

MALTA

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ECONOMIC  
SURVEY



# **Economic Survey**

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## Contents

	page
1. Executive Summary.....	3
2. Economic Growth.....	11
International Context.....	11
Maltese Economy.....	12
Private Final Consumption Expenditure.....	15
General Government Final Consumption Expenditure.....	16
Gross Capital Formation.....	16
Foreign Demand and Supply.....	17
Sectoral Contribution to Gross Value Added.....	17
Gross Domestic Product from the Income Approach.....	20
Gross National Income.....	23
3. Employment.....	27
Labour Market Developments.....	27
Recent Employment Trends.....	27
Developments in the Unemployment Rate.....	30
General Labour Market Developments in the Euro Area and the EU.....	32
Sectoral Employment.....	37
Private Sector Employment.....	40
Public Sector Employment.....	45
A Profile of Registered Unemployed under Part 1.....	46
Part-time Activity.....	49
4. Productive Activities.....	53
Industrial Indicators.....	53
Manufacturing Performance.....	54
Manufacture of Food, Beverages and Tobacco Products.....	54
Manufacture of Textiles, Wearing Apparel and Leather Products.....	55
Manufacture of Wood, Paper, Printing, Chemicals and Pharmaceutical Products.....	55

Manufacture of Rubber, Plastic Products and Other Non-Metallic Mineral Products.....	55
Manufacture of Basic Metals and Fabricated Metal Products.....	58
Manufacture of Computer, Electronic, Electrical Equipment and Transport Equipment.....	58
Manufacture of Furniture, Other Manufacturing, Repair and Installation of Machinery and Equipment .....	59
Agriculture and Fisheries .....	59
Agriculture .....	61
Fisheries.....	63
5. Services Activities.....	71
Tourism.....	71
Monthly Distribution .....	72
Tourist Nationality.....	75
Cruise Passengers.....	77
Accommodation.....	78
Employment.....	80
Tourism Earnings.....	81
Regulatory Activity.....	82
Malta Financial Services Authority .....	82
Malta Gaming Authority.....	85
Development and Investment Promotion.....	88
6. Prices and Incomes.....	93
Inflation .....	94
International Comparison .....	94
Retail Price Index and COLA.....	97
Sectoral Wages .....	100
7. International Trade .....	111
Exports of Goods .....	111
Geographical Distribution - Exports.....	112
Imports of Goods .....	114
Geographical Distribution - Imports.....	115
Trade Balance .....	117
Geographical Distribution - Trade Balance.....	119

Balance of Payments .....	120
The Current Account.....	120
The Goods and Services Account .....	121
Primary Income.....	124
Secondary Income.....	125
The Capital Account.....	126
The Financial Account and the Net International Investment Position .....	127
8. Financial Developments .....	133
Public Finance .....	134
Revenue .....	134
Expenditure.....	138
Recurrent Expenditure.....	139
Analysis of Recurrent Expenditure by Functional Classification.....	141
Capital Expenditure .....	143
International Comparisons .....	144
Monetary Developments .....	151
Contribution of Resident MFIs to Euro Area Monetary Aggregates.....	151
Contribution of Resident MFIs to Counterparts to Euro Area Monetary Aggregates.....	154
The Money Market .....	157
Deposit and Lending Rates.....	160
The Capital Market .....	161
Exchange Rate Developments .....	163

## **Boxes**

3.1 Developments in Private Sector Employment in Manufacturing.....	42
3.2 Employment in Gozo.....	44
4.1 The Industrial Production Index .....	60
4.2 Economic Accounts for Agriculture 2015 .....	64
8.1 General Government Budgetary Developments .....	149

## Tables

2.1	GDP by Category of Expenditure .....	13
2.2	GDP by Category of Expenditure - Percentage Changes .....	14
2.3	Gross Fixed Capital Formation.....	16
2.4	Sectoral Gross Value Added .....	19
2.5	Average Weekly Wage per Employee.....	22
2.6	Gross Domestic Product from the Income Side.....	23
2.7	Gross National Income .....	24
3.1	Labour Market Performance (Persons aged 15 and over).....	28
3.2	Distribution of Employed Persons by Type of Employment in Main Occupation.....	29
3.3	Employment Rates by Age.....	29
3.4	Unemployment Rates by Age .....	30
3.5	Employment Rates across EU .....	34
3.6	Unemployment Rates across EU.....	35
3.7	Labour Market Indicators .....	38
3.8	Private Sector Employment - Direct Production .....	39
3.9	Contribution to Growth in Private Sector Employment.....	39
3.10	Private Sector Employment - Market Services.....	41
3.11	Contribution to Growth in Private Sector Employment.....	41
3.12	Public Sector Employment.....	46
3.13	Registered Unemployed .....	47
3.14	Registered Unemployed - by age distribution .....	47
3.15	Registered Unemployed Classified by Occupation.....	48
3.16	Part-Time Employment.....	50
4.1	Activity Indicators for Manufacturing .....	56
4.2	Agricultural Indicators .....	62
4.3	Imports of Major Agricultural Commodities.....	63
5.1	Main Tourism Indicators.....	72
5.2	Monthly Inbound Tourists .....	73
5.3	Quarterly Distribution of Inbound Tourists .....	75
5.4	Inbound Tourists by Country of Residence.....	77
5.5	Main Types of Tourist Accommodation.....	79
5.6	Monthly Accommodation Occupancy Rates.....	80
5.7	Expenditure from Inbound Tourism .....	81
6.1	Harmonised Index of Consumer Prices .....	95
6.2	Harmonised Index of Consumer Prices - Annual Rate of Change .....	96
6.3	Index by Commodity Group - Average for 12 months.....	97
6.4	Retail Price Index - 12-Month Moving Average Inflation Rate .....	98
6.5	Average Weekly Wages - August 2015.....	103
6.6	Average Weekly Wages - August 2016 .....	104

6.7	Changes in Average Weekly Wages .....	106
6.8	Proportion of Sampled Employees in Wage Ranges .....	107
7.1	Commodity Breakdown of Exports.....	111
7.2	Total Exports by Main Geographical Areas .....	113
7.3	Imports by Broad Economic Category .....	115
7.4	Total Imports by Main Geographical Areas .....	116
7.5	Foreign Trade.....	118
7.6	Trade Balances with Various Countries.....	119
7.7	Balance of Payments - Goods, Services and Income Account (Net)....	122
7.8	Balance of Payments - Current Account .....	125
7.9	Current, Capital and Financial Flows .....	126
8.1	Government Revenue and Expenditure.....	135
8.2	General Government Net Lending (+) or Borrowing (-) .....	145
8.3	General Government Gross Debt .....	146
8.4	Contribution of Resident MFIs to Euro Area Monetary Aggregates.....	152
8.5	Resident Deposits .....	154
8.6	Contribution of Resident MFIs to Counterparts to Euro Area Monetary Aggregates.....	155
8.7	Credit to Other Residents - Loans by Economic Activity.....	156
8.8	Government Stocks - Activity on the Secondary Market .....	162
8.9	Selected Indicators of the Capital Market .....	163

## Appendix Tables

8.1	Government Revenue .....	168
8.2	Government Recurrent Expenditure.....	169
8.3	Government Expenditure by COFOG category .....	171

## Charts

2.1	Quarterly Gross Domestic Product .....	13
2.2	Contribution to Growth in Gross Value Added .....	18
2.3	Compensation of Employees.....	20
2.4	Average Weekly Compensation per Employee - (excludes employers' N.I. contributions).....	22
3.1	Harmonised Deseasonalised Unemployment Rate .....	31
3.2	Employment Growth Rate.....	32
3.3	Change in Employment Rate.....	34
3.4	Unemployment Rate .....	36
3.5	Youth Unemployment Rate .....	36
4.1	Sectoral Developments in GVA.....	54



5.1	Inbound Tourists .....	74
5.2	Tourist Market Shares .....	76
5.3	Expenditure from Inbound Tourism .....	82
6.1	Harmonised Index of Consumer Prices .....	96
7.1	Commodity Breakdown of Exports.....	112
7.2	Foreign Trade .....	118
7.3	Current Account - As a per cent of GDP.....	121
7.4	Goods and Services Account.....	122
8.1	Consolidated Fund Balance .....	135
8.2	Government Total Revenue .....	136
8.3	Government Total Expenditure.....	138
8.4	Expenditure by Functional Classification .....	141
8.5	Recurrent expenditure by COFOG category, January-August 2016....	142
8.6	Local Interest Rates and Margins.....	160
8.7	Euro Exchange Rate Movements.....	165

### **Statistical Annex**

I.	Population.....	175
II.	Social Indicators .....	176
III.	Factor Incomes in Gross National Income.....	177
IV.	Gross National Income and Expenditure .....	178
V.	Labour .....	179
VI.	Tourism .....	180
VII.	Foreign Trade .....	181
VIII.	Balance of Payments.....	182
IX.	Government Revenue and Expenditure.....	183
X.	Contribution of Resident MFIs to Euro Area	
	Monetary Aggregates and Counterparts.....	184

## **1. Excecutive Summary**

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# 1. Executive Summary

The European economy continued on its path of recovery in the first half of 2016, after registering a growth rate of 2.2 per cent in 2015. This growth was supported by low commodity prices, favourable exchange rate developments and expansionary monetary policy by the European Central Bank (ECB). During the first half of 2016, economic growth averaged 1.9 per cent in both the European Union (EU) and Euro Area (EA), although the recovery was uneven for individual Member States. Inflation rate in the European economy remained unchanged and below the ECB's price stability objective. The unemployment rate averaged at 10.2 per cent in the EA and 8.7 per cent in the EU.

In its latest macroeconomic forecasts, the European Commission expects the European economy to grow by 1.8 per cent in 2016 and the EA to grow by 1.6 per cent. This performance is expected to be supported by steady improvements in the labour market, while inflation is expected to start approaching the long-term average, but remaining well below the ECB's price stability ceiling. For 2017, the European Commission is expecting the European economy and the EA economy to grow by 1.9 per cent and by 1.8 per cent, respectively.

The moderate global growth recorded towards the end of 2015 continued during the first half of 2016 and is expected to continue in the second half of 2016. Improving labour markets, the low interest rate environment coupled with improving sentiment are expected to continue supporting the outlook for advanced economies, although the uncertainty generated following the outcome of the United Kingdom (UK) referendum on its future relations with the EU will weigh on consumer demand and investment in that country. Moreover, a slowdown in growth in the emerging market economies is expected to materialise as economic activity in China, Brazil and Russia is expected to slow in line with recent economic data while the outlook for large commodity exporters remains subdued, despite early signs of stabilization.

During the first half of 2016, the Maltese economy expanded by 4.1 per cent in real terms, outperforming growth in the EU bloc. In nominal terms, this increase was reflected in a growth rate of 6.1 per cent, with Gross Domestic Product (GDP) standing at €4,456.9 million up from the €4,202.2 million recorded in the same comparable period last year. Growth was mainly attributed to the domestic side of the economy, driven by positive developments in both private and public consumption as they increased by 3.9 per cent and 4.7 per cent, respectively, and also by positive growth in gross fixed capital formation. On the other hand, net exports contributed negatively as the growth in imports more than outpaced the growth in exports.

During the first six months of 2016, Gross Value Added (GVA) at basic prices increased by 5.7 per cent, attributable to increases registered in the majority of sectors of the Maltese economy. Significant increases were recorded in the professional, scientific and technical activities sector, information and communication, real estate activities, financial services and agriculture.

Labour market outcomes continued to be strong and positive. The unemployment rate in Malta stood at 4.9 per cent in the second quarter of 2016, 0.5 percentage points below the rate prevailing during the comparable period of 2015. In addition, it is noted that increases in the activity rate were translated into higher employment. During the second quarter of the year, the observed employment growth was 3.5 per cent over the previous period, recording one of the highest rates in the EU. In general, employment was prevalently generated by males while increases in female employment rate were also sustained. Yet, employment growth was well-diversified, being exhibited by the majority of segments of the Maltese labour market. Most increases originated mainly in the private sector, particularly in activities related to professional, technical and administrative activities; and arts, entertainment and recreational activities. By contrast, the major contribution in private direct production came from the construction industry.

The performance of the tourism industry continued to register a positive outcome in the first seven months of 2016, both in terms of inbound tourists and bed-nights spent in Malta, and also importantly in terms of tourist expenditure and employment. During January to July 2016, inbound tourism increased by 9.7 per cent, reaching 1,055,189 persons. Nights spent by inbound tourists increased by 7.3 per cent, and expenditure from inbound tourists scaled up by 5.4 per cent. Average full-time employment in the accommodation and food services activities recorded an increase of 600 jobs during the year to April 2016. The cruise passenger industry also experienced a robust growth performance. In the first two quarters of 2016, cruise passenger arrivals, excluding the embarkations and the Maltese cruise passenger arrivals, increased by 6.0 per cent over the corresponding period of 2015.

In 2015, the general Government deficit decreased to 1.5 per cent of GDP. During the eight months to August 2016, the difference between central Government recurrent revenue and total expenditure declined to €79.1 million - an improvement of €61.9 million when compared to the same period in the previous year. This improvement was mainly the result of higher recurrent revenue due to higher tax revenues, reflecting the impact of robust economic developments, as well as enhanced efficiency in revenue collection. In the meantime, the public sector borrowing requirement increased from €221.1 million to €395.7 million, reflecting developments in the sinking fund contribution and direct loan repayments.

In August 2016, Harmonised Index of Consumer Prices (HICP) annual inflation rate was 1.0 per cent. Between September 2015 and January 2016, inflation decreased from 1.6 per cent to 0.8 per cent. Since February 2016, it maintained a steady rate averaging around 1.0 per cent. In August 2016, the inflation rate for the EA was 0.2 per cent.

The average weekly wage, based on a sample of collective agreements, amounted to €336.77 up by €3.96 or 1.2 per cent

over the same period last year, with direct production and market services showing a 0.8 per cent and 1.4 per cent increase, respectively.

Malta's trade gap widened by €55.2 million in the period January to July of 2016, an increase of 3.1 per cent when compared to the corresponding period in 2015. Increases in imports of €138.1 million outweighed the increases in exports of €83.0 million. The current account surplus in the first half of this year was 0.2 per cent of GDP, a decline when compared to the 2.8 per cent registered in the first half of 2015. The surplus in the current account was mainly driven by the goods and services account which stood at €34.2 million. This was owing to net exports by the services sector which outweighed the net imports position of the goods sector. The second element pertaining to the current account surplus is the positive secondary income account balance emanating mostly from net receipts from General Government transfers. In terms of the financial account, net lending increased by €17.4 million, mainly due to the sharp fall in other investment net incurrence of liabilities which outweighed the fall in acquisition of financial assets. This was coupled with a positive reserve asset figure. As at June 2016, Malta's net international investment position stood at €4.9 billion, meaning that the stocks of assets in Malta, outweigh the liabilities.

Between January and July 2016, overnight deposits contributed positively to the increase in broad money (M3). In view of the low interest rate environment, trends in monetary data reflected the constant inclination towards short-term liquid money balances in the form of cash, although short-term maturity deposits and two-year term maturity deposits remained to a large extent considerable, particularly those of other EA residents. Meanwhile, the spread between the weighted average lending and deposits rates remained largely stable with minor volatilities between November 2013 and October 2014 and the beginning of 2016, despite the constant decline in the ECB minimum bid rate. The dynamics of such a stable spread level between lending and deposit rates reflected only an overall marginal decrease in

deposit rates and a corresponding minimal decline in lending rates over the aforementioned period with the largest volatilities being registered at the end of 2014 for deposit rates and at the start of 2016 for lending rates.





## **2. Economic Growth**

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## 2. Economic Growth

### International Context

The slow growth that has characterised the global economy after the great recession has remained relatively unchanged in 2016. Indeed, the forecasts of the World Economic Outlook (July 2016) showed a modest 3.2 per cent growth, which is broadly in line with last years' growth. Nevertheless, the recovery is expected to strengthen throughout 2017 with emerging markets and developing economies being the main drivers of growth, as conditions in stressed economies gradually normalise. The slowdown and rebalancing of the Chinese economy sustained the decline in commodity prices, coupled with a decline in investment and a fall in capital flows to emerging markets and developing countries. The majority of advanced Asian countries kept pace with the Chinese economy. In Latin America, the downturn in Brazil was worse than expected while for the rest of Latin America, activity remained broadly in line with forecasts. In line with what was being forecasted, Russia entered into a recession. As a result of this development as well as lower oil prices, growth in the Commonwealth of Independent States (CIS) slowed down. Furthermore, growth in the Middle East has been weighed down due to the low price of oil and other commodities as well as geo-political tensions in some areas.

The Euro Area (EA) has continued with its modest recovery, registering 2.0 per cent growth in 2015. Growth in the EA is being supported by expansionary monetary policy, a more competitive exchange rate, the normalisation of fiscal policy, the resolution of crisis conditions in most programme countries and low commodity prices. The EA grew at a real rate of 1.9 per cent in the first half of 2016, maintaining the same growth rate for the first half as in 2015, while the European Union (EU27) also grew at a real rate of 1.9 per cent in the first half of 2016. The inflation rate in the first half of 2016 averaged at 0.0 per cent for the EU economy. The average unemployment rate in the EA stood at 10.2 per cent while in the EU it amounted to 8.7 per cent.

Developments in the labour market are expected to continue improving, especially as the Investment Plan for Europe shifts from its 'project identification phase' to its implementation phase. This ought to offset the waning benefits emerging from the low commodity prices and the Euro's depreciation. The European Commission expects the EU to continue growing in a modest manner on the back of a slightly re-adjusted domestic demand. It should be noted however, that the risks to the Commission's forecast of slow but steady growth are somewhat tilted to the down side, particularly due to political uncertainty in some of the EU countries.

## **Maltese Economy**

The Maltese economy continued to register robust growth in the first half of 2016. Indeed, the Maltese economy grew at a nominal rate of 6.1 per cent, or a real rate of 4.1 per cent which was more than double the average growth recorded in the EU and EA during the same period.

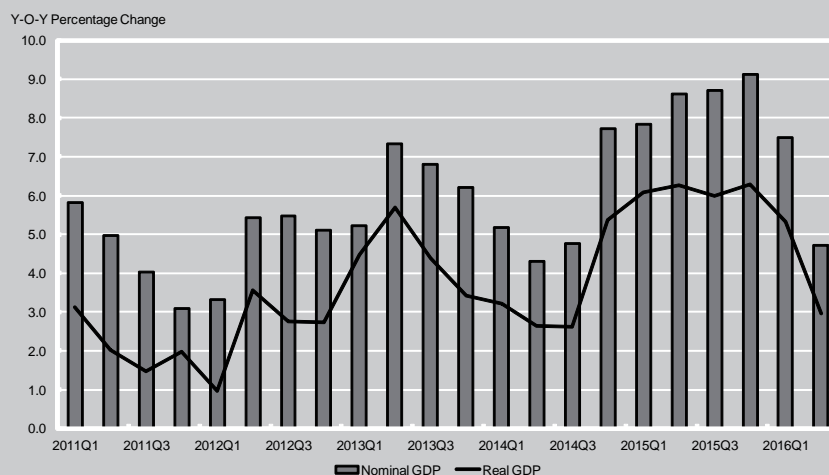
During the first half of 2016, economic growth declined by 2.1 percentage points when compared to growth in the first half of 2015. The lower growth rate was the result of lower investment growth following the large base effect emanating from one-off investments in the energy sector and the exceptional absorption of EU funds. In fact, while in the first half of 2015 the Gross Fixed Capital Formation (GFCF) increased by 36.5 per cent in real terms, in the first half of 2016 GFCF grew by 6.6 per cent, which considering the base effect from the previous year, is still relatively high.

Household consumption increased by 3.8 per cent in the first half of 2016, which was 0.1 percentage points higher than the growth registered in the same period of 2015. Growth in domestic consumption continued to be supported by strong and positive developments in the labour market.

On the external side of the economy, growth in imports outweighed growth in exports. Such developments reflected

Chart 2.1

### Quarterly Gross Domestic Product



GDP by Category of Expenditure

Table 2.1

€ millions

	2011	2012	2013	2014	2015	2014 Jan-Jun	2015 Jan-Jun	2016 Jan-Jun
<b>At Current Market Prices</b>								
Households Final Consumption Expenditure	3,921.5	4,006.4	4,141.7	4,246.1	4,531.2	2,071.3	2,164.7	2,277.5
NPISH final consumption expenditure	102.5	104.8	112.7	113.9	123.3	56.7	62.4	63.4
General Government Final Consumption Expenditure	1,344.2	1,448.2	1,479.1	1,603.4	1,693.8	791.9	832.2	880.4
Total Final Consumption Expenditure	5,368.1	5,559.3	5,733.5	5,963.4	6,348.3	2,919.9	3,059.3	3,221.3
Gross Fixed Capital Formation	1,266.5	1,315.0	1,315.1	1,470.1	2,230.2	723.0	1,046.0	1,158.4
Changes in Inventories	77.4	-35.4	75.2	13.8	-54.3	8.2	-1.0	43.3
Acquisitions less Disposals of Valuables	-25.2	0.9	13.7	8.8	10.1	5.0	5.9	2.0
Exports of Goods and Services	10,988.9	11,880.8	11,902.5	11,922.4	12,354.6	5,789.3	5,987.3	6,083.4
Imports of Goods and Services	10,800.8	11,511.9	11,368.6	11,285.5	12,100.5	5,563.2	5,895.2	6,051.5
Gross Domestic Product	6,874.9	7,208.7	7,671.3	8,092.9	8,788.4	3,882.2	4,202.2	4,456.9
<b>At chain-linked volumes (reference year 2010)</b>								
Households Final Consumption Expenditure	3,839.0	3,827.1	3,913.3	4,009.8	4,233.8	1,950.6	2,023.8	2,105.3
NPISH final consumption expenditure	99.1	98.7	103.0	100.7	104.6	50.1	52.9	51.9
General Government Final Consumption Expenditure	1,335.7	1,421.0	1,423.0	1,522.7	1,592.9	753.5	782.8	819.8
Total Final Consumption Expenditure	5,273.8	5,345.8	5,439.0	5,631.7	5,929.7	2,753.4	2,858.8	2,976.0
Gross Fixed Capital Formation	1,214.7	1,207.5	1,190.1	1,293.3	1,850.2	642.3	877.0	935.1
Changes in Inventories								
Acquisitions less Disposals of Valuables								
Exports of Goods and Services	10,327.8	11,070.1	11,081.5	11,055.0	11,281.7	5,339.4	5,393.1	5,419.8
Imports of Goods and Services	10,152.3	10,690.7	10,591.5	10,550.3	11,138.1	5,277.8	5,464.0	5,558.1
Gross Domestic Product	6,719.8	6,911.4	7,220.5	7,470.4	7,930.2	3,478.8	3,693.4	3,844.8

Source: National Statistics Office

weaker World Gross Domestic Product (GDP), the stabilisation of the Euro exchange rate with the US Dollar and its appreciation against the Pound Sterling, as from mid-2015. On the other hand, the increase in imports can be explained through the increases in investments which had a high import content. It is noteworthy, that the slowdown in export growth was mainly related to the goods sector as most service activities continued to register robust growth rates both in terms of exports and also in terms of value added.

<b>GDP by Category of Expenditure</b>						
Percentage Changes						
Table 2.2	per cent					
	2012	2013	2014	2015	2015	2016
					Jan-Jun	Jan-Jun
<b>At Current Market Prices</b>						
Households Final Consumption Expenditure	2.2	3.4	2.5	6.7	4.5	5.2
NPISH final consumption expenditure	2.2	7.5	1.1	8.3	9.9	1.6
General Government Final Consumption Expenditure	7.7	2.1	8.4	5.6	5.1	5.8
Total Final Consumption Expenditure	3.6	3.1	4.0	6.5	4.8	5.3
Gross Fixed Capital Formation	3.8	0.0	11.8	51.7	44.7	10.7
Changes in Inventories						
Acquisitions less Disposals of Valuables						
Exports of Goods and Services	8.1	0.2	0.2	3.6	3.4	1.6
Less Imports of Goods and Services	6.6	-1.2	-0.7	7.2	6.0	2.7
Gross Domestic Product	4.9	6.4	5.5	8.6	8.2	6.1
<b>At chain-linked volumes (reference year 2010)</b>						
Households Final Consumption Expenditure	-0.3	2.3	2.5	5.6	3.8	3.8
NPISH final consumption expenditure	-0.4	4.4	-2.3	3.9	5.5	5.5
General Government Final Consumption Expenditure	6.4	0.1	7.0	4.6	3.9	4.7
Total Final Consumption Expenditure	1.4	1.7	3.5	5.3	3.8	4.1
Gross Fixed Capital Formation	-0.6	-1.4	8.7	43.1	36.5	6.6
Changes in Inventories						
Acquisitions less Disposals of Valuables						
Exports of Goods and Services	7.2	0.1	-0.2	2.1	1.0	0.5
Less Imports of Goods and Services	5.3	-0.9	-0.4	5.6	3.5	1.7
Gross Domestic Product	2.9	4.5	3.5	6.2	6.2	4.1

Source: National Statistics Office

Moreover, changes in inventories posted an increase of 1.1 percentage points of GDP during the first six months of 2016. More detailed data on the growth of the different components of GDP can be found in Table 2.1.

Data presented in this Chapter is based on National Accounts data, compiled in accordance to the European Systems of Accounts (ESA 2010) methodology. This methodology was adopted in September 2014 and came into force in compliance with the Regulation on the European System of National and Regional Accounts in the EU (No. 549/2013), whose aim was to increase comparability between the national accounts of the different countries of the EU.

### **Private Final Consumption Expenditure**

The private final consumption expenditure, which includes both household final consumption expenditure as well as the consumption expenditure of non-profit institutions serving households (NPISH), increased by a real rate of 3.9 per cent in the first half of 2016, being 0.1 percentage points higher than the growth recorded in the same period of last year. In nominal terms, private consumption expenditure grew by 5.2 per cent. These increases were the result of particularly strong employment developments as well as modest increases in wages coupled by a decrease in the effective income tax and subdued acceleration in prices.

Growth in private final consumption expenditure was broad-based, distributed amongst the different expenditure categories. The highest increase was in expenditure on alcoholic beverages and tobacco, which increased by 11.2 per cent. Miscellaneous goods and services grew by 8.9 per cent, education by 8.7 per cent and restaurants and hotels by 6.6 per cent.



## General Government Final Consumption Expenditure

General Government final consumption expenditure for the first six months of 2016, increased by 5.8 per cent in nominal terms. In real terms, General Government final consumption expenditure increased by 4.7 per cent, marking a difference of 0.8 percentage points over last year's growth. As a ratio of GDP, General Government final consumption expenditure remained broadly the same at 21.3 per cent.

## Gross Capital Formation

Gross capital formation is made up of gross fixed capital formation and changes in inventories less disposal of assets. Of the two components, Gross Fixed Capital Formation (GFCF) is the most important as it measures investment activity. In the first half of 2016, GFCF increased by 10.7 per cent in nominal terms, moderating from the exceptionally high rate of 44.7 per cent recorded in the same period of last year. Given that last year's peak in investment growth reflected one-off projects in

Gross Fixed Capital Formation								
Table 2.3								
	2011	2012	2013	2014	2015	2014	2015	2016
						Jan-Jun	Jan-Jun	Jan-Jun
<b>At Current Market Prices</b>								
Gross Fixed Capital Formation (€million)	1,266.5	1,315.0	1,315.1	1,470.1	2,230.2	723.0	1,046.0	1,158.4
% change	(10.0)	3.8	0.0	11.8	51.7		44.7	10.7
GDP (€million)	6,874.9	7,208.7	7,671.3	8,092.9	8,788.4	3,882.2	4,202.2	4,456.9
(GFCF/GDP) %	18.4	18.2	17.1	18.2	25.4	18.6	24.9	26.0
<b>At Constant 2000 Prices</b>								
Gross Fixed Capital Formation (€million)	1,214.7	1,207.5	1,190.1	1,293.3	1,850.2	642.3	877.0	935.1
% change	(13.9)	(0.6)	(1.4)	8.7	43.1	-	36.5	6.6
GDP (€million)	6,719.8	6,911.4	7,220.5	7,470.4	7,930.2	3,478.8	3,693.4	3,844.8
(GFCF/GDP) %	18.1	17.5	16.5	17.3	23.3	18.5	23.7	24.3

Source: National Statistics Office

the energy sector and the absorption of EU funded expenditure by Government, growth in public investment for the first half of this year was 45.8 per cent lower than last year while private investment was 22.3 per cent higher. The growth in investment was driven primarily by investment in transport equipment (particularly aircraft) and to a much lesser extent, by residential construction. Other construction investment fell as a result of lower EU financed public investment.

In the first six months of 2016, real GFCF amounted to 24.3 per cent of GDP, which was 0.6 percentage points higher than the same period in 2015. More information on investment, including, among others, the gross fixed capital formation, is available in Table 2.3.

### **Foreign Demand and Supply**

With regards to foreign demand and supply, in the first half of 2016, exports increased by a nominal growth of 1.6 per cent from the same period of the previous year while imports increased by a nominal growth of 2.7 per cent. The net result contributed to a lowering of economic growth by 1.8 percentage points. In real terms, exports grew by 0.5 per cent, while imports increased by 1.7 per cent.

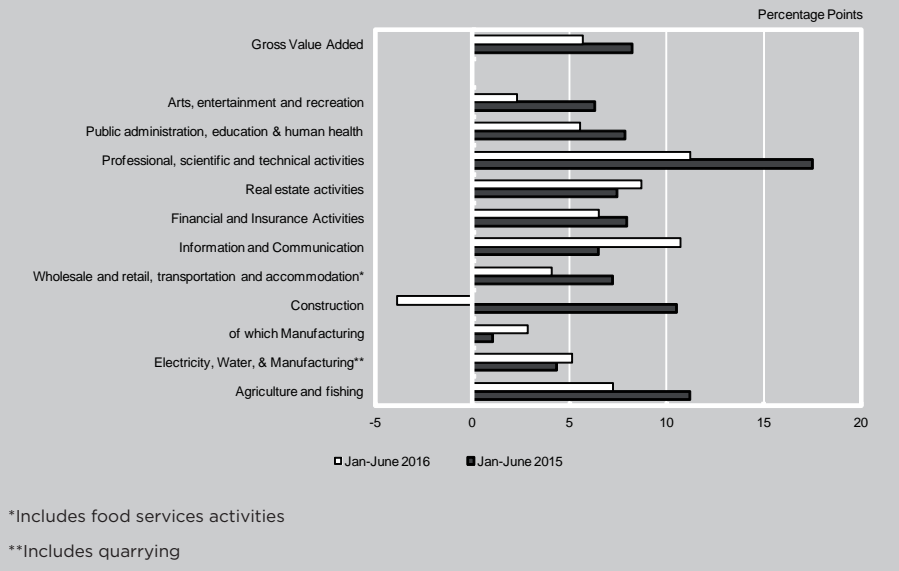
With regards to exports, in the first six months of 2016, real growth was underpinned by a 4.4 per cent growth in exports of services, while exports of goods fell by 13.7 per cent from the same period last year. Meanwhile, the rise in imports was attributed mainly to an increase of 2.2 per cent in services but was also due to the imports of goods which rose by 0.9 per cent.

### **Sectoral Contribution to Gross Value Added**

In the first six months of 2016, total Gross Value Added (GVA) increased by €209.8 million, equivalent to an increase of 5.7 per cent over the same period in 2015, to reach €3,914.6 million. The growth witnessed in GVA was attributed to a general increase in the majority of sectors.

Chart 2.2

**Contribution to Growth in Gross Value Added**



In the first half of 2016, Professional Services' GVA increased by 11.2 per cent or €49.6 million, marking a 1.34 percentage points contribution to growth. Similarly, the Information and Communication sector also increased by €23.2 million or 10.7 per cent in the first six months of 2016, leading to a contribution to growth of 0.63 percentage points.

The Real Estate sector saw major growth in its GVA, increasing by 8.7 per cent during the Survey period to reach a total GVA of €222.1 million, and leading to a contribution to growth of 0.48 percentage points.

The Agriculture, Forestry, Fishing and Aquaculture activities saw their GVA increase by 7.3 per cent or €3.3 million and contributed 0.09 percentage points towards growth.

The Financial and Insurance Services sector, witnessed a 6.5 per cent growth during the first six months of 2016, to reach a

Sectoral Gross Value Added							
(at basic prices)							
Table 2.4	€ million						
	2011	2012	2013	2014	2015	2015 Jan-Jun	2016 Jan-Jun
Agriculture, forestry and fishing	95	94	91	94	106	45	48
Mining and quarrying; manufacturing; and utilities	870	816	841	832	877	440	463
of which Manufacturing	787	791	727	719	726	366	376
Construction	282	275	294	294	334	161	154
Wholesale and retail trade; repair of motor vehicles and motorcycles; transportation and storage; accommodation and food service activities	1,290	1,398	1,530	1,599	1,739	805	838
Information and Communication	371	381	379	419	453	217	240
Financial services	450	525	524	504	547	269	286
Real estate activities	372	369	378	384	422	204	222
Professional, scientific and technical activities; administrative and support service activities	570	652	732	821	941	442	492
Public administration and defence; compulsory social security; education; human health and social work activities	1,112	1,179	1,258	1,351	1,445	722	762
Arts, entertainment and recreation, repair of household goods and other services	582	633	719	760	804	400	409
<b>Gross Value Added</b>	<b>5,993</b>	<b>6,322</b>	<b>6,746</b>	<b>7,058</b>	<b>7,667</b>	<b>3,705</b>	<b>3,915</b>

Source: National Statistics Office

total GVA of €286.2 million. This led to a contribution towards growth of 0.47 percentage points.

The Manufacturing sector's GVA growth rate continued to increase, growing by 2.9 per cent in the first half of 2016 to €376.2 million. Manufacturing performance was uneven across its various sub-sectors, with a drop in printing and a slowdown in food and pharmaceutical sub-sectors being offset by a pickup in electronics, rubber and plastics and non-metallic mineral sub-sectors of manufacturing. Consequently, manufacturing recorded a positive contribution of 0.28 percentage points towards the overall growth in GVA.

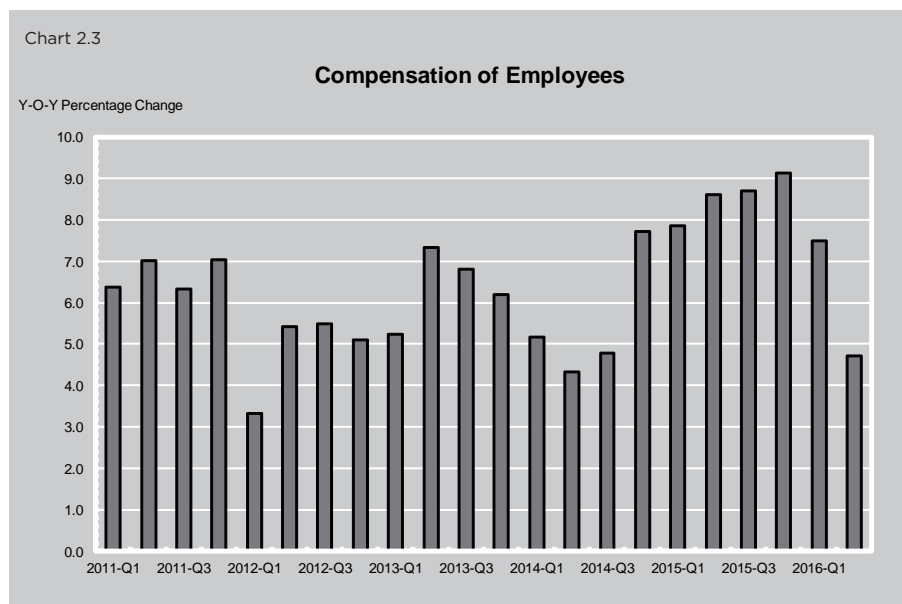
Public Administration and Defence; Compulsory Social Security; Education; Human Health and Social Work activities increased by €40.1 million, or equivalent to 5.6 per cent, to reach a total GVA

of €762.3 million. This led to a contribution towards growth of 1.1 percentage points. Construction activities was the only sector which recorded negative growth, and saw its GVA decrease by €7 million, thus leading to a negative contribution to growth of -0.2 percentage points. This was driven by lower public investment compared to the exceptional surge recorded last year related to the absorption of EU funds under the 2007/13 EU Budget.

## Gross Domestic Product from the Income Approach

Compensation of employees in the first six months of 2016, increased by a growth rate of 6.5 per cent, to reach a new level of €2,026.2 million. This was consistent with the strong positive developments in the labour market.

From a sectoral perspective, in terms of compensation of employees, Agriculture, Fisheries and Aquaculture was the sector which saw the largest percentage increase, with its wages and salaries having increased by 35.2 per cent. Arts, Entertainment and Recreation, Repair of Household Goods and Other services

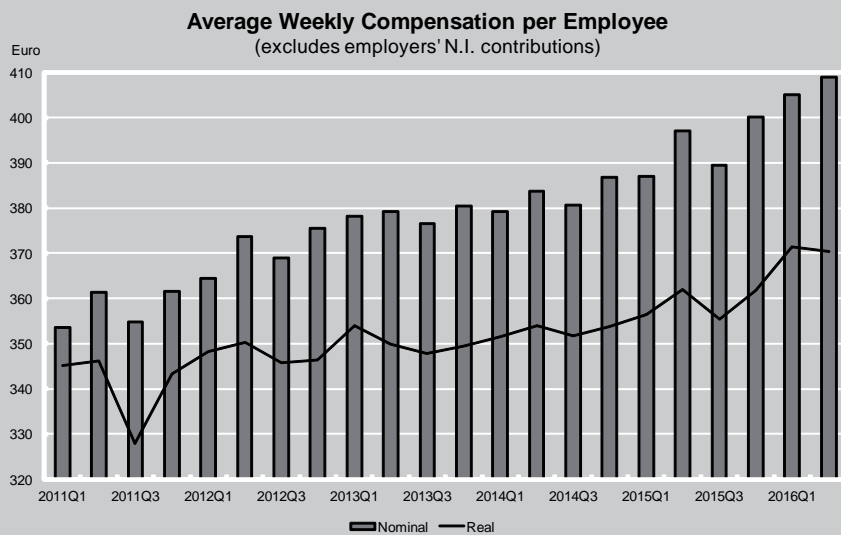


also increased its salaries and wages substantially, increasing by a rate of 18.2 per cent in the first six months of 2016 over the same period of the previous year. The Information and Communication sector increased by 12.1 per cent in the same period, while Professional, Scientific and Technical activities, Administrative and Support services also increased by 9.6 per cent throughout the Survey period. Construction was the only sector which saw a decrease in its salaries and wages, going down by -0.1 per cent in the first half of 2016 over the same period of 2015.

Nominal income per employee, measured as the salaries and wages per employee per week, increased by 3.8 per cent in the first half of this year as compared to the same period last year, to reach €407.0 per week. In real terms, average weekly income per employee amounted to €370.9. Real average income per employee is calculated by deflating the average weekly wage by the Retail Price Index to obtain a more realistic view of the purchasing power of employees. However, it should be noted that data relating to salaries and wages is in terms of national accounts data, which aggregates full time and part time employees. This is becoming more and more relevant as the number of part time employees is increasing, not least because of the ever rising female participation in the labour market. Such rise in part time employment also affects data relating to compensation of employees and its composition and thus biases the average value downwards. It should also be noted, that for the purpose of this data, national insurance contributions paid by the employers are excluded from the data which calculates weekly average income of employees. Further details can be found in Chart 2.4 and Table 2.5.

During the Survey period, the gross operating surplus and mixed income increased by €94.4 million, or a growth rate of 5.2 per cent, being 4.7 percentage points lower than the exceptional growth rate of the first half of 2015. The growth in operating surplus and mixed income contributed by 2.3 percentage points towards growth. Taxes on production and imports also increased by €35.6 million, growing by 6.5 per cent, being 2.1 percentage

Chart 2.4



**Average Weekly Wage per Employee\***

Table 2.5

	Nominal		Real**	
	Value	Change	Value	Change
	€	%	€	%
<b>2012</b>	370.7	3.6	347.7	1.1
<b>2013</b>	378.6	2.1	350.3	0.8
<b>2014</b>	382.6	1.1	352.9	0.7
<b>2015</b>	393.5	2.8	359.0	1.7
<b>2015 (Jan-Jun)</b>	392.1	2.8	359.3	1.8
<b>2016 (Jan-Jun)</b>	407.0	3.8	370.9	3.2

\*Excludes employers' National Insurance contributions

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

Source: National Statistics Office

	2011	2012	2013	2014	2015	2015 Jan-Jun	2016 Jan-Jun
Compensation of employees	3,036	3,207	3,406	3,632	3,861	1,902	2,026
Gross operating surplus and mixed income	2,975	3,142	3,367	3,470	3,857	1,819	1,913
Taxes on production and imports	929	953	993	1,112	1,204	544	579
Less Subsidies	65	92	96	122	134	63	62
<b>Gross Domestic Product at current market prices</b>	<b>6,875</b>	<b>7,209</b>	<b>7,671</b>	<b>8,093</b>	<b>8,788</b>	<b>4,202</b>	<b>4,457</b>

Source: National Statistics Office

points lower than the growth registered in the first six months of 2015, when taxes on production and imports increased by 8.6 per cent. Meanwhile, subsidies on production and imports decreased by €0.9 million, or equivalent to -1.5 per cent. Table 2.6 features the developments in GDP from the income side in further detail.

