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ECONOMIC SURVEY
2017

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The following symbols have been used throughout this document:

. . . to indicate that data are not available;

0 to indicate that the figure is zero;

- to indicate that data are not applicable or cannot be determined;

— to indicate that the figure is negligible;

National Accounts estimates and other statistics which appear in this Economic Survey are provisional and subject to revision. Figures may not add up due to rounding.
This document is based on statistical information available up to 18th September 2017.

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1. Executive Summary

A decade after the Great Recession, the global economy is showing signs of a broad, firming recovery. Indeed, global economic activity gained momentum in late 2016 and early 2017 and this is expected to persist, largely driven by the fragile recovery in emerging and developing economies as well as some firming in advanced economies.

The European economy has continued in its path towards full recovery for the fifth consecutive year, with growth in 2016 reaching 1.8 per cent and 1.9 per cent in the Euro Area (EA) and the European Union (EU28) respectively. This positive momentum, supported primarily by domestic demand, continued also into 2017 and is now reaching all EU Member States. Indeed, during the first half of 2017, the EA grew at a real rate of 2.1 per cent, while the EU28 grew at a real rate of 2.2 per cent. The EA headline inflation rate is estimated to have peaked to 1.1 per cent in the same period, largely driven by energy prices and base effects. The unemployment rate averaged 9.9 per cent in the EA and 8.3 per cent in the EU28.

The European economy is set to continue growing at a rather steady pace over the course of 2017 and 2018. In its Spring 2017 macroeconomic forecasts, the European Commission expects the EA to grow by 1.7 per cent in 2017 and 1.8 per cent in 2018, and the EU28 to grow by 1.9 per cent in both years. Growth should continue to benefit largely from a resilient domestic demand, a relatively competitive euro and a gradual improvement in world trade. Unemployment is set to continue on its downward trajectory, whilst inflation is expected to continue rising in 2017 and to slow down in 2018 as the effect of rising oil prices subsides. At the same time, economic growth prospects remain clouded by elevated political and policy uncertainties including election outcomes, Brexit negotiations, the health of the banking sector, the persistent weakness of the Italian economy, the low inflation and wage growth, continued net outflows of capital outside the EA and, more externally, the future United States (US) policies and broader geopolitical tensions.

Following exceptional growth rates in 2014 and 2015, and robust growth in 2016, the Maltese economy continued to grow strongly in the first half of 2017. Indeed, during this period, the Maltese economy grew at a nominal rate of 8.3 per cent, or a real rate of 6.3 per cent, outperforming the average growth rate registered in the EU28 and the EA in the same period. Growth was mostly the result of a larger contribution from the external side of the economy, as growth in exports was coupled by a decline in imports. On the other hand, the domestic side of the economy contributed negatively to growth in the first half of 2017. This was mainly driven by a fall in gross fixed capital formation, following the exceptional surge in investment in energy, transport and construction in recent years. Nevertheless, investment activity in the first half of 2017 remains well above the historical average.

During the first six months of the year, Gross Value Added (GVA) at basic prices increased by 8.3 per cent, which is attributable to increases in all sectors of the Maltese economy. Significant increases were registered in the professional, scientific and technical activities sector, the arts, entertainment and recreation sector, the wholesale and retail, transportation and accommodation sector, and financial services.

During the twelve months up to March 2017, the number of people participating in the labour market continued to increase. This positive development was coupled with declines in the unemployment rate, which stood at 4.2 per cent in the first quarter of 2017, 0.7 percentage points below the rate observed during the comparable period of 2016. In line with past trends, employment growth has been mostly concentrated in the services sector. During the first quarter of the year, employment growth stood at 2.9 per cent when compared to the previous comparable period, a rate that exceeds the EU28 and EA averages. The increase in employment reflected an increase in both female and male employment, with the increase in female employment being more pronounced, reflecting Government's efforts to increase the participation rate in this segment of the 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, including gambling and betting activities.

The performance of the tourism industry continued to be buoyant in the first seven months of 2017. Indicators point towards another good year for tourism, both in terms of inbound tourists and bed-nights spent in Malta, which in turn translate into high levels of tourist expenditure and employment creation. In the period January to July 2017, inbound tourism increased by 17.6 per cent, reaching 1,241,248 persons. Nights spent by inbound tourists increased by around 11.0 per cent, and expenditure from inbound tourists increased by 13.9 per cent. Average full-time employment in the accommodation and food services activities recorded an increase of almost 800 jobs during the first quarter of 2017. The same applies for the performance in the cruise passenger industry, which was characterized by robust growth. Indeed, during the first two quarters of 2017, cruise passenger arrivals, excluding the embarkations and the Maltese cruise passenger arrivals, increased by 12.2 per cent over the corresponding period of 2016.

In August 2017, the Harmonised Index of Consumer Prices (HICP) annual inflation rate was 1.2 per cent. Between October 2016 and January 2017, inflation increased from 0.5 per cent to 1.4 per cent, however, it declined to 1.0 per cent in June 2017. Meanwhile, the EA annual inflation rate for August 2017 stood at 1.5 per cent.

The buoyant performance is also confirmed by sustained increases in wages. Indeed, according to the Labour Force Survey, the average annual basic salary for employees stood at €18,029 in the first quarter of 2017, 5.7 per cent higher than the level recorded a year earlier. The average weekly wage, based on a sample of collective agreements, stood at €352.59 up by €7.38 or 2.1 per cent over the same period last year, with direct production and market services increasing by 1.7 per cent and 2.2 per cent, respectively.

In 2016, the General Government recorded a surplus of 1.0 per cent of Gross Domestic Product (GDP). During the eight months to August 2017, the difference between central Government recurrent revenue and total expenditure improved to €31.1 million - an improvement of €110.2 million when compared to the same period in the previous year. This improvement was mainly the result of higher tax revenues, mainly reflecting the impact of stronger economic growth, as well as further efficiency in revenue collection. Meanwhile, the public sector borrowing requirement decreased from €383.7 million to €60.3 million reflecting developments in the sinking fund contribution and direct loan repayment.

As at the end of July 2017, Malta's visible negative trade gap increased by €241 million, resulting in a negative trade balance of €2,080.6 million. Total exports of goods decreased by €736.9 million, thus exceeding the decrease in imports of €495.9 million and thus widening the trade deficit. Nevertheless, in a context where the economy is becoming increasingly services oriented, an assessment of the state of external accounts must also incorporate developments in trade in services. Indeed, the current account surplus stood at 11.3 per cent of GDP, while in 2016, this balance stood at 2.6 per cent. This surplus was mainly driven by the goods and services balance, which stood at €797.8 million when compared to the €336.2 million recorded in 2016. The second element explaining the current account surplus is the positive secondary income account balance attributed to a decline in net payments on personal transfers. When considering the financial account, net lending increased by €974.8 million, primarily due to the surge in net acquisition of financial assets which outweighed the increase in net incurrence of liabilities. This was coupled with a positive reserve asset figure. As at June 2017, Malta's net international investment position stood at €6.7 billion, with domestic assets exceeding liabilities.

In the first seven months of 2017, overnight deposits contributed positively towards the increase in broad money (M3). Given the relatively low interest rate environment, depositors continued to hold higher levels of highly short-term liquid assets in the form of cash, while both deposits redeemable at notice up to three-months and deposits with agreed maturity up to two-years decreased in the period January-July 2017 when compared to a year earlier. The spread between weighted average deposit and lending rates experienced some fluctuation during 2014 before edging down by the end of the year. Over the course of 2015 and up to January 2016, the spread level experienced a mild increase before declining again in the subsequent month and remaining relatively stable until April 2017. Meanwhile, the European Central Bank (ECB) rate dropped to 0 per cent in March 2016 and remained at this level thereafter. The spread level between weighted average deposit and lending rates dipped slightly again in May 2017 before edging mildly upwards until July 2017. The dynamics of such a stable spread level between lending and deposit rates, reflects an overall marginal decrease in deposit rates and a corresponding minimal decline in lending rates from February 2016 onwards.

2. Economic Growth

2. Economic Growth

2.1 International Context

A decade after the great recession, the global economy is showing signs of a firming recovery. Indeed, global economic activity gained speed in late 2016 and early 2017 and this momentum is expected to continue. According to the International Monetary Fund's (IMF) most recent updates of the World Economic Outlook (July 2017), global growth is projected to increase from an estimated 3.2 per cent in 2016 to 3.5 per cent in 2017 and then 3.6 per cent for 2018. In emerging market and developing economies, growth is predicted to recover, rising from 4.3 per cent in 2016 to 4.6 per cent in 2017, and 4.8 per cent in 2018, as activity in both commodity exporting and commodity importing economies continues to be robust. China and India are expected to continue growing at an average rate of 6.6 per cent and 7.5 per cent, respectively, over the forecasting period. Meanwhile, growth in advanced economies is expected to accelerate to 2.0 per cent in 2017, before moderating gradually in 2018-2019. In the United States (US), a moderate growth rate of 2.1 per cent is being projected for each of the next two years, this being clouded with the uncertainty emanating from the nature and timing of the US Administration's fiscal policy changes.

The European economy has continued with its strengthening recovery, with growth in 2016 reaching 1.8 per cent and 1.9 per cent in the Euro Area (EA) and the European Union (EU28), respectively. Despite the political uncertainties and challenges it continues to face, growth in the EA was fuelled by accommodative monetary policy, a more competitive exchange rate and lower oil prices. This positive momentum continued also into 2017 and is now reaching all EU Member States. Indeed, the latest statistics confirm that in the first half of 2017, the EA grew at a real rate of 2.1 per cent, while the EU28 grew at a real rate of 2.2 per cent, both up by 0.1 percentage point from the same period of 2016. The EA headline inflation rate is estimated to have peaked to 1.1 per cent in the same period, largely driven by energy prices and base effects. The average unemployment rate stood at 9.9 per cent in the EA and 8.3 per cent in the EU28, yet these figures mask substantial variations amongst European economies.

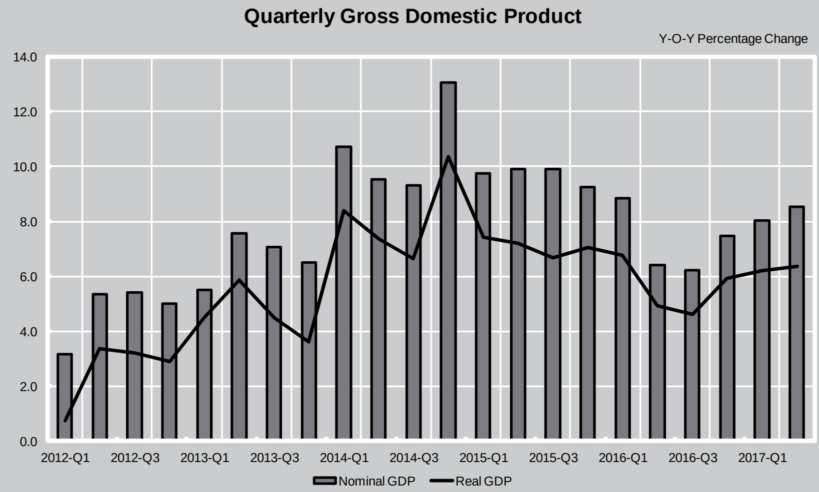
Looking ahead, the IMF and the European Commission expect the European economy to continue growing at a rather steady pace over the course of 2017 and 2018. Growth should continue to benefit largely from a resilient domestic demand, and a gradual improvement in world trade. Unemployment is set to continue on its downward trend, while inflation is forecasted to continue rising in 2017 and then to slow down in 2018, as the effect of rising oil prices diminishes. At the same time, economic growth prospects remain clouded by elevated political and policy uncertainties including election outcomes, the upcoming Brexit negotiations, the health of the banking sector, the persistent weakness of the Italian economy, the low inflation and wage growth, continued net outflows of capital outside the EA and, more externally, the future US policies and broader geopolitical tensions.

