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— to indicate that the figure is negligible;

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1. Executive Summary

1. Executive Summary

The global economy is slowly starting to emerge from the economic and financial crisis which commenced in 2007. However, global economic conditions remain weak and fragile, with advanced economies gradually strengthening while growth in emerging market economies slowing down. The IMF World Economic Outlook of October 2013 expects the world economy to grow by 2.9 per cent in 2013, which is slightly slower than the 3.2 per cent growth recorded in 2012.

Over the past year, commodity prices have been largely stable. The price of crude oil stood at \$112.86 per barrel in September 2012, and fluctuated over the subsequent months to settle at \$111.60 in September 2013. Meanwhile, the commodity price index declined by 1.0 per cent during the twelve months to September 2013.

The EU and Euro Area returned to growth in the second quarter of 2013 after six quarters of recession. GDP rose by 0.3 per cent in both the EU and Euro Area during that quarter over the previous three months. Nevertheless, the marked deterioration in labour market conditions continued during the first two quarters of 2013, with the unemployment rate increasing year-on-year by 0.7 percentage points to 12.1 per cent in June 2013. European Commission surveys suggest a further deterioration in labour market conditions with additional job losses and rising unemployment in the short term. The inflation rate stood at 1.7 per cent by the end of the second quarter. Meanwhile, since mid-2012, the Euro currency started to regain some of the strength it had lost against the major currencies during the previous year.

During the first half of 2013, the Maltese economy expanded by 2.8 per cent. In nominal terms, this increase was reflected in a GDP growth rate of 4.8 per cent, up from 2.1 per cent registered in the same comparable period last year.

Emerging services sectors together with traditional services sectors, especially the tourism industry, contributed to this growth. In the latter case, the number of visitors and earnings from the industry reached an all time high.

The performance of the labour market has been positive with the Labour Force Survey reporting an increase of 3.0 per cent in employment in the second quarter of the year. In fact, according to Eurostat, the increase in employment growth recorded in Malta was amongst the highest in the EU and the Euro Area. Notable increases came from female employment. The official Eurostat

harmonised and seasonally adjusted unemployment rate stood at 6.4 per cent in August which is slightly lower than that prevailing at the end of 2012. The share of direct production employment in total employment continued to decline whereas the share of market services continued to increase. The latter stood at 76.1 per cent in May of this year. The most significant increases originated mainly in the private sector, particularly in activities related to professional, technical and administrative activities; education; and health and social work. By contrast, the most significant decreases were recorded in construction and manufacturing.

The average weekly wage, as derived from a study concerning collective agreements, stood at €96.05 up by €4.54 or 1.6 per cent over same period last year.

The year-on-year inflation rate in September stood at 0.6 per cent which is both one of the lowest in the Eurozone as well as lower than the 2.9 per cent rate experienced in September of 2012.

Deposits of a short-term nature, specifically overnight deposits and deposits with agreed maturity of up to two years exhibited a gradual increase in contrast to a slight decline in deposits with three month maturity. Moreover, interest rates margins continued to be largely unchanged. Bank lending conditions remained tight, restraining credit demand from the private sector. Meanwhile, the ratio of gross fixed capital formation to GDP has remained low for the last three years.

The General Government deficit in Malta increased to 3.3 per cent of GDP in 2012. During the first nine months of 2013 the shortfall between Government recurrent revenue and expenditure in the Consolidated Fund fell when compared with same period the year before.

During the first eight months of 2013, exports valued in nominal terms, net of fuels, stood at €1,485.6 million, decreasing by 4.3 per cent over the previous year. Concomitantly, imports valued in nominal terms, net of fuels, amounted to €2,250.9 million, decreasing by 5.1 per cent over 2012.

The current account deficit stood at 0.8 per cent of GDP, during the first half of 2013, which was lower than the 1.9 per cent of GDP level recorded during the same period of 2012. This development was underpinned by a lower deficit in the goods account, an increase in the surplus on the services account and net current transfer inflows which together more than offset the slight increase in

outflows in the income account.

Meanwhile, net direct investment inflows increased when compared to the first half of 2012 due to higher inflows of foreign direct investment, offsetting higher dividend payments of foreign owned companies in Malta.

2. Economic Growth

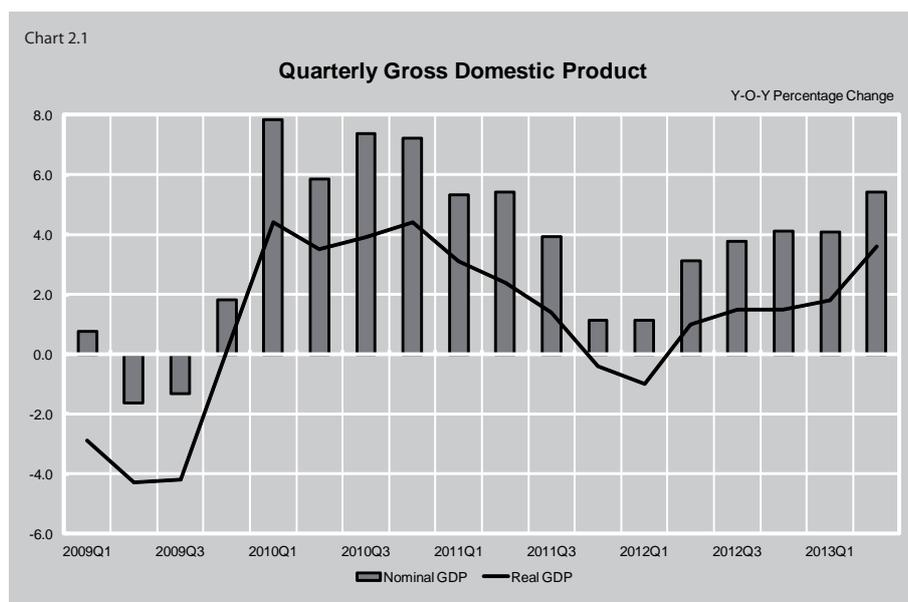
2. Economic Growth

The International Context

In the aftermath of the financial and sovereign debt crisis, the world economy has not been able to revive the growth conditions of the preceding decade as the main economies in the Euro Area continued to register growth below their potential. The performance of the global economy remained sluggish towards the end of 2012 and continued to be rather weak in the first half of 2013. A rather subdued recovery in the global economy is expected in the second half of this year.

The Maltese Economy¹

The Maltese economy continued to grow by 4.8 per cent in nominal terms and by 2.8 per cent in real terms in the first half of 2013 when compared to the same comparable period in the previous year. Year-on-Year economic growth rates at a quarterly basis are presented in Chart 2.1. From the expenditure side, growth was mainly attributed to the external side of the economy and to stock building. By contrast, domestic consumption contracted as households reduced final consumption in the first half of 2013 reflecting a more guarded spending approach by consumers, partly in view of the electoral uncertainty which was present in the first quarter of 2013. This lower consumer confidence was



confirmed by the Consumers Surveys published by the European Commission. During this period, there was also a decrease of 9.1 per cent in gross fixed capital formation. However, public consumption contributed positively towards economic growth as it increased by 0.9 per cent in the first half of the year. Nevertheless, since the negative contribution to economic growth of household consumption and investment was much larger than the positive contribution of government consumption, domestic demand led to dampening in real GDP growth.

	2009	2010	2011	2012	2012 Jan-Jun	2013 Jan-Jun
At Current Market Prices						
Private Final Consumption Expenditure ⁽¹⁾	3,778.7	3,870.0	4,030.7	4,094.6	1,988.5	2,006.0
General Government Final						
Consumption Expenditure	1,230.6	1,291.1	1,353.3	1,447.4	710.7	741.6
Gross Fixed Capital Formation	1,003.2	1,123.8	1,001.5	1,008.3	504.7	472.9
Changes in Inventories	74.7	99.5	1.9	(106.8)	(10.8)	56.8
Acquisitions less Disposals of Valuables	4.5	(13.5)	(17.1)	8.1	(0.1)	6.8
Exports of Goods and Services	4,870.8	5,916.8	6,591.2	6,997.9	3,422.8	3,242.8
Total Final Expenditure	10,962.6	12,287.6	12,961.6	13,449.6	6,615.8	6,526.9
Less Imports of Goods and Services	5,006.5	5,910.8	6,335.4	6,620.1	3,323.7	3,077.6
Gross Domestic Product	5,956.0	6,376.8	6,626.2	6,829.5	3,292.1	3,449.3
At Constant 2000 Prices						
Private Final Consumption Expenditure ⁽¹⁾	3,123.6	3,104.8	3,203.8	3,196.8	1,555.1	1,533.8
General Government Final						
Consumption Expenditure	920.6	935.9	974.3	1,023.0	503.9	508.3
Gross Fixed Capital Formation	758.9	806.0	688.7	661.5	326.1	296.6
Changes in Inventories	60.1	76.9	0.5	(78.9)	(8.7)	41.3
Acquisitions less Disposals of Valuables	3.8	(10.8)	(13.7)	6.4	(0.1)	5.3
Exports of Goods and Services	4,167.8	4,845.1	5,074.2	5,430.3	2,724.5	2,563.5
Total Final Expenditure	9,034.7	9,757.9	9,927.9	10,239.1	5,100.8	4,948.7
Less Imports of Goods and Services	4,301.9	4,833.9	4,926.3	5,198.4	2,696.4	2,478.0
Gross Domestic Product	4,732.7	4,924.0	5,001.5	5,040.7	2,404.4	2,470.7
⁽¹⁾ Includes NPISH final consumption expenditure						
<i>Source: National Statistics Office</i>						

GDP by Category of Expenditure

Percentage Changes

Table 2.2

	2010	2011	2012	2012	2013
				Jan-Jun	Jan-Jun
At Current Market Prices					
Private Final Consumption Expenditure ⁽¹⁾	2.4	4.2	1.6	0.8	0.9
General Government Final					
Consumption Expenditure	4.9	4.8	7.0	6.9	4.3
Gross Fixed Capital Formation	12.0	-10.9	0.7	3.2	-6.3
Changes in Inventories					
Acquisitions less Disposals of Valuables					
Exports of Goods and Services	21.5	11.4	6.2	6.7	-5.3
Total Final Expenditure	12.1	5.5	3.8	3.1	-1.3
Less Imports of Goods and Services	18.1	7.2	4.5	4.0	-7.4
Gross Domestic Product	7.1	3.9	3.1	2.1	4.8
At Constant 2000 Prices					
Private Final Consumption Expenditure ⁽¹⁾	-0.6	3.2	-0.2	-1.3	-1.4
General Government Final					
Consumption Expenditure	1.7	4.1	5.0	5.1	0.9
Gross Fixed Capital Formation	6.2	-14.6	-3.9	0.6	-9.1
Changes in Inventories					
Acquisitions less Disposals of Valuables					
Exports of Goods and Services	16.3	4.7	7.0	12.6	-5.9
Total Final Expenditure	8.0	1.7	3.1	4.9	-3.0
Less Imports of Goods and Services	12.4	1.9	5.5	9.8	-8.1
Gross Domestic Product	4.0	1.6	0.8	-0.0	2.8

⁽¹⁾Includes NPISH final consumption expenditure

Source: National Statistics Office

During the first two quarters of 2013, stock building together with a significant statistical residual contributed positively by 2.3 percentage points to real economic growth. Simultaneously, there was also a significant positive contribution to economic growth of 2.4 percentage points which was thriving from the external side of the economy, reflecting the fact that real imports declined by much more than exports. Netting off the negative contribution of

domestic demand against the positive contributions of changes in stock building and the external sector yields a growth rate of 2.8 per cent in real terms in the first half of the year. Data related to these developments is presented in Table 2.1 and in Table 2.2 which present GDP data by category of expenditure and the respective relevant percentage changes, respectively.

Private Final Consumption Expenditure

The private final consumption expenditure category defined as household final consumption expenditure and non-profit institutions serving households (NPISH) final consumption expenditure registered a nominal increase of 0.9 per cent in the first half of 2013 compared with an increase of 0.8 per cent registered in the same period of 2012. In real terms, the change in private final consumption was more accentuated as it declined by 1.4 per cent during the same comparable period. This decline has to be considered against the context of the negative rates of growth in private consumption expenditure recorded in the corresponding quarters of 2012 and the exceptionally high growth rates in private consumption during the same comparable period in 2011.

Consequently, the proportion of private consumption in real GDP declined over the course of 2013 compared to the same comparable periods in 2011 and 2012. While in the first half of 2011 this proportion stood at 65.5 per cent, the ratio declined by 0.9 percentage points to 64.7 per cent for the same period in 2012 and by 2.6 percentage points to 62.1 per cent for the same period in 2013.

The increase in aggregate nominal private consumption in the first half of 2013 was mainly underpinned by the services expenditure categories with the exception of the transport subcategory which marginally declined by 0.9 per cent. Other declines were recorded in the food and non-alcoholic beverages subcategory, as it declined by 0.7 per cent and in the clothing and footwear subcategory, as it significantly declined by 5.3 per cent. On the other hand, increases were recorded among all the other subcategories with notable performance in the miscellaneous goods and services category (5.8 per cent), in the hotel and restaurants subcategory (5.6 per cent), the education subcategory (4.2 per cent), in the recreation and culture subcategory (3.6 per cent) and in the alcoholic beverages and tobacco subcategory (2.3 per cent).

General Government Final Consumption Expenditure

General Government expenditure registered an increased of 4.3 per cent in nominal terms during the Survey period which is less than the 6.9 per cent

increase registered during the same comparable period in 2012. In real terms, general Government expenditure increased by 0.9 per cent compared to an increase of 5.1 per cent in the first half of 2012.

General Government final consumption expenditure as a ratio of real GDP decreased from 21.0 per cent in the first half of 2012 to 20.6 per cent in the corresponding period of 2013, a decrease of 0.4 percentage points. It is noteworthy to mention that general Government final consumption expenditure excludes outlays which finance transfer payments, such as Social Security benefits, subsidies and grants since such items of expenditure do not reflect the production of goods and services but constitute a redistribution of funds between different sectors of the economy.

Gross Capital Formation

Gross Capital Formation comprises gross fixed capital formation, changes in inventories and acquisitions less disposals of valuables. The main item within this component, gross fixed capital formation (GFCF), registered a nominal decrease of 6.3 per cent in the first six months of 2013, from €504.7 million in the first half of 2012 to €472.9 million in the same period of 2013. The decrease in GFCF was underpinned by decreases in both Government investment of 12.2 per cent and in private investment of 5.0 per cent, the former is largely the result of significant declines in the investment of transport equipment and construction while the latter is mainly the result of weaknesses in the construction sector as the situation continued to negatively prevail. Indeed, a further analysis of the components of investment indicates a significant decline in the construction subcategory mainly driven by declines in housing investments. Investment in equipment also registered a marginal decline. This was underpinned by declines in metal products and machinery equipment. On the other hand, the transport equipment subcategory classified under the equipment subsector registered a marginal positive growth rate of 0.2 per cent during the Survey Period.

The ratio of investment to nominal GDP remained practically unchanged at 13.7 during the January-June 2013 period when compared to the same comparable period last year. In real terms the ratio declined marginally, from 13.6 per cent in the first half of 2012 to 12.0 per cent in the same period of 2013. Gross fixed capital formation in nominal and constant terms together with the ratio of GFCF to GDP are presented in Table 2.3.

During the first half of the year, changes in stock building (which includes a statistical residual²) and acquisitions less disposals of valuables stood at

Gross Fixed Capital Formation

Table 2.3

	2009	2010	2011	2012	2012	2013
					Jan-Jun	Jan-Jun
At Current Market Prices						
Gross Fixed Capital Formation (€million)	1,003.2	1,123.8	1,001.5	1,008.3	504.7	472.9
% change	-8.7	12.0	-10.9	0.7	3.2	-6.3
GDP (€ million)	5,956.0	6,376.8	6,626.2	6,829.5	3,292.1	3,449.3
(GFCF/GDP) %	16.8	17.6	15.1	14.8	15.3	13.7
At Constant 2000 Prices						
Gross Fixed Capital Formation (€million)	758.9	806.0	688.7	661.5	326.1	296.6
% change	-14.2	6.2	-14.6	-3.9	0.6	-9.1
GDP (€ million)	4,732.7	4,924.0	5,001.5	5,040.7	2,404.4	2,470.7
(GFCF/GDP) %	16.0	16.4	13.8	13.1	13.6	12.0

Source: National Statistics Office

€46.6 million and contributed positively towards real economic growth by 2.3 percentage points. On the other hand, nominal changes in stock building and acquisitions less disposals of valuables stood at €63.6 million. This represents a share of 1.8 per cent of nominal GDP.

Foreign Demand and Supply

The sluggish growth in world trade and the continued uncertainty in the international economy had a negative effect on Malta's exports and imports. While exports decreased by 5.9 per cent in real terms, imports decreased by 8.1 per cent. As a result during the first half of 2013, net exports contributed positively to the economy.

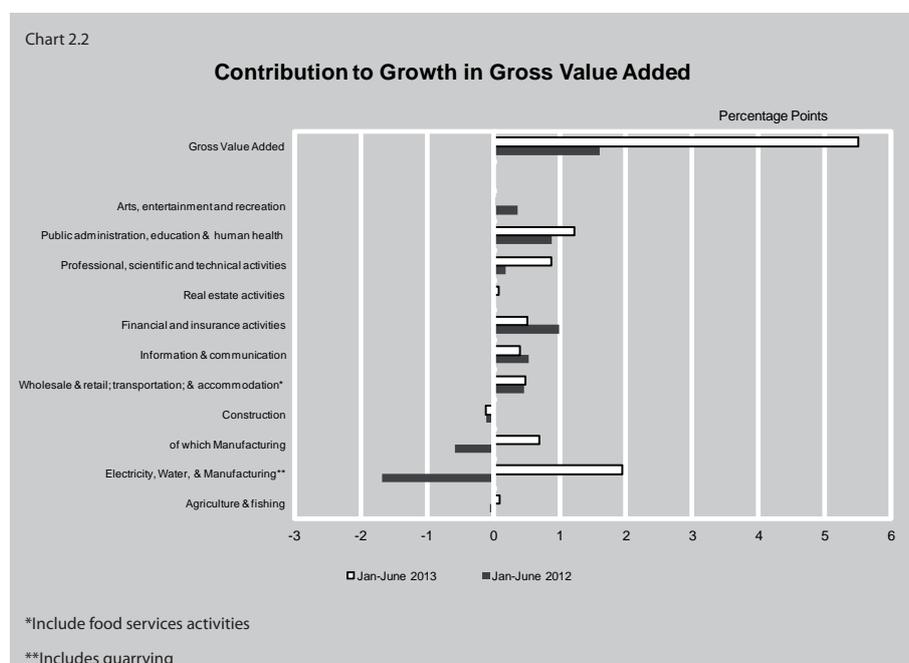
During the Survey period, imports of goods in real terms decreased by 12.5 per cent while imports of services registered an increase of 0.4 per cent.

With regards to real exports, services increased by 6.2 per cent while exports of goods decreased by 11.4 per cent. In nominal terms, exports of services increased by 4.1 per cent while imports of services increased by 1.6 per cent. Imports of goods in nominal terms declined by 12.2 per cent while exports of goods decreased by 14.8 per cent. A more disaggregated analysis reveals that the decline in imports of goods was primarily driven by declines in crude materials, food, machinery and transport equipment, and in miscellaneous transactions and commodities. On the other hand, the decrease in exports of goods was underpinned by decreased exports of mineral fuels, chemicals and semi-manufactured goods, crude materials, semi-manufactured goods, and miscellaneous transactions and commodities³.

In the first half of 2013, the current account to GDP was in deficit by 0.8 per cent compared with a deficit of 1.9 per cent registered in the same period of 2012.

Sectoral Growth in Gross Value Added

Gross Value Added (GVA) is defined as the value generated by units engaged in production activities and is obtained by taking the excess of output over intermediate consumption. Intermediate consumption consists of the value of goods and services consumed as inputs in the production process, excluding



Sectoral Gross Value Added

(at basic prices)

Table 2.4

€ million

	2009	2010	2011	2012	2012	2013
					Jan-Jun	Jan-Jun
Agriculture, forestry and fishing	89.3	94.2	87.3	90.8	42.1	45.0
Mining and quarrying; manufacturing; and utilities	807.0	860.7	822.6	795.2	380.5	436.2
of which Manufacturing	661.7	716.1	740.4	761.1	362.7	382.9
Construction	249.6	246.9	243.0	237.6	119.3	115.7
Wholesale and retail trade; repair of motor vehicles and motorcycles; transportation and storage; accommodation and food service activities	1,112.2	1,170.4	1,209.1	1,268.1	587.6	601.3
Information and Communication	274.2	302.2	352.9	382.0	186.0	197.4
Financial services	325.9	404.1	458.3	494.8	250.5	265.3
Real estate activities	333.1	336.5	346.3	345.4	171.6	173.8
Professional, scientific and technical activities; administrative and support service activities	480.2	525.4	570.1	598.1	277.0	302.3
Public administration and defence; compulsory social security; education; human health and social work activities	994.8	1,054.6	1,100.0	1,162.0	575.5	610.5
Arts, entertainment and recreation, repair of household goods and other services	511.7	574.0	562.8	580.9	289.7	290.6
Gross Value Added	5,178.0	5,569.0	5,752.5	5,955.0	2,879.7	3,038.1

Source: National Statistics Office

the consumption of fixed assets. Gross value added at basic prices does not include taxes less subsidies on products as output is valued at basic prices, while intermediate consumption is measured at purchasers' prices. The sectoral contributions to growth in GVA during the Survey period are shown in Chart 2.2 whereas the growth in GVA at sectoral level at basic prices is shown in Table 2.4.

During the Survey period, GVA at basic prices increased by 5.5 per cent compared with a 1.6 per cent in the same period of 2012. Growth in GVA at basic prices is attributable to increases registered in all sectors of the economy with the exception of the construction activities sector. Significant increases were recorded in the public administration and defence, compulsory social security, education, human health and social work activities sector, in the manufacturing sector, in the professional, scientific and technical activities sector, in the financial and insurance activities sector, in the wholesale and retail trade sector, in the information and communication sector, and in the mining and quarrying, electricity, gas, steam and air conditioning supply, water supply, sewerage, waste management and remediation activities sector. The increase in the latter category is largely the result of a base effect over the preceding period.

During the Survey period, GVA at basic prices in agriculture, forestry and fishing increased by €2.9 million, from €42.1 million in the first half of 2012 to €45.0 million in the same period of 2013, mainly attributed to increases in crop and animal production, hunting and related service activities.

GVA in the construction sector decreased by 3.0 per cent or €3.6 million during the first two quarters of 2013 when compared to the same comparable period last year. This decrease follows the trend that prevailed in the first half of 2012 and that of 2011 whereby a decline of 2.5 per cent and a decline of 0.5 per cent were registered respectively in comparison to the corresponding period of the previous year.

GVA in the wholesale and retail trade, repair of motor vehicles and motorcycles, transportation and storage, accommodation and food services increased by 2.3 per cent during the same period. At a more disaggregated level, GVA at basic prices in the wholesale and retail trade sector in the January-June 2013 period stood at €298.9 million, a rise of 0.5 per cent when compared to the same period in 2012. On the other hand, during the survey period, the transportation and storage sector increased by 3.0 per cent to €170.7 million. The accommodation and food service activities sector also registered a rise of 6.0 per cent in GVA at basic prices, amounting to €7.5 million.

The manufacturing sub-sector registered positive growth rates, increasing by €20.1 million or 5.5 per cent during the first two quarters of 2013 over the same period of 2012. This increase registered in the January-June period of 2013 contrasts with a decrease of 4.4 per cent registered in the first half of 2012. At a more detailed sectoral level, significant increases were recorded in the manufacturing of motor vehicles, trailers and semi-trailers (23.7 per cent), in the manufacturing of electrical equipment (23.2 per cent), and in the manufacture of coke and refined petroleum products and in the manufacture of chemicals and chemical products (20.0 per cent). On the other hand, there were also significant declines in the repair and installation of machinery and equipment (21.0 per cent), in the manufacturing of textiles (17.8 per cent), in the manufacturing of fabricated metal products, except machinery and equipment (8.4 per cent) and in the manufacturing of other transport equipment (7.9 per cent).

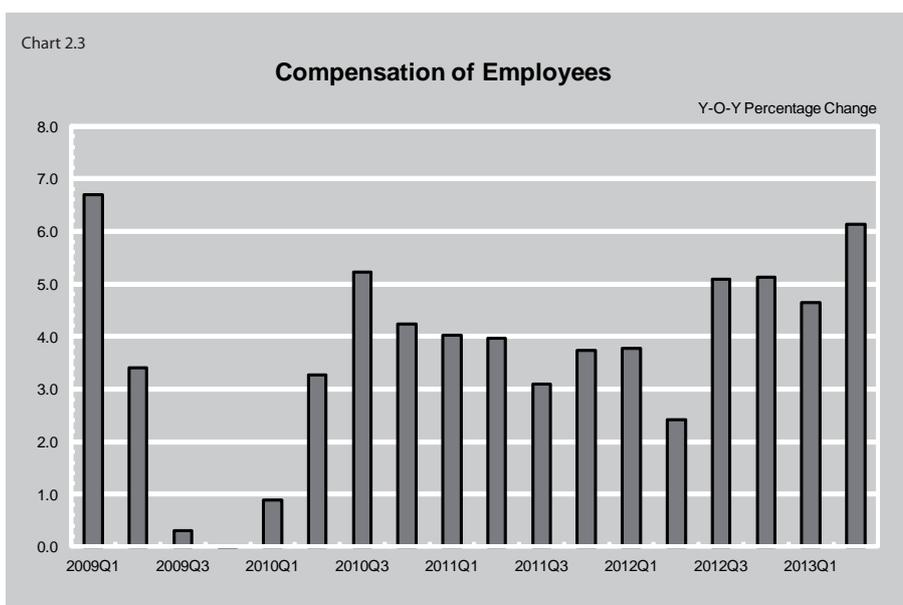
The information and communication sector registered an increase in GVA of 6.1 per cent in the first half of 2013, equivalent to €1.4 million, thus reaching the level of €97.4 million by the end of the Survey period. Moreover, activities classified under the financial and insurance activities reported an increase in GVA of 5.9 per cent during the first two quarters of 2013 compared with the

same period in 2012.

GVA in the professional, scientific and technical activities; administration and support services activities increased by €25.3 million or 9.1 per cent compared with a 2.0 per cent increase registered in the same period of 2012. GVA in the public administration and defence, compulsory social security, education, human health and social work activities sector increased by 6.1 per cent during the Survey period. At the same time, GVA increased by 0.3 per cent in the sector comprising arts, entertainment and recreation, repair of household goods and other services.

Gross Domestic Product from the Income Approach

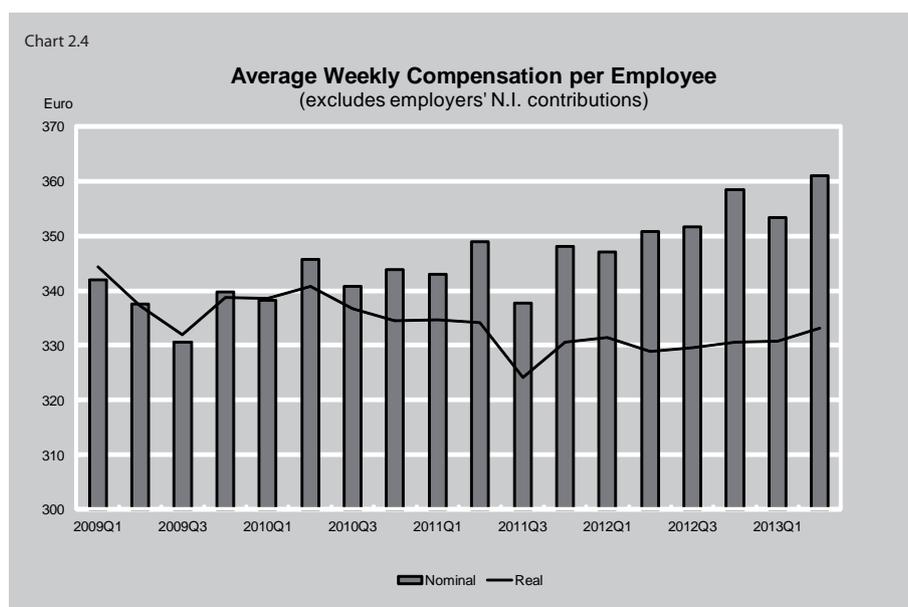
Compensation of employees increased by 5.4 per cent during the first six months of 2013 compared with an increase of 3.1 per cent for the same period of 2012. This increase was mainly underpinned by notable increases in the compensation of employees in the real estate activities sector, in the professional, scientific and technical activities sector, in the public administration and defence, compulsory social security, education, human health and social work activities sector, in the financial and insurance activities sector as well as in the information and communication sector. During the first half of 2013, the share of employee compensation to GDP at market prices increased marginally by 0.3 percentage points to 45.8 per cent, as the growth rate in the compensation of employees



exceeded the rate of GDP growth. Chart 2.3 illustrates the developments in compensation of employees at market prices over the period 2009-2012 at a quarterly basis and the first two quarters of 2013.

Compensation per employee as measured by average nominal weekly gross wages and salaries per employee stood at €57.17 during the first half of 2013 compared to €49.08 in the same period of 2012. This represents an increase of 2.3 per cent. In real terms, average weekly compensation during the first half of 2013 stood at €31.88 up by 0.5 per cent when compared with the first two quarters of 2012. These growth rates in compensation per employee are underpinned by a strong increase in nominal compensation of employees reflecting sustained growth in employment. It is to be noted that data in respect of wages and salaries relates to national accounts data and hence incorporate the earnings of both full-time and part-time primary employees, with the latter becoming increasingly more relevant, partly as a result of the increasing female participation in the economy. Furthermore, in estimating average weekly wages per employee, the segment of National Insurance contribution paid by employers is excluded from calculations. Real average weekly wage figures were obtained by deflating the latter using inflationary developments in the Retail Price Index (RPI). Developments in wages and salaries are shown in Chart 2.4 and Table 2.5.

Gross operating surplus and mixed income increased by 5.8 per cent during the first half of 2013, compared to a decrease of 0.2 per cent achieved during



Average Weekly Wage per Employee*

Table 2.5

	Nominal		Real**	
	Value	Change	Value	Change
	€	%	€	%
2009	337.31	3.1	337.92	1.0
2010	342.12	1.4	337.60	-0.1
2011	344.37	0.7	330.81	-2.0
2012	352.06	2.2	330.23	-0.2
2012 (Jan-Jun)	349.08	0.9	330.35	-1.2
2013 (Jan-Jun)	357.17	2.3	331.88	0.5

*Excludes employers' National Insurance contributions

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

Source: National Statistics Office

the same comparable period last year. This positive development resulted in an increase in the ratio of gross operating surplus to GDP at market prices of 0.4 percentage points to 42.5 per cent.

Meanwhile, taxes on production and imports decreased by €4.1 million during the first two quarters of 2013 while subsidies increased only by €0.2 million when compared to the same comparable period last year. This resulted in a decrease in net taxes of €4.3 million or 1.0 per cent during the first half of 2013. Developments in GDP from the income approach are found in Table 2.6.

Gross Domestic Product from the Income Side

Table 2.6

€ million

	2009	2010	2011	2012	2012	2013
					Jan-Jun	Jan-Jun
Compensation of employees	2,723.0	2,815.8	2,920.4	3,040.5	1,498.0	1,578.8
Gross operating surplus and mixed income	2,466.0	2,763.3	2,841.0	2,923.2	1,384.6	1,465.2
Taxes on production and imports	831.0	864.6	929.9	942.6	446.4	442.3
Less Subsidies	64.0	66.9	65.1	76.9	36.8	37.0
Gross Domestic Product at current market prices	5,956.0	6,376.8	6,626.2	6,829.5	3,292.1	3,449.3

Source: National Statistics Office

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 the rest of the European Union and net income property from the rest of the world. Hence, GNI represents the total primary income receivable by resident institutional units.

During the January-June 2013 period, GNI at market prices increased by €130.9 million, or by 4.3 per cent. This growth in GNI was underpinned by a decline in the amount of outflow of property income to the rest of the world. Indeed, this item declined further from a net outflow of €24.7 million in January-June 2012 to a net outflow of €25.4 million in the corresponding period of 2013. This constitutes a deterioration of €9.6 million. With regards to the net subsidies on products from the EU from net taxes, the GNI was not affected in the first half of 2013. In contrast, it declined by €3.2 million in the first half of 2012. On the other hand, outflows under the net compensation of employees from the rest of world increased from €1.8 million to €1.9 million over the Survey Period. Developments in GNI are shown in Table 2.7.

Gross National Income

Table 2.7

€ million

	2009	2010	2011	2012	2012	2013
					Jan-Jun	Jan-Jun
Gross Domestic Product						
at current market prices	5,956.0	6,376.8	6,626.2	6,829.5	3,292.1	3,449.3
Net compensation of employees						
from the rest of the world	7.7	-3.0	5.1	4.1	1.8	1.9
Subsidies less Taxes on						
products from/to the rest of						
the EU	-9.8	-0.6	-8.5	-6.4	-3.2	0.0
Net property income from the						
rest of the world	-442.4	-425.8	-321.6	-413.3	-224.7	-254.4
Gross National Income						
at current market prices	5,511.6	5,947.4	6,301.2	6,413.8	3,066.0	3,196.9

Source: National Statistics Office

Footnotes:

¹ The data presented in this Chapter is based on national accounts data compiled according to the European Systems of Accounts (ESA95) methodology.

² Gross Domestic Product at current market prices is estimated by the National Statistics Office (NSO) from the production side, involving the aggregation of the output of various productive sectors net of the cost of intermediate inputs. A reconciliation of the production side with estimates of expenditure on output produced is then carried out and the residual between the two approaches is included in the changes in inventories component.

³ Over the short-term international trade data may be affected by fuel imports and re-exports. According to data for the first half of the year, fuel accounts for around 40.0 per cent of exports of goods and 43.0 per cent of imports of goods.

3. Employment

3. Employment

This Chapter presents an overview of developments in the labour market, covering the period 2010-2012 as well as the first half of 2013. The aggregate indicators presented in this Chapter are based on the Labour Force Survey (LFS), unless otherwise stated, given that it is in line with the methodologies of the European Union's statistical agency, Eurostat, and the International Labour Organisation (ILO) hence enabling comparability across EU Member States, in the sense of being independent of the national administrative and legislative frameworks. The sectoral decomposition of economic activity is based on the administrative records of the Employment and Training Corporation (ETC). The classification of this data is based on NACE Rev. 2. It is important to note that the LFS is not directly comparable to statistics originating from the ETC primarily due to differences in the definitions and methodology of the two databases.

Labour Market Developments

The performance of the Maltese labour market during the first half of 2013 has been generally positive as strong increases in the activity rate were translated into increases in employment whilst the unemployment rate increased marginally. By August, the harmonised and seasonally adjusted unemployment rate fell slightly and stood at 6.4 per cent.

Recent Employment Trends

As can be seen in Table 3.1, by the end of June 2013, the labour force (i.e. the total number of people employed plus unemployed) stood at 189,620, an increase of 5,915 or 3.2 per cent over the level recorded at the end of June 2012. Meanwhile, total employment increased by 5,134 or 3.0 per cent to reach 176,862. By the end of June 2013, the female labour force increased by 3,727 or 5.6 per cent to 70,785, and female employment increased by 3,569 or 5.7 per cent to 66,214. During the same period, the number of males in the labour force increased by 2,188 or 1.9 per cent, reaching 118,835. Meanwhile, male employment increased by 1,565 or 1.4 per cent to stand at 110,648 at the end of the Survey period. Overall, the short-term developments observed showed a continuation of the previous trend in favour of female employment.

Table 3.2 presents the distribution of employed persons by type of employment in main occupation. 85.0 per cent of those employed during April and June 2013 worked on a full-time basis. In fact, 92.2 per cent and 72.9 per cent of the

Labour Market Performance (Persons aged 15 and over)

Labour Force Survey

Table 3.1

	2010	2011	2012	2012	2013
				Apr-June	Apr-June
Labour Supply	176,406	180,405	184,541	183,705	189,620
Male	116,120	117,508	116,678	116,647	118,835
Female	60,286	62,897	67,863	67,058	70,785
Employment	164,212	168,711	172,701	171,728	176,862
Male	108,194	110,294	109,827	109,083	110,648
Female	56,018	58,417	62,874	62,645	66,214
Unemployment	12,194	11,694	11,840	11,977	12,758
Male	7,926	7,214	6,851	7,564	8,187
Female	4,268	4,480	4,989	4,413	4,571
Inactive Persons	174,866	174,750	173,569	173,981	170,614
Male	57,616	58,144	60,581	60,167	59,321
Female	117,250	116,606	112,988	113,814	111,293
Unemployment Rate	6.9	6.5	6.4	6.5	6.7
Male	6.8	6.1	5.9	6.5	6.9
Female	7.1	7.1	7.4	6.6	6.5

Source: National Statistics Office

Distribution of Employed Persons by Type of Employment in Main Occupation

Table 3.2

	2010	2011	2012	2012	2013
				Apr-June	Apr-June
Full-time job	143,695	146,365	148,525	148,393	150,315
Full-time job with reduced hours job	3,319	3,881	4,157	4,876	5,064
Part-time job	17,198	18,465	20,019	18,459	21,483
Total	164,212	168,711	172,701	171,728	176,862

Source: National Statistics Office

male and female employed persons worked on a full-time basis, respectively. Additionally, the share of part-timers in total male employment stands at 7.2 per cent while the share for females stands at 20.5 per cent. According to the LFS, 6.6 per cent of females worked on a full-time basis with reduced hours by the end of the second quarter of 2013. It is pertinent to note that full-time employment increased by 4,830 or 3.4 per cent over the period 2010 to 2012. Meanwhile, full-time employment with reduced hours rose from 3,319 to 4,157, whilst part-time employment increased from 17,198 to 20,019. Consequently, the share of full-timers in total employment declined from 87.5 per cent in 2010 to 86.0 per cent in 2012, while the share of part-timers in total employment increased by 1.1 percentage points to 11.6 per cent in 2012.

A breakdown of employment by economic activity, based on the LFS, shows that during the period under review, 31.8 per cent of males were employed in wholesale and retail trade, transportation and storage, accommodation and food service activities. On the other hand, 42.2 per cent of females worked in public administration, defence, education, human health and social work activities. A detailed sectoral breakdown of employment is provided later in this Chapter.

As illustrated in Table 3.3, in the second quarter of 2013, the employment rate (showing the number of persons engaged in employment as a percentage of the total working age population) increased by 2.0 percentage points to 60.5 per cent when compared to the same period a year earlier. This reflects an increase in the female and male employment rate from 43.9 per cent to 46.5 per cent and from 72.5 per cent to 73.9 per cent, respectively.

In addition, the age distribution of the employment rate, presented in Table 3.3, shows that 44.0 per cent of persons aged between 15 and 24 were employed between April and June 2013, following an increase of 2.9 percentage points over the corresponding period. It is noteworthy that, over the twelve month period to the end of June 2013, the share of males and females engaged in employment, out of the 15-24 working age population age bracket, became relatively equivalent to each other, as a result of an increase of 6.0 percentage points in the female employment rate. During the same period, the employment rate for persons aged between 25 and 54 increased by 1.2 percentage points to 74.2 per cent. Moreover, male and female employment rates under this age bracket improved by 1.1 percentage points to 90.1 per cent and 57.5 per cent, respectively. Meanwhile, between April and June 2013, 35.6 per cent of the working age population pertaining to persons aged between 55 and 64 were employed. When compared to the same period a year earlier, the employment rate for the 55-64 age bracket improved by 3.0 percentage points, reflecting an increase of 2.5 percentage points and 3.5 percentage points for the male and

Employment Rates by Age

Table 3.3

	2010	2011	2012	2012 Apr-June	2013 Apr-June
Total (15-64)	56.1	57.6	59.1	58.5	60.5
Male	72.4	73.6	73.3	72.5	73.9
Female	39.3	41.0	44.2	43.9	46.5
15-24	44.7	44.7	43.8	41.1	44.0
Male	47.6	48.4	46.2	44.5	44.7
Female	41.5	40.6	41.2	37.3	43.3
25-54	68.7	70.6	72.7	73.0	74.2
Male	88.9	89.8	89.5	89.0	90.1
Female	47.7	50.6	55.2	56.4	57.5
55-64	30.4	31.8	33.6	32.6	35.6
Male	48.2	50.2	51.7	51.0	53.5
Female	13.0	13.7	15.8	14.5	18.0

Source: National Statistics Office

female employment rates to reach 53.5 per cent and 18.0 per cent, respectively.