## Gross National Income

Gross National Income (GNI) is calculated by adjusting the GDP at Market prices for net compensation received from, or paid to the rest of the world, subsidies, less taxes from the rest of the EU Member States, as well as net property income from the rest of the world. Therefore, one can say that the GNI represents the total primary income receivable by resident institutional units, irrespective of where such income was generated. During the Survey period, GNI was less than GDP indicating income payments abroad exceeded income receipts. Primary income receivable from the rest of the world fell by 4.7 per cent during the Survey period, while primary income payable to the rest of the world fell by 3.8 per cent. As a result, net receipts also



Gross National Income							€ million	
Table 2.7	2011	2012	2013	2014	2015	2015	2016	
						Jan-Jun	Jan-Jun	
<b>Gross Domestic Product</b>								
at current market prices	6,874,923	7,208,750	7,671,329	8,092,894	8,788,351	4,202,238	4,456,902	
Net compensation of employees								
from the rest of the world	2,322	-4,241	151	-1,247	-899	-194	-2,875	
Subsidies less Taxes on								
products from/to the rest of								
the EU	5,039	4,125	11,154	8,627	9,806	1,597	-4,310	
Net property income from the								
rest of the world	-231,852	-298,197	-377,007	-192,790	-123,461	-43,286	-78,780	
<b>Gross National Income</b>								
at current market prices	6,650,431	6,910,437	7,305,627	7,907,484	8,673,797	4,160,356	4,370,937	

Source: National Statistics Office

increased such that in the first half of 2016, the GNI at market prices increased by 5.1 per cent which is 1.0 percentage points below the rate of GDP growth. Further details on developments in GNI can be found in Table 2.7.

### **3. Employment**

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## 3. Employment

This Chapter presents an overview of developments in the labour market, covering the period 2013 to 2015 as well as the first half of 2016. The aggregate indicators are based on the Labour Force Survey (LFS) since this allows for comparison across European Union (EU) Member States. Administrative records of JobsPlus (formerly known as the Employment and Training Corporation) are utilised in order to analyse sectoral developments.<sup>1</sup>

### Labour Market Developments

During the twelve months to June 2016, the number of people participating in the labour market continued to increase. This positive development was observed with declines in the unemployment rate. In line with past trends, employment growth has been mostly concentrated in the services sector.

### Recent Employment Trends

At the end of June 2016, the labour supply stood at 201,206, reflecting an increase of 5,741 or 2.9 per cent over June 2015. Meanwhile, total employment increased by 6,513 or 3.5 per cent to reach 191,384 at the end of the Survey period. This means that the positive trend noted in recent years was sustained in recent months. A summary of main labour market indicators are outlined in Table 3.1.

During the survey period, labour supply for females improved by 2,121 or 2.8 per cent to 78,648, while labour supply for men increased by 3,620 or 3.0 per cent. Employment growth was also in general sustained by men. Henceforth, this development has turned the declining trend of the corresponding share of men.

By end of the second quarter of this year, the unemployment rate stood at 4.9 per cent, 0.5 percentage points lower than that recorded in the second quarter of 2015. The unemployment rate for men decreased substantially over the same year period from 5.6 per cent to 4.4 per cent. Meanwhile, over the corresponding

### Labour Market Performance (Persons aged 15 and over)

Labour Force Survey

Table 3.1

	2013	2014	2015	2015 Apr-Jun	2016 Apr-Jun
Labour Supply	187,915	192,984	196,536	195,465	201,206
Male	117,197	119,166	120,596	118,938	122,558
Female	70,718	73,818	75,940	76,527	78,648
Employment	175,911	181,796	185,930	184,871	191,384
Male	109,614	111,913	113,939	112,340	117,113
Female	66,297	69,883	71,991	72,531	74,271
Unemployment	12,004	11,188	10,606	10,594	9,822
Male	7,583	7,253	6,657	6,598	5,445
Female	4,421	3,935	3,949	3,996	4,377
Inactive Persons	165,624	164,342	164,115	164,855	163,750
Male	58,738	59,060	59,536	60,991	60,610
Female	106,886	105,282	104,579	103,864	103,140
Unemployment Rate	6.4	5.8	5.4	5.4	4.9
Male	6.5	6.1	5.5	5.6	4.4
Female	6.3	5.3	5.2	5.2	5.6

*The methodology applied for annual estimates used by Eurostat is different than that used by the NSO thus the figures may differ slightly.*

*Source: National Statistics Office*

period of 2015, the unemployment rate for females increased by 0.4 percentage points to stand at 5.6 per cent.

In the second quarter of 2016, the share of full-time employment amounted to 85.0 per cent, registering an increase of 6,038 or 3.9 per cent over the corresponding previous year. Meanwhile, as share of part-time over total employment has decreased marginally, while full-time with reduced hours contracts increased from 4,651 to 5,200 jobs. Overall, between 2013 and 2015, the employment contract distribution has remained fairly stable.

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

Table 3.2

	2013	2014	2015	2015 Apr-Jun	2016 Apr-Jun
Full-time job	149,222	151,683	156,844	156,603	162,641
Full-time job with reduced hours job	4,810	5,327	5,104	4,651	5,200
Part-time job	21,879	24,786	23,982	23,617	23,543
<b>Total</b>	<b>175,911</b>	<b>181,796</b>	<b>185,930</b>	<b>184,871</b>	<b>191,384</b>

Source: National Statistics Office

**Employment Rates by Age**

Table 3.3

per cent

	2013	2014	2015	2015 Apr-Jun	2016 Apr-Jun
Total (15-64)	60.8	62.4	63.9	63.9	65.7
Male	74.1	74.9	76.2	75.7	78.3
Female	47.0	49.5	51.0	51.5	52.5
15-24	46.0	46.2	45.6	43.1	45.2
Male	47.5	45.7	45.9	44.1	48.5
Female	44.4	46.8	45.2	42.0	41.7
25-54	74.0	75.9	77.4	77.7	79.1
Male	89.6	90.6	91.3	90.8	92.2
Female	57.8	60.6	62.9	64.1	65.4
55-64	36.2	37.8	40.4	41.8	43.5
Male	53.8	55.7	58.9	59.9	62.9
Female	18.7	19.9	21.9	23.7	24.2

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

Source: National Statistics Office

During the same three-year period, the employment rate (defined as the number of persons engaged in employment as a percentage of the population of working-age) stood at 65.7 per cent; following an increase of 1.8 percentage points over the second quarter of 2015. As shown in Table 3.3, this reflected an increase in both the female and male employment rate. As opposed to the trend observed in previous years, the increase in male employment rate outweighed that of females.

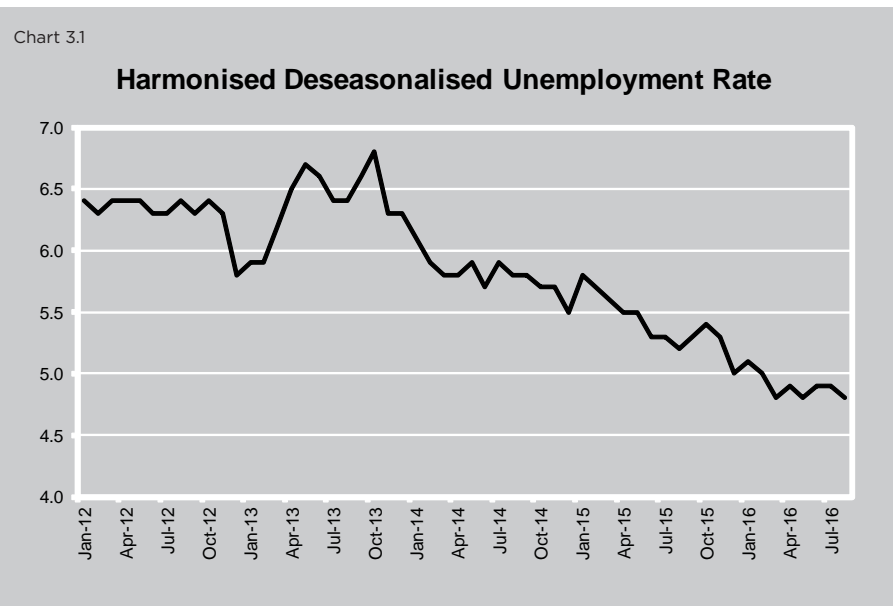
Turning to the age distribution of the employment rate presented in Table 3.3, the highest employment rate (79.1 per cent) was observed in the age group 25-54, followed by the age groups 15-24 (45.2 per cent), and 55-64 (43.5 per cent). The youngest group exhibited the narrowest gender gap, while the oldest cohort had the widest gender gap in the employment rate.

## Developments in the Unemployment Rate

According to the LFS, during the second quarter of 2016, the number of unemployed persons hit a low of 9,822, following a decrease of 772 individuals or 7.3 per cent when compared to the corresponding quarter of a year earlier. Consequently, as shown in Table 3.4, the unemployment rate (defined as unemployed persons as a percentage of the labour force) decreased by 0.5 percentage points to 4.9 per cent when compared to the 5.4 per cent registered over the same period in the previous year. The

	2013	2014	2015	2015 Apr-Jun	2016 Apr-Jun
Total (15-74)	6.4	5.8	5.4	5.4	4.9
15-24	13.0	11.7	11.8	13.4	10.9u
25-74	5.2	4.8	4.4	4.2	4.0

*Note: u denotes low reliability*  
*Source: National Statistics Office*



strong transition from unemployment to employment for men is also demonstrated by the notable decline in the unemployment rate coupled with faster increases in the employment rate relative to the activity rate.

Monthly statistics for the period 2012 to 2016 show, that the negative trend in unemployment rate has been persistent over the entire period. Chart 3.1 illustrates that during the first eight months of 2016, unemployment rate decreased notably from 5.1 per cent to 4.8 per cent, i.e. by 0.3 percentage points.

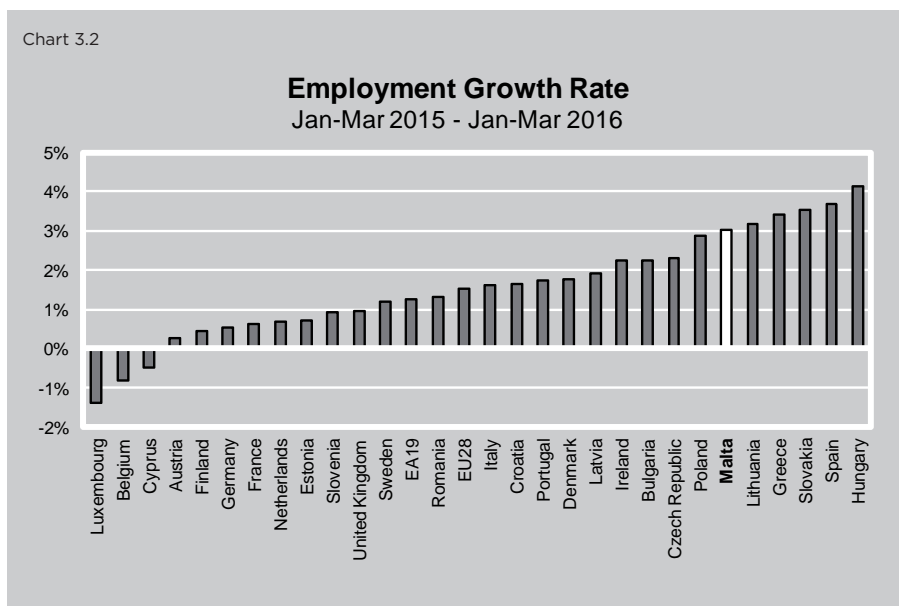
During the same time period, the youth unemployment rate also sharply declined by 2.5 percentage points, from 13.4 per cent to reach 10.9 per cent during the second quarter of 2016. Meanwhile, the unemployment rate for persons aged 25-plus decreased marginally to stand at 4.0 per cent by end of the Survey period.



## General Labour Market Developments in the Euro Area and the EU

Against the background of modest recovery, labour market outcomes in the EU have been improving with labour market recovery gaining momentum. The EU unemployment rate appears reactive to the weak recovery. However, it stood above pre-crisis levels, at around 9.2 per cent in the EU and 10.7 per cent in the Euro Area (EA) in January to March 2016. Labour market disparities across European countries have also started to narrow. The analysis based in this section is based on the latest comparable set of figures for the EU that relates to the first quarter of 2016.

As illustrated in Chart 3.2, the rate of employment growth (measured as the first quarter year-on-year growth rate) was robust in Hungary (4.1 per cent), Spain (3.7 per cent), and Slovakia (3.5 per cent). Employment losses were on the other hand recorded in Luxembourg (-1.4 per cent), Belgium (-0.8 per cent), and Cyprus (-0.5 per cent). Malta recorded an employment growth rate of 3.0 per cent which is higher than the EU28 (1.5 per cent) and the EA19 (1.2 per cent).



With the exception of a few countries, employment rates in the EU have continued to improve. On average, this development reflects longer term trends in rising participation of women and older workers, employment recovery, but also a drop in the working-age population. During the first quarter of 2016, the employment rate for both EU28 and EA19 improved by a percentage point to 65.7 per cent and 64.6 per cent, respectively. Rates by country are given in Table 3.5 and Chart 3.3.

Over the year to the first three-months of 2016, the divergence of unemployment rates across the EU and the EA has become less pronounced. Partially this was driven by less heterogeneity in Gross Domestic Product (GDP) growth, a stronger than expected reaction of unemployment to the economic recovery, and supportive real unit labour cost developments. In the second quarter of 2016, the unemployment rate was above 10 per cent in six countries, as well as in the EA19, with peaks above 20 per cent in Greece and Spain. During the same period, it dropped in all countries, except in Austria and Luxembourg. Table 3.6 also shows that between April and June 2016, the lowest unemployment rates were recorded in Czech Republic (3.9 per cent), Germany (4.2 per cent), United Kingdom (4.8 per cent) and Malta (4.8 per cent).

By mid-2016, the youth unemployment rate was above 20 per cent for 10 EU countries, with peaks above 45 per cent in Spain and Greece. Chart 3.5 illustrates that Malta exhibited low rate compared to other EU countries showing a strong economic performance.

### Employment Rates across EU

Table 3.5

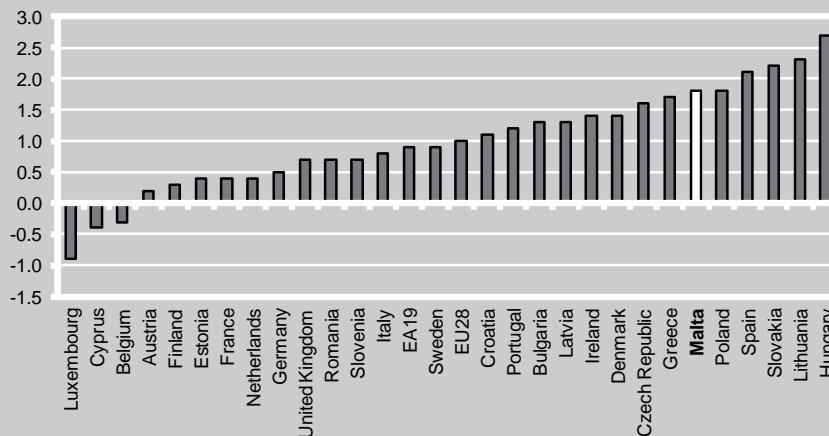
per cent

	2015 Jan-Mar	2016 Jan-Mar		2015 Jan-Mar	2016 Jan-Mar
EU28	64.7	65.7	Latvia	66.9	68.2
EA19	63.7	64.6	Lithuania	66.0	68.3
Belgium	61.9	61.6	Luxembourg	66.2	65.3
Bulgaria	61.0	62.3	Hungary	62.4	65.1
Czech Republic	69.4	71.0	<b>Malta</b>	<b>62.5</b>	<b>64.3</b>
Denmark	73.0	74.4	Netherlands	73.6	74.0
Germany	73.7	74.2	Austria	70.2	70.4
Estonia	69.9	70.3	Poland	61.9	63.7
Ireland	62.2	63.6	Portugal	62.8	64.0
Greece	49.2	50.9	Romania	59.1	59.8
Spain	56.4	58.5	Slovenia	63.5	64.2
France	63.3	63.7	Slovakia	61.9	64.1
Croatia	53.8	54.9	Finland	67.2	67.5
Italy	55.5	56.3	Sweden	74.0	74.9
Cyprus	61.9	61.5	United Kingdom	72.4	73.1

Source: Eurostat

Chart 3.3

### Change in Employment Rate Jan-Mar 2015 - Jan-Mar 2016 (percentage points)



### Unemployment Rates across EU

Table 3.6

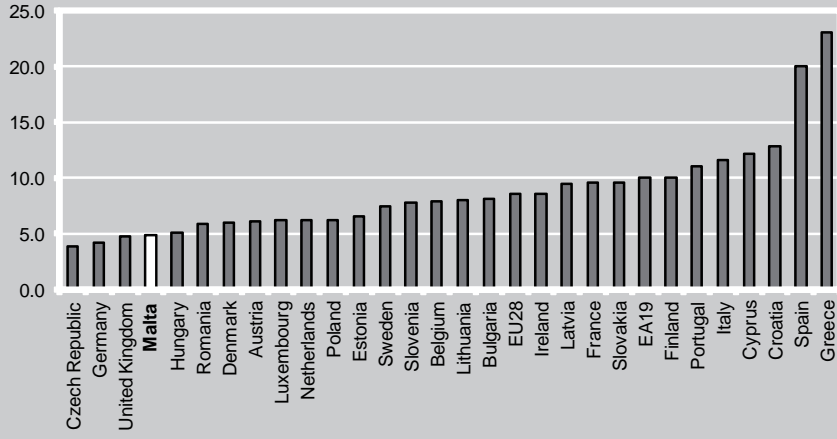
per cent

	2012	2013	2014	2015	2015 Apr-June	2016 Apr-June
EU28	10.4	10.8	10.2	9.4	9.5	8.6
EA19	11.3	12.0	11.6	10.9	10.9	10.0
Belgium	7.6	8.4	8.5	8.5	8.4	7.9
Bulgaria	12.3	13.0	11.4	9.2	9.9	8.1
Czech Republic	7.0	7.0	6.1	5.1	4.9	3.9
Denmark	7.5	7.0	6.6	6.2	6.0	6.0
Germany	5.4	5.2	5.0	4.6	4.7	4.2
Estonia	10.0	8.6	7.4	6.2	6.5	6.5
Ireland	14.7	13.1	11.3	9.4	9.8	8.6
Greece	24.5	27.5	26.5	24.9	24.6	23.1
Spain	24.8	26.1	24.5	22.1	22.4	20.0
France	9.4	9.9	10.3	10.4	10.1	9.6
Croatia	16.0	17.3	17.3	16.3	15.6	12.8
Italy	10.7	12.2	12.7	11.9	12.1	11.6
Cyprus	11.9	15.9	16.1	15.0	14.6	12.2
Latvia	15.0	11.9	10.8	9.9	9.8	9.5
Lithuania	13.4	11.8	10.7	9.1	9.4	8.0
Luxembourg	5.1	5.9	5.9	6.7	5.4	6.2
Hungary	11.0	10.2	7.7	6.8	6.9	5.1
<b>Malta</b>	<b>6.3</b>	<b>6.4</b>	<b>5.8</b>	<b>5.4</b>	<b>5.4</b>	<b>4.9</b>
Netherlands	5.8	7.3	7.4	6.9	6.9	6.2
Austria	4.9	5.4	5.6	5.7	5.8	6.1
Poland	10.1	10.3	9.0	7.5	7.4	6.2
Portugal	15.8	16.4	14.1	12.6	12.1	11.0
Romania	6.8	7.1	6.8	6.8	6.7	5.9
Slovenia	8.9	10.1	9.7	9.0	9.2	7.8
Slovakia	14.0	14.2	13.2	11.5	11.2	9.6
Finland	7.7	8.2	8.7	9.4	10.7	10.0
Sweden	8.0	8.1	8.0	7.4	8.3	7.5
United Kingdom	7.9	7.6	6.1	5.3	5.5	4.8

Source: Eurostat

Chart 3.4

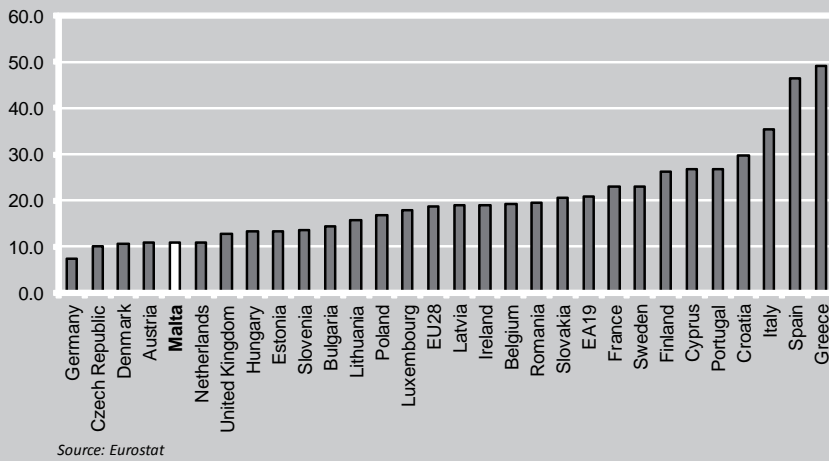
### Unemployment Rate Apr-June 2016



Source: Eurostat

Chart 3.5

### Youth Unemployment Rate Apr-June 2016



Source: Eurostat

## Sectoral Employment

This section presents a sectoral overview of developments in the labour market. The analysis in this section is based on administrative records compiled by the JobsPlus covering the period from December 2013 to December 2016 and, on the basis of more recent data, from April 2015 to April 2016. More recent data on registered unemployed persons is also used to shed light on the profile of unemployed persons up to July 2016.

As shown in Table 3.7, at the end of April 2016, the full-time gainfully occupied population increased by 7,384 or 4.3 per cent to reach 177,751, illustrating that the positive trend followed in recent years was sustained. During the period April 2015 to April 2016, the private and public sector gainfully occupied population (inclusive of temporary employees) rose by 7,075 or 5.6 per cent and 309 or 0.7 per cent, respectively; thus underscoring that the increase in full-time employment was mainly driven by the private sector.

Overall, the observed developments over the year to April 2016 are in part a continuation of past trends. Indeed, during the period December 2013 to December 2015, total private and public sector employment expanded by 12,169 and 2,033, respectively. In April 2016, private sector employment accounted for 75.0 per cent of the total gainfully occupied while the share of public sector employment in the gainfully occupied population decreased by 0.9 percentage points to 25.0 per cent, when compared to April 2015.

Table 3.7 shows that during the year to April 2016 and throughout the three-year period to December 2015, the increase in full-time employment was mainly due to positive developments in market services. In fact, between April 2015 and April 2016 total employment in market services activities increased by 6,890 or 7.4 per cent, while gainfully occupied population in direct production increased by 185 or 0.6 per cent, over the same period. These developments are in line with the trends noted in previous years. Indeed, between December 2013 and December

### Labour Market Indicators

Administrative Source

Table 3.7

	2013 Dec	2014 Dec	2015 Dec	2015 Apr	2016 Apr
Labour Supply	166,673	172,655	178,089	175,935	181,502
Males	107,992	110,731	112,695	112,361	114,421
Females	58,681	61,924	65,394	63,574	67,081
Gainfully Occupied	159,272	166,368	173,474	170,367	177,751
Males	102,355	105,919	109,185	108,206	111,648
Females	56,917	60,449	64,289	62,161	66,103
Total Private Sector	116,851	121,956	129,020	126,295	133,370
Private Direct Production	31,420	31,973	32,274	33,325	33,510
Private Market Services	85,431	89,983	96,746	92,970	99,860
of whom Temporary Employment	417	343	343	343	343
Total Public Sector	42,421	44,412	44,454	44,072	44,381
of whom Temporary Employment	104	75	74	75	74
Registered Unemployed*	7,401	6,287	4,615	5,568	3,751
Males	5,637	4,812	3,510	4,155	2,773
Females	1,764	1,475	1,105	1,413	978
Self-Employed**	18,272	18,929	19,532	19,362	19,782
Males	15,020	15,436	15,755	15,799	15,923
Females	3,252	3,493	3,777	3,563	3,859
% of Gainfully Occupied	11.5	11.4	11.3	11.4	11.1
Memorandum:					
Total Direct Production***	34,615	33,603	34,987	36,190	36,130
Total Market Services***	124,657	132,765	138,487	134,177	141,621
Total Private Sector Share	73.4%	73.3%	74.4%	74.1%	75.0%
Total Public Sector Share	26.6%	26.7%	25.6%	25.9%	25.0%
Part-time Employment as Primary Job	31,317	33,179	34,608	33,131	35,053

\*Includes both Parts I and II of the Registered Unemployed

\*\*Included in the Private Sector

\*\*\*Including temporary employees

Source: JobsPlus

### Private Sector Employment - Direct Production

Table 3.8

	2013 Dec	2014 Dec	2015 Dec	2015 Apr	2016 Apr
Agriculture, forestry and fishing	1,845	1,838	1,862	1,870	1,890
Mining and Quarrying	302	365	375	361	373
Manufacturing	20,114	20,334	20,379	21,228	21,282
Electricity, gas, steam and air conditioning supply	16	6	22	8	26
Water supply and waste management	327	339	364	338	356
Construction	8,816	9,091	9,272	9,520	9,583
<b>Total Employment in Direct Production</b>	<b>31,420</b>	<b>31,973</b>	<b>32,274</b>	<b>33,325</b>	<b>33,510</b>

\* Including temporary employees

Source: JobsPlus

### Contribution to Growth in Private Sector Employment\*

Direct Production

Table 3.9 per cent

	Dec-2014/ Dec-13	Dec-2015/ Dec-14	Apr-2016/ Apr-2015
Agriculture, forestry and fishing	0.0	0.1	0.1
Mining and Quarrying	0.2	0.0	0.0
Manufacturing	0.7	0.1	0.2
Electricity, gas, steam and air conditioning supply	0.0	0.1	0.0
Water supply and waste management	0.0	0.1	0.1
Construction	0.9	0.5	0.2
<b>Total</b>	<b>1.8</b>	<b>0.9</b>	<b>0.6</b>

\* Including temporary employees



2015, employment in market services increased by 11,315 or 13.2 per cent, whilst gainfully occupied in direct production rose by 854 or 2.7 per cent, highlighting the fact that over the years Malta has become more services-oriented.

On a gender basis, the increase in the gainfully-occupied population recorded over recent years was in general driven by both males and females. In fact, during the year to April 2016, the male component in gainful employment increased by 3,442 or 3.2 per cent, while the female component rose by 3,942 or 6.3 per cent. Consequently, the share of males in full-time employment continued to decline from 63.5 per cent to 62.8 per cent, while the share of females in full-time employment rose from 36.5 per cent to 37.2 per cent.

The self-employed population stood at 19,782, reflecting increase of 420 or 2.2 per cent over April 2015. Both the male and the female self-employed population recorded an increase. The share of self-employed in the total gainfully occupied population remained relatively unchanged at 11.1 per cent. The increase in the number of self-employed originated both from males and females. The number of male self-employed stood at 15,923, reflecting an increase of 124 or 0.8 per cent over April 2015. During the same period, the number of female self-employed increased by 296 or 8.3 per cent to stand at 3,859.

## **Private Sector Employment**

Sectoral employment shifts over the period April 2015 to April 2016 and over the period 2013 to 2015 are towards services-orientated industries. The increase recorded in employment in the private sector (inclusive of temporary employees) over the one year period April 2015 to April 2016 illustrates that the upward trend that followed during the past three years was also sustained in the recent months. This increase in private sector employment reflected a significant expansion in employment in the private market services category and to a lesser extent, by an increase in employment in the private direct production activities category.

**Private Sector Employment - Market Services\***

Table 3.10

	2013 Dec	2014 Dec	2015 Dec	2015 Apr	2016 Apr
Wholesale and Retail (including Repair of Motor Vehicles, Motorcycles and Personal and Household Goods)	23,392	24,115	24,762	24,128	24,585
Transport and Storage	7,103	6,450	7,695	7,485	7,845
Accommodation and food service activities	9,959	10,397	10,923	10,699	11,302
Information and communication	5,045	5,646	5,968	5,836	6,146
Financial and insurance activities	7,199	7,550	7,998	7,578	8,036
Real estate activities	974	1,066	1,123	1,053	1,115
Professional, technical and administrative activities	16,734	18,570	20,447	18,960	21,441
Education	4,566	4,776	4,870	4,774	4,985
Health and social work	3,348	3,655	3,996	3,862	4,280
Arts, entertainment and recreation	3,769	4,216	5,341	4,992	6,410
Other service activities	3,342	3,542	3,623	3,603	3,715
<b>Total Employment in Market Services</b>	<b>85,431</b>	<b>89,983</b>	<b>96,746</b>	<b>92,970</b>	<b>99,860</b>

\* Including temporary employees

Source: JobsPlus

**Contribution to Growth in Private Sector Employment\***

Market Services

Table 3.11

per cent

	Dec-2014/ Dec-13	Dec-2015/ Dec-14	Apr-2016/ Apr-2015
Wholesale and Retail (including Repair of Motor Vehicles, Motorcycles and Personal and Household Goods)	0.9	0.7	0.5
Transport and Storage	-0.8	1.4	0.4
Accommodation and food service activities	0.5	0.6	0.7
Information and communication	0.7	0.4	0.3
Financial and insurance activities	0.4	0.5	0.5
Real estate activities	0.1	0.1	0.1
Professional, technical and administrative activities	2.2	2.1	2.7
Education	0.2	0.1	0.2
Health and social work	0.4	0.4	0.4
Arts, entertainment and recreation	0.5	1.2	1.5
Other service activities	0.2	0.1	0.1
<b>Total</b>	<b>5.3</b>	<b>7.5</b>	<b>7.4</b>

\* Including temporary employees

### **Box 3.1**

#### **Developments in Private Sector Employment in Manufacturing**

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

The NACE division level classifies the manufacturing sector into 24 different subsectors. In April 2016, the largest subsectors in terms of private sector employment were the manufacturing n.e.c., manufacturing of food products, beverages and tobacco, and the manufacturing of computer, electronic equipment and machinery.

Table 1 shows that over the year to April 2016, employment in manufacturing increased by 54 individuals and mainly reflected developments in the manufacturing n.e.c. (i.e. other manufacturing and the repair and installation of machinery and equipment) (114), and manufacture of coke, chemical, and pharmaceutical products (67). Meanwhile, the main sectors which reported declines in employment were the manufacturing of wood and printing (106), and manufacturing of food products, beverages and tobacco (60).

Between December 2013 and December 2015, the most notable increases were recorded in manufacturing n.e.c. (306), and manufacturing of food products, beverages and tobacco (135), and manufacturing of computer, electronic equipment and machinery (97). Meanwhile, the manufacturing of rubber, plastic and other non-metallic products (108) and

Box 3.1 cont.

**Private Manufacturing Employment\***

Table 1

	2013 Dec	2014 Dec	2015 Dec	2015 Apr	2016 Apr
Mfg of Food Products, Beverages and Tobacco	3,292	3,389	3,427	3,841	3,781
Mfg of Textiles and Leather Products	759	643	684	690	652
Mfg of Wood and Printing	1,867	1,872	1,782	1,922	1,816
Mfg of Coke, Chemical and Pharmaceutical Products	1,434	1,366	1,432	1,434	1,501
Mfg of Rubber, Plastic and Other Non-Metallic Products	2,823	2,735	2,715	2,704	2,730
Mfg of Basic Metals and Fabricated Metal Products	1,341	1,325	1,343	1,353	1,366
Mfg of Computer, electronic equipment and machinery	3,085	3,180	3,182	2,978	2,978
Mfg of Transport Equipment	1,189	1,159	1,188	1,204	1,252
Mfg of Furniture	1,108	1,107	1,104	1,121	1,111
Manufacturing n.e.c.	3,216	3,558	3,522	3,981	4,095
<b>Total Manufacturing Employment</b>	<b>20,114</b>	<b>20,334</b>	<b>20,379</b>	<b>21,228</b>	<b>21,282</b>

\* Including temporary employees

Source: JobsPlus

manufacturing of wood and printing (85) accounted for the most significant declines in the manufacturing sector over the same period.

During the year to April 2016, employment in private direct production stood at 33,510, an increase of 185 or 0.6 per cent over April 2015. Meanwhile, employment in private market services at the end of April 2016 stood at 99,860, an increase of 6,890 or 7.4 per cent over April 2015. Consequently, at the end of April 2016, the share of private direct production in total private sector employment stood at 25.1 per cent, a decrease of 1.3 percentage points over a year earlier. Meanwhile, by the end of April 2016, the share of private market services in the total private sector employment increased to 74.9 per cent.

In April 2016, the manufacturing sector stood out as the largest subsector (21,282), having 63.5 per cent of share of the private direct production employment level. The major contribution in

## Box 3.2

### Employment in Gozo

A geographical analysis of the gainfully occupied population, including both the private and the public sector, shows that the general positive trends experienced during the year to April 2016 were also reflected in Gozo. As shown in Table 1, the gainfully occupied population stood at 10,448 at the end of April 2016, an increase of 461 or 4.6 per cent over April 2015. The increase in gainfully occupied in Gozo mainly reflects increases in administrative and support service activities (188), manufacturing (64), whole sale and retail (52), and accommodation and food service activities (43). At the same time, the main decreases in employment were reported in public administration and defence (27), and education (12) sectors.

Gainfully-Occupied Population in Gozo

Table 1

	2013	2014	2015	2015	2016
	Dec	Dec	Dec	Apr	Apr
Agriculture, forestry and fishing	465	465	462	460	459
Mining and Quarrying	40	35	37	35	31
Manufacturing	897	940	988	959	1,023
Electricity, gas, steam and air conditioning supply	52	0	3	0	2
Water supply and waste management	160	151	132	110	125
Construction	943	958	934	953	958
Wholesale and Retail (including Repair of Motor Vehicles, Motorcycles and Personal and Household Goods)	1,227	1,279	1,292	1,258	1,310
Transport and Storage	452	470	477	469	485
Accommodation and food service activities	721	784	826	796	839
Information and communication	202	230	277	227	254
Financial and insurance activities	305	304	313	301	309
Real estate activities	81	81	86	88	88
Professional, technical and administrative activities	282	314	336	304	333
Administrative and support service activities	334	435	521	502	690
Public administration and defence; compulsory social security	827	892	881	907	880
Education	1,270	1,237	1,215	1,222	1,210
Human health and social work activities	959	1,023	1,042	1,024	1,050
Arts, entertainment and recreation	166	179	200	212	234
Other service activities	143	161	169	160	168
<b>Total</b>	<b>9,526</b>	<b>9,938</b>	<b>10,191</b>	<b>9,987</b>	<b>10,448</b>

Source: JobsPlus

private direct production stemmed from construction (0.2 per cent), and manufacturing (0.2 per cent).

During the Survey period, the primary source of job creation in the Maltese economy was market service activities. Wholesale and retail (including repair of motor vehicles, motorcycles and personal and household goods) stood out as the largest sector (24,585) as it accounted for 24.6 per cent of the private market service employment. This was followed by the professional, technical and administrative activities, which recorded an employment level of 21,441, and the accommodation and food service activities, where full-time employment stood at 11,302.

Although all the sectors registered an increase in their employment levels, the largest level of employment in the market services recorded between April 2015 and April 2016 was mainly due to an increase of 2,481 full-time employment related to professional, technical and administrative activities. Another significant contributor to employment growth in market services is the arts, entertainment and recreational activities sector. Employment in this sector increased by 1,418, or by 28.4 per cent, to 6,410 mainly due to gambling and betting activities.

## **Public Sector Employment**

During the year to April 2016, as shown in Table 3.12, public sector employment increased by 309 or 0.7 per cent, primarily due to an increase of 216 or 2.3 per cent in Independent Statutory Bodies employees. A sectoral breakdown of public sector gainfully occupied shows that the increase is mainly attributed to developments in education; human health and social work; and public administration and defence activities.

### Public Sector Employment

Table 3.12

	2013 Dec	2014 Dec	2015 Dec	2015 Apr	2016 Apr
Government Departments	31,788	32,716	33,126	32,949	32,991
Companies with public sector majority shareholding	1,820	2,564	1,907	1,836	1,887
Independent Statutory Bodies	8,813	9,132	9,421	9,287	9,503
of which Temporary Employees	104	75	74	75	74
<b>Total</b>	<b>42,421</b>	<b>44,412</b>	<b>44,454</b>	<b>44,072</b>	<b>44,381</b>

\* Including temporary employees

Source: JobsPlus

## 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 JobsPlus as jobless. By contrast, Part II includes those who have been dismissed from work due to disciplinary action, left work on their own free will, refused work or training opportunities or were struck off the register after an inspection by the law enforcement personnel.

At the end of July 2016, the number of registered unemployed persons under Part I of the Register stood at 3,049, as opposed to 4,600 a year earlier. The decline in the number of unemployed persons was reflected in both the male and female components. Whilst male unemployment declined by 1,307 to stand at 2,445, the female component decreased by 395 to stand at 915.

Unemployment register by duration of registration shows declines in all durations. Notable declines over the year to July

### Registered Unemployed\*

Table 3.13

	Registered Unemployed	under 6 months %	6 - 12 months %	12 - 24 months %	over 24 months %
<b>2011 (Dec)</b>	5,924	46.6	13.1	16.6	23.7
<b>2012 (Dec)</b>	6,291	42.2	14.4	19.3	24.1
<b>2013 (Dec)</b>	6,956	38.4	13.3	21.1	27.3
<b>2014 (Dec)</b>	5,889	37.2	10.6	18.5	33.7
<b>2015 (Dec)</b>	4,201	37.5	9.2	16.0	37.4
<b>2015 (Jul)</b>	4,600	33.5	13.5	16.0	37.0
<b>2016 (Jul)</b>	3,049	40.2	15.5	16.1	28.2

\*Includes Part I of the Registered Unemployed

Source: JobsPlus

### Registered Unemployed\*

by age distribution

Table 3.14

	Registered Unemployed	16 - 24 years %	25 - 49 years %	over 49 years %
<b>2011 (Dec)</b>	5,924	17.1	53.4	29.5
<b>2012 (Dec)</b>	6,291	15.8	52.3	32.0
<b>2013 (Dec)</b>	6,956	15.0	52.5	32.5
<b>2014 (Dec)</b>	5,889	11.9	52.0	36.1
<b>2015 (Dec)</b>	4,201	8.0	50.8	41.1
<b>2015 (Jul)</b>	4,600	10.2	51.3	38.5
<b>2016 (Jul)</b>	3,049	8.5	51.0	40.5

\*Includes Part I of the Registered Unemployed

Source: JobsPlus



### Registered Unemployed Classified by Occupation\*

at July 2016

Table 3.15

Part 1 only	Registered Unemployed			Percentage Share		
	Males	Females	Total	Males	Females	Total
Elementary Occupations	225	23	248	10.1%	2.8%	8.1%
Plant and machinery operators and assemblers	159	31	190	7.1%	3.8%	6.2%
Crafts and related trade workers	371	14	385	16.7%	1.7%	12.6%
Skilled agriculture, fishery and forestry workers	123	1	124	5.5%	0.1%	4.1%
Services and sales workers	282	202	484	12.7%	24.6%	15.9%
Clerks and support workers	387	264	651	17.4%	32.1%	21.4%
Technicians and Associate Professionals	235	143	378	10.6%	17.4%	12.4%
Managers	336	100	436	15.1%	12.2%	14.3%
Managers	109	44	153	4.9%	5.4%	5.0%
<b>Total</b>	<b>2,227</b>	<b>822</b>	<b>3,049</b>	<b>100</b>	<b>100</b>	<b>100</b>
Total (Part 1 and Part 2)	Registered Unemployed			Percentage Share		
	Males	Females	Total	Males	Females	Total
Elementary Occupations	239	25	264	9.8%	2.7%	7.9%
Plant and machinery operators and assemblers	173	38	211	7.1%	4.2%	6.3%
Crafts and related trade workers	403	17	420	16.5%	1.9%	12.5%
Skilled agriculture, fishery and forestry workers	132	1	133	5.4%	0.1%	4.0%
Services and sales workers	312	218	530	12.8%	23.8%	15.8%
Clerks and support workers	433	292	725	17.7%	31.9%	21.6%
Technicians and Associate Professionals	258	163	421	10.6%	17.8%	12.5%
Managers	370	115	485	15.1%	12.6%	14.4%
Managers	125	46	171	5.1%	5.0%	5.1%
<b>Total</b>	<b>2,445</b>	<b>915</b>	<b>3,360</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: JobsPlus

2016 were reported for persons registering for work over 2 years (-843), under 6 months (-314), between 1 to 2 years (-248), and between 6 to 12 months (-146). The share of persons registering for work for more than two years declined from 37.0 per cent to 28.2 per cent, while persons registering for work for less than six months increased from 33.5 per cent to 40.2 per cent. Meanwhile,

the proportion of persons registering for work between 6 to 12 months increased marginally by 2.1 percentage points to 15.5 per cent, while the proportion of persons registered for work between 12 to 24 months remained relatively unchanged at 16.1 per cent.