2.2 Maltese Economy

Following exceptional growth rates recorded in 2014 and 2015, and robust growth in 2016, the Maltese economy continued to grow strongly in the first half of 2017. Indeed, during this period, the Maltese economy grew at a nominal rate of 8.3 per cent, or a real rate of 6.3 per cent, outperforming the average growth rate registered in the EU28 and the EA in the same period. This performance also compares favourably to that registered in the same period of 2016. In fact, during the first half of 2017, economic growth in real terms was 0.5 percentage points higher when compared to the first half of 2016. Year-on-year economic growth rates are presented in Chart 2.1.

From the expenditure side, the positive economic performance in the first half of 2017 was mostly the result of a larger contribution from the external side of the economy, as growth in exports was coupled by a decline in imports. Specifically, while in the first half

Chart 2.1



of 2016 exports increased by 2.0 per cent and imports increased by 3.2 per cent, in the first half of 2017 exports increased by 2.6 per cent and imports declined by 4.0 per cent. The higher export growth corresponds to a stronger external demand, driven by stronger world Gross Domestic Product (GDP) and the increased competitiveness of the Maltese economy, whilst the decline in imports is explained through the decline in investment, which had a high import content.

In the meantime, the domestic side of the economy contributed negatively to growth in the first half of 2017. This was mainly driven by a fall in Gross Fixed Capital Formation (GFCF), following the exceptional surge in investment in energy, transport and construction in recent years. Specifically, investment declined by 13.3 per cent in real terms in the first half of 2017, compared to a growth rate of 8.5 per cent in the same corresponding period of 2016. Nevertheless, investment remains well above the historical average. Moreover, during the same period, changes in inventories also contributed negatively by 0.3 percentage points to economic growth.

Private Household consumption contributed positively to growth in the first half of 2017, as it increased by 4.3 per cent, fuelled by gains in disposable income and the strong labour market conditions, which have characterised economic growth in recent years. Meanwhile, public consumption declined by 6.9 per cent in the first half of 2017, which is 11.6 percentage points lower than the growth registered in the same period of 2016. This was affected by the further rise in proceeds from the Individual Investor Programme (IIP) in the first half of 2017, which is recorded as market output in national accounts and is deducted from public consumption and reclassified as exports of services.

Table 2.1 and Table 2.2 provide more detailed data on the growth of the different components of GDP.

Data presented in this Chapter is based on National Accounts data, compiled in accordance to the European Systems of

GDP by Category of Expenditure

Table 2.1 € thousands

	2011	2012	2013	2014	2015	2016	2014 Jan-Jun	2015 Jan-Jun	2016 Jan-Jun	2017 Jan-Jun
At Current Market Prices										
Households Final Consumption Expenditure	3,906,451	3,987,592	4,116,031	4,230,321	4,508,383	4,676,381	2,056,826	2,153,903	2,287,434	2,394,620
NPISH final consumption expenditure	103,782	105,437	113,310	114,397	124,658	130,384	57,008	61,730	65,086	66,591
General Government Final Consumption Expenditure	1,345,008	1,448,864	1,479,065	1,604,465	1,688,393	1,685,811	792,153	841,071	893,942	842,616
Total Final Consumption Expenditure	5,355,241	5,541,893	5,708,406	5,949,183	6,321,434	6,492,576	2,905,987	3,056,704	3,246,462	3,303,826
Gross Fixed Capital Formation	1,229,104	1,300,620	1,335,605	1,474,544	2,328,535	2,362,286	722,067	1,086,670	1,206,826	1,076,513
Changes in Inventories	124,934	(12,989)	104,519	14,043	(57,926)	(8,163)	(2,631)	(53,799)	18,433	(833)
Acquisitions less Disposals of Valuables	(25,196)	880	13,705	7,989	9,226	5,586	4,550	5,502	1,257	3,350
Exports of Goods and Services	10,965,051	11,845,038	12,001,783	12,582,517	13,297,207	13,878,639	6,139,148	6,488,155	6,687,643	7,018,115
Total Final Expenditure	17,649,134	18,675,441	19,164,018	20,028,277	21,898,475	22,730,924	9,769,120	10,583,232	11,160,621	11,400,971
Less Imports of Goods and Services	10,811,382	11,512,179	11,522,092	11,573,436	12,623,997	12,787,785	5,704,561	6,119,116	6,357,430	6,199,894
Gross Domestic Product	6,837,751	7,163,263	7,641,925	8,454,841	9,274,479	9,943,139	4,064,559	4,464,115	4,803,191	5,201,078
At chain-linked volumes (reference year 2010)										
Households Final Consumption Expenditure	3,825,852	3,816,536	3,892,717	4,002,694	4,238,265	4,365,488	1,939,046	2,023,345	2,126,829	2,221,416
NPISH final consumption expenditure	100,350	99,348	103,645	101,141	105,820	107,201	50,357	52,344	53,323	52,950
General Government Final Consumption Expenditure	1,330,032	1,405,647	1,400,086	1,491,736	1,546,492	1,518,199	737,170	770,157	806,043	750,261
Total Final Consumption Expenditure	5,256,235	5,320,932	5,396,231	5,595,094	5,889,609	5,988,432	2,726,368	2,845,868	2,986,246	3,022,643
Gross Fixed Capital Formation	1,184,000	1,201,415	1,215,574	1,304,985	1,936,089	1,928,056	645,700	912,085	989,872	858,297
Changes in Inventories										
Acquisitions less Disposals of Valuables										
Exports of Goods and Services	10,284,330	11,030,046	11,156,975	11,597,354	12,080,785	12,509,327	5,614,043	5,809,405	5,927,429	6,081,548
Total Final Expenditure	16,724,565	17,552,393	17,768,780	18,497,432	19,906,483	20,425,816	8,986,112	9,567,358	9,903,546	9,962,489
Less Imports of Goods and Services	10,134,405	10,686,282	10,713,251	10,769,183	11,583,342	11,679,905	5,368,633	5,643,842	5,822,749	5,589,301
Gross Domestic Product	6,693,038	6,867,483	7,183,002	7,769,723	8,318,393	8,777,287	3,629,515	3,894,668	4,121,187	4,380,204

Source: National Statistics Office

GDP by Category of Expenditure

Percentage Changes

Table 2.2

	2012	2013	2014	2015	2016	2015 Jan-Jun	2016 Jan-Jun	2017 Jan-Jun
At Current Market Prices								
Households Final Consumption Expenditure	2.1	3.2	2.8	6.6	3.7	4.7	6.2	4.7
NPISH final consumption expenditure	1.6	7.5	1.0	9.0	4.6	8.3	5.4	2.3
General Government Final Consumption Expenditure	7.7	2.1	8.5	5.2	-0.2	6.2	6.3	-5.7
Total Final Consumption Expenditure	3.5	3.0	4.2	6.3	2.7	5.2	6.2	1.8
Gross Fixed Capital Formation	5.8	2.7	10.4	57.9	1.4	50.5	11.1	-10.8
Changes in Inventories								
Acquisitions less Disposals of Valuables								
Exports of Goods and Services	8.0	1.3	4.8	5.7	4.4	5.7	3.1	4.9
Total Final Expenditure	5.8	2.6	4.5	9.3	3.8	8.3	5.5	2.2
Less Imports of Goods and Services	6.5	0.1	0.4	9.1	1.3	7.3	3.9	-2.5
Gross Domestic Product	4.8	6.7	10.6	9.7	7.2	9.8	7.6	8.3
At chain-linked volumes (reference year 2010)								
Households Final Consumption Expenditure	-0.2	2.0	2.8	5.9	3.0	4.3	5.1	4.4
NPISH final consumption expenditure	-1.0	4.3	-2.4	4.6	1.3	3.9	1.9	-0.7
General Government Final Consumption Expenditure	5.7	-0.4	6.5	3.7	-1.8	4.5	4.7	-6.9
Total Final Consumption Expenditure	1.2	1.4	3.7	5.3	1.7	4.4	4.9	1.2
Gross Fixed Capital Formation	1.5	1.2	7.4	48.4	-0.4	41.3	8.5	-13.3
Changes in Inventories								
Acquisitions less Disposals of Valuables								
Exports of Goods and Services	7.3	1.2	3.9	4.2	3.5	3.5	2.0	2.6
Total Final Expenditure	4.9	1.2	4.1	7.6	2.6	6.5	3.5	0.6
Less Imports of Goods and Services	5.4	0.3	0.5	7.6	0.8	5.1	3.2	-4.0
Gross Domestic Product	2.6	4.6	8.2	7.1	5.5	7.3	5.8	6.3

Source: National Statistics Office

Accounts (ESA2010) methodology. This accounting framework enables comparability with EU Member States as well as a systematic and detailed description of the economy and its core components. GDP at current market prices is estimated by the National Statistics Office (NSO) from the production side, involving the aggregation of the output of various productive sectors net of the cost of intermediate inputs. A reconciliation of the production side with estimates of expenditure on output produced is then carried out.

2.2.1 Private Final Consumption Expenditure

The private final consumption expenditure category defined as household final consumption expenditure and non-profit institutions serving households (NPISH) final consumption expenditure registered a real increase of 4.3 per cent in the first half of 2017 compared with an increase of 5.0 per cent registered in the same period of 2016. In nominal terms, private final consumption grew by 4.6 per cent during the same comparable period. These increases were largely backed by favourable labour market conditions as well as by increases in real disposable income.

These developments meant that the proportion of real private consumption to real GDP continued on its downward path. Indeed, in the first half of 2017, the ratio stood at 51.9 per cent, down by 1.0 percentage point from that recorded in the first half of 2016.

Growth in nominal private consumption in the first half of 2017 was broadly distributed among all the different expenditure categories. Double-digit growth rates were recorded in the expenditure on education (15.5 per cent), restaurants and hotels subcategory (12.0 per cent) and on clothing and footwear (11.6 per cent). Significant increases were also recorded in the expenditure on miscellaneous goods and services (8.4 per cent), health (6.1 per cent) and housing, water, electricity, gas and other fuels (5.5 per cent).

2.2.2 General Government Final Consumption Expenditure

General Government expenditure experienced a decline of 6.9 per cent in real terms during the first six months of 2017. This marks a decrease of 11.6 percentage points compared to last year's corresponding growth rate, which stood at 4.7 per cent. In nominal terms, General Government expenditure declined by 5.7 per cent. Lower public consumption was impacted by the surge in IIP proceeds particularly since the second half of 2016 and which has continued during the Survey period. These developments translated into a slightly lower ratio of General Government expenditure to real GDP than previously recorded. Indeed, as a ratio of GDP, General Government expenditure in the first half of 2017 stood at 17.1 per cent as compared to 19.6 per cent in the same period of 2016.

2.2.3 Gross Capital Formation

Gross Capital Formation comprises gross fixed capital formation, changes in inventories and acquisitions less disposals of valuables. Of the two components, GFCF is the main component as it measures investment activity. In the first half of 2017, GFCF declined by 10.8 per cent in nominal terms when compared to the same period last year, yet remains well above the historical average.

Such development reflects the phasing out of one-off equipment investments which resulted in a moderation from the extraordinary high growth rates of 50.5 per cent and 11.1 per cent recorded in the first half of 2015 and 2016, respectively. The decline in GFCF in the first half of 2017 was underpinned by a 12.7 per cent fall in private investment, which more than offset the 8.7 per cent growth in public investment during this period. Further analysis of the components of investment indicates that the decline was primarily driven by a fall in transport equipment investment (-91.4 per cent) following the surge in aviation investment registered last year. This decline more than offset the growth registered in the investment on construction (38.2 per cent), metal products and machinery (32.3 per cent) and intellectual property products (12.7 per cent).