Table 3.3 shows that, on average, between 2010 and 2012 the most notable improvements in employment rate were observed in the age bracket 25-54 (4.0 percentage points), which were mainly driven by female employment (7.5 percentage points). Indeed, on average, during the same period, the rate of females engaged in employment out of the working age population increased from 47.7 per cent to 55.2 per cent. Similarly, the oldest cohort saw its employment rate increasing from 30.4 per cent to 33.6 per cent, while the youngest cohort reported a decline of 0.9 percentage points to 43.8 per cent. This resulted from the fact that male and female employment rates for the elderly bracket expanded, whereas the employment rates for both gender pertaining to the age bracket 15-24 declined.

Developments in the Unemployment Rate

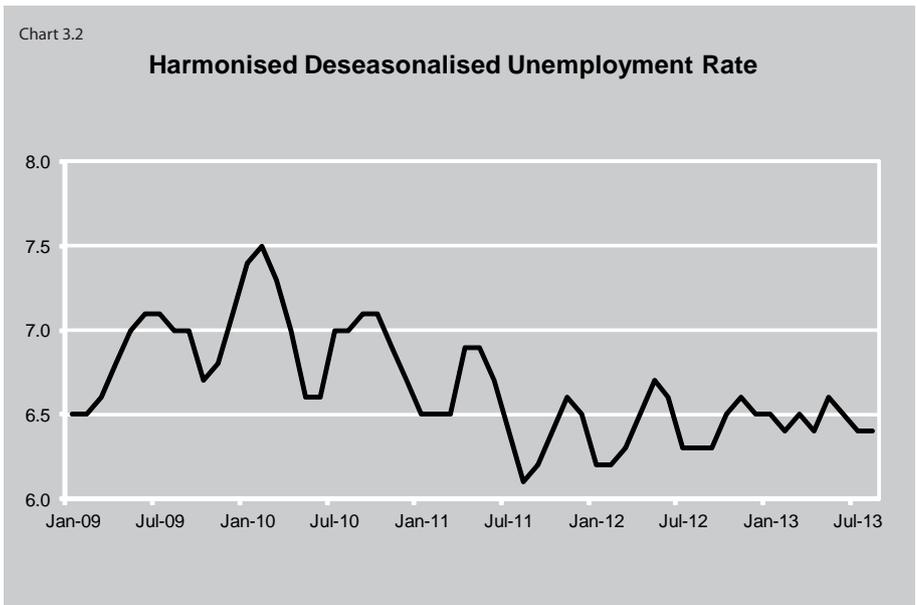
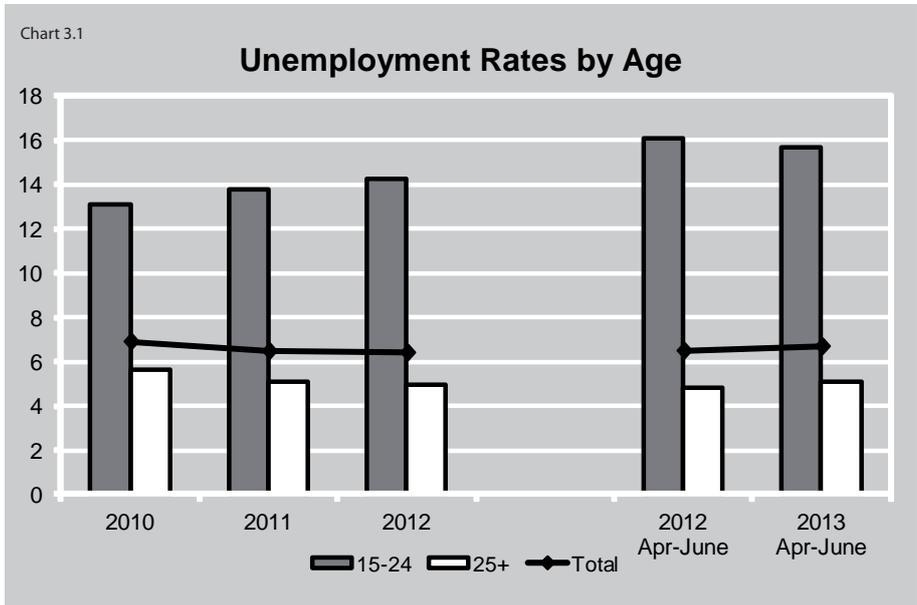
According to the LFS, during the period April to June 2013, the number of unemployed persons stood at 12,758. Consequently, the unemployment rate

(defined as unemployed persons as a percentage of the labour force) increased marginally by 0.2 percentage points to 6.7 per cent, when compared to the same period a year earlier, as shown in Table 3.1. Hence, at an aggregate level, the observed developments during the twelve months to the second quarter of 2013 reflect increases in labour participation which were not entirely met by job creation. Statistics for the period 2010-2012 indicate that the number of unemployed persons was relatively unchanged, hovering around 11,909 persons with the unemployment rate decreasing from 6.9 per cent in 2010 to 6.4 per cent in 2012. Meanwhile, more recent statistics by Eurostat indicate that the deseasonalised harmonised unemployment rate stood at 6.4 per cent in August 2013, thus indicating that this indicator remained broadly stable during the first eight months of 2013 with upward movements recorded in March and May being reversed in subsequent months.

During the twelve months to the second quarter of 2013, the breakdown of unemployment by gender shows that the number of unemployed males and females increased by 623 and 158 to reach 8,187 and 4,571, respectively. Consequently, females accounted for 35.8 per cent of the total unemployment whereas males accounted for the remaining 64.2 per cent. At the same time, the male unemployment rate increased marginally by 0.4 percentage points to 6.9 per cent when compared to the second quarter of 2012. Meanwhile, the female unemployment rate declined slightly by 0.1 percentage points to 6.5 per cent. Between 2010 and 2012, male unemployment rate dropped from 6.9 per cent to 5.9 per cent, while the unemployment rate for females increased marginally from 7.1 per cent to 7.3 per cent.

Chart 3.1 presents a breakdown of unemployment rates by age. The youth unemployment rate for April-June 2013 was estimated at 15.7 per cent, while the unemployment rate for persons aged over 25 stood at 5.1 per cent. Consequently, compared to the same period a year earlier, youth unemployment rate dropped by 0.4 percentage points whilst the unemployment rate for persons aged 25-plus increased by 0.3 percentage points. From a longer-term perspective, the youth unemployment rate was on a positive trend, up by 1.1 percentage points to 14.2 per cent over the three-year period to 2012. By contrast, the unemployment rate for persons aged 25-plus dropped, on average, to 5.0 per cent, down by 0.7 percentage points between 2010 and 2012 and down by 0.1 percentage points between 2011 and 2012.

The monthly harmonised deseasonalised unemployment rate for Malta is shown in Chart 3.2. It is noteworthy that between 2009 and 2012, the harmonised unemployment rate was more volatile compared to the first eight months of 2013. Between 2009 and early 2010, the unemployment rate was on the rise,



such that by February 2010 the unemployment rate peaked at 7.5 per cent. In light of the economic recovery sustained since 2010, the unemployment rate decreased to reach 6.5 per cent in December 2012. The unemployment rate remained relatively stable during the course of 2013, reaching the rate of 6.4 per cent in August.

Labour Market Participation

In the second quarter of 2013, the activity rate (defined as the labour force as a percentage of the population of working age) stood at 64.9 per cent, following an increase of 2.3 percentage points over the second quarter of 2012. Table 3.4 shows that this development reflected an increase in the female activity rate of 2.8 percentage points to 49.8 per cent and an increase in the male activity rate of 1.7 percentage points to 79.4 per cent. Meanwhile, the number of inactive persons decreased by 3,367 persons or 1.9 per cent to 170,614; of which 74.9 per cent of the decrease was accounted for by females. Overall, the observed developments over the one year period to the second quarter of 2013 are in part a continuation of past trends. Indeed, between 2010 and 2012, the activity rate exhibited an upward trend, reaching on average 63.1 per cent in 2012. During the same three year period, the female activity rate improved by 5.4 percentage points to 47.7 per cent, while the male activity rate remained moderately unchanged at 78.0 per cent.

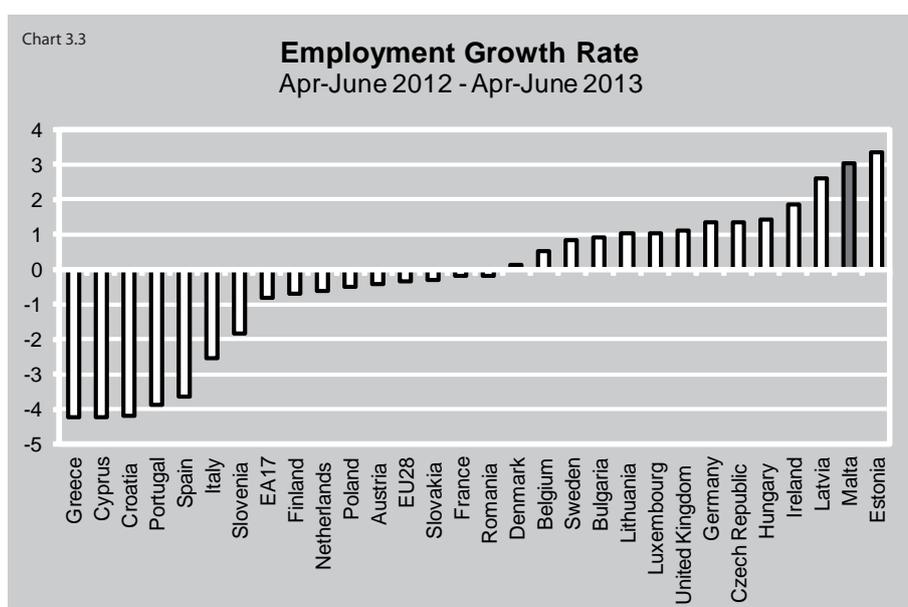
	2010	2011	2012	2012 Apr-June	2013 Apr-June
Total (15-64)	60.4	61.6	63.1	62.6	64.9
Male	77.8	78.5	78.0	77.7	79.4
Female	42.3	44.1	47.7	47.0	49.8
15-24	51.4	51.8	51.0	49.0	52.2
Male	55.4	56.2	53.6	53.4	55.3
Female	47.2	47.1	48.2	44.2	48.8
25-54	73.1	74.7	76.7	76.9	78.3
Male	94.5	94.9	94.1	94.2	95.2
Female	50.8	53.7	58.4	58.9	60.6
55-64	31.8	32.7	34.9	33.8	37.4
Male	50.5	51.6	53.3	52.2	55.6
Female	13.4	14.1	16.7	15.8	19.4

Source: National Statistics Office

Turning to the age distribution of activity rates which is illustrated in Table 3.4, the highest activity rate (78.3 per cent) was observed in the age group 25-54, followed by the age groups 15-24 (52.2 per cent), and 55-64 (37.4 per cent) in the second quarter of 2013. The gender distribution shows that males have a higher activity rate in all age groups. However, the female activity rate has been converging with the male activity rate in all age brackets. Furthermore, age group 15-24 exhibits the narrowest gender gap, while age group 55-64 has the widest gender gap in activity rate. Changes in activity rates by age and gender are fairly in line with past trends. Between 2010 and 2012 most changes in activity rates were, on average, as a result of improvements driven by the female labour force participation in all age groups, particularly in the age group 25-54 which recorded an increase of 7.6 percentage points. By contrast, during the three year period to 2012, the only age bracket that reported an increase in the male activity rate was 55-64, which increased by 2.8 percentage points. It is also noteworthy that the female labour participation for the age group 55-64 increased by 3.3 percentage points to stand at 16.7 per cent in 2012.

General Labour Market Developments in the Euro Area and the EU

The depth and duration of the decline in international economic activity have led to fragile labour market dynamics in the EU, but continued to vary substantially between Member States. As shown in Chart 3.3, the employment growth rate



– measured as the second quarter year-on-year growth rate – was robust in Estonia (3.3 per cent), Malta (3.0 per cent), and Latvia (2.6 per cent). On the other hand, considerable employment losses of 4.2 per cent were recorded in Greece, Cyprus, and Croatia. Moreover, employment dropped by 0.3 per cent for the EU28 and by 0.8 per cent for the Euro Area. The observed declines in employment were related to many sectors in the economy, but were particularly large in the construction and manufacturing sectors.

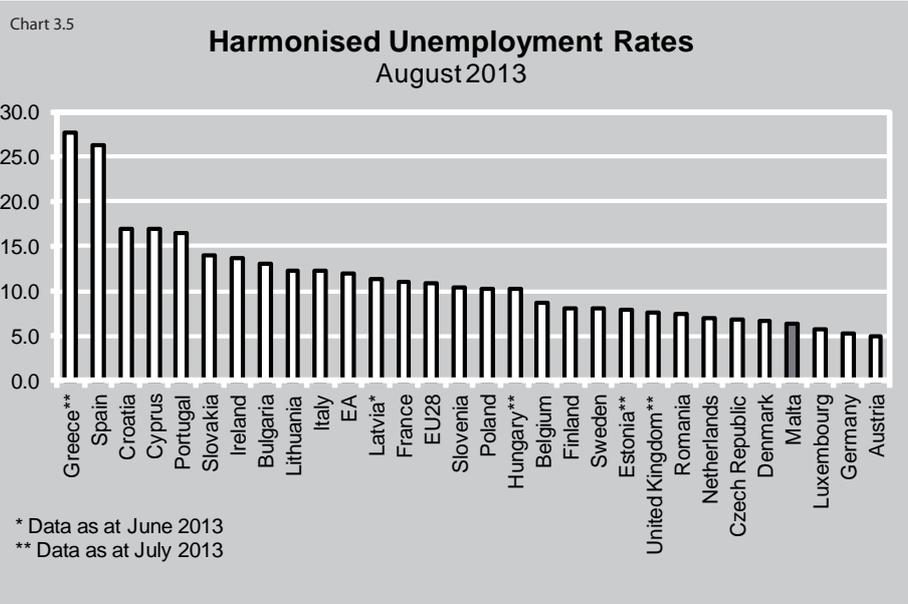
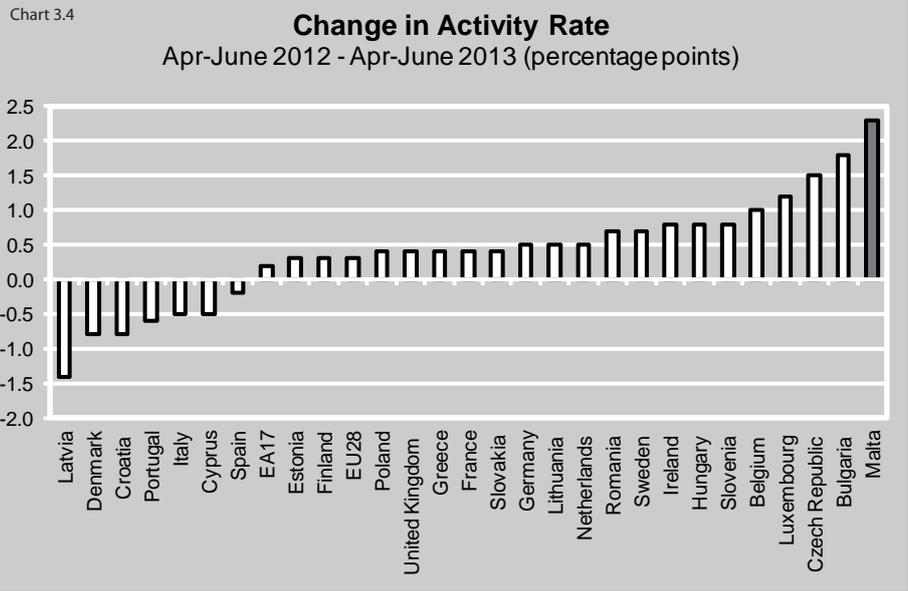
As illustrated in Table 3.5, during the second quarter of 2013, activity rates increased in the majority of EU Member States when compared to the same period of 2012. The activity rate for the EU28 rose by 0.3 percentage points to 71.9 per cent while the activity rate for the Euro Area improved by 0.2 percentage points to 72.2 per cent. Sweden (82.0 per cent), Netherlands (79.7 per cent), and Denmark (78.3 per cent) registered the highest activity rates during the second quarter of 2013. Meanwhile, as shown in Chart 3.4, strong activity rate improvements were recorded in Malta (2.3 percentage points), Bulgaria (1.8 percentage points) and the Czech Republic (1.5 percentage points). Despite the positive development in the activity rate for Malta during the period under review, the rate is 7.0 percentage points and 7.3 percentage points lower than that of the rates for the EU28 and Euro Area average, respectively. Nonetheless, these gaps were reduced by around 2.1 percentage points over the same period.

Activity Rates across EU

Table 3.5

	2012	2013		2012	2013
	Apr-June	Apr-June		Apr-June	Apr-June
EU28	71.6	71.9	Latvia	74.7	73.3
EA17	72.0	72.2	Lithuania	71.9	72.4
Belgium	66.5	67.5	Luxembourg	68.5	69.7
Bulgaria	66.6	68.4	Hungary	64.2	65.0
Czech Republic	71.3	72.8	Malta	62.6	64.9
Denmark	79.1	78.3	Netherlands	79.2	79.7
Germany	76.9	77.4	Austria	75.9	75.9 ^(b)
Estonia	75.0	75.3	Poland	66.4	66.8
Ireland	69.4	70.2	Portugal	74.1	73.5
Greece	67.8	68.2	Romania	64.6	65.3
Spain	74.1	73.9	Slovenia	69.6	70.4
France	70.8	71.2	Slovakia	69.3	69.7
Croatia	60.8	60.0	Finland	77.2	77.5
Italy	63.9	63.4	Sweden	81.3	82.0
Cyprus	73.4	72.9	United Kingdom	75.9	76.3

^(b) break in time series
Source: Eurostat



Harmonised Unemployment Rates across EU

Table 3.6

	2007	2008	2009	2010	2011	2012	2013 Aug
EU28	7.2	7.1	9.0	9.7	9.7	10.5	10.9
EA17	7.6	7.6	9.6	10.1	10.1	11.4	12.0
Belgium	7.5	7.0	7.9	8.3	7.2	7.6	8.7
Bulgaria	6.9	5.6	6.8	10.3	11.3	12.3	13.0
Czech Republic	5.3	4.4	6.7	7.3	6.7	7.0	6.9
Denmark	3.8	3.4	6.0	7.5	7.6	7.5	6.6
Germany	8.7	7.5	7.8	7.1	5.9	5.5	5.2
Estonia	4.6	5.5	13.8	16.9	12.5	10.2	7.9 ⁽²⁾
Ireland	4.7	6.4	12.0	13.9	14.7	14.7	13.6
Greece	8.3	7.7	9.5	12.6	17.7	24.3	27.6 ⁽²⁾
Spain	8.3	11.3	18.0	20.1	21.7	25.0	26.2
France	8.4	7.8	9.5	9.7	9.6	10.2	11.0
Croatia	9.6	8.4	9.1	11.8	13.5	15.9	16.9
Italy	6.1	6.7	7.8	8.4	8.4	10.7	12.2
Cyprus	3.9	3.7	5.4	6.3	7.9	11.9	16.9
Latvia	6.5	8.0	18.2	19.8	16.2	15.0	11.4 ⁽¹⁾
Lithuania	3.8 ^(de)	5.3 ^(de)	13.6 ^(de)	18.0 ^(de)	15.4	13.4	12.3
Luxembourg	4.2	4.9	5.1	4.6	4.8	5.1	5.8
Hungary	7.4	7.8	10.0	11.2	10.9	10.9	10.2 ⁽²⁾
Malta	6.5	6.0	6.9	6.9	6.5	6.4	6.4
Netherlands	3.6	3.1	3.7	4.5	4.4	5.3	7.0
Austria	4.4	3.8	4.8	4.4	4.2	4.3	4.9
Poland	9.6	7.1	8.1	9.7	9.7	10.1	10.3
Portugal	8.9 ^(e)	8.5 ^(e)	10.6 ^(e)	12.0 ^(e)	12.9	15.9	16.5
Romania	6.4	5.8	6.9	7.3	7.4	7.0	7.5
Slovenia	4.9	4.4	5.9	7.3	8.2	8.9	10.4
Slovakia	11.2	9.6	12.1	14.5	13.7	14.0	14.0
Finland	6.9	6.4	8.2	8.4	7.8	7.7	8.1
Sweden	6.1	6.2	8.3	8.6	7.8	8.0	8.0
United Kingdom	5.3	5.6	7.6	7.8	8.0	7.9	7.6 ⁽²⁾

(1) Data as at June 2013

(2) Data as at July 2013

(d) definition defers

(e) estimated

Source: Eurostat

In August 2013, the seasonally-adjusted harmonised unemployment rate for Malta stood at 6.4 per cent, thus indicating that this indicator remained broadly stable during the first eight months of 2013 with upwards movements recorded in March and May being reversed in subsequent months. In August 2013, the EU28 and the Euro Area unemployment rates were 10.9 per cent and 12.0 per cent, respectively, broadly unchanged from the rates recorded in the earlier months of 2013. However, during the year to August 2013, the unemployment rate for both zones increased by 0.3 and 0.5 percentage points, respectively. Consequently, during August 2013, the Maltese unemployment rate was 4.5 percentage points lower than EU28 and 5.6 percentage points below the Euro Area average. Furthermore, in August 2013, the lowest unemployment rates were those recorded in Austria (4.9 per cent), Germany (5.2 per cent), Luxembourg (5.8 per cent), and Malta (6.4 per cent). By contrast, as illustrated in Chart 3.5, the highest unemployment rates were recorded in Greece (27.6 per cent²), and Spain (26.2 per cent).

As shown in Table 3.6, between 2007 and 2012, the unemployment rate for the EU28 rose by 3.3 percentage points, to reach 10.5 per cent in 2012. This increase reflects unemployment rate increases in most EU Member States. Notable increases were recorded in Spain (16.7 percentage points), Greece (16.0 percentage points), Ireland (10.0 percentage points), and Lithuania (9.6 percentage points). Likewise, a considerable increase in the unemployment rate was recorded in Latvia, Cyprus, Portugal, and Croatia. It is however noteworthy that in Germany, the unemployment rate declined to 5.5 per cent in 2012 from 8.7 per cent recorded in 2007. Moreover, in Austria and Malta, the unemployment rate in 2012 returned to its pre-crisis level.

Sectoral Employment

This section presents a sectoral overview of developments in the labour market, covering the period from December 2010 to December 2012 and, on the basis of more recent data, from May 2012 to May 2013. More recent data on unemployment is also used to shed light on the profile of unemployed persons up to August 2013. Unless otherwise specified, the data presented in this section are based on administrative records of the Employment and Training Corporation (ETC). During 2013, the ETC revised provisional data published earlier, in line with its objective of maintaining a continuous update of labour market data. Therefore, the data in this Chapter are not directly comparable with those presented in previous issues of the Economic Survey.

As shown in Table 3.7, at the end of May 2013, the full-time gainfully occupied

Labour Market Indicators

Administrative Source

Table 3.7

	2010	2011	2012	2012	2013
	Dec	Dec	Dec	May	May
Labour Supply	154,342	157,143	159,899	158,643	162,220
Males	104,023	104,493	104,835	105,019	105,691
Females	50,319	52,619	55,064	53,624	56,529
Gainfully Occupied	147,736	150,556	153,088	151,945	154,928
Males	98,807	99,307	99,556	99,782	100,106
Females	48,929	51,249	53,532	52,163	54,822
Total Private Sector	107,098	109,420	112,078	111,073	113,170
Private Direct Production	31,508	31,172	30,756	31,457	30,927
Private Market Services	75,590	78,248	81,322	79,616	82,243
of whom Temporary Employment	550	501	463	473	433
Total Public Sector	40,638	41,136	41,010	40,872	41,758
of which Temporary Employment	133	131	126	141	120
Registered Unemployed*	6,606	6,587	6,811	6,698	7,292
Males	5,216	5,154	5,279	5,237	5,585
Females	1,390	1,433	1,532	1,461	1,707
Self-Employed**	17,723	17,713	17,871	17,864	17,935
Males	14,885	14,707	14,774	14,773	14,778
Females	2,838	3,006	3,097	3,091	3,157
% of Gainfully Occupied	12.0	11.8	11.7	11.8	11.6
Memorandum:					
Total Direct Production***	38,234	37,657	37,005	37,861	37,055
Total Market Services***	109,502	112,899	116,083	114,084	117,873
Total Private Sector Share	72.5%	72.7%	73.2%	73.1%	73.0%
Total Public Sector Share	27.5%	27.3%	26.8%	26.9%	27.0%
Part-time Employment as Primary Job	28,103	29,785	31,974	31,035	32,662

*Includes both Parts I and II of the Registered Unemployed

**Included in the Private Sector

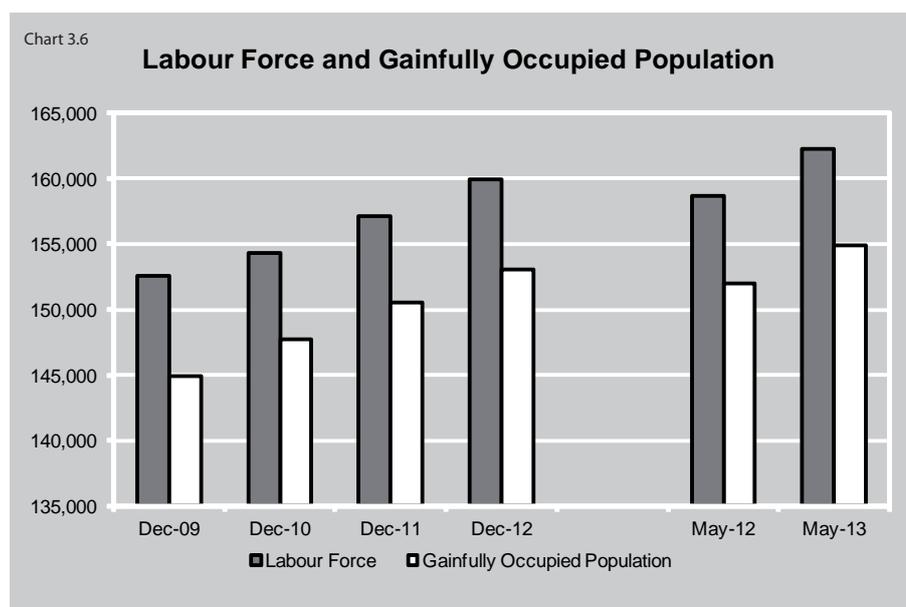
***Including temporary employees

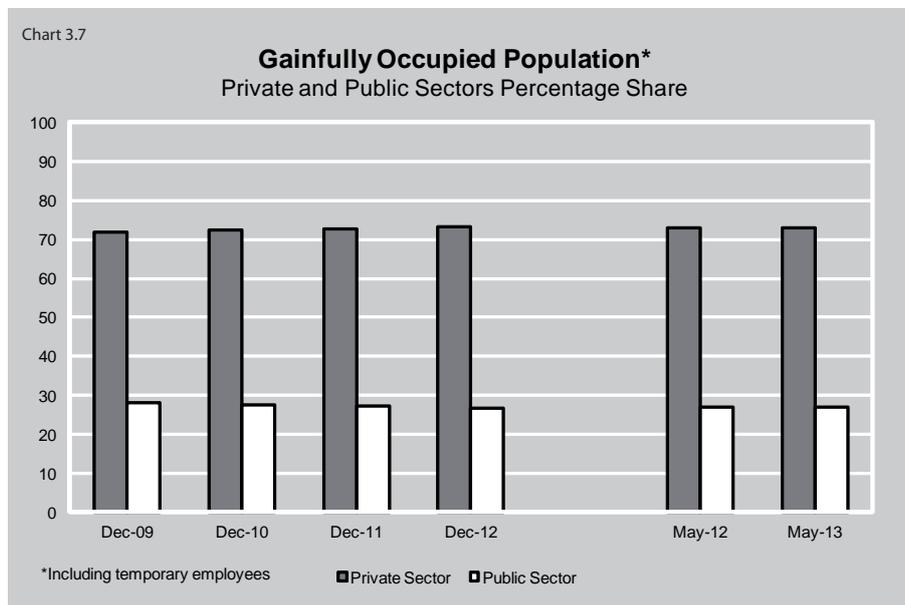
Source: Employment and Training Corporation

population increased by 2,983 or 2.0 per cent to reach 154,928, illustrating that the positive trend followed in recent years was sustained in the recent months, as shown in Chart 3.6.

Up to May 2013, both the private sector and the public sector contributed to the rise in employment. The increase in full-time employment was mainly due to a positive performance in the private sector. Indeed, as shown in Table 3.7, during the period from May 2012 to May 2013, the private and public sector gainfully occupied population (inclusive of temporary employees) rose by 2,097 or 1.9 per cent and 886 or 2.2 per cent, respectively. Overall, the observed developments over the year to May 2013 are in part a continuation of past trends, with the exception of a drop recorded in public sector employment during December 2011 and December 2012. Indeed, during the period December 2010 to December 2012, private and public sector employment expanded by 4,980 or 4.6 per cent and 372 or 0.9 per cent, respectively. Hence, in May 2013, private sector employment accounted for 73.0 per cent of the total full-time gainfully occupied population as illustrated in Chart 3.7.

The self-employed population in May 2013 stood at 17,935, reflecting increase of 71.0 or 0.4 per cent over May 2013. Both the male and the female self-employed population recorded an increase. It is pertinent to note that the male self-employed population declined by 111 or 0.7 per cent from December 2010 to December 2012, while the female self-employed population increased by 259 or 9.1 per cent. In part, the latter may be the result of higher female participation





rate. Nevertheless, the share of females in the self-employed population (at 17.9 per cent) remains relatively low compared to a share of 35.4 per cent of females in total gainfully occupied.

During the year to May 2013, public sector employment increased by 886 or 2.2 per cent, primarily due to an increase of 894 or 3.0 per cent in government departments employees. Decreases of 27 or 0.3 per cent were recorded in independent statutory bodies, while public majority shareholding corporations recorded an increase in employees of 19 or 1.0 per cent, as illustrated in Table 3.8. A sectoral breakdown of public sector gainfully occupied shows that the increase is mainly attributed to higher employment in education, human health and social work, and public administration and defence activities. Meanwhile, between December 2010 and December 2012, as shown in Table 3.8, public sector employment increased by 372 or 0.9 per cent. This increase was driven by employment increases in government departments by 454 or 1.5 per cent and in independent statutory bodies by 235 or 2.8 per cent. By contrast, companies with public sector majority shareholding registered decreases in employment of 317 or 15.1 per cent.

Chart 3.8 shows that during the year to May 2013 and throughout the three year period to December 2012, the increase in full-time employment was mainly due to positive developments in market services. In fact, between May 2012 and May 2013 total employment in market services activities increased by 3,789

Public Sector Employment

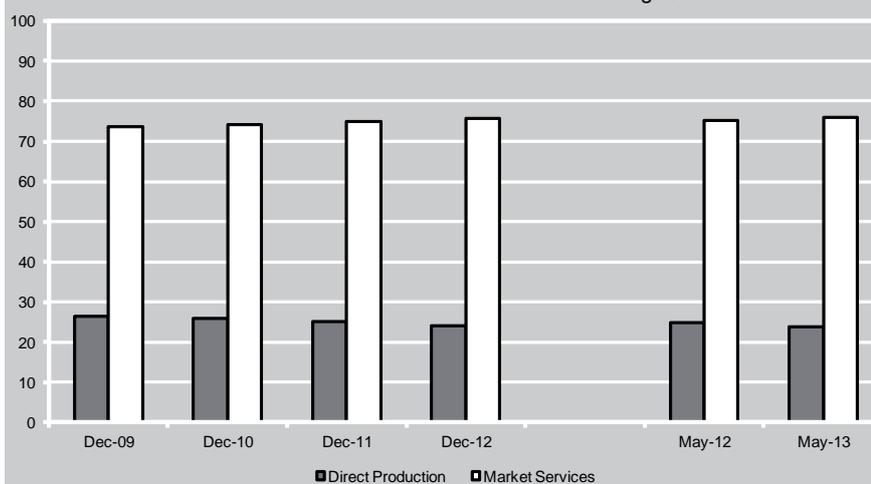
Table 3.8

	2010 Dec	2011 Dec	2012 Dec	2012 May	2013 May
Government Departments	30,014	30,485	30,468	30,287	31,181
Companies with public sector majority shareholding	2,106	1,981	1,789	1,823	1,842
Independent Statutory Bodies	8,518	8,670	8,753	8,762	8,735
of which Temporary Employees	133	131	126	141	120
Total	40,638	41,136	41,010	40,872	41,758

Source: Employment and Training Corporation

Chart 3.8

Gainfully Occupied Population Direct Production and Market Services Percentage Shares

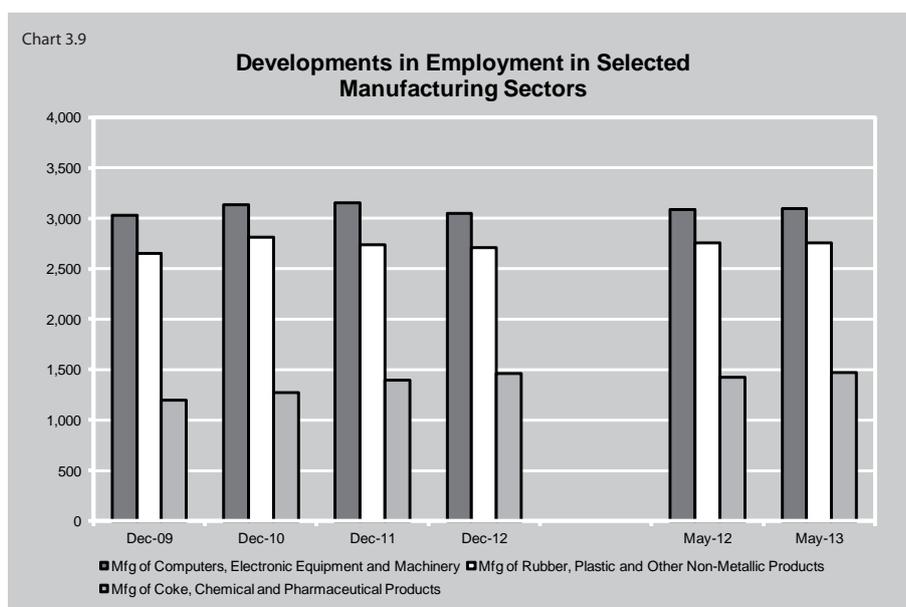


or 3.3 per cent, while the gainfully occupied population in direct production declined by 806 or 2.1 per cent, over the same period. These developments are in line with the trends noted in previous years. Indeed, between December 2010 and December 2012, employment in market services increased by 6,581 or 6.0 per cent, whilst gainfully occupied in direct production decreased by 1,229 or 3.2 per cent, highlighting the fact that over the years Malta has become more services-oriented.

Direct Production

Total employment in direct production activities decreased by 806 or 2.1 per cent to 37,055 in May 2013, as shown in Chart 3.9. Consequently, the share of total direct production to the gainfully occupied population amounted to 23.9 per cent. Both employment in the private and the public sector within this category have followed the trends recorded in previous years. Indeed, as highlighted in Table 3.9, private sector employment in direct production reached 30,756 in December 2012, down from 31,508 three years earlier. Meanwhile, the public sector recorded a decline of 477 or 7.1 per cent during the same period. The private sector is the major player in direct productive activities, having a share of 83.5 per cent in May 2013.

The negative developments recorded in private direct production employment mainly reflected decreases in the construction and manufacturing sectors. In



Employment in Direct Production*

Table 3.9

	2010	2011	2012	2012	2013
	Dec	Dec	Dec	May	May
Agriculture, forestry and fishing	2,150	2,116	2,104	2,089	2,079
Private	1,992	1,955	1,940	1,928	1,908
Public	158	161	164	161	171
Mining and Quarrying	347	312	295	290	285
Private	347	312	295	290	285
Public	0	0	0	0	0
Manufacturing	20,317	20,109	19,888	20,090	19,923
Private	20,213	20,045	19,828	20,025	19,869
Public	104	64	60	65	54
Electricity, gas, steam and air conditioning supply	1,622	1,592	1,540	1,570	1,541
Private	1	3	5	5	14
Public	1,621	1,589	1,535	1,565	1,527
Water supply and waste management	1,475	1,470	1,439	1,471	1,403
Private	293	318	329	335	320
Public	1,182	1,152	1,110	1,136	1,083
Construction	12,323	12,058	11,739	12,351	11,824
Private	8,662	8,539	8,359	8,874	8,531
Public	3,661	3,519	3,380	3,477	3,293
Total Employment in Direct Production	38,234	37,657	37,005	37,861	37,055
Private	31,508	31,172	30,756	31,457	30,927
Public	6,726	6,485	6,249	6,404	6,128

* Including temporary employees

Source: Employment and Training Corporation

fact, over the twelve months to May 2013, construction and manufacturing employment recorded a decrease of 527 or 4.3 per cent and 167 or 0.8 per cent, respectively.

A closer look at manufacturing employment in Table 3.10 shows that in the twelve months to May 2013, total private sector increases in manufacturing employment amounted to 233. This was partly offset by a decline of 389 in the private sector. Furthermore, employment in public sector manufacturing declined by 11.

Data for the major manufacturing sub-sectors is also presented in Table 3.11. This data show that over the year to May 2013, employment increased in the manufacturing of transport equipment; chemical products; computer, electronic

Changes in Manufacturing Employment*

Table 3.10

	2011-10	2012-11	2013-12
	Dec	Dec	May
Total Change	-208	-221	-167
Private	-168	-217	-156
Public	-40	-4	-11
Total Private Increases	356	155	233
Total Public Increases	0	0	0
Total Private Decreases	524	372	389
Total Public Decreases	40	4	11

* Including temporary employees

Source: Compiled from Employment and Training Corporation data

equipment and machinery; and rubber, plastic and other non-metallic products subsectors, while the largest declines in the manufacturing sector were recorded in the manufacturing of food, products, beverages, and tobacco; basic metals and fabricated metal products; textiles and leather products; and furniture subsectors. In May 2013, employment in manufacturing of transport equipment rose by 102 or 10.0 per cent when compared to May 2012. In total, during the same period, employment in chemical products; computer, electronic equipment and machinery; and rubber, plastic and other non-metallic products increased by 63 or 0.9 per cent. By contrast, employment in manufacturing of food, products, beverages, and tobacco declined by 93 or 2.9 per cent whereas employment in basic metals and fabricated metal products decreased by 91 or 6.7 per cent for the year ending May 2013. At the same time, employment in textiles and leather products; and furniture decreased by 72 or 7.9 per cent and 36 or 3.0 per cent, respectively.