During the year ending July 2016, the share of youth unemployment, defined as those falling in the 16 to 24 age bracket, decreased by 1.7 percentage points, from 10.2 per cent to 8.5 per cent, while the share of persons aged 49 or more, increased by 2.0 percentage points, to stand at 40.5 per cent as at July 2016. The share of those between 25 to 49, decreased by 0.8 percentage points to stand at 51.0 per cent in July 2016.

Data for the registered unemployed classified by occupation as at July 2016, is produced in Table 3.15. A decline was recorded in all occupations over the twelve months to July 2016. The largest drop in unemployment is attributable to the Services and Sales sector (369). Notable declines were also registered by in elementary occupations (264), and by crafts and related trade workers (340). During the same period, a decrease was also noted in persons registering for clerks and support workers (202), and technicians and associate professionals (199).

## **Part-time Activity**

Part-time employment based on administrative data continued to increase, such that, at end of April 2016 total part-time employment stood at 59,388, registering a significant increase of 3,398 or 6.1 per cent when compared to the same month of 2015. At the end of April 2016, part-time employment was composed of 30,885 males and 28,503 females.

The number of part-timers holding a full-time job increased by 1,476 or 6.5 per cent over the level recorded in April 2015. The gender distribution shows that, both male and female part-timers holding a full-time job increased, with females registering a higher percentage increase (679 or 9.2 per cent) than males (797 or 5.1 per cent). Consequently, the share of males employed as

### Part-Time Employment

Table 3.16

	2013 Dec	2014 Dec	2015 Dec	2015 Apr	2016 Apr
Part-Timers holding a full-time job	21,869	22,462	24,162	22,859	24,335
Males	14,919	15,286	16,163	15,507	16,304
Females	6,950	7,176	7,999	7,352	8,031
Part-Timers as a primary job	31,317	33,179	34,608	33,131	35,053
Males	12,765	13,466	14,367	13,532	14,581
Females	18,552	19,713	20,241	19,599	20,472
Total Part-Time Employment	53,186	55,641	58,770	55,990	59,388
Males	27,684	28,752	30,530	29,039	30,885
Females	25,502	26,889	28,240	26,951	28,503

Source: JobsPlus

part-timers holding a full-time job in total part-time employment decreased.

Compared to April 2015, the number of part-timers holding a part-time job as their primary occupation increased by 1,922 or 5.8 per cent. Again, statistics on the gender distribution show that, both male and female part-timers holding a part-time job increased by 1,049 or 7.8 per cent and 873 or 4.5 per cent to 14,581 and 20,472, respectively. Despite this, females continue to hold the largest share of persons holding part-time jobs as their primary occupation.

*Footnote:*

<sup>1</sup> The LFS data is not directly comparable to statistics originating from the JobsPlus primarily due to differences in the definitions and methodology underpinning the two datasets.

## **4. Productive Activities**

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## 4. Productive Activities

This Chapter provides an overview of the economic activities in the industrial sector which includes manufacturing, mining and quarrying, electricity, water supply, and the agriculture and fisheries sectors.

### Industrial Indicators

Data for the turnover, hours worked and wages and salaries outlined in the following sections is based on a sample of around 400 enterprises operating in the industrial sector. This means, that the derived indicators are subject to statistical sampling errors especially where the response rate is low. Thus, certain sub-sectors are not fully captured for the calculation of the industrial index. Data for Gross Value Added (GVA) represents National Accounts data compiled in accordance to the European Systems of Accounts (ESA2010) methodology. Therefore, it is not always possible to draw concrete comparisons between the results derived from the questionnaire data and national accounts data concepts such as GVA.

The National Accounts data shows that for the first half of this year, growth was experienced in the primary, secondary and the tertiary sectors. Indeed, the industrial sector enjoyed a healthy growth rate in its GVA of 5.3 per cent, with mining, quarrying and utilities registering double digit growth rates and manufacturing increasing by 2.8 per cent. Employment in sectors remained stable during the review period while the compensation of employees experienced an increase of 2.9 per cent. GVA in the agriculture and fisheries sector increased by 7.3 per cent.

The sample-based short-term industrial indicator pointed to a fall in industry turnover of 4.9 per cent, due to an estimated 8.8 per cent and 3.6 per cent decline in exports and domestic sales, respectively. Wages and salaries were estimated to fall by 0.8 per cent during the same period. These sample results are not reflected in the National Accounts data as reported above.

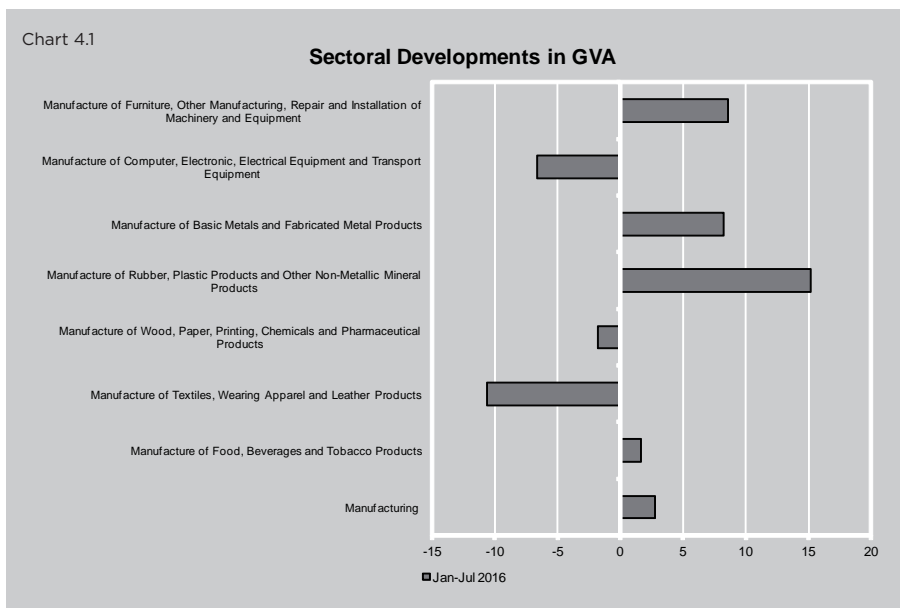
## Manufacturing Performance

The following section analyses in further detail the main contributors towards the performance of the manufacturing sector earlier this year when compared to performance recorded during the same period last year. To be noted, that whilst for the short-term indicators the reference period is January to July, in the case of GVA, the period of reference is the first six months of 2016. To be also noted, that the figures for short-term indicators exclude the activity related to NACE sectors 12, 19 and 24. Developments in GVA by sector of manufacturing for the first half of 2016 are illustrated in Chart 4.1.

### Manufacture of Food, Beverages and Tobacco Products

During the first six months of 2016, GVA in the manufacture of food, beverages and tobacco products subsector increased by 1.6 per cent.

Meanwhile, sampled turnover declined by 1.9 per cent as the decline in exports outweighed the increase in domestic sales.



Hours worked rose by 1.1 per cent while wages and salaries remained at the level recorded during the same period a year earlier.

### **Manufacture of Textiles, Wearing Apparel and Leather Products**

The GVA in the manufacture of textiles, wearing apparel and leather products subsector fell by 10.6 per cent during the January to June 2016 period, following a decline of 5.7 per cent recorded during the same period last year.

Sampled turnover declined by 16.3 per cent during the first seven months of this year, reflecting a decline in exports (-17.2 per cent) and domestic demand (-0.4 per cent). In contrast, hours worked increased by 3.6 per cent while wages and salaries increased by 1.3 per cent.

### **Manufacture of Wood, Paper, Printing, Chemicals and Pharmaceutical Products**

GVA in the manufacture of wood, paper, printing, chemicals and pharmaceutical products subsector declined by 1.8 per cent during the January to June 2016 period.

Similarly, turnover during the first seven months of this year fell by 4.4 per cent. This was underpinned by a 4.9 per cent decline in exports, which outweighed the 2.8 per cent rise in domestic demand. During the same period, the number of hours worked declined by 7.6 per cent, while wages and salaries declined by 4.0 per cent.

### **Manufacture of Rubber, Plastic Products and Other Non-Metallic Mineral Products**

During the January to June 2016 period, GVA of the manufacture of rubber, plastic products and other non-metallic mineral products subsector increased by 15.2 per cent, when compared



### Activity Indicators for Manufacturing

(2010=100)

Table 4.1

% of growth indices

#### SECTORAL MANUFACTURING INDICES

	2013	2014	2015	2015 <sup>(1)</sup> Jan-Jul	2016 <sup>(1)</sup> Jan-Jul
<b>Manufacture of Food, Beverages and Tobacco Products</b>					
Gross Value Added	7.5	16.7	4.1	1.6	1.6
Turnover	6.2	0.9	3.5	3.2	-1.9
Domestic	4.6	-0.8	1.7	-0.7	1.6
Exports	14.2	7.0	10.1	15.5	-11.5
Hours Worked	2.4	-0.7	1.3	—	1.1
Wages and Salaries	5.0	4.7	6.5	6.0	—
<b>Manufacture of Textiles, Wearing Apparel and Leather Products</b>					
Gross Value Added	-33.0	-32.1	3.7	-5.7	-10.6
Turnover	-23.2	-26.7	-3.4	-2.7	-16.3
Domestic	19.5	1.6	9.4	11.7	-0.4
Exports	-25.2	-28.6	-4.4	-3.8	-17.2
Hours Worked	-3.7	-6.7	-4.0	-5.8	3.6
Wages and Salaries	-13.4	-14.0	-2.4	-7.9	1.3
<b>Manufacture of Wood, Paper, Printing, Chemicals and Pharmaceutical Products</b>					
Gross Value Added	-1.2	-9.8	8.1	11.1	-1.8
Turnover	5.4	-15.2	8.1	8.4	-4.4
Domestic	-3.5	-10.6	5.2	-1.6	2.8
Exports	9.1	-16.9	9.2	11.5	-4.9
Hours Worked	-6.1	-3.4	-2.7	-3.5	-7.6
Wages and Salaries	-1.7	-4.2	-0.4	0.4	-4.0
<b>Manufacture of Rubber, Plastic Products and Other Non-Metallic Mineral Products</b>					
Gross Value Added	8.9	3.7	8.0	3.9	15.2
Turnover	2.6	6.0	9.9	8.8	13.7
Domestic	3.3	11.3	10.1	9.8	18.4
Exports	1.8	-1.6	5.9	3.5	5.0
Hours Worked	9.3	-1.4	-2.8	-4.2	3.4
Wages and Salaries	10.9	0.4	1.2	1.8	5.9

### Activity Indicators for Manufacturing

(2010=100)

Table 4.1

continued

	2013	2014	2015	2015 <sup>(1)</sup> Jan-Jul	2016 <sup>(1)</sup> Jan-Jul
<b>Manufacture of Basic Metals and Fabricated Metal Products</b>					
Gross Value Added	-12.9	6.7	2.7	-1.6	8.3
Turnover	-0.3	47.2	0.7	-3.4	5.5
Domestic	-1.3	57.3	1.3	-3.1	7.6
Exports	12.4	-36.8	-9.1	-5.9	-34.5
Hours Worked	-14.3	2.4	2.8	1.7	-1.7
Wages and Salaries	-6.3	1.1	4.4	2.1	-
<b>Manufacture of Computer, Electronic, Electrical Equipment and Transport Equipment</b>					
Gross Value Added	-30.1	-15.0	-16.1	-11.8	-6.6
Turnover	-8.9	-17.2	-2.4	2.1	-16.0
Domestic	-57.8	197.5	-21.4	-19.1	-71.6
Exports	-9.1	-17.2	-2.3	2.3	-16.3
Hours Worked	3.5	-1.1	4.1	4.6	-7.0
Wages and Salaries	4.5	3.9	5.7	4.9	0.2
<b>Manufacture of Furniture, Other Manufacturing, Repair and Installation of Machinery and Equipment</b>					
Gross Value Added	5.5	9.1	2.8	3.4	8.6
Turnover	7.2	6.5	1.4	0.8	8.7
Domestic	-10.9	71.3	3.9	1.7	1.5
Exports	9.4	-4.7	-5.4	-8.6	18.3
Hours Worked	-1.4	2.0	5.5	6.5	2.7
Wages and Salaries	1.9	4.1	3.0	3.5	5.0

<sup>1</sup> Figures for Gross Value Added reflect statistics for the period January-June

Note: The statistics for Gross Value Added were sourced from National Accounts whilst the other indicators were collated from the sampled data subject to statistical sampling errors.

Source: National Statistics Office

to a 3.9 per cent rise recorded during the same period a year earlier.

This performance was reflected in the subsector's turnover that increased by 13.7 per cent during the first seven months of this year, when compared to an 8.8 per cent increase recorded a year earlier. Both domestic demand and exports contributed towards this development, registering an increase of 18.4 per cent and 5.0 per cent, respectively. This performance was reflected in the subsector's employment indicators, wherein hours worked increased by 3.4 per cent while wages and salaries increased by 5.9 per cent.

### **Manufacture of Basic Metals and Fabricated Metal Products**

The manufacture of basic metals and fabricated metal products subsector's GVA rose by 8.3 per cent during the first six months of 2016, when compared to a 1.6 per cent decline recorded a year earlier.

This was reflected in turnover, which rose by 5.5 per cent during the January to July 2016 period, when compared to a 3.4 per cent decline registered during the same period in the previous year. This was due to an increase of 7.6 per cent in domestic sales outweighing the decline in exports. During the same period, the short-term industrial indicators showed a decline in hours worked of 1.7 per cent. Nevertheless, wages and salaries remained at the same level recorded during the same period last year.

### **Manufacture of Computer, Electronic, Electrical Equipment and Transport Equipment**

The manufacture of computer, electronic, electrical equipment and transport equipment subsector is mainly export-oriented and is largely affected by global developments. GVA declined by 6.6 per cent during the first six months of 2016, when compared to a decline of 11.8 per cent recorded during the same period last year.

Sampled turnover declined by 16.0 per cent during the period under review. This decline was underpinned by lower exports (-16.3 per cent) and domestic sales (-71.6 per cent). For the review period, wages and salaries increased by 0.2 per cent while hours worked fell by 7.0 per cent.

### **Manufacture of Furniture, Other Manufacturing, Repair and Installation of Machinery and Equipment**

The manufacture of furniture, other manufacturing, repair and installation of machinery and equipment subsector's GVA increased by 8.6 per cent during the first six months of 2016, following an increase of 3.4 per cent recorded a year earlier.

Similarly, turnover during January to July 2016 rose by 8.7 per cent, following a 0.8 per cent rise recorded during the first seven months of 2015. This performance was underpinned by an 18.3 per cent rise in exports as well as a rise of 1.5 per cent in domestic demand. Meanwhile, the number of hours worked increased by 2.7 per cent while wages and salaries expanded by 5.0 per cent.

### **Agriculture and Fisheries**

The combined value of the agriculture and fisheries sector stems from the important environmental impact this sector has in view of the utilisation of important natural resources. Notwithstanding its relatively small contribution to the Maltese economy, this sector ensures the availability of fresh regional produce to the local population, while also contributing to tourism and to local heritage.

An increase of 7.3 per cent in the GVA from the agriculture and fisheries sector was recorded during the first six months of 2016 when compared to the same period a year earlier. Notwithstanding this increase, the contribution of the agriculture and fisheries sector has remained stable at 1.2 per cent due to a larger increase in the GVA of other sectors. The sector's

contribution to total GVA was also slightly lower than that registered on average during the period 2012 to 2015, which averaged 1.4 per cent.

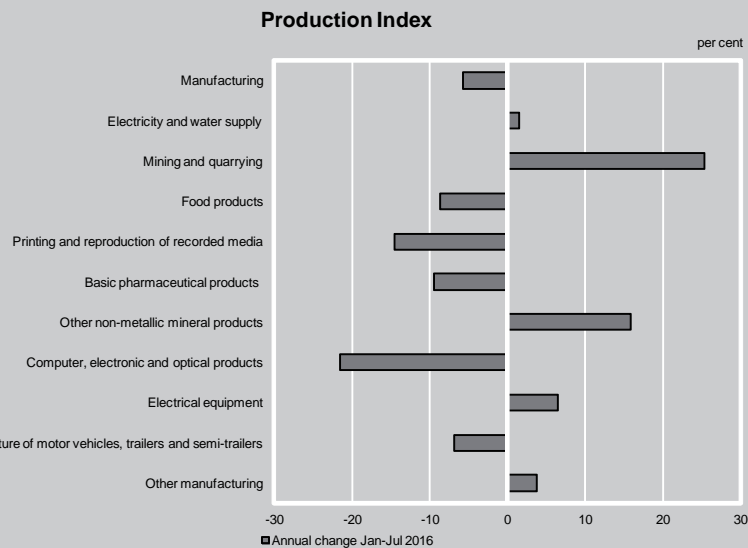
### Box 4.1

#### The Industrial Production Index

The Industrial Production Index is an indicator that measures economic activity based on a sample of 180 industrial enterprises and monitors the changes in the production of leading products. The index is compiled using 2010 as the base year.

During the first seven months of 2016, the overall industrial production index fell by 4.4 per cent, when compared to an increase of 6.3 per cent recorded during the same period a year earlier. This decline was mainly underpinned by a decrease in the production index of the manufacturing sector, whose decline outweighed the increases recorded in the production index of the mining and quarrying, and electricity and water supply sectors.

Chart 1



Source: NSO

Box 4.1 cont.

Chart 1 depicts the change in the production indices of the main manufacturing subsectors during the first seven months of 2016 when compared to those recorded a year earlier.

During the January to July 2016 period, the manufacturing sector's production index fell by 5.7 per cent, when compared to an increase of 7.0 per cent recorded during the same period in the previous year. Developments in the manufacturing sector's production index mainly reflect the declines that were recorded in a number of sectors, in particular, those recorded in the textiles (19.7 per cent), wearing apparel (52.3 per cent), leather and related products (14.2 per cent), printing and reproduction of recorded media (14.5 per cent) and computer, electronic and optical products (21.5 per cent) subsectors. The improvements that were recorded in other subsectors partly mitigated the decline in the manufacturing sector's production index. Percentage increases in the first seven months of 2016 compared to a year earlier were mainly recorded in the beverages (8.9 per cent), wood and wood products (9.7 per cent), paper and paper products (5.4 per cent), rubber and plastic products (5.3 per cent), other non-metallic products (15.8 per cent), fabricated metal products (6.3 per cent), manufacture of electrical equipment (6.5 per cent), manufacture of machinery and equipment n.e.c. (5.4 per cent), other manufacturing (3.8 per cent) and repair and installation of machinery and equipment (1.3 per cent) subsectors.

## **Agriculture**

Between January and August 2016, the volume of slaughtered beef increased by 10.2 per cent. In the meantime, the slaughter of pork fell by 9.8 per cent and the slaughter of broilers by 2.6 per cent.

During the first eight months of 2016, the amount of fresh fruit and vegetables sold through official markets was 29,456 tonnes, 0.6 per cent higher when compared to the same period in 2015. However, when comparing the fresh fruit and vegetables sold in local markets, one notes an increase of 2.3 per cent in sales of

fresh vegetables and a decrease in the volume of fresh fruit sold of 24.8 per cent. The decrease in the volume of fresh fruit can be mainly attributed to a decline in the sales of peaches which was due to a crop disease affecting the peach tree. Meanwhile, the fresh vegetables market was more dynamic with registered trade increases being mainly attributed to increases in the sales of vegetable marrows, cauliflowers, tomatoes and other vegetables.

During the period January to July 2016, as shown in Table 4.3, the total value of imports of major agricultural commodities increased by 0.6 per cent to €297.3 million. The major contributor to this increase was the importing of fish which, during the first seven months of 2016 increased by €14.4 million, equivalent to 48.5 per cent. This was offset by declines in imports of other commodities, particularly of cereals and feeds, which together decreased by €8.4 million.

### Agricultural Indicators

Table 4.2

	2015 Jan-Aug	2016 Jan-Aug
Slaughtering (tonnes)		
Beef	681	751
Pork	3,638	3,281
Broilers	2,652	2,584
Fresh Fruit		
Price Index	124.1	137.8
Volume Index	106.0	159.4
Fresh Vegetables		
Price Index	127.2	119.6
Volume Index	99.7	102.1

Source: National Statistics Office

	2012	2013	2014	2015	2015 Jan-Jul	2016 Jan-Jul
Live Animals	0.34	0.28	0.21	0.31	0.16	0.21
Meat and Edible Offals	50.14	49.57	51.56	53.80	30.10	29.34
Fish	58.61	55.42	51.89	56.25	29.73	44.16
Dairy Produce	43.45	44.37	45.12	45.87	26.44	25.90
Edible Fruits and Nuts	30.40	33.68	34.51	35.21	19.95	19.72
Cereals	50.28	44.33	36.87	30.09	22.69	17.39
Preparations of Meat, Fish	42.09	42.67	45.89	45.18	25.68	25.90
Sugar & Confectionery	23.81	23.87	21.10	20.85	11.87	13.74
Cereal Prep.	53.72	57.90	59.79	62.52	34.76	34.15
Veg. and Fruit Prep.	25.38	26.40	27.30	27.26	15.55	14.34
Misc. Edible Prep.	34.15	33.49	38.30	38.93	23.35	21.55
Beverages, Spirits, Vinegar	53.53	55.85	61.30	63.33	36.20	34.85
Feeds	34.70	35.13	33.59	34.33	19.16	16.06
<b>Total</b>	<b>500.60</b>	<b>502.96</b>	<b>507.42</b>	<b>513.96</b>	<b>295.66</b>	<b>297.32</b>

Source: National Statistics Office

## Fisheries

Notwithstanding its small size, the Maltese fisheries sector provides an important socio-economic contribution to the country. The fisheries sector mainly utilises traditional fishing practices and fish farming aquaculture methods. Traditional fishing techniques mainly provide for dolphin fish (lampuki), blue fin tuna and swordfish for the local community. Aquaculture fish farming, on the other hand, caters mostly for the export sector.

During the period January to June 2016, an increase of 125.9 per cent was registered in the volume index of fresh fish when compared to the same period of the previous year. Over the same comparative period, the price index of fish decreased by 26.1 per cent. The volume of fish landings in the first half of 2016 amounted to 569.4 tonnes at a wholesale value of €3.1 million. Increases in volumes of fish landings were registered in almost all the landings except for swordfish which registered a decrease of



21.5 tonnes. Similarly, the wholesale value of landings increased by €1.1 million underpinned by value increases in all fish landings with the exception of swordfish.

#### **Box 4.2**

##### **Economic Accounts for Agriculture 2015**

Agricultural production in Malta is mostly composed of livestock products (including rabbits and pork), crop products, animal products and secondary activities, which include the production of wine and cheese. This productive sector faces a number of challenges mainly arising from the size of the country and the limited availability of agricultural land, which makes it even more difficult to exploit the benefits of economies of scale. The scarcity in agricultural water supply and the fragmented land ownership arising from traditional inheritance patterns are also amongst the challenges faced by this sector.

Table 1 indicates that final production at basic prices picked up again in 2015, after a decline registered in the previous year. On average, during the years 2012 to 2015, the share of crop products as a proportion of total final production stood at 38.8 per cent, while the share of livestock products and other animal products was 33.5 per cent and 22.1 per cent, respectively. Secondary activities contributed the least to final production, with an average share of 5.7 per cent during the four years under review.

When compared to 2014, the final production of the agricultural sector at basic prices increased by 2.3 per cent in 2015. This increase in production was mainly attributable to an increase in crop products of 13.7 per cent, which together with an increase registered in secondary activities (1.9 per cent), more than outweighed declines of 6.7 per cent and 2.7 per cent in livestock and other animal products, respectively. Overall, total final production has increased nominally by €2.9 million in the period under review.

Box 4.2 cont.

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

Table 1 € thousand

	2012	2013	2014	2015
Final production at basic prices	125,419	130,374	124,805	127,660
Livestock products	41,901	44,377	43,448	40,527
Other animal products	28,154	29,329	27,712	26,975
Crop products	47,894	49,539	46,639	53,017
Secondary activities	7,470	7,128	7,006	7,141

Source: National Statistics Office

As illustrated in Table 2, factor income at current market prices for the agricultural sector, which is the result of the developments in agricultural output, subsidies, and intermediate and fixed capital consumption, increased by 9.0 per cent in 2015 when compared to 2014, reaching €73.2 million. This was mainly brought about by a decline in intermediate consumption at purchase prices of 6.9 per cent and a 2.3 per cent increase in total final production at producer prices. Given that intermediate consumption is deducted from total final production to arrive at the factor income, the former's decline had a positive effect on the factor income. Total subsidies absorbed by the industry in 2015, which include subsidies directly linked to production and other subsidies which are not directly linked with production, declined by 8.5 per cent when compared to a year earlier.

Intermediate consumption at purchaser prices, which measures expenditure in the production process, has overall declined by 6.9 per cent in 2015, when compared to 2014, thus reaching €66.7 million. This decrease was mainly attributable to a decline in the expenditure on energy and animal feed by 13.1 and 11.1 per cent, respectively. On the other hand, expenditure on various services increased marginally by 1.8 per cent, mainly due to increases in expenditure on maintenance of materials.

Box 4.2 cont.

**Factor Income at Current Prices**

	€ thousand			
	2012	2013	2014	2015
Total final production at producer prices	125,419	130,374	124,805	127,660
add subsidies on production	1,697	1,572	1,328	410
Total final production at basic prices	127,116	131,946	126,134	128,071
less intermediate consumption	72,831	75,717	71,613	66,653
Gross value added at basic prices	54,285	56,229	54,521	61,418
less fixed capital consumption	6,891	6,827	6,982	6,964
Net value added at basic prices	47,395	49,401	47,538	54,454
add other subsidies not directly linked with production	18,212	17,851	19,579	18,712
Factor income at current prices	65,606	67,253	67,117	73,166

Source: National Statistics Office

Table 3 illustrates the distribution of factor income at current prices. The increase of 9.0 per cent in factor income in 2015, when compared to the previous year, was mainly due to the registered increase of 9.9 per cent by entrepreneurial income (profits). In 2015, profits represented the largest share at 93.0 per cent of the total factor income. This was followed by compensation of employees (wages) with a share of 5.4 per cent, a 0.7 percentage points decline from the share in factor income of 2014. Indeed, in 2015, compensation of employees decreased by 3.2 per cent. On the other hand, interests and rent increased by 2.0 per cent and 1.9 per cent, respectively.

Table 4 illustrates the annual producer price indices related to agricultural products for the period 2012 to 2015. 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.

Box 4.2 cont.

### Distribution of Factor Income at Current Prices

Table 3

€ thousand

	2012	2013	2014	2015
Factor Income	65,606	67,252	67,117	73,166
Entrepreneurial income (profits)	60,317	61,879	61,867	68,020
Compensation of employees (wages)	4,007	4,083	4,052	3,924
Interest	762	756	649	662
Rents	520	535	549	559

Source: National Statistics Office

### Annual producer price indices for agricultural products

(2010 = 100)

Table 4

	Weight	2012	2013	2014	2015
<b>Output index at producer prices</b>	<b>100.0</b>	<b>113.2</b>	<b>114.8</b>	<b>104.9</b>	<b>114.5</b>
Forage	3.4	113.9	121.2	121.6	114.3
Potatoes	4.6	114.6	128.1	96.6	114.5
Fresh vegetables	26.3	116.0	103.1	87.4	124.5
Fruit	4.7	90.6	99.5	90.5	90.7
Animals	39.2	108.4	114.6	111.7	109.1
Animal products	21.8	122.8	128.7	116.0	117.2
<b>Input total</b>	<b>100.0</b>	<b>114.8</b>	<b>115.9</b>	<b>113.1</b>	<b>111.1</b>
<b>Goods and services currently consumed in agriculture</b>	<b>80.3</b>	<b>116.3</b>	<b>117.8</b>	<b>114.0</b>	<b>110.0</b>
Seeds and planting stock	4.5	101.0	99.8	99.8	101.6
Energy; lubricants	10.3	124.0	124.2	122.9	111.5
Fertilisers and soil improvers	2.3	105.2	111.2	105.2	98.1
Plant protection products and pesticides	1.1	55.5	55.8	56.4	56.8
Veterinary expenses	1.7	102.4	103.5	104.0	104.8
Animal feeding stuffs	37.6	128.4	130.3	121.6	114.5
Maintenance of materials	8.4	102.5	107.0	109.2	114.7
Maintenance of buildings	2.9	107.3	110.5	112.6	113.6
Other goods and services	11.5	98.4	97.8	99.4	101.1
<b>Goods and services contributing to agricultural investment</b>	<b>19.7</b>	<b>108.7</b>	<b>108.1</b>	<b>109.6</b>	<b>115.7</b>

Source: National Statistics Office

Box 4.2 cont.

In 2015, when compared to 2014, the output price index increased by 9.1 per cent, while the input price index decreased by 1.8 per cent. The main driver behind the increase in the output price index was a broad-based increase in the sub-categories mainly led by increases registered in fresh vegetables and potatoes which more than outweighed the declines registered in forage and animals. The decline in the price of inputs can be mainly attributed to the decrease in the price index of animal feeding stuffs which, in 2015, declined by 5.8 per cent when compared to a year earlier. The price indices of energy and fertilisers and soil improvers also registered declines of 9.3 and 6.8 per cent, respectively. On the other hand, the price index of maintenance of material and the price for goods and services contributing to agricultural investment registered increases of 5.0 per cent and 5.6 per cent, respectively.

## **5. Services Activities**

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## 5. Services Activities

This Chapter presents an analysis of developments in the domestic services sector, focusing mainly on the first seven months of 2016 of the local tourism industry. Apart from an analysis of the developments within the tourism sector, an overview of the regulatory, development and investment promotion activities within the services sector is also provided, focusing in particular on the Malta Financial Services Authority (MFSA), the Malta Gaming Authority (MGA), and the Malta Enterprise (ME).

### Tourism

Table 5.1 and Appendix Table VI present a selection of tourism indicators. Between January and July 2016, the number of inbound tourists and nights stayed expanded significantly over the comparable period of 2015, thus suggesting that the buoyant performance within this industry persisted. In fact, all tourism indicators point to another outstanding year, both in terms of inbound tourists and bed-nights spent in Malta, and also importantly in terms of tourist expenditure and employment. The same applies for the cruise passenger industry, which experienced a robust growth performance.

During January to July 2016, inbound tourism increased by 9.7 per cent, reaching 1,055,189 persons. Nights spent by inbound tourists increased by 7.3 per cent, and expenditure from inbound tourists scaled up by 5.4 per cent. Average full-time employment in the accommodation and food services activities recorded an increase of 600 jobs during the year to April 2016. In the first two quarters of 2016, cruise passenger arrivals, excluding the embarkations and the Maltese cruise passenger arrivals, increased by 6 per cent over the corresponding period of 2015.

This positive outcome in the tourism industry reflects the collaboration between the Government, the Malta Tourism Authority (MTA) and other involved stakeholders that continued



### Main Tourism Indicators

Table 5.1

	2013	2014	2015	2015 Jan-Jul	2016 Jan-Jul
Inbound Tourists	1,582,153	1,689,809	1,783,366	962,028	1,055,189
Nights spent (000's)	12,890	13,522	14,152	7,248	7,775
Total Expenditure (€million)	1,440	1,529	1,639	841	886
Cruise Passengers*	424,566	465,373	591,682	223,757 <sup>(1)</sup>	237,145 <sup>(1)</sup>
Average full-time employment in accommodation and food services activities**	10,103	10,396	10,767	10,513 <sup>(2)</sup>	11,113 <sup>(2)</sup>

\*Excluding embarkations and Maltese cruise passengers.

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

<sup>(1)</sup>Data shows average for January-June.

<sup>(2)</sup>Data shows average for January-April.

Source: National Statistics Office, JobsPlus

to enhance product quality through an increased emphasis on diversification, as well as addressing accessibility to Malta through adequate seat capacity and new and added flights.

## Monthly Distribution

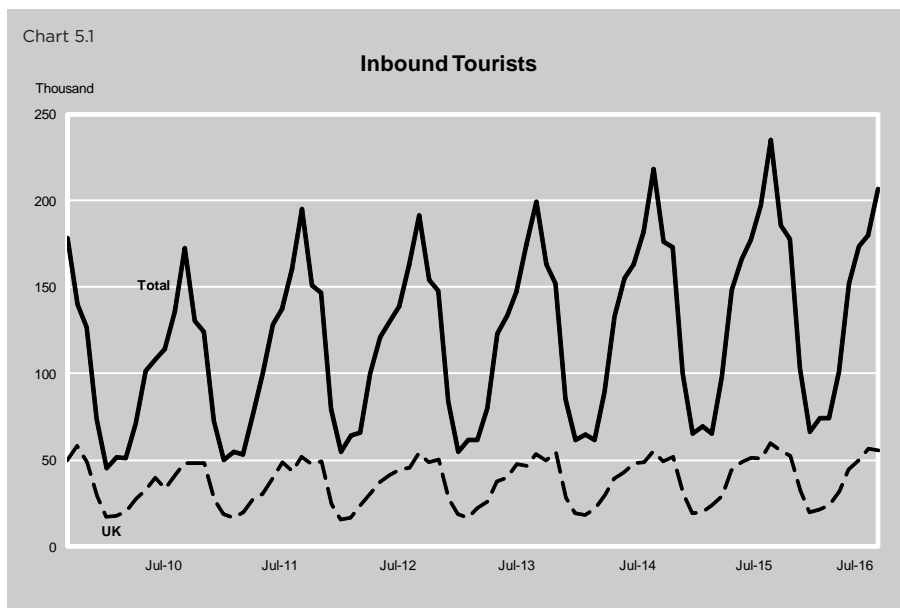
Inbound tourists recorded a positive performance throughout the first seven months of 2016. Arrivals during the period under review reached a significant level of 1,055,189, a 9.7 per cent increase over the same period in 2015. As shown in Table 5.2 and Chart 5.1, during the period under review, there were consecutive increases in inbound tourists during every month of 2016. The study of the monthly data confirms that July 2016 was the peak month for inbound tourism, accounting for 21.4 per cent of the total inbound tourists during the period under

### Monthly Inbound Tourists

Table 5.2

	2013	2014	2015	2016
January	64,887	69,525	74,280	84,817
February	61,442	65,299	74,189	81,005
March	89,286	97,800	101,160	115,519
April	133,173	148,188	152,101	164,885
May	155,366	166,497	173,589	190,586
June	162,879	177,446	180,082	193,038
July	181,899	197,389	206,626	225,339
January-July	848,932	922,144	962,028	1,055,189
% change		8.6	4.3	9.7
August	218,271	235,094	246,485	
September	176,370	185,438	192,550	
October	173,306	177,961	196,692	
November	99,928	102,940	113,042	
December	65,345	66,232	72,568	
Total	1,582,153	1,689,809	1,783,366	
% change		6.8	5.5	

Source: National Statistics Office



review. A significant positive performance was also recorded in May and June, with a share of inbound tourists of 18.1 per cent and 18.3 per cent, respectively.

The number of inbound tourists increased by a significant 12.7 per cent in the first three months of 2016, in comparison to the same period in 2015. This noteworthy performance can be attributed to increased accessibility to Malta in winter months and to the fact that Easter fell on the first quarter of 2016 rather than the second quarter as happened in 2015.

The aspect of seasonality is captured in Table 5.3, which shows the quarterly distribution of tourist departures for the period January to December 2012 to 2015. The third quarter is the one with the highest share of inbound tourists while the first quarter is the one with the lowest share. Both the second and the third quarters of 2015 recorded a marginal decline in the share of inbound tourists when compared to the corresponding period in 2014 thus suggesting that over the course of 2015, the seasonality of departures improved marginally.

### Quarterly Distribution of Inbound Tourists

Table 5.3

per cent

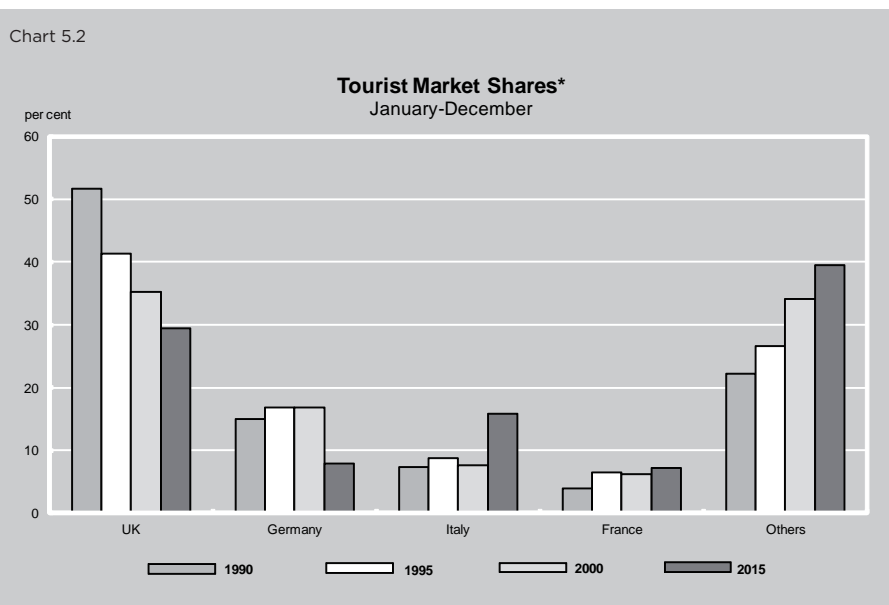
	2012	2013	2014	2015
Q1	14.1	13.6	13.8	14.0
Q2	28.0	28.5	29.1	28.4
Q3	37.2	36.4	36.6	36.2
Q4	20.7	21.4	20.5	21.4

Source: National Statistics Office

## Tourist Nationality

Chart 5.2 illustrates the relative market share of Malta's main source markets over January to December 1990 to 2015. The United Kingdom (UK) continued to be the major market in the Maltese tourism sector, despite the fact that its market share has declined over the years, from a share of 51.6 per cent in 1990 to 29.5 per cent in 2015. The German market increased its share between 1990 and 2000, but registered a drop to around 8 per cent by 2015. By contrast, the share of the Italian market increased from 7.3 per cent in 1990 to 15.9 per cent in 2015. It is to be noted that in 2015, an analysis of Malta's main source markets indicates that only the German market recorded a marginal decline of 0.1 percentage points from its corresponding share in 2014. The other main source markets registered an increase in their share, with the Italian market recording the highest increase of 1.3 percentage points, followed by the UK market with an increase in its share of 0.6 percentage points, and with the French market recording an increase in its share of 0.2 percentage points. The share of the 'other' market category increased from 22.2 per cent in 1990 to 39.5 per cent in 2015.

As indicated in Table 5.4, which provides a detailed breakdown of inbound tourists by the country of residence, during the first



\*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.

seven months of 2016, marked additions were registered in almost all of the tourist markets. The largest absolute increase was registered by the UK market, with an increase of 18,555 tourists accounting for around 20 per cent of the overall increase in inbound tourists.