In real terms, GFCF amounted to 19.6 per cent of GDP, which albeit lower than the 24.0 per cent share recorded for the same period of 2016, is still above historical averages. More information on GFCF is presented in Table 2.3.

Gross Fixed Capital Formation

Table 2.3

	2011	2012	2013	2014	2015	2016	2014 Jan-Jun	2015 Jan-Jun	2016 Jan-Jun	2017 Jan-Jun
At Current Market Prices										
Gross Fixed Capital Formation (€ million)	1,229	1,301	1,336	1,475	2,329	2,362	722	1,087	1,207	1,077
% change	-12.9	5.8	2.7	10.4	57.9	1.4		50.5	11.1	-10.8
GDP (€ million)	6,838	7,163	7,642	8,455	9,274	9,943	4,065	4,464	4,803	5,201
(GFCF/GDP) %	18.0	18.2	17.5	17.4	25.1	23.8	17.8	24.3	25.1	20.7
At Constant 2000 Prices										
Gross Fixed Capital Formation (€ million)	1,184	1,201	1,216	1,305	1,936	1,928	646	912	990	858
% change	-16.1	1.5	1.2	7.4	48.4	-0.4		41.3	8.5	-13.3
GDP (€ million)	6,693	6,867	7,183	7,770	8,318	8,777	3,630	3,895	4,121	4,380
(GFCF/GDP) %	17.7	17.5	16.9	16.8	23.3	22.0	17.8	23.4	24.0	19.6

Source: National Statistics Office

2.2.4 Foreign Demand and Supply

The external side of the economy was the main contributor to the economic growth registered in the first half of 2017. Indeed, during this period exports increased by 4.9 per cent while imports declined by 2.5 per cent in nominal terms. In real terms, exports increased by 2.6 per cent and imports dropped by 4.0 per cent. This resulted in net exports, defined as total exports less total imports, contributing positively by 9.2 percentage points to real GDP growth.

Further analysis shows that real export growth was primarily attributed to a 4.0 per cent growth in exports of services, which more than offset the 4.7 per cent decline in exports of goods. At the same time, the decline in real total imports was largely the result of an 11.6 per cent decline in imports of goods (primarily capital goods), which more than offset the 0.2 per cent growth in imports of services.

Further details on exports of goods and services are provided in Chapter 7 of the Economic Survey.

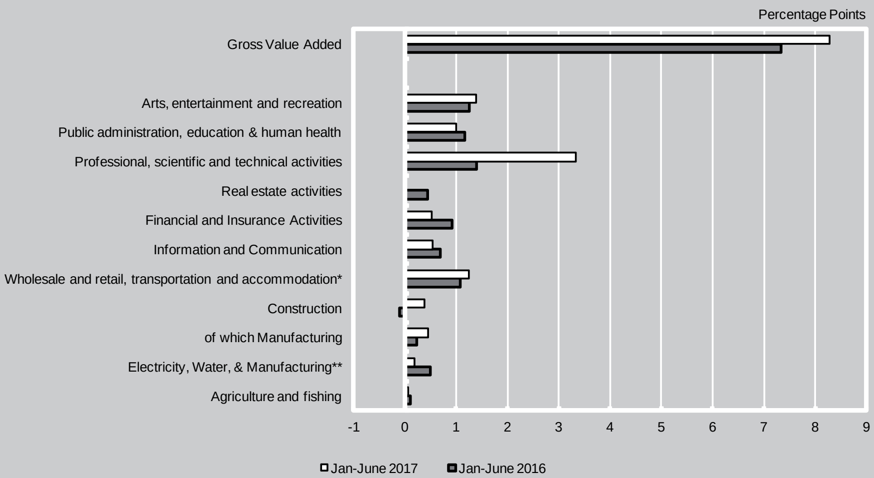
2.3 Sectoral Contribution to Gross Value Added

In the first six months of 2017, total Gross Value Added (GVA) increased by €352.9 million, equivalent to an increase of 8.3 per cent over the same period in 2016, to reach €4,610.5 million. The growth witnessed in GVA was attributable to increases registered in the majority of sub-sectors of the economy, with significant increases registered in the Professional, Scientific and Technical activities sector, the Arts, Entertainment and Recreation sector, and the Wholesale and Retail, Transportation and Accommodation sector. The sectoral contributions to growth in GVA during the Survey period are confirmed in Chart 2.2, whereas Table 2.4 shows the sectoral levels in GVA at basic prices.

In the first half of 2017, the Professional, Scientific and Technical activities sector saw major growth in its GVA, increasing by 23.8 per cent or €123.9 million. This led to a 2.91 percentage points contribution to growth.

Chart 2.2

Contribution to Growth in Gross Value Added



*Includes food services activities

**Includes quarrying

Sectoral Gross Value Added

(at basic prices)

Table 2.4 € million

	2011	2012	2013	2014	2015	2016	2015 Jan-Jun	2016 Jan-Jun	2017 Jan-Jun
Agriculture, forestry and fishing	95	94	91	96	105	118	44	49	51
Mining and quarrying; manufacturing; and utilities	871	818	843	864	891	927	452	472	480
of which Manufacturing	786	791	727	746	741	766	374	383	403
Construction	282	275	294	302	352	349	176	172	188
Wholesale and retail trade; repair of motor vehicles and motorcycles; transportation and storage; accommodation and food service activities	1,289	1,397	1,528	1,621	1,768	1,831	821	865	919
Information and Communication	368	374	370	476	532	588	257	283	306
Financial services	457	533	535	516	555	616	272	306	329
Real estate activities	370	373	382	383	440	477	217	235	235
Professional, scientific and technical activities; administrative and support service activities	569	651	730	858	984	1,109	466	520	644
Public administration and defence; compulsory social security; education; human health and social work activities	1,110	1,176	1,254	1,357	1,453	1,547	726	772	816
Arts, entertainment and recreation, repair of household goods and other services	545	586	689	947	1,075	1,176	535	584	642
Gross Value Added	5,956	6,276	6,717	7,420	8,155	8,738	3,967	4,257.6	4,610.5

Source: National Statistics Office

The Arts, Entertainment and Recreation sector which includes the gaming industry, also saw significant growth in its GVA, increasing by 9.9 per cent during the Survey period to reach a total GVA of €642.3 million. In turn, this sector contributed 1.36 percentage points to overall growth.

GVA classified under the Wholesale and Retail, Transportation and Accommodation sector increased by 6.2 per cent or €54.0 million during the period under review, reaching €919.0 million. At a more disaggregated level, GVA at basic prices in the wholesale and retail trade sector in the first six months of 2017 stood at €453.1 million, a rise of 4.8 per cent over the previous year. Increases were also registered in the transportation sector (4.7 per cent) and more significantly in the accommodation sectors (12.2 per cent). This led to a total contribution of 1.27 percentage points towards growth.

The Financial and Insurance Services sector witnessed a 7.4 per cent growth during the first six months of 2017, to reach a total of €328.8 million. This led to a contribution towards growth of 0.53 percentage points.

The Manufacturing sector's GVA growth rate continued to increase, growing by 5.2 per cent or €19.8 million in the first six months of 2017, reaching €403.2 million. At a more detailed sectoral level, performance of the manufacturing sector was uneven at its various subsectors. Decreases in the GVA growth rates were registered in the pharmaceutical subsector (27.8 per cent), and the printing and reproduction of recorded media (11.6 per cent) and food (4.4 per cent) subsectors. However, these were offset by increases in the manufacture of computer, electronic and optical products, and increases in the electrical equipment (24.0 per cent), repair and installation of machinery and equipment (15.6 per cent) and rubber and plastics (10.8 per cent) subsectors. Consequently, a positive contribution of 0.46 percentage points towards the overall growth in GVA was registered by the manufacturing sector.

Public Administration and Defence; Compulsory Social Security; Education; Human Health and Social Work activities increased by €43.9 million over the Survey period, equivalent to 5.7 per cent, to reach a total GVA of €816.1 million. This resulted in a 1.03 percentage point contribution towards growth.

The Construction sector recorded growth in the first six months of 2017, reversing the decline in 2016. Construction activities increased by €16.2 million, thus leading to a 0.38 percentage points contribution towards growth.

The Information and Communications sector also increased by €22.8 million, leading to a contribution to growth of 0.53 percentage points.

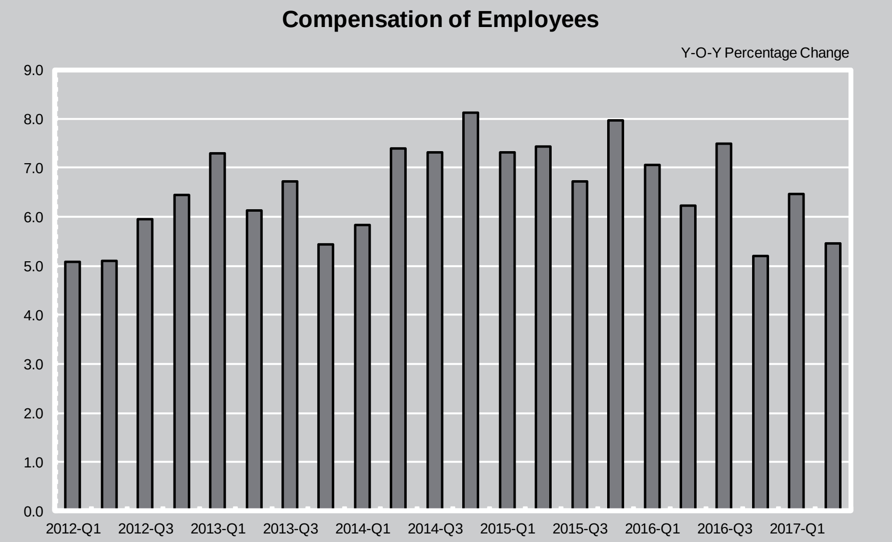
2.4 Gross Domestic Product from the Income Approach

On the income side, growth in the first half of 2017 was due to positive income returns from both compensation of employees and gross operating income, as well as from net taxes.

In the first half of 2017, compensation of employees, defined as the summation of wages and salaries and employers' social security contributions, increased by 6.0 per cent to reach €2,185.4 million. This was primarily underlined by growth in employment as income per capita increased modestly during the Survey period. From a sectoral perspective, the largest percentage increase in compensation of employees over this period was recorded in the arts, entertainment and recreation subsector which increased by 20.2 per cent. The Professional, scientific and technical activities; administrative and support service activities and information and communication sectors increased their compensation substantially, increasing by 8.4 per cent and 8.1 per cent, respectively over the same period of 2016. The real estate and the construction sectors both registered an increase of over 5.0 per cent. Positive growth rates were also recorded in the majority of other sub-sectors, notably in the Public administration and defence; compulsory social security; education; human health and social work activities sector (5.1 per cent), the Construction sector (5.1 per cent), the Agriculture, forestry and fishing sector (4.9 per cent), the Financial and insurance activities sector (4.4 per cent), the Wholesale and retail trade; repair of motor vehicles and motorcycles; transportation and storage; accommodation and food service activities sector (3.9 per cent) and finally the Mining and quarrying; manufacturing; electricity, gas, steam and air conditioning supply; water supply; sewerage, waste management and remediation activities sector (1.6 per cent). Developments in compensation of employees at market prices are displayed in Chart 2.3.

During the first six months of 2017, the share of employee compensation to GDP at market prices decreased by 0.9

Chart 2.3



percentage points to 42.0 per cent, as the growth rate of GDP exceeded the growth rate of compensation of employees.