Chart 3.9 gives a longer-term perspective of the most notable changes registered in the manufacturing sector. Manufacturing of coke, chemical and pharmaceutical products increased by 186 or 14.6 per cent between December 2010 and December 2012. Meanwhile, manufacturing of rubber, plastic and other non-metallic products and manufacturing of computer, electronic

Manufacturing Employment*

Table 3.11

	2010	2011	2012	2012	2013
	Dec	Dec	Dec	May	May
Mfg of Food Products, Beverages and Tobacco	3,195	3,184	3,142	3,217	3,124
Private	3,195	3,184	3,142	3,217	3,124
Public	0	0	0	0	0
Mfg of Textiles and Leather Products	903	923	913	911	839
Private	903	923	913	911	839
Public	0	0	0	0	0
Mfg of Wood and Printing	1,902	1,871	1,870	1,906	1,881
Private	1,845	1,816	1,816	1,849	1,827
Public	57	55	54	57	54
Mfg of Coke, Chemical and Pharmaceutical Products	1,274	1,395	1,460	1,425	1,474
Private	1,274	1,395	1,460	1,425	1,474
Public	0	0	0	0	0
Mfg of Rubber, Plastic and Other Non-Metallic Products	2,813	2,735	2,709	2,755	2,758
Private	2,813	2,735	2,709	2,755	2,758
Public	0	0	0	0	0
Mfg of Basic Metals and Fabricated Metal Products	1,592	1,417	1,273	1,353	1,262
Private	1,592	1,417	1,273	1,353	1,262
Public	0	0	0	0	0
Mfg of computer, electronic equipment and machinery	3,136	3,147	3,051	3,084	3,095
Private	3,136	3,147	3,051	3,084	3,095
Public	0	0	0	0	0
Mfg of Transport Equipment	1,046	1,015	1,089	1,023	1,125
Private	1,046	1,015	1,089	1,023	1,125
Public	0	0	0	0	0
Mfg of Furniture	1,299	1,213	1,177	1,212	1,176
Private	1,299	1,213	1,177	1,212	1,176
Public	0	0	0	0	0
Manufacturing n.e.c.	3,157	3,209	3,204	3,204	3,189
Private	3,110	3,200	3,198	3,196	3,189
Public	47	9	6	8	0
Total Manufacturing Employment	20,317	20,109	19,888	20,090	19,923

* Including temporary employees

Source: Employment and Training Corporation

equipment and machinery declined by 104 or 3.7 per cent and 85 or 2.7 per cent, respectively over the same period.

During the year ending May 2013, the largest shares in the manufacturing sector were accounted for by manufacturing not elsewhere classified; manufacturing of food, products, beverages, and tobacco; manufacturing of computer, electronic equipment and machinery; and manufacturing of rubber, plastic and other non-metallic products. Each of these subsectors accounted for around 15.0 per cent of total manufacturing employment.

Market Services

Market services activities remained the primary source of job creation in the Maltese economy during the Survey period. Indeed, as shown in Table 3.12 and Table 3.13, between May 2012 and May 2013, total employment in this category expanded by 3,789 or 3.3 per cent, to stand at 117,873 at the end of May 2013. This figure constituted nearly 76.1 per cent of the total gainfully occupied population in May 2013, up from 75.1 per cent in May 2012. Total employment increases amounted to 4,103 over the twelve month period to May 2013, originating mainly in the private sector and in particular activities related to professional, technical and administrative activities; education; and health and social work. All other sectors, except the transport and storage sector,

Changes in Employment in Market Services*

Table 3.12

	2011-10 Dec	2012-11 Dec	2013-12 May
Total Change	3,397	3,184	3,789
Private	2,658	3,074	2,627
Public	739	110	1,162
Total Private Increases	3,301	3,274	2,891
Total Public Increases	966	611	1,212
Total Private Decreases	643	200	264
Total Public Decreases	227	501	50

*Including temporary employees

Source: Compiled from Employment and Training Corporation data

Employment in Market Services*

Table 3.13

	2010	2011	2012	2012	2013
	Dec	Dec	Dec	May	May
Wholesale and Retail (including Repair of Motor Vehicles, Motorcycles and Personal and Household Goods)	22,748	22,908	22,989	22,989	23,006
Private	22,748	22,908	22,989	22,989	23,006
Public	0	0	0	0	0
Transport and Storage	8,595	9,073	8,916	9,050	9,027
Private	6,327	6,875	6,996	7,039	7,042
Public	2,268	2,198	1,920	2,011	1,985
Accommodation and food service activities	9,463	9,427	9,658	9,782	9,868
Private	9,395	9,427	9,658	9,782	9,868
Public	68	0	0	0	0
Information and communication	4,671	4,795	5,150	4,924	5,235
Private	4,219	4,363	4,656	4,473	4,740
Public	452	432	494	451	495
Financial and insurance activities	6,692	6,935	7,129	7,003	7,184
Private	6,046	6,289	6,461	6,358	6,517
Public	646	646	668	645	667
Real estate activities	931	995	959	975	977
Private	909	976	942	956	962
Public	22	19	17	19	15
Professional, technical and administrative activities	14,495	15,122	16,327	15,401	16,763
Private	13,531	14,190	15,417	14,470	15,844
Public	964	932	910	931	919
Public Administration	10,648	10,632	10,448	10,530	10,674
Private	0	0	0	0	0
Public	10,648	10,632	10,448	10,530	10,674
Education	13,400	13,669	14,179	13,833	14,793
Private	3,781	3,991	4,231	4,055	4,314
Public	9,619	9,678	9,948	9,778	10,479
Health and social work	11,142	12,201	12,748	12,393	12,874
Private	2,477	2,680	3,010	2,878	3,108
Public	8,665	9,521	9,738	9,515	9,766
Arts, entertainment and recreation	4,272	4,649	4,947	4,791	5,007
Private	3,712	4,056	4,329	4,203	4,377
Public	560	593	618	588	630
Other service activities	2,445	2,493	2,523	2,413	2,465
Private	2,445	2,493	2,523	2,413	2,465
Public	0	0	0	0	0
Total Employment in Market Services	109,502	112,899	116,083	114,084	117,873

* Including temporary employees

Source: Employment and Training Corporation

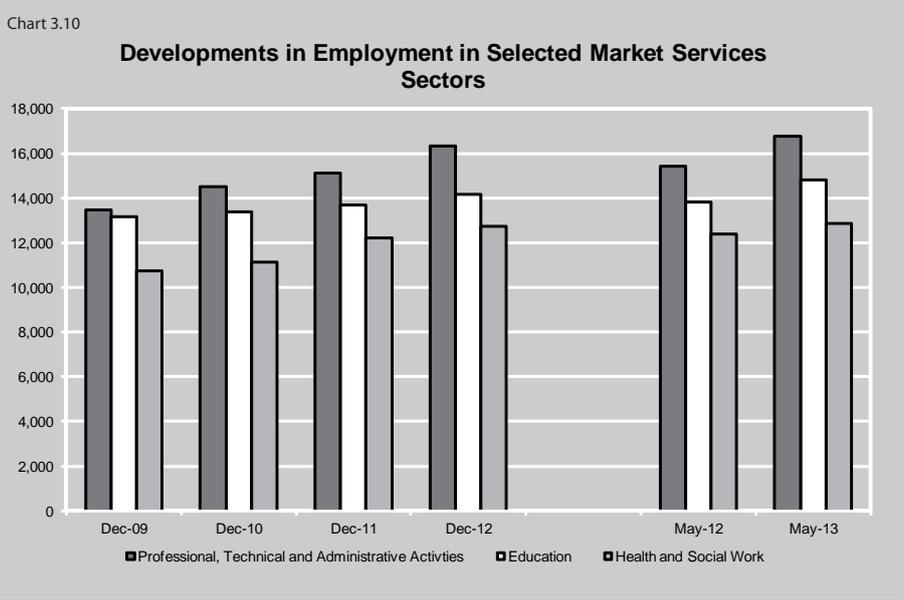
registered increases in their employment levels. As illustrated in Table 3.12, total job losses totalled 314.

In May 2013, employment in information and technology increased by 311 or 6.3 per cent when compared to the same month in 2012. When comparing December 2012 to December 2010, employment within the subsector increased by 479 or 10.3 per cent. Similar developments occurred in financial and insurance activities; and arts, entertainment, and recreation. Between May 2012 and May 2013, the former increased by 181 or 2.6 per cent while the latter increased by 216 or 4.5 per cent respectively. Over the period between December 2010 and December 2012, financial and insurance activities recorded an increase in employment by 437 or 6.5 per cent while employment in arts, entertainment, and recreation rose by 675 or 15.8 per cent.

Over the twelve months to May 2013, employment in transport and storage declined marginally by 23 or 0.3 per cent. This contrasts with the significant increase noted during the year to December 2011 where employment within this subsector increased by 478 or 5.6 per cent over the previous year. Between December 2012 and December 2011 the trend was reversed as employment in this subsector declined by 157 or 1.7 per cent. Meanwhile, employment in real estate activities remained relatively unchanged throughout the years. In fact, in May 2013 employment within the sector amounted to 977, and remained roughly stable over the same month in the previous year. When comparing December 2012 to December 2010, employment within the sector increased by 28 or 3.0 per cent. Furthermore, employment in wholesale and retail increased by 17 or 0.1 per cent during the one year period to May 2013 reflecting a significant slowdown from the growth rates recorded in previous years.

In May 2013, employment in accommodation and food service activities stood at 9,868, reflecting an increase of 86 or 0.9 per cent over the preceding year. When comparing December 2012 to the same month in 2010, employment within this subsector increased by 195 or 2.1 per cent.

Chart 3.10 graphically illustrates the upward trend of the main drivers of employment in market services, namely the professional, technical and administrative activities; education; and health and social work subsectors. The first of these subsectors increased significantly by 1,362 or 8.8 per cent over the year to May 2013. This increase reflects positive advancement in services to buildings and landscape activities; office administrative, office support and other business support activities; and activities of head offices, management consultancy activities. This development is a continuation of



past trends encountered during the period December 2010 to December 2012. Another increase took place in education. Indeed, during the year to May 2013, employment in this sector expanded by 960 or 6.9 per cent to 14,793. Furthermore, when December 2010 is compared to December 2012, employment within this subsector grew by 779 or 5.8 per cent. It is also noteworthy that during the Survey period around 73 per cent of the total change of employment in education is attributed to the public sector. In addition, another significant driver in market services is health and social work sector which grew by 481 or 3.9 per cent during the twelve month period to May 2013. Throughout the three year period, from December 2010 to December 2012, employment within this subsector increased by 1,606 or 14.4 per cent, mainly from residential care activities which accounted for 62.1 per cent of the total change within this sector.

During the year to May 2013, the largest shares in employment within the market services sector are accounted for by the wholesale and retail (19.5 per cent); professional, technical and administrative activities (14.2 per cent); and education (12.5 per cent) subsectors.

A Profile of Registered Unemployed under Part 1

The analysis in this section focuses on the registered unemployed under Part I of the Unemployment Register. Part I of the Register includes those who are eligible for work and registering with the ETC as jobless. By contrast, Part II

includes those who have been dismissed from work due to disciplinary action, left work of their own free will, refused work or training opportunities or were struck off the register after an inspection by the Law Enforcement personnel. This section will analyse the profile of those who are registering as unemployed under Part I of the Register.

At the end of August 2013, the number of registered unemployed persons under Part I of the Register stood at 6,998, compared to 6,185 recorded a year earlier. The rise in the number of unemployed persons was reflected in both the male and female components. Whilst male unemployment rose by 592 or 9.6 per cent to stand at 5,335, the female component increased by 221 or 15.3 per cent to stand at 1,663. Consequently, females accounted for 23.8 per cent of unemployment in August 2013, marginally up from 23.3 per cent recorded a year earlier.

The share of persons registering for work for more than 48 weeks edged up from 42.1 per cent in August 2012 to 45.2 per cent in August 2013, as shown in Table 3.14. Meanwhile, the proportion for persons registering for work for less than nine weeks, and the share of persons registering for work from 9 to 48 weeks declined by 2.6 percentage points and 0.5 percentage points, to 19.0

Registered Unemployed*
by duration of registration

Table 3.14

	Registered Unemployed	under 9 weeks %	9 - 48 weeks %	over 48 weeks %
2008	5,785	21.0	39.1	39.9
2009	6,952	20.4	40.3	39.3
2010	5,986	19.8	38.2	42.0
2011	5,924	19.5	40.2	40.3
2012	6,291	13.5	36.7	49.8
2012 (Aug)	6,185	21.6	36.3	42.1
2013 (Aug)	6,998	19.0	35.8	45.2

*Includes Part I of the Registered Unemployed

Source: Employment and Training Corporation

and 35.8 per cent, respectively.

Table 3.15 illustrates the age structure of the unemployed. During the year ending August 2013, the share of youth unemployment, defined as those falling in the 16-24 age bracket, decreased by 0.4 percentage points, from 16.1 per cent to 15.7 per cent, while the share of those between 25-49 years increased by the same magnitude to stand at 52.8 per cent in August 2013. The share of persons aged 49 or more increased marginally by 0.1 percentage points, to stand at 31.6 per cent in August 2013.

Data for the registered unemployed classified by occupation as at August 2013 is produced in Table 3.16. The increase in unemployment is attributable to increases in both the non-manual and manual categories. Non-manual unemployment increased by 382 or 14.1 per cent during the twelve months to August 2013, primarily attributed to increases in the miscellaneous non-manual, and clerical & related workers. At the end of August 2013, the share of non-manual unemployment in total Part I unemployment stood at 44.1 per cent, above the share recorded a year earlier by 0.4 percentage points. In addition, from that recorded a year earlier, manual unemployment stood at 3,403, reflecting a rise of 433 or 14.6 per cent over August 2013. The major

Registered Unemployed*

by age distribution

Table 3.15

	Registered Unemployed	16 - 24 years %	25 - 49 years %	over 49 years %
2008	5,785	18.6	58.1	23.3
2009	6,952	19.5	55.5	25.0
2010	5,986	17.5	54.4	28.1
2011	5,924	17.1	53.4	29.5
2012	6,291	15.8	52.3	32.0
2012 (Aug)	6,185	16.1	52.4	31.5
2013 (Aug)	6,998	15.7	52.8	31.6

*Includes Part I of the Registered Unemployed

Source: Employment and Training Corporation

Registered Unemployed Classified by Occupation*

at August 2013

Table 3.16

	Registered Unemployed			Percentage Share		
	Males	Females	Total	Males	Females	Total
Non-Manual						
Clerical & related workers	544	539	1,083	10.2	32.4	15.5
Supervisory	37	2	39	0.7	0.1	0.6
Technological & professional	720	172	892	13.5	10.3	12.7
Miscellaneous non-manual	639	431	1,070	12.0	25.9	15.3
Total Non-Manual	1,940	1,144	3,084	36.4	68.8	44.1
Manual						
Agriculture	232	0	232	4.3	0.0	3.3
Construction	553	1	554	10.4	0.1	7.9
Textiles	3	7	10	0.1	0.4	0.1
Printing	7	2	9	0.1	0.1	0.1
Metal working	185	0	185	3.5	0.0	2.6
Catering	178	40	218	3.3	2.4	3.1
Other services	489	187	676	9.2	11.2	9.7
Labouring	558	83	641	10.5	5.0	9.2
Miscellaneous	758	120	878	14.2	7.2	12.5
Total Manual	2,963	440	3,403	55.5	26.5	48.6
Disabled persons	432	79	511	8.1	4.8	7.3
Total	5,335	1,663	6,998	100.0	100.0	100.0

*Includes Part I of the Registered Unemployed

Source: Employment and Training Corporation

increases were recorded by the other services and miscellaneous categories. As shown in Table 3.16, the share of manual unemployed in total unemployment stood at 48.6 per cent at the end of August 2013. This compares to 48.0 per cent recorded in August 2012. Males accounted for 87.1 per cent and 62.9 per cent of the manual and non-manual unemployed, respectively. Moreover, the number of disabled persons who were registering for employment as at August 2013 amounted to 511 persons, a decline of 2.0 or 0.4 per cent over the previous comparable period. The share of disabled persons in total unemployment was equivalent to 7.3 per cent, down from 8.3 per cent recorded in the previous comparable period.

Part-time Activity

As shown in Table 3.17 part-time employment continued to increase, such that at the end of May 2013, total part-time employment stood at 56,263, a substantial increase of 2,270 or 4.2 per cent over twelve months earlier. Since December 2010, total part-time employment increased by 5,984 or 12.0 per cent when compared to December 2012, reflecting increases in the numbers of both part-timers holding a full-time job and part-timers as a primary job. The former increased by 2,113 or 9.7 per cent and the latter rose by 3,871 or 13.8 per cent over the same period.

At the end of May 2013, the number of part-timers holding a full-time job stood at 23,601, of which 15,924 were males and 7,677 were females. Compared to May 2012, the number of part-timers holding a full-time job increased by 643 or 2.8 per cent, while the number of male and female part-timers holding a full-time job increased by 157 or 1.0 per cent and 486 or 6.8 per cent, respectively. Consequently, the share of females employed as part-timers and also holding a full-time job in total part-time employment increased.

The number of part-timers holding a part-time job as their primary occupation increased by 1,627 or 5.2 per cent over the level recorded in May 2012. Females continued to constitute the largest share of persons holding part-time jobs as their primary occupation. Indeed, this stood at 58.0 per cent at the year ending

Part-Time Employment

Table 3.17

	2010 Dec	2011 Dec	2012 Dec	2012 May	2013 May
Part-Timers holding a full-time job	21,835	22,712	23,948	22,958	23,601
Males	15,285	15,709	16,133	15,767	15,924
Females	6,550	7,003	7,815	7,191	7,677
Part-Timers as a primary job	28,103	29,785	31,974	31,035	32,662
Males	11,708	12,379	13,388	12,983	13,725
Females	16,395	17,406	18,586	18,052	18,937
Total Part-Time Employment	49,938	52,497	55,922	53,993	56,263
Males	26,993	28,088	29,521	28,750	29,649
Females	22,945	24,409	26,401	25,243	26,614

Source: Employment and Training Corporation

May 2013, down by 0.2 percentage points when compared to 58.2 per cent in May 2012. During the year to May 2013, the number of females and males with part-time employment as their primary job increased by 885 and 742 or 4.9 per cent and 5.7 per cent to 18,937 and 13,725, respectively.

Footnotes:

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

² Figure relates to July 2013

4. Productive Activities

4. Productive Activities

Industrial turnover comprises the production of the manufacturing, mining and quarrying and energy sectors. In the seven months to July 2013, industrial turnover grew by 2.6 per cent when compared to the same period last year, mainly due to a significant increase in exports (5.0 per cent). Domestic sales rose only slightly by 0.1 per cent (see Appendix Table 4.1).

Wages and salaries rose by 1.7 per cent during the same period. Compared to the same period of 2012, industrial employment fell by 0.7 per cent as against a fall of 1.0 per cent in 2012. Hours worked increased slightly, reversing the drop observed in 2012.

The mining and quarrying sector has experienced declining output in the first seven months of 2013. This resulted in a fall in employment levels, hours worked and in wages and salaries.

Looking beyond industrial production, available indicators suggest that during the first half of 2013 the gross value added of the agriculture and fisheries sector increased by 6.8 per cent. A more detailed analysis of this sector is presented further below.

The utilities sector, on its part, saw turnover rising slightly during the first part of 2013. The sector's productivity is improving, with the increase in turnover occurring despite declines in employment and the number of hours worked (of 2.1 per cent and 5.2 per cent, respectively during January-July 2013).

Throughout the period under review, the manufacturing sector recorded a generally positive performance. Indeed, manufacturing output in the first seven months of 2013 rose by 3.8 per cent as against the 1.4 per cent increase observed in the same period of 2012. Whereas the rise in the first seven months of 2012 was due to domestic sales, the main driver of the increase observed during the same period in 2013 was higher export volumes, which rose by 5.0 per cent when compared to the same comparable period in 2012. In line with these developments, wages and salaries generally increased in the period under review.

Manufacturing Performance

The manufacturing sector has substantially contributed to the total industry turnover in the first seven months of 2013, particularly due to an increase in export demand. A sectoral analysis of manufacturing performance is featured in this subsection.

Food Products

The bulk of the manufacture of food products is oriented towards the domestic market. Turnover during the period January to July 2013 was up by 8.6 per cent as highlighted in Appendix Table 4.2. The improvement reflected a significant increase of 9.6 per cent and 8.3 per cent in the export and domestic sales index, respectively.

Wages and salaries increased by 5.3 per cent during the first seven months of 2013. At the same time, hours worked increased by 3.3 per cent, even though the level of employment has fallen by 1.8 per cent.

Beverages

The turnover of the beverages industry increased by 4.5 per cent in the months between January and July of 2013 when compared to the comparable period of 2012, with both domestic and export sales growing. Wages and salaries in this sub-sector grew by 3.5 per cent during the same period.

Printing and Reproduction of Recorded Media

The printing and reproduction of recorded media sub-sector, which is largely export-oriented, experienced an acceleration in turnover growth in 2013. Overall sales are reported to have increased by 6.4 per cent during the first seven months of 2013, up from 2.2 per cent in 2012 as illustrated in Appendix Table 4.2.

The sub-sector's improvement in activity occurred in the context of significant restructuring within its operators. In fact, hours worked declined by more than a fifth, implying a very significant improvement in labour productivity in this industry.

Basic Pharmaceutical Products

In the first seven months of 2013, the basic pharmaceutical products sub-sector registered a decrease of 2.0 per cent stemming from decreases in both domestic and export sales.

Nevertheless during the January-July 2013 period, employment levels increased by 5.3 per cent, pushing up the wages and salaries index by 2.9 per cent when compared to the same period of the previous year.

Rubber and Plastic Products

Positive performance was observed during the first seven months of 2013 with turnover up by 5.2 per cent when compared to the same period of the previous year. Despite the fact that the sales of this sub-sector are mainly directed towards the international market, the improvement in turnover during this period was mostly underpinned by a rise in domestic sales of 13.8 per cent.

The positive performance is also evident in employment levels and hours worked which rose by 16.0 per cent and 18.3 per cent, respectively. Wages and salaries were also reported to have increased by 16.3 per cent during the first seven months of 2013.

Computer, Electronic and Optical Products

The manufacture of computer, electronic and optical products sub-sector is almost exclusively export-oriented. This sub-sector mainly consists of a small number of relatively large foreign subsidiaries whose main activity involves the production of electronic products, for which demand is very sensitive to international economic developments.

Following the positive performance in recent years, this sub-sector experienced lower sales in the first seven months of 2013. Its turnover index fell by 2.7 per cent when compared to the same period of the previous year, mainly on account of a reduction in export sales.

Nevertheless, wages and salaries increased by 2.7 per cent, reflecting an increase in hours worked by 3.3 per cent. This countered a decline in employment of 3.1 per cent.

Motor Vehicles, Trailers and Semi-Trailers

The manufacture of motor vehicles, trailers and semi-trailers sub-sector has experienced substantial growth in turnover index during recent years. This positive performance was sustained in the first seven months of 2013, with an increase of 26.4 per cent, underpinned by double-digit percentage increases in both export and domestic sales. To be in a position to satisfy this increase in demand, operators in the sub-sector increased employment by 5.1 per cent, and also augmented hours worked by 10.2 per cent. This resulted in an increase in wages and salaries of 8.0 per cent, as highlighted in Appendix Table 4.2.

Other Manufacturing

This sub-sector involves mainly firms engaged in the manufacture of toys, games and jewellery items which are mostly export-oriented. In the first seven months of 2013, the turnover index increased substantially by 14.3 per cent when compared to the same period of the previous year. This reflected considerable growth in both domestic sales (36.1 per cent) and export sales (13.8 per cent). Furthermore, during the same period, wages and salaries increased by 4.9 per cent underpinned by a rise in the employment level (0.5 per cent). At the same time, hours worked decreased by 2.3 per cent.

Box 4.1

The Industrial Production Index

The Industrial Production Index is a measure of economic activity and developments in this index can be used to describe the economic cycles of industry. The index monitors changes in production in leading products from a sample of industrial enterprises amount to 164 and cover over 95 per cent of total industrial production. Turnover for 43 enterprises is deflated by use of the Industrial Producer Prices Index while production for 27 other enterprises is estimated according to the number of hours worked. The index is classified according to NACE Rev. 2.

In 2012, the overall Industrial Production Index sustained the positive performance recorded during the previous year and increased by 3.0 per cent. In the first seven months of 2013, the overall industrial production index increased by 1.4 per cent. This was mainly underpinned by increases in the production index of the manufacturing sector, while the mining and quarrying sector and the energy sector reported substantial declines in their production index, particularly in the former case.

The manufacturing sector's production index has increased by 1.8 per cent in January-July 2013 compared to a decline in growth rate of 0.7 per cent in the Production Index recorded in the same comparable period last year. This mainly reflects increases in the manufacture of motor vehicles, trailers and semi-trailers (26.4 per cent), electrical equipment sector (21.9 per cent), and to a lesser extent in the leather and related products (16.9 per cent) and manufacture of fabricated metal products except machinery and equipment (12.2 per cent). Such increases were offset by declines in other sectors including, the manufacture of textiles sector (21.2 per cent), and to a lesser extent to the printing and reproduction of recorded media (13.1 per cent) and other manufacturing (8.2 per cent).

Agriculture and Fisheries

The agriculture and fisheries sector is a small albeit valuable sector of Malta's economy having an important impact on the environment and landscape of the Maltese Islands. The sector also provides a livelihood to a farming community who in turn ensures that a fresh and diverse local product base is available for marketing and distribution. Agriculture and fisheries contribute to the local heritage, keeping alive certain customs and traditions, also benefitting the tourism industry.

Over the first half of 2013, the gross valued added from the agriculture and fisheries sector increased by 6.8 per cent from that of the same period in 2012. The sector's contribution to the Maltese economy as a share of total gross value added was 1.5 per cent in the first half of 2013, practically unchanged from the same period in the previous year. This share was also largely in line to that registered over the 2008-2012 period which averaged 1.6 per cent.

Agriculture

In the first eight months of 2013 the total volume of slaughtered beef, pork and broilers stood at 7,263 tonnes up by 1.4 per cent over the same period in 2012. This was mainly due to an increase in the volume of pork slaughtered. This contrasted with the very substantial decline in pig slaughtering in the period January-August 2012 (25.9 per cent), which had mirrored a large decrease in the pig population over the course of 2011, following the closure of a number of pig farms. Meanwhile, the volume of slaughtered beef in the first eight months of 2013 also rose by 7.1 per cent from the same period of 2012 while broiler slaughtering declined by 1.8 per cent.

Between January and August 2013 the quantity of fresh fruit and vegetables sold on organised markets amounted to 31,597 tonnes, representing an increase of 4.4 per cent over the same period in 2012. The overall increase came despite a 22.7 per cent fall in the volume of supplied fruit. On the other hand, there was a significant increase in the sales of vegetables as can be seen from Table 4.1.

The wholesale value of fresh fruit and vegetables supplied in the first eight months of 2013 amounted to €14.6 million, representing an increase of 1.1 per cent over the same period in 2012. This reflected a 32.8 per cent increase in fresh fruit prices, buoyed up especially by higher strawberry prices. Meanwhile, the price index for fresh vegetables fell by 12.6 per cent.

Agricultural Indicators

Table 4.1

	2012	2013
	Jan-Aug	Jan-Aug
Slaughtering (tonnes)		
Beef	709	759
Pork	3,655	3,758
Broilers	2,796	2,746
(2010 = 100)		
Fresh Fruit		
Price Index	101.6	134.9
Volume Index	123.0	95.0
Fresh Vegetables		
Price Index	111.9	97.8
Volume Index	102.2	108.9

Source: National Statistics Office

Imports of Major Agricultural Commodities

Table 4.2

€ million

	2010	2011	2012	2012	2013
				Jan-Aug	Jan-Aug
Live Animals	0.6	0.3	0.3	0.2	0.2
Meat and Edible Offals	44.2	49.9	50.1	34.0	31.7
Fish	24.0	24.4	50.4	42.5	13.7
Dairy Produce	37.2	41.6	43.4	29.4	27.8
Edible Fruits and Nuts	30.7	28.9	25.4	16.3	17.6
Cereals	22.8	27.8	50.3	21.6	28.6
Preparations of Meat, Fish	36.3	36.8	42.1	29.5	29.0
Sugar & Confectionery	20.3	23.4	23.8	17.1	16.0
Cereal Prep.	51.0	53.6	53.4	34.5	35.8
Veg. and Fruit Prep.	20.9	22.2	25.4	17.4	17.7
Misc. Edible Prep.	33.4	33.1	34.1	22.8	22.6
Beverages, Spirits, Vinegar	47.1	47.1	53.5	35.6	37.6
Feeds	27.9	31.3	34.7	21.1	21.4
Total	396.3	420.3	486.7	322.0	299.6

Note: Totals may not add up due to rounding.

Source: National Statistics Office

Table 4.2 shows data for imports of major agricultural products. During the first eight months of 2013, the total value of imports of major agricultural products declined by 7.0 per cent when compared to the same period in 2012, bringing the total amount to €99.6 million. The main reduction came from imports of fish which fell by 67.8 per cent when compared to the same period of the previous year and which more than offset a 32.3 per cent rise in the imports of cereals.

Fisheries

Whilst being small, Malta's fisheries sector still maintains its importance due to its socio-economic and environmental impacts. The main activities in this sector comprise traditional fishing methods as well as fish farming aquaculture methods. Traditional fishing techniques cater mainly for the local fish market providing seawater fish such as blue fin tuna and swordfish. Aquaculture fish farming caters mostly for the export sector.

Table 4.3 presents the price and volume indices for fresh fish on the local market during the first eight months of 2012 and 2013. Over the period under review, the volume index fell by 30.8 per cent. Although the fall in fish volumes was broad based, with the exception of an increase registered in swordfish, the decline in the overall volume index was mainly the result of a reduction in the 'other species' category. The drop in volume was accompanied by an increase in the price index of 15.4 per cent. Meanwhile, the total value of fish on the local market in the first eight months of 2013 was €3.9 million, a reduction of 18.6 per cent from that of the same period in 2012.

Fresh Fish Indices		
<u>Table 4.3</u>	<u>2010=100</u>	
	2012	2013
	Jan - Aug	Jan - Aug
Price Index	106.26	122.62
Volume Index	94.74	65.54

Source: National Statistics Office

Box 4.2

Economic Accounts for Agriculture 2012

In Malta, agricultural output mainly consists of livestock products, animal products and crop products as well as wine and cheese production as secondary activities. Due to the geographical size of the country and the corresponding shortage of agricultural land, the sector lacks economies of scale. Other challenges faced by the sector include scarcity in agricultural water supply and fragmented land ownership owing to traditional inheritance patterns.

The data used in this Box consists of estimates produced by the NSO and based on the new methodologies for the Economic Accounts for Agriculture and Forestry which in turn have been based on the ESA 95 and on the revised methodology on Agriculture Labour Input Statistics. As a result, the data in this section is not directly comparable with data on this sector presented in other Chapters of this Economic Survey.

In 2012 output from the agricultural sector in terms of final production at basic prices, declined by 0.8 per cent from the previous year. This was mainly the result of a decline in output of crop products of 5.1 per cent, and a decline in livestock products of 2.7 per cent. Due to their respective shares in total final production, the aforementioned decreases more than outweighed increases of 8.2 and 10.7 per cent in other animal products and secondary activities respectively, which were registered over the same comparable period. As illustrated in Table 1 between 2009 and 2012, there was a marginal change in composition of final production as the share of livestock products decreased by 1.9 percentage points while the share of animal products increased by 1.8

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

Table 1 € thousand

	2009	2010	2011	2012
Final production at basic prices	129,313	126,128	128,713	127,678
Livestock products	45,959	45,256	44,172	43,001
Animal products	25,615	24,083	25,494	27,593
Crop products	49,896	49,797	52,299	49,614
Secondary activities	7,843	6,992	6,749	7,470

Source: National Statistics Office

Box 4.2 cont.

percentage points. No notable trend was witnessed over the 2009-2012 period in the case of crop products and secondary activities which maintained average shares of 39.4 per cent and 5.7 per cent of the total final production, respectively. It is also to be noted that the level of final production in 2012 remains below that recorded in 2009.

Within the category of crop products, the largest decrease in output was registered in potatoes which fell by 35.4 per cent over the previous year, bringing the total output of potatoes closer to that experienced in years 2008-2010.

Secondary activities increased considerably in 2012, reflecting a 40.7 per cent increase in the production of wine and an 8.2 per cent increase in production of animal products such as milk and eggs over the previous year. The increase in production of wine followed a two year period (2010-2011) characterised by poor yields for viticulture.

Considering the intermediate consumption at purchaser prices, 2012 saw an overall 0.1 per cent decline which was mainly the result of a decrease of 4.5 per cent in expenditure on various services, partially offset by a 1.7 per cent increase in expenditure on animal feed. A 5.8 per cent decline in expenditure

Factor Income at Current Prices

	2009	2010	2011	2012
Total final production at producer prices	123,629	121,877	126,478	125,901
add subsidies on production	5,684	4,252	2,236	1,778
Total final production at basic prices	129,313	126,129	128,713	127,678
less intermediate consumption	69,724	67,680	71,055	70,957
Gross value added at basic prices	59,589	58,449	57,658	56,721
less fixed capital consumption	7,373	6,745	6,967	7,405
Net value added at basic prices	52,216	51,704	50,691	49,316
add other subsidies not directly linked with production	13,168	24,804	17,319	18,188
Factor income at current prices	65,385	76,508	68,009	67,504

Source: National Statistics Office

Box 4.2 cont.

on plant protection products and pesticides mirrored the decline in crop product output. However, seeds and planting stock increased by 0.8 per cent, while fertilisers and soil improvers increased by 3.4 per cent indicating a sustained effort towards maintaining future yields. The decline in the ‘various services’ category included a decline in expenditure on maintenance of materials and buildings of 2.9 per cent and 5.3 per cent, respectively in 2012. Veterinary services have continued with their declining trend, falling by 13.4 per cent in 2012 over the previous year. Intermediate consumption on energy and lubricants increased by 1.3 per cent between 2011 and 2012.

Factor income at current market prices for the agricultural sector declined by 0.7 per cent in 2012, mainly impacted by lower final production at producer prices, as well as the continuing decline in production subsidies. Due to the continued phasing out of the Special Market Policy Programme for Maltese Agriculture (SMPPMA), in 2012 subsidies on production declined by 20.5 per cent reaching €1.8 million. Conversely, subsidies not directly linked with production increased by 5.0 per cent or €0.9 million in reflection of ongoing disbursement of funding associated with EU programmes.

Taking a look at the distribution of factor income in Table 3, it is evident that the entrepreneur gets the larger share with entrepreneurial income over the past four years constituting an average of 93.9 per cent of the total. Over the same period, an average of 6.7 per cent can be attributed to wages while an average share of 1.4 per cent and 0.7 per cent can be attributed to interest and rents respectively. Between 2011 and 2012 the distribution of factor income changed slightly towards return on capital with an increase in the interest component of 14.8 per cent and a decline of 2.4 per cent and 1.8 per cent in wages and rents,

Distribution of Factor Income

(at Current Prices)

	€ thousand			
	2009	2010	2011	2012
Factor Income	65,384	76,507	68,009	67,504
Entrepreneurial income (profits)	59,486	70,369	62,053	61,545
Compensation of employees (wages)	4,426	4,609	4,619	4,506
Interest	965	1,028	841	966
Rents	507	502	496	487

Source: National Statistics Office

Box 4.2 cont.

respectively. Entrepreneurial income declined by 0.8 per cent over the same comparative period, which, due to its share in factor income, represents the major contributor towards the decline in overall factor income.

Table 4 illustrates the annual producer price indices related to agricultural products for the period 2009-2012. Changes in prices of fruit, vegetables, animals and animal products are represented in the output index, while changes in the prices of raw materials and services utilized by the agricultural sector are represented by the input price index. The narrower the gap between the input costs and the value of outputs, the greater the compression experienced in the profitability gap of the agricultural sector. Such dynamics are explained by the relative rate of change between the two price indices.

**Annual producer price indices for agricultural products
(2005 = 100)**

Table 4

	Weight	2009	2010	2011	2012
Output index at producer prices	100.0	116.4	114.6	117.0	127.5
Forage	2.8	119.5	116.6	130.4	132.8
Potatoes	6.5	125.4	125.9	116.7	144.3
Fresh vegetables	22.0	117.8	108.6	103.5	116.7
Fruit	4.8	117.1	118.6	103.7	103.8
Animals	42.9	109.7	111.0	113.7	120.4
Animal products	21.0	125.2	123.4	139.2	153.0
Input total	100.0	120.3	124.3	138.8	145.4
Goods and services currently consumed					
in agriculture	91.7	120.9	125.5	140.9	148.0
Seeds and planting stock	4.1	120.3	130.8	130.0	131.0
Energy; lubricants	11.1	115.9	130.7	153.1	160.5
Fertilisers and soil improvers	1.7	160.4	153.2	156.0	161.3
Plant protection products and pesticides	0.9	127.1	146.4	133.9	126.2
Veterinary expenses	2.3	117.3	119.7	128.2	122.7
Animal feeding stuffs	46.7	119.5	121.9	146.3	157.4
Maintenance of materials	9.0	127.5	128.5	130.0	131.1
Maintenance of buildings	4.1	105.5	110.3	113.7	118.4
Other goods and services	11.9	126.3	131.9	129.3	130.5
Goods and services contributing to agricultural investment	8.3	112.8	111.7	115.3	117.5

Source: National Statistics Office

Box 4.2 cont.

In 2012, the output price index increased by 9.0 per cent when compared to that in 2011, while the input price index increased by 4.8 per cent. However, even though the output prices increased at a faster rate than the input prices the agricultural entrepreneurs experienced a decline in profits. The main increases in the output price index can be attributed to the 23.6 per cent increase in the price level of potatoes and the 12.8 per cent increase in the price level of fresh vegetables. The increase in the input price index was mainly driven by the 7.6 per cent increase in animal feeding stuffs with broad based increases also noted in the other categories, with the exception of the plant protection products and veterinary expenses category which recorded a decrease.