Increased accessibility has allowed Malta's tourism product to become more diversified over time both in terms of markets as well as the development of specific niches. In fact, other notable increases in inbound tourists were recorded from the Italian market, with 13,249 tourists, followed by those from the German, Scandinavian, French, and Spanish markets. Furthermore, emerging markets such as Poland (classified under 'Others') are also contributing to the increase in inbound tourists. In fact, Poland with an increase of 12,489 tourists or 49.4 per cent recorded the biggest increase of the 'Others' category. Meanwhile, during the period under review, there was a significant drop of 2,779 tourist arrivals originating from Libya

### Inbound Tourists by Country of Residence

Table 5.4

	2013	2014	2015	2015 Jan-Jul	2016 Jan-Jul
United Kingdom	454,659	487,714	525,996	283,855	302,410
Germany	147,110	143,053	141,855	74,161	81,113
Italy	233,777	262,631	282,815	151,809	165,058
France	116,533	125,511	127,953	73,997	79,998
Spain	53,278	42,285	47,237	23,315	28,537
Netherlands	41,486	44,697	44,962	24,430	27,482
Scandinavia*	105,068	108,647	117,388	62,982	69,922
Libya	34,621	30,770	6,651	4,507	1,728
Belgium	28,948	31,399	35,937	21,311	20,987
Austria	25,739	27,567	30,246	17,190	14,882
Switzerland	28,702	31,797	35,293	19,200	19,292
USA	19,502	22,402	25,887	12,447	14,901
Others	292,728	331,337	361,145	192,823	228,879
<b>TOTAL</b>	<b>1,582,153</b>	<b>1,689,809</b>	<b>1,783,366</b>	<b>962,028</b>	<b>1,055,189</b>

\*Includes Denmark, Finland, Norway, and Sweden.

Source: National Statistics Office

and declines of 2,308 tourists from the Austrian market and 324 tourists from the Belgian market.

## Cruise Passengers

During the first two quarters of 2016, cruise passenger arrivals (excluding embarkations and Maltese cruise passengers) recorded a significant increase when compared to those recorded in the corresponding period of 2015, increasing from 223,757 arrivals to 237,145 arrivals. This notable increase was the result of additional home-porting business as well as the availability of cruises that start and end in Malta.

During the period under review, there were 125 cruise liner calls, an increase of 8 calls relative to the levels recorded in the same months of 2015. During this period, the French market accounted for the largest increase of passengers with an increase of 7,523, followed by the British market with an increase of 2,230 passengers. During the first six months of 2016, the total cruise passengers that spent a night at a hotel in Malta decreased to 5,233 passengers from 6,186 passengers recorded in 2015. At the same time, there was an increase of 3.7 per cent in the number of cruise passengers that visited Gozo, increasing from 2,386 passengers to 2,474 passengers.

## **Accommodation**

Table 5.5 provides data on the accommodation capacity by category of units and beds for the period ending June 2016, where the reference month used for comparison is August and not December, given that in December, some collective accommodation establishments close for the winter.

As illustrated in Table 5.5, by the end of June 2016, the number of hotels declined by a unit, attributable to the 5-Star category which experienced a closure in a unit due to major refurbishment works. Hotel bed-stock capacity, registered a decrease of 2,193 beds or 5.6 per cent. During the same period, there was no change in the total number of guesthouses and hostels, given that guesthouses decreased by 2 units while the number of hostels increased by 2 units. Bed places for these categories increased by 42 units or 1.4 per cent.

Another important element in the analysis of the tourism industry is the occupancy rate for various types of accommodation. Data for this indicator is for the first six months of 2016 and as shown in Table 5.6, all the accommodation categories reached their peak inflow in June. During June 2016, the 4-Star hotel accommodation category recorded the highest occupancy rate of 82 per cent, followed by that of the 5-Star hotel with an 80 per cent occupancy rate.

### Main Types of Tourist Accommodation

Table 5.5

	2014 (August)		2015 (August)		2016 (June)	
	Establishments	Bed-Places	Establishments	Bed-Places	Establishments	Bed-Places
<b>Hotels</b>						
5-Star	15	7,256	15	7,308	14	6,546
4-Star	45	17,837	44	17,575	44	17,460
3-Star	49	11,593	53	12,560	53	11,237
2-Star	16	1,562	18	1,672	18	1,679
<b>Hotels Total</b>	<b>125</b>	<b>38,248</b>	<b>130</b>	<b>39,115</b>	<b>129</b>	<b>36,922</b>
<b>Other N.E.C.</b>						
Guesthouses	24	1,360	30	1,474	28	1,486
Hostels	17	1,720	16	1,576	18	1,606
<b>Other N.E.C. Total</b>	<b>41</b>	<b>3,080</b>	<b>46</b>	<b>3,050</b>	<b>46</b>	<b>3,092</b>

Source: National Statistics Office

The average length of stay by tourists is another important indicator of the performance of the tourism industry. Between January and July 2016, the average length of stay declined marginally from 7.5 nights to 7.4 nights. It is to be noted, that increases were recorded in the number of tourists staying in Malta for 3 days or less, the number of tourists whose duration of stay was between 4 to 6 nights, and those staying for 7 nights or more. The number of inbound tourists staying in Malta for 3 days or less recorded a significant increase of 24.5 per cent compared to the same period in 2015. These results confirm a long standing trend towards more brief and more frequent holidays.



### Monthly Accommodation Occupancy Rates\*

Table 5.6 per cent

	Hotels				Hostels & Guesthouses
	5-Star	4-Star	3-Star	2-Star	
<b>2015</b>					
Average (Jan-June)	65	66	52	46	38
<b>2016</b>					
January	40	44	31	39	28
February	47	55	38	40	34
March	58	64	47	45	41
April	67	73	60	52	49
May	74	75	62	49	51
June	80	82	64	53	50
Average (Jan-June)	62	66	51	47	42

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

Source: National Statistics Office

## Employment

Data for this indicator is for the period of January to April 2016. During this period, employment in the accommodation and food services activities increased to an average of 11,113 persons, from an average of 10,513 persons in the corresponding period of 2015. As a share of the gainfully occupied population, employment in this sector increased marginally by 0.1 percentage points, to 6.3 per cent. Similarly, as a share of the total private gainfully occupied population, the private sector employment in the accommodation and food services activities increased marginally by 0.1 percentage points, to 8.5 per cent.

## Tourism Earnings

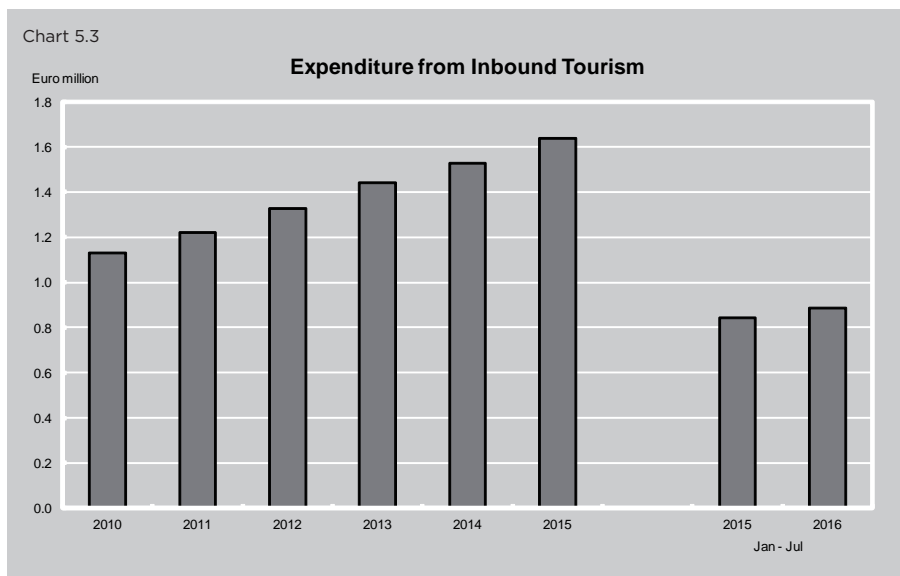
The source of data presented in this section is the TOURSTAT survey carried out by the National Statistics Office (NSO) in line with the inbound tourism data. As shown in Table 5.7 and Chart 5.3, during January to July 2016, tourism spending recorded an increase of 5.4 per cent, increasing from €841 million in January to July 2015 to €886 million. Total expenditure is split into package, non-package and “other” expenditure, with the non-package expenditure being further divided into the air/sea fares and accommodation expenditure. NSO data indicates that the year-on-year increase in 2016 was mainly the result of a 12.2 per cent increase in non-package spending which in turn reflected increases in both air/sea fares and accommodation. It is to be noted, that accommodation spending registered an increase of 18.5 per cent, which is stronger than the increase in expenditure on air/sea fares of 6.2 per cent recorded during the same period. Tourists’ expenditure on package holidays decreased by 4.6 per cent, while expenditure on the ‘other’ component of tourist expenditure increased by 9.1 per cent. As tourism spending increased at a slightly slower pace than inbound tourists, expenditure in per capita terms decreased by 3.9 per cent to

### Expenditure from Inbound Tourism

Table 5.7

	Total Expenditure (€ million)	Per Capita Expenditure (€)	Expenditure Per Nights Spent (€)
<b>2013</b>	1,440.4	910.4	111.7
<b>2014</b>	1,528.6	904.6	113.0
<b>2015</b>	1,639.1	919.1	115.8
<b>2015 (Jan-Jul)</b>	841.0	874.2	116.0
<b>2016 (Jan-Jul)</b>	886.0	839.7	114.0

Source: National Statistics Office



€839.7, while expenditure per nights spent decreased to €114 in January-July 2016, from €116.0 in the corresponding 2015 period.

## Regulatory Activity

This section delves into the regulatory developments in the services industry of Malta. Particularly, this section focuses on the MFSA, being the sole regulator and supervisory authority for financial services in Malta, and the MGA which is the single, independent, regulatory body responsible for the governance of all gaming activities in Malta.

### Malta Financial Services Authority

The MFSA is the single regulator for financial services in Malta. The financial services sector incorporates all financial activity including that of credit institutions, financial and electronic money institutions, securities and investment service companies, regulated markets, insurance companies, pension schemes and trustees. The MFSA is also the Listing Authority for the purpose of the Financial Markets Act and the Resolution Authority for the purpose of Directive 2014/59/EU and the Recovery and

Resolution Regulations (L.N. 301 of 2015). The MFSA also manages the Registry of Companies.

During the first nine months of 2016, the MFSA continued to take an active part in the European System of Financial Supervisors (ESFS), which was initiated in January 2011. The MFSA participated actively in the meetings of the three European Supervisory Authorities (ESMA, EIOPA, EBA) and the European Systemic Risk Board (ESRB).

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

Furthermore, the MFSA continued to propose various amendments in order to enhance the legal and regulatory framework. To this end, the MFSA conducted consultations on a variety of legislative initiatives, including the implementation of the European Union (EU) Payment Accounts Directive (PAD), the second phase of the consultation procedure relating to the creation of a proposed Conduct of Business Rulebook, and the proposed Insurance Rules. There were also the proposed amendments to Chapter 8 on the financial statements and supervisory reporting requirements found in Part B of the Insurance Rules issued under the Insurance Business Act (Cap.403), as well as the amendments to Listing Rules implementing audit committee requirements. MFSA also launched the Reinsurance Special Purpose Vehicles Regulations, 2016 which were published on 19th April 2016 by Legal Notice 130 of 2016. These Regulations revoke the Reinsurance Special Purpose Vehicles Regulations, issued in 2013 to transpose article

46 of Directive 2005/68/EC of the European Parliament and of the Council of the 16 November 2005 on reinsurance.

Moreover, on 1<sup>st</sup> April 2016, the MFSA launched the Notified Alternative Investment Funds ('NAIF') regime. This regime signals a clear departure from the MFSA's concept of the Alternative Investment Funds (AIFs) as registered and supervised products and aims at providing a solution to market AIFs within the EU in the shortest timeframe possible. A NAIF can be established in Malta in terms of the Investment Services Act (List of Notified AIFs) Regulations, 2016 and the Investment Services Rules for Investment Services Providers.

Following the set-up within the MFSA of the Conduct Supervisory Unit in 2015, the MFSA adopted a staggered approach to the transfer of conduct supervision from the various supervisory units to the Conduct Supervisory Unit. In this regard, the Conduct Supervisory Unit has been responsible for the supervision of trustees and company service providers since the 1<sup>st</sup> February 2015. The Unit has, as of September 2016, assumed the responsibility for the supervision of the conduct of investment services licence holders excluding custodians but including Fund Managers, initially, only to the extent that these sell investment products/instruments directly to retail clients.

During the first nine months of 2016, the MFSA has continued to strengthen its macro-prudential framework in line with the Recommendations issued by the European Systemic Risk Board (ESRB). In 2015, the MFSA issued Banking Rule 15 regarding Capital Buffers of Credit Institutions which implements the operationalisation of the Other Systemically Important Institutions (O-SII) capital buffer. The O-SII buffer mitigates the vulnerability of the domestic financial system and the real economy to the failure of systemically important institutions and is an essential element of the ESRB Recommendation on the intermediate objectives and instruments of macro-prudential policy. It is also a macro-prudential tool legally embedded in the Capital Requirements Directive (CRDIV/CRR) framework which, in turn, has been domestically transposed in Central

Bank of Malta (CBM) Directive no 11 and MFSA Banking Rule no 15. The O-SII buffer came into force as from 1<sup>st</sup> January, 2016. Furthermore, the MFSA is also contributing, through the Joint Financial Stability Board (JFSB), set-up between the MFSA and CBM, to the implementation of macro-prudential measures in line with the CRD IV package.

Throughout the first eight months of the year, the MFSA issued a significant number of new licences. In total, 9 investment services licences were issued, leading to 156 licences by the end of August 2016. The MFSA also issued 77 new Collective Investment Scheme (CIS) licences, increasing the total number of CIS licences to 1,293. Financial institutions were issued one licence, increasing the total as at end of August to 40 units. With regards to insurance companies, a new licence was issued, bringing the total to 58 insurance companies. Moreover, trustees increased by 7, to an aggregate of 153 trustees. With regards to retirement schemes, 8 schemes and 2 administrators were licensed, with the total increasing to 44 schemes and total administrators increasing to 16. In addition, during the period under review, 3,353 companies and partnerships were registered with the Registry of Companies.

## **Malta Gaming Authority**

The MGA, established under the Lotteries and Other Games Act, Chapter 438 of the Constitution of Malta, is the single, independent, regulatory body responsible for the governance of all gaming activities in Malta, both online and land-based. The Maltese regulated land-based gaming market is composed of casinos, gaming parlours, commercial bingo halls and Maltco Lotteries Limited. The remote gaming regime applied by the MGA is both technology- and game-neutral, therefore, encompassing any type of gaming offered by means of distance communication (including, but not limited to, internet, digital TV, mobile phone technology and telephony). Any game offered by means of distance communication, which can be securely managed and is compliant with the Regulations, is normally reviewed and considered for licensing by the MGA. The remote gaming

sector is regulated under the provisions of the Remote Gaming Regulations (S.L. 438.04). Data showing MGA's performance covers the first seven months of 2016.

In line with its commitment to achieving a high level of integrity, efficiency and cutting edge regulation, during the first seven months of 2016, the MGA continued to review its approach through a variety of initiatives. The most important initiative is the continuation of the overhaul of the entire regulatory framework governing the Maltese gaming industry. The overhaul, which began in 2015, is geared to address the various technological, political and legal developments facing the industry. The aim is that of consolidating all legislations under a single framework enabling consistent, technology-neutral, evidence-based and future-looking governance of all gaming sectors in Malta. This should lead to enhanced government structures and an extension of the regulatory scope and responsibilities of the Authority.

Since the end of 2013, the MGA has been working to consolidate Malta's position in the global domain, particularly within the remote gaming sector. The aim of strategy is to ensure that it has a regulatory framework that is robust, while flexible enough to support the early adoption of new technology as well as the introduction of new gaming models, with a view to maintaining and enhancing the effectiveness of its regulatory oversight while at the same time facilitating industry growth and evolution. As at the end of July 2016, there were 250 remote gaming companies in Malta, which collectively held 498 licences. This implies that the number of registered remote gaming licences increased by 6 per cent over the corresponding period in 2015.

Data on the land-based sector of the MGA refers to the first six months of 2016, whereby by the end of this period, the number of casinos in Malta stood at 4, while the number of gaming parlours and bingo halls remained unchanged at the 2015 level, at 46 and 4, respectively. The number of Maltco Lotteries Limited's points of sale units decreased to 241.

In May 2016, Malta published amendments to the Remote Gaming Regulations introducing measures designed to strengthen licensees' obligations in respect of consumer protection, requiring increased transparency in the information which licensed operators provide to players. A second amendment, following the published consultation carried out in 2015, introduced the need for the MGA to implement a monitoring system. The objective behind the implementation of such a platform is to automate and enhance compliance processes, reduce complexities in investigations and strengthen the regulatory framework. The MGA is now working on the implementation of such systems which will take into consideration the feedback received in the consultation process.

Another significant development was the proposed regulatory framework for skill games, thus addressing the Government's commitment to introduce legislation to regulate certain skill games which present risks to consumers. To this end, the MGA held a number of consultations with various stakeholders in order to understand the industry better and apply the right approach to regulation, especially taking into consideration the increasing convergence among the different offers of games which are available. The MGA also continued to work with the Financial Intelligence Analysis Unit in 2016 on the implementation of the new Directive addressing money laundering, which is set to come into force in 2017.

The MGA continued to participate actively in discussions relating to gaming in the EU and other fora. Gaming regulation in Europe and beyond is very granular and Governments have been seeking to ring-fence their territorial markets. In particular, the Authority forms part of the Expert Group on Gambling Services, hosted by the European Commission. In this Expert Group, MGA supports the view that some form of standardization is necessary in order to reduce regulatory burdens on operators licensed in more than one Member State. The initiative of the European Commission to achieve a digital single market has required the MGA to closely follow all initiatives to ensure that if gaming is in anyway affected, the interests of the industry would be properly safeguarded.



It is noteworthy that, in June 2016, the International Gaming Summit, jointly organized by the International Association of Gaming Advisors and the Gaming Regulators European Forum, was hosted in Malta.

## **Development and Investment Promotion**

Malta Enterprise (ME) is Malta's economic development agency, tasked with attracting new foreign direct investment as well as facilitating the growth of existing operations. Its roles are multifaceted, whereby it acts as a single point of contact for all enterprise support in Malta, develops initiatives to create an environment conducive to the growth and development of industry, administers a number of fiscal and non-fiscal incentives, advises Government on economic policy and also acts as an intermediary between industry and Government, particularly on educational facilities. Data showing ME's performance is for January to September 2016.

In the first nine months of 2016, ME approved 16 foreign-owned projects in the areas of ICT, pharmaceuticals and medical devices, aviation, precision engineering and plastics. The local industry also demonstrated significant growth. In fact, during the same period, 6 new Maltese owned companies and 24 expansion projects were approved by the Board of ME.

Furthermore, ME had a crucial role in securing a new global investment to Malta by a key player in the banknote manufacturing industry. This project is envisaged to result in an investment of \$100 million and should generate around 300 jobs in Malta, where such an investment is not yet incorporated in the FDI statistics presented in this section. Furthermore, ME had a prominent role to ensure that leading players in the Aircraft Maintenance, Repair & Overhaul (MRO) industry not only maintained their base in Malta but also expanded their operations further. In fact, in September 2016, it was announced that the fleet of a major low-cost airline will be serviced in Malta.

ME continued to work intensely on the development of a holistic national logistics policy. This policy, besides focusing on the infrastructure projects required, also delves in depth in identifying practices that need to be abolished or else revised to ensure that goods can flow to and from Malta in the most efficient and cost-effective way possible.

This work led to the issuing of a request for proposals for the development and running of an international logistics hub in Hal Far. This project is envisaged to generate a minimum of 400,000 cubic metres of storage place. This should also bring about significant improvements to the groupage facilities currently hosted on the site.

Business First has further consolidated the support offered to SMEs with particular focus on start-ups. During the period under review, a total of 800 enquiries were handled, most of which resulted in actual requests for assistance. Business First has also enhanced its electronic presence through the introduction of an updated website, thus making it even more effective to reach clients.

Furthermore, to fulfil its mission in the support of SMEs formation and growth, ME continued to manage the Kordin Business Incubation Centre (KBIC), which is a mixed technology oriented style incubator. During January to September 2016, KBIC hosted 18 full-time clients, which included 3 new start-ups that commenced their pre-incubation programme during the same period.

Malta Industrial Parks Ltd. (MIPL) continued to work very closely with ME, administering and maintaining a substantial portfolio of industrial properties, exceeding 900 factories in various industrial estates, including the Safi Aviation Services Park (SASP). During the period under review, the Malta Chamber of Commerce, Enterprise and Industry signed a memorandum of understanding with MIPL in a bid to facilitate the creation of tenants' associations for those estates where such associations do not already exist. Over the period January to September

2016, close to 269,703 square metres of space were allocated to local and foreign owned businesses under titles of lease and emphyteusis. It is to be noted that 169,852 square metres of this space was allocated for the development of a maritime hub at the Ex Shipbuilding site.

ME continued to work on issuing new incentives related to start up capital and energy efficiency. To this end, ME launched the Start-up Finance Scheme related to crowd funding and private equity and also re-launched the Business Start (B.Start) Scheme which was introduced in 2015 as a pilot project. By the end of the period under review, 40 beneficiaries were assisted under the B.Start Scheme.

In the first nine months of 2016, ME reviewed and approved Investment Aid Tax Credits based on eligible investment for a total value of €46.6 million in favour of 185 beneficiaries. Furthermore, the Corporation received and processed 2,462 applications under the Get Qualified Scheme, as well as issued €8 million worth of tax credits under MicroInvest Scheme.

Other significant developments in 2016 included the continuous effort provided by the Enterprise European Network (EEN). As of January 2015, the EEN is represented in Malta by a consortium made up of four business support organisations namely ME, the Malta Chamber of Commerce, Enterprise and Industry, the Malta Business Bureau and the Malta Council for Science and Technology.

In addition, the connectivity study on Gozo, including the feasibility of the digital hub, was completed during the period under review. The recommendations are now being converted into concrete action.

## **6. Prices and Incomes**

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## 6. Prices and Incomes

This Chapter presents a review of the domestic price movements during the twelve months to August 2016, together with a comparison of Malta's inflation rate to that of other European Union (EU) Member States. In addition, it also includes an analysis of calculated average sectoral wages, on the basis of collective agreements of a representative sample of companies deposited within the Department of Industrial and Employment Relations.

The Harmonised Index of Consumer Prices (HICP) published by Eurostat provides the official measure of consumer price inflation in the Euro Area for the purposes of monetary policy, while assessing inflation convergence as required under the Maastricht criteria.

Malta's monthly year-on-year harmonised inflation rate (HICP) as reported by Eurostat as from September 2015, decreased slightly and remained relatively stable thereafter, averaging around 0.9 per cent. In fact, it fell gradually from 1.6 per cent in September 2015 to 0.8 per cent in January 2016 and reached the rate of 1.0 per cent in August 2016. The 12-month moving average inflation rate stood at 1.1 per cent in August 2016, slightly higher from 0.9 per cent registered in August 2015.

As per the collective agreement's sample, the overall average weekly wage increased by €3.96 or 1.2 per cent during the year to August 2016. The highest percentage weekly wage increase of 2.8 per cent, was registered in both the Libraries, archives, museums and other cultural activities, and the Sports activities and amusement and recreation activities sub-sectors. Meanwhile, the highest percentage of employees (37.7 per cent) earned a weekly wage over €335.73, while around 27.6 per cent of all employees in the sample earned a weekly wage between €285.73 and €335.72.

## Inflation

### International Comparison

Table 6.1 presents data on the inflation rates for EU Member States as at August 2016. The inflation rate is based on the 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 EU in August 2016 showed that Belgium registered the highest annual rate of inflation at 2.0 per cent, followed by Sweden at 1.2 per cent, Estonia at 1.1 per cent and Malta at 1.0 per cent. In the meantime, twelve countries recorded negative inflation with the lowest rates including Croatia at -1.5 per cent, Bulgaria at -1.1 per cent, Slovakia at -0.8 per cent and Cyprus at -0.6 per cent. The average inflation rate for the EU28 Member States was 0.3 per cent, slightly up from 0.0 per cent registered in August 2015. Positive developments in EU28 inflation during this period were noticed in prices related to Education (2.5 per cent), Alcoholic Beverages, Tobacco and Narcotics, and Restaurants and Hotels (both at 1.7 per cent), while prices related to Transport (-1.6 per cent), Housing, Water, Electricity, Gas and Other Fuels (-0.7 per cent) and Clothing and Footwear (-0.5 per cent) sub-sectors recorded the highest declines.

The annual rate of inflation in Malta in August 2016 was 1.0 per cent, decreasing from the rate of 1.4 per cent recorded in August 2015. Price declines during this period were recorded in the following sub-indices: Recreation and Culture (-3.7 per cent), Clothing and Footwear (-2.7 per cent) and Communications (-2.1 per cent). In the meantime, price increases were mainly driven by the Education sub-index with an annual increase of 5.9 per cent. This was followed by Alcoholic Beverages, Tobacco and Narcotics (4.2 per cent), Furnishings, Household Equipment and Routine Household Maintenance (2.8 per cent), and Food and Non-Alcoholic Beverages (2.6 per cent). Table 6.2 illustrates the monthly annual rate of HICP for the period January 2013 to August 2016.

## Harmonised Index of Consumer Prices

(August 2016)

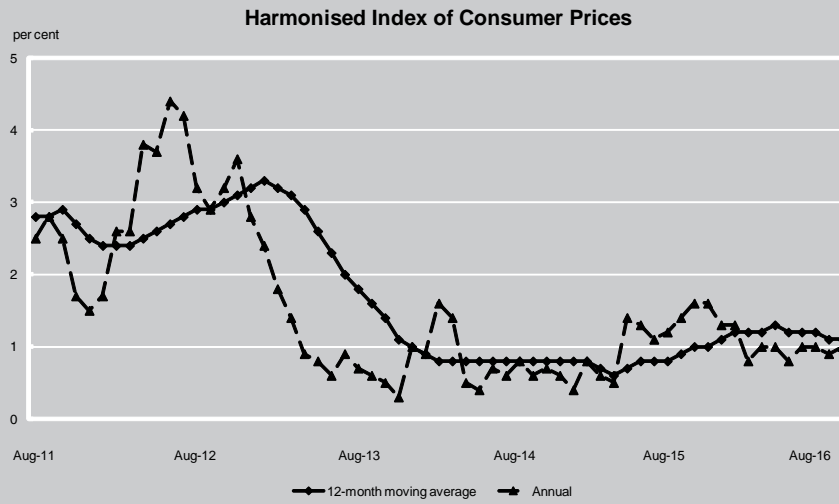
Table 6.1 per cent

Member States	Annual Rate	12-Month Moving Average
Austria	0.6	0.7
Belgium	2.0	1.5
Bulgaria	-1.1	-1.4
Cyprus	-0.6	-1.5
Croatia	-1.5	-0.8
Czech Republic	0.6	0.3
Denmark	0.0	0.1
Estonia	1.1	0.3
Finland	0.5	0.0
France	0.4	0.2
Germany	0.3	0.1
Greece	0.4	-0.1
Hungary	-0.1	0.2
Ireland	-0.4	-0.1
Italy	-0.1	0.0
Latvia	-0.1	-0.3
Lithuania	0.5	0.1
Luxembourg	-0.2	-0.1
Netherlands	0.1	0.1
Poland	-0.5	-0.5
Portugal	0.8	0.6
Romania	0.3	-1.4
Slovakia	-0.8	-0.6
Slovenia	-0.2	-0.6
Spain	-0.3	-0.8
Sweden	1.2	1.0
United Kingdom	0.6	0.3
EU 28	0.3	0.0
Euro Area	0.2	0.1
<b>Malta</b>	<b>1.0</b>	<b>1.1</b>

Source: Eurostat, National Statistics Office



Chart 6.1



### Harmonised Index of Consumer Prices

Annual rate of change (y-o-y)

Table 6.2

per cent

	2013	2014	2015	2016
January	2.4	0.9	0.8	0.8
February	1.8	1.6	0.6	1.0
March	1.4	1.4	0.5	1.0
April	0.9	0.5	1.4	0.8
May	0.8	0.4	1.3	1.0
June	0.6	0.7	1.1	1.0
July	0.9	0.6	1.2	0.9
August	0.7	0.8	1.4	1.0
September	0.6	0.6	1.6	
October	0.5	0.7	1.6	
November	0.3	0.6	1.3	
December	1.0	0.4	1.3	

Source: National Statistics Office

In light of the above developments in the annual rate of inflation, the 12-month moving average for Malta in August 2016 stood at 1.1 per cent, above the rate for EU28 which stood at 0.0 per cent.

## Retail Price Index and COLA

The Cost of Living Adjustment agreement (COLA) is based on the 12-month moving average measure of the Retail Price Index (RPI). 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. The RPI index has a different weighting structure when compared to the HICP index.

Malta's RPI 12-month moving average inflation rate in August 2016 stood at 0.8 per cent. Fluctuations at sub-index level provide an insight on the underlying contributors to domestic inflation. Indeed, as Table 6.3 illustrates, the highest change in August 2016 was noted in the Beverages and Tobacco sector followed by the Household Equipment and House Maintenance

<b>Index by Commodity Group</b>			
(Average for 12 months)			
Table 6.3	December 2009=100		
<b>Commodity Group</b>	<b>Aug-14</b>	<b>Aug-15</b>	<b>Aug-16</b>
Food	1.11	2.34	1.91
Beverages and Tobacco	4.99	3.08	4.25
Clothing and Footwear	-0.46	3.16	-0.87
Housing	0.55	0.45	1.55
Water, Electricity, Gas and Fuels	-7.86	-12.23	-1.53
Household Equipment & House Maintenance Costs	2.12	0.04	2.16
Transport and Communications	-1.82	-0.50	-2.40
Personal Care and Health	1.55	1.09	1.34
Recreation and Culture	2.80	2.31	1.91
Other Goods and Services	-0.10	1.86	1.87

*Source: National Statistics Office*

Costs, Food and Recreation and Culture sub-indices. Table 6.4 shows the 12-month moving average of the RPI overall inflation rate.

In August 2016, the Food sub-index 12-month moving average decreased slightly, from 2.34 per cent to 1.91 per cent, recorded during the previous period. However, its contribution to overall price developments remains significant at 0.41 percentage points. This contribution includes various food items like served meals and food, unprocessed potatoes, fruit, biscuits, chocolate, processed meat, fresh bread and processed vegetables. Negative contributions were noticed in two items, namely sugar and vegetables.

The 12-month moving average rate for the Beverages and Tobacco sub-index, increased from 3.08 per cent in August 2015 to 4.25 per cent during the same month in 2016, with a resulting contribution of 0.26 percentage points to the headline inflation rate. The principal contributors to inflationary developments for this sub-index were cigarettes prices.

<b>Retail Price Index</b>				
<b>(12-Month Moving Average Inflation Rate)</b>				
Table 6.4	per cent			
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
January	2.46	1.23	0.32	1.08
February	2.40	1.17	0.29	1.05
March	2.40	1.10	0.24	1.04
April	2.30	0.99	0.38	0.95
May	2.31	0.80	0.52	0.90
June	2.26	0.66	0.63	0.86
July	2.25	0.48	0.72	0.83
August	2.19	0.35	0.84	0.78
September	2.01	0.30	0.93	
October	1.76	0.33	1.02	
November	1.52	0.39	1.03	
December	1.38	0.31	1.10	

*Source: National Statistics Office*

In August 2016, the Clothing and Footwear sub-index decreased significantly from the average observed during the previous year. Indeed, it recorded a 12-month average of -0.87 per cent from the 3.16 per cent registered in the same comparable period in 2015. The contribution to headline inflation stood at -0.06 percentage points. These developments mainly emanated from the outdoor garments, underwear and babies clothing categories, while women's footwear registered a positive contribution.

The Housing sub-index registered a 12-month average of 1.55 per cent in August 2016, contributing 0.12 percentage points to the overall inflation rate. This rate was 1.1 percentage points higher than the rate recorded during the previous 12-month period. The contribution under this sub-index was mainly attributed to rentals.

In August 2016, the Water, Electricity, Gas and Fuels sub-index showed a slight decrease of 1.53 per cent contrasting with the 12.23 per cent decline recorded in August 2015. Since April 2015, there were no further changes announced in water and electricity charges and this reflected the average change observed in the overall index. Gas and liquid fuels recorded declines in their respective index. In August 2016, the contribution of this sub-index to headline inflation stood at -0.05 percentage points.

The 12-month moving average rate for the Household Equipment and House Maintenance Cost sub-index, increased to 2.16 per cent in August 2016, up from 0.04 per cent in August 2015. The contribution of this sub-index to the overall rate stood at 0.14 percentage points mainly underpinned by developments in furniture and household appliances sub-indices. On the other hand, marginal negative contribution was noticed in glassware, tableware and household utensils sub-category.

In August 2016, the 12-month moving average inflation rate for the Transport and Communications sub-index stood at a negative rate of 2.40 per cent. The overall contribution to headline inflation of this sub-index was also negative at -0.55

percentage points and this mainly emanated from developments pertaining to air transport services and fuels.

In August 2016, the 12-month moving average rate for the Personal Care and Health sub-index was 1.34 per cent with a contribution of 0.11 percentage points to the RPI inflation rate. The rate was slightly higher than the 1.09 per cent recorded in the previous comparable period of 2015. Major developments were recorded in medical services, medicines and hygienic articles.

The 12-month moving average growth rate in the Recreation and Culture sub-index recorded an increase of 1.91 per cent in August 2016. The contribution to the overall rate was that of 0.18 percentage points with the main contributors being education expenses, stationery goods and entertainment and photography services. Meanwhile, audio visual equipment contributed negatively to headline inflation.

The 12-month average inflation rate of the Other Goods and Services sub-index for August 2016 was that of 1.87 per cent with a contribution of 0.13 percentage points to the RPI inflation rate. Positive developments in this index were observed in non-durable household goods and insurance. On the other hand, marginal negative contributions were registered in the services for pets and pet food index.

## **Sectoral Wages**

This section illustrates developments in average weekly wage rates based on collective agreements as deposited with the Department of Industrial and Employment Relations, covering the period between August 2015 and August 2016.

The sample under review is made up of 189 firms employing 27,818 employees, where 61 firms are engaged in direct production and employ 10,507 employees while the remaining 128 firms operate in the market services with 17,311 employees. The data for weekly wages is divided into three distinguished levels as per ISCO-08 skill level groups excluding military occupations. ISCO stands

for International Standard Classification of Occupations and is a system of classification and aggregation of occupational information under the International Labour Office (ILO). Level 1 includes ISCO major group 9 where it refers to elementary occupations, Level 2 includes ISCO major groups 4 to 8 where this consists of clerks, service and sales workers, skilled agricultural and fishery workers, craft and related trades workers, and plant and machine operators and assemblers, while Level 3 includes ISCO major groups 1 to 3 referring to managers, senior officials and legislators, professionals, technicians and associate professionals.

It is to be noted, that definite contracts of employment are not considered in this analysis. The data also excludes employment benefits over and above the basic wage, such as production bonuses, overtime payments, social security and allowances, and other non-wage income. This source of non-wage income can be quite significant for some categories of employment, hence it follows that the employees' actual average weekly remuneration might be higher than that reported in this study.

Since the information in this Chapter is based on a sample of collective agreements and includes only the basic weekly wage, the results shown in the following tables cannot be directly compared to data based on the gainfully occupied population included in other Chapters of this Economic Survey. Moreover, the tables and data presented in this Chapter are 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 individual firms' weighting in each category would change reflecting the changes in employment levels. The reported average wage rates may also change due to a new collective agreement which can result in a reclassification of grades.

The methodology used in this study compiles collective agreements on the basis of the entity's European Classification of Economic Activities (NACE) code. This classification provides

a structure for statistical data according to economic activity. The average of the minimum and maximum wage scales for each individual collective agreement is then calculated. This gives the sub-sectoral mean wage. The figures obtained are then increased by the COLA in cases where the collective agreement is exclusive of COLA. The COLA for the year 2016 as announced during the 2015 budget speech amounted to €1.75.

Table 6.5 shows the average weekly wage rate for the various employment categories in the sampled firms as at August 2015. The overall weighted average wage of all firms stood at €332.81 whereas the weighted average wage for those employed in direct production and market services stood at €296.02 and €357.75, respectively. This implies a wage gap of €61.73. The highest average weekly wage rates were recorded by the Education sub-sector (€465.15) and the Telecommunication sub-sector (€437.80). These were followed by Activities of Membership Organisations (€398.86), Publishing Activities (€393.63) and Transportation and Storage (€383.61) sub-sectors. On the other hand, the lowest paid sub-sectors were the Manufacture of Machinery and Equipment sub-sector (€197.48), the Manufacture of Wearing Apparel sub-sector (€210.60), and the Services to Buildings and Landscape Activities sub-sector (€213.56). The lowest weekly average wage rate in August 2015, amounted to €187.38 and was earned under Level 1 in the Security and Investigations sub-sector while the highest weekly average wage rate was earned by the Transportation and Storage Level 3 classification (€585.92).

Table 6.6 shows the average weekly wage rates for the three employment levels in the sampled firms as at August 2016. The fact that both Table 6.5 and Table 6.6 use the same employment weighting structure and the same sample of firms makes them directly comparable. Thus, the differences in the corresponding wage rates represent the actual change in wages occurring during the period under observation.