During the period under review, gross operating surplus and mixed income increased by €234.3 million or 10.6 per cent during the first half of 2017 compared to an increase of 8.0 per cent recorded during the same comparable period last year. This positive development meant that the ratio of gross operating surplus to GDP at market prices continued on its upward trajectory, reaching 47.0 per cent in the first half of 2017. The stronger distribution of earnings to non-wage income is typical during an economic boom as profit shares tend to be pro-cyclical and absorb much of the negative shock during recessionary periods.

At the same time, taxes on production and imports increased by €44.4 million or 7.5 per cent, while subsidies increased by €3.8 million or 6.1 per cent over the levels recorded in the first half of 2016. Consequently, net taxes increased by €40.6 million or 7.7 per cent during the first half of 2017. Developments in nominal GDP from the Income Side Approach are presented in Table 2.5.

Gross Domestic Product from the Income Side

Table 2.5 € million

	2011	2012	2013	2014	2015	2016	2015 Jan-Jun	2016 Jan-Jun	2017 Jan-Jun
Compensation of employees	3,036	3,207	3,412	3,658	3,927	4,182	1,934	2,062	2,185
Gross operating surplus and mixed income	2,932	3,089	3,321	3,796	4,275	4,603	2,047	2,212	2,446
Taxes on production and imports	936	959	1,004	1,123	1,206	1,293	546	591	636
Less Subsidies	65	92	96	122	134	134	63	62	66
Gross Domestic Product at current market prices	**6,838**	**7,163**	**7,642**	**8,455**	**9,274**	**9,943**	**4,464**	**4,803**	**5,201**

Source: National Statistics Office

2.5 Gross National Income

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

During the Survey period, GNI was less than GDP indicating income payments to the rest of the world exceeded income receipts. This is a typical characteristic of the Maltese economy, which tends to generate a higher return to foreigners on their domestic investment as oppose to the returns generated abroad by domestic nationals. To some extent, this reflects the relative strength of the domestic economy. It also reflects the significant share of foreign inward investment primarily of a direct investment (mainly equity) nature as opposed to outward investment which is typically made up of portfolio investments (mainly bonds).

Gross National Income

Table 2.6 € million

	2011	2012	2013	2014	2015	2016	2015 Jan-Jun	2016 Jan-Jun	2017 Jan-Jun
Gross Domestic Product at current market prices	**6,837,751**	**7,163,263**	**7,641,925**	**8,454,841**	**9,274,479**	**9,943,139**	**4,464,115**	**4,803,191**	**5,201,078**
Net compensation of employees from the rest of the world	4,872	-1,398	-19,087	-34,499	-34,603	-21,096	-16,663	-10,196	-15,491
Subsidies less Taxes on products from/to the rest of the EU	5,039	4,125	11,154	8,627	9,806	-11,040	1,597	-4,145	-6,631
Net property income from the rest of the world	-231,625	-293,844	-326,566	-364,153	-343,505	-549,629	-165,161	-266,078	-361,963
Gross National Income at current market prices	**6,616,037**	**6,872,146**	**7,307,427**	**8,064,816**	**8,906,176**	**9,361,375**	**4,283,888**	**4,522,772**	**4,816,993**

Source: National Statistics Office

It is also notable, that the growth in GDP outpaced the growth in GNI. Indeed, during this period, there was a net outflow of property income of €361,963 million, compared to €266,078 million for the same period in 2016. This is consistent with the stronger growth in the domestic economy relative to that of our investment partners. In addition, during the same period, net taxes on products from the EU stood at €6.6 million. Furthermore, net outflows in compensation of employees from the rest of the world were recorded at €15.5 million, a €5.3 million increase when compared to the same period last year. Further developments in GNI are shown in Table 2.6.

3. Employment

3. Employment

This Chapter presents an overview of developments in the labour market, covering the period 2014 to 2016 as well as the first quarter of 2017. 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 Jobs Plus are utilised in order to analyse sectoral developments[1].

3.1 Labour Market Developments

Between March 2016 and March 2017, 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.

3.1.1 Recent Employment Trends

At the end of March 2017, the labour supply stood at 201,876, reflecting an increase of 5,007 or 2.5 per cent over March 2016. Meanwhile, total employment increased by 6,279 or 3.4 per cent to reach 193,450 at the end of the quarter. This means that the positive trend noted in recent years was sustained in recent months. A summary of the main labour market indicators is outlined in Table 3.1.

The increase in employment reflected an increase in female employment of 3,622 or 5.0 per cent, from 71,954 in the first quarter of 2016 to 75,576 in the first quarter of 2017, as well as an increase in male employment of 2,657 or 2.3 per cent to 117,874 in the first quarter of 2017. As a result, male employment accounted for 60.9 per cent of total employment while female employment accounted for the remaining 39.1 per cent, an increase of 0.6 percentage points over last years’ percentage.

In the meantime, during the first quarter of 2017, labour supply for females improved by 3,322 or 4.4 per cent to 79,139, while

Labour Market Performance (Persons aged 15 and over)

Labour Force Survey

Table 3.1

	2014	2015	2016	2016 Jan-Mar	2017 Jan-Mar
Labour Supply	192,984	197,182	201,329	196,869	201,876
Male	119,166	121,589	122,467	121,052	122,737
Female	73,818	75,593	78,862	75,817	79,139
Employment	181,796	186,897	192,807	187,171	193,450
Male	111,913	115,315	117,975	115,217	117,874
Female	69,883	71,582	74,832	71,954	75,576
Unemployment	11,188	10,285	8,522	9,698	8,426
Male	7,253	6,274	4,492	5,835	4,863
Female	3,935	4,011	4,030	3,863	3,563
Inactive Persons	164,342	164,916	165,180	165,761	166,456
Male	59,060	59,172	60,955	60,585	61,983
Female	105,282	105,744	104,225	105,176	104,473
Unemployment Rate	5.8	5.2	4.2	4.9	4.2
Male	6.1	5.2	3.7	4.8	4.0
Female	5.3	5.3	5.1	5.1	4.5

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

labour supply for men increased by 1,685 or 1.4 per cent. Employment growth was also in general sustained by women. It is pertinent to note, that during the first quarter of 2017, the percentage increase of females in employment exceeded that in the labour force thus sustaining the underlying trend of a rising female employment rate. By the end of the first quarter of this year, the unemployment rate stood at 4.2 per cent, 0.7 percentage points lower than that recorded in the first quarter of 2016.

In the first quarter of 2017, the share of full-time employment amounted to 85.7 per cent, registering an increase of 5,582 or 3.5 per cent over the corresponding period of the previous year.

Distribution of Employed Persons
by Type of Employment in Main Occupation

Table 3.2

	2014	2015	2016	2016 Jan-Mar	2017 Jan-Mar
Full-time job	151,683	156,844	163,714	160,160	165,742
Full-time job with reduced hours job	5,327	5,104	5,127	4,964	5,022
Part-time job	24,786	23,982	23,217	22,047	22,686
Total	**181,796**	**185,930**	**192,058**	**187,171**	**193,450**

Source: National Statistics Office

Meanwhile, part-time employment registered an increase of 639 or 2.9 per cent during the same period under review. Overall, between 2014 and 2016, the employment contract distribution has remained fairly stable. More detailed data can be found in Table 3.2.

The employment rate (defined as the number of persons engaged in employment as a percentage of the population of working-age) stood at 65.9 per cent; following an increase of 1.5 percentage points over the first quarter of 2017. As shown in Table 3.3, this reflected an increase in both the female and male employment rate, with the increase in female employment rate outweighing that of males.

Turning to the age distribution of the employment rate, the highest employment rate (79.8 per cent) was observed in the age group 25-54, followed by the age groups 15-24 (45.5 per cent), and 55-64 (41.2 per cent). The youngest group exhibited the narrowest gender gap, while the older cohort had the widest gender gap in the employment rate.

Employment Rates by Age

Table 3.3					per cent
	2014	**2015**	**2016**	**2016** Jan-Mar	**2017** Jan-Mar
Total (15-64)	62.4	63.9	65.8	64.3	65.9
Male	74.9	76.2	78.3	76.9	78.0
Female	49.5	51.0	52.7	51.2	53.1
15-24	46.2	45.6	46.1	45.0	45.5
Male	45.7	45.9	48.4	46.0	49.0
Female	46.8	45.2	43.8	44.0	42.0
25-54	75.9	77.4	78.8	77.7	79.8
Male	90.6	91.3	92.5	92.1	91.9
Female	60.6	62.9	64.3	62.6	66.9
55-64	37.8	40.4	44.1	42.0	41.2
Male	55.7	58.9	61.8	59.3	59.7
Female	19.9	21.9	26.4	24.4	22.2

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

3.1.2 Developments in the Unemployment Rate

According to the LFS, during the first quarter of 2017, the number of unemployed persons stood at 8,426, following a decrease of 1,272 when compared to the first quarter 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 0.7 percentage points to 4.2 per cent when compared to the 4.9 per cent registered in the same period a year earlier. The observed developments registered between the first quarter of 2016 and the same quarter of 2017, reflect increases in job creation which exceeded the rising labour force participation,

Unemployment Rates by Age

Table 3.4 per cent

	2014	2015	2016	2016 Jan-Mar	2017 Jan-Mar
Total (15-74)	5.8	5.4	4.7	4.9	4.2
15-24	11.7	11.8	11.1	9.2[u]	10.5[u]
25-74	4.8	4.4	3.7	4.3	3.3

Note: u denotes low reliability

Source: National Statistics Office

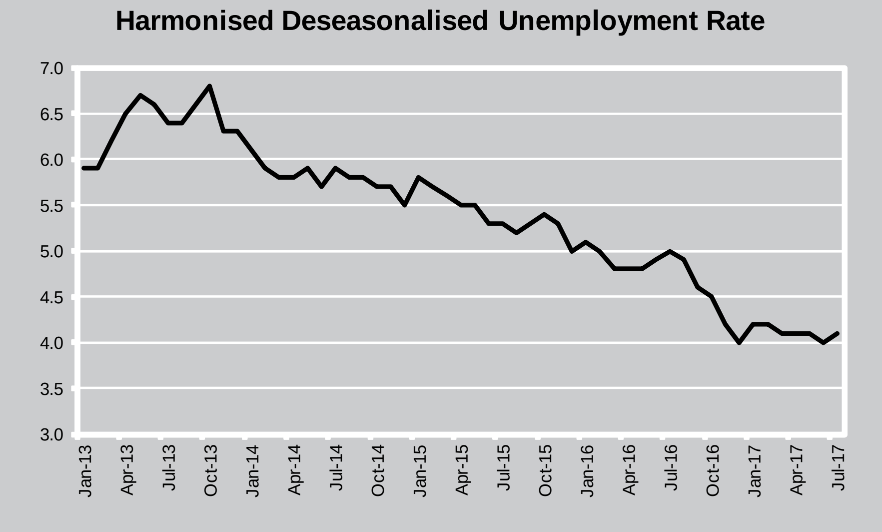
since the number of unemployed persons decreased by 13.1 per cent while labour supply increased by 2.5 per cent.

During the first quarter of 2017, the number of unemployed males decreased by 972 to 4,863, while the number of unemployed females fell by 300 and stood at 3,563 when compared to the first quarter of 2016. During the period January to March 2017, the female unemployment rate stood at 4.5 per cent, a decrease of 0.6 percentage points when compared to the first quarter of 2016, while the male unemployment rate declined by 0.8 percentage points to 4.0 per cent.

By end of March 2017, the youth unemployment rate increased by 1.3 percentage points, from 9.2 per cent to reach 10.5 per cent during the first quarter of 2017. Meanwhile, the unemployment rate for persons aged 25-plus decreased by 1.0 percentage points to stand at 3.3 per cent during the same period.