Indicators of Industrial Activity

(2005=100)

Appendix Table 4.1

% of growth indices

	2010	2011	2012	2012 Jan-July	2013 Jan-July
TOTAL INDUSTRY					
Turnover	18.2	0.5	6.7	4.5	2.6
Domestic	15.4	1.8	7.3	9.2	0.1
Exports	20.8	-0.6	5.8	-0.0	5.0
Employment	-3.2	0.5	-0.8	-1.0	-0.7
Hours Worked	-2.4	0.8	-0.5	-0.8	0.1
Wages and salaries	-1.8	3.0	3.0	2.9	1.7
MINING AND QUARRYING					
Turnover	-5.3	13.0	-7.8	7.2	-4.5
Domestic	-5.3	13.0	-7.8	7.2	-4.5
Exports	-	-	-	-	-
Employment	0.1	-3.6	-8.2	-6.9	-3.5
Hours Worked	1.6	-7.0	-7.9	-4.2	-7.7
Wages and salaries	6.9	-3.2	-6.4	-3.5	-8.0
MANUFACTURING TOTAL					
Turnover	13.9	0.8	6.3	1.4	3.8
Domestic	-3.0	5.5	6.4	5.4	-0.0
Exports	20.8	-0.6	5.8	-0.0	5.0
Employment	-3.2	0.8	0.1	-0.2	-0.4
Hours Worked	-1.9	1.2	0.6	0.1	0.9
Wages and salaries	-2.3	2.9	3.3	3.4	2.4
ELECTRICITY AND WATER SUPPLY					
Turnover	28.4	-0.2	7.9	11.4	0.2
Domestic	28.4	-0.2	7.9	11.4	0.2
Exports	-	-	-	-	-
Employment	-3.6	-1.4	-6.1	-6.1	-2.1
Hours Worked	-6.1	-1.3	-7.6	-6.8	-5.2
Wages and salaries	-0.0	3.9	1.9	1.0	-1.4

Source: National Statistics Office

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

Appendix Table 4.2

% of growth indices

SECTORAL MANUFACTURING INDICES

	2010	2011	2012	2012 Jan-July	2013 Jan-July
MANUFACTURE OF FOOD PRODUCTS					
Turnover	3.0	-1.9	8.5	7.8	8.6
Domestic	-0.2	-0.0	6.4	3.3	8.3
Exports	14.4	-0.8	16.1	21.6	9.6
Employment	-5.2	-2.2	3.7	5.8	-1.8
Hours Worked	-3.8	-0.3	2.2	4.6	3.3
Wages and salaries	1.3	-3.0	6.3	7.7	5.3
MANUFACTURE OF BEVERAGES					
Turnover	-0.6	2.6	4.2	4.0	4.5
Domestic	-2.2	2.0	5.7	5.7	3.7
Exports	99.2	21.8	-33.7	-38.1	41.9
Employment	-5.9	-1.6	0.5	3.5	-3.8
Hours Worked	-4.6	-1.3	2.5	5.6	0.2
Wages and salaries	-2.6	0.6	1.5	2.6	3.5
MANUFACTURE OF TEXTILES					
Turnover	31.7	15.7	-5.7	-2.6	-18.3
Domestic	1.0	-14.7	2.7	-3.6	-1.9
Exports	32.5	16.4	-5.8	-2.6	-18.6
Employment	-2.4	3.2	2.8	2.4	-7.8
Hours Worked	3.6	3.5	2.8	3.5	-7.8
Wages and salaries	-11.1	34.9	17.9	23.6	-13.4
MANUFACTURE OF WEARING APPAREL					
Turnover	-24.5	-53.4	2.2	-4.7	8.3
Domestic	-17.9	-24.1	3.4	-11.4	22.9
Exports	-29.1	-64.2	1.8	-2.1	3.2
Employment	-4.5	-9.9	-2.6	-5.3	4.0
Hours Worked	10.6	-7.2	3.2	0.5	9.5
Wages and salaries	-1.4	3.5	7.9	13.3	2.0

Short-term Activity Indicators for Manufacturing

(2005=100)

Appendix Table 4.2

continued

	2010	2011	2012	2012 Jan-July	2013 Jan-July
MANUFACTURE OF LEATHER AND RELATED PRODUCTS					
Turnover	-10.7	-7.6	-3.2	-11.2	31.4
Domestic	-40.4	-53.8	-31.8	-44.0	-2.9
Exports	10.1	8.4	-0.2	-7.5	33.8
Employment	-23.3	-32.1	-9.4	-7.5	-4.5
Hours Worked	-24.5	-35.3	-6.2	-4.7	-3.2
Wages and salaries	-22.8	-29.4	-0.5	-3.2	-2.2
MANUFACTURE OF WOOD AND WOOD PRODUCTS					
Turnover	1.5	-13.4	5.4	6.1	4.0
Domestic	-5.9	-3.4	0.9	2.4	5.4
Exports	0.0	0.0	-90.0	-100.0	0.0
Employment	-10.3	0.7	-0.3	-0.1	-1.4
Hours Worked	-4.7	3.0	-1.7	-3.5	-1.0
Wages and salaries	-1.8	6.2	0.4	3.3	-0.0
MANUFACTURE OF PAPER AND PAPER PRODUCTS					
Turnover	6.2	12.8	5.8	6.0	-2.8
Domestic	7.3	12.8	5.8	6.0	-2.8
Exports	-100.0	0.0	0.0	0.0	0.0
Employment	-2.6	-2.7	-1.7	-4.8	2.4
Hours Worked	-1.8	-1.4	-6.6	-11.7	0.2
Wages and salaries	4.0	-1.0	-2.8	-3.6	-2.1
PRINTING AND REPRODUCTION OF RECORDED MEDIA					
Turnover	-20.2	25.5	2.2	-1.5	6.4
Domestic	0.0	25.6	2.6	-1.9	-22.6
Exports	-24.2	21.3	0.7	-2.1	16.1
Employment	-2.4	0.3	-2.2	-2.7	-17.2
Hours Worked	-7.3	5.7	-0.3	1.7	-22.7
Wages and salaries	-4.6	3.8	4.6	7.6	-15.8

Short-term Activity Indicators for Manufacturing

(2005=100)

Appendix Table 4.2

continued

	2010	2011	2012	2012 Jan-July	2013 Jan-July
MANUFACTURE OF CHEMICALS AND CHEMICAL PRODUCTS					
Turnover	-12.3	8.7	20.7	16.6	34.8
Domestic	-8.6	7.0	12.0	8.9	12.3
Exports	6.8	-6.0	74.4	59.9	135.0
Employment	-4.8	-0.7	-0.2	-0.2	7.6
Hours Worked	-4.7	-4.5	0.0	-1.6	8.6
Wages and salaries	-0.1	4.6	3.3	2.5	9.1
MANUFACTURE OF BASIC PHARMACEUTICAL PRODUCTS					
Turnover	31.9	-0.8	9.5	10.8	-2.0
Domestic	-37.4	23.7	21.6	26.1	-20.1
Exports	32.2	-0.9	9.5	10.8	-1.9
Employment	8.7	9.1	7.5	7.2	5.3
Hours Worked	6.0	4.4	9.9	11.7	-2.8
Wages and salaries	9.6	15.5	9.3	15.0	2.9
MANUFACTURE OF RUBBER AND PLASTIC PRODUCTS					
Turnover	28.7	12.3	10.6	9.7	5.2
Domestic	18.3	25.9	36.8	33.0	13.8
Exports	35.5	8.9	-0.4	0.4	0.1
Employment	8.6	10.5	9.1	4.1	16.0
Hours Worked	10.1	13.1	10.4	6.6	18.3
Wages and salaries	25.8	7.9	7.7	4.3	16.3
MANUFACTURE OF OTHER NON-METALLIC PRODUCTS					
Turnover	-1.7	-4.8	2.9	0.4	-3.1
Domestic	-6.4	-6.9	4.8	1.1	-0.7
Exports	56.4	3.8	-18.6	-7.0	-32.6
Employment	-4.3	-7.5	-0.6	-1.3	0.2
Hours Worked	-3.9	-7.7	-1.6	-3.0	1.1
Wages and salaries	0.8	-3.5	0.4	-0.4	2.6

Short-term Activity Indicators for Manufacturing

(2005=100)

Appendix Table 4.2

continued

	2010	2011	2012	2012 Jan-July	2013 Jan-July
MANUFACTURE OF FABRICATED METAL PRODUCTS					
Turnover	-6.9	-2.4	-10.2	-9.8	-14.8
Domestic	-7.7	1.4	-8.8	-6.8	-20.5
Exports	-5.3	-10.7	-16.3	-23.1	16.3
Employment	3.6	-11.9	-5.6	-3.6	-20.8
Hours Worked	5.3	-12.4	-10.8	-9.6	-20.8
Wages and salaries	9.5	-3.3	-7.7	-5.5	-18.6
MANUFACTURE OF COMPUTER, ELECTRONIC AND OPTICAL PRODUCTS					
Turnover	29.3	1.1	3.9	-9.3	-2.7
Domestic	-57.6	211.7	-32.2	-14.6	-71.9
Exports	30.0	0.5	4.4	-9.1	-2.4
Employment	-10.2	3.5	-5.2	-4.9	-3.1
Hours Worked	-3.3	4.7	-0.9	-5.1	3.3
Wages and salaries	1.8	-1.5	-2.4	-4.6	2.7
MANUFACTURE OF ELECTRICAL EQUIPMENT					
Turnover	-17.2	-61.4	76.1	181.5	59.2
Domestic	48.5	-13.5	-6.7	-15.3	-13.8
Exports	-19.2	-64.6	91.7	231.2	63.9
Employment	-14.1	-1.2	-3.2	-2.6	-2.1
Hours Worked	-6.3	-3.4	-0.1	1.1	-5.3
Wages and salaries	0.0	-4.0	-0.2	-2.9	1.3
MANUFACTURE OF MACHINERY AND EQUIPMENT N.E.C.					
Turnover	15.7	24.2	-1.3	6.5	-8.7
Domestic	0.4	27.0	2.3	17.8	-18.6
Exports	20.5	18.2	-4.1	-1.1	-0.7
Employment	11.7	19.4	-1.4	1.7	1.1
Hours Worked	19.5	17.9	-7.3	-5.7	4.7
Wages and salaries	15.9	20.1	-0.2	2.2	11.9

Short-term Activity Indicators for Manufacturing

(2005=100)

Appendix Table 4.2

continued

	2010	2011	2012	2012 Jan-July	2013 Jan-July
MANUFACTURE OF MOTOR VEHICLES, TRAILERS AND SEMI-TRAILERS					
Turnover	34.1	4.4	12.2	4.2	26.4
Domestic	39.4	16.3	7.1	6.3	14.3
Exports	34.1	3.7	12.4	4.1	26.8
Employment	13.1	12.4	-1.0	-4.0	5.1
Hours Worked	17.3	14.8	-1.2	-5.8	10.2
Wages and salaries	25.8	10.1	5.5	-1.3	8.0
MANUFACTURE OF OTHER TRANSPORT EQUIPMENT					
Turnover	-6.9	13.8	9.9	20.5	-21.5
Domestic	-6.9	13.8	9.9	20.5	-21.5
Exports	-	-	-	-	-
Employment	20.0	5.2	-2.0	-0.8	5.2
Hours Worked	22.4	18.4	-13.2	-22.4	43.6
Wages and salaries	20.4	11.2	3.5	-1.8	11.9
MANUFACTURE OF FURNITURE					
Turnover	-3.2	-16.4	-2.0	-10.1	10.9
Domestic	-1.5	-11.8	-2.0	-10.1	10.9
Exports	-92.2	-100.0	0.0	0.0	0.0
Employment	-1.7	-12.4	-2.7	-4.2	2.1
Hours Worked	-1.4	-16.1	-6.7	-7.4	-1.8
Wages and salaries	1.8	-16.8	-5.7	-9.9	2.2
OTHER MANUFACTURING					
Turnover	13.9	17.9	4.5	4.2	14.3
Domestic	5.0	28.8	-7.3	-7.4	36.1
Exports	15.9	16.6	6.6	5.4	13.8
Employment	4.5	6.7	-1.4	-0.8	0.5
Hours Worked	9.5	5.7	0.1	1.1	-2.3
Wages and salaries	12.0	7.0	5.2	7.2	4.9

Short-term Activity Indicators for Manufacturing

(2005=100)

Appendix Table 4.2

continued

	2010	2011	2012	2012 Jan-July	2013 Jan-July
REPAIR AND INSTALLATION OF MACHINERY AND EQUIPMENT					
Turnover	7.6	9.5	14.6	25.3	-8.4
Domestic	6.4	36.3	68.5	93.3	-38.2
Exports	5.3	-15.0	9.6	18.5	-3.5
Employment	-26.8	-6.1	-3.5	-3.0	-3.2
Hours Worked	-25.4	-9.1	-1.8	1.0	-4.4
Wages and salaries	-57.2	-7.5	1.1	1.5	-0.0

Source: National Statistics Office

5. Services Activities

5. Services Activities

This Chapter presents developments within the services sector focusing mainly on the tourism industry during the first eight months of 2013. In addition, the activity of the Malta Financial Services Authority (MFSA) and the Malta Enterprise (ME) Corporation are reviewed.

Tourism

In the first eight months of 2013, a significant acceleration in tourist activity has been registered, with departures up by 8.7 per cent, as against the increase of just 0.7 per cent observed in the same period in 2012. Moreover, as can be seen in Table 5.1, nights spent by tourists in Malta also grew substantially, by 9.1 per cent over the same period in the previous year. The latest available data also show that earnings from tourism rose substantially, by 8.6 per cent during the first two quarters of 2013. The increase in full-time employment in

Main Tourism Indicators

Table 5.1

	2010	2011	2012	2012	2013
				Jan-Aug	Jan-Aug
Tourist Departures	1,338,841	1,415,018	1,444,192	981,505	1,067,204
Nights spent (000's)	11,148	11,506	12,247	8,092	8,835
Cruise Passengers*	474,272	541,565	594,350	206,718	137,272
Total full-time employment in accommodation and food services activities**	9,571	9,612	9,729	9,782 ⁽¹⁾	9,868 ⁽¹⁾

*Excluding embarkations and Maltese cruise passengers

**The data presented is based on the distribution of the administrative records of the ETC of the gainfully occupied population according to the standard NACE classification of economic activities

⁽¹⁾Data as at end of May

Source: National Statistics Office, Employment and Training Corporation

the accommodation and food service activities was more muted, at 0.9 per cent during the year to May 2013.

This positive outcome in the tourism industry is the result of the collaboration between the Government, the Malta Tourism Authority (MTA) and the other involved stakeholders. The new administration, while continuing to implement the existing National Tourism Policy has placed additional emphasis on opening new markets in the USA and China whilst going for strong growth in Russia, facilitating Visa arrangements in those markets.

Monthly Distribution

The positive performance of the industry since the second quarter of 2012 continued throughout the first eight months of 2013, excluding the month of February, where tourist arrivals recorded a marginal decline of 0.6 per cent. Arrivals during the first quarter of 2013, up by 6.1 per cent over 2012, were boosted somewhat by the earlier timing of Easter. Nevertheless, activity in April remained very strong with an increase of 8.3 per cent. This was followed by a number of double-digit increases during the period to August, reflecting in part an increase in seat capacity as a result of efforts to increase routes and airlines.

As shown in Table 5.2, and Chart 5.1, August remained the peak month of inbound tourism during the period under review, accounting for 20.5 per cent of the total tourist departures, followed by July with a share of 17.0 per cent. Malta's tourism trends continued to exhibit strong seasonality patterns with the four months between June and September accounting for nearly half of activity. Addressing this concentration, alongside enhancing accessibility over the winter and shoulder months, remain important objectives outlined in the Tourism Policy for the Maltese Islands for 2012-2016.

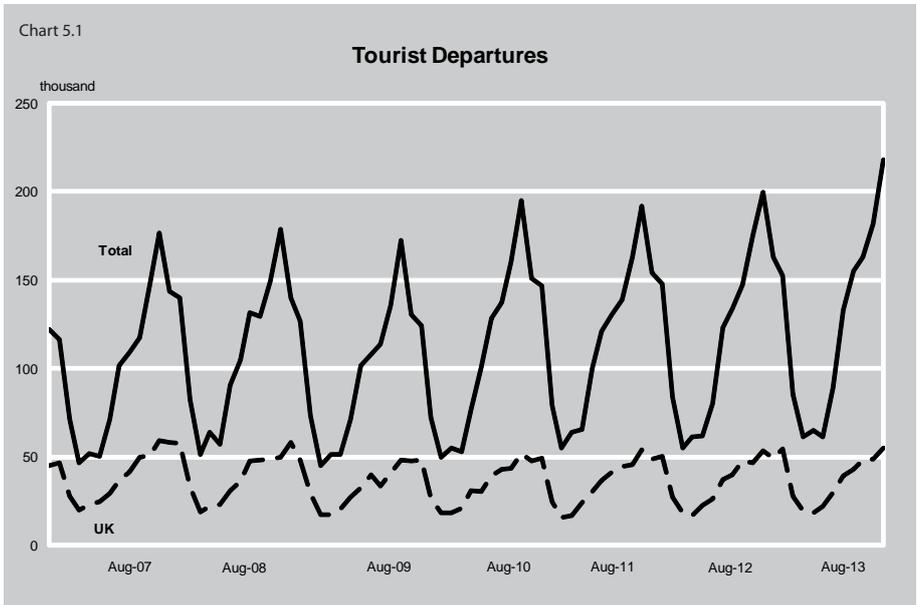
Table 5.3 shows the quarterly distribution of tourist departures for the period January-December 2009-2012. The first quarter of 2012 was the only quarter of the year that recorded a decline in the number of tourist departures when compared to the corresponding period in 2011. It is to be noted that these developments in the first quarter of 2012 were conditioned by the heavy visitor traffic from Libya in view of the crisis recorded in the first two months of 2011, in particular, as regards sea passenger traffic. Furthermore, developments in tourist movements recorded during the earlier months of 2012 were also the result of a reduction in seat capacity, which was also reflected in the number of aircraft landings in Malta.

Monthly Tourist Departures

Table 5.2

	2010	2011	2012	2013
January	55,013	64,092	61,353	64,887
February	53,135	65,661	61,788	61,442
March	76,431	100,203	80,142	89,286
April	100,657	120,817	122,979	133,173
May	128,639	130,355	133,648	155,366
June	137,525	138,733	147,361	162,879
July	160,321	162,994	174,805	181,899
August	195,115	191,570	199,430	218,271
January/August	906,836	974,424	981,505	1,067,204
% change		7.5	0.7	8.7
September	151,021	153,989	163,251	
October	146,716	147,886	152,572	
November	79,297	83,817	85,491	
December	54,970	54,902	61,373	
Total	1,338,841	1,415,018	1,444,192	
% change		5.7	2.1	

Source: National Statistics Office



Quarterly Distribution of Tourist Departures

Table 5.3

per cent

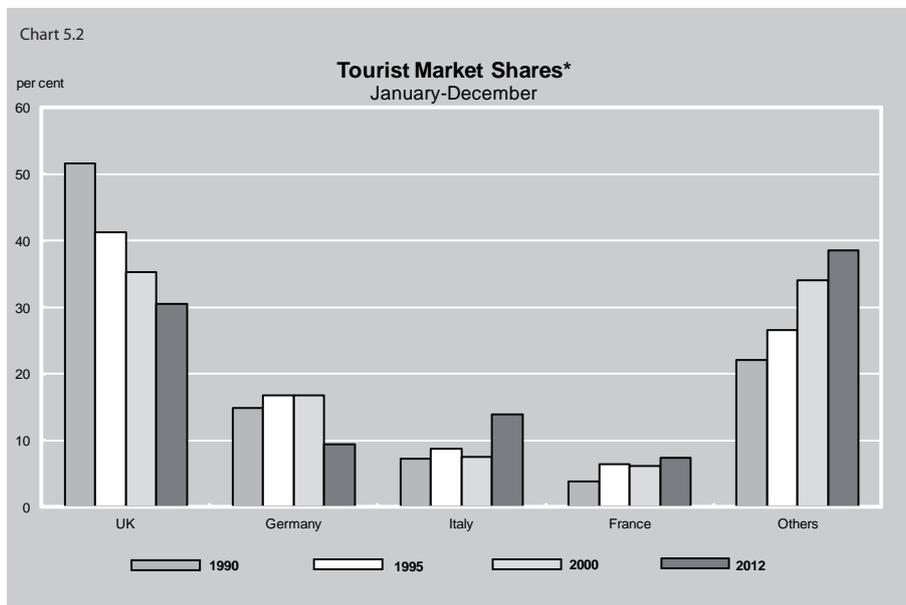
	2009	2010	2011	2012
Q1	14.7	13.8	16.3	14.1
Q2	27.4	27.4	27.6	28.0
Q3	37.1	37.8	35.9	37.2
Q4	20.9	21.0	20.3	20.7

Source: National Statistics Office

Tourist Nationality

Chart 5.2 illustrates the relative market share of Malta's main source markets over January-December 1990-2012. Despite the fact that United Kingdom (UK) remained the major market in the Maltese tourism sector, its share has generally declined over the years, declining from 51.6 per cent in 1990 to 30.5 per cent in 2012. The German market increased its share between 1990 and 2000 but then registered a drop in its market share to 9.5 per cent in 2012. By contrast, the share of the Italian market fluctuated from 7.3 per cent in 1990 to 14.0 per cent in 2012. Meanwhile, the share of the French market increased to 6.5 per cent in 1995 and subsequently increased to 7.5 per cent in 2012. The share of the 'other' markets category increased from 22.2 per cent in 1990 to 38.5 per cent in 2012. During 2012, a significant improvement was recorded in tourists originating from the Russian market, where tourist numbers increased by 30.8 per cent over the 2011 level. However, the Russian market still accounts for a relatively minor share of total tourist departures.

As indicated in Table 5.4, which provides a detailed breakdown of tourist departures by nationality, during the first months of 2013, significant growth was registered in almost all of Malta's source markets. The largest increase was registered by the Italian market, which saw a rise of 20,221 tourists or nearly a quarter of the overall increase. Tourist arrivals from Libya, Austria, France,



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

Tourist Departures by Nationality

Table 5.4

	2010	2011	2012	2012 Jan-Aug	2013 Jan-Aug
United Kingdom	415,099	438,205	440,701	289,821	304,128
Germany	126,193	134,004	137,322	88,112	93,342
Italy	219,663	201,514	202,007	143,535	163,756
France	86,516	103,494	107,767	78,062	83,991
Spain	67,842	63,003	60,169	46,703	40,050
Netherlands	33,425	38,937	39,241	27,247	29,504
Scandinavia*	92,881	93,644	97,141	68,369	70,416
Libya	15,864	6,305	17,408	10,451	19,975
Belgium	24,296	31,624	27,202	18,612	20,251
Austria	19,908	19,579	19,762	12,627	18,225
Switzerland	21,522	25,067	25,695	17,081	18,505
USA	16,418	16,507	18,110	13,212	13,381
Others	199,213	243,134	251,668	167,673	191,681
TOTAL	1,338,841	1,415,018	1,444,192	981,505	1,067,204

*Includes Denmark, Finland, Norway, Sweden

Source: National Statistics Office

and Germany also increased notably. Meanwhile, reflecting the reduction of some winter routes by low-cost carriers, as well as its weak economic situation, arrivals from the Spanish market decreased by 6,653 arrivals. By contrast, the number of visitors from the UK, Malta's largest source market rose by 14,307 or 4.9 per cent, over the same period in 2012.

Cruise Passengers

Data for the first half of 2013 show that cruise passenger arrivals (excluding Maltese passengers) recorded a significant decrease of 33.6 per cent. In fact, during the period under review, the number of cruise liner calls contracted by 33 calls, as two liners stopped their port calls to Malta.

In line with the Tourism Policy for the Maltese Islands for 2012-2016, the Government is planning to continue to promote Malta as an ideal destination for cruise companies looking for a Mediterranean stop as part of their itinerary. The positive image enjoyed by Malta is due to a number of factors, namely the transformation of the Valletta cruise terminal from a port of call to a home port, and also due to Malta's strategic position at the central part of the Mediterranean, its proximity to Europe and the extremely short distances between the Malta International Airport and the cruise terminal.

Accommodation

Table 5.5 provides data on accommodation capacity by category of units and beds for the period ending July 2013. There has been a significant amount of change in the number and type of establishments partly as a result of

	2011 (Dec)		2012 (Dec)		2013 (July)	
	Establishments	Bed-Places	Establishments	Bed-Places	Establishments	Bed-Places
Hotels						
Five Star	15	6,905	15	6,909	15	7,274
Four Star	37	13,578	37	14,995	40	16,588
Three Star	35	8,349	34	8,041	40	10,127
Two Star	7	489	7	519	7	607
Total	94	29,321	93	30,464	102	34,596
Other N.E.C.						
Guesthouses	17	489	13	390	20	607
Aparthotels	19	3,655	19	3,885	26	4,586
Hostels	6	1,126	6	1,122	11	1,356
Other N.E.C. Total	42	5,270	38	5,397	57	6,549

Source: National Statistics Office

the publishing of Legal Notice 351 of 2012, 'Tourism Accommodation Establishment Regulations', which conformed Malta's classification of hotels to the criteria issued in Europe.

By the end of July 2013, the number of hotels increased by 9 units over the December 2012 level, reflecting increases in the number of 4-Star and 3-Star hotels. In terms of hotel bed-stock capacity, this resulted in an increase of 4,132 beds or 13.6 per cent. During the same period the total number of guesthouses, apart-hotels and hostels increased by 19 units and the number of beds in this category rose by 1,152 beds or 21.3 per cent.

Another important element of consideration in the analysis of the tourism industry is the occupancy rate for various types of accommodation. As illustrated in Table 5.6, during January-July 2013, all the accommodation categories

Monthly Accommodation Occupancy Rates*					
Table 5.6	per cent				
	Hotels			Tourist Villages & Aparthotels Hostels & Guesthouses	
	5-Star	4-Star	3-Star	2-Star	Guesthouses
2012					
Average (Jan-July)	59	65	44	31	39
2013					
January	31	40	31	17	25
February	38	52	35	13	30
March	46	55	43	18	33
April	62	66	54	34	41
May	74	72	57	38	47
June	79	81	67	41	56
July	86	90	81	52	70
Average (Jan-July)	59	65	53	30	43
* Net Occupancy levels for Collective Accommodation Establishments based on the ACCOMSTAT Census					
Source: National Statistics Office					

reached their peak inflow in July. The 4-Star hotel accommodation category recorded the highest occupancy rate of 90 per cent followed by that of the 5-Star hotel with 86 per cent occupancy rate. The 3-Star and the 2-Star hotel accommodation categories recorded an occupancy rate of 81 per cent and 52 per cent, respectively. Over the period January-July 2013, the 4-Star hotel category recorded the highest average occupancy rate of 65 per cent followed by that of the 5-Star hotel at 59 per cent, both unchanged from the average occupancy rate recorded during the January-July 2012 period. Meanwhile, during the same period, the 3-Star hotel category recorded an increase in the average occupancy rate from 44 per cent to 53 per cent.

Employment

Employment in the accommodation and food service activities increased from 9,782 persons to 9,868 persons in May 2013, an increase of 86 jobs. Employment in this sector as a share of the gainfully occupied population remained practically unchanged at around 6.4 per cent in May 2013. Private sector employment in the accommodation and food service activities as a share of the total private gainfully occupied population remained also relatively unchanged at around 9 per cent.

Tourism Earnings

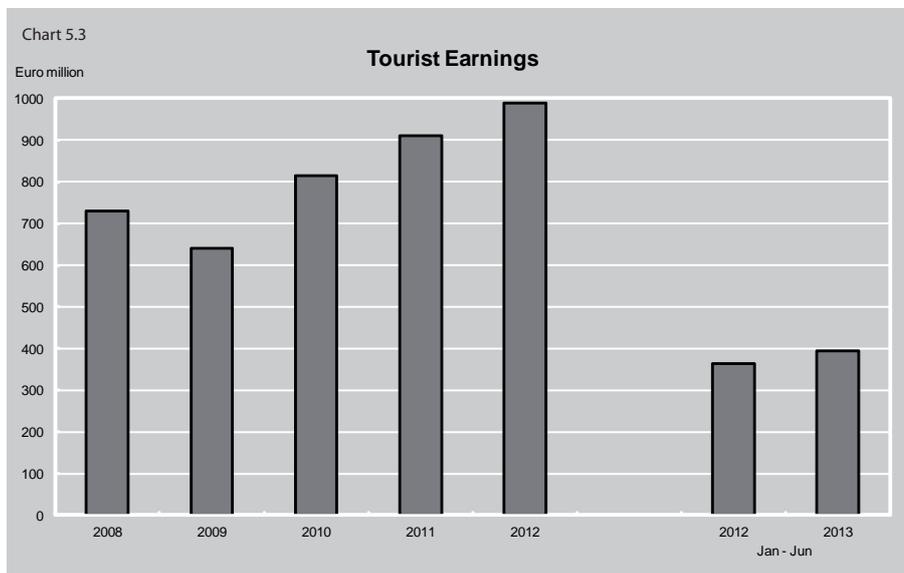
During January-June 2013, tourism earnings recorded an increase of 8.6 per cent, increasing from €362.8 million in January-June 2012 to €393.9 million, as

Earnings from Tourism

Table 5.7

	Earnings (€ million)	Per Capita Earnings (€)	Earnings Per Night Spent (€)	Ratio to exports of goods and services (%)
2010	813.9	607.9	73.0	13.8
2011	911.0	643.8	79.2	13.8
2012	988.7	684.6	80.7	14.0
2012 (Jan-Jun)	362.8	597.4	83.1	10.5
2013 (Jan-Jun)	393.9	590.5	79.9	12.1

Source: National Statistics Office



shown in Table 5.7 and Chart 5.3. Meanwhile, per capita earnings decreased by 1.2 per cent to €90.5 and earnings per nights spent decreased to €79.9 during the first six months of 2013 from €83.1 in the corresponding 2012 period. During January-June 2013 earnings from tourism accounted for 12.1 per cent of exports of goods and services, an increase of 1.6 percentage points over the corresponding 2012 period.

Corporations within the Services Sector

This section provides an overview of the developments within the MFSA, which is the single regulator and supervisory authority for the financial services activities in Malta, and the ME Corporation, which is the national economic development agency for attracting inward investment and providing support services. Data in this section covers the first nine months for 2013.

Malta Financial Services Authority

The MFSA has continued to take an active part in the European System of Financial Supervisors (ESFS), the European Securities and Markets Authority (ESMA), the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Systemic Risk Board (ESRB). The MFSA has also been involved in on-going work related to the establishment of the Banking Union, in particular the Single Supervisory Mechanism conferring banking supervisory powers to the European Central

Bank (ECB), and the proposed Single Resolution Mechanism, which jointly contribute to enhance financial stability.

In the first nine months of 2013, a significant number of new licences were issued by the Authority. 5 new licences were issued to financial institutions, increasing their total to 28. Furthermore, the number of investment services licences rose to 123, following the issuing of 18 new licences, while that of recognised fund administrators increased by a unit to 27. The MFSA issued also 102 new Collective Investment Scheme (CIS) licences, such that 954 new funds and sub-funds were licensed between 2004 and September 2013. In addition, a new license was issued to an insurance company bringing the total of licensed insurance companies to 58. The Authority also increased the number of trustees to 137 by issuing 7 new licences. During the first nine months of 2013, 3,236 companies and partnerships were registered with the Registry of Companies. Furthermore, 7 retirement schemes, 3 retirement scheme administrators and an asset manager were licensed, bringing the respective total of licences to 24, 12 and 6 by the end of September 2013.

With regards to the MFSA's macro-prudential supervisory role, MFSA Rule 01/2012 on Lending in Foreign Currencies came into force on January 1, 2013. This rule applies to credit institutions, financial institutions, investment services providers and collective investment schemes, insurance companies, occupational schemes and financial conglomerates. MFSA Rule 02/2012 on US Dollar Funding by credit institutions also came into force on January 1, 2013, where such a rule applies to all credit institutions licensed under the Banking Act 1994.

Additional legislative developments were undertaken by the MFSA during the period under review. In fact on April 1, 2013, a consultation procedure was launched on regulations and pension rules to be issued under the Retirement Pensions Act (RPA). Furthermore, on August 30, 2013, the MFSA issued a consultation on the proposed amendments to Banking Rule BR/09 relating to Credit Risk provisioning by credit institutions authorised under the Banking Act 1994.

Besides, the MFSA has been involved in EU development work on the Capital Requirements Directive IV, Solvency II, the Financial Conglomerates Directive, the Insurance Mediation Directive, Directive on Institutions for Occupational Retirement Provision (IORP Directive), Short-Selling Regulations and the European Market Infrastructure Regulation (EMIR).

The MFSA and the Central Bank of Malta (CBM) signed a Memorandum of Understanding (MoU) for the setting up of a Joint Financial Stability Board (JFSB), with the objective of establishing mechanisms of cooperation between the Bank and the Authority in the field of macro-prudential policy and to contribute to the safeguarding of the stability of the financial system in Malta.

Malta Enterprise

ME is empowered and regulated by the Malta Enterprise Act and the Business Promotion Act. As the national economic development agency, ME's core business is the promotion of direct investment, both local and foreign. Other key objectives of ME are the promotion of exports, research and development and innovation (R&D&I), industrial clusters, and an ongoing relationship between education and industry. Malta Industrial Parks Ltd. (MIPL), which works closely to ME, administers and maintains a substantial portfolio of industrial spaces including over 500 factories in various industrial estates as well as the Safi Aviation Services Park.

During the first nine months of 2013, the Corporation approved 75 projects, of which 42 were carried out by locally-owned companies and 33 by foreign-owned ones. Approved projects were related to activities in a number of sectors such as pharmaceuticals, aviation services, manufacturing sector, digital game development, energy and environment, as well as the film industry. These projects ranged from projects requiring working space and industrial premises, to others requiring incentives and support measures intended to facilitate new productive investment, as well as expansions. In fact, during this period, ME approved the allocation of 40,447sqm of working space and industrial premises and a total of €17.4 million in disbursements of financial assistance. ME has also reviewed and approved Investment Aid Tax Credits based on eligible investment for a total value of €16.3 million in favour of 197 beneficiaries.

During January-September 2013, ME offered a number of incentives ranging from tax credits, co-financing grants, specific access to finance schemes and business advisory support. A number of support measures were in place in order to support enterprises in their research and development (R&D) activities. Such support measures, in the form of tax credits or co-financing grants, aim to address the various stages of the R&D process. Support measures made available during the first nine months of 2013 included R&D tax credits for industrial research and experimental development, collaborative R&D grants (EUREKA and Eurostars), grants for technical feasibility studies, loan of highly qualified personnel, support to innovative clusters, royalty income from patents, and registration for intellectual property.

ME continued to offer support aimed primarily at smaller to medium sized enterprises (SMEs) and start-ups. This included assistance to obtain advisory services in several areas, specifically with regards to energy audits, marketing and business management, R&D&I, enterprise support, international competitiveness and export readiness, quality improvement, human resource management, start-up and industrial space optimisation. In this respect, in the first nine months of 2013, ME assisted 46 firms in the fields of R&D&I, quality certification and improvement, energy audits, start-up support and marketing and business management.

ME offered also fiscal incentives through schemes such as Get Qualified, Investment Aid and MicroInvest. In the first nine months of 2013, the Corporation approved 603 applications under the Get Qualified Scheme, to a value of €2.7 million in tax credits. Around 970 enterprises benefited from the MicroInvest Scheme with a total tax credit value of €6.5 million for a declared investment of €15.4 million.

During January-September 2013, all calls for European Regional Development Fund (ERDF) schemes administered by ME were closed. This enabled ME to focus on processing claims for reimbursement with respect to grants previously committed. ME processed 145 claims, with a total value exceeding €7.0 million.

Through the Enterprise Europe Network (EEN), ME provided 187 specialised advisory services, 42 partnership proposals and 17 partnership agreements. The EEN Malta Office participated actively in the ICT and environmental thematic groups. Moreover, during the period under review ME organised various workshops and seminars.

3 new start-up companies started their pre-incubation program at the Kordin Business Incubation Centre (KBIC). As at end of September 2013 occupancy at KBIC stood at 66 per cent.

MIPL is currently undergoing an organisational review of its financials, structure and processes with a view to develop the organisation into a lean, agile and responsive company ready to address the needs of its varied client base. During the period under review, MIPL finalised 2 major contracts with clients in the aviation sector. MIPL managed to facilitate the expansion projects and job creation for existing companies as well as for a number of SMEs, with an allocation of a total of 23 factories to new foreign and locally driven investment projects at a total of c. 25,500 sq m.

The MIPL continued to manage a number of infrastructural projects that are co-financed through the ERDF. These projects included the rebuilding of roads, upgrading of industrial estates, crafts centres, and child care centres. During January-September 2013, MIPL was also entrusted to work on the Safi Aviation Park through the allocation of €3.6 million, which will enable to further consolidate the aviation cluster in Malta.

On its part, ME was actively engaged in promoting the Life Sciences Park internationally. An additional facility under the remit of ME is the Digital Creativity Hub which aims to provide a high powered environment for entrepreneurial operations in the digital field. The proximity to the Life Sciences Park will be exploited to promote synergies in the field of bioinformatics.

In the period under review, Business First, ME's SME and Start-Up unit, came into contact with over 6,700 businesses. Currently ME is working on a programme aimed at finally implementing Business First's original blue print, namely that of providing start-ups and small businesses a real one-stop-shop which will provide a representation of all government entities whose input is critical for the success of Business First.

6. Prices and Incomes

6. Prices and Incomes

This Chapter will review domestic price movements during the last twelve months together with a comparison of inflation rates in the EU Member States. Furthermore, it also includes an analysis of developments in average sectoral wages, on the basis of a representative sample of companies based on collective agreements deposited within the Department of Industrial and Employment Relations.

Malta's monthly year-on-year harmonised inflation rate (HICP) as reported by Eurostat fell from a high peak of 4.4 per cent in June of last year to a lower rate of 0.6 per cent in September of this year. The HICP rate published by Eurostat provides the official measure of consumer price inflation in the euro-zone for the purposes of monetary policy in the euro area and assessing inflation convergence as required under the Maastricht criteria. The average for the last twelve months as represented by the 12-month moving average inflation rate stands at 1.6 per cent in September of this year down from 2.9 per cent last September.

The overall average weekly wage increased by €4.54 or 1.6 per cent. The highest percentage weekly wage rise was registered in the Beverages sub-sector at 2.0 per cent. Meanwhile, the highest percentage of employees earned a weekly wage ranging from €229.91 to €279.90 while around 24 per cent of all employees in the sample earned an average weekly wage of more than €29.91.

Inflation

International Comparison

Table 6.1 presents data on the inflation rates for EU Members States as at September 2013. The inflation rate is based on the Harmonised Index for Consumer Prices (HICP), which enables direct comparability among Member States. In addition, Chart 6.1 shows domestic inflationary trends in the 12-month moving average and annual HICP.

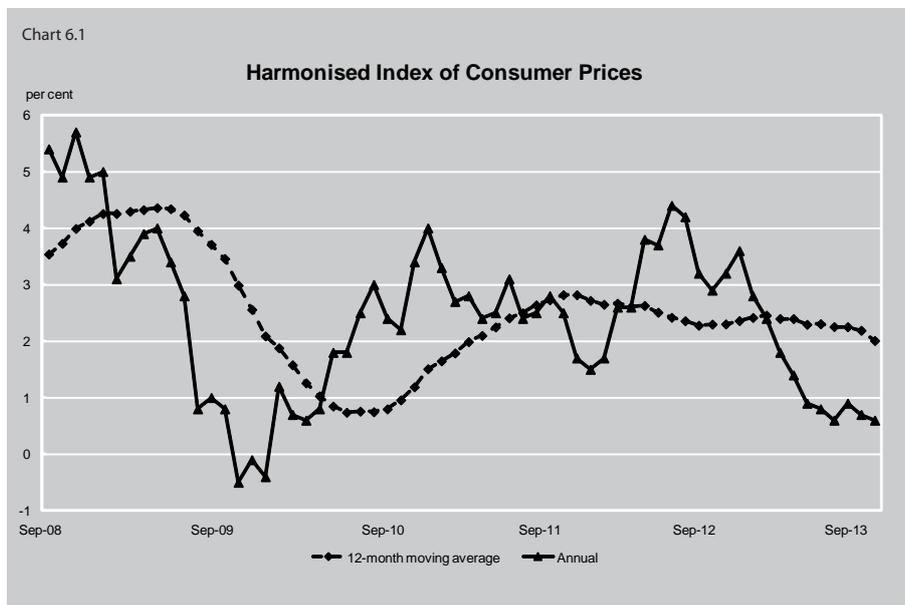
Inflationary developments in the European Union in September 2013 show that United Kingdom registered the highest annual rate of inflation at 2.7 per cent, followed by Estonia at 2.6 per cent, Netherlands at 2.4 per cent, Finland and Austria both at 1.8 per cent. Bulgaria, Greece and Latvia experienced deflation, with prices falling by 1.3 per cent, 1.0 per cent and 0.4 per cent on a year-on-year basis, respectively. Ireland recorded no change in its rate while

**Harmonised Index of Consumer Prices
(September 2013)**

Table 6.1 per cent

Member States	Annual Rate (%)	12-Month Moving Average (%)
Austria	1.8	2.4
Belgium	1.0	1.5
Bulgaria	-1.3	1.3
Cyprus	0.3	1.1
Croatia	1.7	3.3
Czech Republic	1.0	1.8
Denmark	0.2	0.9
Estonia	2.6	3.7
Finland	1.8	2.6
France	1.0	1.2
Germany	1.6	1.8
Greece	-1.0	-0.2
Hungary	1.6	2.9
Ireland	0.0	0.9
Italy	0.9	1.8
Latvia	-0.4	0.5
Lithuania	0.5	1.8
Luxembourg	1.5	2.1
Netherlands	2.4	3.1
Poland	0.9	1.4
Portugal	0.3	0.9
Romania	1.1	4.1
Slovakia	1.1	2.2
Slovenia	1.5	2.4
Spain	0.5	2.3
Sweden	0.5	0.6
United Kingdom	2.7	2.7
EU 28	1.3	1.9
Euro Area	1.1	1.7
Malta	0.6	1.6

Source: Eurostat, National Statistics Office



the lowest inflation rate of 0.2 per cent was recorded in Denmark. The average inflation rate for the EU28 Member states was 1.3 per cent, down from 2.7 per cent in the corresponding previous 12-month period. The annual inflation rate for the EU28 in September 2013 was mainly underpinned by price increases for Education (7.4 per cent), Alcoholic beverages, tobacco and narcotics (4.5 per cent), Restaurants and hotels and Food and non-alcoholic beverages (both at 2.3 per cent) sub-indices. On the other hand, a fall in prices was recorded in the Communications (-2.9 per cent) and Transport sub-indices (-0.3 per cent).