The weighted average weekly wage for all firms as at August 2016 stood at €336.77. Similar to the observations as at August

**Average Weekly Wages**  
(August 2015)

Table 6.5

€

	Level 1	Level 2	Level 3	Weighted Average
Mining support services activities	224.29	283.04	441.70	305.73
Manufacture of food products	230.61	271.70	400.31	291.17
Manufacture of beverages	228.14	298.68	360.45	302.70
Manufacture of textiles	250.26	296.34	291.37	295.13
Manufacture of wearing apparel	210.81	209.77	215.47	210.60
Manufacture of paper and paper products	229.95	279.45	310.16	262.16
Printing and reproduction of recorded media	322.19	354.89	326.42	346.17
Manufacture of basic pharmaceutical products and pharmaceutical preparations	305.62	335.27	336.40	333.01
Manufacture of rubber and plastic products	255.04	325.36	343.18	323.48
Manufacture of other non-metallic mineral products	209.06	254.48	263.21	230.86
Manufacture of fabricated metal products, except machinery and equipment	240.65	264.81	255.35	255.92
Manufacture of computer, electronic and optical products	231.12	283.32	325.99	298.47
Manufacture of electrical equipment	227.96	292.92	346.68	289.37
Manufacture of machinery and equipment	191.13	195.68	383.99	197.48
Manufacture of motor vehicles, trailers and semi-trailers	201.47	266.47	328.97	271.49
Manufacture of furniture	237.19	272.83	-	266.42
Other manufacturing	251.53	304.29	368.60	311.45
Repair and installation of machinery and equipment	197.98	256.33	263.50	243.34
Electricity, gas, steam and air conditioning supply	244.96	275.40	424.80	309.91
Water collection, treatment and supply	214.43	307.33	336.50	284.52
Specialised construction activities	194.69	233.23	272.81	234.05
Wholesale and retail trade and repair of motor vehicles and motor cycles	234.34	251.45	283.96	256.98
Wholesale trade except of motor vehicles and motorcycles	235.93	264.89	308.79	261.95
Retail trade, except of motor vehicles and motorcycles	232.64	258.88	306.96	272.88
Transportation and storage	298.99	317.66	585.92	383.61
Accommodation	241.90	256.10	283.75	258.00
Publishing activities	279.52	353.08	430.48	393.63
Motion picture, video and television programme production, sound recording and music publishing activities	-	247.49	291.75	269.62
Programming and broadcasting activities	225.13	276.56	311.79	301.68
Telecommunications	278.16	295.05	535.20	437.80
Information service activities	-	262.71	336.33	294.41
Financial service activities, except insurance and pension funding	262.58	306.95	523.24	342.27
Insurance, reinsurance and pension funding, except compulsory social security	271.05	283.11	346.32	317.57
Activities auxiliary to financial services and insurance activities	203.85	262.76	384.67	278.63
Activities of head offices; management consultancy activities	195.02	242.96	270.05	244.44
Employment activities	246.40	293.31	362.36	299.66
Security and investigations activities	187.38	232.95	-	231.85
Services to buildings and landscape activities	-	213.56	-	213.56
Office administrative, office support and other business support activities	235.24	308.20	-	276.93
Public administration and defence ; compulsory social security	231.81	286.98	406.76	358.49
Education	235.83	265.16	487.43	465.15
Residential care activities	200.93	256.40	346.07	247.58
Social work activities without accommodation	-	237.46	309.85	260.77
Creative, arts and entertainment activities	-	-	341.59	341.59
Libraries, archives, museums and other cultural activities	226.10	265.35	330.73	290.25
Sports activities and amusement and recreation activities	202.05	230.28	312.69	269.93
Activities of membership organisations	262.83	310.45	431.77	398.86
All firms	242.84	292.96	432.25	332.81
Direct Production	235.44	294.76	336.55	296.02
Market services	252.80	291.53	469.91	357.75

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



### Average Weekly Wages

(August 2016)

Table 6.6

€

	Level 1	Level 2	Level 3	Weighted Average
Mining support services activities	226.04	284.79	443.45	307.48
Manufacture of food products	232.36	273.45	402.06	292.92
Manufacture of beverages	229.89	300.43	362.20	304.45
Manufacture of textiles	252.01	298.09	293.12	296.88
Manufacture of wearing apparel	212.56	211.52	217.22	212.35
Manufacture of paper and paper products	231.70	281.20	311.91	263.91
Printing and reproduction of recorded media	323.94	356.64	328.17	347.92
Manufacture of basic pharmaceutical products and pharmaceutical preparations	307.37	337.02	338.15	334.76
Manufacture of rubber and plastic products	256.79	327.11	344.93	325.23
Manufacture of other non-metallic mineral products	210.81	256.23	264.96	232.61
Manufacture of fabricated metal products, except machinery and equipment	244.46	268.96	258.25	259.73
Manufacture of computer, electronic and optical products	232.87	285.07	327.74	300.22
Manufacture of electrical equipment	229.71	294.67	348.43	291.12
Manufacture of machinery and equipment	192.88	197.43	385.74	199.23
Manufacture of motor vehicles, trailers and semi-trailers	203.22	268.22	330.72	273.24
Manufacture of furniture	238.94	274.58	-	268.17
Other manufacturing	256.55	310.52	374.30	317.51
Repair and installation of machinery and equipment	199.73	258.08	265.25	245.09
Electricity, gas, steam and air conditioning supply	246.71	277.15	426.55	311.66
Water collection, treatment and supply	216.18	309.08	338.25	286.27
Specialised construction activities	196.44	234.98	274.56	235.80
Wholesale and retail trade and repair of motor vehicles and motor cycles	236.09	253.20	285.71	258.73
Wholesale trade except of motor vehicles and motorcycles	240.84	268.09	312.88	265.83
Retail trade, except of motor vehicles and motorcycles	234.86	260.63	310.39	275.29
Transportation and storage	302.44	321.04	589.39	387.02
Accommodation	243.65	257.85	285.50	259.75
Publishing activities	281.27	354.83	432.23	395.38
Motion picture, video and television programme production, sound recording and music publishing activities	-	249.24	293.50	271.37
Programming and broadcasting activities	226.88	278.31	313.54	303.43
Telecommunications	279.91	296.80	536.95	439.55
Information service activities	-	264.46	338.08	296.16
Financial service activities, except insurance and pension funding	266.02	312.18	527.16	347.23
Insurance, reinsurance and pension funding, except compulsory social security	272.80	284.86	348.07	319.32
Activities auxiliary to financial services and insurance activities	205.60	264.51	386.42	280.38
Activities of head offices; management consultancy activities	196.77	244.71	271.80	246.19
Employment activities	248.53	298.78	380.64	307.28
Security and investigations activities	189.13	234.70	-	233.60
Services to buildings and landscape activities	-	215.31	-	215.31
Office administrative, office support and other business support activities	240.44	313.40	-	282.13
Public administration and defence ; compulsory social security	235.97	292.46	414.92	365.56
Education	237.58	268.51	497.78	474.79
Residential care activities	203.03	259.67	355.73	251.01
Social work activities without accommodation	-	239.21	311.60	262.52
Creative, arts and entertainment activities	-	-	343.34	343.34
Libraries, archives, museums and other cultural activities	235.28	274.19	338.03	298.43
Sports activities and amusement and recreation activities	205.75	237.20	321.76	277.38
Activities of membership organisations	264.58	312.20	433.52	400.61
All firms	245.28	296.33	437.76	336.77
Direct Production	237.51	297.41	338.80	298.50
Market services	255.72	295.47	476.70	362.72

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

2015, the highest average weekly wage rates as at August 2016 were recorded by the Education sub-sector, which had a weekly average weighted remuneration of €474.79, followed by the Telecommunications sub-sector registering an average wage of €439.55. Similarly, the least remunerated sub-sectors in the sample were the Manufacture of Machinery and Equipment sub-sector (€199.23), the Manufacture of Wearing Apparel (€212.35) sub-sector and the Services to Buildings and Landscape Activities sub-sector (€215.31). The lowest reported wage resulted at Level 1 under the Security and Investigations Activities sub-sector (€189.13), which is €21.12 or 12.5 per cent over the National Minimum Wage for 2016 which stood at €168.01. The highest average wage was at Level 3 in the Transportation and Storage sub-sector at €589.39, while other relatively high wages were registered in the Telecommunications sub-sector (€536.95) and the Financial Service Activities, except Insurance and Pension Funding sub-sector (€527.16) under the same level.

Table 6.7 shows percentage changes in average weekly wage occurring between August 2015 and August 2016. The weighted average increase for all firms stood at 1.2 per cent. The average wage in the direct production increased by €2.48 or 0.8 per cent to reach €298.50 in August 2016, while the average weekly wage rate in the Market Services sector increased by €4.97 or 1.4 per cent, thus reaching €362.72 in August 2016. The sub-sectors which recorded the highest percentage increase were the Libraries, Archives, Museums and Other Cultural Activities, and the Sports Activities and Amusement and Recreation Activities which both registered an increase of 2.8 per cent, followed by the Employment Activities with an increase of 2.5 per cent. More specifically, the Level 3 category under the Employment Activities sub-sector registered the highest percentage increase (5.0 per cent), followed by the Libraries, Archives, Museums and Other Cultural Activities' levels 1 and 2 at 4.1 per cent and 3.3 per cent, respectively.

Table 6.8 provides information about the distribution of average weekly wages along different brackets as at August 2016. As already stated in the first paragraph of this section, it should

### Changes in Average Weekly Wages

August 2016 - August 2015

Table 6.7

per cent

	Level 1	Level 2	Level 3	Weighted Average
Mining support services activities	0.78	0.62	0.40	0.57
Manufacture of food products	0.76	0.64	0.44	0.60
Manufacture of beverages	0.77	0.59	0.49	0.58
Manufacture of textiles	0.70	0.59	0.60	0.59
Manufacture of wearing apparel	0.83	0.83	0.81	0.83
Manufacture of paper and paper products	0.76	0.63	0.56	0.67
Printing and reproduction of recorded media	0.54	0.49	0.54	0.51
Manufacture of basic pharmaceutical products and pharmaceutical preparations	0.57	0.52	0.52	0.53
Manufacture of rubber and plastic products	0.69	0.54	0.51	0.54
Manufacture of other non-metallic mineral products	0.84	0.69	0.66	0.76
Manufacture of fabricated metal products, except machinery and equipment	1.58	1.57	1.13	1.49
Manufacture of computer, electronic and optical products	0.76	0.62	0.54	0.59
Manufacture of electrical equipment	0.77	0.60	0.50	0.60
Manufacture of machinery and equipment	0.92	0.89	0.46	0.89
Manufacture of motor vehicles, trailers and semi-trailers	0.87	0.66	0.53	0.64
Manufacture of furniture	0.74	0.64	-	0.66
Other manufacturing	2.00	2.05	1.55	1.95
Repair and installation of machinery and equipment	0.88	0.68	0.66	0.72
Electricity, gas, steam and air conditioning supply	0.71	0.64	0.41	0.56
Water collection, treatment and supply	0.82	0.57	0.52	0.62
Specialised construction activities	0.90	0.75	0.64	0.75
Wholesale and retail trade and repair of motor vehicles and motor cycles	0.75	0.70	0.62	0.68
Wholesale trade except of motor vehicles and motorcycles	2.08	1.21	1.32	1.48
Retail trade, except of motor vehicles and motorcycles	0.95	0.68	1.12	0.88
Transportation and storage	1.15	1.06	0.59	0.89
Accommodation	0.72	0.68	0.62	0.68
Publishing activities	0.63	0.50	0.41	0.44
Motion picture, video and television programme production, sound recording and music publishing activities	-	0.71	0.60	0.65
Programming and broadcasting activities	0.78	0.63	0.56	0.58
Telecommunications	0.63	0.59	0.33	0.40
Information service activities	-	0.67	0.52	0.59
Financial service activities, except insurance and pension funding	1.31	1.70	0.75	1.45
Insurance, reinsurance and pension funding, except compulsory social security	0.65	0.62	0.51	0.55
Activities auxiliary to financial services and insurance activities	0.86	0.67	0.45	0.63
Activities of head offices; management consultancy activities	0.90	0.72	0.65	0.72
Employment activities	0.86	1.86	5.04	2.54
Security and investigations activities	0.93	0.75	-	0.75
Services to buildings and landscape activities	-	0.82	-	0.82
Office administrative, office support and other business support activities	2.21	1.69	-	1.88
Public administration and defence ; compulsory social security	1.79	1.91	2.01	1.97
Education	0.74	1.26	2.12	2.07
Residential care activities	1.04	1.28	2.79	1.39
Social work activities without accommodation	-	0.74	0.56	0.67
Creative, arts and entertainment activities	-	-	0.51	0.51
Libraries, archives, museums and other cultural activities	4.06	3.33	2.21	2.82
Sports activities and amusement and recreation activities	1.83	3.01	2.90	2.76
Activities of membership organisations	0.67	0.56	0.41	0.44
All firms	1.00	1.15	1.27	1.19
Direct Production	0.88	0.90	0.67	0.84
Market Services	1.15	1.35	1.44	1.39

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

Proportion of Sampled Employees in Wage Ranges

August 2016

Table 6.8

per cent

Sector \ Wage Range	Up to €185.72	€185.73 - €235.72	€235.73 - €285.72	€285.73 - €335.72	Over €335.73
Mining support services activities	0.0	16.0	63.8	0.0	20.2
Manufacture of food products	0.0	11.4	33.2	32.6	22.9
Manufacture of beverages	0.0	20.6	4.3	45.1	30.0
Manufacture of textiles	0.5	0.0	1.5	98.0	0.0
Manufacture of wearing apparel	0.0	98.7	1.3	0.0	0.0
Manufacture of paper and paper products	0.0	33.1	56.5	10.5	0.0
Printing and reproduction of recorded media	0.0	0.8	3.8	28.4	66.9
Manufacture of basic pharmaceutical products and pharmaceutical preparations	0.0	5.2	0.0	32.3	62.5
Manufacture of rubber and plastic products	0.0	4.0	8.9	27.7	59.3
Manufacture of other non-metallic mineral products	0.0	55.6	44.4	0.0	0.0
Manufacture of fabricated metal products, except machinery and equipment	13.4	33.9	0.9	46.4	5.4
Manufacture of computer, electronic and optical products	0.0	8.0	1.0	91.0	0.0
Manufacture of electrical equipment	1.4	8.5	14.9	57.4	17.7
Manufacture of machinery and equipment	90.8	0.0	2.0	0.0	7.2
Manufacture of motor vehicles, trailers and semi-trailers	0.0	3.9	83.9	12.1	0.0
Manufacture of furniture	0.0	0.0	100.0	0.0	0.0
Other manufacturing	0.0	0.3	7.8	80.8	11.1
Repair and installation of machinery and equipment	0.0	21.1	78.9	0.0	0.0
Electricity, gas, steam and air conditioning supply	0.0	0.0	73.7	0.0	26.3
Water collection, treatment and supply	0.0	30.3	0.0	51.2	18.4
Specialised construction activities	5.1	54.9	34.1	5.9	0.0
Wholesale and retail trade and repair of motor vehicles and motor cycles	0.0	12.1	79.3	8.6	0.0
Wholesale trade except of motor vehicles and motorcycles	0.0	32.3	40.0	25.4	2.3
Retail trade, except of motor vehicles and motorcycles	0.0	21.5	34.4	44.1	0.0
Transportation and storage	0.0	1.5	22.4	24.3	51.8
Accommodation	0.0	24.1	58.3	9.9	7.7
Publishing activities	0.0	0.0	6.3	0.0	93.8
Motion picture, video and television programme production, sound recording and music publishing activities	0.0	0.0	50.0	50.0	0.0
Programming and broadcasting activities	0.0	4.9	43.7	14.1	37.3
Telecommunications	0.0	0.0	5.8	34.3	59.9
Information service activities	0.0	0.6	56.0	0.0	43.4
Financial service activities, except insurance and pension funding	0.0	0.4	40.4	9.7	49.5
Insurance, reinsurance and pension funding, except compulsory social security	0.0	0.0	44.7	0.0	55.3
Activities auxiliary to financial services and insurance activities	0.0	5.2	79.3	0.0	15.5
Activities of head offices; management consultancy activities	0.0	20.0	80.0	0.0	0.0
Employment activities	0.0	3.2	46.3	29.2	21.3
Security and investigations activities	0.4	87.3	0.0	12.3	0.0
Services to buildings and landscape activities	0.0	100.0	0.0	0.0	0.0
Office administrative, office support and other business support activities	0.0	0.0	42.9	57.1	0.0
Public administration and defence ; compulsory social security	0.6	12.2	10.6	10.2	66.4
Education	0.0	1.0	12.3	3.2	83.6
Residential care activities	6.9	21.9	63.4	0.9	6.9
Social work activities without accommodation	0.0	30.5	37.3	32.2	0.0
Creative, arts and entertainment activities	0.0	0.0	0.0	0.0	100.0
Libraries, archives, museums and other cultural activities	0.0	14.0	40.4	3.3	42.3
Sports activities and amusement and recreation activities	0.0	28.6	16.3	55.1	0.0
Activities of membership organisations	0.0	0.0	6.2	21.8	72.0
All Firms	0.9	10.8	23.0	27.6	37.7
Direct Production	1.8	12.2	17.1	48.1	20.8
Market Services	0.2	9.8	27.0	13.8	49.1

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

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 levels of skills and expertise.

The largest share of employees (37.7 per cent) for all firms earned on average a weekly wage over €335.73. The same goes for the market services segment where the highest portion of average wages fell under the same range of earnings. The second largest proportion of all firms (27.6 per cent) fell within the €285.73 to €335.72 bracket where this made up also the largest fraction of earnings under the direct production segment. The percentage of employees earning up to €185.72 per week stood at 0.9 per cent, with the Manufacture of Machinery and Equipment being the sub-sector with the highest relative share under this range (90.8 per cent). On the other hand, the Creative, Arts and Entertainment Activities sub-sector registered the highest percentage of earnings, above €335.73.

## **7. International Trade**

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## 7. International Trade

This section outlines Malta's imports and exports with respect to the provision of goods. It also analyses the flow of goods by their geographical distribution and by type of commodity. The trade balance, which represents the difference between exports and imports, is also explored in this section since it provides additional information regarding Malta's international trade performance.

### Exports of Goods

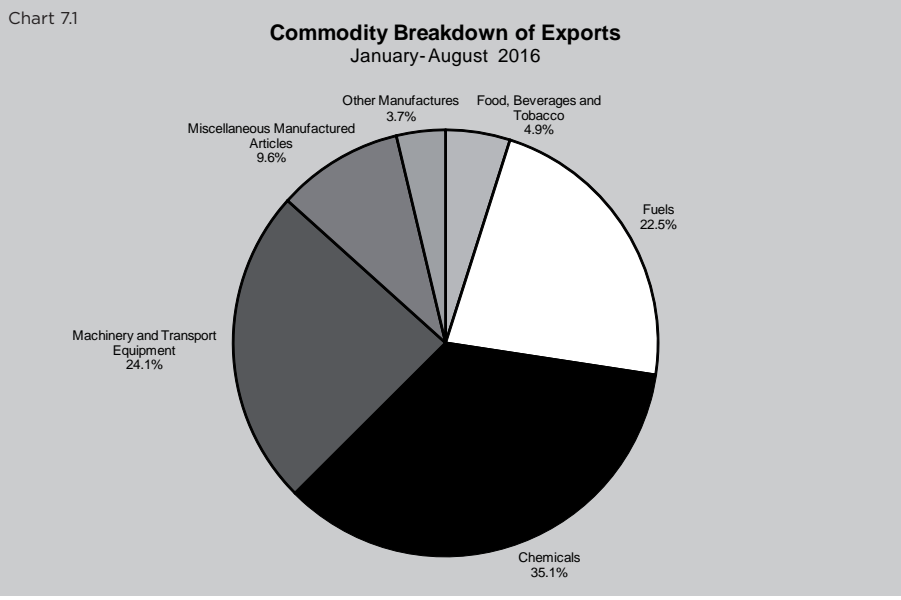
For the period January to July 2016, Malta's exports increased by 3.9 per cent over the corresponding period in 2015 to reach a value of €2,211.6 million. Total exports net of fuel increased by around 35.2 per cent. Such an increase in the value of exports was mainly attributed to chemicals exports that registered a significant growth of €556.5 million. This increase was due to a substantial consignment of pharmaceutical products to

	€ million					
	2012	2013	2014	2015	2015 Jan-Jul	2016 Jan-Jul
Food, Beverages and Tobacco	227.2	248.0	243.1	287.9	131.5	108.3
Fuels	2,010.8	1,665.7	1,608.2	1,357.5	861.1	497.8
Chemicals	321.4	358.2	377.3	363.6	220.2	776.7
Machinery and Transport Equipment	1,322.2	1,112.4	1,000.2	968.0	581.7	533.8
Miscellaneous Manufactured Articles*	400.9	404.5	375.7	411.0	250.3	212.7
Other Manufactures	156.3	136.8	133.5	139.5	83.8	82.3
<b>Total Exports</b>	<b>4,438.8</b>	<b>3,925.5</b>	<b>3,737.9</b>	<b>3,527.5</b>	<b>2,128.6</b>	<b>2,211.6</b>
<b>Total Exports excl. Fuels</b>	<b>2,428.1</b>	<b>2,259.9</b>	<b>2,129.7</b>	<b>2,170.0</b>	<b>1,267.5</b>	<b>1,713.7</b>

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

Source: National Statistics Office





the United States (US). In contrast, the largest decrease was recorded in fuel exports which declined by 42.2 per cent.

The breakdown of commodity exports is outlined in Table 7.1 and Chart 7.1.

**Geographical Distribution - Exports**

During the January to July period in 2016, exports were mainly directed towards America and Europe with shares in total exports amounting to 31.6 per cent and 29.9 per cent, respectively. It is worth noting, that the substantial sale of pharmaceuticals to the US exceeded exports to the European continent.

Table 7.2 represents the distribution of exports by geographical area. Exports towards countries within the European Union (EU) amounted to €620.6 million. With respect to the main developments within the EU, Malta registered declines in exports towards the Netherlands (28.0 per cent), Spain (14.5 per cent) and the United Kingdom (UK) (14.0 per cent), while increasing exports to Germany.

	2012	2013	2014	2015	2015 Jan-Jul	2016 Jan-Jul
Europe	1,646.7	1,535.4	1,320.5	1,156.1	682.5	660.7
EU	1,296.0	1,246.1	1,105.1	1,078.6	631.9	620.6
Italy	174.2	154.1	160.5	137.2	77.3	70.7
Germany	358.5	348.6	309.2	334.1	201.5	224.4
France	296.9	253.0	204.1	239.6	134.7	123.2
UK	124.6	107.8	99.3	126.4	73.7	63.3
Netherlands	97.4	47.3	39.2	31.5	23.9	17.2
Spain	49.0	34.6	35.8	36.2	23.4	20.0
Others	195.3	300.6	257.0	173.7	97.5	101.9
Euro Area	1,042.2	953.6	834.8	825.4	485.5	484.2
Other European Countries	350.7	289.3	215.5	77.5	50.6	40.1
Africa	776.8	617.3	971.3	934.9	614.8	351.6
Libya	199.7	238.0	208.6	120.0	79.5	77.6
Others	577.1	379.3	762.8	815.0	535.2	274.0
America	255.4	224.7	231.3	222.7	120.6	698.8
USA	198.0	170.0	164.1	135.6	78.1	667.2
Others	57.4	54.7	67.2	87.0	42.5	31.6
Oceania	6.3	9.8	14.4	17.3	10.3	7.7
Asia	1,020.4	1,059.6	767.4	715.8	405.1	277.0
Japan	116.9	196.5	106.0	109.4	12.7	12.0
Singapore	246.6	272.2	185.4	169.9	94.5	89.9
China	61.1	45.6	23.4	43.5	32.8	13.9
Hong Kong	340.2	199.2	203.7	171.5	116.1	62.5
India	15.0	31.5	30.6	21.0	17.5	7.0
South Korea	9.8	11.3	37.1	16.1	5.9	5.9
Others	230.9	303.3	181.2	184.3	125.6	85.9
Ships & Aircraft	733.2	478.7	433.0	480.6	295.4	215.8
<b>Total Exports</b>	<b>4,438.8</b>	<b>3,925.5</b>	<b>3,737.9</b>	<b>3,527.5</b>	<b>2,128.6</b>	<b>2,211.6</b>
Exports to the EU as % of Total	29.2	31.7	29.6	30.6	29.7	28.1

Source: National Statistics Office

With respect to exports pertaining to other European countries not within the EU, Malta registered €40.1 million in exports compared to €50.6 million registered in the January to July period of 2015.

Meanwhile, exports towards the USA increased by €589.1 million. As aforementioned, this related to pharmaceutical products' exports. In contrast, Malta's exports towards Africa declined

substantially by around 42.8 per cent due to declines in exports related to the Mineral Fuels, Lubricants and related materials category towards Egypt, Libya, Algeria and Tunisia.

In the case of Asia, declines in exports reached €128.1 million, or 31.6 per cent when comparing the January to July period of 2016 with that of 2015. This was mostly due to declines in exports registered towards Hong Kong (€53.6 million), China (€18.9 million) and India (€10.5 million). In the case of China and India, the decrease related to fuels, whilst the decreases in Hong Kong were due to electrical machinery. Exports to ships and aircrafts, which mainly represent bunkering activities, declined by 27.0 per cent.

## **Imports of Goods**

The total value of imports for the period January to July 2016 amounted to €4,060.0 million, an increase of 3.5 per cent, and equivalent to €138.1 million over the corresponding period of 2015. Imports relating to consumer goods registered a minor decline of 1.5 per cent owing to declines in durable goods and Food and Beverages imports. Importation of consumer goods amounted to €676.4 million, which represent 16.7 per cent of total imports.

Imports of industrial supplies fell by €132.7 million mainly underpinned by a decline in semi-finished industrial supplies. These were attributable to electrical machinery. Meanwhile, imports related to primary supplies increased by 10.3 per cent, whilst imports of finished supplies, declined by 14.3 per cent. The share of industrial supplies as a percentage of total imports amounted to 18.3 per cent.

Imports of capital goods registered a sharp increase amounting to €439.8 or 34.1 per cent to reach a level of €1,730.2 million. Capital goods alone amount to 42.6 per cent of total imports in Malta, which is a sizable chunk of total imports. Importation of fuels, on the other hand, registered a decline of 14.7 per cent with a level of €904.2 million, or 22.3 per cent of total imports.

	2012	2013	2014	2015	2015 Jan-Jul	2016 Jan-Jul
<b>Consumer Goods</b>						
Food and Beverages	428.9	451.0	472.7	482.0	268.3	265.1
Durable Goods	339.7	335.5	373.5	453.2	250.9	241.4
Others	256.5	254.2	269.2	284.0	167.6	170.0
<b>Total</b>	<b>1,025.1</b>	<b>1,040.8</b>	<b>1,115.4</b>	<b>1,219.3</b>	<b>686.8</b>	<b>676.4</b>
<b>Industrial Supplies</b>						
Primary	111.7	95.1	81.2	80.0	52.5	57.9
Semi-finished	1,273.0	1,274.4	1,169.8	1,177.2	701.2	580.5
Finished	150.9	160.0	151.0	210.6	121.1	103.7
<b>Total</b>	<b>1,535.5</b>	<b>1,529.5</b>	<b>1,402.0</b>	<b>1,467.8</b>	<b>874.8</b>	<b>742.1</b>
<b>Capital and Others</b>						
Capital Goods	810.0	867.5	1,308.8	1,714.7	1,290.4	1,730.2
Fuel	2,788.3	2,179.7	2,561.1	1,689.4	1,060.1	904.2
Non-specified and Gold	30.5	22.2	13.0	15.0	9.8	7.1
<b>Total</b>	<b>3,628.8</b>	<b>3,069.3</b>	<b>3,882.9</b>	<b>3,419.1</b>	<b>2,360.3</b>	<b>2,641.5</b>
<b>Total Imports</b>	<b>6,189.4</b>	<b>5,639.6</b>	<b>6,400.3</b>	<b>6,106.1</b>	<b>3,921.9</b>	<b>4,060.0</b>
<b>Total Imports excl. Fuel</b>	<b>3,401.1</b>	<b>3,459.9</b>	<b>3,839.2</b>	<b>4,416.8</b>	<b>2,861.8</b>	<b>3,155.9</b>

Source: National Statistics Office

Thus, in general, capital and other goods consist of 65.1 per cent of total imports.

## Geographical Distribution - Imports

Table 7.4 shows the development of the geographical distribution of imports. Over the January to July period of 2015 and 2016, total imports from Europe reached a level of €2,025.8 million, which represent approximately 49.9 per cent of total imports, while in 2015, imports from Europe represented as much as 66.3 per cent of total imports. The decline in imports from Europe was mainly attributed to declines in imports from the Netherlands (€226.7 million), Italy (€99.5 million) and the UK (€66.0 million). The substantial decrease in imports from the Netherlands, pertains to a large transaction relating to yacht

importation which occurred in the January to July period of 2015. Imports with other European countries outside the EU also declined by 22.8 per cent, and in level terms this decline amounted to €86.2 million.

Imports from Africa increased by €64.0 million in the January to July period of 2016, despite a sizeable decline of fuel imports from Libya. Such increases in imports pertain to Egypt (€39.4

	2012	2013	2014	2015	2015 Jan-Jul	2016 Jan-Jul
Europe	4,896.4	4,066.4	4,284.3	4,276.1	2,690.3	2,025.8
EU	3,952.1	3,245.4	3,226.9	3,624.8	2,251.0	1,781.3
Italy	1,988.8	1,410.4	1,177.7	1,297.2	772.1	672.6
Germany	320.1	321.4	324.3	379.5	205.3	213.4
France	369.1	285.6	224.9	234.1	132.6	180.1
UK	372.8	309.5	390.5	417.4	274.0	208.0
Netherlands	198.8	202.4	231.6	435.3	362.6	135.9
Spain	214.0	168.4	237.4	229.9	127.1	80.2
Others	488.6	547.7	640.4	631.3	377.4	291.2
Euro Area	3,337.3	2,639.3	2,519.9	2,881.5	1,789.3	1,445.5
Other European Countries	944.3	820.9	1,057.4	651.3	439.3	244.5
Africa	197.2	256.4	236.1	163.2	76.9	140.9
Libya	110.0	113.1	24.0	55.9	32.3	2.6
Others	87.2	143.4	212.0	107.3	44.6	138.3
America	278.9	387.9	986.6	823.6	685.0	1,403.7
USA	134.1	187.9	610.2	294.3	217.3	203.3
Others	144.8	200.0	376.4	529.3	467.7	1,200.4
Oceania	34.4	18.0	80.8	36.0	33.5	20.3
Asia	769.9	827.6	733.6	783.0	412.5	462.8
Japan	39.4	49.0	49.2	70.1	40.9	32.7
Singapore	76.9	80.8	60.0	71.1	52.5	16.4
China	161.9	136.5	147.7	217.0	110.5	120.1
Hong Kong	20.6	17.4	17.9	26.5	14.9	27.0
India	74.6	86.9	100.7	108.0	57.1	68.4
South Korea	87.5	77.6	75.4	44.4	25.7	45.4
Others	309.0	379.4	282.8	245.9	111.0	152.9
Ships & Aircraft	12.7	83.2	79.0	24.2	23.6	6.6
<b>Total Imports</b>	<b>6,189.4</b>	<b>5,639.6</b>	<b>6,400.3</b>	<b>6,106.1</b>	<b>3,921.9</b>	<b>4,060.0</b>
Imports from the EU as % of Total	63.9	57.5	50.4	59.4	57.4	43.9

Source: National Statistics Office

million), Tunisia (€29.1 million) and Algeria (€28.9 million). Africa now has a share of total imports amounting to 3.5 per cent.

Malta's imports from America increased substantially by around €718.7 million and from a share of 16.9 per cent of total imports in 2015. America now enjoys a share of 34.6 per cent of total Maltese imports. This development reflects yacht importation from the Caribbean and the Bahamas. Imports from Oceania, on the other hand, decreased by €13.2 million in the period under review, with imports amounting to €20.3 million in the January to July period of 2016.

Over the period starting from January to July 2016, Maltese imports from Asia increased by 12.2 per cent over the same period of 2015. Such an increase is mainly attributed to increases in imports from South Korea (€19.7 million), Hong Kong (€12.1 million), India (€11.3 million) and China (€9.6 million). The increases in imports from Hong Kong related to vessels and machinery and mechanical appliances, whilst the increases in imports from South Korea relate to fuels. Decreases in imports were registered from Japan and Singapore, with the former declining by 20.1 per cent and the latter by 68.7 per cent. These decreases mainly pertained to machinery and mechanical appliances and electrical machinery. Imports from ships and aircrafts also declined by around €17.1 million, reaching a level of imports of €6.6 million.

## **Trade Balance**

Malta's visible trade gap, which shows the difference between exports and imports, increased by €55.2 million. This gives a negative trade balance of €1,848.5 million in the January to July period of 2016. This increase is due to the fact, that total exports increased to a lesser extent than imports. Table 7.5 and Chart 7.2 illustrate these developments.

International trade in Malta has been highly influenced by the involvement of offshore oil bunkering activities and transshipment of oil. Such activities may have limited impact on the national

### Foreign Trade

Table 7.5

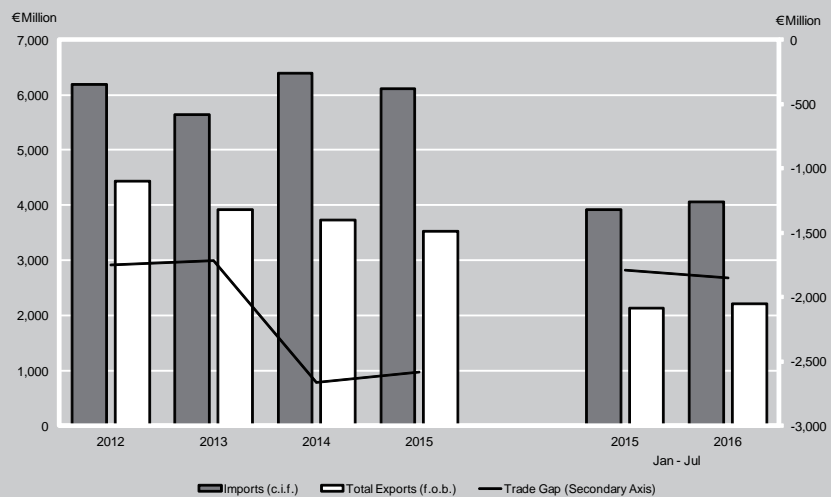
€ million

	2012	2013	2014	2015	2015 Jan-Jul	2016 Jan-Jul
<b>Imports (c.i.f.)</b>	6,189.4	5,639.6	6,400.3	6,106.1	3,921.9	4,060.0
<b>Total Exports (f.o.b.)</b>	4,438.8	3,925.5	3,737.9	3,527.5	2,128.6	2,211.6
<b>Trade Gap</b>	-1,750.6	-1,714.1	-2,662.4	-2,578.7	-1,793.3	-1,848.5

Source: National Statistics Office

Chart 7.2

### Foreign Trade



accounts, balance of payments and employment data given their limited economic linkages to the Maltese economy. When excluding fuels from trade data, the visible trade gap amounts to €1,442.2 million over the January to July period of 2016, meaning a decrease from the corresponding period in 2015 by 9.5 per cent. Whilst non-fuel imports increased by €294.0 million amounting to €3,155.9 million, non-fuel exports increased by €446.2 million amounting to €1,713.7 million.

## Geographical Distribution – Trade Balance

Table 7.6 illustrates the trade balance held with a number of countries and regions. Historically, the visible trade gap is particularly large with European countries such as Italy, the UK and the Netherlands; however, Malta's trade deficit with such countries has been on the decline. Malta's trade deficit with respect to the EU in general has decreased. This decline amounted to €458.4 million so that the trade deficit reached €1,160.7 million up to July of this year.

	2012	2013	2014	2015	2015 Jan-Jul	2016 Jan-Jul
EU	-2,656.1	-1,999.3	-2,121.8	-2,546.2	-1,619.1	-1,160.7
Italy	-1,814.6	-1,256.3	-1,017.2	-1,160.0	-694.8	-601.9
Germany	38.4	27.2	-15.1	-45.4	-3.8	11.0
France	-72.2	-32.6	-20.8	5.5	2.1	-56.9
UK	-248.2	-201.7	-291.2	-291.0	-200.3	-144.7
Netherlands	-101.4	-155.1	-192.4	-403.8	-338.7	-118.7
Spain	-165.0	-133.8	-201.6	-193.7	-103.7	-60.2
Other EU	-293.3	-247.1	-383.4	-457.6	-279.9	-189.3
<b>Other Countries</b>						
Libya	89.7	124.9	184.6	64.1	47.2	75.0
USA	63.9	-17.9	-446.1	-158.7	-139.2	463.9
Japan	77.5	147.5	56.8	39.3	-28.2	-20.7
Singapore	169.7	191.4	125.4	98.8	42.0	73.5
China	-100.8	-90.9	-124.3	-173.5	-77.7	-106.2
Hong Kong	319.6	181.8	185.8	145.0	101.2	35.5

Source: National Statistics Office



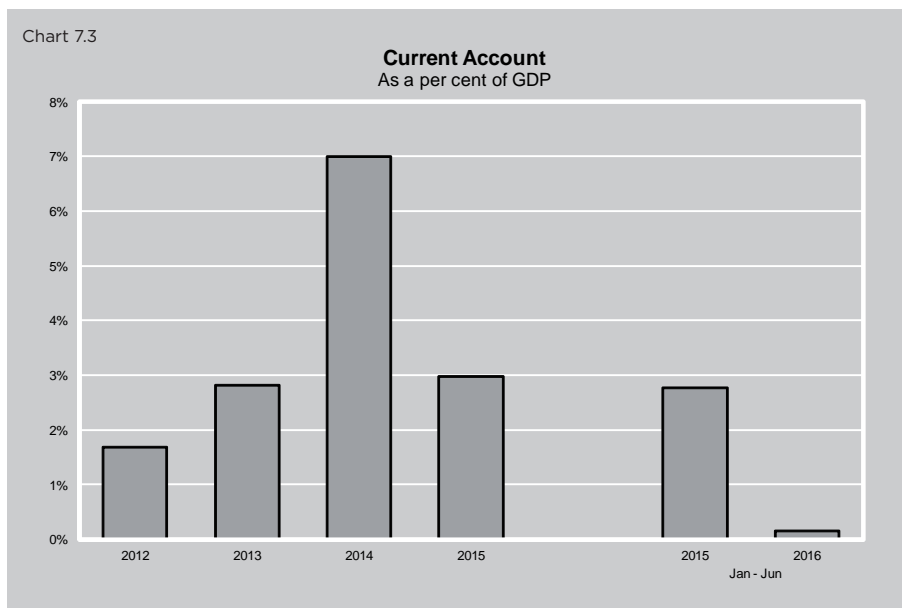
With respect to countries outside the EU, the main development was Malta's trade balance with the USA, which from a trade deficit of €139.2 million in 2015, this turned into a surplus of €463.9 million. In the case of Hong Kong, the trade surplus narrowed from €101.2 million in 2015 to €35.5 million in 2016, while it improved with both Libya and Singapore reaching €75 million and €73.5 million, respectively.

## **Balance of Payments**

The current balance of payments statement is based on the sixth edition of the International Monetary Fund's (IMF) balance of payments and international investment position manual (BPM 6). During the first six months of 2016, Malta experienced a narrowing of the surplus in the current account. The data available for this section spans from January to June of this year.

## **The Current Account**

The current account registered a surplus of €7.0 million during the January to June period of 2016, accounting for 0.2 per cent of Gross Domestic Product (GDP). This is opposed to the 2015 figure for the same period which stood at 2.8 per cent of GDP. The decrease in the current account of about €109.4 million was primarily driven by an increase in the net imports of goods by around €173.8 million, an increase in the primary income net payments by around €35.9 million and a decrease in secondary income net receivables by €13.3 million. These were partially offset by an increase in the services net exports of €113.6 million. Chart 7.3 indicates the main developments with respect to Malta's current account.



## The Goods and Services Account

The goods and services account contributed positively towards the overall current account balance, with exports exceeding imports by around €34.2 million. The positive balance was underlined by the net exports in the services balance which exceeded the net imports figure registered for the visible trade balance. As shown in Table 7.7, when compared to the January to June period of 2015, the goods and services balance for 2016 decreased substantially by around €60.2 million. Such a decrease is linked with a higher increase in imports over the exports of goods and services. This, therefore, contributed towards the decline in the goods and services net export figure.

Net imports of goods (which refers to the international trade of tangible goods), has registered a substantial increase owing to a decrease in goods exports by €201.0 million which was only partly offset by a decrease in imports of €27.1 million. Such developments were mainly explained by movements in transactions relating to general merchandise. As a share of GDP, the general merchandise trade deficit stood at 22.3 per cent,

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

Table 7.7

€ million

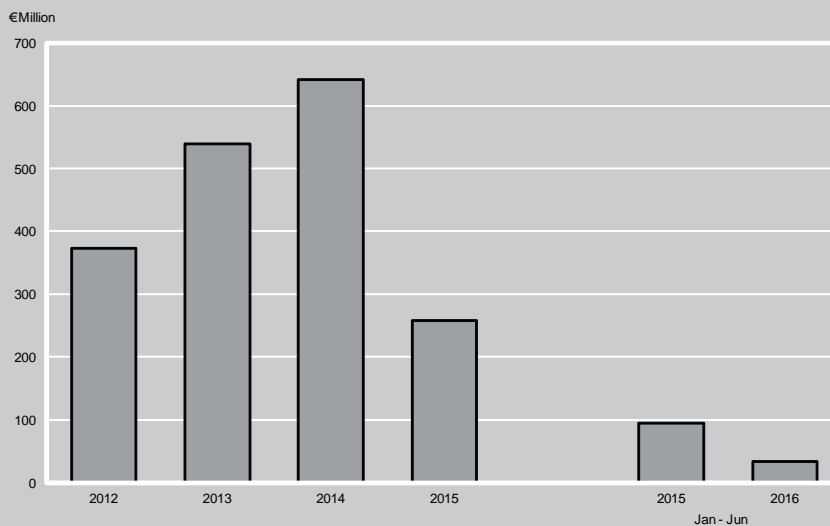
	2012	2013	2014	2015	2015 Jan-Jun	2016 Jan-Jun
<b>GOODS</b>						
General Merchandise Transactions	-1,083.1	-1,090.2	-1,110.5	-1,769.6	-817.0	-993.3
Nonmonetary Gold	-19.8	-17.0	-9.6	-13.5	-7.6	-5.1
Others	3.4	2.5	2.7	2.8	1.4	1.4
<b>Total Goods</b>	<b>-1,099.5</b>	<b>-1,104.7</b>	<b>-1,117.3</b>	<b>-1,780.3</b>	<b>-823.1</b>	<b>-997.0</b>
<b>SERVICES</b>						
Transportation	-55.5	-72.0	-121.6	39.0	-1.9	98.6
Travel	723.4	768.4	845.8	909.3	353.2	355.6
Other Services	805.0	946.8	1,034.6	1,090.6	566.2	576.9
<b>Total Services</b>	<b>1,472.9</b>	<b>1,643.3</b>	<b>1,758.7</b>	<b>2,038.9</b>	<b>917.5</b>	<b>1,031.1</b>
<b>Total Goods and Services</b>	<b>373.4</b>	<b>538.6</b>	<b>641.4</b>	<b>258.6</b>	<b>94.4</b>	<b>34.2</b>
<b>INCOME</b>						
Primary income	-360.7	-461.2	-271.4	-214.5	-81.3	-117.1
of which Compensation of employees	-4.2	0.2	-1.2	-0.9	-0.2	-2.9
Secondary Income	109.3	139.2	196.0	216.9	103.3	90.0
<b>Total Income</b>	<b>-251.4</b>	<b>-322.0</b>	<b>-75.4</b>	<b>2.4</b>	<b>103.1</b>	<b>87.1</b>
<b>Total Goods, Services and Income</b>	<b>122.0</b>	<b>216.6</b>	<b>566.1</b>	<b>261.0</b>	<b>197.4</b>	<b>121.3</b>

*Note: The balance of payments is being presented in accordance with the sixth edition of the IMF's Balance of Payments Manual (BPM6).*

*Source: National Statistics Office*

Chart 7.4

**Goods and Services Account**



registering an increase of 21.6 per cent over the January to June period of 2015.