Monthly statistics for the period 2013 to 2017 show that the declining trend in the unemployment rate has been persistent over the entire period. Chart 3.1 illustrates that during the twelve months to July 2017, the unemployment rate continued to decrease notably from 5.0 per cent to 4.1 per cent.

Chart 3.1



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

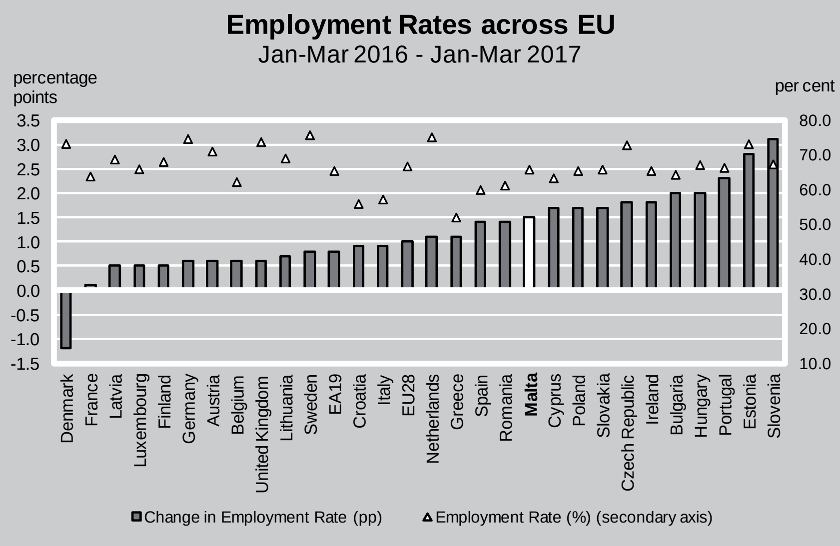
The labour market recovery continued to gain momentum, such that the labour market outcomes in the EU continued to improve, with unemployment rates moving closer to pre-recession levels. However, the unemployment rate remains high in many EU countries. Labour market disparities across the EU and the Euro Area (EA) continued to fall from very high levels. The analysis in this section is based on the latest comparable set of figures for the EU that relate to the first quarter of 2017.

Employment growth of at least 2.0 per cent was reported in 11 Member States. The rate of employment growth (measured as the first quarter year-on-year growth rate) was robust in Cyprus (4.5 per cent), Slovenia (4.1 per cent), Luxembourg (3.9 per cent), Ireland (3.6 per cent), Estonia (3.1 per cent) and Portugal (3.0 per cent). Employment losses were on the other hand recorded in Latvia (1.2 per cent), Denmark (1.1 per cent), and Lithuania (1.0 per cent). With a rate of 2.9 per cent, Malta recorded an employment growth rate higher than that of the EU28 (1.2 per cent) and EA (1.1 per cent) averages.

In general, employment rates in the EU have continued to improve. On average, this development reflects longer term trends in rising participation of woman and older workers, employment recovery, but also a drop in the working-age population. During the first quarter of 2017, the employment rate for the EU28 improved by a percentage point to reach 66.7 per cent, while that of the EA19 improved by 0.8 percentage points to reach 65.4 per cent. Employment rates by country are presented in Chart 3.2 and Table 3.5.

Albeit unemployment continues its downward trend, it remains high in many countries. In the EA, unemployment in the first quarter of 2017 stood at 9.9 per cent. The unemployment rate of the EU at large was 8.3 per cent. In the first quarter of 2017, the unemployment rate was 10 per cent or over in seven countries, with peaks above 20 per cent in Greece. Over the year to the first three-months of 2017, the unemployment rate dropped in

Chart 3.2



Employment Rates across EU

Table 3.5 per cent

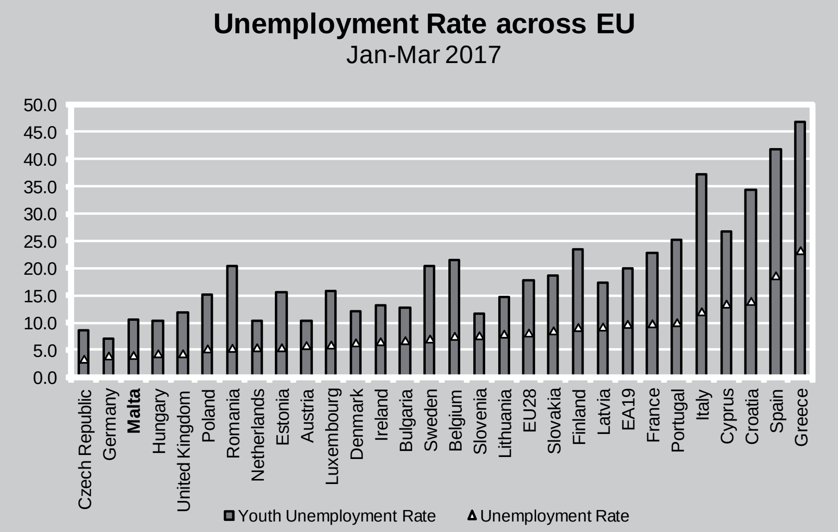
	2016 Jan-Mar	2017 Jan-Mar		2016 Jan-Mar	2017 Jan-Mar
EU28	65.7	66.7	Latvia	68.2	68.7
EA18	64.6	65.4	Lithuania	68.3	69.0
Belgium	61.6	62.2	Luxembourg	65.4	65.9
Bulgaria	62.3	64.3	Hungary	65.1	67.1
Czech Republic	71.0	72.8	**Malta**	**64.3**	**65.9***
Denmark	74.4	73.2	Netherlands	74.0	75.1
Germany	74.0	74.6	Austria	70.4	71.0
Estonia	70.3	73.1	Poland	63.7	65.4
Ireland	63.6	65.4	Portugal	64.0	66.3
Greece	50.9	52.0	Romania	59.8	61.2
Spain	58.5	59.9	Slovenia	64.2	67.3
France	63.7	63.8	Slovakia	64.1	65.8
Croatia	55.0	55.9	Finland	67.5	68.0
Italy	56.3	57.2	Sweden	74.9	75.7
Cyprus	61.6	63.3	United Kingdom	73.1	73.7

* Figure is different from Eurostat database due to updates in population estimates. Revised figures on Eurostat will be published in the next website update.

Source: Eurostat

all countries, except for marginal increases in Denmark, Italy and Luxembourg. Chart 3.3 shows that between January and March 2017, the lowest unemployment rates were recorded in Czech Republic (3.5 per cent), Germany (4.1 per cent), and Malta (4.2 per cent). As a result of stronger than expected falls in unemployment in countries hit by the debt crisis, since 2015 and through the first quarter of 2017, the divergence of unemployment rates across the EU and the EA continued to decline from the high levels registered previously. Despite these improvements, large differences in unemployment rates persist, reflecting the intensity of the rebalancing and deleveraging challenges.

Chart 3.3



Source: Eurostat

By the first quarter of 2017, the youth unemployment rate was above 20 per cent for 11 EU countries, with peaks above 40 per cent in Spain and Greece. Chart 3.3 illustrates that Malta exhibited a low rate compared to other EU countries, reflecting Malta's strong economic performance.

3.2 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 JobsPlus covering the period from December 2014 to December 2016 and, on the basis of more recent data, from March 2016 to March 2017. More recent data on registered unemployed persons is also used to shed light on the profile of unemployed persons up to July 2017.

The positive trend in the full-time gainfully occupied population as at the end of March 2017 was sustained. As shown in Table 3.6, the full-time gainfully occupied population increased by 9,512 or 5.3 per cent to reach 187,334 by the end of the first quarter of 2017. During the year-long period March 2016 to March 2017, the private and public sector gainfully occupied population inclusive of temporary employees increased by 8,576 or 6.4 per cent and 936 or 2.1 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 March 2017 are in part a continuation of past trends. Indeed, during the period December 2014 to December 2016, total private and public sector employment expanded by 17,063 and 749, respectively. In March 2017, private sector employment accounted for 75.8 per cent of the total gainfully occupied while the share of public sector employment in the gainfully occupied population decreased by 0.8 percentage points to 24.2 per cent, when compared to March 2016.

Table 3.6 shows that during the year to March 2017 and throughout the three-year period to December 2016, the increase in full-time employment was mainly due to positive developments in market services. In fact, between March 2016 and March 2017 total employment in market services activities increased by 9,016 or 6.3 per cent, while the gainfully occupied population in direct production increased by 496 or 1.4 per cent, over the same period. These developments are in line with the trends noted in previous years. Indeed, between December 2014 and December 2016, employment in market services increased by 15,809 or 11.9 per cent, whilst gainfully occupied in direct production rose by 2,003 or 6.0 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 March 2017, the male component in gainful employment increased by 4,688 or 4.2 per cent, while the female component rose by 4,824 or 7.3 per cent. Consequently, the share of males in full-time employment declined from 62.9 per cent to 62.2 per cent,

Labour Market Indicators

Administrative Source

Table 3.6

	2014 Dec	2015 Dec	2016 Dec	2016 Mar	2017 Mar
Labour Supply	172,655	179,582	187,092	181,855	189,983
Males	110,731	113,639	116,875	114,822	118,430
Females	61,924	65,943	70,217	67,033	71,553
Gainfully Occupied	166,368	174,967	184,180	177,822	187,334
Males	105,919	110,129	114,760	111,829	116,517
Females	60,449	64,838	69,420	65,993	70,817
Total Private Sector	121,956	130,513	139,019	133,471	142,047
Private Direct Production	31,973	32,715	33,044	32,994	33,451
Private Market Services	89,983	97,798	105,975	100,477	108,596
of whom Temporary Employment	343	343	343	343	343
Total Public Sector	44,412	44,454	45,161	44,351	45,287
of whom Temporary Employment	75	74	74	74	74
Registered Unemployed*	6,287	4,615	2,912	4,033	2,649
Males	4,812	3,510	2,115	2,993	1,913
Females	1,475	1,105	797	1,040	736
Self-Employed**	18,929	19,817	20,399	19,983	20,743
Males	15,436	16,005	16,307	16,095	16,492
Females	3,493	3,812	4,092	3,888	4,251
% of Gainfully Occupied	11.4	11.3	11.1	11.2	11.1
Memorandum:					
Total Direct Production***	33,603	35,428	35,606	35,707	36,204
Total Market Services***	132,765	139,539	148,574	142,115	151,130
Total Private Sector Share	73.3%	74.6%	75.5%	75.1%	75.8%
Total Public Sector Share	26.7%	25.4%	24.5%	24.9%	24.2%
Part-time Employment as Primary Job	33,179	33,263	34,938	33,352	34,768

*Includes both Parts I and II of the Registered Unemployed

**Included in the Private Sector

***Including temporary employees

Source: JobsPlus

while the share of females in full-time employment rose from 37.1 per cent to 37.8 per cent.

The self-employed population stood at 20,743, reflecting increase of 760 or 3.8 per cent over March 2016. The share of self-employed in the total gainfully occupied population has been stable over the past twelve months at 11.1 per cent, even if some marginal decreases in the share were recorded in relation to the rate reported in 2014. The increase in the number of self-employed originated both from males and females. The number of male self-employed stood at 16,492, reflecting an increase of 397 or 2.5 per cent over March 2016. During the same period, the number of female self-employed increased by 363 or 9.3 per cent to stand at 4,251.

3.3 Private Sector Employment

Sectoral employment shifts over the period March 2016 to March 2017 and over the period 2014 to 2016 are towards services-orientated industries. The increase recorded in employment in the private sector (inclusive of temporary employees) over the one-year period March 2016 to March 2017 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, an increase in employment in the private direct production activities category.