At 0.6 per cent, the rate of inflation in Malta in September 2013 was lower than the average recorded for the EU28 and was on a downward trend over the previous twelve months, down from 2.9 per cent recorded in September 2012. The sub-indices that contributed positively to inflation in September 2013 were Alcoholic beverages, tobacco and narcotics (7.1 per cent), Food and non-alcoholic beverages (4.5 per cent) and Education (4.2 per cent). Price drops were noted in the Communications (-9.4 per cent), Transport (-2.3 per cent) and Clothing and footwear (-2.2 per cent) sub-indices. Table 6.2 illustrates the monthly annual rate of HICP for the period January 2010 and September 2013.

In light of the developments in the annual rate of inflation, the 12-month moving average for Malta in September 2013 stood at 1.6 per cent, slightly below the rate for EU28 which stood at 1.9 per cent.

Harmonised Index of Consumer Prices

Annual rate of change (y-o-y)

Table 6.2 per cent

	2010	2011	2012	2013
January	1.2	3.3	1.7	2.4
February	0.7	2.7	2.6	1.8
March	0.6	2.8	2.6	1.4
April	0.8	2.4	3.8	0.9
May	1.8	2.5	3.7	0.8
June	1.8	3.1	4.4	0.6
July	2.5	2.4	4.2	0.9
August	3.0	2.5	3.2	0.7
September	2.4	2.8	2.9	0.6
October	2.2	2.5	3.2	
November	3.4	1.7	3.6	
December	4.0	1.5	2.8	

Source: National Statistics Office

Retail Price Index and COLA

For the purpose of calculating the Cost of Living Adjustment (COLA) the Agreement requires the use of the 12-month moving average of the Retail Price Index (RPI). The RPI index has a different weighting than the HICP index. This measure is calculated by comparing the average RPI in the 12-months leading to the month under consideration with the corresponding average in the previous 12-month period.

Further analysis at a sub-index level provides insight on the underlying contributors to inflation. Indeed, the highest change at sub-index level is noted in the Food sector followed by the Beverages and Tobacco, Recreation and Culture and Personal Care and Health sub-indices. The average for the 12 months of the sub-indices making up the RPI, covering the period 2011–2013, are presented in Table 6.3 while Table 6.4 shows the 12-month moving average of the RPI overall inflation rate.

During the twelve months to September 2013, the Food sub-index rose by 5.77 per cent over the comparable period for 2012. This increase was higher than the change recorded during the previous twelve months in the aforementioned category. The contribution to the overall rate in September stood at 1.23

Index by Commodity Group

(Average for 12 months)

Table 6.3

December
2009=100

Commodity Group	Sep-11	Sep-12	Sep-13
Food	3.78	4.34	5.77
Beverages and Tobacco	1.93	4.15	3.94
Clothing and Footwear	0.42	-2.97	0.47
Housing	4.52	1.72	1.16
Water, Electricity, Gas and Fuels	8.00	1.17	0.17
Household Equipment & House Maintenance Costs	-1.50	1.75	1.34
Transport and Communications	3.11	2.06	-0.85
Personal Care and Health	1.70	1.12	2.12
Recreation and Culture	1.19	0.84	2.19
Other Goods and Services	3.32	5.03	1.54

Source: National Statistics Office

Retail Price Index

(12-Month Moving Average Inflation Rate)

Table 6.4

per cent

	2010	2011	2012	2013
January	1.88	1.65	2.65	2.46
February	1.58	1.79	2.67	2.40
March	1.26	1.99	2.61	2.40
April	1.03	2.10	2.63	2.30
May	0.85	2.25	2.51	2.31
June	0.74	2.41	2.42	2.26
July	0.76	2.50	2.36	2.25
August	0.75	2.64	2.28	2.19
September	0.80	2.73	2.30	2.01
October	0.96	2.82	2.30	
November	1.19	2.82	2.36	
December	1.51	2.72	2.42	

Source: National Statistics Office

percentage points, and it mainly reflected developments in fish, fruit, vegetables, meat, fresh bread and fresh pastry.

The 12-month moving average rate for the Beverages and Tobacco sub-index, decreased from 4.15 per cent in September 2012 to 3.94 per cent in the same month in 2013, with a resulting contribution of 0.24 percentage points to the headline inflation rate. The highest 12-month moving average contributions to inflationary developments for this sub-index were recorded in cigarettes, wines and non-alcoholic served beverages.

In September 2013, the Clothing and Footwear sub-index showed an increase of 0.47 per cent, following the decrease of 2.97 per cent in this sub-index that was registered in the comparable period in 2012. The contribution to headline inflation stood at 0.03 percentage points. These developments mainly emanated from boys outwear and leather footwear while negative contributions were attributed to women and girls wear.

The Housing sub-index registered an increase of 1.16 per cent in September 2013, thus contributing 0.09 percentage points to the overall 12-month moving inflation rate. This rate of inflation was lower than the 1.72 per cent recorded during the previous 12-month period.

In September 2013, the Water, Electricity, Gas and Fuels sub-index showed a marginal increase of 0.17 per cent over the 12-month average of the previous period, in contrast with the headline inflation rate of 1.17 per cent recorded in September 2012. In September 2013, the contribution of this sub-index to headline inflation stood at 0.01 percentage point mainly attributed to minor changes in gas prices and liquid fuels.

The 12-month moving average rate for the Household Equipment and House Maintenance Cost sub-index, in September 2013, increased by 1.34 per cent. The contribution of this sub-index to the overall rate stood at 0.09 percentage points mainly underpinned by developments in furniture and household appliances. On the other hand, marginal negative contributions to inflationary developments were reported in carpets and glassware sub-categories.

In September 2013, the 12-month moving average rate for the Transport and Communications sub-index decreased by 0.85 per cent, in contrast to an increase of 2.06 per cent that was registered in September 2012. The overall contribution to headline inflation of this sub-index was negative at 0.19 percentage points.

During the period under review, lower prices were mainly observed in respect of telephone and telephone services and motor cars while positive fluctuations were observed in fuels and air transport services.

In September 2013, the 12-month moving average rate for the Personal Care and Health sub-index increased by 2.12 per cent with a contribution of 0.18 percentage points to the RPI inflation rate. The change in the 12-month average was higher than the 1.12 per cent recorded in the previous comparable period of 2012. Major developments were recorded in hygienic articles and medical services.

The 12-month moving average growth rate in the Recreation and Culture sub-index recorded an increase of 2.19 per cent in September 2013, compared to a 0.84 per cent growth rate recorded during the comparable month of 2012. In addition, in September 2013, the total contribution of this sub-index increased from 0.08 to 0.20 percentage points during the period under review. The main contributions to the rise in inflation were books and newspapers, stationery goods and education expenses. Meanwhile, audio visual equipment contributed negatively to headline inflation.

The increase in the 12-month average recorded in the Other Goods and Services sub-index was 1.54 per cent and the latter category contributed 0.11 percentage points to headline inflation. Data shows that major developments to this index were mainly attributed to non-durable household goods. Jewellery, watches and clocks, financial services and other personal effects were the items under this sub-index that showed marginal negative contributions.

Sectoral Wages

The analysis in this section is based on the developments in the average weekly wage rate as outlined in the collective agreements deposited within the Department of Industrial and Employment Relations. The period under review spans from September 2012 to September 2013.

The sample under review is made up of 192 firms employing 25,981 employees, where 69 firms are engaged in direct production and employ 10,542 employees while the remaining firms operate in market services with 15,439 employees. The data for weekly wages is divided into four major employment categories namely labourers, skilled tradesmen, clerical and managerial grades. It is to be noted that definite contracts of employment are not considered in this analysis.

The data also excludes employment benefits over and above the basic wage, such as production bonuses, overtime payments, social security benefits and allowances, and other non-wage income. This source of non-wage income can be quite significant for some categories of employment hence it follows that the employees' actual average weekly remuneration might be higher than that reported in this analysis.

Since the information in this Chapter is based on a sample of collective agreements and includes only the basic weekly wage, the results shown in the following tables cannot be directly compared to data based on the gainfully occupied population included in other Chapters of this Economic Survey. Consequently the tables and data presented in this Chapter are also not directly comparable to those published in previous Economic Surveys. Direct comparability is hampered by the methodology and sampling procedure adopted, mainly the inclusion of additional firms and exclusion of others. This means that the weighting of individual firms in each category would change reflecting the changes in employment levels. The reported average wage rates may also change either when a new collective agreement results in a reclassification of grades or when new trainees are paid the entry level wage.

The methodology used in this analysis groups collective agreements on the basis of economic activity. The average of the minimum and maximum wage scales for each individual collective agreement is then calculated. This gives the sub-sectoral mean wage. In cases where the collective agreement excludes the cost of living increases, the figures are then adjusted accordingly. The cost of living adjustment (COLA) for the year 2013 as announced during the last budget speech amounted to €4.08.

Table 6.5 shows the average weekly wage rate for the various employment categories in the sampled firms as at September 2012. The overall weighted average wage of all firms stood at €291.51 whereas the weighted average wage for those employed in direct production and market services stood at €260.02 and €13.00 respectively. This implies a wage gap of €2.98. The highest average weekly wage rates were recorded in the Community & Business sub-sector (€334.32) and the Banking & Other Financial Institutions sub-sector (€27.99). These were followed by Paper & Printing (€26.07), Communications (€17.56), Miscellaneous (€97.67) and Beverages (€81.39) sub-sectors. On the other hand, the lowest paid sub-sectors were the Machinery (€16.30), Textiles, Footwear & Clothing sub-sector (€18.78) and the Metal Products sub-sector (€20.70). The lowest weekly average wage rate in September 2012 amounted to €85.23 and was earned by labourers in the Machinery sub-sector while the highest weekly average wage rate was earned by the Transport

Average Weekly Wages - September 2012

Table 6.5

€

	Labourer	Skilled Tradesman	Clerical/ Executive	Managerial	Weighted Average
Oil Drilling	236.43	237.60	229.44	250.41	236.96
Food	223.86	283.00	239.10	375.58	261.63
Beverages	254.02	311.71	263.07	340.64	281.39
Textiles, Footwear and Clothing	215.10	239.89	213.09	218.78	218.78
Furniture & Fixtures	245.49	278.39	-	294.57	261.46
Paper & Printing	303.87	351.45	296.47	356.26	326.07
Chemicals	247.66	305.70	300.41	329.52	267.09
Non-Metallic Products	200.91	246.33	-	255.06	226.19
Metal Products	204.06	229.81	-	252.93	220.70
Machinery	185.23	222.63	204.90	255.22	216.30
Electrical Machinery	204.73	268.99	239.16	305.70	231.11
Transport Equipment	219.69	257.07	244.36	286.95	251.70
Miscellaneous	291.63	345.61	278.97	295.95	297.67
Electricity & Gas Services	236.81	269.27	265.24	416.65	278.83
Construction	212.25	262.67	268.58	-	224.09
Wholesale & Retail Trade	224.50	249.54	269.58	311.50	247.55
Banking & OFI	262.02	286.74	305.05	468.66	327.99
Insurance & Real Estate	235.68	244.88	250.35	271.49	250.60
Transport	194.00	273.53	279.31	488.06	271.64
Storage and Warehousing	234.99	270.45	249.64	296.43	247.99
Communications	265.26	292.20	255.78	460.44	317.56
Community & Business	238.62	312.17	271.80	402.73	334.32
Recreation Services	229.04	251.06	245.33	290.35	243.38
Hotels & Catering Ests	227.50	249.39	240.61	252.33	237.47
All Firms	229.67	285.01	283.74	393.63	291.51
Direct Production	232.74	284.13	257.36	331.65	260.02
Market Services	224.18	286.10	287.28	415.52	313.00

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

managerial grade (€488.06).

Table 6.6 shows the average weekly wage rates for the various employment categories in the sampled firms as at September 2013. The fact that both Table 6.5 and Table 6.6 use the same employment weighting structure and the same sample of firms makes them directly comparable. Thus, the differences in the corresponding wage rates represent the actual change in wages occurring during the period under observation.

Average Weekly Wages - September 2013

Table 6.6

€

	Labourer	Skilled Tradesman	Clerical/ Executive	Managerial	Weighted Average
Oil Drilling	240.51	241.68	233.52	254.49	241.04
Food	227.94	287.08	243.18	379.66	265.71
Beverages	259.65	316.94	268.11	347.21	287.07
Textiles, Footwear and Clothing	219.18	243.97	217.17	222.86	222.86
Furniture & Fixtures	249.57	282.47	0.00	299.10	266.43
Paper & Printing	308.05	360.56	300.56	360.57	331.49
Chemicals	251.80	309.86	304.71	335.64	271.50
Non-Metallic Products	204.99	250.41	0.00	259.14	230.27
Metal Products	208.14	233.89	0.00	257.01	224.78
Machinery	189.31	226.71	208.98	259.30	220.38
Electrical Machinery	208.84	273.60	243.89	310.28	235.40
Transport Equipment	223.77	261.15	248.44	291.03	255.78
Miscellaneous	296.29	349.71	283.05	300.03	302.11
Electricity & Gas Services	240.89	273.35	269.32	420.73	282.91
Construction	216.33	266.75	272.66	0.00	228.28
Wholesale & Retail Trade	228.58	253.62	273.66	315.58	251.63
Banking & OFI	266.10	290.82	309.13	472.74	332.07
Insurance & Real Estate	239.76	248.96	254.43	275.57	254.68
Transport	198.80	278.20	283.38	495.03	276.58
Storage and Warehousing	239.07	274.53	253.72	300.51	252.07
Communications	269.34	296.29	259.86	464.58	321.74
Community & Business	242.95	316.65	277.34	408.19	339.38
Recreation Services	233.12	255.14	249.41	294.43	247.46
Hotels & Catering Ests	231.58	253.47	244.69	256.41	241.55
All Firms	233.96	289.67	288.16	398.72	296.05
Direct Production	236.98	289.01	261.70	336.26	264.45
Market Services	228.58	290.49	291.71	420.82	317.63

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

The weighted average weekly wage for all firms as at September 2013 stood at €96.05. The best performing sub-sector as at September 2013 remained unchanged from that of September 2012, namely Community & Business sub-sector which had a weekly average weighted remuneration of €39.38. This was followed by the Banking & OFI sub-sector, registering an average wage of €32.07. As in the case of the previous year, the least remunerated sub-sectors in the sample were the Machinery sub-sector (€20.38), the Textiles, Footwear and Clothing sub-sector (€22.86) and the Metal Products sub-sector

(€24.78). The lowest reported wage was recorded for the labourer grade under the Machinery sub-sector (€189.31), which was €7.12 or 16.7 per cent over the National Minimum Wage for 2013 which stood at €62.19. The highest average wage remained that of the managerial grade in the Transport sub-sector at €495.03, while other relatively high wages were those for the managerial grade in the Banking & OFI sub-sector (€472.74) and the Communications sub-sector (€464.58).

	Labourer	Skilled Tradesman	Clerical/ Executive	Managerial	Weighted Average
Oil Drilling	1.7	1.7	1.8	1.6	1.7
Food	1.8	1.4	1.7	1.1	1.6
Beverages	2.2	1.7	1.9	1.9	2.0
Textiles, Footwear and Clothing	1.9	1.7	1.9	1.9	1.9
Furniture & Fixtures	1.7	1.5	-	1.5	1.9
Paper & Printing	1.4	2.6	1.4	1.2	1.7
Chemicals	1.7	1.4	1.4	1.9	1.7
Non-Metallic Products	2.0	1.7	-	1.6	1.8
Metal Products	2.0	1.8	-	1.6	1.8
Machinery	2.2	1.8	2.0	1.6	1.9
Electrical Machinery	2.0	1.7	2.0	1.5	1.9
Transport Equipment	1.9	1.6	1.7	1.4	1.6
Miscellaneous	1.6	1.2	1.5	1.4	1.5
Electricity & Gas Services	1.7	1.5	1.5	1.0	1.5
Construction	1.9	1.6	1.5	-	1.9
Wholesale & Retail Trade	1.8	1.6	1.5	1.3	1.6
Banking & OFI	1.6	1.4	1.3	0.9	1.2
Insurance & Real Estate	1.7	1.7	1.6	1.5	1.6
Transport	2.5	1.7	1.5	1.4	1.8
Storage and Warehousing	1.7	1.5	1.6	1.4	1.6
Communications	1.5	1.4	1.6	0.9	1.3
Community & Business	1.8	1.4	2.0	1.4	1.5
Recreation Services	1.8	1.6	1.7	1.4	1.7
Hotels & Catering Ests	1.8	1.6	1.7	1.6	1.7
All Firms	1.9	1.6	1.6	1.3	1.6
Direct Production	1.8	1.7	1.7	1.4	1.7
Market Services	2.0	1.5	1.5	1.3	1.5

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

Table 6.7 shows percentage changes in the average weekly wage recorded between September 2012 and September 2013. The weighted average increase for all firms stood at 1.6 per cent in September 2013. The average wage in the direct production increased by €4.42 or 1.7 per cent to reach €264.45 in September 2013, while the average weekly wage rate in the market services sector increased by €4.63 or 1.5 per cent, thus reaching €317.63 in September 2013. While in absolute terms the average weekly wage in the market services sector increased more than that in direct production, in terms of percentage growth, the growth rate was slightly higher in the latter. Furthermore, the sub-sector which recorded the highest percentage increase was the Beverages

Sector \ Wage Range	Up to €179.90	€179.91 -€229.90	€229.91 - €279.90	€279.91 -€329.90	Over €329.91
Oil Drilling	0.0	0.0	100.0	0.0	0.0
Food	0.0	13.7	61.1	9.7	15.5
Beverages	0.0	2.8	39.2	37.8	20.2
Textiles, Footwear & Clothing	0.0	87.5	12.5	0.0	0.0
Furniture & Fixtures	0.0	0.0	47.2	52.8	0.0
Paper & Printing	0.0	3.2	24.1	7.7	65.0
Chemicals	0.0	2.8	71.0	7.8	18.4
Non-Metallic Products	0.0	47.4	52.6	0.0	0.0
Metal Products	0.0	60.0	40.0	0.0	0.0
Machinery	4.0	56.7	38.5	0.8	0.0
Electrical Machinery	4.4	61.8	16.6	15.9	1.4
Transport Equipment	0.0	18.3	59.6	22.1	0.0
Miscellaneous	0.9	6.9	1.0	54.0	37.2
Electricity & Gas	0.0	0.0	84.1	0.0	15.9
Construction	0.0	70.0	30.0	0.0	0.0
Wholesale & Retail Trade	0.0	30.7	52.2	12.5	4.6
Banking & OFI	0.0	0.0	4.6	80.2	15.2
Insurance & Real Estate	0.0	0.0	100.0	0.0	0.0
Transport	0.0	35.4	44.3	3.5	16.8
Storage and Warehousing	0.0	0.0	92.3	7.7	0.0
Communications	0.0	1.4	38.9	36.1	23.6
Community & Business	2.0	14.8	13.4	21.3	48.5
Recreation Services	0.0	32.5	50.0	17.5	0.0
Hotels & Catering Ests	0.1	26.4	67.2	2.9	3.4
All Firms	1.3	21.2	28.2	25.3	24.0
Direct Production	1.8	31.0	36.3	14.9	15.9
Market Services	0.9	14.6	22.7	32.4	29.5

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

sub-sector which registered an increase of 2.0 per cent, followed by the Textiles, Footwear and Clothing, Furniture, Machinery, Electrical Machinery and Construction sub-sectors with an increase of 1.9 per cent, each. More specifically, the Tradesman grade (2.6 per cent) under the Paper & Printing sub-sector registered the highest percentage increase, followed by increases registered by the labourer grade in the Transport (2.5 per cent) and in the Machinery and Beverages (2.2 per cent) sub-sectors.

Table 6.8 provides information about the distribution of average weekly wages along different brackets as at September 2013. The largest share of employees (28.2 per cent) earned on average a weekly wage in the range of €229.91 - €279.90. Similarly, in the case of direct production, the highest portion of average wages stood within the same range of earnings. The second largest proportion of all firms (25.3 per cent) fell within the €279.91 - €329.90 bracket where this made up also the largest fraction of earnings under the market services sector. The percentage of employees earning up to €179.90 per week stood at 1.3 per cent, with the Electrical Machinery being the sub-sector with the highest relative share under this range (4.4 per cent). On the other hand, the Paper & Printing and Community & Business sub-sectors registered the highest percentage of earnings above €329.91.

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

7. Foreign Trade

7. Foreign Trade and Payments

Exports

Exports amounted to €2,527.0 million during the January – August period of 2013, contracting by 13.9 per cent when compared to the corresponding period in 2012. Oil bunkering and trans-shipment activities were mostly responsible for these developments. Fuel exports, the largest export category, accounted for 41.2 per cent of total exports, contributing to 11.6 percentage points of the 13.9 per cent contraction in total exports.

The breakdown of commodity exports is outlined in Table 7.1 and Chart 7.1. Machinery and Transport equipment constituted the second largest export category, accounting for 30.2 per cent of total exports. During the January – August period, exports by this category stood at €764.2 million, declining by €0.1 million. This drop was driven by a decline in exports of aircraft and parts thereof. This category contributed 3.1 per cent to the contraction in total exports.

Exports of miscellaneous manufactured articles stood at €271.5 million during the period under review, decreasing by €9.6 million over the same period of the previous year. This category constituted 10.7 per cent share of total exports,

Commodity Breakdown of Exports						
Table 7.1	€ million					
	2009	2010	2011	2012	2012	2013
					Jan-Aug	Jan-Aug
Food, Beverages and Tobacco	87.3	158.2	151.5	219.6	100.6	121.9
Fuels	446.8	718.9	1,621.7	2,010.8	1,382.5	1,041.4
Chemicals	205.1	273.8	258.9	321.2	207.9	234.7
Machinery and Transport Equipment	940.5	1,180.5	1,241.3	1,322.2	854.3	764.2
Miscellaneous Manufactured Articles*	307.2	331.1	383.2	400.9	281.0	271.5
Other Manufactures	100.6	146.8	162.5	156.3	108.0	93.3
Total Exports	2,087.4	2,809.3	3,819.0	4,431.1	2,934.3	2,527.0
Total Exports excl. Fuels	1,640.6	2,090.4	2,197.3	2,420.3	1,551.9	1,485.6

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

Note: Totals may not add up due to rounding.

Source: National Statistics Office

being the third largest export category. Miscellaneous manufactured articles contributed marginally to the contraction in total exports, by 0.3 percentage points.

Chemical exports, which accounted for 9.3 per cent of total exports, represent the fourth largest export category. During the period under review, this export category contributed positively to export growth by 0.9 percentage points. In nominal terms, the latter category increased by €6.8 million, up by 12.9 per cent when compared to the January – August period in 2012. Food, beverages and tobacco also contributed positively towards total export growth, increasing by €1.3 million or 21.2 per cent, to reach a level of €21.9 million. These accounted for 4.8 per cent of total exports.

Meanwhile, export turnover of other manufactures¹ stood at €3.3 million, thereby decreasing by €4.7 million during the first eight months of 2013. Nonetheless, the share of this category in total exports remained relatively stable at 3.7 per cent.

Geographical Distribution - Exports

Distribution of exports by geographical area is represented in Table 7.2. During the period January – August 2013, exports were mainly directed towards Europe and Asia, which accounted for 39.4 per cent and 28.0 per cent of total Maltese exports, respectively.

Exports directed towards Europe, amounted to €95.5 million during the period under review, decreasing by €6.9 million when compared to the first eight months of 2012. Malta's largest export partners within the Euro Area were Germany and France, which amounted to €26.3 and €155.8 million, respectively. It is pertinent to point out that exports directed towards Greece increased by €1.6 million reaching a level of €6.3 million during the period under review.

Exports directed towards Malta's second largest export partner, Asia increased by €108.3 million and stood at €706.8 million during the January-August period of 2013. This primarily reflected the increase in exports of €2.7 million directed towards Japan.

Concomitantly, exports directed towards Africa decreased by €9.4 million, and amounted to a level of €390.0 million during the period under review.

Chart 7.1

Commodity Breakdown of Exports January - August 2013

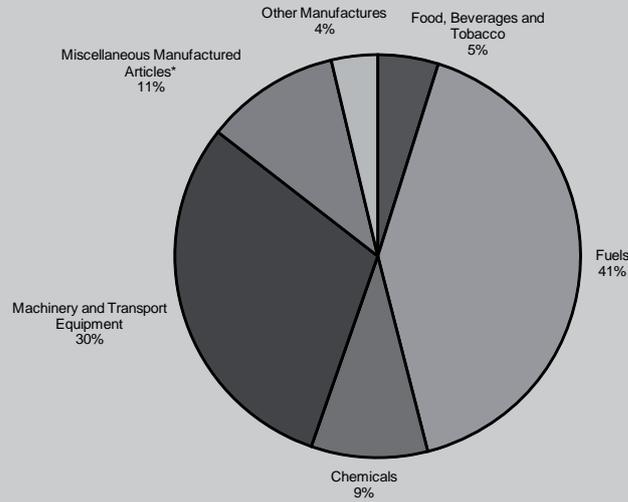
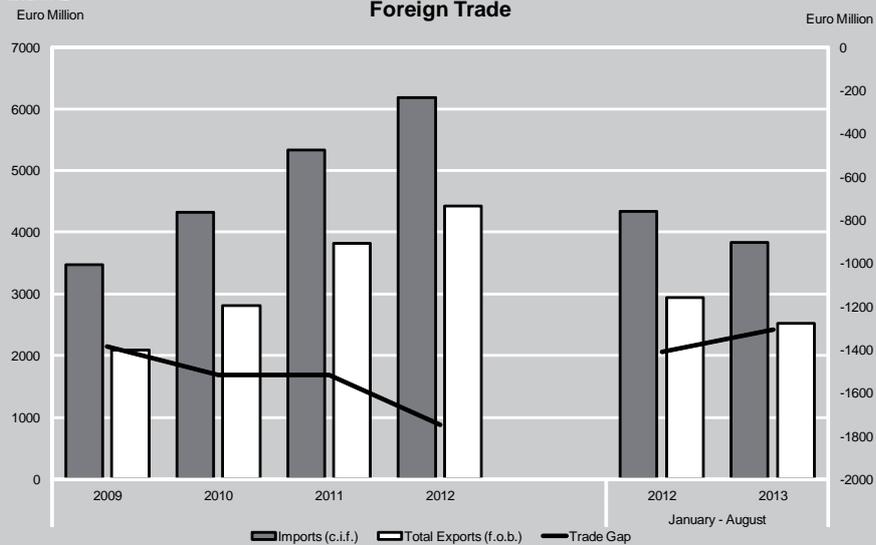


Chart 7.2

Foreign Trade



Total Exports by Main Geographical Areas

Table 7.2

€ million

	2009	2010	2011	2012	2012 Jan-Aug	2013 Jan-Aug
Europe	856.8	1,199.2	1,579.0	1,646.4	1,092.4	995.5
EU	820.7	1,149.1	1,301.9	1,295.8	859.0	789.0
Italy	105.2	157.6	171.2	174.2	105.7	79.0
Germany	222.0	281.6	326.2	358.3	255.6	226.3
France	187.4	238.6	244.9	296.9	196.9	155.8
UK	100.5	131.4	150.4	124.6	78.5	71.2
Netherlands	20.4	21.8	26.0	97.4	52.2	21.7
Spain	17.9	20.8	35.1	49.0	39.3	25.2
Others	167.3	297.3	348.0	195.3	130.8	209.9
Euro Area	656.5	906.8	1,033.6	1,042.0	692.6	601.5
Other European Countries	36.1	50.1	277.1	350.7	233.4	206.5
Africa	137.2	182.7	234.3	776.8	449.3	390.0
Libya	83.9	85.3	47.7	199.7	147.1	178.2
Others	53.3	97.4	186.6	577.1	302.3	211.8
America	185.3	228.8	226.7	255.4	177.7	156.7
USA	152.3	196.1	169.0	198.0	136.3	125.2
Others	33.0	32.7	57.7	57.4	41.4	31.5
Oceania	4.5	11.1	5.2	6.3	3.2	5.4
Asia	528.1	686.5	1,092.1	1,012.9	598.5	706.8
Japan	58.2	104.2	98.0	109.3	29.5	112.2
Singapore	204.2	229.4	206.3	246.6	148.9	199.8
China	27.0	61.2	71.5	61.1	33.8	33.7
Hong Kong	105.7	162.2	286.1	340.2	217.9	125.5
India	3.3	9.9	14.3	15.0	7.2	19.8
Korea	26.5	36.3	18.8	9.8	6.1	4.5
Others	103.4	83.4	397.1	230.9	155.2	211.3
Ships & Aircraft	375.6	501.1	681.6	733.2	613.2	272.6
Total Exports	2,087.4	2,809.3	3,819.0	4,431.1	2,934.3	2,527.0
Exports to the EU as % of Total	39.3	40.9	34.1	29.2	29.3	31.2

Note: Totals may not add up due to rounding.

Source: National Statistics Office

Nonetheless, exports to Libya increased by €31.1 million. Exports destined to the American continent also decreased, by €21.0 million, partly reflecting lower exports towards the USA.

Malta also exported €272.6 million directly towards ships and aircraft during the period under review. Such exports registered a notable decrease of €340.6 million when compared to the corresponding period a year earlier, largely reflecting the decline in fuel exports. The latter category accounted for 10.8 per cent of total exports.

Imports

Total imports of €3,834.3 million were recorded during the first eight months of 2013, decreasing by €508.6 million or 11.7 per cent. During the period under review, fuel imports consisted 41.3 per cent of aggregate imports. Moreover, this category declined by €386.5 million during the period under review, accounting for 76 per cent of the decline in imports of goods. Table 7.3 provides details of imports by broad economic category.

When compared to the first eight months of 2012, non-fuel imports registered a decline of €122.1 million, to stand at €2,250.9 million at the end of August 2013. This stemmed from declines in purchases of capital goods of €65.3 million, in conjunction with declines registered in industrial supplies and consumer goods.

Industrial supplies imports amounted to €91.3 million during the first eight months of 2013, decreasing by €8.9 million, when compared to the

	2009	2010	2011	2012	2012 Jan-Aug	2013 Jan-Aug
Consumer Goods						
Food and Beverages	367.4	377.4	401.4	420.9	277.6	281.2
Durable Goods	320.9	337.6	338.2	339.5	218.1	204.1
Others	202.7	218.8	237.7	256.2	173.7	159.5
Total	891.0	933.9	977.3	1,016.6	669.4	644.8
Industrial Supplies						
Primary	54.7	59.4	52.2	104.8	67.7	39.0
Semi-finished	1,016.9	1,236.9	1,328.6	1,273.4	852.1	845.6
Finished	120.4	164.5	134.2	150.8	100.4	106.8
Total	1,192.0	1,460.8	1,515.1	1,529.0	1,020.2	991.3
Capital and Others						
Capital Goods	709.4	837.6	874.5	813.8	663.0	597.7
Fuel	657.1	1,055.6	1,933.8	2,788.3	1,969.9	1,583.4
Non-specified and Gold	22.9	40.4	35.3	30.5	20.4	17.1
Total	1,389.5	1,933.6	2,843.6	3,632.6	2,653.3	2,198.2
Total Imports	3,472.5	4,328.3	5,336.0	6,178.3	4,342.9	3,834.3
Total Imports excl. Fuel	2,815.4	3,272.7	3,402.1	3,389.9	2,373.0	2,250.9

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

corresponding period a year earlier.

Concurrently, imports of consumer goods declined by €4.6 million when compared to the first eight months of 2012, and stood at a level of €644.8 million during the period January – August 2013. This primarily reflected the declines of €14.0 million and €14.2 million registered in the importation of durable goods and other consumer goods. Meanwhile, food and beverages imports increased by €3.6 million.

Geographical Distribution – Imports

A detailed geographical distribution of imports is shown in Table 7.4. It is worth noting that the trade patterns analysed include the impact of the developments

	2009	2010	2011	2012	2012 Jan-Aug	2013 Jan-Aug
Europe	2,700.0	3,206.1	4,223.7	4,894.2	3,467.5	2,762.0
EU	2,423.1	2,714.6	3,354.0	3,949.9	2,774.6	2,183.2
Italy	861.0	1,065.7	1,443.5	1,982.9	1,396.9	974.5
Germany	272.4	295.2	317.6	324.9	230.1	212.0
France	338.9	338.5	376.1	369.0	239.6	188.3
UK	378.1	358.2	362.1	372.3	268.1	202.2
Netherlands	177.5	172.3	132.3	197.9	131.1	150.1
Spain	119.9	108.8	165.8	213.6	167.0	74.1
Others	275.3	375.9	556.6	489.4	341.8	382.0
Euro Area	1,935.5	2,194.6	2,662.2	3,335.7	2,324.1	1,795.5
Other European Countries	276.9	491.4	869.7	944.3	692.8	578.8
Africa	72.4	151.5	35.8	189.3	80.1	216.9
Libya	42.9	52.4	10.9	102.2	45.8	100.0
Others	29.5	99.1	24.9	87.2	34.3	116.9
America	229.5	276.9	353.5	278.9	206.0	183.5
USA	124.7	92.8	225.3	134.1	88.9	80.5
Others	104.8	184.2	128.2	144.8	117.2	103.0
Oceania	10.7	80.1	20.4	34.4	31.8	13.7
Asia	457.7	611.7	641.9	768.7	546.0	582.5
Japan	40.1	53.8	37.5	39.4	24.9	33.0
Singapore	106.6	127.5	100.5	76.9	57.4	63.5
China	117.0	117.9	149.7	161.9	114.5	94.7
Hong Kong	12.7	12.1	16.1	20.6	14.8	11.9
India	32.5	100.7	78.7	74.6	50.5	58.1
Korea	47.1	82.2	58.8	86.4	60.5	58.4
Others	101.7	117.6	200.5	309.0	223.4	262.8
Ships & Aircraft	2.3	1.9	60.7	12.7	11.5	75.7
Total Imports	3,472.5	4,328.3	5,336.0	6,178.3	4,342.9	3,834.3
Imports from the EU as % of Total	69.8	62.7	62.9	63.9	63.9	56.9

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

in imports of fuel used for bunkering and transshipment purposes.

Imports from Europe accounted for 72.0 per cent of total exports, of which 56.9 per cent was imported from within the EU. Furthermore, imports from the EU decreased by €91.4 million, to stand at €1,183.2 million.

Imports from Africa, which constituted 5.7 per cent of total imports, increased by €136.8 million to stand at €16.9 million at the end of the period under review. It is pertinent to point out that Libya accounted for 2.6 per cent of total imports, increasing by €4.2 million during the period under review. Imports from America and Oceania decreased by €2.5 million and €18.1 million, respectively.

Imports from Asia increased by €36.5 million when compared to the corresponding period of 2012, reaching €82.5 million. This mainly reflected an increase of €39.4 million in imports from the Other Asian countries category. On the other hand, imports from China decreased by €19.8 million.

During the January – August period imports from ships and aircraft increased by €64.2 million, rising to €75.7 million.

Trade Balance

The visible trade gap contracted by €101.3 million, amounting to €1,307.3 million during the first eight months of 2013. During the period under review, a decrease of €508.6 million in imports more than offset the drop of €407.4 million recorded in exports. In terms of growth rates, exports contracted relatively more than imports, at 13.9 per cent and 11.7 per cent, respectively. These developments are illustrated in Table 7.5 and Chart 7.2.

International trade data for Malta in recent years has been highly conditioned by developments in the trade of fuels and lubricants, mainly reflecting offshore oil bunkering activities and the trans-shipment of oil. Such activities have limited links to economic activity in Malta, and hence on national accounts, balance of payments and employment data.

The visible non-fuel trade gap amounted to €765.3 million, 6.8 per cent lower than that registered during the corresponding period of 2012. Net non-fuel imports decreased by €122.1 million, reaching €2,250.9 million, whilst net

Foreign Trade						
Table 7.5	€ million					
	2009	2010	2011	2012	2012	2013
					Jan-Aug	Jan-Aug
Imports (c.i.f.)	3,472.5	4,328.3	5,336.0	6,178.3	4,342.9	3,834.3
Total Exports (f.o.b.)	2,087.4	2,809.3	3,819.0	4,431.1	2,934.3	2,527.0
Trade Gap	-1,385.1	-1,518.9	-1,516.9	-1,747.2	-1,408.6	-1,307.3

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

non-fuel exports decreased by €66.3 million to reach €1,485.6 million.

Geographical distribution – Trade Balance

The total trade balance during the period under review stood at €1,307.3 million, contracting by €101.3 million. This primarily reflected the decrease in the trade deficit with Europe, which offset the decrease in the trade surplus with Non-European countries.

The trade deficit with the EU, which is Malta's largest trading partner decreased by €21.4 million. This was mainly driven by the decrease in net imports from Italy of €95.7 million. During this period, declines in the trade deficits with France, the UK, Spain and Other EU countries were also registered. On the other hand, the trade deficit with the Netherlands widened. Moreover, during the period under review, the trade surplus with Germany also decreased by €1.2 million.

The trade surplus with other countries increased by €3.8 million, to stand at €91.1 million. This reflected the increase in trade surplus with Japan and Singapore in conjunction to a decrease in the trade deficit with China. These developments are outlined in Table 7.6.

	2009	2010	2011	2012	2012 Jan-Aug	2013 Jan-Aug
EU	-1,602.3	-1,565.5	-2,052.2	-2,654.1	-1,915.6	-1,394.2
Italy	-755.8	-908.2	-1,272.3	-1,808.7	-1,291.2	-895.5
Germany	-50.4	-13.6	8.6	33.3	25.5	14.3
France	-151.5	-99.9	-131.2	-72.0	-42.8	-32.6
UK	-277.6	-226.8	-211.7	-247.7	-189.6	-131.0
Netherlands	-157.1	-150.5	-106.3	-100.5	-78.8	-128.4
Spain	-101.9	-88.0	-130.6	-164.6	-127.6	-48.9
Other EU	-108.0	-78.5	-208.7	-294.0	-211.0	-172.1
Other Countries						
Libya	41.0	32.9	36.8	97.5	101.2	78.2
USA	27.6	103.4	-56.3	63.9	47.4	44.8
Japan	18.1	50.4	60.5	69.9	4.6	79.2
Singapore	97.6	101.9	105.8	169.7	91.5	136.3
China	-90.0	-56.7	-78.2	-100.8	-80.7	-61.0
Hong Kong	92.9	150.1	270.0	319.6	203.1	113.6

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

The Balance of Payments

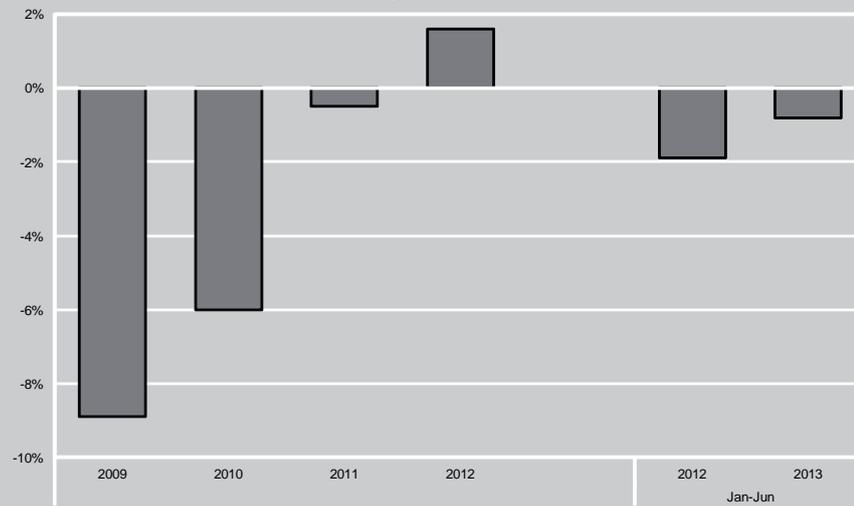
The Current Account

The Maltese current account, as illustrated in Chart 7.3, recorded a deficit of €28.3 million or 0.8 per cent of GDP, during the first six months of 2013. This compares to a deficit of €62.1 million or 1.9 per cent of GDP in 2012. This improvement stemmed from a decline in the goods account deficit, increases in the services account surplus and net current transfer flows which more than offset the increase in net outflows in the income account. These developments are outlined in Table 7.7.