The invisible net export figure for the January to June period of 2016 marked a substantial improvement of €113.6 million over the corresponding period in 2015. This is mainly due to the substantial rises in export figures, which more than outweighed the increases in the import figures. While the latter increased by €183.4 million, the former increased by a sizable €297.1 million.

Services net exports amounted to €1,031.1 million; this was composed of mainly developments in the personal cultural and recreation services, the travel sector, the financial services sector and the other business services sector. The travel sector had an export figure of €500.2 million in the January to June period of 2016, an increase of 4.1 per cent over the corresponding period in 2015. Imports increased by 13.6 per cent to reach an import figure of €144.5 million. Travel net exports reached €355.6 million, an increase of 0.7 per cent in the January to June period of 2016 over the same period in 2015. Such an increase was brought about by an increase in exports reflecting the buoyant tourism activity in Malta which exceeded tourist expenditure by Maltese abroad.

The personal, cultural and recreational services' net exports amounted to €1,003.6 million, being the main contributor towards the overall services net exports. This figure recorded an increase in net exports of 0.7 per cent over 2015. Such an increase is attributable to a rise in exports of €7.4 million which was partially offset by a negligible rise in imports by around €0.1 million.

The financial services sector net exports amounted to €221.6 million in the January to June period of 2016, a decrease of €27.1 million over the corresponding period in 2015. This drop was caused by increases in imports amounting to €34.5 million which outweighed the increase in exports of €7.3 million. Other business services exports amounted to €1,243.8 million in the January to June period of 2016, an increase of €58.7 million

over the corresponding period in 2015. Meanwhile, imports also increased by €18.5 million to reach a level of €1,800.1. These developments resulted in a slight decline in net imports of 6.7 per cent over the corresponding period of 2015. This was mainly driven by an increase in exports pertaining to professional and management consulting services.

## **Primary Income**

Primary income net payments stood at €117.1 million, a deterioration of €35.8 million when compared to the same period of the previous year. Both receivables and payments declined when comparing the first half of 2016 with that of 2015, however, receivables declined to a greater extent than payments, thereby resulting in the deterioration in income net payments. Compensation of employees, which represents a minor component of the primary income account, contributed a €2.9 million in net payments to the total balance. The investment income account contributed €81.8 million in net payments, whilst other primary income contributed €32.4 million in net payments. Table 7.8 illustrates the changes in both the primary and the secondary income accounts.

A disaggregation of the investment income component shows that direct investment net payments increased by €101.6 million, owing to a substantial increase in payments partially offset by a negligible increase in receivables. The increase in payments to direct investments is mainly due to increases in payables of reinvested earnings.

Portfolio investment registered a decline in its net income receivables by around 2.2 per cent due to lower receivables which outweighed the lower payments. This was mainly due to lower short-term and long-term interest receivables. Net receivables for investment income on equity and investment fund shares increased but not to the extent of the drop in interest net receivables.

<b>Balance of Payments</b>						
Current Account						
Table 7.8	€ million					
	2012	2013	2014	2015	2015 Jan-Jun	2016 Jan-Jun
<b>GOODS AND SERVICES</b>						
Exports of Goods and Services	11,880.7	11,902.2	11,922.3	12,354.5	5,987.3	6,083.4
Imports of Goods and Services	11,507.3	11,363.6	11,280.9	12,095.9	5,892.9	6,049.2
Goods and Services Account	373.4	538.6	641.4	258.6	94.4	34.2
<b>PRIMARY INCOME</b>						
Income Received	10,057.4	10,098.7	10,432.8	10,285.0	5,220.2	4,970.1
Income Paid	10,418.1	10,559.9	10,704.2	10,499.5	5,301.4	5,087.2
Primary Income Account	-360.7	-461.2	-271.4	-214.5	-81.3	-117.1
<b>SECONDARY INCOME (Net)</b>						
General Government	790.0	777.3	818.9	833.9	415.6	405.7
Other Sectors	-680.6	-638.1	-622.9	-617.0	-312.3	-315.7
Secondary Income Account	109.3	139.2	196.0	216.9	103.3	90.0
<b>Balance on Current Account</b>	<b>122.0</b>	<b>216.6</b>	<b>566.1</b>	<b>261.0</b>	<b>116.4</b>	<b>7.0</b>

*Note: The balance of payments is being presented in accordance with the sixth edition of the IMF's Balance of Payments Manual (BPM6).*

*Source: National Statistics Office*

Other investment registered a net income receivables of €97.6 million in the first half of 2016 as opposed to the net payments of €44.4 million registered in the corresponding period in 2015. This development took place due to a decrease in both interest receivables and interest payments, with payments decreasing by €298.6 million and receivables decreasing by €156.7 million.

## Secondary Income

Secondary income net receipts declined from €103.3 million in the January to June period of 2015 to €90.0 million in the same period for 2016. The decline was due to an increase in General Government payments whilst its receipts remained at the same level. Personal transfers' net payments also increased slightly from €312.3 million to €315.7 million.

## The Capital Account

The capital account shows the capital transfers receivable or payable between residents and non-residents and the acquisition and disposal of non-produced non-financial assets between residents and non-residents. Malta's capital account balance decreased from a net inflow of €156.1 million to €34.4 million. This was driven by a substantial increase in inflows coupled with a small decline in outflows. Table 7.9 shows such developments of the capital and financial accounts over the period covering January to June of 2015 and 2016.

The share of the capital account as a percentage of GDP stood at 0.8 per cent, which is a decline over the previous year where such a share stood at 3.7 per cent. The developments in the capital account are driven solely by other capital transfers by

Current, Capital and Financial Flows						
Table 7.9	€ million					
	2012	2013	2014	2015	2015 Jan-Jun	2016 Jan-Jun
<b>Capital Account</b>	<b>136.5</b>	<b>133.3</b>	<b>140.8</b>	<b>166.6</b>	<b>156.1</b>	<b>34.4</b>
<b>Financial Account</b>	<b>1,006.8</b>	<b>-45.8</b>	<b>107.0</b>	<b>-840.7</b>	<b>-9.2</b>	<b>17.4</b>
<b>Direct investment</b>	<b>-9,020.6</b>	<b>-7,072.4</b>	<b>-6,646.0</b>	<b>-8,846.0</b>	<b>-3,725.9</b>	<b>-4,431.8</b>
Net acquisition of financial assets	-6,431.1	-6,599.8	-6,758.7	-6,576.0	-3,186.2	-3,300.3
Net incurrence of liabilities	2,589.5	472.6	-112.7	2,270.0	539.7	1,131.4
<b>Portfolio Investment</b>	<b>9,435.2</b>	<b>9,141.4</b>	<b>13,201.4</b>	<b>4,723.1</b>	<b>1,375.7</b>	<b>3,151.4</b>
Net acquisition of financial assets	9,038.7	8,472.4	13,253.7	3,766.5	744.4	3,200.0
Net incurrence of liabilities	-396.5	-669.0	52.3	-956.6	-631.3	48.6
<b>Financial Derivatives</b>	<b>-438.5</b>	<b>-104.4</b>	<b>-578.2</b>	<b>-967.1</b>	<b>-570.4</b>	<b>35.1</b>
Net acquisition of financial assets	121.3	185.2	321.2	259.7	187.5	196.6
Net incurrence of liabilities	559.8	289.6	899.4	1,226.8	757.9	161.5
<b>Other investments</b>	<b>909.4</b>	<b>-1,971.6</b>	<b>-5,882.3</b>	<b>4,322.7</b>	<b>2,976.2</b>	<b>1,108.4</b>
Net acquisition of financial assets	1,945.6	1,395.6	-2,104.5	-2,219.6	-437.6	-1,813.1
Net incurrence of liabilities	1,036.2	3,367.2	3,777.8	-6,542.4	-3,413.7	-2,921.5
<b>Reserves</b>	<b>121.4</b>	<b>-38.8</b>	<b>12.0</b>	<b>-73.5</b>	<b>-64.8</b>	<b>154.2</b>
<b>Net Errors and Omissions</b>	<b>748.3</b>	<b>-395.6</b>	<b>-599.9</b>	<b>-1,268.3</b>	<b>-281.7</b>	<b>-24.0</b>
	<i>Percentage of GDP</i>					
Current Account	1.7%	2.8%	7.0%	3.0%	2.8%	0.2%
Capital Account	1.9%	1.7%	1.7%	1.9%	3.7%	0.8%
Reserve Assets	1.7%	-0.5%	0.1%	-0.8%	-1.5%	3.5%
Net errors and Omissions	10.4%	-5.2%	-7.4%	-14.4%	-6.7%	-0.5%

Note: The balance of payments is being presented in accordance with the sixth edition of the IMF's Balance of Payments Manual (BPM6).  
Source: National Statistics Office

the General Government. This was mainly due to the absorption of EU funds from the 2007 to 2013 budgets, which was received in 2015. Financial corporations, nonfinancial corporations, households and Non Profit Institution Serving Households (NPISHs) registered only net inflows of other capital transfers of about €0.2 million.

## **The Financial Account and the Net International Investment Position**

The financial account records transactions involving financial assets and liabilities which take place between residents and non-residents.

As at the end of the first half of 2016, domestic residents held about €73.0 billion in direct investment assets, primarily in the form of debt instruments, whilst direct investment liabilities amounted to €168.2 billion mostly in the form of equity and investment fund shares. During the first half of 2016, foreign direct investment net liabilities increased owing to a decrease in asset holdings of €3.3 billion coupled with an increase in liability holdings by €1.1 billion. The substantial fall in the asset holdings is a direct result of decreases in asset holdings regarding debt instruments by domestic residents of €3.7 billion. This was partly offset by an increase of €0.4 billion in equity and investment fund share holdings. The increase in liability holdings can be attributed to the acquisition of debt instruments by €1.2 billion, which was partially offset by a reduction in equity and investment fund shares liability holdings by €223.7 million. During the period under review, reinvested earnings increased by €3.2 million from the assets' side and €124.6 million from the liabilities side.

In terms of portfolio investment, as at the end of the first half of 2016, domestic investors held €106.4 billion in assets, mostly in the form of equity and investment fund shares. In terms of portfolio investment liabilities, domestic investors held €3.7 billion through both equity and debt instruments. During the Survey period, portfolio investment net asset holdings increased



by €3.2 billion during the first half of 2016. Such a substantial increase is a result of higher asset holdings related to equity and investment fund shares held by other financial corporations, non-financial corporations, households and NPISHs. Portfolio liability holdings increased marginally by €48.6 million, most of which are held in long-term debt securities.

Assets held in the form of financial derivatives amounted to €1.6 billion as at the first half of 2016, whilst liabilities amounted to €674.1 million as at the same period. Financial derivatives in Malta registered an increase in net asset holdings by €35.1 million which contrasts the decrease in net asset holdings by €570.4 million in 2015. This increase was driven by increases in asset holdings amounting to €196.6 million, which was partly offset by increases in liability holdings of €161.5 million. The increases in asset holdings were driven by deposit taking corporations, whilst the increases in liability holdings were driven by financial corporations.

Other investment assets held by domestic investors amounted to €42.0 billion as at the end of June this year, mostly owing to assets held in the form of loans. In terms of liabilities held by domestic investors, these amounted to €46.3 billion as at the same period. Other investment category registered a decrease in net liability holdings by €1.1 billion, which was primarily driven by a substantial decrease in other investment liability holdings amounting to €2.9 billion. Such a significant decrease in liabilities was only partially offset by a decrease in asset holdings of €1.8 billion. The movements in the other investment account were marked by significant declines in assets in the form of loans (-€3.4 billion) offset by a significant decline in liabilities in the form of other accounts payables (-€3.2 billion). Meanwhile, increases were registered in assets in the form of deposits, trade credits and advances and other accounts receivables totalling €1.5 billion. Meanwhile, deposit liabilities fell by €0.9 billion while trade credit and advances liabilities increased by €0.5 billion.

During the first half of 2016, net errors and omissions amounted to an inflow of €24.0 million, which amounts to 0.5 per cent of

GDP. The current account surplus this year amounted to 0.2 per cent of GDP, a decline over the corresponding period of 2015 where such a figure stood at 2.8 per cent. In level terms, the current account stood at €7.0 million, whilst the capital account reached a surplus of €34.4 million. The financial account has conversely registered a net inflow of funds amounting to €17.4 million, of which reserve assets amounted to €154.2 million.



## **8. Financial Developments**

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## 8. Financial Developments

In 2015, General Government deficit fell to 1.5 per cent of Gross Domestic Product (GDP). During the eight months to August 2016, the gap between central Government recurrent revenues and total expenditure amounted to €79.1 million - an improvement of €61.9 million when compared to the same period in 2015. This improvement was mainly the result of higher recurrent revenue stemming from higher tax revenues, reflecting the impact of robust economic developments and improved efficiencies in revenue collection. The public sector borrowing requirement increased from €221.1 million to €395.7 million, mainly due to developments in the sinking fund contribution and direct loan repayments.

Between January and July 2016, Maltese Monetary Financial Institutions' (MFIs) contribution to the stock of broad money (M3) of the Euro Area (EA) registered an increase of 4.9 per cent reaching €16,677.5 million. Following the aftermath of the worldwide financial and economic crisis, the European Central Bank (ECB) played a crucial role in sustaining financial intermediation within the EA, as its unprecedented actions were aimed towards restoring confidence in financial markets as well as economic and financial stability, while maintaining its price stability objective. The ECB provided liquidity assistance in the early stages of the crisis to the banking sector and implemented conventional policy tools such as reductions in interest rates. As the financial turmoil continued to build up, the ECB opted for additional non-standard measures to support the transmission mechanism of monetary policy. In fact, during the third quarter of 2016, the Eurosystem started making purchases under its corporate sector purchase programme (CDPP). Moreover, it conducted the first operation in its new series of targeted longer-term refinancing operations. In addition, during the same period, the Governing Council confirmed that the monthly asset purchases of €80 billion are intended to run until the end of March 2017, or beyond.

The Euro registered a relatively stable performance in respect of the United States (US) Dollar and United Kingdom (UK) Sterling in the first few months of 2014. Subsequently, both exchange rates followed a downward path, with the depreciation intensifying further during the first quarter of 2015. Thereafter, the Euro to Dollar exchange rate started to show greater stability, whereas the Euro-Sterling exchange rate experienced notable appreciation following the Brexit referendum. The uncertainty surrounding the UK's exit from the European Union (EU), led the Euro to appreciate further relative to the Sterling and the former was trading at £0.85 by end of August 2016, which represented a 16.6 per cent increase on the level prevailing in the same comparable period a year earlier. Meanwhile, from the beginning of 2016, the Euro to US Dollar exchange rate was relatively stable, hovering around a value of US\$ 1.11 up to August 2016. Furthermore, as at the end of August 2016, the Euro traded at JPY 115.01, which is 15.5 per cent lower than the rate of the corresponding month of the previous year.

## **Public Finance**

Unless otherwise stated, the analysis in this section is based on Government finance data as classified in the statement of the Consolidated Fund, where such data is defined on a cash basis. Consequently, this data is to be interpreted with caution since developments in Government's net financial position may not fully reflect actual spending and revenue flows on an accruals basis. Table 8.1 presents Government's fiscal position during the January to August 2013 to 2016 period, whilst Chart 8.1 illustrates trends in the consolidated fund balance.

## **Revenue**

During the first eight months of 2016, recurrent revenue increased by €100.2 million, to reach €2,322.6 million. Developments in the components of Government revenue for the periods January to August 2013 to 2016 are presented in Appendix Table 8.1. Furthermore, Chart 8.2 illustrates recent trends in the components of Government revenue.

### Government Revenue and Expenditure

(January-August)

Table 8.1

€ million

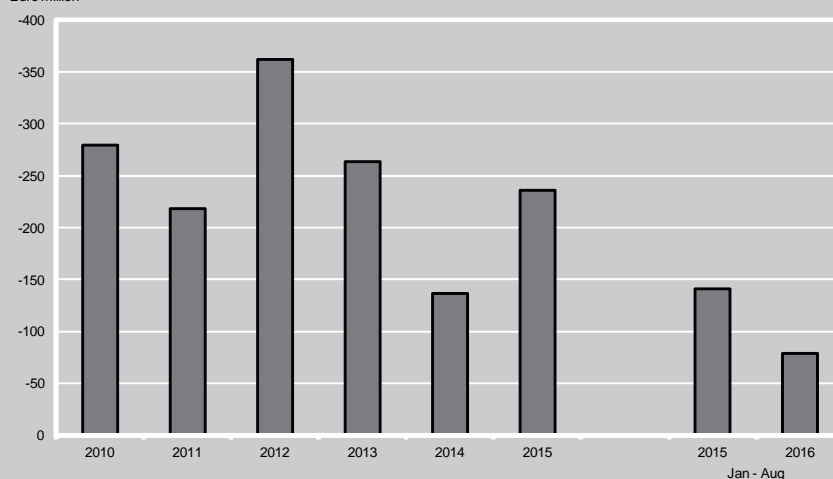
	2013	2014	2015	2016
<b>Recurrent Revenue</b>	<b>1,837.8</b>	<b>1,986.8</b>	<b>2,222.4</b>	<b>2,322.6</b>
Tax Revenue	1,630.3	1,733.2	1,918.5	2,119.0
Direct Tax Revenue	982.3	1,052.5	1,137.4	1,263.3
Indirect Tax Revenue	648.0	680.7	781.1	855.7
Non-Tax Revenue	207.5	253.6	304.0	203.7
<b>Total Expenditure</b>	<b>2,034.7</b>	<b>2,196.7</b>	<b>2,363.4</b>	<b>2,401.8</b>
Recurrent Expenditure	1,667.6	1,790.8	1,939.3	2,063.7
Interest on Public Debt	148.6	151.8	152.7	149.8
Capital Expenditure	218.5	254.1	271.4	188.3
<b>Balance of recurrent revenue and total expenditure</b>	<b>-196.9</b>	<b>-209.9</b>	<b>-141.0</b>	<b>-79.1</b>
<b>Financed by:</b>				
Receipts from sale of shares	0.0	0.0	0.7	1.1
Sinking Funds of Converted Loans	0.0	0.0	0.0	0.0
Sinking Fund Contribution and Direct Loan Repayments	-155.5	-293.2	-79.7	-305.2
Equity Acquisition	-11.7	-13.8	-1.1	-12.5
Public Sector Borrowing Requirement	-364.1	-516.9	-221.1	-395.7
Local Loans	369.6	573.8	258.3	438.7
Repayment of Loan made by government	0.0	0.0	0.0	12.0

Source: National Statistics Office

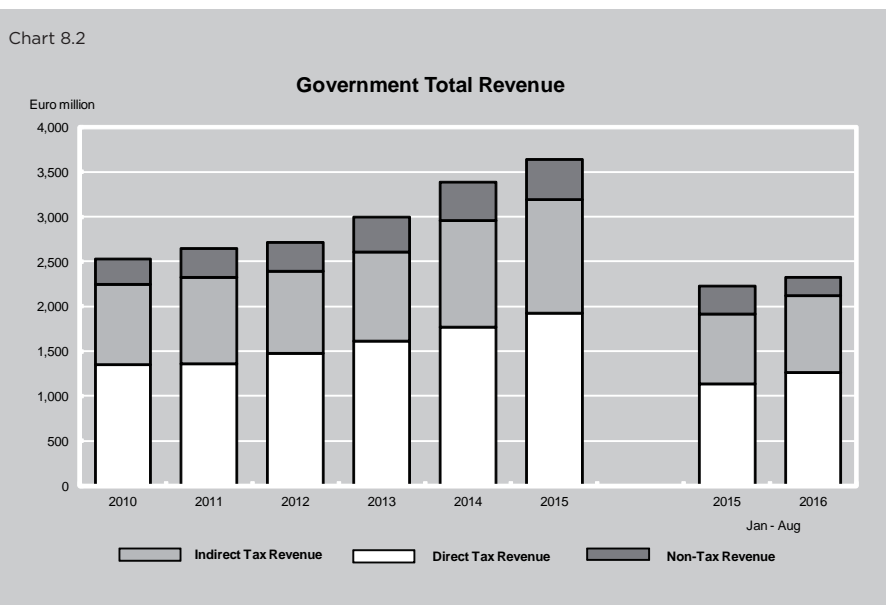
Chart 8.1

### Consolidated Fund Balance

Euro million







During the first eight months of 2016, the share of Government revenue from taxes stood at its highest for the past four years at 91.2 per cent of total recurrent revenue. Revenue from taxes during the period January to August 2016, as compared to the same period of the previous year, increased by €200.5 million reaching €2,119.0 million. This increase was mainly due to the robust performance of direct tax revenue which increased by €125.9 million, reaching €1,263.3 million in 2016 from €1,137.4 million in 2015. The increase in direct tax revenue was due to higher revenue from both the income tax and from social security contributions, as both revenue categories increased by around 11 per cent when compared to the corresponding period of the previous year. These in turn reflected the robust economic developments, as well as enhanced efficiency in revenue collection.

When compared to the same period of 2015, income tax receipts increased by €77.2 million during the first eight months of 2016, reaching €771.2 million. This was mainly attributable to the positive developments in the international financial and

business sector, the domestic labour market and the property and financial services sectors.

Revenue from social security contributions increased by €48.7 million to €492.1 million when compared to the same period of 2015. The positive developments in social security contributions were supported by the developments in the domestic labour market, confirming the success in the social security reform that aimed to increase labour participation particularly amongst women.

Revenue from indirect taxes also registered an increase of €74.6 million, rising from €781.1 million in the first eight months of 2015 to €855.7 million in 2016. The increase in indirect tax revenue reflected higher revenue from Value Added Tax (VAT), in line with developments in private consumption and tourism earnings, as well as higher proceeds from licences, taxes and fines. Higher revenue was also registered from custom and excise duties over the same comparable period last year.

Receipts from VAT increased by €34.0 million to €474.6 million during the period under review. Alongside a more pronounced consumption pattern evident in the Maltese economy, these developments partially reflect higher expenditure by foreign tourists in Malta during the period under review.

Furthermore, revenue from licenses, taxes and fines increased by €30.2 million, reaching €210.5 million, reflecting higher proceeds from duty on documents while receipts from customs and excise duties increased by €10.4 million to €170.6 million, mainly due to higher revenue from excise duty on petroleum and cement, as well as measures in the 2016 Budget to partially offset the loss in revenue from the phasing out of the eco-contribution system.

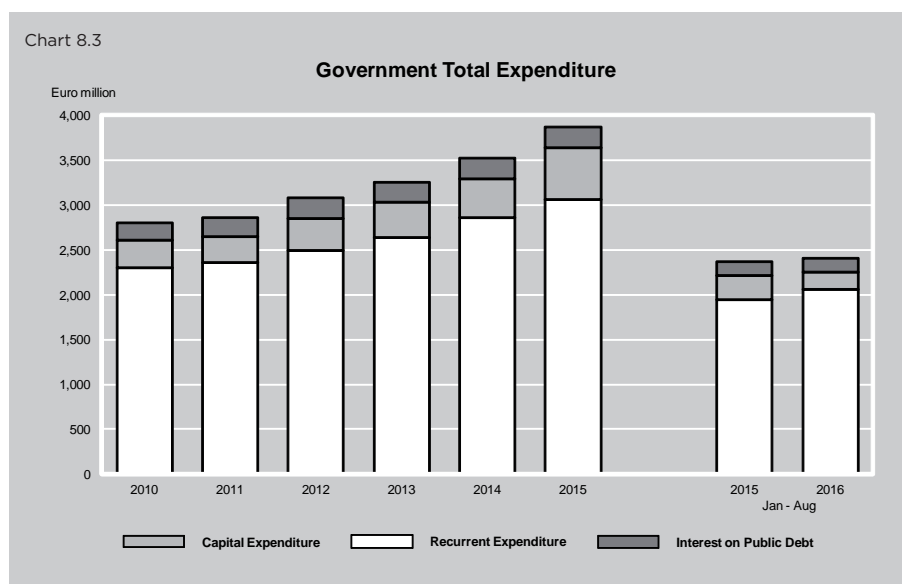
Non-tax revenue, which mainly comprises of grants, fees of office and the transfer of profits generated by the Central Bank of Malta (CBM), decreased by €100.3 million in the first eight months of 2016 and reached €203.7 million when compared

to the corresponding period in 2015. This decrease was mainly underpinned by a significant decrease in revenue from EU grants, reflecting the switchover to the new Multiannual Financial Frameworks (MFF), which has a large impact on the patterns of EU-funded investments. Indeed, when compared to the first eight months of 2015, revenue from grants declined by €100.4 million.

Meanwhile, during the first eight months of 2016, lower miscellaneous receipts were offset by higher fees of office (mainly as a result of proceeds from the Individual Investor Programme), and dividends on investments received from the Identity Malta Agency. Higher reimbursements and revenue from rents were also recorded during this period, although to a lesser extent.

## Expenditure

During January to August 2016, total Government expenditure, including recurrent and capital expenditure, as well as interest payments on public debt, increased by €38.4 million to reach €2,401.8 million. This increase was the result of an increase in recurrent expenditure which in part was offset by lower capital expenditure. Indeed, during the first eight months of 2016,



recurrent expenditure amounted to €2,063.7 million, an increase of €124.4 million, while capital expenditure decreased by €83.1 million to €188.3 million. It is worth noting, that lower capital expenditure reflects the transfer to the new MFF, which has a large impact on the patterns of EU-funded investments, as also reflected in lower revenue from EU grants. Over the same period, interest on public debt decreased by €2.9 million to €149.8 million. Chart 8.3 illustrates recent trends in Government expenditure.

## **Recurrent Expenditure**

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

Programmes and Initiatives comprises of expenditure and social transfer payments made in respect of ad hoc programmes run by Government, as well as subsidies, payments and grants for the provision of services to citizens and to charitable and private institutions, but excludes operational costs of Government departments. This item also includes payments of own resources as contribution to the EU budget.

During the period under review, this category of expenditure increased by €44.9 million to €1,234.1 million, mainly on account of higher outlays on social security benefits, in particular retirement pensions, and towards the State Contribution in terms of the Social Security Act (Cap 318). Higher outlays were also recorded in respect of the upcoming Presidency of the Council of the EU, as well as the hosting of international conventions, and transport.

Contributions towards Government Entities include funding to Government entities including Parastatals, Corporations and Authorities. This category of expenditure reached €239.4 million during the period under review, thus representing an increase of €41.6 million when compared to the same period a year earlier.

Developments in this category, mainly reflected higher outlays towards JobsPlus (formally known as the Employment and Training Corporation (ETC)) and the University of Malta, and the subventions towards the Water Services Corporation and the Engineering Resources Co. Ltd. Higher allocations were also registered towards the Valletta European Capital City of Culture 2018 initiative as well as to Support and Appoġġ agencies.

Personal Emoluments includes all salaries and wages paid to elected officials and civil servants, as well as any bonuses and supplements paid to employees in excess of standard remunerations including any allowances and overtime payments. In the period under review, this category of expenditure increased by €25.9 million to €476.1 million when compared to the corresponding period of the previous year. Higher personal emoluments were mainly recorded in respect of salaries and wages in the health, education, and the elderly and community care sectors.

During the first eight months of 2016, Operational and Maintenance expenditure which includes payments for utilities, contractual services, materials and supplies, transport and rent, increased by €11.9 million over the same period in 2015, to €114.0 million, mainly due to higher outlays in respect of contractual services for health and elderly care.

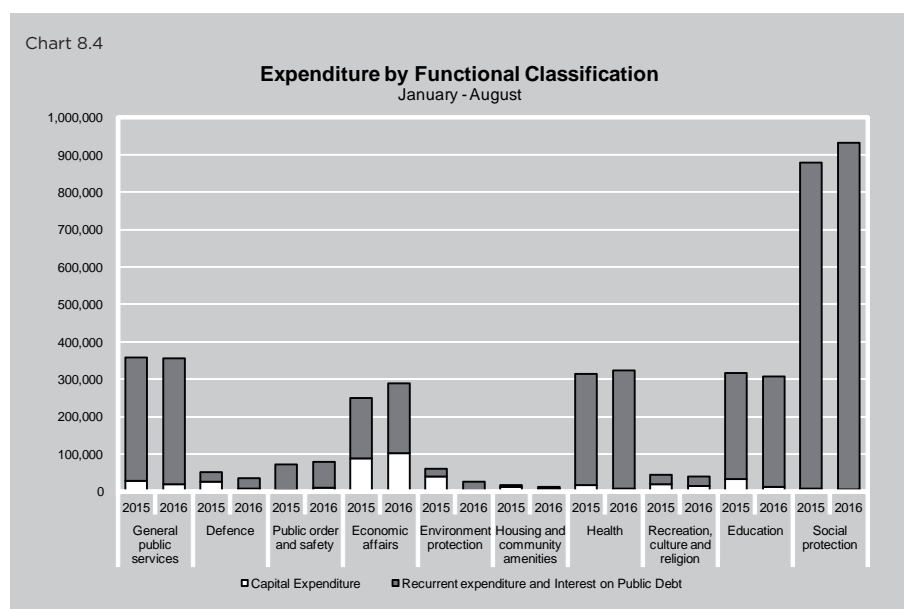
Appendix Table 8.2 presents the developments in Government's recurrent expenditure on a cost centre basis for the first eight months of 2016. The nomenclature of Ministries, as well as the cost centres referred to in this Chapter, reflect the allocation of portfolios and assignment of responsibility for Government Departments and Government Entities. A direct comparison with data for past years is therefore not always possible.

Social Security benefits represent the major category within recurrent expenditure and makes up 28.7 per cent of Government's total recurrent expenditure. 80 per cent of the social security benefits are contributory benefits, a large portion of which are retirement pensions while the rest of the 20 per cent

include the non-contributory benefits, mainly social assistance and children's allowance. During the first eight months of 2016, social security payments reached €591.4 million, as contributory benefits increased by €28.1 million mainly reflecting increases in outlays towards retirement pensions. Non-contributory benefits decreased by €5.7 million. These expenditures are highly influenced by developments in compensation of employees, inflation, as well as demographic changes apart from a number of structural reforms undertaken with respect to pensions and social benefits. 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 €14.0 million to €146.9 million during the first eight months of 2016.

## Analysis of Recurrent Expenditure by Functional Classification

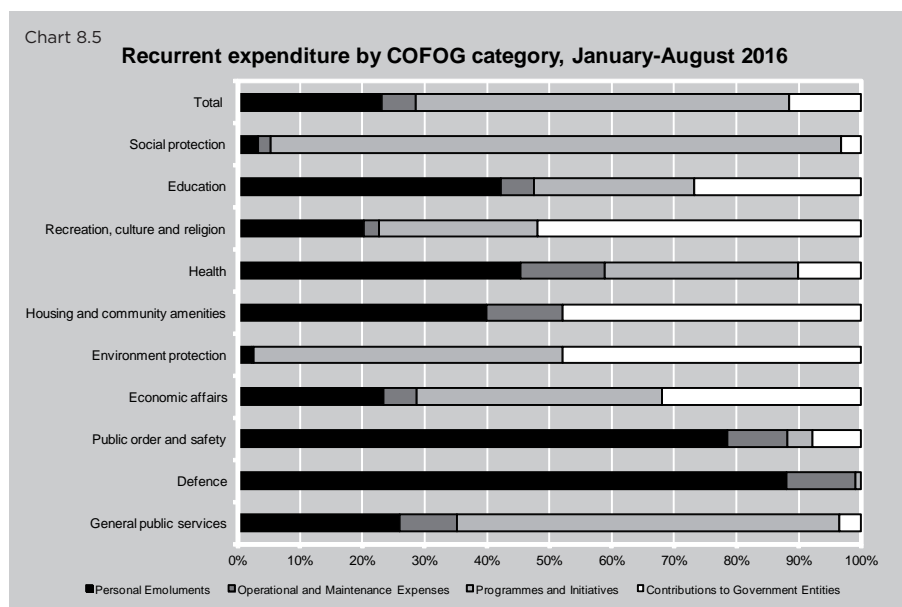
The structure of recurrent expenditure can also be classified by the main socio-economic functions of Government (according to the Classification of the Functions of Government – COFOG). The different economic functions are the general public service;



defence; public order and safety; economic affairs; environment protection; housing and community amenities; health; recreation, culture and religion; education and social protection. Chart 8.4 illustrates developments in Government expenditure according to the purpose for which the funds are used for the period January to August 2015 and 2016. Appendix Table 8.3 presents the developments in the main components of Government expenditure for the main COFOG categories.

During the period January to August 2016, social protection expenditure accounted for 45.0 per cent of recurrent expenditure, followed by health and education which accounted for 15.3 per cent and 14.3 per cent, respectively. When compared to the same period of 2015, recurrent expenditure increased by €124.4 million, mainly on account of higher expenditure towards social protection (+€54.5 million) and economic affairs (+€25.4 million). Other noteworthy developments were registered in respect of expenditure towards health (+€20.2 million), education (+€10.7 million) and general public services (+€9.2 million).

Chart 8.5 illustrates the components of recurrent expenditure for the main socio-economic functions of Government for the period



January to August 2016. It is noted, that personal emoluments represented the largest share of recurrent expenditure towards education, health, public order, and safety and defence, while for social protection, environment protection, economic affairs and general public services, the programmes and initiatives category registered the largest share of Government spending. Spending for housing and community amenities, and recreation culture and religion were mainly due to contributions to Government entities. Operational and maintenance expenses features as the smallest portion of Government outlays in each of the different Government functions.

## **Capital Expenditure**

During the period January to August 2016, capital expenditure amounted to €188.3 million, down from €271.4 million recorded a year earlier. This was mainly the result of lower spending on EU funded projects, particularly those related to sewage and agriculture. Other declines were recorded in the external borders fund and the acquisition of property for public purposes. Nevertheless, as outlined earlier, these developments reflect the commencement of the new MFF, which has a large impact on the patterns of EU funded investments.

Based on the latest available expenditure data by economic function, during the period January to August 2016, more than half of capital outlays were in respect of the 'economic affairs' category, followed by capital spending on general public service and on recreation, culture and religion, which amounted to 10.5 per cent and 7.5 per cent of capital expenditure, respectively.

When compared to the corresponding period of 2015, higher capital expenditure was only registered by the economic affairs, and public order and safety categories. During January to August 2016, capital expenditure on economic affairs increased by €14.0 million when compared to the corresponding period in 2015. The contribution towards the Treasury Clearance Fund as well as EU funded investments, road works and investment incentives contributed towards the increase in capital expenditure on



economic affairs during January to August 2016. Meanwhile, the major decline in capital spending during the period under review over the January to August 2015 levels, was noted for the environmental protection category, which decreased by €39.4 million. The decline reflects the completion of the Mechanical Biological Treatment facilities.

## **International Comparisons**

The following is an analysis of the fiscal position of the EU Member States for 2015. 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 ESA 2010 system of national accounts, and is therefore not directly comparable with data presented in previous sections of this Chapter. It is pertinent to note, that data for EU Member States, including data for Malta, and for the US and for Japan is reproduced from the spring update of the AMECO Database. Data for 2016 and 2017 reflect the deficit and debt projections as per the European Commission's Spring 2016 European Economic Forecast.

In 2015, the Government deficit of both the EA and the EU decreased in absolute terms compared to 2014, while the Government debt increased in both zones. In the EA, the Government deficit-to-GDP ratio continued to decline from 2.6 per cent in 2014 to 2.1 per cent in 2015, and in the EU from 3.0 per cent to 2.4 per cent of GDP. Furthermore, the Government's debt-to-GDP ratio improved in both the EA and the EU by 1.5 percentage points and by 1.7 percentage points, respectively. In 2015, the EA debt-to-GDP ratio declined to 92.9 per cent from 94.4 per cent in 2014, while that in the EU decreased to 86.8 per cent from 88.5 per cent in 2014. This improvement in the debt-to-GDP ratio is attributed to the improvements in the nominal GDP level which outweighed the increase in the debt level. Historically low interest rates also contributed to these improvements.

In 2015, Luxembourg, Germany, and Estonia registered a Government surplus, while Sweden reported a balanced budget. The lowest Government deficits as a percentage of GDP were

<b>General Government Net Lending (+) or Borrowing (-)</b>					
as a percentage of GDP					
Table 8.2	per cent				
	2013	2014	2015	2016F	2017F
Austria	-1.3	-2.7	-1.2	-1.5	-1.4
Belgium	-3.0	-3.1	-2.6	-2.8	-2.3
Bulgaria	-0.4	-5.4	-2.1	-2.0	-1.6
Croatia	-5.3	-5.5	-3.2	-2.7	-2.3
Cyprus	-4.9	-8.9	-1.0	-0.4	-0.0
Czech Republic	-1.3	-1.9	-0.4	-0.7	-0.6
Denmark	-1.1	1.5	-2.1	-2.5	-1.9
Estonia	-0.2	0.8	0.4	-0.1	-0.2
Finland	-2.6	-3.2	-2.7	-2.5	-2.3
France	-4.0	-4.0	-3.5	-3.4	-3.2
Germany	-0.1	0.3	0.7	0.2	0.1
Greece	-13.0	-3.6	-7.2	-3.1	-1.8
Hungary	-2.6	-2.3	-2.0	-2.0	-2.0
Ireland	-5.7	-3.8	-2.3	-1.2	-0.7
Italy	-2.9	-3.0	-2.6	-2.4	-1.9
Latvia	-0.9	-1.6	-1.3	-1.0	-1.0
Lithuania	-2.6	-0.7	-0.2	-1.0	-0.2
Luxembourg	0.8	1.7	1.2	1.0	0.1
Netherlands	-2.4	-2.4	-1.8	-1.7	-1.2
Poland	-4.0	-3.3	-2.6	-2.6	-3.1
Portugal	-4.8	-7.2	-4.4	-2.7	-2.3
Romania	-2.1	-0.9	-0.7	-2.8	-3.4
Slovakia	-2.7	-2.7	-3.0	-2.4	-1.6
Slovenia	-15.0	-5.0	-2.9	-2.4	-2.1
Spain	-6.9	-5.9	-5.1	-3.9	-3.1
Sweden	-1.4	-1.6	-0.0	-0.4	-0.7
United Kingdom*	-5.6	-5.6	-4.4	-3.4	-2.4
EU 28	-3.3	-3.0	-2.4	-2.1	-1.8
Euro Area	-3.0	-2.6	-2.1	-1.9	-1.6
United States	-5.3	-4.9	-4.0	-4.4	-4.4
Japan	-8.5	-6.2	-5.2	-4.5	-4.2
<b>Malta</b>	<b>-2.6</b>	<b>-2.0</b>	<b>-1.5</b>	<b>-0.9</b>	<b>-0.8</b>

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

Source: AMECO Database

### General Government Gross Debt

as a percentage of GDP

Table 8.3 per cent

	2013	2014	2015	2016F	2017F
Austria	80.8	84.3	86.2	84.9	83.0
Belgium	105.2	106.5	106.0	106.4	105.6
Bulgaria	17.1	27.0	26.7	28.1	28.7
Croatia	82.2	86.5	86.7	87.6	87.3
Cyprus	102.5	108.2	108.9	108.9	105.4
Czech Republic	45.1	42.7	41.1	41.3	40.9
Denmark	44.7	44.8	40.2	38.7	39.1
Estonia	9.9	10.4	9.7	9.6	9.3
Finland	55.5	59.3	63.1	65.2	66.9
France	92.4	95.4	95.8	96.4	97.0
Germany	77.2	74.7	71.2	68.6	66.3
Greece	177.7	180.1	176.9	182.8	178.8
Hungary	76.8	76.2	75.3	74.3	73.0
Ireland	120.0	107.5	93.8	89.1	86.6
Italy	129.0	132.5	132.7	132.7	131.8
Latvia	39.1	40.8	36.4	39.8	35.6
Lithuania	38.8	40.7	42.7	41.1	42.9
Luxembourg	23.3	22.9	21.4	22.5	22.8
Netherlands	67.9	68.2	65.1	64.9	63.9
Poland	56.0	50.5	51.3	52.0	52.7
Portugal	129.0	130.2	129.0	126.0	124.5
Romania	38.0	39.8	38.4	38.7	40.1
Slovakia	55.0	53.9	52.9	53.4	52.7
Slovenia	71.0	81.0	83.2	80.2	78.0
Spain	93.7	99.3	99.2	100.3	99.6
Sweden	39.8	44.8	43.4	41.3	40.1
United Kingdom*	86.2	88.2	89.2	89.7	89.1
EU 28	87.3	88.5	86.8	86.4	85.5
Euro Area	93.4	94.4	92.9	92.2	91.1
United States	104.8	104.8	105.9	107.5	107.6
Japan	243.1	246.2	245.4	247.5	248.1
<b>Malta</b>	<b>68.6</b>	<b>67.1</b>	<b>63.9</b>	<b>60.9</b>	<b>58.3</b>

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

Source: AMECO Database

recorded in Lithuania, Czech Republic, Romania and Cyprus, while seven Member States had deficits higher than the 3 per cent of GDP benchmark, ranging from 7.2 per cent of GDP in Greece to 3.2 per cent of GDP in Croatia. Additionally, Slovakia recorded a 3 per cent deficit in 2015. The most pronounced improvement in the deficit-to-GDP ratio was recorded by Cyprus, which registered a 7.8 percentage points decrease in the Government deficit-to-GDP ratio, to 1.0 per cent of GDP, while the budget balance deteriorated by a further 3.6 percentage points in Greece, reaching a deficit ratio of 7.2 per cent of GDP in 2015. In the meantime, Malta recorded a Government deficit ratio of 1.5 per cent of GDP, down from 2.0 per cent in 2014. Malta's reported deficit-to-GDP is 0.9 percentage points and 0.6 percentage points lower than the deficit of the EU and the EA, respectively.