During the year to March 2017, as observed in Table 3.7, employment in private direct production stood at 33,451, an increase of 457 or 1.4 per cent over March 2016. Meanwhile, employment in private market services at the end of March 2017 stood at 108,596, an increase of 8,119 or 8.1 per cent over March 2016. This is shown in Table 3.9. Consequently, at the end of March 2017, the share of private direct production in total private sector employment stood at 23.5 per cent, a decrease of 1.2 percentage points over a year earlier. Meanwhile, by the end

Private Sector Employment - Direct Production

Table 3.7

	2014 Dec	2015 Dec	2016 Dec	2016 Mar	2017 Mar
Agriculture, forestry and fishing	1,838	1,865	1,931	1,880	1,917
Mining and Quarrying	365	381	365	380	372
Manufacturing	20,334	20,486	20,534	20,640	20,727
Electricity, gas, steam and air conditioning supply	6	23	40	25	54
Water supply and waste management	339	368	348	364	355
Construction	9,091	9,592	9,826	9,705	10,026
Total Employment in Direct Production	**31,973**	**32,715**	**33,044**	**32,994**	**33,451**

* Including temporary employees

Source: JobsPlus

Contribution to Growth in Private Sector Employment*

Direct Production

Table 3.8 per cent

	Dec-2015/ Dec-14	Dec-2016/ Dec-15	Mar-2017/ Mar-2016
Agriculture, forestry and fishing	0.1	0.2	0.1
Mining and Quarrying	0.1	-0.0	-0.0
Manufacturing	0.5	0.1	0.3
Electricity, gas, steam and air conditioning supply	0.1	0.1	0.1
Water supply and waste management	0.1	-0.1	-0.0
Construction	1.6	0.7	1.0
Total	**2.3**	**1.0**	**1.4**

* Including temporary employees

of March 2017, the share of private market services in the total private sector employment increased to 76.5 per cent.

In March 2017, the manufacturing sector stood out as the largest subsector (20,727), having 62.0 per cent of share of the private direct production employment level. The major growth contributor in the 1.4 per cent growth of private direct production stemmed from construction (1.0 per cent). This is shown in Table 3.8.

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 (25,875) as it accounted for 23.8 per cent of the private market service employment. This was followed by the professional, technical and administrative activities, which recorded an employment level of 24,872, and the accommodation and food service activities, where full-time employment stood at 11,793.

Private Sector Employment - Market Services*

Table 3.9

	2014 Dec	2015 Dec	2016 Dec	2016 Apr	2017 Apr
Wholesale and Retail (including Repair of Motor Vehicles, Motorcycles and Personal and Household Goods)	24,115	25,133	25,611	25,293	25,875
Transport and Storage	6,450	7,691	8,038	7,785	8,158
Accomodation and food service activities	10,397	10,788	11,595	11,020	11,793
Information and communication	5,646	5,846	6,367	6,001	6,560
Financial and insurance activities	7,550	7,907	8,337	8,034	8,482
Real estate activities	1,066	1,135	1,255	1,182	1,330
Professional, technical and administrative activities	18,570	21,255	24,079	22,396	24,872
Education	4,776	4,968	5,120	5,007	5,172
Health and social work	3,655	4,064	4,772	4,230	5,023
Arts, entertainment and recreation	4,216	5,396	6,929	5,858	7,349
Other service activities	3,542	3,615	3,872	3,671	3,982
Total Employment in Market Services	**89,983**	**97,798**	**105,975**	**100,477**	**108,596**

* Including temporary employees

Source: JobsPlus

Contribution to Growth in Private Sector Employment*

Market Services

Table 3.10 per cent

	Dec-2015/ Dec-14	Dec-2016/ Dec-15	Mar-2017/ Mar-2016
Wholesale and Retail (including Repair of Motor Vehicles, Motorcycles and Personal and Household Goods)	1.1	0.5	0.6
Transport and Storage	1.4	0.4	0.4
Accomodation and food service activities	0.4	0.8	0.8
Information and communication	0.2	0.5	0.6
Financial and insurance activities	0.4	0.4	0.4
Real estate activities	0.1	0.1	0.1
Professional, technical and administrative activities	3.0	2.9	2.5
Education	0.2	0.2	0.2
Health and social work	0.5	0.7	0.8
Arts, entertainment and recreation	1.3	1.6	1.5
Other service activities	0.1	0.3	0.3
Total	**8.7**	**8.4**	**8.1**

* Including temporary employees

Although almost all the sectors registered an increase in their employment levels between March 2016 and March 2017, the largest increase in employment in market services was recorded by the professional, technical and administrative activities with an increase of 2,476 full-time employment. Another significant contributor to employment growth in market services is the arts, entertainment and recreational activities sector. Employment in this sector increased by 1,491 to 7,349, mainly due to gambling and betting activities. More information is found in Tables 3.9 and 3.10.

3.4 Public Sector Employment

During the year to March 2017, as shown in Table 3.11, public sector employment increased by 936 or 2.1 per cent, primarily due to an increase of 617 or 6.5 per cent in Independent Statutory

Public Sector Employment

Table 3.11

	2014 Dec	2015 Dec	2016 Dec	2016 Mar	2017 Mar
Government Departments	32,716	33,126	33,438	32,973	33,413
Companies with public sector majority shareholding	2564	1907	1768	1,892	1,771
Independent Statutory Bodies	9,132	9,421	9,955	9,486	10,103
of which Temporary Employees	75	74	74	74	74
Total	**44,412**	**44,454**	**45,161**	**44,351**	**45,287**

* Including temporary employees

Source: JobsPlus

Bodies employees. A sectoral breakdown of public sector gainfully occupied shows that the increase is mainly attributed to developments in public administration and defence activities and education with some decreases in human health activities. These developments have been affected by the revisions to the economic activity classification of government entities, departments and ministries carried out by JobsPlus.

3.5 A Profile of Registered Unemployed under Part I

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 2017, the number of registered unemployed persons under Part I of the Register stood at 2,246, as opposed to 3,049 recorded 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 887 to stand at 1,558, the female component decreased by 227 to stand at 688.

Unemployment register by duration of registration presented in Table 3.12 shows declines in all durations. Notable declines over the year to July 2017 were reported for persons registering for work under 6 months (-407), between 6 to 12 months (-220), over 2 years (-149), and between 1 to 2 years (-27). The share of persons registering for work for more than two years increased from 28.2 per cent to 31.6 per cent, while persons registering for work between 12 to 24 months increased from 14.4 per cent to 18.3 per cent. Meanwhile, the proportion of persons registering for work between 6 to 12 months decreased by 3.6 percentage points to 13.6 per cent, while the proportion of persons registered for work for less than six months decreased from 40.2 per cent to 36.5 per cent.

During the year ending July 2017, the share of youth unemployment, defined as those falling in the 16 to 24 age bracket, increased by 2.1 percentage points, from 8.5 per cent to 10.6 per cent, while the share of persons aged 49 or more, increased by 0.6 percentage points, to stand at 41.1 per cent as at July 2017. The share of those between 25 to 49 decreased by 2.7 percentage points to stand at 48.3 per cent in July 2017. Data is presented in Table 3.13.

Data for the registered unemployed classified by occupation as at July 2017, is produced in Table 3.14. A decline was recorded in all occupations over the twelve months to July 2017. The largest drop in unemployment is attributable to the Professionals (200). Notable declines were also registered by crafts and related trade workers (149) and by services and sales workers (147). During the same period, a decrease was also noted in persons registering for clerks and support workers (107).

Registered Unemployed*

Table 3.12

	Registered Unemployed	under 6 months %	6 - 12 months %	12 - 24 months %	over 24 months %
2012 (Dec)	6,291	42.2	14.4	19.3	24.1
2013 (Dec)	6,956	38.4	13.3	21.1	27.3
2014 (Dec)	5,889	37.2	10.6	18.5	33.7
2015 (Dec)	4,201	37.5	9.2	16.0	37.4
2016 (Dec)	2,712	38.7	17.5	14.1	29.7
2016 (Jul)	3,049	40.2	17.2	14.4	28.2
2017 (Jul)	2,246	36.5	13.6	18.3	31.6

*Includes only Part I of the Registered Unemployed

Source: JobsPlus

Registered Unemployed*

by age distribution

Table 3.13

	Registered Unemployed	16 - 24 years %	25 - 49 years %	over 49 years %
2012 (Dec)	6,291	15.8	52.3	32.0
2013 (Dec)	6,956	15.0	52.5	32.5
2014 (Dec)	5,889	11.9	52.0	36.1
2015 (Dec)	4,201	8.0	50.8	41.1
2016 (Dec)	2,712	11.0	50.1	38.8
2016 (Jul)	3,049	8.5	51.0	40.5
2017 (Jul)	2,246	10.6	48.3	41.1

*Includes only Part I of the Registered Unemployed

Source: JobsPlus

Registered Unemployed Classified by Occupation*

at July 2017

Table 3.14

Part 1 only	Registered Unemployed			Percentage Share		
	Males	Females	Total	Males	Females	Total
Elementary Occupations	142	31	173	9.1%	4.5%	7.7%
Plant and machinery operators and assemblers	107	33	140	6.9%	4.8%	6.2%
Crafts and related trade workers	238	10	248	15.3%	1.5%	11.0%
Skilled agriculture, fishery and forestry workers	99	0	99	6.4%	0.0%	4.4%
Services and sales workers	205	137	342	13.2%	19.9%	15.2%
Clerks and support workers	294	259	553	18.9%	37.6%	24.6%
Technicians and Associate Professionals	190	128	318	12.2%	18.6%	14.2%
Professionals	194	63	257	12.5%	9.2%	11.4%
Managers	89	27	116	5.7%	3.9%	5.2%
Total	**1,558**	**688**	**2,246**	**100%**	**100%**	**100%**

Part 1 and Part 2	Registered Unemployed			Percentage Share		
	Males	Females	Total	Males	Females	Total
Elementary Occupations	160	33	193	9.2%	4.3%	7.7%
Plant and machinery operators and assemblers	120	36	156	6.9%	4.7%	6.2%
Crafts and related trade workers	258	13	271	14.9%	1.7%	10.8%
Skilled agriculture, fishery and forestry workers	101	0	101	5.8%	0.0%	4.0%
Services and sales workers	228	155	383	13.1%	20.3%	15.3%
Clerks and support workers	329	289	618	19.0%	37.8%	24.7%
Technicians and Associate Professionals	219	140	359	12.6%	18.3%	14.4%
Professionals	215	70	285	12.4%	9.2%	11.4%
Managers	105	28	133	6.1%	3.7%	5.3%
Total	**1,735**	**764**	**2,499**	**100%**	**100%**	**100%**

Source: JobsPlus

3.6 Part-time Activity

Part-time employment based on administrative data continued to increase, such that, at the end of March 2017 total part-time employment stood at 59,761, registering a significant increase of 3,573 or 6.4 per cent when compared to the same month of 2016. As shown in Table 3.15, at the end of March 2017, part-time employment was composed of 31,368 males and 28,393 females.

Part-Time Employment

Table 3.15

	2014 Dec	2015 Dec	2016 Dec	2016 Mar	2017 Mar
Part-Timers holding a full-time job	22,462	22,801	24,312	22,836	24,993
Males	15,286	15,576	16,408	15,614	16,846
Females	7,176	7,225	7,904	7,222	8,147
Part-Timers as a primary job	33,179	33,263	34,938	33,352	34,768
Males	13,466	13,677	14,636	13,733	14,522
Females	19,713	19,586	20,302	19,619	20,246
Total Part-Time Employment	55,641	56,064	59,250	56,188	59,761
Males	28,752	29,253	31,044	29,347	31,368
Females	26,889	26,811	28,206	26,841	28,393

Source: JobsPlus

The number of part-timers holding a full-time job increased by 2,157 or 9.4 per cent over the level recorded in March 2016. The gender distribution shows that, both male and female part-timers holding a full-time job increased, with females registering a higher percentage increase (925 or 12.8 per cent) than males (1,232 or 7.9 per cent). Consequently, the share of males employed as part-timers holding a full-time job in total part-time employment decreased by a percentage point.

