Credit Counterpart[5]	12,092.5	12,506.9
of which:		
Credit to residents of Malta	8,867.4	9,471.3
Credit to other Euro area residents	3,225.1	3,035.6
Net claims on non-residents of the Euro area	4,804.9	5,199.9
Other counterparts (net)[6]	4,059.1	4,349.1

* Provisional

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

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

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

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

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

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

Source: Central Bank of Malta

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