The current account balance has historically been financed by foreign direct investment (FDI) in the form of equity and reinvested earnings. However, recent developments within portfolio investment through the operations of internationally owned banks have also contributed to the financing of the current account balance.

Chart 7.3

Current Account Balance As per cent of GDP



Balance of Payments

Goods, Services and Income Account (Net)

Table 7.7

€ million

	2009	2010	2011	2012	2012 Jan-Jun	2013 Jan-Jun
GOODS						
General Merchandise Transactions	-1,473.9	-1,685.4	-1,802.3	-1,754.7	-1,010.6	-666.3
Nonmonetary Gold	-18.7	-30.8	-24.4	-19.8	-9.6	-10.6
Others	367.6	557.9	763.1	802.8	542.0	211.6
Total Goods	-1,124.9	-1,158.3	-1,063.5	-971.8	-478.2	-465.3
SERVICES						
Transportation	109.2	-7.8	-44.0	-49.3	-23.3	-41.3
Travel	432.8	580.4	672.1	723.4	261.3	280.5
Other Services	447.2	591.7	691.2	757.2	380.0	400.5
Total Services	989.3	1,164.3	1,319.4	1,431.3	618.0	639.6
Total Goods and Services	-135.7	5.9	255.8	459.5	139.8	174.4
INCOME						
Compensation of employees	7.7	-3.0	5.1	4.1	1.8	1.9
Investment Income	-442.4	-425.8	-321.6	-413.3	-224.7	-255.0
Total Income	-434.7	-428.8	-316.5	-409.3	-222.9	-253.2
Total Goods, Services and Income	-570.4	-422.8	-60.6	50.3	-83.1	-78.8

Source: National Statistics Office

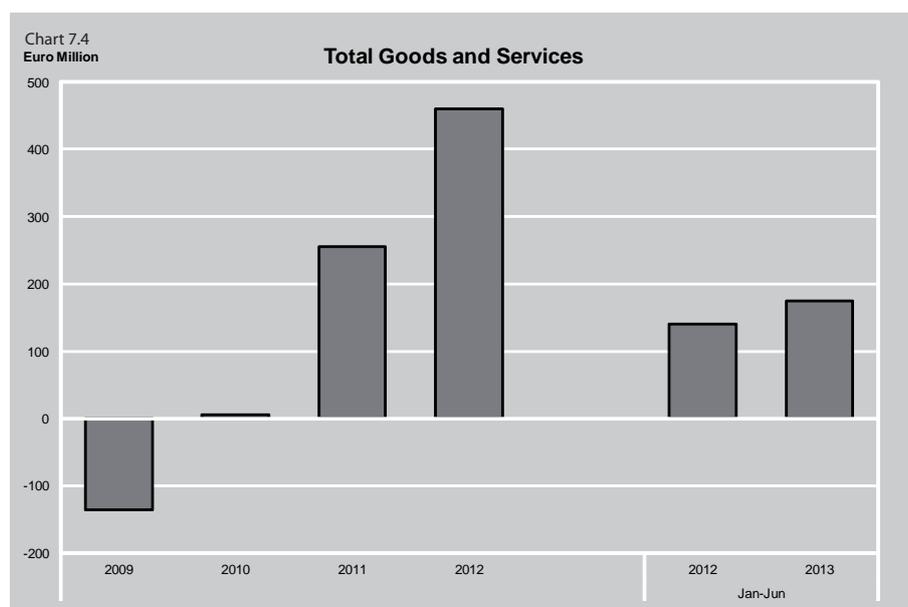
The Goods and Services Account

The goods and services account contributed positively to the current account balance during the first half of 2013. Indeed, during this period the goods and services surplus stood at €174.4 million increasing by €34.5 million, when compared to the same period in 2012. This primarily reflected a decrease in goods and services imports. These movements are illustrated in Chart 7.4.

The visible trade deficit, which pertains to the goods account, stood at €465.3 million, during the first half of 2013, improving by €12.9 million over that registered during the same period of 2012. This primarily reflected movements in general merchandise and goods procured in ports by carriers which includes fuels.

During the first six months of 2013, general merchandise net imports decreased by €344.2 million when compared to the same period during 2012, declining to €666.3 million or 19.3 per cent of GDP. Goods procured in ports by carriers, specifically seaports, relate to oil bunkering activities which decreased by €341.1 million, declining to €156.4 million during the first half of 2013.

The services account surplus recorded an increase of €21.6 million in the first half of 2013, and reached a level of €39.6 million or 18.7 per cent of GDP. This increase was underpinned by an increase in receipts from services of



€8.6 million, which outpaced the increase of €17 million in payments made to non-residents for their services.

Net travel receipts of €280.5 million were recorded during the January – June period of 2013, increasing by €19.2 million when compared to the corresponding period of 2012. This arose from increased tourism earnings of €31.1 million, which outpaced the increase of €1.9 million expenditure by Maltese tourists abroad. Moreover, the recovery in tourism earnings, which dipped during 2009, was steadily sustained in subsequent years. Detailed developments in tourism are outlined in Chapter 5 of the Economic Survey.

Net transportation payments of €41.3 million were recorded during the first half of 2013, increasing by €18.0 million when compared to that of the same period of the previous year. These developments were due to increased transportation payments coupled with a drop in transportation receipts. It is also noteworthy that since 2004, the transportation account used to contribute positively towards the current account deficit, but since 2010, this account has contributed negatively to the current account as the overall increase in net freight payments more than offset the overall increase in other transportation services receipts.

At the same time, net receipts from other services increased by €20.5 million, to reach €400.5 million or 11.6 per cent of GDP during the first six months of 2013. This reflected both an increase in receipts as well as a drop in payments of other services. Net inflows from the largest category within other services, personal, cultural and recreational services, decreased by €4.9 million, largely reflecting lower receipts, reaching a net inflow of €29.8 million during the first half of 2013.

On the other hand, net receipts from other business services recorded an increase during the first half of 2013, with receipts and payments contributing €1.5 million and €6.2 million, respectively, to this increase. These developments were mainly fuelled by miscellaneous business, professional and technical services, specifically pertaining to legal, accounting, management consulting and public relations together with business and management consulting and public relations.

Net receipts from financial services decreased by €7.1 million during the first six months of 2013, reflecting lower receipts, down by €7.4 million as payments also contracted, albeit marginally by €0.3 million. Meanwhile, net receipts from computer and information services remained relatively stable, decreasing by €0.7 million during the first half of 2013 when compared to the corresponding

period of 2012.

Royalties and licences fees registered a decline in net payments of €41.5 million, primarily due to increased receipts from abroad of €40.2 million. Communications services recorded a decline in net payments of €3.8 million due to lower receipts, which were more than offset by a decline in payments. Insurance services registered an increase in net payments of €1.9 million, with receipts declining and payments rising.

Government services registered a reversal of flows during the first half of 2013, registering net aggregate receipts from abroad of €1.8 million, contrasting net payments of €2.8 million in the comparable period of 2012.

Income Account and Current Transfers

Net income paid to non-residents increased by €30.2 million, reaching a level of €53.2 million during the first half of 2013. Investment income was the main driver behind these developments. Table 7.8 illustrates these developments and the separate subsections of the current and income account.

Balance of Payments						
Current Account						
Table 7.8	€ million					
	2009	2010	2011	2012	2012	2013
					Jan-Jun	Jan-Jun
GOODS AND SERVICES						
Exports of Goods and Services	4,870.8	5,916.8	6,591.2	7,081.5	3,464.5	3,251.7
Imports of Goods and Services	5,006.5	5,910.8	6,335.4	6,621.9	3,324.6	3,077.3
Goods and Services Account	-135.7	5.9	255.8	459.5	139.8	174.4
INCOME						
Income Received	1,653.1	1,633.9	1,657.3	1,844.8	957.5	844.8
Income Paid	2,087.8	2,062.7	1,973.7	2,254.1	1,180.4	1,098.0
Income Account	-434.7	-428.8	-316.5	-409.3	-222.9	-253.2
CURRENT TRANSFERS (Net)						
General Government Transfers	43.7	26.8	38.7	71.2	26.2	60.2
Private Transfers	-3.5	12.2	-11.7	-12.0	-5.3	-9.8
Total Net Current Transfers	40.2	39.0	27.0	59.1	21.0	50.5
Balance on Current Account	-530.2	-383.8	-33.6	109.4	-62.1	-28.3

Source: National Statistics Office

Investment income received is typically made up of income from bonds and other investment assets whilst income payments typically are made up of the earnings of foreign owned companies and payments of income on other investment liabilities.

Investment income receipts fell by €12.6 million as a result of lower portfolio investment income, which decreased by €1.2 million mainly due to debt interest on bonds and notes, and lower other investment receipts of €34.5 million. Meanwhile, investment income payments decreased by €2.2 million mainly due to lower payments on other investment income of €90.9 million.

Reinforcing the upward trend noted since 1995, dividends and distributed branch profits outflows amounted to €23.4 million during the first half of 2013, increasing by €26.3 million when compared to the corresponding period during 2012. Past earnings reserves were also used to finance the dividend pay-out of foreign owned companies in Malta, since an outflow of reinvested earnings of €40.9 million occurred. However, such movements appear to partly reflect also seasonal patterns as these developments have been observed during every first half of each year since 2009.

Net portfolio investment inflows decreased by €1.4 million during the first half of 2013, declining to €31.3 million. Income on debt interest specifically pertaining to bond and note holdings of banks underpinned these developments, since during the period under review, debt interest income inflows arising from such bank holdings, decreased by €73.2 million.

Net outflows from other investment income decreased by €6.5 million when compared to the first six months of 2012, to stand at €85.0 million during the first half of 2013. This mainly reflected a decline in interest income of banks' holdings of other investment which decreased by €3.7 million.

Net inflows from current transfers reached €50.5 million during the period reviewed, increasing by €9.5 million over the comparable period of 2012. This mainly reflected an increase in inflows of current transfers, which increased by €22.6 million, complemented with a decrease in outflows of €6.9 million. General Government transfers were primarily responsible for these developments.

Nonetheless, general Government transfers also incorporate tax proceeds received from foreign-owned companies registered in Malta together with

amounts reclaimed by shareholders from dividend pay-outs. Hence, it is to be noted that profitability, dividend policy, tax policy and the timing of claims have a bearing on developments in this account. Meanwhile, net outward flows of workers' remittances remained broadly unchanged at €2.4 million. Net outflows of other transfers increased by €4.5 million to €7.4 million during the first half of 2013, mainly due to an increase in other transfer outflows, which was accompanied by a decrease in inflows of other transfers of broadly the same amount.

The Capital and Financial Account

The capital and financial account include transactions made between domestic and foreign residents which involve the net acquisition of financial assets and the net incurrence of financial liabilities. Therefore, an increase in financial liabilities to foreign agents or decreases in asset holdings are registered as inflows, whilst an increase in financial assets or decreases in liabilities are registered as outflows. The developments within the capital and financial account are illustrated in Table 7.9.

Net inflows in the capital account amounted to €66.6 million during the first half of 2013, equivalent to 1.9 per cent of GDP. The latter represents an increase of €8.1 million when compared to that recorded during the corresponding period of 2012. This increase was primarily due to capital transfers arising from net inflows to General Government which increased by €8.1 million when compared to the corresponding period of 2012, reflecting higher inflows for EU funded programmes.

During the first half of 2013, net inflows of direct investment inflows amounted to 3.5 per cent of GDP, representing a significant turnaround since net outflows of 4.5 per cent of GDP were recorded during the corresponding period of 2012. This mainly reflected the increase in stock of foreign direct investment through equity capital, which increased by €100.5 million, compared to a net equity inflow of €79.0 million during the first half of 2012. This was partly offset by an increase in outflows of €16.3 million in reinvested earnings of foreign owned companies in Malta to finance higher dividend payments. Thus, reinvested earnings during the period under review amounted to €40.6 million. FDI in Malta can also take the form of other capital, typically, net borrowing from direct investors. Net liabilities to direct investors in reporting economy increased by €39.9.4 million mainly as a result of lower claims on direct investors.

Portfolio investments are typically made up of bonds held by residents. Net

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

Table 7.9

	2009	2010	2011	2012	2012 Jan-Jun	2013 Jan-Jun
Current Account	-8.9%	-6.0%	-0.5%	1.6%	-1.9%	-0.8%
Capital Account	1.6%	1.5%	1.3%	1.3%	0.3%	1.9%
Financial Account excl. Reserves	-1.2%	-3.9%	-5.2%	-7.3%	-6.1%	-13.1%
Net Foreign Direct Investment	3.2%	9.5%	2.7%	0.7%	-4.5%	3.5%
Net Portfolio Investment Equity Flows	-0.5%	-0.3%	0.0%	0.2%	-0.1%	-7.0%
Net Portfolio Debt Flows	-32.0%	-50.0%	-46.9%	-23.7%	-17.0%	-51.3%
Net Financial Derivatives	-2.0%	0.4%	0.4%	0.4%	1.9%	1.2%
Net Other Investment Flows	30.1%	36.6%	38.6%	15.0%	13.7%	40.5%
Reserve Assets	-0.0%	-0.4%	0.8%	-1.8%	-4.4%	1.8%
Net Errors and Omissions	8.5%	8.8%	3.5%	6.2%	12.1%	10.2%

* 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

portfolio investment outflows of €2.0 billion were recorded during the first six months of 2013, representing an increase of €1.4 billion from the level recorded during the corresponding period of the previous year. These developments mainly stemmed from banks increasing their assets holdings of bonds and notes from 15.1 per cent of GDP to a level of 50.9 per cent of GDP during the first half of 2013. Concomitantly, monetary authorities increased their asset holdings of equity securities, which increased by €249.4 million during the corresponding period of 2012.

Financial derivatives recorded net inflows of €42.8 million during the first half of 2013, compared to €61.6 million in the previous year. This reflected the operations of banks, monetary authorities and the private sector. During this period, net financial derivatives stood at 1.2 per cent of GDP, compared to 1.9 per cent recorded in the same period in 2012.

Net other investment inflows of €1.4 billion were recorded during the first half of 2013, increasing by €48.3 million when compared to the corresponding period of 2012. These developments mainly reflected transactions of international banks, where the increase recorded within other investment liabilities inflows significantly offset the increase in other investment assets outflows. Transactions in other investment assets and liabilities incorporate Government loans relating to the debt rerouting falling under the operations of the European Financial

Stability Facility (EFSF).

Other investment liabilities increased by €2.2 billion during the first half of 2013. These financial flows resulted primarily due to a significant increase of €2.0 billion in holdings of currency and deposits of foreigners by domestic international banks. Monetary authorities and other sector holdings of currency and deposit liabilities remained largely stable and averaged at 21.1 per cent of GDP and 0.2 per cent of GDP respectively. Trade credits increased by €39.1 million whilst loans increased by €77.1 million.

Meanwhile, other investment assets net outflows increased, to stand at €0.8 billion during the period under review. Monetary authorities increased their holdings of currency and deposits by €31.7 million. Movements within loan assets of banks were also significant, though their net effect was minimal since this involved the shifting of maturities through a reduction of €1.6 billion in short-term loans to an equivalent expansion in long-term loans.

It is noteworthy that while the activities of many foreign-owned banks registered in Malta, have a dominant impact on the financial flows within other investment, specifically through lending currency and deposits, their link with the domestic economy is rather weak. Other investment financial flows generally mirror the developments in portfolio investment flows since these two categories mainly represent the sources and uses of funds of international banks registered in Malta. Changes in the capital of these banks also influence FDI flows.

Net errors and omissions amounted to net credits of €51.3 million or 10.2 per cent of GDP during the January – June period of 2013. This was slightly lower when compared to the same period in 2012, which amounted to €98.3 million or 12.1 per cent of GDP.

The current account deficit of €8.3 million together with the financial account deficit of €450.5 million were thus only partly financed by the capital account surplus of €66.6 million. This, together with the net credits of €51.3 million in errors and omissions gave rise to a drop in reserve assets of €1.0 million to finance this shortfall.

Footnote:

¹This category includes: Crude materials, animal and vegetable oils and fats, semi-manufactured goods and miscellaneous transactions and commodities.

8. Financial Developments

8. Financial Developments

During the January-September 2013 period, the shortfall between recurrent revenue and total expenditure of central Government decreased by €10.8 million to reach €71.4 million. This improvement was mainly the result of higher recurrent revenue, which more than offset the increase in recurrent and capital expenditure. During the period under review, the public sector borrowing requirement declined from €97.9 million to €15.2 million mainly on account of the developments in the sinking fund contribution and direct loan repayments, and to a lower extent, a positive influence on the public sector borrowing requirement¹ was also exerted by an improvement of €10.8 million in the balance of recurrent revenue and total expenditure. Such an improvement was registered in spite of the advancement of payments on children's allowances, supplementary assistance, retirement pensions and social assistance of around €40 million from October to September 2013.

Between January-August 2013, Maltese Monetary Financial Institutions' (MFIs) contribution to the stock of broad money (M3) of the Euro Area registered an increase of 6.3 per cent reaching €1,180.8 million. This was mainly the result of the positive contribution from developments in the other counterparts component as well as an increase in net claims on non-residents of the Euro Area. These developments more than offset the decline in credit during the review period. Following the aftermath of the crisis in financial markets, the European Central Bank (ECB) had a pivotal role in providing liquidity, through the easing of monetary conditions and sustaining overall financial intermediation. In fact, the ECB Governing Council opted for several non-conventional monetary policy measures, apart from the conventional tools of changes in the main refinancing rate and in the reserve ratio and also increased the availability of collateral. In addition to this, the ECB also put in place the framework for Outright Monetary Transactions (OMTs) and approved specific national eligibility criteria and risk control measures for the temporary acceptance in several Member States of additional credit claims as collateral in Eurosystem credit operations.

Since mid-2012, the Euro started to regain some of the strength it had lost against the major currencies in 2011, following the announcement of the ECB President of his readiness to do whatever it takes to save the euro, which by the third quarter led to the launch of the OMT programme referred to earlier. This trend was halted and reversed in the first three months of 2013 as the value of the Euro fell against the US Dollar, the UK Sterling and the Japanese Yen. In subsequent months, the Euro regained strength with respect to all these major currencies, largely recovering earlier losses. During this period, the Euro

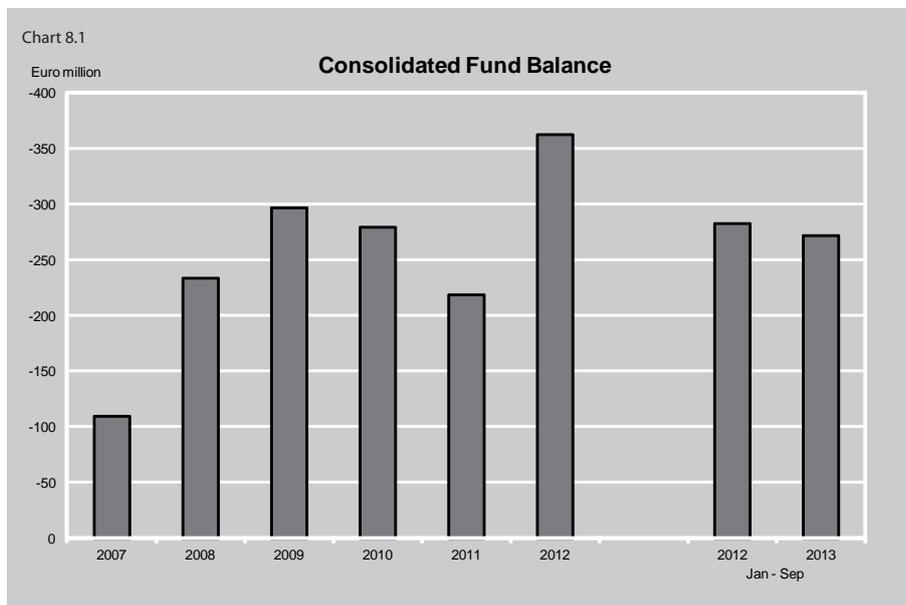
appreciated in value mostly against the Japanese Yen such that by the end of September 2013 it was trading at a level that was 31.3 per cent higher than the level prevailing in the comparable month of 2012. The Euro also strengthened vis-à-vis the US Dollar, and by the end of September 2013 it was around 4.4 per cent higher than the level recorded a year earlier. During the same period, the value of the Euro also gained ground against the British Pound, appreciating by 4.8 per cent, amid declining volatility.

Public Finance

Unless otherwise stated, the analysis in this section is based on Government finance data as classified in the statement of the Consolidated Fund, where such data is defined on a cash basis rather than on an accruals system. Consequently, this data is to be interpreted with caution since developments in Government's

Government Revenue and Expenditure				
(January-September)				
Table 8.1	€ million			
	2010	2011	2012	2013
Recurrent Revenue	1,686.8	1,822.1	1,921.4	2,056.2
Tax Revenue	1,499.0	1,608.7	1,686.0	1,831.5
Direct Tax Revenue	899.9	918.4	1,007.9	1,125.2
Indirect Tax Revenue	599.1	690.3	678.1	706.3
Non-Tax Revenue	187.9	213.4	235.5	224.7
Total Expenditure	1,986.6	2,010.6	2,203.6	2,327.6
Recurrent Expenditure	1,635.1	1,667.7	1,792.2	1,905.5
Interest on Public Debt	141.9	159.5	168.0	165.5
Capital Expenditure	209.6	183.4	243.4	256.7
Productive	50.0	36.7	70.2	75.8
Infrastructure	127.5	110.1	141.4	145.4
Social	32.1	36.6	31.8	35.4
Balance of recurrent revenue and total expenditure	-299.8	-188.4	-282.2	-271.4
Financed by:				
Sinking Funds of Converted Loans	0.0	9.6	28.4	0.0
Sinking Fund Contribution and Direct Loan Repayments	-164.3	-135.0	-355.1	-155.5
Equity Acquisition	0.0	0.0	11.0	11.7
Loan Facility Agreement with Hellenic Republic	-19.8	-25.1	0.0	0.0
Loan Facility Agreement with Air Malta plc	0.0	-52.0	0.0	0.0
Public Sector Borrowing Requirement	-483.9	-390.9	-597.9	-415.2
Local Loans	478.9	401.6	510.6	449.3
Repayment of Loan made by government	0.0	0.0	0.0	0.0

Source: The Treasury, Ministry for Finance

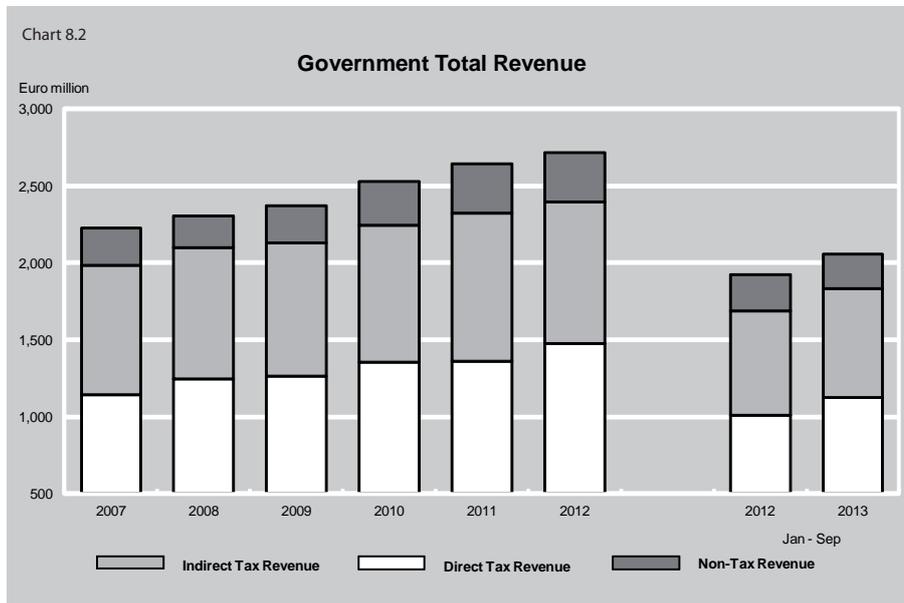


net financial position may not fully reflect actual spending and revenue flows on an accruals basis. Table 8.1 presents Government's fiscal position during the January-September 2010-2013 period, whilst Chart 8.1 illustrates trends in the consolidated fund balance.

Revenue

During the first nine months of 2013, recurrent revenue increased by €34.8 million, over the same period in 2012, to reach €2,056.2 million. The increase was mainly the result of higher tax revenue, which was partially offset by lower flows of non-tax revenue. Developments in the components of Government revenue for the periods January-September 2010 to 2013 are presented in Appendix Table 8.1, whilst Chart 8.2 illustrates trends in recurrent revenue over the recent years.

During the first three quarters of 2013, the share of Government revenue from taxes stood at slightly less than 90 per cent of total recurrent revenue. Revenue from taxes increased by €145.6 million during the period January-September 2013 reaching €1,831.5 million. This increase was mainly characterised by an increase in direct tax revenue of €117.3 million which was underpinned by higher receipts from both income tax receipts and to a lower extent, social security contributions, reflecting the impact of further economic growth and



higher employment. Meanwhile, over the same comparative period, revenue from indirect taxes registered an increase of €28.2 million. The increase in the latter was driven by higher receipts from customs and excise duties of €23.8 million and an increase in Value Added Tax (VAT) receipts of €15.7 million. Lower income from licences, taxes and fines partially offset the registered increase in revenue from indirect taxes. In the first three quarters of 2013, revenue from direct and indirect taxes amounted to €1,125.2 million and €706.3 million, respectively.

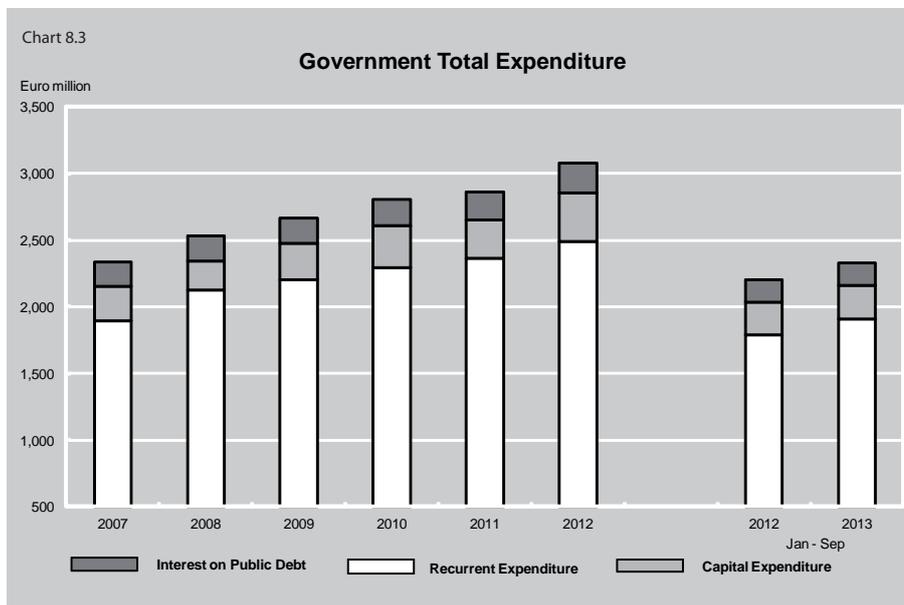
When compared to the same period of 2012, revenue from income tax receipts during the first nine months of 2013 increased by €88.1 million to reach €683.2 million. This is mainly attributable to developments in the business environment, which contributed to higher provisional tax receipts in reflection of the higher profits earned in 2011. Furthermore, developments in the domestic labour market are reflected in both higher income tax receipts under the Final Settlement System, as well as in higher revenue from social security contributions which, during the first nine months of 2013, increased by €29.2 million to €442.0 million. In addition, these positive developments are also being underpinned by the pension reform initiatives legislated in 2006; resulting in higher social contribution rates and a lower number of retirees, but also from higher employment which more than offset the impact of the adjustment in the tax bands implemented earlier in 2013.

During the period under review, receipts from customs and excise duties increased by €23.8 million to €41.6 million. When compared to January-September 2012, revenue from licenses, taxes and fines decreased by €11.2 million in the corresponding 2013 period, reaching €60.7 million. This decline is mainly on account of lower proceeds from the motor vehicle registration tax and duty on documents. Receipts from VAT during the January to September 2013 period amounted to €404.0 million, thus increasing by €15.7 million when compared to the January to September 2012 period. Non-tax revenue, which mainly comprises grants, the transfer of profits generated by the Central Bank of Malta, fees of office, and rents, decreased by €10.8 million in the first nine months of 2013 to reach €24.7 million when compared to the corresponding period in 2012. This drop was mainly underpinned by significant lower miscellaneous receipts, which was however partially offset by higher revenue from grants. When compared to the first three quarters of 2012, revenue from miscellaneous receipts decreased by €38.3 million to €15.6 million. However, in 2012, this revenue item included extraordinary proceeds accruing from the concession fee payable in respect of the exclusive license to operate National Lottery games in Malta for ten years, such that the decline in 2013 is mainly due to a base effect. Revenue from grants increased by €30.2 million during the period under review, reflecting higher Structural and Cohesion Funds under the EU 2007-2013 Financial Framework. During the first nine months of 2013, revenue from reimbursements decreased by €2.7 million to €7.1 million. Furthermore, revenue from dividends on investments also decreased by €2.3 million to €10.9 million during January-September 2013. Revenue from rents remained relatively stable during the period under review and totalled €9.0 million.

Expenditure

During January-September 2013, total Government expenditure, comprising both recurrent and capital expenditure, as well as interest payments on public debt, increased by €124.0 million over the same period in 2012, to €2,327.6 million. This increase was mainly attributable to higher recurrent expenditure, although capital expenditure also contributed to this increase in total Government expenditure, which was partly offset by a decline in interest on public debt.

Recurrent expenditure accounted for more than 80 per cent of total expenditure. During the first three quarters of 2013, recurrent expenditure was up by €13.3 million over the corresponding period of the previous year. Higher outlays towards social security benefits accounted for around 55 per cent of this increase in recurrent expenditure. Meanwhile, capital expenditure, which represents around 11 per cent of total expenditure increased by €13.3 million to €256.7



million. During the same period, interest on public debt declined by €2.6 million to €65.5 million. Chart 8.3 illustrates recent trends in Government expenditure.

Recurrent Expenditure

Recurrent expenditure is segmented broadly into four categories, namely Personal Emoluments, Operational and Maintenance Expenditure, Contributions to Government Entities, and Programmes and Initiatives. During the first three quarters of 2013, Programmes and Initiatives constituted the largest share, representing 63.0 per cent of total recurrent expenditure. Personal Emoluments accounted for 23.6 per cent, while Contributions to Government Entities and Operational and Maintenance Expenditure accounted for 8.7 per cent and 4.8 per cent respectively of total recurrent expenditure.

Programmes and Initiatives comprises expenditure and social transfer payments made in respect of programmes run by Government, as well as subsidies, payments and grants for the provision of services to citizens and to charitable and private institutions but excludes operational costs of Government departments. During the first three quarters under review, this category of expenditure increased by €74.5 million to €1,200.6 million mainly on account of higher expenditure outlays in respect of social security benefits. Higher outlays by the Social Policy Department (former Social Security) relating to the State contribution and higher expenditure by the Ministry for Finance with

respect to EU Own Resources also contributed to the increase in expenditure on Programmes and Initiatives. Higher outlays compared to the same period last year were influenced by the advancement of the children's allowance and supplementary assistance payments from October to September, and an extra payment for retirement pensions and social assistance which this year fell due in September rather than in October as last year. The combined effect of these transactions amounts to around €40 million. On the other hand, lower outlays were recorded in respect of allocations to local councils and also lower Transport Malta administrative fee.

During January to September 2013, Personal Emoluments increased by €29.6 million to €449.1 million when compared to the corresponding period of the previous year. Personal Emoluments includes all salaries and wages paid to elected officials and civil servants, as well as any bonuses and supplements paid to employees in excess of standard remunerations including any allowances and overtime payments.

Contributions to Government Entities, which reflects funding to Government entities including Parastatals, Corporations and Authorities, reached €65.0 million during the period under review, thus representing an increase of €9.9 million when compared to the same period a year earlier. Developments in this category mainly reflected a higher allocation to Mount Carmel Hospital within the Ministry for Health and higher outlays towards the University of Malta and the Malta College of Arts, Science and Technology (MCAST) within the Ministry for Education and Employment. These were in part offset by a lower allocation to the Drainage Directorate, an entity within the Ministry for Energy and the Conservation of Water.

During the first three quarters of 2013, Operational and Maintenance expenditure decreased by €0.7 million over the same period in 2012, to €0.7 million. This category of expenditure includes payments for utilities, contractual services, materials and supplies, transport and rent.

Appendix Table 8.2 presents the developments in Government's recurrent expenditure on a cost centre basis for the first nine months of 2013. The nomenclature of Ministries as well as the cost centres referred to in this Chapter reflect the allocation of portfolios and assignment of responsibility for Government Departments and Government Entities under the new administration as from March 2013. A direct comparison with data for previous periods is therefore not always possible.

Around a third of Government's total recurrent expenditure consists of retirement pensions, children's allowances, social assistance, as well as other benefits. These expenditures are highly influenced by developments in compensation of employees, inflation, as well as demographic changes. During the first three quarters of 2013, welfare payments increased by €62.5 million to €23.7 million, mainly due to higher contributory benefits as the increase in non-contributory benefits was more subdued. The increase in contributory benefits of €41.8 million mainly reflects increases in outlays towards retirement pensions including the increase in pensions due to COLA. Higher outlays partly reflect the timing of outlays in respect of retirement pensions described earlier.

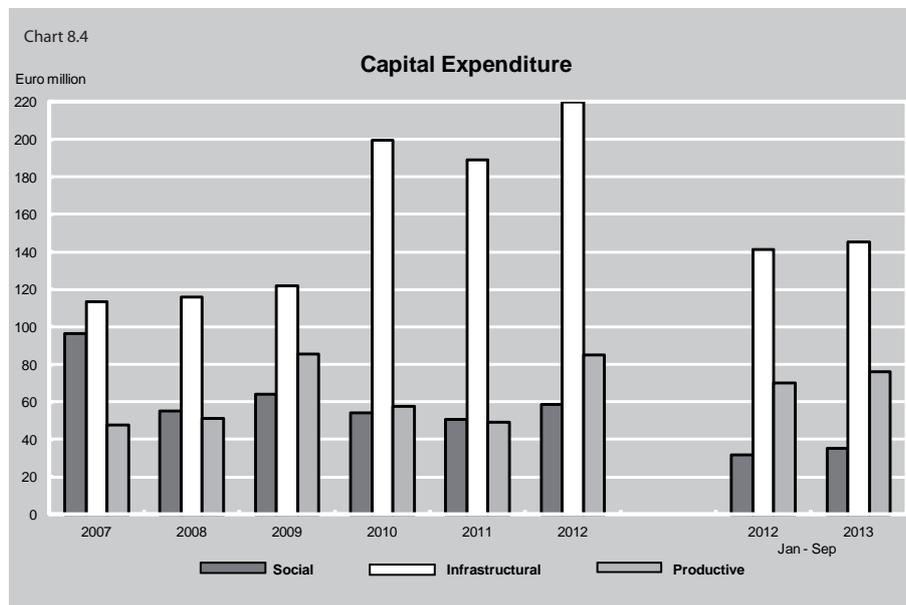
Meanwhile, the increase in non-contributory benefits was mainly due to higher outlays towards children's allowances and social assistance, which increased by €9.3 million and €8.2 million, respectively. The increase in expenditure towards children's allowances mainly reflects a change in policy whereby such allowances are paid three weeks earlier, thus falling due in September instead of October. Higher expenditure towards social assistance partly reflects the timing of outlays in respect of social assistance described earlier. Expenditure by the Department of Social Security relating to the State contribution in terms of the Social Security Act 1987 (Cap. 318), which also features as revenue, increased by €9.8 million to €41.7 million during the first three quarters of 2013.

Capital Expenditure

Central Government capital expenditure consists of three categories, namely productive investment, infrastructural investment and capital outlays on social development.

Total capital expenditure increased further by €13.3 million to €56.7 million during the first nine months of 2013 over the same period in 2012. The increase in expenditure was due to higher productive, infrastructural and social capital outlays. Infrastructural investment amounted to 56.7 per cent of total capital expenditure, whilst the share of productive investment and social investment to capital outlays each increased by 0.7 percentage points to 29.5 per cent and 13.8 per cent respectively. Appendix Table 8.3 displays a breakdown of Government's capital expenditure programme for the January to September 2010-2013 period. Chart 8.4 presents developments in capital expenditure over recent years.

Productive investment expenditure increased by €5.7 million during the first nine months of 2013, to €75.8 million. This increase is mainly attributable



to the equity injection of €40.0 million in the national air carrier, up from €20.0 million last year. This was in most part offset by reductions recorded in expenditure towards the development of industry and film industry incentives, which both recorded a decline of €4.4 million each, as well as a decline of €4.0 million in the contribution towards the Treasury Clearance Fund. Moreover, expenditure contributing towards productive investment classified under the 'Other' category declined by €1.7 million.

During the first three quarters of 2013, infrastructural investment recorded an increase of €4.0 million, reaching €145.4 million when compared to the same period a year ago. This increase was largely the result of €1.4 million more outlays towards waste water treatment infrastructure. Higher outlays on infrastructural investment were also registered in relation to several infrastructural projects co-financed by EU Funds and the re-introduction of the JEREMIE Financial Engineering Fund. Meanwhile, these higher outlays were partially offset by lower expenditure in relation to road construction and improvement and the ICT core services agreement.

Social investment amounted to €35.4 million in the first three quarters of 2013, increasing by €3.7 million over the corresponding period of the previous year. This increase was mainly due to an increase of €5.8 million related to initiatives in the health sector. Other increases were also attributable to the 'Other' category, which increased by €4.0 million. Meanwhile, lower capital outlays were recorded towards Gozo and waste management expenditure.