Compared to March 2016, the number of part-timers holding a part-time job as their primary occupation increased by 1,416 or 4.2 per cent. Again, statistics on the gender distribution show that, both male and female part-timers holding a part-time job increased by 789 or 5.7 per cent and 627 or 3.2 per cent to 14,522 and 20,246 respectively. Despite this, females continue to hold the largest share of persons holding part-time jobs as their primary occupation.

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 March 2017, the largest subsectors in terms of private sector employment were the manufacturing n.e.c., manufacturing of food products, beverages and tobacco, the manufacturing of computer, electronic equipment and machinery, and the manufacturing of rubber, plastic and other non-metallic products.

Private Manufacturing Employment*

Table 1

	2014 Dec	2015 Dec	2016 Dec	2016 Apr	2017 Apr
Mfg of Food Products, Beverages and Tobacco	3,389	3,458	3,398	3,436	3,424
Mfg of Textiles and Leather Products	643	677	504	636	497
Mfg of Wood and Printing	1,872	1,766	1,714	1,724	1,697
Mfg of Coke, Chemical and Pharmaceutical Products	1,366	1,456	1,461	1,484	1,413
Mfg of Rubber, Plastic and Other Non-Metallic Products	2,735	2,701	2,791	2,763	2,819
Mfg of Basic Metals and Fabricated Metal Products	1,325	1,362	1,382	1,372	1,423
Mfg of Computer, electronic equipment and machinery	3,180	3,186	3,159	3,193	3,210
Mfg of Transport Equipment	1,159	1,203	1,214	1,250	1,238
Mfg of Furniture	1,107	1,146	1,124	1,147	1,124
Manufacturing n.e.c.	3,558	3,531	3,787	3,635	3,882
Total Manufacturing Employment	**20,334**	**20,486**	**20,534**	**20,640**	**20,727**

* Including temporary employees

Source: JobsPlus

Box 3.1 cont.

Table 1 shows that over the year to March 2017, employment in manufacturing increased by 87 individuals and mainly reflected increases in the manufacturing n.e.c. (i.e. other manufacturing and the repair and installation of machinery and equipment) (247), and declines in employment in manufacturing of textiles and leather products (139).

Between December 2014 and December 2016, the most notable increases were recorded in manufacturing n.e.c. (229). Meanwhile, the manufacturing of wood and printing (-158) and the manufacturing of textiles and leather products (-139) accounted for the most significant declines in the manufacturing sector over the same period.

Footnote:

[1] 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

4. Productive Activities

This Chapter seeks to review recent economic developments within the industrial sector and includes an in-depth analysis of manufacturing, mining and quarrying, electricity, water supply, and the agriculture and fisheries.

4.1 Industrial Indicators

National Accounts data compiled in accordance to the ESA2010 methodology shows that during the first half of this year, the economy experienced broad based economic growth in all sectors. Growth was recorded in the primary, secondary and the tertiary sectors. Indeed, the industrial sector maintained an encouraging growth rate in its gross GVA of 5.7 per cent, with mining, quarrying and utilities registering double digit growth rates. The agriculture and fisheries sector and the manufacturing sector both recorded an increase of 5.2 per cent in GVA respectively during the same period. Employment in these sectors remained stable during the review period while the compensation of employees experienced an increase of 6.0 per cent with positive growth rates experienced in all the activities which comprise the industrial sector.

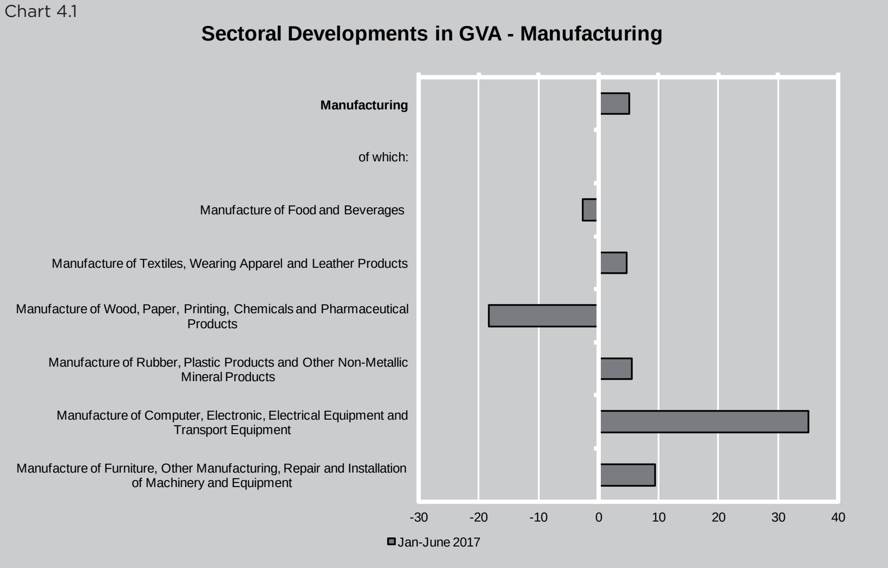
The analysis presented in the following sections is based on data pertinent to turnover and the wage bill that have been collected from a sample of approximately 400 enterprises. The derived indicators are subject to statistical sampling errors especially where the response rate is low. Thus, certain sub-sectors are not fully captured for the calculation of the industrial index. Furthermore, since data for Gross Value Added (GVA) represents National Accounts data compiled in accordance to the European Systems of Accounts (ESA2010) methodology, caution must be exercised before comparing the results derived from the questionnaire data to the national accounts data concepts such as GVA.

The sample-based short-term industrial indicator registered a 2.6 per cent rise in industry turnover, underpinned by a rise of 2.8 per cent and 2.1 per cent in domestic sales and in exports, respectively. The wage bill increased by 1.1 per cent during the same period. These sample results are not reflected in the National Accounts data as reported above.

4.2 Manufacturing Performance

The following section provides a detailed analysis of the performance of the main subsectors within the manufacturing sector during the first seven months of this year, compared to developments recorded during the same period in 2016. It is pertinent to note that, while the reference period for short-term indicators is January-July, that for GVA comprises the first six months of 2017. Furthermore, the figures for short-term indicators exclude the activity related to NACE sectors 12, 19 and 24[1]. Chart 4.1 presents developments in GVA by sector of manufacturing for the first half of 2017.

Chart 4.1



4.2.1 Manufacture of Food and Beverages

During the first six months of 2017, GVA in the manufacture of food and beverages subsector decreased by 2.6 per cent.

Similarly, sampled turnover also declined by 2.6 per cent since the decline in exports outweighed the increase in domestic sales, while the wage bill increased by 1.3 per cent during the first seven months of this year.

4.2.2 Manufacture of Textiles, Wearing Apparel and Leather Products

The GVA in the manufacture of textiles, wearing apparel and leather products subsector increased by 4.7 per cent during the January to June 2017 period, in contrast to a decline of 15.5 per cent that was recorded during the same period last year.

Sampled turnover registered a positive increase of 23.5 per cent during the first seven months of this year, halting the decline that was recorded over recent years. This development was largely the result of a 27.5 per cent rise in exports, while domestic sales increased by 6.4 per cent during the same period. In contrast, the wage bill declined by 20.5 per cent.

4.2.3 Manufacture of Wood, Paper, Printing, Chemicals and Pharmaceutical Products

GVA in the manufacture of wood, paper, printing, chemicals and pharmaceutical products subsector declined by 18.3 per cent during the January to June 2017 period.

Turnover during the first seven months of this year followed a similar trend and fell by 18.7 per cent, being mainly the result of a 24.5 per cent decline in exports that outweighed the 2.5 per cent rise in domestic demand. During the same period, the wage bill declined by 3.9 per cent.

Activity Indicators for Manufacturing

(2010=100)

Table 4.1 % of growth indices

SECTORAL MANUFACTURING INDICES	2014	2015	2016	2016[1] Jan-Jul	2017[1] Jan-Jul
Manufacture of Food and Beverages					
Gross Value Added	16.5	8.1	-1.4	2.1	-2.6
Turnover	0.9	3.5	-1.9	-1.4	-2.6
Domestic	-0.8	1.7	1.7	2.3	1.0
Exports	7.0	10.1	-14.0	-11.6	-13.8
Wage Bill	4.7	6.4	1.6	0.5	1.3
Manufacture of Textiles, Wearing Apparel and Leather Products					
Gross Value Added	-22.4	2.5	-15.5	-15.5	4.7
Turnover	-26.7	-3.4	-7.8	-17.3	23.5
Domestic	1.6	9.8	-9.6	0.5	6.4
Exports	-28.6	-4.4	-6.6	-17.8	27.5
Wage Bill	-14.0	-2.7	-15.9	-6.4	-20.5
Manufacture of Wood, Paper, Printing, Chemicals and Pharmaceutical Products					
Gross Value Added	1.5	2.0	-5.8	-0.5	-18.3
Turnover	-15.2	8.1	-6.2	-1.6	-18.7
Domestic	-10.6	5.1	-3.6	0.3	2.5
Exports	-16.9	9.2	-7.8	-1.8	-24.5
Wage Bill	-4.3	-0.5	-5.2	-4.7	-3.9
Manufacture of Rubber, Plastic Products and Other Non-Metallic Mineral Products					
Gross Value Added	-10.0	4.8	9.6	14.3	5.6
Turnover	6.0	9.9	9.4	11.3	3.9
Domestic	11.3	10.0	11.8	14.6	2.0
Exports	-1.6	6.0	5.8	5.8	8.4
Wage Bill	0.4	1.2	8.3	7.0	6.9

Activity Indicators for Manufacturing
(2010=100)

Table 4.1 continued

	2014	2015	2016	2016[1] Jan-Jul	2017[1] Jan-Jul
Manufacture of Computer, Electronic, Electrical Equipment and Transport Equipment					
Gross Value Added	-8.7	-16.2	4.0	-8.6	35.1
Turnover	-17.2	-2.4	-8.1	-15.8	12.6
Domestic	197.5	-21.4	-56.6	-70.6	41.5
Exports	-17.2	-2.3	-8.6	-16.1	12.4
Wage Bill	3.9	5.7	0.1	0.2	5.8
Manufacture of Furniture, Other Manufacturing, Repair and Installation of Machinery and Equipment					
Gross Value Added	8.4	1.3	10.0	9.0	9.5
Turnover	6.5	2.0	9.4	8.3	5.0
Domestic	71.3	4.9	2.0	6.4	-4.1
Exports	-4.7	-5.4	21.3	18.0	7.6
Wage Bill	4.1	2.9	6.2	5.4	1.6

[1] *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

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

During the January to June 2017 period, GVA of the manufacture of rubber, plastic products and other non-metallic mineral products subsector increased by 5.6 per cent, while a 14.3 per cent rise was recorded for the same period in 2016.

The subsector's turnover maintained a positive trend and increased by 3.9 per cent during the first seven months of this year, when compared to an 11.3 per cent increase recorded a year earlier. Both domestic demand and exports contributed towards this development, registering an increase of 2.0 per cent and

8.4 per cent, respectively. Meanwhile, the sector's wage bill also followed a positive trend, increasing by 6.9 per cent.

4.2.5 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 increased by 35.1 per cent during the first six months of 2017 in contrast to a decline of 8.6 per cent that was recorded for the same period in 2016.