At the end of 2015, the lowest ratios of Government debt-to-GDP were recorded in Estonia, Luxembourg and Bulgaria. Seventeen Member States including the EU, had Government debt ratios higher than 60 per cent of GDP, with the highest registered in Greece, Italy and Portugal. Malta recorded a Government debt ratio of 63.9 per cent, down by 3.2 percentage points from 2014. In the meantime, by registering a decrease of 13.8 percentage points between 2014 and 2015, Ireland recorded the largest improvement in its debt ratio to 93.8 per cent in 2015. Furthermore, Finland reported the highest increase in its ratio by 3.8 percentage points to 63.1 per cent during the same period.

The Council closed Excessive Deficit Procedures (EDP) against Malta and Poland in 2015. It adopted decisions abrogating previous Council decisions on the existence of excessive deficits in these countries, confirming that they have reduced their deficits below 3 per cent of GDP, as defined in accordance with Article 126(6) of the Treaty on the functioning of the EU (ex Article 104(6) of the Treaty establishing the European Community) and specified in the Stability and Growth Pact legislation.

Earlier this year, the Council decided to abrogate the EDP for Cyprus, Ireland and Slovenia while the Commission recommended to the Council to establish that no effective action has been taken by Spain and Portugal in response to the Council Recommendations of 21<sup>st</sup> June 2013, in accordance with Article 126(8) TFEU and to give notice to Spain and Portugal to take measures remedying the excessive deficit situation and to cancel imposing a fine for failure to take effective action.

In 2015, the US reported a Government fiscal deficit ratio of 4.0 per cent of GDP, representing a 0.8 percentage point improvement from that reported in 2014. The gross debt-to-GDP ratio increased by 1.1 percentage points from 104.8 per cent in 2014 to 105.9 per cent in 2015. Meanwhile, in Japan, the Government deficit-to-GDP ratio decreased to 5.2 per cent of GDP in 2015 from 6.2 per cent in 2014. Furthermore, Japan's debt-to-GDP ratio declined to 245.4 per cent in 2015 from 246.2 per cent in 2014.

In the Spring 2016 European Economic Forecast, the European Commission projected the European economy to continue growing this year on the back of slightly re-balanced domestic demand, but growth is not expected to accelerate significantly. As a consequence, the General Government deficit is expected to continue declining this year and next, underpinned by the drop in interest payments. The latter reflects lower long-term interest rates as a result of negative policy rates, moderate GDP growth expectations and extended quantitative easing. Indeed, the Government deficit is expected to reach 2.1 per cent and 1.9 per cent in the EU and the EA respectively in 2016, while debt-to-GDP ratio is expected to reach 86.4 per cent in the EU and 92.2 per cent in the EA in the same year. Both the debt and the deficit are projected to further decrease in 2017. For Malta, the Commission's Spring forecast expects the deficit to narrow to 0.9 per cent of GDP in 2016 and to further decrease to 0.8 per cent of GDP in 2017. The debt-to-GDP ratio, meanwhile, is forecasted to continue declining gradually to 58.3 per cent of GDP in 2017.

## **Box 8.1**

### **General Government Budgetary Developments**

The Quarterly Accounts of General Government published by the National Statistics Office (NSO), reported the Government's fiscal position using the updated European System of Accounts (ESA) 2010 methodology. Under this system, which is 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. Data pertaining to EBUs and local councils are also included. It should therefore be noted, that the data presented below is not comparable to that classified in the statement of the Consolidated Fund as provided in other sections of this Chapter. Nevertheless, conformity to the use of ESA 2010 methodology in line with the procedure defined in Article 104 of the Maastricht Treaty, allows for the international comparability of data for reporting purposes.

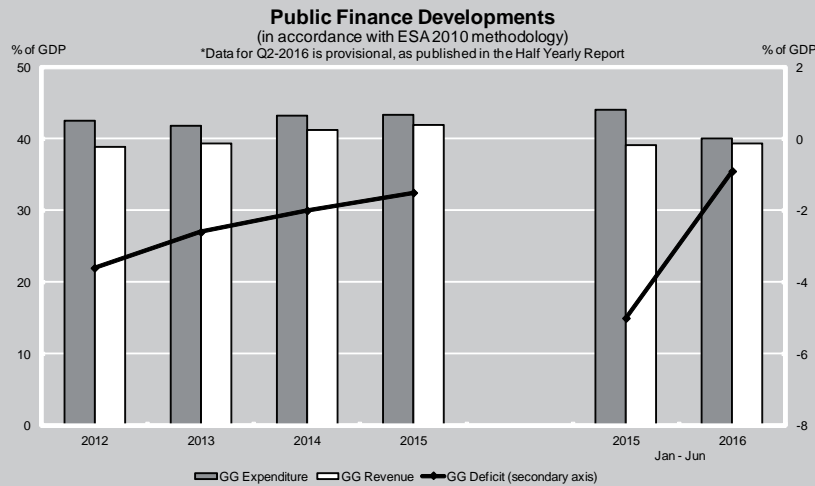
Given that General Government data in ESA 2010 for the second quarter of 2016 was not fully available by the cut-off date of this publication, the reported budgetary performance of General Government for the first half of 2016 should be treated as provisional. Moreover, it is worth noting, that due to seasonal factors, a larger proportion of revenue and to a lesser extent expenditure, materialises in the last quarter of the year. As a result, the in-year budgetary performance will not be symmetrical between the first half and the second half of the year. Seasonal patterns may also vary from one year to the next due to the timing of payments and receipts. Therefore, in-year deficit-to-GDP figures which measure the in-year budgetary performance should be read with caution.

During the first half of 2016, the deficit ratio is estimated at 0.9 per cent of GDP, representing a considerable improvement of 4.1 percentage points when compared to the corresponding period of the previous year.

The revenue-to-GDP ratio for the first six months of 2016 period is estimated to have increased from 39.1 per cent to 39.3

Box 8.1 continued

Chart 1



per cent. This increase is expected to be mainly underpinned by higher tax revenue. Revenue from current taxes on income and wealth is estimated to have increased confirming the sustained positive performance of the labour market and increases in revenue from income tax paid by companies. Proceeds from VAT for the January to June 2016 period are estimated to have registered a more buoyant growth compared to the tax base. It is also worth noting that in 2015, VAT revenue was negatively influenced by the timing of refunds reflecting the newly adopted policy by the VAT department to make advance provisions for SEPA payments.

When compared to the first two quarters of 2015, the expenditure-to-GDP ratio in the first half of 2016 is estimated to have decreased by 4.0 percentage points to 40.1 per cent of GDP. These developments primarily reflect lower expenditure on gross fixed capital formation mainly underpinned by lower expenditure on projects in part financed from EU funds in view of being at the initial stage of the new programming period 2014-2020. Capital transfers also registered a decline due to the lower equity injection in Air Malta during the first quarter of 2016.

## Monetary Developments

The contribution of Maltese Monetary Financial Institutions (MFIs) to the stock of EA Broad Money (M3), increased between January and July 2016. This was mainly underpinned by an increase in overnight deposits. The contribution towards M3 of deposits redeemable at notice up to three months was marginally negative, being outweighed by the positive contribution of deposits with an agreed maturity of up to two years. At the same time, there has also been an increase in the credit counterpart accompanied by a mild increase in net claims on non-residents of the EA. Conversely, developments in the other counterparts component contributed negatively to Broad Money over the period under review. The Bank Lending Survey, last conducted in July 2016, indicated broadly unchanged credit terms and conditions for businesses and somewhat loosened credit standards on loans for house purchases to households during the second quarter of 2016 exerted by domestic banks. In addition, in view of the relatively low interest rate environment, depositors were more inclined to hold highly short-term liquid deposits in their bank accounts.

## Contribution of Resident MFIs to Euro Area Monetary Aggregates

Between January and July 2016, the contribution of Maltese resident MFIs to total monetary aggregates (M3) of the EA, registered an increase of 4.9 per cent, reaching €16,677.5 million when compared to €15,900.5 million registered in December 2015. Higher overnight deposits were the main factor which led to the increase. At the same time, a slight negative contribution stemmed from deposits with agreed maturity of up to three months which was more than compensated for by the positive contribution of deposits with an agreed maturity of up to two years. Table 8.4 illustrates the main developments in monetary indicators. This data reflects the continued preference towards short-term liquid money balances in the form of cash.

During the first seven months of 2016, narrow money (M1) reached €12,468.6 million, increasing by 5.5 per cent when



**Contribution of Resident MFIs to Euro Area Monetary Aggregates<sup>(1)</sup>**

Table 8.4

€ million

	2015 (Dec)	2016 (Mar)	2016 (Jun)	2016* (Jul)	Jul-16 - Dec-15
	% Change				
<b>Narrow Money (M1)</b>	11,819.5	11,794.3	12,340.9	12,468.6	5.5
Currency issued <sup>(2)</sup>	893.1	891.2	908.5	920.4	3.1
Overnight deposits <sup>(3)</sup>	10,926.4	10,903.1	11,432.4	11,548.2	5.7
<b>Intermediate Money (M2)</b>	15,775.4	15,867.9	16,490.8	16,633.6	5.4
Narrow Money (M1)	11,819.5	11,794.3	12,340.9	12,468.6	5.5
Deposits redeemable at notice up to 3 months <sup>(3)</sup>	123.0	113.9	104.2	103.4	-15.9
Deposits with agreed maturity up to 2 years <sup>(3)</sup>	3,832.9	3,959.7	4,045.6	4,061.6	6.0
<b>Broad Money (M3)<sup>(4)</sup></b>	15,900.5	15,927.0	16,534.7	16,677.5	4.9
Intermediate Money (M2)	15,775.4	15,867.9	16,490.8	16,633.6	5.4
Debt securities issued up to 2 years initial maturity	125.1	59.1	44.0	43.9	-64.9

\* Provisional

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> Deposits with MFIs exclude interbank deposits and deposits held by central Government.

<sup>(4)</sup> 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

compared to €11,819.5 million registered in December 2015. This was mainly due to a 5.7 per cent increase in overnight deposits in the same period as the latter reached €11,548.2 in July 2016. Overnight deposits increased mostly during the second quarter of 2016, registering only a marginal increase in July. Overall, these increases outweighed the slight decline registered in the first three months of the year. Such developments were mirrored in deposits from Maltese residents. On the other hand, deposits from EA residents increased mostly in July and by a lesser amount in the first three months of the year, outweighing the decline registered in the second quarter of the year. The local deposits represented the main contributors to the developments in total overnight deposits, due to their share.

Issued currency registered an increase of 3.1 per cent between January and July 2016, reaching €920.4 million, however, its

positive contribution to M1 was low due to its small share. The overall increase in currency issued was underpinned by the developments registered in the second quarter of 2016 followed by a lower increase in July. These increases outweighed a slight decline in the first quarter of the year.

In the first seven months of 2016, deposits redeemable at notice up to three months fell by 15.9 per cent when compared to December 2015, reaching €103.4 million in July 2016. A significant decline in such deposits from Maltese residents was the main contributor to this development since the higher increase in deposits from other EA residents was negligible due to their very small share.

During the period under review, an increase of 6.0 per cent was registered in deposits with an agreed maturity of up to two years which reached €4,061.6 million in July 2016. These 'longer-term' deposits registered increases throughout the first seven months of the year, with the highest increase being registered in the first quarter of the year, due to increases in deposits from both Maltese and EA residents. During the second quarter and in July 2016, deposits with an agreed maturity of up to two years registered lower increases, whereby increases in deposits from EA residents outweighed the declines registered in deposits from local residents.

As illustrated in Table 8.5, total resident deposits increased by 2.4 per cent between January and July 2016 when compared to December 2015, reaching €14,463.6 million in July 2016. Such an increase was mainly due to the positive contribution from overnight deposits which increased by 5.4 per cent during the aforementioned period. At the same time, there has been a significant decline of 16.4 per cent in deposits redeemable at notice up to three months, while two year maturity deposits declined by 5.8 per cent. Nevertheless, the latter only resulted in a marginal negative contribution towards total resident deposits growth, while the former's contribution was basically negligible.

<b>Resident Deposits</b>					
Table 8.5	€ million				
	2013 (Dec)	2014 (Dec)	2015 (Dec)	2016* (Jul)	Jul-16 - Dec-15
	% Change				
Overnight Deposits <sup>(1)</sup>	6,522.3	8,415.6	10,510.9	11,076.7	5.4
Deposits redeemable at notice up to 3 months	113.8	124.4	121.7	101.7	-16.4
Deposits with agreed maturity up to 2 years	3,993.4	3,914.2	3,487.7	3,285.2	-5.8
<b>Total resident deposits</b>	<b>10,629.4</b>	<b>12,454.2</b>	<b>14,120.3</b>	<b>14,463.6</b>	<b>2.4</b>
* Provisional					
<sup>(1)</sup> 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 EA monetary aggregates since the end of 2015. In the period January to July 2016, Maltese MFIs' contribution to the EA broad money stock (M3) increased, primarily due to a positive contribution in the credit counterpart together with a slight increase in net claims on non-residents of the EA and which more than outweighed the negative contributory effect from an increase in other counterparts.

For the period January to July 2016, the credit counterpart of broad money reached €17,315.7 million, representing an increase of 5.5 per cent when compared to December 2015. Higher credit to other EA residents was the main driver behind such a development as its positive contribution was higher than that registered from the increase in credit to Maltese residents. Indeed, in the first seven months of 2016, credit to other EA residents increased by 14.3 per cent, reaching €4,587.1 million when compared to December 2015. Both lending to General

### Contribution of Resident MFIs to Counterparts to Euro Area Monetary Aggregates

Table 8.6

	2015 (Dec)	2016 (Mar)	2016 (Jun)	2016* (Jul)	Jul-16 - Dec-15
					% Change
<b>Broad Money (M3)<sup>(1)</sup></b>	15,900.5	15,927.0	16,534.8	16,677.5	4.9
<b>Credit Counterpart<sup>(2)</sup></b>	16,407.3	17,066.5	17,448.1	17,315.7	5.5
Credit to residents of Malta	12,393.3	12,632.9	12,827.0	12,728.7	2.7
Credit to general Government	2,919.5	3,070.9	3,180.7	3,175.4	8.8
Credit to other residents	9,473.8	9,562.0	9,646.2	9,553.3	0.8
Credit to other Euro Area residents	4,014.0	4,433.6	4,621.2	4,587.1	14.3
<b>Net claims on non-residents of the Euro Area</b>	10,705.2	10,009.8	11,031.3	10,761.5	0.5
<b>Other counterparts (net)<sup>(3)</sup></b>	11,212.1	11,149.3	11,944.7	11,399.7	1.7

\* Provisional

<sup>(1)</sup> This does not represent holdings of M3 by residents of Malta but rather the contribution of MFIs in Malta to the Euro Area aggregate.

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

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

Source: Central Bank of Malta

Government and the private sector supported EA credit developments, however, the former rose at a rate of 15.7 per cent compared to the lower increase of 13.2 per cent in credit to the latter. Lending to local residents increased by 2.7 per cent, reaching €12,728.7 million during the same comparative period. This was led by an 8.8 per cent increase in credit to General Government compared to the 0.8 per cent increase in credit to the private sector.

Table 8.7 illustrates credit developments to Maltese residents excluding General Government. The 0.8 per cent increase in private sector loans during the months of January to July 2016 was mainly due to the higher loans given out to 'Household and Individuals' which increased by 3.1 per cent. Indeed, loans to 'Households and Individuals' also represented the largest share in the loans categories. Positive contributions also stemmed from increases in credit to the 'Other' category and to 'Real Estate, Renting and Business Activities' which increased by 11.2 per cent

### Credit to Other Residents<sup>(1)</sup>

Loans by Economic Activity

Table 8.7

	2013 (Dec)	2014 (Dec)	2015 (Dec)	2016* (Jul)	Jul-16 - Dec-15
	% Change				
Total Credit	9,581.5	9,239.1	9,473.8	9,553.3	0.8
Total Loans <sup>(2)</sup>	9,029.6	9,105.8	9,205.4	9,225.7	0.2
Electricity, gas & water supply	293.1	422.8	316.4	287.0	-9.3
Transport, storage & communication	478.0	451.1	439.7	346.2	-21.3
Manufacturing	297.3	287.9	276.6	256.8	-7.1
Construction	894.7	802.5	540.8	571.9	5.7
Hotels & restaurants	462.5	436.0	508.8	376.9	-25.9
Wholesale & retail trade; repairs	782.2	849.5	843.9	763.8	-9.5
Real estate, renting & business activities	455.4	502.3	614.2	690.7	12.5
Households & individuals	3,959.4	4,243.8	4,530.2	4,671.3	3.1
Other <sup>(3)</sup>	1,407.1	1,109.9	1,134.8	1,261.3	11.2

\* Provisional

<sup>(1)</sup> 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.

<sup>(2)</sup> Data presented in this Table is compiled in accordance with NACE Rev2

<sup>(3)</sup> 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

and 12.5 per cent, respectively during the same comparative period. Despite their low contributions to changes in total credit, loans to the 'Construction' sector increased by 5.7 per cent while loans to the 'Manufacturing' category declined by 7.1 per cent. Declines in credit were also registered in the 'Electricity, Gas and Water Supply', 'Wholesale, Retail Trade and Repairs', 'Transport, Storage and Communication', and the 'Hotels and Restaurants' sectors which declined by 9.3 per cent, 9.5 per cent, 21.3 per cent and 25.9 per cent, respectively. It is to be noted, that a long-term comparison of trends is not possible due to a change in NACE classification since 2008 and which is particularly evident in the services sector.

Foreign capital from outside the EA also affects the growth dynamics in M3. Net claims representing the external counterpart

of M3 increased slightly by 0.5 per cent during the first seven months of 2016 when compared to December 2015, reaching €10,761.5 million. This increase was mainly the result of an increase during the second quarter of the year which outweighed the declines registered in the first three months of the year and also in July 2016. The increase in net claims on non-residents of the EA was offset by a higher level of the other counterparts net balance. This increased by 1.7 per cent during the period January to July 2016 over December 2015, reaching €11,399.7 million. These developments followed the same dynamics in net claims on non-residents of the EA, registering an increase during the second quarter of the year which offset a marginal decline in the first three months of the year and a more sizeable decline registered in July 2016. The increase in the net claims component reflects a more rapid increase in resident credit institutions' liabilities to other EA banks with respect to their claims on them while the other counterparts' component mainly reflects interbank transactions across the EA and contributes negatively to M3.

## **The Money Market**

In the aftermath of the financial crisis of 2008, the ECB proceeded with unparalleled action to restore economic and financial stability. Initially, the ECB resorted to main channel tools such as interest rate reductions and also introduced a number of non-standard measures that were unprecedented in nature, scope and magnitude in order to safeguard the primary objective of price stability and ensure an appropriate monetary policy transmission mechanism. As the crisis unfolded, the ECB played a crucial role in supporting financial intermediation within the EA while looking after the refinancing tools of solvent banks and facilitating the reinstatement of confidence in financial markets.

In the January 2015 meeting, the Governing Council of the ECB decided that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility would remain unchanged at 0.05 per cent, 0.30 per cent and -0.20 per cent, respectively. This stance was kept

unchanged up to October 2015. Subsequently, in the last month of 2015, the Governing Council of the ECB lowered the interest rate on the deposit facility by 10 basis points to -0.30 per cent, while the interest rate on the main refinancing operations and the interest rate on the marginal lending facility were maintained at 0.05 per cent and 0.30 per cent, respectively.

In March 2016, the ECB's Governing Council decided to further decrease the interest rate on the main refinancing operations of the Eurosystem as well as the interest rate on the marginal lending facility. Indeed, both the aforementioned were decreased by 5 basis points to 0.00 per cent and 0.25 per cent, respectively, while the interest rate on the deposit facility was decreased by 10 basis points to -0.40 per cent.

Concurrently, it was also decided that the monthly purchases under the asset purchase programme would be expanded to €80 billion, while the investment grade Euro-denominated bonds issued by non-bank corporations established in the EA would now be included in the list of assets eligible for regular purchases. In addition, a new series of four targeted longer-term refinancing operations (TLTRO II), each with a maturity of four years, was also launched (starting in June 2016). Borrowing conditions in these operations could be as low as the interest rate on the deposit facility.

In April 2016, the ECB announced that the interest rates on the main refinancing operations, on the marginal lending facility and on the deposit facility would remain unchanged. Moreover, in April 2016, the ECB started to expand the monthly purchases under the asset purchase programme to reach €80 billion, focusing on the implementation of the additional non-standard measures decided in the previous month.

During the third quarter of 2016, the Eurosystem commenced purchases under its corporate sector purchase programme (CDPP). Moreover, it conducted the first operation in its new series of targeted longer-term refinancing operations. In addition, during the same period, the Governing Council confirmed that

the monthly asset purchases of €80 billion will run until the end of March 2017, or beyond. Up till September 2016, the major ECB interest rates remained unchanged, as the Governing Council continued to expect these key ECB interest rates to remain at the present or lower levels for an extended period of time, and well past the horizon of the net asset purchases. The non-standard measures adopted by the ECB were aimed at augmenting the banking sector's access to liquidity and consequently to support the functioning of the EA money market and to prolong the provision of credit to households as well as non-financial corporations.

Interbank rates are generally indicative of risk aversion in financial markets. As the level of risk aversion rises, lending institutions are generally less willing to exchange credit in the interbank market. During the first half of 2012, interbank rates experienced a substantial decline before subsequently somewhat stabilising up until the last quarter of 2013. Some volatility was registered in the first six months of 2014, although from June 2014 onwards, interbank rates continued to decline. In fact, such a declining trend persisted progressively for all interbank rates up to July 2016. Longer-term rates remained higher compared to their short-term counterparts in the same comparable period despite continuing to decline steadily. The 1 year rate reached a negative value of 0.06 in July 2016.

EA interbank money market interest rates have a bearing on Maltese Treasury Bills, as they represent an alternative portfolio investment opportunity for local investors. In the first eight months of 2016, the Maltese Government issued €682.0 million worth of Treasury Bills on the primary market. This level is €223.0 million higher than the level of Treasury Bills that were issued during the same period in 2015. While experiencing some volatility during 2014, yields in the primary and secondary markets for Malta Treasury Bills have been on a declining trend since September 2012, reaching negative rates as from the second half of 2015. As at July 2016, the yield on three-month bills in the primary market stood at a negative rate of 0.31 per cent whilst the yield on six-month bills stood at a negative rate

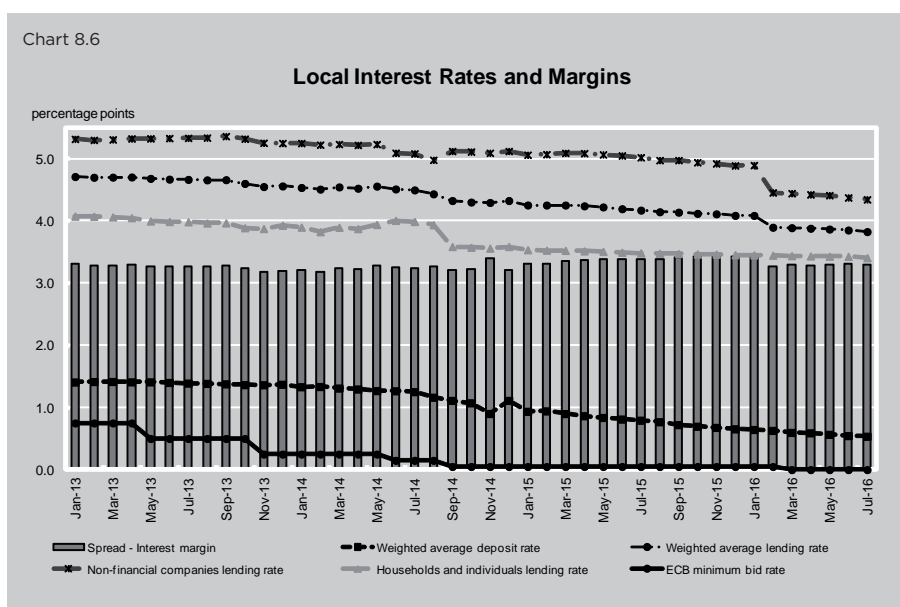


of 0.30 per cent when compared to rates of 0.04 per cent and 0.06 per cent registered in January 2015 for three-month bills and six-month bills, respectively.

No trades were executed in Treasury Bills for the period January to August 2016 and the comparable period of 2015.

## Deposit and Lending Rates

Chart 8.6 outlines the developments in deposits and lending rates, in conjunction with the interest margin between their weighted averages, as well as the ECB minimum bid rate. The spread between weighted average deposit and lending rates remained largely stable during the first nine months of 2013. Between November 2013 and December 2014, the interest rate margin experienced a degree of fluctuation, peaking at 3.4 per cent in November 2014, while the ECB minimum bid rate continued its downward movement which had reached 0.05 per cent. Subsequently, the spread level increased gradually over the course of 2015 and up to January 2016 before declining again in the subsequent month and remaining relatively stable thereafter,



while the ECB rate remained at 0.05 per cent up till February 2016. The dynamics of such a stable spread level between lending and deposit rates, reflects only an overall marginal decrease in deposit rates and a corresponding minimal decline in lending rates over the aforementioned period with the largest volatilities being registered at the end of 2014 for deposit rates and at the start of 2016 for lending rates. As at the end of July 2016, the spread stood at 3.3 per cent when compared to 3.4 per cent in January 2016, while the ECB minimum bid rate declined further to a rate of 0.0 per cent which prevailed since March 2016.

## **The Capital Market**

Between January to August 2016, the Government issued €436.7 million worth of stocks on the primary market. In addition, stocks worth €561.7 million were re-integrated into other issued stock during the period reviewed while total redeemed stocks amounted to €69.9 million.

A strong increase in new issuances in the primary corporate bond market was experienced between January and August 2016 when compared to the same period a year earlier. In fact, newly issued corporate bonds increased by 147.5 per cent when compared to the same period of last year, reaching €222.7 million as at August 2016 from €90.0 million registered in the first eight months of 2015. In addition, redeemed corporate bonds also increased by 33.6 per cent, reaching €13.8 million. No deductions were registered as at August 2016 when compared to €1.4 million registered during the same period in 2015, while rollovers registered an increase of 19.0 per cent during the period under review, reaching €63.4 million as at August 2016.

Table 8.8 illustrates the trading activities related to Government stock in the secondary market. Trading activity for the aforementioned was weak between January and August 2016 as, indeed, turnover levels declined by 48.9 per cent when compared to the same period a year earlier, to reach €330.5 million. The number of deals during the first eight months of 2016 also declined significantly to 7,514 deals when compared to

**Government Stocks**  
Activity on the Secondary Market

Table 8.8

	2015 Jan-Aug	2016 Jan-Mar	2016 Apr-Jun	2016 Jul-Aug	2016 Jan-Aug
Turnover in Government Stocks:					
Nominal Value (€ million)	528.7	91.1	103.9	93.7	288.7
Market Value (€ million)	646.4	103.9	118.3	108.3	330.5
Number of Transactions	12,118	2,267	2,928	2,319	7,514
Average Value per Transaction (€)*	43,628	40,195	35,487	40,413	38,427
Amount sold by CBM (€ million)**		16.4	19.6	25.7	61.7
Amount bought by CBM (€ million)**		60.3	42.5	44.2	147.0
* Based on Nominal Values					
** Based on Market Values					

Source: Central Bank of Malta

12,118 in the period January to August 2015 reflecting a decline of 38.0 per cent. In the period under review, trading was mainly concentrated in two issues, namely: 3.0 per cent MGS 2040 and 2.5 per cent MGS 2036, which registered 1,512 and 1,351 deals, respectively. The value transacted by the CBM in the local secondary Government bond market amounted to €208.7 million during the first eight months of 2016.

A range of secondary market indicators is presented in Table 8.9. Aggregate turnover for equities remained stable at €54.4 million in the first eight months of 2016, compared to a level of €54.8 million registered in the same period of 2015. During the months of January to August 2016, Bank of Valletta and RS2 Software share issues registered the largest level of trading activity standing at 1,826 and 1,045 deals, respectively.

As at August 2016, the Malta Stock Exchange Share Index closed at 4,439.8 reflecting an increase of 5.5 per cent over the same period in 2015. Market capitalisation in the equity market

	2015 Jan-Aug	2016 Jan-Mar	2016 Apr-Jun	2016 Jul-Aug	2016 Jan-Aug
<b>Corporate Bonds*</b>					
Number of Listings**	46.0	51.0	54.0	54.0	54.0
Turnover (€ million)	46.4	12.1	13.8	9.6	35.4
<b>Equities*</b>					
Number of Issues Outstanding**	23.0	23.0	23.0	23.0	23.0
Turnover (€ million)	54.8	26.5	18.6	9.3	54.4
<b>Total Listed Securities*</b>					
Total Turnover (€ million)***	747.9	142.5	150.7	127.2	420.4
Market Capitalisation (€ million)******	11,243.0	12,084.8	12,142.6	12,171.2	12,171.2
MSE Ord. Share Index**	4,208.0	4,563.2	4,561.4	4,439.8	4,439.8
*Including the Alternative Companies listing					
**As at end of period					
***Including Malta Government Stocks and Treasury Bills					
Source: Malta Stock Exchange					

increased from €3,770.2 million in August 2015 to €4,010.4 million at the end of August 2016.

As at August 2016, total market capitalisation stood at €12,171.2 million, increasing by €928.3 million from the level of €11,243.0 million prevailing in the same month last year. This increase was underpinned mainly by increases in the market capitalisation for Government bonds and to a lesser extent an increase in market capitalisation for equities and corporate bonds. Market capitalisation for treasury bills only had a marginal positive contribution during this period.

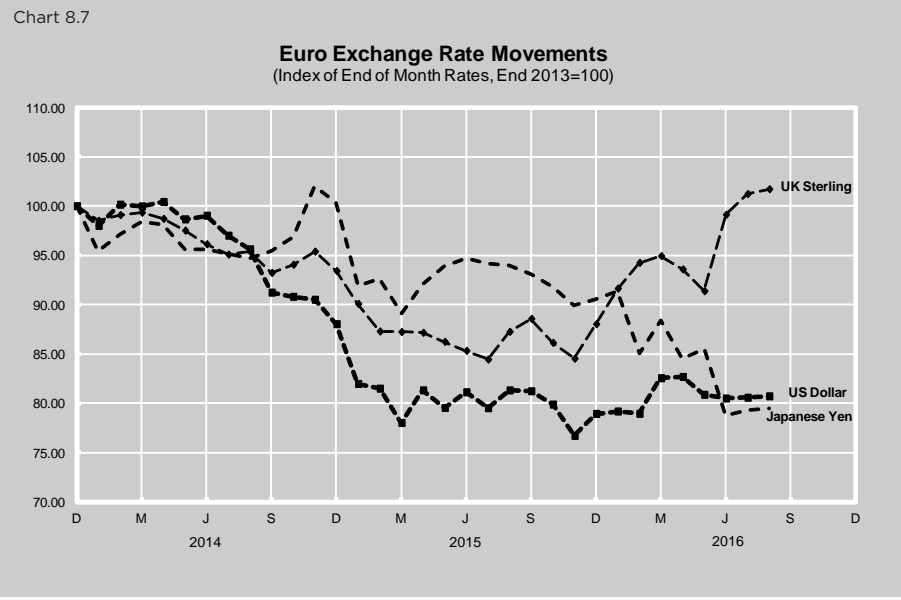
## Exchange Rate Developments

The exchange rate is one of the key relative prices for an economy. Movements in exchange rates have economy-wide implications ranging from influencing the overall price competitiveness of the country's exports and thus impacting international trade flows, to impacting the real return of an investor's portfolio. Thus volatility in exchange rates affects economies, firms and also

consumers due to having a bearing on both the real, as well as the financial sectors of an economy.

The volatility that has been exhibited in exchange rate markets following the European sovereign debt crisis is outlined in Chart 8.7, which shows an indexed Euro exchange rate against the three major currencies, namely the US Dollar, UK Sterling and the Japanese Yen since the end of 2013. The Euro registered a relatively stable performance in respect of the US Dollar and UK Sterling in the first few months of 2014, after which both exchange rates followed a downward path while the depreciation intensified during the first quarter of 2015. Thereafter, the Euro to US Dollar exchange rate started to show greater stability, whereas the Euro to UK Sterling exchange rate has experienced notable appreciation following the Brexit referendum. The exchange rate of the Euro against the Japanese Yen, has been quite stable in the first 10 months of 2014, after which the currency experienced a sharp appreciation in the last quarter of 2014 before experiencing a sharp decline in the subsequent quarter. Since then, the Euro to Japanese Yen rate has fluctuated over a depreciating path as a result of the distress in the European market.

The Euro to US Dollar exchange rate was relatively stable during the first half of 2014, hovering around US\$ 1.37. However, in the subsequent months, it experienced significant declines, reaching a 12-year low of US\$ 1.05 by mid March 2015, thus representing a substantial decline of around 22 per cent from the level prevailing in the same comparable period a year earlier. This was the result of a number of factors, namely the increased uncertainties in European financial markets in respect to the risks associated with sovereign bonds along with a weak economic activity by a number of EA Member States. In addition, this was also coupled with the expected tightening of monetary policy in the US and the ECB's quantitative easing program. In the subsequent quarters, the Euro recovered slightly relative to the Dollar and was trading at US\$ 1.15 by mid October 2015. By the end of the following month, the Euro to US Dollar exchange rate declined back to a US\$ 1.06 level as the ECB signalled that it would consider extending its bond-buying program well into 2016 and



even beyond. Nevertheless, the Euro appreciated against the Dollar in December and was trading at US\$ 1.09 by the end of 2015. The Euro to US Dollar exchange rate was relatively stable in the subsequent months hovering around a value of US\$ 1.11 up to August 2016. From a longer-term perspective, it was trading at around 15 per cent below its 10-year average level of US\$ 1.32.

The depreciation trend of the Euro to US Dollar exchange rate during 2014 occurred also in respect of the UK Sterling with the latter rate trading at £0.83 at the beginning of 2014 and gradually declining to £0.78 by the end of the same year, thus representing a 6.6 per cent decline. The depreciation in the value of the Euro vis-à-vis the UK Sterling intensified in the first quarter of 2015, with the rate reaching a 7-year low of £0.71 by mid March 2015, representing a further 8.8 per cent reduction in its value since the start of the year. This sharp decline reflected the relatively stronger economic performance registered by the UK, increased uncertainties in the EA sovereign bonds market along with the possibility of a Greek exit from the Euro zone. The downward trend in the value of the Euro relative to the UK Sterling persisted in the following months reaching a new

low of £0.70 in the beginning of August 2015. A reversal was observed in the subsequent weeks before depreciating again in November as a result of the ECB's signal that it might extend its bond-buying program well into 2016, leading the Euro to UK Sterling to rise back to £0.70 by the end of November 2015. The Euro regained strength relative to the UK Sterling throughout December; a positive trend that followed in the subsequent months with the rate trading at £0.79 by the end of the first quarter of 2016 on the back of a relatively stronger outlook in Europe relative to the UK. The exchange rate developments in the subsequent months were governed by the Brexit referendum. Indeed, following the announcement of the referendum result on the 24<sup>th</sup> of June, the Euro gained 6.0 per cent over the UK Sterling in the span of one day, increasing from £0.76 to £0.81. The uncertainty surrounding the UK's exit from the EU led the Euro to appreciate further relative to the UK Sterling and the former was trading at £0.85 by end of August 2016, which represents a 16.6 per cent increase on the level prevailing in the same comparable period a year earlier. The value of the Euro against the UK Sterling as at the end of August 2016 was in line with its 10-year average level.

Following an overall sharp appreciation of the Euro in respect of the Japanese Yen during 2013, the exchange rate depreciated marginally in the first month of 2014 and then somewhat stabilised in the following nine months, hovering around JPY 139. Subsequently, the value of the Euro against the Yen increased, spiking in November 2014 and peaking to around JPY 148 following news of negative growth prospects in Japan and China. Following the Euro zone uncertainty, a downward adjustment in the exchange rate was thereafter observed from December 2014 up to April 2015 with the rate reaching JPY 127.96 in the latter month, thus reflecting a 10.9 per cent decline in its value compared to the level prevailing in the previous year. The exchange rate appreciated in the following weeks reaching a rate of JPY 140.04 by mid June 2015, before gradually depreciating thereafter as a result of the uncertainty surrounding the EU. As at the end of August 2016, the Euro traded at JPY 115.01 which is 15.5 per cent lower than the rate of the corresponding month

of the previous year. From a longer-term perspective, the Euro is currently trading well below the 10-year average mark of JPY 130.92.