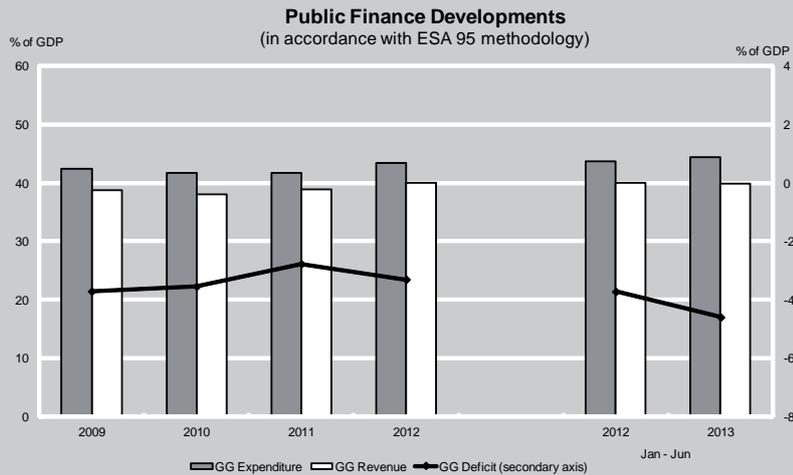
Box 8.1

General Government Budgetary Developments

The Quarterly Accounts of general Government published by the National Statistics Office (NSO) depict the Government's fiscal position using the European System of Accounts 1995 (ESA95) methodology. Under this system, mandatory for all EU Member States, adjustments are carried out to the cash balances of the Consolidated Fund transactions to include all Government accounts, exclude all financial transactions, and include accrual adjustments. Moreover, data pertaining to Extra Budgetary Units (EBUs) and local councils are also included. It is therefore pertinent to note that the data presented below is not comparable to that classified in the statement of the Consolidated Fund as provided in other sections of this Chapter. Nevertheless, conformity with the use of ESA95 methodology in line with the procedure defined in Article 104 of the Maastricht Treaty, allows for the international comparability of data for reporting purposes. The following analysis relates to general Government budgetary developments during the January-June 2013 period. It is also worth noting that the analysis below is presented as a share of GDP recorded in the first half of the year and thus biases upwards the deficit ratio relative to annual figures.

As illustrated in Chart 1 below, during the first half of 2013 the deficit ratio stood at 4.6 per cent of GDP, increasing by 0.9 percentage points over the corresponding period in 2012 as the rise in expenditure more than outweighed the increase in revenue relative to GDP growth.

Chart 1



Box 8.1 continued

It must be observed that when the revenue due from the Central Bank of Malta and the equity injection towards Air Malta is made to accrue on a monthly basis for both years, the deficit ratio for the first half of this year would stand at 4.4 per cent of GDP when compared to 4.0 per cent of GDP for the first half of last year.

The revenue-to-GDP ratio for the first six months of 2013 decreased from 40.0 per cent to 39.8 per cent. The drop of 0.2 percentage points was mainly underpinned by lower ratios of taxes on production and imports, property income and capital transfers receivable relative to GDP. This drop in taxes on production and imports to GDP was due to relatively slow growth in proceeds from value added type taxes, reflecting the more subdued growth in domestic consumption. Lower ratios to GDP were also recorded for other taxes on production, including customs and excise duties, and licenses, taxes and fines. This drop was offset by higher current taxes on income and wealth of 1.3 percentage points mainly reflecting the effect of the rise in employment levels during the year.

When compared to the first two quarters of 2012, the expenditure-to-GDP ratio in the first half of 2013 increased by 0.7 percentage points to 44.4 per cent of GDP, mainly on account of higher outlays on gross capital formation. Higher expenditure ratios to GDP were also recorded in respect of current and capital transfers payable, and compensation of employees. The increase registered in capital transfers payable reflected the increase in expenditure related to the equity injection in the national airline as part of the ongoing restructuring programme. Meanwhile, the drop in intermediate consumption relative to GDP reflects administrative expenditure control measures.

In this context, it is worth noting that due to seasonal factors, a larger proportion of expenditure, and especially revenue, materialises in the last quarter of the year. As a result, the in-year budgetary performance will not be symmetrical between the first and the second half of the year. Moreover, it is important to evaluate these estimates against the background of the recovery in domestic demand conditions expected in the second half of the year, which should result in more buoyant tax revenue receipts. Indeed, developments in the second quarter of the year were already more favourable than anticipated, offsetting in part the significant slippages recorded during the first quarter of 2013.

International Comparison

The following is an analysis of the fiscal position of the EU Member States between 2011 and 2012, and estimates for 2013. Table 8.2 presents the Government budgetary position as a percentage of GDP, while Table 8.3 presents the general Government debt position, also as a percentage of GDP, for the EU Member States. Data presented in this section is based on the ESA95 system of

General Government Net Lending (+) or Borrowing (-)			
as a percentage of GDP			
Table 8.2	per cent		
	2011	2012	2013*
Austria	-2.5	-2.5	-2.2
Belgium	-3.7	-4.0	-2.9
Bulgaria	-2.0	-0.8	-1.3
Croatia	-7.8	-5.0	-4.7
Cyprus	-6.3	-6.4	-6.5
Czech Republic	-3.2	-4.4	-2.9
Denmark	-1.8	-4.1	-1.7
Estonia	1.1	-0.2	-0.3
Finland	-0.7	-1.8	-1.8
France	-5.3	-4.8	-3.9
Germany	-0.8	0.1	-0.2
Greece	-9.5	-9.0	-3.8
Hungary	4.3	-2.0	-3.0
Ireland	-13.1	-8.2	-7.5
Italy	-3.8	-3.0	-2.9
Latvia	-3.6	-1.3	-1.2
Lithuania	-5.5	-3.2	-2.9
Luxembourg	0.1	-0.6	-0.2
Netherlands	-4.3	-4.1	-3.6
Poland	-5.0	-3.9	-3.9
Portugal	-4.3	-6.4	-5.5
Romania	-5.6	-3.0	-2.6
Slovakia	-5.1	-4.5	-3.0
Slovenia	-6.3	-3.8	-5.3
Spain	-9.6	-10.6	-6.5
Sweden	0.2	-0.2	-1.1
United Kingdom**	-7.7	-6.1	-6.8
EU 28***	-4.4	-3.9	-3.4
Euro Area	-4.2	-3.7	-2.9
United States	-9.7	-8.3	-6.9
Japan	-9.9	-10.1	-9.5
Malta	-2.8	-3.3	-3.7

* Data pertains to 2013 Spring Forecasts (May 2013) by the European Commission
 ** Data pertains to UK financial year (1 April to 31 March)
 *** Forecasts for 2013 are for EU27 and not for EU28

Source: Eurostat, IMF World Economic Outlook

General Government Gross Debt

as a percentage of GDP

Table 8.3

per cent

	2011	2012	2013*
Austria	72.8	74.0	73.8
Belgium	98.0	99.8	101.4
Bulgaria	16.3	18.5	17.9
Croatia	51.6	55.5	57.9
Cyprus	71.5	86.6	109.5
Czech Republic	41.4	46.2	48.3
Denmark	46.4	45.4	45.0
Estonia	6.1	9.8	10.2
Finland	49.2	53.6	56.2
France	85.8	90.2	94.0
Germany	80.0	81.0	81.1
Greece	170.3	156.9	175.2
Hungary	82.1	79.8	79.7
Ireland	104.1	117.4	123.3
Italy	120.7	127.0	131.4
Latvia	41.9	40.6	43.2
Lithuania	38.3	40.5	40.1
Luxembourg	18.7	21.7	23.4
Netherlands	65.7	71.3	74.6
Poland	56.2	55.6	57.5
Portugal	108.2	124.1	123.0
Romania	34.7	37.9	38.6
Slovakia	43.4	52.4	54.6
Slovenia	47.1	54.4	61.0
Spain	70.5	86.0	91.3
Sweden	38.6	38.2	40.7
United Kingdom**	84.3	88.7	95.5
EU 28***	82.3	85.1	89.8
Euro Area	87.3	90.6	95.5
United States	99.4	102.7	110.6
Japan	230.3	238.0	243.6
Malta	69.5	71.3	73.9

* Data pertains to 2013 Spring Forecasts (May 2013) by the European Commission

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

*** Forecasts for 2013 are for EU27 and not for EU28

Source: Eurostat, IMF World Economic Outlook

national accounts, and is therefore not directly comparable with data presented in previous sections of this Chapter. Data for EU Member States, including that for Malta, for 2011 and 2012 reflect the Government deficit and debt data based on figures reported in the second 2013 notification by EU Member States for the years 2009-2012, for the application of the excessive deficit procedure (EDP) in accordance with Council Regulation (EC) No. 479/2009, amended by Council Regulation No. 679/2010. Data for the United States and for Japan

is reproduced from the International Monetary Fund October 2013 update of the World Economic Outlook. Projected data for 2013 for EU Member States, including that for Malta, and data for Japan and United States reflect the deficit and debt projections as per the European Commission's Spring Forecast.

The slow economic recovery that commenced in 2010, together with fiscal consolidation measures which had a positive impact on the fiscal position of the EU economies, was sustained in 2011. Indeed, in the Euro Area (EA17) the Government deficit-to-GDP ratio decreased from 6.2 per cent in 2010 to 4.2 per cent in 2011, and in the EU28² this ratio declined from 6.5 per cent to 4.4 per cent. Despite the recession in 2012 (real GDP contracted by 0.4 per cent in 2012 compared to 1.7 per cent growth in 2011), fiscal consolidation efforts in the EU remained sustained in 2012. Indeed, in the EA17 the Government deficit-to-GDP ratio improved by a further 0.5 percentage points to 3.7 per cent of GDP in 2012, while for the EU28 it declined from 4.4 per cent to 3.9 per cent of GDP. Despite these efforts, the debt ratios increased by more than 5.2 percentage points of GDP in the EU and the EA.

In 2012, only 15 Member States (MSs) recorded an improvement in their Government balance relative to GDP, whereas in the previous year there were 22 MSs which recorded an improvement in their fiscal balance. The most pronounced improvement in the budget balance was recorded in Ireland, which registered a 4.9 percentage point decrease in the fiscal deficit to 8.2 per cent of GDP for the year 2012. Ireland and Greece were the only countries among the countries which are currently undergoing a programme of fiscal and economic adjustment together with Cyprus, Spain, and Portugal, which registered an improvement in their budget balance. The latter countries registered a worsening of their balance of 0.1, 1.0 and 2.1 percentage points respectively, despite both Cyprus and Portugal having registered an improvement in their budget balance a year earlier.

A notable fiscal consolidation effort of 2.3 percentage points of GDP was undertaken by both Latvia and Lithuania, amidst a stronger economic recovery compared to the rest of the EU. Meanwhile, fiscal consolidation of 2.8, 2.6 and 2.5 percentage points was undertaken by Croatia, Romania and Slovenia in spite of their subdued economic growth. Among the largest economies, a notable fiscal adjustment of 1.6, 0.9 and 0.8 percentage points of GDP was undertaken in the UK, Germany and Italy respectively despite a deterioration in economic performance. The fiscal adjustment of 0.5 percentage points of GDP in France was in line with the EU average adjustment, while Germany was also the only country which registered a budget surplus in 2012.

Austria was the only country which registered a stable Government deficit-to-GDP ratio. Meanwhile, Belgium, Sweden, Malta and Luxembourg registered deteriorations in their balance ranging from 0.2 to 0.7 percentage points. Nonetheless, a total of 17 MSs had budget deficits in excess of 3.0 per cent of GDP, while one of these had a deficit-to-GDP ratio in excess of 10 per cent.

The Council closed excessive deficit procedures with Italy, Latvia, Lithuania, Hungary and Romania in 2013. It adopted decisions abrogating previous Council decisions on the existence of excessive deficits in these five countries, confirming that they have reduced their deficits below 3 per cent of GDP, as defined in accordance with Article 126(6) of the Treaty on the functioning of the European Union (ex Article 104(6) of the Treaty establishing the European Community) and specified in the Stability and Growth Pact legislation. As a consequence, 16 of the EU's 28 MSs remain subject to the excessive deficit procedure, down from 24 during the period September 2009 to September 2010.

Meanwhile, Government debt increased in both the EA17 and the EU28. Indeed, in the Euro Area the Government debt-to-GDP ratio increased from 87.3 per cent at the end of 2011 to 90.6 per cent by the end of 2012, and in the EU28 the ratio increased from 82.3 per cent to 85.1 per cent. Although 15 EU Member States recorded an improvement in their budget balance, only three of these, Greece, Latvia and Poland, managed to actually reduce the debt-to-GDP ratio. It is to be noted that the debt levels in the latter two countries are relatively low at 40.6 per cent and 55.6 per cent of GDP, respectively. Moreover, 14 Member States recorded Government debt ratios in excess of 60.0 per cent of GDP in 2012. Of these countries, Greece, Italy, Portugal and Ireland reported debt-to-GDP levels in excess of 100 per cent of GDP, with Belgium following close behind.

Out of the Programme Countries referred to earlier, only Greece managed to reduce its debt-to-GDP ratio, although this should be viewed in the context of a peak level recorded in 2011 when the debt ratio increased by 22.0 percentage points to 170.3 per cent of GDP. The debt-to-GDP ratio in Portugal, Spain, Cyprus and Ireland increased in excess of 13 percentage points, while it increased notably in Slovakia and Slovenia. Nevertheless, several Member States still reported low ratios of Government debt-to-GDP at the end of 2012, in particular Estonia, Bulgaria and Luxembourg, which registered debt ratios below 25.0 per cent of GDP.

In 2012, the United States (US) reported a Government fiscal deficit-to-GDP ratio of 8.3 per cent, representing a 1.4 percentage point improvement from that reported in 2011. The gross debt-to-GDP ratio increased further from 99.4

per cent in 2011 to reach 102.7 per cent in 2012. Meanwhile, in Japan, the Government deficit-to-GDP ratio in 2012 increased to 10.1 per cent of GDP compared to 9.9 per cent recorded a year earlier. Furthermore, Japan's debt-to-GDP ratio increased to 238.0 per cent in 2012 when compared to 230.3 per cent in 2011. In this context, with respect to deficit and debt ratios to GDP, it is noted that both the EU28 and the EA17 compare favourably with respect to both the US and Japan.

In its Spring Forecasts published this May, the European Commission projected that the deficit-to-GDP ratio for the EU will reach 3.4 per cent of GDP in 2013. Nevertheless, fiscal consolidation efforts are expected to be higher in the EA whilst a larger correction is expected in the USA. In Japan, a fiscal contraction of 0.6 percentage points is also expected. The deficit ratio in 2013 for Malta is forecasted to be 3.7 per cent of GDP. On the other hand, the debt-to-GDP ratio for the EU is projected to reach 89.8 per cent of GDP, rising by 4.7 percentage points in 2013, while in Malta the debt ratio is projected to reach 73.9 per cent. The debt ratios in the advanced economies are also expected to rise between 5 percentage points and 8 percentage points of GDP. A new set of forecasts by the European Commission, the Autumn Forecasts, are to be published during the first half of November.

Monetary Developments

Between January-August 2013 there has been an increase in the contribution of Maltese monetary financial institutions (MFIs) to the stock of Euro Area Broad Money (M3). This was the result of an increase in overnight deposits and those deposits with agreed maturity of up to two years, which more than offset the negative contribution of deposits redeemable at notice up to three months. In addition, net claims on non-residents of the Euro Area increased while developments in the other counterparts component also contributed positively to M3, more than offsetting the decline in credit. While credit demand by the private sector remains somewhat weak as banks maintained tight lending conditions, depositors' preference is tilted towards remaining liquid in view of the relatively low interest rate environment.

Contribution of Resident MFIs to Euro Area Monetary Aggregates

The contribution of Maltese resident MFIs to total monetary aggregates of the Euro Area registered an increase of 6.3 per cent, reaching €11,180.8 million during the first eight months of 2013 when compared to €10,517.8 million in

December 2012. This increase was underpinned primarily by an increase in overnight deposits. In addition, deposits with agreed maturity of up to two years also contributed positively albeit to a lesser extent, whilst deposits redeemable at notice up to three months exhibited a significant decline, although, due to their smaller share in intermediate money (M2), their negative contribution to monetary growth was relatively small. Table 8.4 portrays the developments in the main monetary indicators. The developments show a preference towards short-term liquid money balances in the form of cash, though two-year term maturity deposits remain substantial.

Narrow money (M1) reached €6,578.5 million during the first eight months of 2013, increasing by 9.5 per cent when compared to €6,006.6 million registered in December 2012. This was mainly the result of a 10.3 per cent increase in overnight deposits which reached €5,823.0 million in August 2013. Overnight deposits increased throughout the first eight months of 2013 mirroring developments in deposits from both residents of Malta as well as deposits from Euro Area residents, albeit due to their larger share, the contribution of the former largely conditioned developments in total overnight deposits. During

	2012 (Dec)	2013 (Mar)	2013 (Jun)	2013* (Aug)	Aug-13 - Dec-12 % Change
Narrow Money (M1)	6,006.6	6,245.2	6,319.0	6,578.5	9.5
Currency issued ⁽²⁾	726.5	721.9	732.4	755.5	4.0
Overnight deposits ⁽³⁾	5,280.1	5,523.3	5,586.6	5,823.0	10.3
Intermediate Money (M2)	10,326.3	10,526.9	10,537.3	10,957.0	6.1
Narrow Money (M1)	6,006.6	6,245.2	6,319.0	6,578.5	9.5
Deposits redeemable at notice up to 3 months ⁽³⁾	153.2	114.9	113.0	111.7	-27.1
Deposits with agreed maturity up to 2 years ⁽³⁾	4,166.4	4,166.8	4,105.2	4,266.8	2.4
Broad Money (M3)⁽⁴⁾	10,517.8	10,722.4	10,732.0	11,180.8	6.3
Intermediate Money (M2)	10,326.3	10,526.9	10,537.3	10,957.0	6.1
Debt securities issued up to 2 years initial maturity	191.5	195.5	194.7	223.8	16.9

* Provisional

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

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

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

⁽⁴⁾ M3-M2 comprises repurchase agreements and debt securities up to 2 years' maturity issued by MFIs in Malta less holdings by MFIs in Malta of such securities issued by MFIs anywhere in the euro area. Figures also include MMFs shares/units issued less holdings in such units by MMFs and credit institutions resident in the euro area and holdings by non-residents of the euro area.

Source: Central Bank of Malta

the same period, currency issued increased by 4.0 per cent reaching €755.5 million in August 2013, however its positive contribution to M1 was low due to its small share.

During the period January-August 2013, deposits redeemable at notice up to three months decreased by 27.1 per cent when compared to December 2012, reaching €11.7 million. This development was the result of a decline in deposits from residents of Malta which was mainly reflected in the first quarter of the year, although even a drop in deposits from other Euro Area residents was recorded, albeit this had practically a negligible effect. Deposits with an agreed maturity of up to two years registered an increase of 2.4 per cent during the period under review, reaching €4,266.8 million in August 2013. This increase was mainly the result of increases in deposits from Euro Area residents.

As depicted in Table 8.5, total resident deposits increased by 5.1 per cent during the first eight months of 2013 when compared to the final month of last year reaching €9,403.8 million. This increase was predominantly the result of a positive contribution from overnight deposits which increased by €19.0 million (10.2 per cent) during the period under review. Due to the higher share in total resident deposits, the increase in overnight deposits more than offset the respective declines of €40.0 million and €23.5 million registered in deposits from residents of Malta redeemable at notice up to three months and deposits with agreed maturity up to two years.

Resident Deposits					
Table 8.5					€ million
	2010 (Dec)	2011 (Dec)	2012 (Dec)	2013* (Aug)	Aug-13 - Dec-12 % Change
Overnight Deposits ⁽¹⁾	4,225.1	4,590.9	5,110.4	5,629.4	10.2
Deposits redeemable at notice up to 3 months	123.5	122.5	151.7	111.7	-26.4
Deposits with agreed maturity up to 2 years	3,848.1	3,693.1	3,686.3	3,662.8	-0.6
Total resident deposits	8,196.8	8,406.4	8,948.3	9,403.8	5.1

* Provisional

⁽¹⁾Overnight deposits are deposits withdrawable on demand and exclude interbank deposits and deposits held by central Government.

Source: Central Bank of Malta

Contribution of Resident MFIs to Counterparts to Euro Area Monetary Aggregates

Table 8.6 displays the developments in the contribution of resident MFIs to counterparts to Euro Area monetary aggregates since the end of 2012. During the first eight months of 2013, Maltese MFIs' contribution to the Euro Area broad money stock (M3) increased, led by the positive contribution from a decline in other counterparts and higher net claims on non-residents of the Euro Area and which more than offset the negative contribution from credit.

In the period January-August 2013, the credit counterpart of broad money reached €14,873.4 million, declining by 4.7 per cent when compared to December 2012. This decline was mainly the result of lower credit to non-Maltese residents of the Euro Area which offset increases registered in credit to residents of Malta. The developments in credit to non-Maltese residents were driven by a decline in credit to private counterparts and which more than offset an increase in credit to general Government. Credit to residents of Malta was also underpinned by an increase in credit to general Government and a decline in credit to other residents, albeit in this case, the positive contribution of the former outweighed the decline in the latter. During the first eight months of 2013, credit to residents of Malta increased by 2.2 per cent, reaching €1,235.8 million when compared to December 2012, while credit to other Euro Area residents declined by 21.1 per cent, reaching €3,637.6 million in August 2013.

Table 8.7, which displays loans to Maltese residents excluding general Government, delves further into the aforementioned decrease in private sector credit during the first eight months of 2013. The decline in credit was generally broad based across economic activities with the exception of credit to 'Household and individuals', 'Real estate, renting and business activities' and 'Electricity, gas and water supply' categories. Over the period under review, the most notable decline in credit was attributable to 'Construction', which shrank by 7.3 per cent. Combined with the aforementioned increase in credit to households, these developments affect the housing market by addressing both supply side as well as demand side issues. Meanwhile, other decreases in credit to residents of Malta were registered with respect to the 'Wholesale and retail trade and repairs' category as well as the 'Other', 'Manufacturing' and 'Transport, storage and communication' categories, while lending to 'Hotels and restaurants' remained relatively stable.

An increase in foreign capital from outside the Euro Area also supported the growth in M3. Net claims, representing the external counterpart of M3, increased by 4.7 per cent during the first eight months of 2013 when compared

Contribution of Resident MFIs to Counterparts to Euro Area Monetary Aggregates

Table 8.6

	2012 (Dec)	2013 (Mar)	2013 (Jun)	2013* (Aug)	Aug-13 - Dec-12 % Change
Broad Money (M3)⁽¹⁾	10,517.8	10,722.4	10,732.1	11,180.8	6.3
Credit Counterpart⁽²⁾	15,603.3	15,768.8	15,069.3	14,873.4	-4.7
Credit to residents of Malta	10,991.2	11,252.4	11,171.5	11,235.8	2.2
Credit to general Government	2,287.1	2,466.8	2,505.8	2,579.1	12.8
Credit to other residents	8,704.1	8,785.7	8,665.7	8,656.7	-0.5
Credit to other Euro area residents	4,612.0	4,516.3	3,897.9	3,637.6	-21.1
Net claims on non-residents of the Euro Area	10,169.1	10,700.7	10,536.7	10,645.8	4.7
Other counterparts (net)⁽³⁾	15,254.6	15,747.1	14,874.0	14,338.2	-6.0

* Provisional

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

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

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

Source: Central Bank of Malta

Credit to Other Residents⁽¹⁾

Loans by Economic Activity

Table 8.7

	2010 (Dec)	2011 (Dec)	2012 (Dec)	2013* (Aug)	Aug-13 - Dec-12 % Change
Total Credit	8,188.1	8,550.5	8,704.1	8,656.7	-0.5
Total Loans⁽²⁾	8,076.1	8,440.6	8,566.6	8,528.9	-0.4
Electricity, gas & water supply	502.0	539.8	280.1	304.3	8.6
Transport, storage & communication	511.8	526.5	502.0	479.2	-4.5
Manufacturing	283.5	280.8	333.8	301.0	-9.8
Construction	1,113.8	1,092.7	1,024.0	949.5	-7.3
Hotels & restaurants	446.3	459.8	468.2	471.3	0.7
Wholesale & retail trade; repairs	825.2	847.9	829.9	775.9	-6.5
Real estate, renting & business activities	392.2	396.6	398.4	444.0	11.5
Households & individuals	3,354.8	3,589.8	3,776.8	3,887.4	2.9
Other ⁽³⁾	646.5	706.7	953.4	916.2	-3.9

* Provisional

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

⁽²⁾ Data up to Dec 2009 is compiled in accordance with NACE Rev1.1, whereas data for August 2010 is compiled in accordance with NACE Rev2.0

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

Source: Central Bank of Malta

to December 2012. The increase in net claims on non-residents of the Euro Area was accompanied by a 6.0 per cent decline in the other counterparts net balance, reaching €4,338.2 million. The other counterparts' net balance registered an increase during the first quarter of the year before registering lower levels at the end of the second quarter as well as at the end of August. The increase in the net claims component reflects a more rapid increase in resident credit institutions' liabilities to other Euro Area banks with respect to their claims on them while the other counterparts' component mainly reflects interbank transactions across the Euro Area and contributes negatively to M3.

The Money Market

With the start of the international financial crisis in the summer of 2007, unparalleled actions were taken by the ECB over the past years to reinstate financial and economic stability, while at the same time maintaining its price stability objective. During the early stages of the recession, liquidity was provided by the ECB to the banking sector, mainly by means of significant easing of conventional monetary policy through reductions in interest rates following the intensification of turbulence in financial markets. Such measures were supplemented by a number of non-standard monetary policy instruments, such as the change in the tender procedures for the allocation of liquidity on a fixed rate and full allotment basis to restore the effectiveness of the transmission mechanism of monetary policy. In addition, as the crisis spread, the ECB continued to play a vital role in encouraging financial intermediation in the Euro Area, while at the same time providing a lifeline to the refinancing needs of banks and assisting in the concerted efforts to re-establish confidence in financial markets.

At the end of the second quarter of 2011, the ECB's Governing Council decided that the interest rate on the main refinancing operation and the interest rates on the marginal lending facility and deposit facility should remain unchanged at 1.25 per cent, 2.00 per cent and 0.50 per cent respectively. Besides changing interest rates and adopting other conventional monetary policy measures, the Governing Council of the ECB also approved a number of non-standard measures in the last few years. Specifically, it decided on the details as regards the tender procedures and modalities to be applied in its refinancing operations up to July 2011, notably to continue its fixed rate tender procedures with full allotment.

In August 2011, the Governing Council of the ECB decided on several measures to address renewed tensions in some financial markets. In particular, it decided that the Eurosystem shall conduct a liquidity-providing supplementary longer-

term refinancing operation with a maturity of approximately six months as a fixed rate tender procedure with full allotment. Few months later in October 2011, the ECB maintained the interest rate on the main refinancing operations, on the marginal lending and deposit facilities at 1.50 per cent, 2.25 per cent and 0.75 per cent, respectively. During the same month, it also conducted two longer-term refinancing operations, one maturing within twelve months and the other maturing within thirteen months. Moreover, the Governing Council decided to launch a new covered bond purchase programme in November 2011.

In the last month of 2011, the ECB decided to adopt further non-standard measures, notably to conduct two longer-term refinancing operations with a three year maturity; increase the availability of collateral; reduce the reserve ratio to 1.0 per cent; and discontinue the fine tuning operations carried out on the last day of each maintenance period with the main aim of improving money market activity.

In the second month of 2012, there was the approval of specific national eligibility criteria and risk control measures for the temporary acceptance in a number of additional claims as collateral in Eurosystem credit operations, while in September 2012 the ECB decided on the modalities for undertaking Outright Monetary Transactions (OMTs) in secondary markets for Euro Area sovereign bonds. In May 2013, the Governing Council reduced further the main refinancing operations rate to 0.50 per cent and reduced the marginal lending rate to 1.00 per cent and the deposit facility to 0.00 per cent. In its latest meeting held in September 2013, the Governing Council of the ECB maintained its main interest rates unchanged at such historically low levels, and as part of its forward guidance to financial markets announced that its key interest rates will remain at such levels or lower for some time.

The non-standard measures adopted by the ECB are aimed at augmenting the banking sector's access to liquidity and consequently to support the functioning of the Euro Area money market and to prolong the provision of credit to households as well as non-financial corporations. With this intention, in addition to the Long-Term Refinancing Operations (LTROs), the ECB also took additional steps to continue improving the performance of the money market within the Euro Area. In particular, the ECB has reduced the rating threshold for certain asset-backed securities (ABS) in order to increase collateral availability.

Interbank rates provide one indicator of risk aversion in the financial system. Financial institutions would be less willing to provide credit to each other in the interbank market as the level of risk aversion rises. Since the first half of

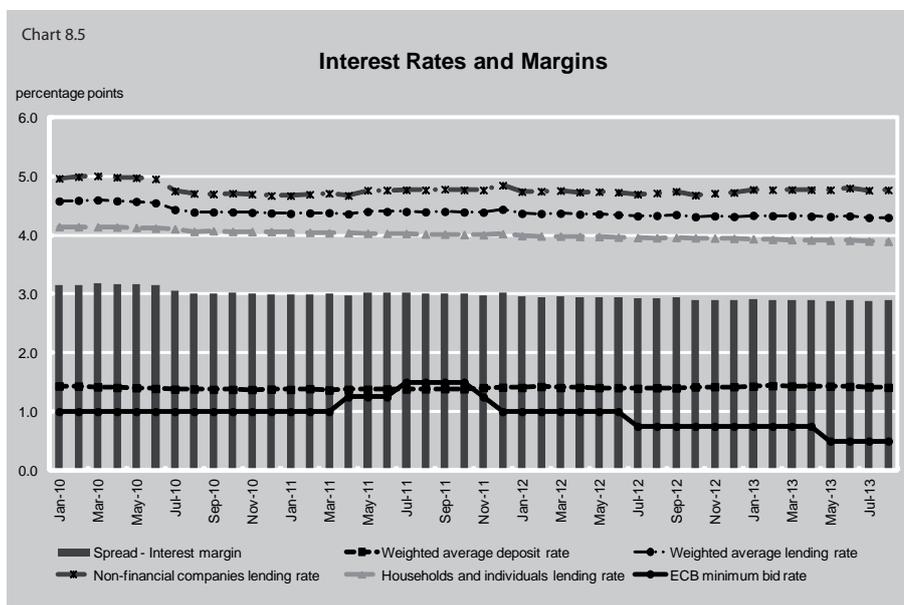
2009, there were significant declines in interbank rates which followed the sharp drops in the ECB's minimum bid rate. However both interbank rates and the minimum bid rate have remained relatively stable thereafter up till mid-2010. Subsequently, some volatility was experienced in interbank rates which increased up to around the second quarter of 2011, signalling renewed tensions and intensified risk aversion levels in the markets. Following their peak in June 2011, overnight rates continued to decline, bottoming out at 0.08 per cent in August 2013. Likewise, long-term rates remained higher compared to their shorter-term counterparts from mid-2011 to mid-2012 albeit continuing to decline steadily reaching 0.54 per cent in August 2013.

Euro Area interbank money market interest rates have a bearing on Maltese Treasury Bills, as they represent an alternative portfolio investment opportunity to the local investors. In the first nine months of 2013, the local Government issued €19.0 million worth of Treasury Bills on the primary market. This level is €187.8 million more than the level of Treasury Bills that were issued during the same period in 2012. Yields in the primary and secondary markets for Malta Treasury Bills have been on a declining trend since September 2012. In fact as at August 2013, the yield on three-month bills in the primary market stood at 0.48 per cent whilst the yield on six-month bills stood at 0.55 per cent when compared to rates registered in September 2012 of 1.27 per cent and 1.36 per cent respectively.

The turnover in the secondary market for Treasury Bills reached €9.2 million during January-September 2013, representing an increase of €3.8 million when compared to a turnover of €5.4 million recorded in the comparable period of 2012.

Deposit and Lending Rates

Chart 8.5 outlines the developments in local deposit and lending rates, in conjunction with the interest rate margin between their weighted averages, as well as the minimum bid rate of the ECB. As from mid-2010 onwards, the spread declined very marginally remaining largely stable, despite an upward movement in the ECB minimum bid rate from 1.0 per cent in March 2011 to 1.5 per cent in July 2011 as well as a subsequent overall downward adjustment in the ECB rate which stood at its lowest level of 0.5 per cent since May 2013. The dynamics of such a stable spread level between lending and deposit rates reflects only an overall marginal increase in deposit rates and a corresponding minimal decline in lending rates over the aforementioned period. As at the end of August 2013, the spread stood at 2.9 per cent when compared to 3.0 in March 2011.



The Capital Market

In the first nine months of 2013, the Government issued €499.3 million worth of stocks on the primary market. In addition, stocks worth €57.2 million were re-integrated into other issued stock during the period reviewed while total redeemed stocks amounted to €49.9 million.

A strong decrease in the primary corporate bond market was experienced between January and September 2013 when compared to the same period a year earlier. Indeed, newly issued corporate bonds declined by 79.4 per cent when compared to the same period of last year, reaching €9.8 million as at September 2013 from €47.5 million registered a year earlier. On the other hand redeemed corporate bonds increased significantly by 67.8 per cent, reaching €28.8 million. Moreover, there has been a significant increase in deductions which stood at €12.8 million as at September 2013 when compared to €3.8 million during the same period in 2012.

Table 8.8 illustrates the activities of Government stock in the secondary market. Trading activity in the secondary market for Government bonds was relatively robust between January-September 2013, with turnover levels increasing by 12.3 per cent when compared to the same period a year earlier, to reach €20.5 million. The number of deals during the same period also increased to 5,388 deals from 3,784 in January-September 2012 reflecting a significant increase

Government Stocks
Activity on the Secondary Market

Table 8.8

	2013 Jan-Mar	2013 Apr-Jun	2013 Jul-Sep	2013 Jan-Sep
Turnover in Government Stocks:				
Nominal Value (€ million)	171.9	147.5	157.3	476.6
Market Value (€ million)	188.4	162.6	169.5	520.5
Number of Transactions	2,027	1,993	1,368	5,388
Average Value per Transaction (€)*	84,785	73,995	114,983	88,461
Amount sold by CBM (€ million)**	36.1	58.0	66.9	161.1
Amount bought by CBM (€ million)**	119.2	89.1	96.4	304.7

* Based on Nominal Values

** Based on Market Values

Source: Central Bank of Malta

of 42.4 per cent over the level of deals prevailing in the period under review. In the period January-September 2013, trading was mainly concentrated in the two issues: 5.25 per cent MGS 2030 and 5.2 per cent MGS 2031, registering 596 and 525 deals respectively. The value transacted by the Central Bank of Malta in the local secondary Government bond market amounted to €465.8 million during the first nine months of 2013.

A range of secondary market indicators is collected in Table 8.9. Between January-September 2013, corporate bonds turnover in the secondary market declined by 28.5 per cent to reach €24.5 million, from €34.2 million recorded during the same comparable period in 2012. As at September 2013, the total listing of corporate bonds stood at 44, one more than the level of listings registered a year earlier.

In contrast to corporate bond developments, aggregate turnover for equities increased significantly to €37.7 million in the first nine months of 2013, compared to a level of €23.3 million registered in the comparable period of 2012. Between January-September 2013, Bank of Valletta and HSBC Bank Malta share issues registered the largest level of trading activity standing at

Selected Indicators of the Capital Market

Table 8.9

	2012	2013	2013	2013	2013
	Jan-Sep	Jan-Mar	Apr-Jun	Jul-Sep	Jan-Sep
Corporate Bonds*					
Number of Listings**	43.0	43.0	42.0	44.0	44.0
Turnover (€million)	34.2	7.7	7.7	9.1	24.5
Equities*					
Number of Issues Outstanding**	22.0	23.0	24.0	24.0	24.0
Turnover (€million)	23.3	15.1	11.4	11.2	37.7
Total Listed Securities*					
Total Turnover (€million)***	527.7	215.6	186.6	189.8	591.9
Market Capitalisation (€million)**/****	8,772.8	9,083.7	9,252.2	9,432.7	9,462.5
MSE Ord. Share Index**	3,135.8	3,322.6	3,417.4	3,418.3	3,418.3

* Including the Alternative Companies listing

** As at end of period

*** Including Malta Government Stocks and Treasury Bills

Source: Malta Stock Exchange

1,809 and 817 deals respectively.

As at September 2013, the Malta Stock Exchange Share Index closed at 3,418.3 reflecting an increase of 9.0 per cent over the same period in 2012. Market capitalisation in the equity market increased from €2,691.8 million in September 2012 to €3,016.4 million at the end of September 2013.

As at September 2013, total market capitalisation stood at €9,462.5 million, increasing by €689.7 million from the level of €8,772.8 prevailing in the same month last year. This increase was underpinned mainly by increases in the market capitalisation for equities and Government bonds and to a lesser extent an increase in market capitalisation for treasury bills. Contrary to these developments, market capitalisation for corporate bonds declined marginally during this period.

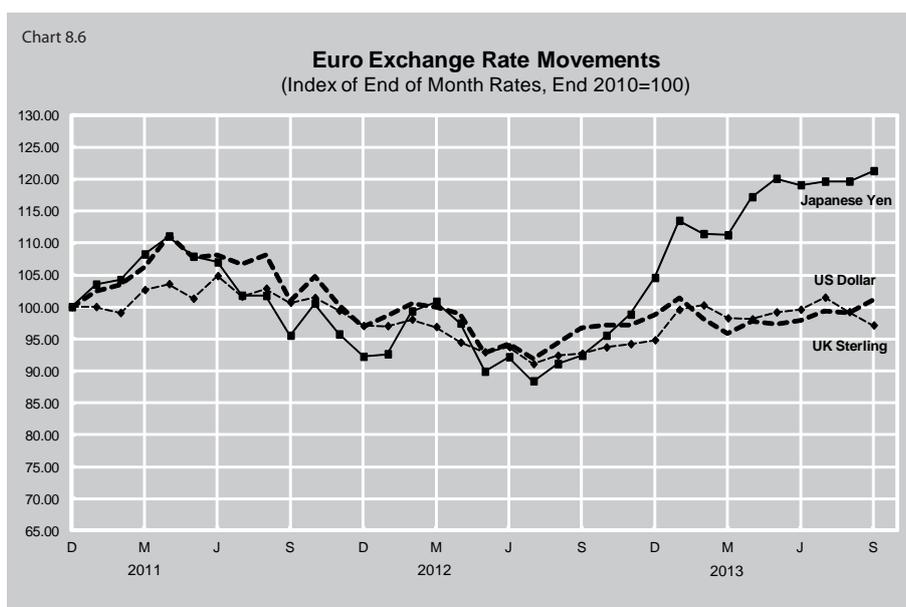
Exchange Rate Developments

The exchange rate is one of the key relative prices for an economy. Movements in the exchange rate have economy-wide implications that range from influencing international trade flows to impacting the real return of an investor's

portfolio, thus having a bearing on both the real, as well as the financial sectors of an economy. Exchange rates are also sensitive to developments in monetary policy. During the European sovereign debt crisis, the exchange rate of the Euro experienced a high degree of volatility. Recent developments are depicted in Chart 8.6 which shows an index of the Euro exchange rate against the three major reserve currencies, namely the US Dollar, the UK Sterling and the Japanese Yen since the end of 2010.

In the first two years of the international economic and financial crisis, the Euro currency retained a degree of strength in respect of the major currencies, particularly with respect to the US Dollar, especially because of the significant easing of monetary policy in the US. This trend was however reversed as the European sovereign debt crisis intensified, and since mid-2011 the value of the Euro started declining with respect to all major currencies under analysis. This depreciation continued until mid-2012, when following the announcement of the OMT, the Euro started to regain strength vis-à-vis all the currencies under review.

In relation to the US Dollar, the Euro traded at around US\$ 1.3 in the first half of 2012. In this regard, the lowest point was recorded in July 2012 when the Euro traded at around US\$ 1.23. Subsequent months brought about an overall sharp appreciation of the Euro, returning the Euro-US Dollar exchange rate to a high of US\$ 1.36 in the first month of 2013. By the end of September



2013 the Euro was again trading at a level comparable to that registered at the beginning of the year, around 4.4 per cent higher from the level prevailing a year earlier. Nevertheless, from a longer term perspective, this is largely in line with the average Euro-US Dollar bilateral exchange rate for the past 10 years which stands at US\$ 1.33.

The trend appreciation of the Euro during the period mid-2012 to 2013 occurred also in respect of the UK Sterling. In July 2012 the Euro reached a low of GBP 0.78, however, a reversal was observed later in the year during which the Euro appreciated vis-à-vis the British Pound to GBP 0.82 at the end of December 2012. This upward trend persisted up to July 2013 as the Euro reached a value of GBP 0.87. Despite subsequently edging down to GBP 0.84 in September 2013 the value of the Euro remained 4.8 per cent higher than the level prevailing in the same comparable month in 2012. This also implies that at the end of September 2013, the Euro was trading 7.8 per cent above its 10-year average level of GBP 0.78.

The value of the Euro vis-à-vis the Yen experienced a sharp fall as the global economic and financial crisis intensified in late 2008, before recovering to some extent in the first half of 2009. Amidst volatility, the value of the Euro had continued on a general downward trend up to July 2012 when it reached a low of JPY 96. Subsequently, the Euro experienced a sharp appreciation which persisted up to May 2013, effectively reflecting the new regime of monetary easing introduced by the Bank of Japan. In September 2013, the Euro traded at a level of JPY 132 thus representing a substantial increase of 31.3 per cent compared to a year earlier. As at the end of September 2013, the value of the Euro against the Yen was comparable to that recorded in the third quarter of 2009. From a longer term perspective, this value was largely in line with the 10-year average Euro-Yen exchange rate which currently stands at JPY 132.03.

Footnotes:

¹ The statistics for Public Finance contained in this Chapter go beyond the cut-off date.

² Data for the EU is not comparable to previous publications of the Economic Survey, as this year's publication includes data for Croatia, the last country joining the European Union. Thus, the analysis in this Chapter is carried out for the EU-28, as opposed to EU-27.

Government Revenue

(January-September)

Appendix Table 8.1

€ thousand

	2010	2011	2012	2013
Tax Revenue	1,498,970	1,608,700	1,685,952	1,831,532
Direct Tax Revenue	899,906	918,436	1,007,863	1,125,193
Income Tax	522,293	518,449	595,133	683,236
Social Security	377,613	399,987	412,731	441,957
Indirect Tax Revenue	599,064	690,264	678,089	706,339
Customs and Excise Duties	116,806	147,637	117,823	141,578
Licences, Taxes and Fines	165,639	170,747	171,946	160,744
Value Added Tax	316,619	371,880	388,320	404,017
Non-Tax Revenue	187,852	213,430	235,467	224,713
Fees of Office	26,680	27,832	23,859	24,959
Reimbursements	13,919	15,375	19,794	17,108
Rents	28,468	18,206	18,554	18,981
Dividends on Investments	10,307	10,699	13,251	10,914
Repayment of Government Loans and interest	201	1,168	570	1,408
Miscellaneous Receipts	24,358	33,095	53,907	15,593
Public Corporations	0	0	0	0
Central Bank of Malta	45,634	48,000	42,000	42,000
Grants	38,285	59,056	63,531	93,751
Recurrent Revenue	1,686,822	1,822,130	1,921,419	2,056,245
Extraordinary Receipts	0	9,622	28,425	0
Loans	478,902	401,610	510,582	449,321
Repayment of Loans made by Government	0	0	0	30
Total Revenue	2,165,724	2,233,362	2,460,425	2,505,596

Source: The Treasury, Ministry for Finance

Government Recurrent Expenditure

(January-September)

Appendix Table 8.2

€ thousand

	2010	2011	2012	2013
Office of the President	1,537	1,689	1,629	1,603
House of Representatives	2,115	2,215	2,297	1,963
Office of the Ombudsman	328	328	550	700
National Audit Office	1,649	1,600	1,638	1,780
Office of the Prime Minister	17,628	20,337	22,417	12,979
Public Service Commission	293	289	307	341
Armed Forces of Malta	29,006	27,945	26,426	27,111
Tourism [Ministry for Tourism and Culture]	25,035	31,091	32,809	38,611
Local Government	25,879	25,891	34,630	27,742
Information	977	947	923	908
Government Printing Press	982	833	939	930
Electoral Office	1,313	3,997	4,142	7,518
Ministry of Foreign Affairs	15,534	16,032	17,454	13,900
Ministry for Gozo	39,896	40,509	41,185	17,174
Ministry for Infrastructure, Transport and Communication	39,167	30,133	27,964	0
Land and Public Registry Division	2,504	1,747	2,638	2,902
Ministry for Resources and [Infrastructure] Rural Affairs	66,211	60,905	59,160	0
Ministry of Education, [Culture, Youth and Sport] Employment and the Family	114,027	148,865	149,841	128,984
Education	98,730	103,482	110,351	126,576
Libraries and Archives	1,040	1,044	-	-
Social Security	120,415	126,266	131,889	141,715
Social Security Benefits	533,731	525,245	561,164	623,651
Social Welfare Standards	572	634	626	686
Ministry of Health, the Elderly & Community Care [Health]	198,963	222,414	249,345	276,117
Elderly and Community Care	39,684	35,763	37,703	47,824
Industrial and Employment Relations	882	795	849	878
Ministry of Finance, the Economy and Investment	81,762	80,303	115,274	0
Treasury	2,369	3,606	3,772	3,031
Pensions	65,284	65,362	68,321	66,007
Inland Revenue	4,353	5,037	5,145	5,167

Government Recurrent Expenditure

(January-September)

Appendix Table 8.2 continued

€ thousand

	2010	2011	2012	2013
Customs	7,833	7,321	7,310	7,309
V.A.T.	5,047	4,174	4,190	4,322
Contracts	828	830	824	757
Economic Policy	734	709	742	704
Government Property Division	2,543	3,467	2,871	6,465
Commerce	1,062	1,144	1,124	1,056
Consumer and Competition	1,197	1,229	-	-
Ministry for Justice and Home Affairs	11,365	14,357	12,826	0
Judicial	7,393	7,338	8,157	9,058
Police	33,047	32,447	33,094	36,749
Correctional Services	6,578	6,622	6,284	6,529
Civil Protection	2,930	2,721	3,030	2,912
Probation and Parole	-	-	403	587
[Ministry for Social Policy]	22,637	-	-	-
Ministry for Energy and the Conservation of Water	-	-	-	30,529
Ministry for European Affairs and Implementation of the Electoral Manifesto	-	-	-	5,247
Ministry for Sustainable Development, the Environment and Climate change	-	-	-	34,398
Ministry for Social Dialogue, Consumer Affairs and Civil Liberties	-	-	-	6,543
Ministry for the Economy, Investment and Small Business	-	-	-	19,881
Ministry for the Family and Social Solidarity	-	-	-	26,427
Ministry for Home Affairs and National Security	-	-	-	17,130
Ministry for Finance	-	-	-	77,942
Ministry for Transport and Infrastructure	-	-	-	34,163
Recurrent Expenditure	1,635,060	1,667,663	1,792,243	1,905,506

Note: [] denotes change in name of cost centres

Source: The Treasury, Ministry for Finance

Government Capital Expenditure

(January-September)

Appendix Table 8.3

€ thousand

	2010	2011	2012	2013
Productive Investment	49,985	36,696	70,172	75,834
Development of Industry	5,150	3,032	8,495	4,068
Gozo Ferries	1,791	-	-	-
Gozo	712	1,018	355	184
EU Agriculture Fund for Rural Development, EU Agriculture Guarantee Fund and EU Fisheries Fund	10,179	14,464	12,551	12,967
Film Industry	1,128	2,248	5,510	1,092
Contribution to Treasury Clearance Fund	24,755	11,000	18,034	14,000
Equity Acquisition - Air Malta plc	-	-	20,000	40,000
Other	6,271	4,934	5,227	3,522
Infrastructure	127,504	110,095	141,431	145,409
Acquisition of Property	8,279	7,529	9,613	8,222
Upgrading Works at main Touristic Areas	2,700	2,704	2,263	1,460
Roads	11,976	14,691	25,307	14,491
Integrated Health Information System	3,527	3,071	1,853	2,258
ICT	16,920	15,586	19,022	13,113
Gozo	1,986	4,298	3,692	2,447
Waste and Sewerage Treatment	34,062	5,035	9,125	20,495
Freeport	2,820	2,717	1,149	0
PC Leasing	4,770	3,952	5,828	5,600
Jeremie Financial Engineering	10,000	-	-	2,000
Development of Industry	1,065	8,737	3,636	4,993
Other EU Funded Projects	21,343	34,362	45,740	54,972
Other	8,055	7,414	14,203	15,359
Social	32,103	36,648	31,762	35,427
Health	3,234	4,921	5,410	11,197
Elderly and Community Care	579	446	1,414	1,190
Waste Management	5,662	5,953	1,719	0
Gozo	871	1,815	2,887	1,010
Housing	2,628	1,883	1,541	572
Education	6,920	7,675	7,907	7,454
External Borders Fund	7,539	9,872	6,883	6,044
Other	4,669	4,083	4,001	7,960
Total Capital Expenditure	209,592	183,439	243,364	256,670

Source: The Treasury, Ministry for Finance

Statistical Annex

Population

	2005	2006	2007	2008	2009	2010	2011	2012
Total Population (000's)	405.0	405.6	407.8	410.9	414.0	415.0	417.5	421.4
Males (000's)	200.8	201.5	202.7	204.6	206.2	206.4	207.7	209.9
Females (000's)	204.2	204.1	205.1	206.3	207.8	208.6	209.9	211.5
% Increase per annum	0.6	0.2	0.5	0.8	0.8	0.2	0.6	0.9
Natural Increase per annum	728	563	654	770	808	888	898	712
Crude Birth Rate (per 1000 population)	9.6	9.3	9.3	9.8	9.8	9.4	10.0	9.8
Crude Mortality Rate (per 1000 population)	7.8	7.9	7.6	7.9	7.8	7.3	7.8	8.1
Crude Marriage Rate (per 1000 population)	5.9	6.3	6.1	6.1	5.7	6.3	6.2	6.7
Infant Mortality Rate (per 1000 births)	6.0	3.7	6.6	8.5	5.5	5.6	6.5	5.3
Life Expectancy (at birth)	79.2	78.9	79.2	79.0	79.7	80.6	80.0	80.1
Males	77.2	76.5	76.9	76.5	77.3	78.5	77.9	78.0
Females	81.2	81.4	81.4	81.5	82.0	82.6	82.2	82.2
Life Expectancy (at age 65)	17.7	17.5	17.9	18.0	18.2	19.1	18.7	18.7
Males	16.1	15.7	16.1	16.5	16.4	17.8	17.1	17.1
Females	19.2	19.1	19.5	19.3	19.9	20.2	20.2	20.2

Source: National Statistics Office

Table II
Social Indicators

	2005	2006	2007	2008	2009	2010	2011	2012
GDP at current market prices per capita (€)	12,241	12,820	13,632	14,465	14,391	15,416	15,971	16,321
Quality of Life								
Motor Vehicle Licences per 1000 population	672.6	686.5	704.7	718.5	725.1	736.6	751.9	751.6
Internet Subscriptions per 1000 population	219.0	235.4	214.1	250.0	270.4	293.5	310.7	326.7
Mobile Phone Subscriptions per 1000 population	802.0	852.6	900.9	937.0	1,023.3	1,099.1	1,253.4	1,290.0
Fixed Telephone Lines per 1000 population	517.0	503.4	563.3	585.8	598.6	597.4	557.8	547.7
Education⁽¹⁾								
Number of teachers (000)	8.4	8.8	8.8	8.5	9.5	10.0	8.6	8.0
Number of pupils/students (000)	88.8	86.3	83.2	82.4	83.1	84.0	82.5	81.3
of which:								
University students (All Courses)	9,530	8,922	9,556	9,238	9,724	10,004	10,376	10,742
Electricity								
Total Generated (000 MWh)*	2,263.1	2,260.7	2,296.0	2,275.0	2,167.0	2,113.0	2,169.0	2,268
Number of Consumers (000)*	241.0	243.0	246.0	254.1	265.7	277.9	309.0	328.0
Domestic Consumption (million kwh)*	669.5	657.6	645.0	670.0	443.3	571.0	593.0	525.0
Water								
Total annual production (million m ³)	31.3	30.5	31.0	31.0	30.0	28.7	29.8	30.8
Average daily consumption (000 m ³)	88	90	88	84	82	69	81	84
Social Security								
Total Payments (€ million)	749.4	796.6	835.5	927.2	1,027.7	1,096.4	1,106.7	1,190.3
Total Contributions (€ million)	455.6	471.5	480.3	510.1	526.1	552.1	585.6	609.7
Welfare Gap (€ million)	293.7	325.2	355.3	417.1	501.6	544.3	521.1	580.6

*Refer to Financial Year

⁽¹⁾ Education data has been revised

Source: National Statistics Office

Table III
Factor Incomes in Gross National Income

	€ million													
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2010 Jan-Jun	2011 Jan-Jun	2012 Jan-Jun	2013 Jan-Jun
Compensation of employees	2,114.2	2,157.0	2,220.1	2,360.2	2,486.8	2,655.1	2,723.0	2,815.8	2,920.4	3,040.5	1,397.0	1,452.9	1,498.0	1,578.8
Gross operating surplus and mixed income	2,005.0	1,912.9	2,078.1	2,174.8	2,374.0	2,576.3	2,466.0	2,763.3	2,841.0	2,923.2	1,315.2	1,387.2	1,384.6	1,465.2
Taxes on production and imports	581.7	671.8	740.8	781.1	826.7	857.2	831.0	864.6	929.9	942.6	376.5	416.5	446.4	442.3
Subsidies	95.6	86.0	101.2	109.4	112.1	125.1	64.0	66.9	65.1	76.9	30.0	33.5	36.8	37.0
Gross Domestic Product at market prices	4,605.3	4,655.7	4,937.9	5,206.7	5,575.4	5,963.5	5,956.0	6,376.8	6,626.2	6,829.5	3,058.6	3,223.1	3,292.1	3,449.3
Net Income from Abroad	-22.4	-57.5	-217.8	-188.0	-141.7	-197.0	-444.5	-429.4	-325.0	-415.7	-185.2	-289.5	-226.1	-252.4
Gross National Income at market prices	4,583.0	4,598.2	4,720.1	5,018.7	5,433.7	5,766.5	5,511.6	5,947.4	6,301.2	6,413.8	2,873.4	2,933.6	3,066.0	3,196.9
Sectoral Percentage Contribution to Gross Value Added (at basic prices)														
Agriculture, hunting and forestry ⁽¹⁾	2.4	2.4	2.3	2.3	2.1	1.5	1.7	1.7	1.5	1.5	1.5	1.5	1.5	1.5
Industry ⁽²⁾	24.6	22.4	22.0	21.7	21.5	22.0	20.4	19.9	18.5	17.3	20.4	19.4	17.4	18.2
Services Activities	73.0	75.2	75.7	76.0	76.4	76.6	77.9	78.4	80.0	81.1	78.1	79.0	81.2	80.3

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

Source: National Statistics Office

Gross National Income and Expenditure

	€ million													
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2010	2011	2012	2013
	Jan-Jun Jan-Jun Jan-Jun													
GNI at current market prices	4,583.0	4,598.2	4,720.0	5,018.7	5,433.7	5,766.5	5,511.6	5,947.4	6,301.2	6,413.8	2,873.4	2,933.6	3,086.0	3,196.9
% annual increase of GNI	2.8	0.3	2.7	6.3	8.3	6.1	-4.4	7.9	5.9	1.8	8.1	2.1	4.5	4.3
GDP at current market prices	4,605.3	4,655.7	4,937.8	5,206.7	5,575.4	5,963.5	5,956.0	6,376.8	6,626.2	6,829.5	3,058.6	3,223.1	3,292.1	3,449.3
% annual increase of GDP	3.9	1.1	6.1	5.4	7.1	7.0	-0.1	7.1	3.9	3.1	6.8	5.4	2.1	4.8
GDP at constant prices	4,251.3	4,239.1	4,391.0	4,504.4	4,687.7	4,869.7	4,732.7	4,924.0	5,001.5	5,040.7	2,339.2	2,403.6	2,404.4	2,470.7
Total Final Consumption Expenditure														
current market prices	3,783.7	3,913.3	4,057.7	4,316.2	4,441.9	4,877.6	5,009.3	5,161.0	5,384.1	5,542.0	2,479.6	2,637.8	2,699.2	2,747.5
constant prices	3,548.5	3,586.8	3,623.7	3,792.3	3,820.1	4,049.8	4,044.2	4,040.7	4,178.1	4,219.8	1,958.6	2,054.5	2,059.0	2,042.1
Ratio (%) of consumption to GDP at m.p.	82.2	84.1	82.2	82.9	79.7	81.8	84.1	80.9	81.3	81.1	81.1	81.8	82.0	77.9
General Government Final Consumption Expenditure														
current market prices	901.4	934.8	941.2	1,011.1	1,041.9	1,221.3	1,230.6	1,291.1	1,353.3	1,447.4	631.0	664.8	710.7	741.6
constant prices	793.2	798.7	790.1	835.6	839.6	945.9	920.6	935.9	974.3	1,023.0	458.5	479.3	503.9	508.3
Ratio (%) of Government consumption to GDP at m.p.	19.6	20.1	19.1	19.4	18.7	20.5	20.7	20.2	20.4	21.2	20.6	20.6	21.6	21.2
Private Final Consumption Expenditure⁽¹⁾														
current market prices	2,882.3	2,978.6	3,116.5	3,305.1	3,400.0	3,656.3	3,778.7	3,870.0	4,030.7	4,094.6	1,848.6	1,973.0	1,988.5	2,006.0
constant prices	2,755.3	2,788.2	2,833.6	2,956.7	2,980.4	3,103.9	3,123.6	3,104.8	3,203.8	3,196.8	1,500.2	1,575.2	1,555.1	1,533.8
Ratio (%) of private consumption to GDP at m.p.	62.6	64.0	63.1	63.5	61.0	61.3	63.4	60.7	60.8	60.0	60.4	61.2	60.4	56.8
Gross Fixed Capital Formation														
current market prices	909.2	910.3	1,047.6	1,108.1	1,175.2	1,088.4	1,003.2	1,123.8	1,001.5	1,008.3	503.0	489.2	504.7	472.9
constant prices	854.7	852.7	1,007.9	1,003.9	1,023.6	884.4	758.9	806.0	688.7	661.5	379.9	324.2	326.1	296.6
Ratio (%) fixed investment to GDP at m.p.	19.7	19.6	21.2	21.3	21.1	18.4	16.8	17.6	15.1	14.8	16.4	15.2	15.3	12.8

⁽¹⁾Including NPISH final consumption expenditure

Source: National Statistics Office

Labour

Table V

	2008	2009	2010	2011	2012	2013
				May	May	May
Labour Supply	152,223	152,859	153,972	156,369	159,145	155,760
Gainfully Occupied	146,015	145,524	146,917	149,799	152,306	149,394
Males	99,962	98,686	98,617	99,284	99,766	98,964
Females	46,053	46,838	48,300	50,515	52,540	50,430
Private Direct Production	32,541	31,609	31,243	31,464	31,128	31,534
of which:						
Construction	9,546	9,429	8,809	8,614	8,548	8,628
Manufacturing	20,339	19,514	19,800	20,258	20,011	20,314
Others	2,656	2,666	2,634	2,592	2,569	2,558
Private Market Services	71,821	73,118	75,067	77,312	80,285	76,621
of which:						
Wholesale and Retail (including Repair of Motor Vehicles, Motorcycles and Personal and Household Goods)	21,958	22,329	22,664	22,810	23,007	22,756
Accommodation and Food Services	10,136	9,718	9,498	9,574	9,729	9,588
Financial and Insurance Activities	5,746	5,801	5,945	6,218	6,398	6,174
Others	33,981	35,270	36,960	38,710	41,151	38,103
Public Sector	41,653	40,797	40,607	41,023	40,893	41,239
of which:						
Government Departments	30,340	30,030	29,938	30,328	30,287	30,541
Independent Statutory Bodies	8,712	8,532	8,513	8,628	8,754	8,598
Companies with Public Sector majority s/hldg	2,601	2,235	2,156	2,067	1,852	2,100
of which Temporary Employment**	735	673	627	658	604	691
Registered Unemployed*	6,208	7,335	7,055	6,570	6,839	6,366
Males	4,794	5,652	5,542	5,179	5,303	5,081
Females	1,414	1,683	1,513	1,391	1,536	1,285
Self Employed	17,417	17,620	17,747	17,705	17,848	17,774
						17,864
						17,935

Note: Employment data has been revised

* Includes both Parts I and II of the registered unemployed

** Data are not comparable to those presented in previous Economic Surveys due to break in time-series

Source: Employment and Training Corporation

Tourism

	2005	2006	2007	2008	2009	2010	2011	2012	2011	2012	2013
									Jan-Aug	Jan-Aug	Jan-Aug
Tourist Arrivals/Departures ^{(1)(a)}	1,170.6	1,124.2	1,243.5	1,290.9	1,182.5	1,338.8	1,415.0	1,444.2	974.4	981.5	1,067.2
of which from:											
United Kingdom	482.6	431.3	482.4	454.4	398.5	415.1	438.5	440.7	293.7	289.8	304.1
Italy	92.4	112.5	113.7	144.5	161.7	219.7	201.7	202.0	145.2	143.5	163.8
Germany	138.2	125.8	130.0	150.8	127.4	126.2	134.1	137.3	85.1	88.1	93.3
Libya	10.7	9.2	9.3	9.4	14.3	15.9	6.3	17.4	4.5	10.5	20.0
Scandinavian Countries	72.6	73.7	87.3	85.5	66.8	92.9	93.6	97.1	63.4	68.4	70.4
Other	374.1	371.7	420.8	446.3	413.8	469.1	540.9	549.6	382.5	381.2	415.6
Cruise Passengers (000's) ^(a)	309.7	389.0	473.7	532.3	415.5	467.9	493.2	555.7	309.2	350.8	246.0
Gross Income (£ million)	611.0	607.2	702.2	729.2	639.8	813.9	911.0	988.7	345.0	362.8	393.9
as ratio (%) of exports of goods and services	16.5	14.7	15.5	14.5	13.0	15.2	16.0	16.8	10.8	10.5	12.1
Total Sector Employment in Hotels and Restaurants	9,193	9,441	9,638	10,211	9,789	9,571	9,612	9,729	9,645 ^(b)	9,782 ^(b)	9,868 ^(b)
% of Gainfully Occupied	6.6	6.7	6.8	7.0	6.7	7.0	6.0	6.4	6.5 ^(b)	6.4 ^(b)	6.4 ^(b)
Travel Abroad (000's)	224.9	257.2	279.7	301.3	301.7	294.3	308.5	331.2	198.1	208.8	229.7
Estimated Expenditure (£ million)	216.3	253.0	172.7	209.5	207.0	233.5	238.9	265.3	98.8 ^(c)	101.5 ^(c)	113.4 ^(c)
Days Stayed / Nights Spent ^(c)	11,085	10,861	11,017	11,262	9,949	11,148	11,506	12,247	7,792	8,092	8,835
% of which spent in :											
5 star	10.6	11.8	14.0	14.3	16.4	14.7	15.6	14.3	15.6	14.6	13.8
4 star	34.0	35.3	33.5	32.8	31.2	32.4	31.6	29.6	32.3	30.2	29.9
3 star	19.7	16.6	15.2	13.0	12.0	12.7	12.6	12.9	13.2	13.4	14.5
2 star	0.9	1.9	2.1	2.3	1.4	1.0	1.0	0.8	1.0	1.0	0.8
1 star	-	-	-	-	-	-	-	-	-	-	-
Unclassified	0.1	-	-	-	-	0.3	-	-	-	-	-
Guest Houses	0.8	0.5	0.5	1.0	0.6	0.8	0.6	0.9	0.6	0.9	1.0
Flats/Private Residences	26.9	27.2	28.3	29.2	31.4	31.3	31.9	34.0	30.7	31.8	32.7
Tourist Village/Aparthotels/Hostels/Holiday Complex/Camp Sites/Bed & Breakfast	7.0	6.7	6.4	7.3	7.0	6.9	6.7	7.4	6.6	8.1	7.3

⁽¹⁾ As from 2007 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 embarkations and Maltese cruise passengers.

⁽⁴⁾ Data for January-June period

⁽⁵⁾ Data as at end of May

Source: National Statistics Office, Employment & Training Corporation

Foreign Trade

Table VII

	€ million																		
	2005		2006		2007		2008		2009		2010		2011		2012		2013		
	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	
Imports and Exports																			
Imports (c.i.)	3,117.2	3,537.1	3,603.9	3,897.2	3,472.5	4,328.3	5,336.0	6,178.3	3,175.5	4,342.9	3,834.3								
Consumer goods	911.4	953.9	1,024.7	1,158.9	1,055.3	1,197.8	1,460.8	1,713.7	840.7	1,161.9	1,040.6								
Industrial supplies	1,642.4	1,928.2	1,943.4	2,128.0	1,707.0	2,291.7	2,989.3	3,649.7	1,663.2	2,517.4	2,195.1								
Capital goods and others	563.4	655.0	635.8	610.2	710.2	838.9	875.9	814.8	671.6	663.6	598.6								
Total Exports (f.o.b.)	1,959.1	2,499.9	2,597.4	2,455.8	2,087.4	2,809.3	3,819.0	4,431.1	1,959.2	2,934.3	2,527.0								
of which manufactures	1,900.1	2,419.3	2,481.7	2,350.7	2,065.5	2,729.4	3,745.6	4,334.6	1,925.4	2,911.1	2,496.2								
Trade Gap	-1,158.1	-1,037.2	-1,006.5	-1,441.4	-1,385.1	-1,518.9	-1,516.9	-1,747.2	-1,216.2	-1,408.6	-1,307.3								
as % of GDP at current market prices	-23.5%	-19.9%	-18.1%	-24.2%	-23.3%	-23.8%	-22.9%	-25.6%											
Selected Groupings																			
EU																			
Imports	2,266.0	2,471.6	2,591.6	2,755.8	2,423.1	2,714.6	3,354.0	3,949.9	2,016.6	2,774.6	2,183.2								
Exports	1,004.7	1,154.9	1,108.8	964.2	820.7	1,149.1	1,301.9	1,295.8	798.4	859.0	789.0								
United Kingdom																			
Imports	335.9	344.5	498.6	457.5	378.1	368.2	362.1	372.3	263.9	268.1	202.2								
Exports	216.2	213.2	222.1	165.4	100.5	131.4	150.4	124.6	112.2	78.5	71.2								
Italy																			
Imports	956.7	1,015.2	902.7	1,027.4	861.0	1,065.7	1,443.5	1,982.9	824.5	1,396.9	974.5								
Exports	100.5	85.6	90.8	114.6	105.2	157.6	171.2	174.2	106.2	105.7	79.0								
Germany																			
Imports	280.1	263.2	290.5	267.6	272.4	295.2	317.6	324.9	216.5	230.1	212.0								
Exports	236.3	283.0	306.8	270.4	222.0	281.6	326.2	358.3	211.8	255.6	226.3								
France																			
Imports	291.3	405.9	420.1	381.4	338.9	338.5	376.1	369.0	268.0	239.6	186.3								
Exports	283.8	326.7	271.3	237.3	187.4	238.6	244.9	296.9	145.3	196.9	155.8								
America																			
Imports	189.7	218.2	241.4	132.9	229.5	276.9	353.5	278.9	247.2	206.0	183.5								
Exports	301.7	298.8	279.7	209.5	185.3	228.8	226.7	255.4	143.9	177.7	156.7								
Africa																			
Imports	125.3	50.3	29.3	128.5	72.4	151.5	35.8	189.3	27.4	80.1	216.9								
Exports	143.2	120.5	121.3	132.4	137.2	182.7	234.3	776.8	51.5	448.3	390.0								
Asia																			
Imports	417.6	635.0	597.2	597.8	457.7	611.7	641.9	768.7	427.9	546.0	582.5								
Exports	460.9	631.4	719.9	713.9	528.1	686.5	1,092.1	1,012.9	504.2	598.5	706.8								

Source: National Statistics Office

Balance of Payments

	€ millions																						
	2005		2006		2007		2008		2009		2010		2011		2012		2013						
	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun						
Goods Balance⁽¹⁾	-904.4	-965.6	-923.8	-1,233.7	-1,124.9	-1,158.3	-1,063.5	-971.8	-569.1	-478.2	-465.3	-2,928.7	-3,465.9	-3,536.6	-3,648.3	-3,066.6	-3,681.7	-3,941.4	-4,168.9	-2,050.8	-2,134.7	-1,873.4	
Imports (f.o.b.)	1,948.9	2,208.2	2,254.7	2,012.9	1,592.7	1,986.3	2,139.1	2,414.2	1,092.9	1,124.1	1,207.1	6,477.7	6,411.6	854.3	1,116.9	989.3	1,164.3	1,319.4	1,431.3	582.2	618.0	639.6	
Exports (f.o.b.)	63.6	77.2	80.4	121.9	109.2	-7.6	-44.0	-49.3	1.4	-23.3	-41.3	394.7	354.1	529.5	519.7	432.8	580.4	672.1	723.4	246.2	261.3	280.5	
Services-Net	189.3	210.3	244.4	475.2	447.2	591.7	691.2	757.2	334.7	380.0	400.5	-199.6	-173.7	-124.8	-160.9	-434.7	-428.8	-316.5	-408.3	-286.8	-222.9	-253.2	
Transport-net	9.2	-2.9	3.5	3.9	7.7	-3.0	5.1	4.1	2.5	1.8	1.9	208.8	-170.8	-128.4	-164.8	-442.4	-425.8	-321.6	-413.3	-289.3	-224.7	-255.0	
Travel-net	35.9	-6.4	-28.5	-7.2	40.2	39.0	27.0	59.1	8.1	21.0	50.5	21.7	1.3	-3.7	11.7	43.7	26.8	38.7	71.2	12.8	26.2	60.2	
Other Services-net	14.2	-7.6	-24.8	-19.0	-3.5	12.2	-11.7	-12.0	-4.7	-5.3	-9.8	14.2	-7.6	-24.8	-19.0	-3.5	12.2	-11.7	-12.0	-4.7	-5.3	-9.8	
Income-Net	-420.4	-504.1	-222.8	-285.0	-530.2	-383.8	-33.6	108.4	-265.7	-62.1	-28.3	35.9	-6.4	-28.5	-7.2	40.2	39.0	27.0	59.1	8.1	21.0	50.5	
Compensation of Employees-net	13.1	12.3	15.3	16.7	16.6	18.3	19.9	21.0	18.1	18.8	18.5	13.1	12.3	15.3	16.7	16.6	18.3	19.9	21.0	18.1	18.8	18.5	
Investment Income-net	-4.0	-3.3	-2.2	-2.7	-7.3	-6.7	-4.8	-6.0	-8.9	-6.8	-7.3	-4.0	-3.3	-2.2	-2.7	-7.3	-6.7	-4.8	-6.0	-8.9	-6.8	-7.3	
Current Transfers-Net	-8.5	-9.7	-4.0	-4.8	-8.9	-6.0	-0.5	1.6	-8.2	-1.9	-0.8	-8.5	-9.7	-4.0	-4.8	-8.9	-6.0	-0.5	1.6	-8.2	-1.9	-0.8	
General Government-net	155.7	152.7	68.7	24.6	94.8	92.5	89.2	91.4	15.6	8.5	66.6	155.7	152.7	68.7	24.6	94.8	92.5	89.2	91.4	15.6	8.5	66.6	
Private-net	299.8	315.5	198.6	184.0	-73.1	-270.3	-290.2	-622.8	-17.4	-344.7	-389.6	299.8	315.5	198.6	184.0	-73.1	-270.3	-290.2	-622.8	-17.4	-344.7	-389.6	
Current A/C-Net	560.1	1,445.8	552.0	330.9	188.1	603.8	179.6	49.8	3.2	-147.7	119.4	560.1	1,445.8	552.0	330.9	188.1	603.8	179.6	49.8	3.2	-147.7	119.4	
Financial A/C-Net⁽²⁾	-2,137.3	-1,980.3	365.8	365.5	-1,932.4	-3,210.2	-3,104.3	-1,603.0	-171.4	-563.6	-2,010.4	-2,137.3	-1,980.3	365.8	365.5	-1,932.4	-3,210.2	-3,104.3	-1,603.0	-171.4	-563.6	-2,010.4	
Direct Investment-net	-18.4	24.9	123.3	-344.3	-118.9	27.8	24.3	25.3	30.5	61.6	42.8	-18.4	24.9	123.3	-344.3	-118.9	27.8	24.3	25.3	30.5	61.6	42.8	
Portfolio Investment-net ⁽³⁾	2,083.3	908.1	-516.0	-273.7	1,792.5	2,332.0	2,557.4	1,026.5	84.7	449.5	1,397.8	2,083.3	908.1	-516.0	-273.7	1,792.5	2,332.0	2,557.4	1,026.5	84.7	449.5	1,397.8	
Other Investment-net ⁽³⁾	-167.8	-83.0	-326.5	105.7	-2.4	-23.6	52.9	-121.4	35.6	-144.4	61.0	-167.8	-83.0	-326.5	105.7	-2.4	-23.6	52.9	-121.4	35.6	-144.4	61.0	
Reserve Assets ⁽³⁾																							

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

⁽²⁾The Financial Account-Net in this Table includes Reserve Assets but does not include Errors and Omissions.

⁽³⁾As from 1 January 2006, 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 particular, Malta's claims on the rest of the world in euro-denomination are now recorded under 'Other Investment-net' (ECB) and 'Other Investment-net' (IMF) instead of 'Portfolio Investment-net' (ECB) and 'Portfolio Investment-net' (IMF), which were previously recorded 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

	2005	2006	2007	2008	2009	2010	2011	2012	2010	2011	2012	2013
									Jan-Sep	Jan-Sep	Jan-Sep	Jan-Sep
Government Recurrent Revenue	2,088.1	2,200.6	2,224.5	2,302.1	2,370.8	2,525.4	2,643.8	2,716	1,686.8	1,822.1	1,921.4	2,056.2
Increase/(Decrease) % per annum	10.3	5.4	1.1	3.5	3.0	6.5	4.7	2.7	8.6	8.0	5.4	7.0
of which:												
Tax Revenue	1,724.4	1,857.1	1,982.0	2,098.3	2,130.1	2,242.5	2,323.4	2,393.0	1,499.0	1,608.7	1,686.0	1,831.5
Direct Tax Revenue	972.0	1,069.0	1,143.7	1,246.0	1,265.5	1,353.3	1,361.7	1,475.6	899.9	918.4	1,007.9	1,125.2
Indirect Tax Revenue	752.4	788.1	838.3	852.3	864.6	889.2	961.7	917.3	599.1	690.3	678.1	706.3
Non-Tax Revenue	363.6	343.5	242.4	203.8	240.6	282.8	320.5	322.8	187.9	213.4	235.5	224.7
Total Government Expenditure	2,263.5	2,335.4	2,333.6	2,535.3	2,667.8	2,804.6	2,862.4	3,078.0	1,986.6	2,010.6	2,203.6	2,327.6
Increase/(Decrease) % per annum	7.1	3.2	-0.1	8.6	5.2	5.1	2.1	7.5	5.2	1.2	9.6	5.6
of which:												
Recurrent Expenditure	1,784.3	1,835.9	1,896.6	2,124.1	2,204.4	2,296.3	2,361.3	2,488.4	1,635.1	1,667.7	1,792.2	1,905.5
Capital Expenditure	305.1	319.2	257.9	222.1	271.3	311.5	288.7	363.8	209.6	183.4	243.4	256.7
% of Total Government Expenditure	13.5	13.7	11.1	8.8	10.2	11.1	10.1	11.8	10.6	9.1	11.0	11.0
Interest on Public Debt	174.2	180.2	179.1	189.0	192.0	196.8	212.5	225.8	141.9	159.5	168.0	165.5
Balance of recurrent revenue and total expenditure	-175.4	-134.8	-109.1	-233.1	-287.0	-279.2	-218.6	-362.3	-299.7	-188.4	-282.2	-271.4
Financed by:												
Extraordinary Receipts	59.6	201.8	14.9	33.3	2.8	0.0	9.6	28.4	0.0	9.6	28.4	0.0
Receipts from sale of shares	50.8	172.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sinking Funds of Converted Loans	8.9	29.0	14.9	33.3	2.8	0.0	9.6	28.4	0.0	9.6	28.4	0.0
Sinking Fund Contribution & Direct Loan Repayment	-32.1	-26.7	-21.2	-111.4	-269.4	-207.4	-141.9	-361.3	-164.3	-135.0	-355.1	-155.5
Equity Acquisition	0.0	0.0	0.0	-6.5	-0.5	-0.2	-6.0	-33.4	0.0	0.0	11.0	11.7
Loan Facility Agreement with the Hellenic Republic	0.0	0.0	0.0	0.0	0.0	-19.8	-30.8	0.0	-19.8	-25.1	0.0	0.0
Loan Facility Agreement with Air Malta plc	0.0	0.0	0.0	0.0	0.0	0.0	-52.0	-52.0	0.0	-52.0	0.0	0.0
Public Sector Borrowing Requirement	-147.9	40.3	-115.5	-317.7	-564.2	-506.6	-439.8	-780.6	-483.8	-390.9	-597.9	-415.2
Loans	256.2	0.0	126.0	285.7	455.8	577.7	567.8	645.7	478.9	401.6	510.6	449.3
Repayment of Loans made by Government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	52.0	0.0	0.0	0.0	0.0

Source: National Statistics Office

Monetary Aggregates and Their Counterparts*

Table X a	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 of which:	12.1	2.4	2.4	2.4	4.2	5.2	11.1
Narrow Money (M1)	2,988.4	3,185.2	3,472.9	3,682.5	3,890.2	3,859.4	3,695.4
Currency in Circulation	975.8	1,017.5	1,072.4	1,132.1	1,162.2	1,112.9	610.2
% Increase/ (Decrease) per annum	4.3	5.4	5.6	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 of which:	19.4	22.8	1.7	11.3	14.0	8.2	
Central Bank of Malta	1,785.5	2,053.6	2,142.6	2,027.3	2,172.4	2,214.9	2,532.9
Other Monetary Financial Institutions	752.6	977.6	1,580.5	1,759.7	2,042.6	2,590.0	2,667.0
Other Counterparts to Broad Money	2,172.4	2,146.1	2,833.6	3,052.9	3,271.8	4,059.1	4,349.1

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

Source: Central Bank of Malta

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

Table X b € million

	2008	2009	2010	2011	2012	2013* Jan-Aug
Broad Money (M3)⁽²⁾	8,861.8	8,883.3	9,370.5	9,676.3	10,517.8	11,180.8
Intermediate Money (M2)	8,824.5	8,671.1	9,128.9	9,472.0	10,326.3	10,987.0
% Increase/(Decrease) of which:		-1.7	5.3	3.8	9.0	6.1
Narrow Money (M1)	3,849.6	4,359.5	4,999.0	5,425.6	6,006.6	6,578.5
Currency issued ⁽³⁾	669.2	639.8	674.4	710.6	726.5	755.5
% Increase/(Decrease)		-4.4	5.4	5.4	2.2	4.0
Overnight deposits ⁽⁴⁾	3,180.4	3,719.8	4,324.6	4,715.0	5,280.1	5,823.0
Deposits redeemable at notice up to 3 months ⁽⁴⁾	114.3	111.7	124.3	125.1	153.2	111.7
Deposits with agreed maturity up to 2 years ⁽⁴⁾	4,860.7	4,199.9	4,005.6	3,921.3	4,166.4	4,266.8
Credit Counterpart⁽⁵⁾	12,143.4	13,232.0	14,466.7	16,074.3	15,603.3	14,873.4
of which:						
Credit to residents of Malta	8,885.0	9,719.8	10,279.1	10,903.9	10,991.2	11,235.8
Credit to other Euro area residents	3,258.4	3,512.2	4,187.6	5,170.4	4,612.0	3,637.6
Net claims on non-residents of the Euro area	7,367.8	6,646.9	8,183.3	7,840.0	10,169.1	10,645.8
Other counterparts (net)⁽⁶⁾	10,649.4	10,995.6	13,279.4	14,238.0	15,254.6	14,338.2

* Provisional

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

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

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

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

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

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

Source: Central Bank of Malta