## Government Revenue

(January-August)

Appendix Table 8.1

€ thousand

	2013	2014	2015	2016
<b>Tax Revenue</b>	<b>1,630,283</b>	<b>1,733,182</b>	<b>1,918,470</b>	<b>2,118,960</b>
Direct Tax Revenue	982,253	1,052,515	1,137,357	1,263,274
Income Tax	592,733	629,051	693,976	771,170
Social Security	389,519	423,464	443,381	492,105
Indirect Tax Revenue	648,030	680,667	781,113	855,685
Customs and Excise Duties	127,064	96,905	160,222	170,594
Licences, Taxes and Fines	144,108	161,313	180,307	210,493
Value Added Tax	376,858	422,449	440,584	474,598
<b>Non-Tax Revenue</b>	<b>207,533</b>	<b>253,619</b>	<b>303,960</b>	<b>203,670</b>
Fees of Office	21,099	25,175	29,154	32,997
Reimbursements	13,843	14,738	15,413	16,708
Rents	17,115	20,145	21,515	22,253
Dividends on Investments	9,962	4,306	9,273	12,441
Repayment of Government Loans and interest	1,408	1,031	132	73
Miscellaneous Receipts	14,516	15,739	33,050	24,158
Public Corporations	0	0	0	0
Central Bank of Malta	36,000	37,000	36,000	36,000
Grants	93,589	135,485	159,423	59,041
<b>Recurrent Revenue</b>	<b>1,837,815</b>	<b>1,986,801</b>	<b>2,222,430</b>	<b>2,322,630</b>
Extraordinary Receipts	0	0	700	1,131
Loans	369,621	573,841	258,287	438,669
Repayment of Loans made by Government	30	0	0	11,984
<b>Total Revenue</b>	<b>2,207,466</b>	<b>2,560,642</b>	<b>2,481,418</b>	<b>2,774,413</b>

Source: *The Treasury, Ministry for Finance*

### Government Recurrent Expenditure

(January-August)

Appendix Table 8.2

€ thousand

	2013	2014	2015	2016
Office of the President	1,446	1,715	2,291	2,683
House of Representatives	1,734	1,909	2,306	2,826
Office of the Ombudsman	700	700	800	600
National Audit Office	1,615	1,980	2,025	2,160
Office of the Prime Minister	11,282	17,161	17,621	24,248
Public Service Commission	288	280	339	363
Information	824	711	742	676
Government Printing Press	831	845	840	825
Electoral Office	7,263	6,310	6,841	1,224
Government Property Division	5,571	4,777	4,808	4,516
Ministry for European Affairs and Implementation of the Electoral Manifesto	4,393	5,283	7,697	16,232
Ministry for Foreign Affairs	11,536	12,847	14,129	15,013
Ministry for Tourism [Culture and the Environment]	34,858	42,406	31,511	44,275
Local Government	27,589	27,619	26,809	27,405
Ministry for Education and Employment	105,139	138,543	164,874	170,956
Education	112,664	120,072	129,329	137,783
Ministry for Sustainable Development, the Environment and Climate Change	31,983	29,851	29,345	31,654
Ministry for Transport and Infrastructure	29,413	57,680	54,402	60,801
Ministry for Gozo	15,300	16,678	16,786	18,186
Ministry for Social Dialogue, Consumer Affairs and Civil Liberties	5,651	6,234	6,566	6,917
Industrial and Employment Relations	774	784	781	960
Ministry for the Economy, Investment and Small Business	18,371	18,250	20,006	21,135
Trade Services [Commerce]	977	1,033	1,036	1,115
Ministry for the Family and Social Solidarity	24,500	32,161	42,452	40,798
Social Policy [Security]	119,998	131,419	137,665	151,893
Social Security Benefits	526,386	530,958	568,960	591,399
Social Welfare Standards	610	611	675	678
Elderly and Community Care	42,560	48,963	52,141	60,998
Ministry for Home Affairs and National Security	15,623	18,757	14,145	8,876
Armed Forces of Malta	23,817	24,694	26,672	27,145

### Government Recurrent Expenditure

(January-August)

Appendix Table 8.2 continued

€ thousand

	2013	2014	2015	2016
Police	32,273	34,102	35,332	35,357
Correctional Services	5,787	6,276	6,749	6,755
Probation and Parole [Services]	518	541	597	647
Civil Protection	2,572	2,699	2,899	3,467
Land and Public Registry Division	2,639	3,000	0	0
Judicial	8,098	8,033	8,369	8,591
Ministry for Finance	70,960	69,268	71,873	67,116
Treasury	2,842	3,110	3,793	4,095
Pensions	58,570	62,116	62,078	64,814
Inland Revenue	4,636	4,702	5,010	5,269
V.A.T.	3,902	3,639	3,430	4,149
Customs	6,474	7,346	6,973	6,855
Contracts	660	779	918	987
Economic Policy	626	737	790	745
Ministry for Energy and the Conservation of Water	30,242	19,714		0
Ministry for Health [the Elderly and Community Care]	253,141	263,512		0
Ministry for Energy [the Conservation of Water] and Health			35,603	41,819
[Ministry for] Health			293,918	313,936
Ministry for Justice, Culture and Local Government			16,365	24,753
Ministry for Resources and Rural Affairs				
Ministry of Finance, the Economy and Investment				
Ministry for Justice and Home Affairs				
Ministry for Infrastructure, Transport and Communications				
<b>Recurrent Expenditure</b>	<b>1,667,633</b>	<b>1,790,803</b>	<b>1,939,291</b>	<b>2,063,693</b>

Note: [ ] denotes change in name of cost centres

Source: The Treasury, Ministry for Finance

€ thousand

**Government Expenditure by COFOG category**  
(January-August)

Appendix Table 8.3

COFOG	Personal Emoluments			Operational and Maintenance Expenses			Programmes and Initiatives			Contributions to Government Entities		
	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016
General public services	42,339	45,370	48,592	14,218	17,310	17,082	106,861	110,286	114,728	5,641	4,858	6,660
Defence	21,065	22,764	24,028	3,270	3,717	2,994	359	191	255	0	0	0
Public order and safety	49,355	51,714	53,388	7,096	7,063	6,523	7,194	5,428	2,741	4,688	5,246	5,337
Economic affairs	41,536	43,426	43,909	6,654	7,725	9,982	62,478	71,487	73,775	31,758	39,643	59,973
Environment protection	1,610	501	556	95	78	77	11,644	11,526	12,345	10,806	7,701	11,907
Housing and community amenities	2,188	1,750	1,638	859	683	503	0	6	0	222	2,177	1,967
Health	124,304	135,215	143,637	28,406	36,568	42,666	80,783	91,020	98,015	31,178	33,383	32,058
Recreation, culture and religion	4,844	5,120	5,266	2,770	834	648	8,189	8,906	6,628	8,959	10,560	13,519
Education	110,697	117,138	124,081	11,121	13,978	15,804	68,542	78,208	75,811	60,408	74,242	78,615
Social protection	29,097	27,176	31,015	10,255	14,146	17,717	760,146	812,141	849,832	19,166	20,005	29,400
<b>Total</b>	<b>427,035</b>	<b>450,175</b>	<b>476,109</b>	<b>84,745</b>	<b>102,103</b>	<b>114,017</b>	<b>1,106,197</b>	<b>1,189,199</b>	<b>1,234,130</b>	<b>172,827</b>	<b>197,815</b>	<b>239,437</b>
	<b>Interest Expenditure</b>			<b>Capital Expenditure</b>			<b>Total expenditure</b>					
	2014	2015	2016	2014	2015	2016	2014	2015	2016			
General public services	151,788	152,740	149,770	48,833	27,390	19,713	369,680	357,954	356,556			
Defence	0	0	0	16,008	25,325	7,314	40,702	51,997	34,591			
Public order and safety	0	0	0	1,280	2,650	10,923	69,614	72,101	78,912			
Economic affairs	0	0	0	92,255	87,124	101,101	234,680	249,406	288,751			
Environment protection	0	0	0	18,841	40,847	1,407	42,996	60,653	26,292			
Housing and community amenities	0	0	0	6,851	12,397	7,715	10,120	17,013	11,823			
Health	0	0	0	15,220	17,397	7,462	279,891	313,583	323,837			
Recreation, culture and religion	0	0	0	18,211	19,200	14,140	42,974	44,620	40,202			
Education	0	0	0	27,528	32,348	13,067	278,296	315,913	307,378			
Social protection	0	0	0	9,083	6,725	5,464	827,747	880,194	933,428			
<b>Total</b>	<b>151,788</b>	<b>152,740</b>	<b>149,770</b>	<b>254,109</b>	<b>271,403</b>	<b>188,307</b>	<b>2,196,700</b>	<b>2,363,433</b>	<b>2,401,770</b>			



## **Statistical Annex**

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**Population**

	2008	2009	2010	2011	2012	2013	2014	2015
<b>Total Population (000's)</b>	411	414	415	418	421	425	429	434
Males (000's)	205	206	206	208	210	212	215	218
Females (000's)	206	208	209	210	211	213	215	217
% Increase per annum	0.8%	0.8%	0.2%	0.6%	0.9%	1.0%	0.9%	1.2%
Natural Increase per annum	770	808	888	898	712	796	921	883
Crude Birth Rate (per 1000 population)	9.8	9.8	9.4	10.0	9.8	9.5	9.8	10.0
Crude Mortality Rate (per 1000 population)	7.9	7.8	7.3	7.8	8.1	7.6	7.7	8.0
Crude Marriage Rate (per 1000 population)	6.1	5.7	6.3	6.2	6.7	6.1	6.7	7.0
Infant Mortality Rate (per 1000 births)	8.5	5.5	5.6	6.5	5.3	6.7	5.0	5.8
Life Expectancy (at birth)	79.7	80.4	81.5	80.9	80.9	81.9	82.1	81.9
Males	77.1	77.9	79.3	78.7	78.6	79.6	79.8	79.7
Females	82.3	82.7	83.6	83.0	83.0	84.0	84.3	84.0
Life Expectancy (at age 65)	18.7	18.9	20.0	19.4	19.4	20.1	20.2	20.3
Males	17.1	16.8	18.5	17.7	17.6	18.4	18.5	18.7
Females	20.1	20.6	21.1	21.0	21.0	21.5	21.7	21.6

Source: National Statistics Office



Table II  
Social Indicators

	2008	2009	2010	2011	2012	2013	2014	2015
GDP at current market prices per capita (€)								
<b>Quality of Life</b>								
Motor Vehicle Licences per 1,000 population	718.5	725.1	734.2	747.1	748.4	762.6	780.8	798.6
Internet Subscriptions per 1,000 population	...	266.5	293.1	308.2	322.2	336.2	353.0	375.7
Mobile Phone Subscriptions per 1,000 population	...	1019.5	1097.8	1249.6	1263.1	1308.6	1272.2	1283.6
Fixed Telephone Lines per 1,000 population	...	596.3	596.7	556.1	545.2	543.8	536.5	530.0
<b>Education</b>								
Number of teachers (000)	8.5	9.5	10.0	8.6	8.0	8.0	11.4	10.9
Number of pupils/students (000)	82.4	83.1	84.0	79.0	78.6	78.8	78.5	79.6
of which:								
University students (All Courses)	9,238	9,724	10,004	10,188	10,533	10,873	11,026	11,115
<b>Electricity</b>								
Total Generated (000 MWh)*	2,275.0	2,167.0	2,113.0	2,169.0	2,268.0	2,216.0	2,170.0	2,257
Number of Consumers (000)*	254.1	265.7	260.5	285.7	272.2	277.6	283.9	290.5
Domestic Consumption (million kwh)*	670	443.3	604.3	597.2	616.0	608.8	604.3	644.5
<b>Water</b>								
Total annual production (million m)	30.8	29.2	28.8	29.6	30.8	30.5	30.4	31.2
Average daily consumption (000 m)	70	68	68	69	72	73	73	76
<b>Social Security</b>								
Total Payments (€ million)	927.2	1,027.7	1,096.4	1,106.7	1,190.3	1,264.0	1,352.9	1,411.6
Total Contributions (€ million)	510.1	526.1	552.1	585.6	609.7	645.3	699.2	739.6
Welfare Gap (€ million)	417.1	501.6	544.3	521.1	580.6	618.7	653.7	672.0

\*Refer to Financial Year

(1) Education data has been revised

Source: National Statistics Office

(2) Source: Malta Communications Authority

**Factor Incomes in Gross National Income**

	€ million															
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016				
Compensation of employees	2,229.5	2,366.2	2,503.0	2,668.9	2,736.1	2,845.3	3,035.7	3,206.7	3,406.0	3,632.3	3,861.1	1,582.9	1,686.6	1,789.9	1,902.5	2,026.2
Gross operating surplus and mixed income	2,268.6	2,338.2	2,534.3	2,722.6	2,632.2	2,961.5	2,974.9	3,141.9	3,367.5	3,470.3	3,856.6	1,503.2	1,623.9	1,654.3	1,818.7	1,913.2
Taxes on production and imports	740.8	781.1	826.2	858.1	831.1	865.4	929.4	952.6	993.4	1,111.9	1,204.4	445.7	438.7	500.5	543.6	579.1
Subsidies	89.6	99.4	105.9	121.0	60.8	72.6	65.1	92.3	95.6	121.6	133.8	44.9	42.2	62.5	62.5	61.6
<b>Gross Domestic Product at market prices</b>	<b>5,149.3</b>	<b>5,386.1</b>	<b>5,757.5</b>	<b>6,128.7</b>	<b>6,138.6</b>	<b>6,599.5</b>	<b>6,874.9</b>	<b>7,208.7</b>	<b>7,671.3</b>	<b>8,092.9</b>	<b>8,788.4</b>	<b>3,486.9</b>	<b>3,707.0</b>	<b>3,882.2</b>	<b>4,202.2</b>	<b>4,456.9</b>
Net income from Abroad	-183.2	-216.1	-156.8	-96.1	-333.2	-278.2	-224.5	-298.3	-365.7	-185.4	-114.6	-158.4	-228.9	-92.4	-41.9	-86.0
<b>Gross National Income at market prices</b>	<b>4,966.1</b>	<b>5,170.0</b>	<b>5,600.7</b>	<b>6,032.6</b>	<b>5,805.4</b>	<b>6,321.3</b>	<b>6,650.4</b>	<b>6,910.4</b>	<b>7,305.6</b>	<b>7,907.5</b>	<b>8,673.8</b>	<b>3,328.5</b>	<b>3,478.1</b>	<b>3,789.7</b>	<b>4,160.4</b>	<b>4,370.9</b>
<b>Sectoral Percentage Contribution to Gross Value Added (at basic prices)</b>																
Agriculture, hunting and forestry <sup>(1)</sup>	2.2	2.2	2.0	1.4	1.7	1.7	1.6	1.5	1.4	1.3	1.4	1.4	1.3	1.2	1.2	1.2
Industry <sup>(2)</sup>	23.5	22.4	21.2	22.0	20.3	20.1	19.2	17.3	16.8	16.0	15.8	17.6	17.5	16.6	16.2	15.8
Services Activities	74.3	75.4	76.8	76.6	78.0	78.2	79.2	81.3	81.8	82.7	82.8	81.0	81.2	82.2	82.6	83.0

<sup>(1)</sup> Includes fishing and operation of fish hatcheries and fish farms

<sup>(2)</sup> Includes energy and construction

Source: National Statistics Office

Table IV  
Gross National Income and Expenditure

	€ million																							
	2005		2006		2007		2008		2009		2010		2011		2012		2013		2014		2015		2016	
	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	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	
<b>GNI at current market prices</b>	4,966.1	5,170.0	5,600.7	6,032.6	5,805.4	6,321.3	6,650.4	6,910.4	7,305.6	7,907.5	8,673.8	3,328.5	3,478.1	3,789.7	4,160.4	4,370.9								
% annual increase of GNI	2.7%	4.1%	8.3%	7.7%	-3.8%	8.9%	5.2%	3.9%	5.7%	8.2%	9.7%	4.5%	4.5%	9.0%	9.8%	5.1%								
<b>GDP at current market prices</b>	5,149.3	5,386.1	5,757.5	6,128.7	6,138.6	6,599.5	6,874.9	7,208.7	7,671.3	8,092.9	8,788.4	3,486.9	3,707.0	3,882.2	4,202.2	4,456.9								
% annual increase of GDP	6.1%	4.6%	6.9%	6.4%	0.2%	7.5%	4.2%	4.9%	6.4%	5.5%	8.6%	6.3%	6.3%	4.7%	8.2%	6.1%								
<b>GDP at constant prices</b>	5,971.4	6,080.6	6,323.0	6,534.6	6,373.7	6,599.5	6,719.8	6,911.4	7,220.5	7,470.4	7,930.2	3,216.5	3,380.5	3,478.8	3,693.4	3,844.8								
<b>Total Final Consumption Expenditure</b>	4,176.1	4,421.8	4,517.7	4,814.8	4,956.2	5,101.3	5,368.1	5,559.3	5,733.5	5,963.4	6,348.3	2,732.9	2,807.3	2,919.9	3,059.3	3,221.3								
current market prices	4,740.8	4,897.1	4,932.4	5,063.3	5,089.2	5,101.3	5,273.8	5,345.8	5,439.0	5,631.7	5,929.7	2,637.8	2,663.9	2,753.4	2,856.8	2,976.0								
Ratio (%) of consumption to GDP at m.p.	81.1%	82.1%	78.5%	78.6%	80.7%	77.3%	78.1%	77.1%	74.7%	73.7%	72.2%	78.4%	75.7%	75.2%	72.8%	72.3%								
<b>General Government Final Consumption Expenditure</b>	932.4	1,002.7	1,032.7	1,209.4	1,213.9	1,286.4	1,344.2	1,448.2	1,479.1	1,603.4	1,693.8	707.7	730.3	791.9	832.2	860.4								
current market prices	1,102.2	1,155.7	1,166.4	1,309.9	1,266.2	1,286.4	1,335.7	1,421.0	1,423.0	1,522.7	1,592.9	697.2	704.7	753.5	782.8	819.8								
Ratio (%) of Government consumption to GDP at m.p.	18.1%	18.6%	17.9%	19.7%	19.8%	19.5%	19.6%	20.1%	19.3%	19.8%	19.3%	20.3%	19.7%	20.4%	19.8%	19.8%								
<b>Private Final Consumption Expenditure</b>	3,243.8	3,419.1	3,485.0	3,605.5	3,742.3	3,814.9	4,023.9	4,111.2	4,254.4	4,360.0	4,654.5	2,025.3	2,077.0	2,128.0	2,227.1	2,340.9								
current market prices	3,634.9	3,738.4	3,763.2	3,755.4	3,822.6	3,814.9	3,938.1	3,925.9	4,016.3	4,110.5	4,338.4	1,941.1	1,959.5	2,000.7	2,076.7	2,157.2								
Ratio (%) of private consumption to GDP at m.p.	63.0%	63.5%	60.5%	58.8%	61.0%	57.8%	58.5%	57.0%	55.5%	53.9%	53.0%	58.1%	56.0%	54.8%	53.0%	52.5%								
<b>Gross Fixed Capital Formation</b>	1,132.9	1,183.2	1,288.2	1,203.1	1,114.8	1,411.6	1,266.5	1,315.0	1,315.1	1,470.1	2,230.2	658.0	647.3	723.0	1,046.0	1,158.4								
current market prices	1,286.2	1,319.6	1,393.9	1,266.3	1,116.4	1,411.6	1,214.7	1,207.5	1,190.1	1,293.3	1,850.2	608.2	588.5	642.3	877.0	935.1								
Ratio (%) fixed investment to GDP at m.p.	22.0%	22.0%	22.4%	19.6%	18.2%	21.4%	18.4%	18.2%	17.1%	18.2%	25.4%	18.9%	17.5%	18.6%	24.9%	26.0%								

<sup>(1)</sup> Including NPISH final consumption expenditure

Source: National Statistics Office

**Labour**

	2011	2012	2013	2014	2015	2014 April	2015 April	2016 April
<b>Labour Supply</b>	156,737	159,839	164,864	170,731	176,325	169,083	175,935	181,502
<b>Gainfully Occupied</b>	150,167	153,000	157,482	163,760	171,030	161,792	170,367	177,751
Males	99,489	100,160	101,704	104,688	108,278	103,704	108,206	111,648
Females	50,678	52,850	55,778	59,072	62,752	58,088	62,161	66,103
<b>Private Direct Production</b>	31,988	31,617	31,552	31,910	32,419	31,856	33,325	33,510
of which:								
Construction	9,097	8,976	8,813	8,995	9,285	8,977	9,520	9,583
Manufacturing	20,328	20,111	20,231	20,380	20,546	20,348	21,228	21,282
Others	2,563	2,530	2,508	2,535	2,588	2,531	2,577	2,645
<b>Private Market Services</b>	77,161	80,498	84,013	87,885	94,374	86,296	92,970	99,860
of which:								
Wholesale and Retail (including Repair of Motor Vehicles, Motorcycles and Personal and Household Goods)	22,615	22,851	23,155	23,819	24,488	23,709	24,128	24,585
Accommodation and Food Services	9,811	10,022	10,103	10,396	10,767	10,229	10,699	11,302
Financial and Insurance Activities	6,467	6,701	7,003	7,379	7,768	7,248	7,578	8,036
Others	38,268	40,924	43,752	46,291	51,351	45,110	50,565	55,937
<b>Public Sector</b>	41,018	40,885	41,917	43,965	44,237	43,640	44,072	44,381
of which:								
Government Departments	30,330	30,315	31,297	32,279	33,028	32,073	32,949	32,991
Independent Statutory Bodies	8,631	8,750	8,789	9,064	9,353	8,963	9,287	9,503
Companies with Public Sector majority s/hldg	2,057	1,820	1,831	2,622	1,856	2,604	1,836	1,887
<b>of which Temporary Employment</b>	649	601	558	505	429	529	418	417
<b>Registered Unemployed*</b>	6,570	6,839	7,382	6,971	5,295	7,291	5,568	3,751
Males	5,179	5,303	5,626	5,294	3,978	5,654	4,155	2,773
Females	1,391	1,536	1,756	1,677	1,317	1,737	1,413	978
<b>Self Employed</b>	17,716	17,865	18,102	18,615	19,327	18,440	19,362	19,782

Note: Employment data has been revised

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

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

Source: JobsPlus

Table VI  
Tourism

	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Inbound Tourists (000's)</b>	1,290.9	1,182.5	1,338.8	1,415.0	1,443.4	1,582.2	1,689.8	1,783.4	1,055.2
of which from:									
United Kingdom	454.4	398.5	415.1	438.8	441.3	454.7	487.7	526.0	302.4
Italy	144.5	161.7	219.7	201.8	202.2	233.8	262.6	282.8	165.1
Germany	150.8	127.4	126.2	134.3	137.5	147.1	143.1	141.9	81.1
Libya	9.4	14.3	15.9	6.3	17.2	34.6	30.8	6.7	1.7
Scandinavian Countries	85.5	66.8	92.9	93.8	97.4	105.1	108.6	117.4	63.0
Other	446.3	413.8	489.1	540.1	547.9	606.9	657.0	708.7	435.0
<b>Cruise Passengers (000's)</b>	532.3	415.5	487.6	493.2	555.7	424.6	465.4	591.7	237.1
<b>Expenditure from Inbound Tourism (€ million)</b>	1,069.4	924.9	1,132.0	1,221.3	1,326.5	1,440.4	1,528.6	1,639.1	886.0
<b>Total Sector Employment in Hotels and Restaurants</b>	10,211	9,789	9,775	9,841	10,022	10,103	10,396	10,767	11,113
% of Gainfully Occupied	7.0	6.7	6.7	6.6	6.6	6.4	6.3	6.3	6.3
<b>Outbound Tourists (000's)</b>	261.0	264.5	294.3	308.5	331.1	363.5	390.7	426.2	207.8
<b>Days Stayed / Nights Spent (000's)</b>	10,962.5	9,949.4	11,147.9	11,241.5	11,859.5	12,890.3	13,522.1	14,151.6	7,247.8
% of which spent in :									
5 star	14.1	16.4	14.2	15.3	13.6	12.6	11.6	10.2	10.1
4 star	33.4	31.2	32.9	33.0	31.8	31.3	31.5	30.3	31.8
3 star	13.1	12.0	13.0	12.9	13.2	14.4	17.4	16.6	14.9
2 star	2.4	1.4	1.0	1.1	0.9	0.7	1.3	1.4	1.4
1 star	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unclassified	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Guest Houses	1.0	0.6	0.8	0.6	0.9	1.0	1.0	1.0	1.0
Flats/Private Residences	28.7	31.4	31.3	30.3	32.1	33.1	34.4	37.8	34.2
Tourist Village/Apartments/Hostels/Holiday Complex/Camp Sites/Bed & Breakfast	7.2	7.0	6.9	6.8	7.6	6.9	2.7	2.6	2.8

(1) Excluding embarkations and Maltese cruise passengers.

(2) Data for January-June.

(3) Data shows average for January-April.

Source: National Statistics Office, JobsPlus

**Foreign Trade**

Table VII

	€ million											
	2008	2009	2010	2011	2012	2013	2014	2015	2014	2015	2016	
									Jan-Jul	Jan-Jul	Jan-Jul	
<b>Imports and Exports</b>												
Imports (c.i.f.)	3,897.2	3,475.3	4,335.4	5,341.6	6,189.4	5,639.6	6,400.3	6,106.1	3,561.0	3,821.9	4,060.0	
Consumer goods*	1,156.9	1,057.8	1,200.7	1,466.0	1,722.1	1,595.7	1,755.7	1,641.6	1,019.3	951.8	902.5	
Industrial supplies*	2,128.0	1,707.3	2,292.0	2,999.5	3,656.3	3,184.9	3,333.7	2,749.0	1,983.6	1,679.4	1,426.9	
Capital goods and others*	610.2	710.3	842.7	876.1	811.0	869.0	1,310.9	1,715.5	558.1	1,290.7	1,730.7	
Total Exports (f.o.b.)	2,455.8	2,087.4	2,809.3	3,819.0	4,438.8	3,925.5	3,737.9	3,527.5	2,268.2	2,128.6	2,211.6	
of which manufactures	2,380.7	2,065.5	2,729.4	3,745.6	4,334.9	3,810.0	3,627.0	3,396.3	2,242.9	2,105.3	2,192.8	
Trade Gap	-1,441.4	-1,387.9	-1,526.1	-1,522.5	-1,750.6	-1,714.1	-2,662.4	-2,578.7	-1,292.8	-1,793.3	-1,848.5	
as % of GDP at current market prices	-23.5%	-22.6%	-23.1%	-22.1%	-24.3%	-22.3%	-32.9%	-29.3%				
<b>Selected Groupings</b>												
<b>EU</b>												
Imports	2,755.8	2,425.9	2,721.8	3,359.6	3,952.1	3,245.4	3,226.9	3,624.8	1,807.4	2,251.0	1,781.3	
Exports	954.2	820.7	1,149.1	1,301.9	1,296.0	1,246.1	1,105.1	1,078.6	669.5	631.9	620.6	
United Kingdom												
Imports	457.5	380.3	360.4	362.7	372.8	309.5	380.5	417.4	190.0	274.0	208.0	
Exports	165.4	100.5	131.4	150.4	124.6	107.8	89.3	126.4	55.7	73.7	63.3	
Italy												
Imports	1,027.5	861.4	1,068.8	1,447.8	1,988.8	1,410.4	1,177.7	1,297.2	654.2	772.1	672.6	
Exports	114.6	105.2	157.6	171.2	174.2	154.1	160.5	137.2	112.0	77.3	70.7	
Germany												
Imports	267.6	272.4	296.7	317.8	320.1	321.4	324.3	379.5	203.6	205.3	213.4	
Exports	270.4	222.0	281.6	326.2	358.5	346.6	309.2	334.1	197.9	201.5	224.4	
France												
Imports	381.4	339.0	338.5	376.1	369.1	285.6	224.9	234.1	134.1	132.6	180.1	
Exports	237.3	187.4	238.6	244.9	296.9	253.0	204.1	239.6	107.8	134.7	123.2	
America												
Imports	132.9	229.5	276.9	353.5	278.9	387.9	986.6	823.6	418.9	685.0	1,403.7	
Exports	209.5	185.3	228.8	226.7	255.4	224.7	231.3	222.7	139.7	120.6	698.8	
Africa												
Imports	128.5	72.4	151.5	35.8	197.2	256.4	236.1	163.2	152.3	76.9	140.9	
Exports	132.4	137.2	182.7	234.3	776.8	617.3	971.3	934.9	630.0	614.8	351.6	
Asia												
Imports	597.8	457.7	611.7	641.9	769.9	827.6	733.6	783.0	402.0	412.5	462.8	
Exports	713.9	528.1	686.5	1,092.1	1,020.4	1,059.6	767.4	715.8	433.0	405.1	277.0	

\* Treated differently from other parts in the Survey

Source: National Statistics Office

	Balance of payments												€ millions			
	2009		2010		2011		2012		2013		2014		2015		2016	
	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
<b>Goods Balance(1)</b>	-1,116.9	-1,251.2	-1,207.8	-1,099.5	-1,104.7	-1,171.3	-1,780.3	-4,482.7	1,860.6	2,166.8	2,139.6	1,343.7	1,142.7	-823.1	-697.0	-997.0
Imports (f.o.b.)	3,116.2	3,777.7	4,052.7	4,303.5	3,979.2	3,735.6	4,482.7	4,482.7	1,860.6	2,166.8	2,139.6	1,343.7	1,142.7	2,166.8	2,139.6	2,139.6
Exports (f.o.b.)	1,999.3	2,526.5	2,844.9	3,203.9	2,874.5	2,618.3	2,702.4	2,702.4	1,324.1	1,343.7	1,142.7	1,343.7	1,142.7	1,343.7	1,142.7	1,142.7
<b>Services-Net</b>	1,042.7	1,211.9	1,400.4	1,472.9	1,643.3	1,758.7	2,038.9	764.9	917.5	1,031.1	1,031.1	917.5	1,031.1	917.5	1,031.1	1,031.1
Transport-net	86.3	-24.6	-44.6	-55.5	-72.0	-121.6	39.0	-44.6	-1.9	98.6	98.6	-1.9	98.6	-1.9	98.6	98.6
Travel-net	432.8	580.4	672.1	723.4	768.4	845.8	909.3	318.8	353.2	353.2	353.2	353.2	353.2	353.2	353.2	353.2
Other Services-net	523.6	656.1	772.9	805.0	946.8	1,034.6	1,090.6	492.7	566.2	566.2	566.2	566.2	566.2	566.2	566.2	566.2
<b>Primary Income-Net</b>	-419.2	-344.8	-292.7	-360.7	-461.2	-271.4	-214.5	-137.5	-81.3	-117.1	-117.1	-81.3	-117.1	-81.3	-117.1	-117.1
Compensation of Employees-net	7.6	-3.4	2.3	-4.2	0.2	-1.2	-0.9	-0.2	-2.9	-2.9	-2.9	-0.2	-2.9	-0.2	-2.9	-2.9
Investment Income-net	-426.8	-341.5	-295.0	-356.5	-461.3	-270.2	-213.6	-136.6	-81.1	-114.2	-114.2	-81.1	-114.2	-81.1	-114.2	-114.2
<b>Secondary Income-Net</b>	89.4	76.8	86.4	109.3	139.2	196.0	216.9	93.1	103.3	90.0	90.0	103.3	90.0	103.3	90.0	90.0
General Government-net	1,257.2	1,116.6	735.5	790.0	777.3	818.9	833.9	397.9	415.6	405.7	405.7	415.6	405.7	415.6	405.7	405.7
Private-net	-1,167.8	-1,039.8	-649.1	-680.6	-638.1	-622.9	-617.0	-304.8	-312.3	-315.7	-315.7	-312.3	-315.7	-312.3	-315.7	-315.7
<b>Current A/C-Net</b>	-403.8	-307.4	-13.7	122.0	216.6	566.1	261.0	184.0	116.4	7.0	7.0	116.4	7.0	116.4	7.0	7.0
Goods Balance(1) as % of GDP at m.p.	-18.2%	-19.0%	-17.6%	-15.3%	-14.4%	-13.8%	-20.3%	-13.8%	-19.6%	-22.4%	-22.4%	-19.6%	-22.4%	-19.6%	-22.4%	-22.4%
Visible Balance as % of GDP at m.p.	17.0%	18.4%	20.4%	20.4%	21.4%	21.7%	23.2%	19.7%	21.8%	23.1%	23.1%	21.8%	23.1%	21.8%	23.1%	23.1%
Primary income ac Balance as % of GDP at m.p.	-6.8%	-5.2%	-4.3%	-5.0%	-6.0%	-3.4%	-2.4%	-3.5%	-1.9%	-2.6%	-2.6%	-1.9%	-2.6%	-1.9%	-2.6%	-2.6%
Secondary income ac Balance as % of GDP at m.p.	1.5%	1.2%	1.3%	1.5%	1.8%	2.4%	2.5%	2.4%	2.4%	2.5%	2.5%	2.4%	2.5%	2.4%	2.5%	2.5%
Current ac Balance as % of GDP at m.p.	-6.6%	-4.7%	-0.2%	1.7%	2.8%	7.0%	3.0%	4.7%	2.8%	0.2%	0.2%	2.8%	0.2%	2.8%	0.2%	0.2%
<b>Capital A/C-Net</b>	74.4	128.9	83.4	136.5	133.3	140.8	166.6	96.3	156.1	34.4	34.4	156.1	34.4	156.1	34.4	34.4
<b>Financial A/C-Net(2)</b>	-10.2	-56.9	222.5	1,006.8	-45.8	107.0	-840.7	545.9	-9.2	17.4	17.4	-9.2	17.4	-9.2	17.4	17.4
Direct Investment-net	-5,409.2	-4,505.3	-8,759.4	-9,020.6	-7,072.4	-6,616.0	-8,846.0	-1,621.4	-3,725.9	-4,431.8	-4,431.8	-3,725.9	-4,431.8	-3,725.9	-4,431.8	-4,431.8
Portfolio Investment-net(3)	6,335.3	4,867.7	11,708.5	9,435.2	9,141.4	13,201.4	4,723.1	7,301.9	1,375.7	3,151.4	3,151.4	1,375.7	3,151.4	1,375.7	3,151.4	3,151.4
Financial Derivatives-net(3)	735.3	-262.6	-246.7	-438.5	-104.4	-576.2	-967.1	202.3	-570.4	35.1	35.1	-570.4	35.1	-570.4	35.1	35.1
Other Investment-net(3)	-1,674.0	-180.3	-2,428.1	909.4	-1,971.6	-5,892.3	4,322.7	-5,760.8	2,976.2	1,108.4	1,108.4	2,976.2	1,108.4	2,976.2	1,108.4	1,108.4
Reserve Assets(3)	2.4	23.6	-52.9	121.4	-38.8	12.0	-73.5	423.8	-64.8	154.2	154.2	-64.8	154.2	-64.8	154.2	154.2

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

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

(3) As from 1st January 2008, Malta's entry into the Euro Area (EA) reclassification of the external balance of the country has been carried out. Indeed, this means that, as from this date, all cross-border claims that Malta has within the EA, as well as all claims that the country has in counterparties, are no longer considered as being part of Malta's reserve assets. In addition, all counterparties that have transferred a fraction of its external reserves to the European Central Bank (ECB) in exchange for a claim on the ECB, which, being an intra-Eurosystem asset, is also not considered as being part of the country's external reserves. As a result of this, the portfolio investment account and the other investment account recorded significant changes in their net balances.

Note: The balance of payments is compiled in accordance with the sixth edition of the International Monetary Fund's Balance of Payments Manual (BPM6).

Source: National Statistics Office

**Government Revenue and Expenditure**

€ million

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2013	2014	2015	2016
										Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug
Government Recurrent Revenue	2,224.5	2,302.1	2,370.8	2,525.4	2,643.8	2,716	2,992.1	3,387.2	3,634.8	1,837.8	1,986.8	2,222.4	2,322.6
Increase/(Decrease) % per annum	1.1	3.5	3.0	6.5	4.7	2.7	10.2	13.2	7.3	7.8	8.1	11.9	4.5
of which:													
Tax Revenue	1,982.0	2,098.3	2,130.1	2,242.5	2,323.4	2,393.0	2,602.5	2,953.7	3,195.6	1,630.3	1,733.2	1,918.5	2,119.0
Direct Tax Revenue	1,143.7	1,246.0	1,265.5	1,353.3	1,361.7	1,475.6	1,612.9	1,767.3	1,924.2	982.3	1,052.5	1,137.4	1,263.3
Indirect Tax Revenue	838.3	852.3	864.6	889.2	961.7	917.3	989.6	1,186.4	1,271.4	648.0	680.7	781.1	855.7
Non-Tax Revenue	242.4	203.8	240.6	282.8	320.5	322.8	389.6	433.5	439.2	207.5	253.6	304.0	203.7
Total Government Expenditure	2,333.6	2,535.3	2,667.8	2,804.6	2,862.4	3,078.0	3,255.3	3,523.5	3,870.6	2,034.7	2,196.7	2,363.4	2,401.8
Increase/(Decrease) % per annum	-0.1	8.6	5.2	5.1	2.1	7.5	5.8	8.2	9.9	3.2	8.0	7.6	1.6
of which:													
Recurrent Expenditure	1,896.6	2,124.1	2,204.4	2,296.3	2,361.3	2,488.4	2,632.6	2,857.0	3,056.8	1,667.6	1,790.8	1,939.3	2,063.7
Capital Expenditure	257.9	222.1	271.3	311.5	288.7	363.8	394.7	435.3	581.5	218.5	254.1	271.4	188.3
% of Total Government Expenditure	11.1	8.8	10.2	11.1	10.1	11.8	12.1	12.4	15.0	10.7	11.6	11.5	7.8
Interest on Public Debt	179.1	189.0	192.0	196.8	212.5	225.8	227.9	231.1	232.3	148.6	151.8	152.7	149.8
Balance of recurrent revenue and total expenditure	-109.1	-233.1	-297.0	-279.2	-218.6	-362.3	-263.2	-136.3	-235.8	-196.9	-209.9	-141.0	-79.1
Financed by:													
Extraordinary Receipts	14.9	33.3	2.8	0.0	9.6	28.4	28.4	0.0	0.8	0.0	0.0	0.7	1.1
Receipts from sale of shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.0	0.0	0.7	1.1
Sinking Funds of Converted Loans	14.9	33.3	2.8	0.0	9.6	28.4	28.4	0.0	0.0	0.0	0.0	0.0	0.0
Sinking Fund Contribution & Direct Loan Repayment	-21.2	-111.4	-269.4	-207.4	-141.9	-361.3	-380.8	-427.2	-384.1	-155.5	-293.2	-79.7	-305.2
Equity Acquisition	0.0	-6.5	-0.5	-0.2	-6.0	-33.4	-26.5	-13.8	-41.1	-11.7	-13.8	-1.1	-12.5
Loan Facility Agreement with the Hellenic Republic	0.0	0.0	0.0	0.0	-30.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loan Facility Agreement with Air Malta plc	0.0	0.0	0.0	0.0	-52.0	-52.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public Sector Borrowing Requirement	-115.5	-317.7	-564.2	-506.6	-439.8	-780.6	-642.1	-577.3	-660.3	-364.1	-516.9	-221.1	-395.7
Loans	126.0	285.7	455.8	577.7	567.8	645.7	627.1	648.8	473.2	369.6	573.8	258.3	438.7
Repayment of Loans made by Government	0.0	0.0	0.0	0.0	0.0	52.0	0.0	0.0	40.4	0.0	0.0	0.0	12.0

Source: National Statistics Office



Table X Contribution of Resident MFIs to Euro Area Monetary Aggregates and Counterparts<sup>(1)</sup>

	2008	2009	2010	2011	2012	2013	2014	2015	2016 <sup>*</sup> Jan-Jul
<b>Broad Money (M3)<sup>(2)</sup></b>	8,861.8	8,883.3	9,370.5	9,676.3	10,517.8	11,626.3	14,402.5	15,900.5	16,677.5
<b>Intermediate Money (M2)</b>	8,824.5	8,671.1	9,128.9	9,472.0	10,326.3	11,460.9	14,281.1	15,775.4	16,633.6
% Increase/ (Decrease) of which:	-1.7	5.3	3.8	9.0	11.0	11.0	24.6	10.5	5.4
Narrow Money (M1)	3,849.6	4,359.5	4,999.0	5,425.6	6,006.6	6,725.7	9,512.7	11,819.5	12,468.6
Currency issued <sup>(3)</sup>	669.2	639.8	674.4	710.6	726.5	778.7	839.4	893.1	920.4
% Increase/ (Decrease)	-4.4	5.4	5.4	2.2	2.2	7.2	7.8	6.4	3.1
Overnight deposits <sup>(4)</sup>	3,180.4	3,719.8	4,324.6	4,715.0	5,280.1	5,947.0	8,673.3	10,926.4	11,548.2
Deposits redeemable at notice up to 3 months <sup>(4)</sup>	114.3	111.7	124.3	125.1	153.2	113.1	124.4	123.0	103.4
Deposits with agreed maturity up to 2 years <sup>(4)</sup>	4,860.7	4,199.9	4,005.6	3,921.3	4,166.4	4,622.1	4,644.0	3,832.9	4,061.6
<b>Credit Counterpart<sup>(5)</sup></b>	12,143.4	13,232.0	14,486.7	16,074.3	15,603.3	14,433.3	15,768.4	16,407.3	17,315.7
of which:									
Credit to residents of Malta	8,885.0	9,719.8	10,279.1	10,803.9	10,991.2	11,144.2	11,736.8	12,383.3	12,728.7
Credit to other Euro Area residents	3,258.4	3,512.2	4,187.6	5,170.4	4,612.0	3,289.1	4,031.6	4,014.0	4,587.1
<b>Net claims on non-residents of the Euro Area</b>	7,367.8	6,646.9	8,183.3	7,840.0	10,169.1	9,567.1	11,609.6	10,705.2	10,761.5
<b>Other counterparts (net)<sup>(6)</sup></b>	10,649.4	10,995.6	13,279.4	14,238.0	15,254.6	12,374.0	12,975.4	11,212.1	11,399.7

\* Provisional

<sup>(1)</sup> Figures show the contribution of Maltese Monetary Financial Institutions (MFIs) to the Euro Area (EA) aggregates<sup>(2)</sup> M3 comprises M2, repurchase agreements and debt securities with agreed maturity of up to 2 years. This does not represent holdings of M3 by residents of Malta but rather the contribution of MFIs in Malta to the EA aggregate. As from December 2008, figures also include MMFs shares/units issued less holdings in such units by MMFs and credit institutions resident in the EA and holdings by non-residents of the EA.<sup>(3)</sup> 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.<sup>(4)</sup> Deposits with MFIs exclude interbank deposits and deposits held by Central Government.<sup>(5)</sup> Credit includes, besides lending, claims in the form of debt securities and shares and other equity.<sup>(6)</sup> Includes net interbank claims/liabilities within the MFI sector. These counterparts make a negative contribution to M3.

Source: Central Bank of Malta