Sampled turnover in the sector registered an increase of 12.6 per cent during the first seven months of this year, reversing the decline recorded over recent years. This was underpinned by higher exports (12.4 per cent) and higher domestic sales (41.5 per cent). Meanwhile, the wage bill increased by 5.8 per cent.

4.2.6 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 9.5 per cent during the first six months of 2017, following an increase of 9.0 per cent recorded a year earlier.

This performance was reflected in turnover which rose by 5.0 per cent during the first seven months of 2017, underpinned by an increase of 7.6 per cent in exports that outweighed a 4.1 per cent decline in domestic demand. The wage bill also increased by 1.6 per cent.

Box 4.1

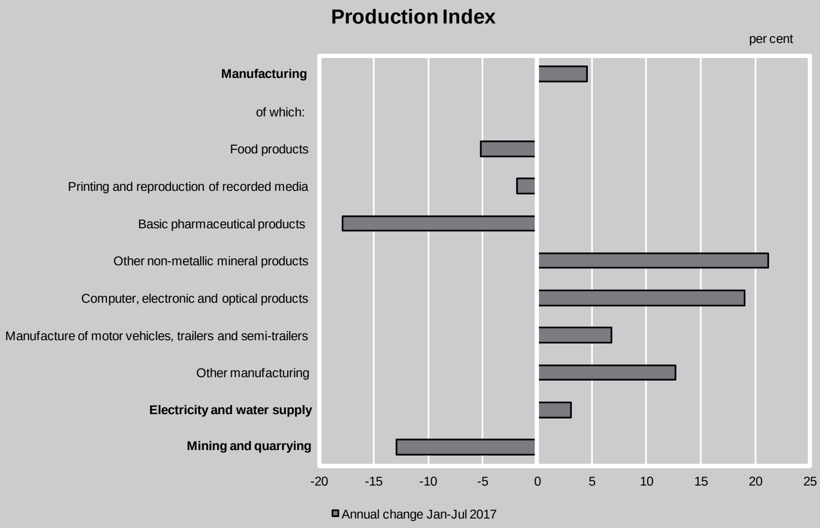
The Industrial Production Index

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

During January-July 2017, the overall industrial production index increased by 4.2 per cent, when compared to a decline of 4.5 per cent recorded during the same period a year earlier. This improvement was underpinned by an increase in the production index of the manufacturing sector (4.6 per cent) and the electricity and water supply sector (3.1 per cent) that outweighed the decline recorded in the mining and quarrying sector (-12.9 per cent). Chart 1 depicts the change in the production indices of the main manufacturing subsectors during the first seven months of 2017 when compared to those recorded a year earlier.

The manufacturing sector's production index registered an increase of 4.6 per cent when compared to a decline of 5.6

Chart 1



Box 4.1 cont.

per cent recorded during the first seven months of last year. Developments in the manufacturing sector's production index mainly reflect the increases that were recorded in a number of subsectors, namely, those recorded in the other non-metallic mineral products (21.2 per cent), computer, electronic and optical products (19.0 per cent), rubber and plastic products (15.9 per cent), textiles (14.3 per cent), other manufacturing (12.7 per cent), and the motor vehicles, trailers and semi-trailers (6.8 per cent) subsectors. On the other hand, declines in a number of subsectors impinged negatively on the manufacturing sector's production index during the same period. Percentage declines were mainly recorded in the wearing apparel (25.0 per cent), leather and related products (21.5 per cent), basic pharmaceutical products and pharmaceutical preparations (17.9 per cent), food products (5.2 per cent) and furniture (2.7 per cent) subsectors.

4.3 Agriculture and Fisheries

Agriculture and fisheries have been a traditional sector in the Maltese islands for a long time, and to this day, they still contribute productively both in terms of growth in their own right, but also as a form of a tourism attraction and local delicacies. As such, this sector retains its importance, both because it supplies the local population with fresh local produce, but also because it adds to the local heritage. This sector's positive impact on the environment also adds to its value, not least because of the importance of the efficient and effective use of Malta's limited natural resources as well as for the safeguarding of the local environment.

During the first six months of 2017, the GVA of the agriculture and fisheries sector increased by 5.2 per cent when compared to that registered in the same period in 2016. This notwithstanding, the contribution of this sector to GVA has remained stable at 1.1 per cent in view of increases in the GVA of other sectors of the economy. The contribution of this sector to total GVA was slightly lower than the average of 1.4 per cent registered in the period 2012 to 2016.

4.3.1 Agriculture

In the period January-August 2017, as presented in Table 4.2, beef slaughtering increased by 1.5 per cent over the same period of the previous year. In the meantime, during the first eight months of 2017, pork slaughtering declined by 2.8 per cent over the same period of the previous year, which is the equivalent of 92 tonnes less. Broiler slaughter also fell in this same period, registering a decrease of 3.8 per cent or 98 tonnes. In total, meat production was 2.7 per cent lower between January and August 2017, a difference of 178 tonnes less than same period of 2016.

Agricultural Indicators

Table 4.2

	2016 Jan-Aug	**2017 Jan-Aug**
Slauthering (tonnes)		
Beef	751	762
Pork	3,281	3,190
Broilers	2,580	2,482
Fresh Fruit		
Price Index	137.8	123.8
Volume Index	79.7	96.7
Fresh Vegetables		
Price Index	119.6	122.9
Volume Index	102.1	95.6

Source: National Statistics Office

The production of vegetables decreased by 6.4 per cent in the first eight months of 2017 compared to the same period last year. This decrease was the result of a decline in the production of almost all vegetables, except sugar melons, broad beans, green onions, water melons, and pumpkins.

With regards to fruit, the first eight months of 2017 saw an increase of 21.3 per cent in the total fruit produced over the same period of the previous year. This overall increase can be mainly attributed to the increase in peaches and strawberries which, due to their share, had the highest effect on total volume of fresh fruit produced in the period January-August 2017 when compared to the same period of 2016. On the other hand, the main declines in the production of fruit in the period under review were recorded in relation to lemons, oranges and sweet oranges.

Imports of Major Agricultural Commodities

Table 4.3 € million

	2013	**2014**	**2015**	**2016**	**2016 Jan-Jul**	**2017 Jan-Jul**
Live Animals	0.28	0.21	0.31	0.30	0.25	0.14
Meat and Edible Offals	49.57	51.56	53.80	54.07	29.70	32.57
Fish	55.42	51.89	60.16	104.50	51.27	54.21
Dairy Produce	44.37	45.12	45.91	46.05	26.55	28.02
Edible Fruits and Nuts	33.68	34.51	35.22	39.90	21.22	21.10
Cereals	44.33	36.87	30.10	28.96	18.80	14.40
Preparations of Meat, Fish	42.67	45.89	45.20	46.57	26.22	29.69
Sugar & Confectionery	23.87	21.10	20.86	21.57	13.82	12.73
Cereal Prep.	57.90	59.79	62.66	63.57	34.94	35.12
Veg. and Fruit Prep.	26.40	27.30	27.31	25.64	14.68	16.06
Misc. Edible Prep.	33.49	38.30	38.96	37.86	22.72	23.01
Beverages, Spirits, Vinegar	55.85	61.30	63.44	63.16	35.72	38.64
Feeds	35.14	33.59	34.37	30.81	17.15	18.76
Total	502.97	507.42	518.30	562.95	313.05	324.46

Source: National Statistics Office

With regards to importation of agricultural products, which can be found in Table 4.3, total imports of agricultural commodities increased by 3.6 per cent in the first seven months of 2017 over the same period of the previous year, which is equivalent to an increase of around €11.4 million. Imports in preparations of meat and fish increased by 13.2 per cent, equivalent to €3.5 million and these represented the largest positive contributor to the change in imports in the period under review. On the other hand, the importation of cereals saw a decline of 23.4 per cent, which is equivalent to a decline of €4.4 million.

4.3.2 Fisheries

While Malta has a long history of fishing tradition, overall, fishing and aquacultures represent a relatively small share of the Maltese economy. Nonetheless, this activity provides the supply of factor inputs in other Maltese industries, supplies the local population with fresh fish and also exports the produce from local fish farms. Fish landings for the first six months of 2017 amounted to a total of 611.9 tonnes of fish, representing a 7.5 per cent increase of the tonnage landed when compared to the first six months of 2016. This increase was mainly the result of a rise of 57.0 tonnes in sword fish landings during the period January to June 2017. While most of the different categories and types of fish saw an increase in landings in the first six months of 2017, stone bass and other species were the only two categories that saw a decline in landings in the same period, declining by 4.4 and 16.3 per cent respectively. The value of fish landings in the first six months of 2017 increased by €0.9 million when compared to the same period of the previous year.

Box 4.2

Economic Accounts for Agriculture 2016

Agricultural production in Malta can be divided into four main categories, namely, livestock products, crop products, animal products, and secondary activities, which inter alia, include the production of wine and cheese. The small size of the country, coupled with the limited availability of agricultural land and the fragmented land ownership inhibits the possibility of economies of scale. The scarcity of water is another challenge for this productive sector that bridles production.

As can be seen in Table 1 below, the final production at basic prices in 2016 has declined by 2.4 per cent when compared to the previous year, which is equivalent to a decline of €3.1 million. This decrease can be mainly attributed to lower crop production which in 2016 fell by €2.4 million, or a 4.5 per cent decrease over the previous year. The other categories also registered a decline, save for animal products, which increased by 4.7 per cent which is equivalent to €1.3 million. The other categories, namely, livestock production and secondary activities registered decreases of 3.2 per cent and 8.5 per cent respectively. During the period 2013 to 2016, crop products maintained the largest share of final production, averaging at 40.1 per cent, followed by livestock products at 32.6 per cent, other animal products

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

Table 1 € thousand

	2013	2014	2015	2016
Final production at basic prices	131,946	126,753	129,035	125,977
Livestock products	44,377	43,448	40,527	39,250
Other animal products	29,343	27,726	26,989	28,264
Crop products	51,097	48,574	54,378	51,930
Secondary activities	7,128	7,006	7,141	6,534

Source: National Statistics Office

Box 4.2 cont.

stood at 21.9 per cent, while secondary activities represented 5.4 per cent of final production.

Table 2 shows the workings of factor income at current prices, which is computed by adding subsidies on production and subsidies not directly linked with production with the total final production at producer prices, whilst deducting intermediate consumption and fixed capital consumption from the total. Factor income at current prices fell by 26.7 per cent, which is equivalent to €22.4 million. This downturn can be attributed to a decline in other subsidies not directly linked to production which fell by 79.0 per cent (€22.3 million), coupled with a base effect from the previous year. A closer analysis also shows a decline of 2.4 per cent in total final production at producer prices, the equivalent of €3.1 million, which decline was almost completely offset by lower intermediate as well as fixed capital consumption, which decreased by 4.1 and 3.5 per cent respectively as well as a 0.7 per cent increase in subsidies on production.

Factor Income at Current Prices

Table 2 € thousand

	2013	2014	2015	2016
Total final production at producer prices	130,374	125,424	128,624	125,564
add subsidies on production	1,572	1,328	410	413
Total final production at basic prices	131,946	126,753	129,035	125,978
less intermediate consumption	75,717	71,613	66,217	63,523
Gross value added at basic prices	56,229	55,140	62,817	62,455
less fixed capital consumption	6,827	6,982	7,261	7,006
Net value added at basic prices	49,401	48,158	55,557	55,449
add other subsidies not directly linked with production	17,851	19,579	28,193	5,914
Factor income at current prices	67,253	67,736	83,749	61,363

Source: National Statistics Office

Box 4.2 cont.

Intermediate consumption at purchaser prices provides a measure of expenditure in the production process in agriculture. A decrease of 4.1 per cent was recorded in intermediate consumption at purchaser prices in 2016 when compared to a year earlier, reaching €63.5 million. This decrease was mainly attributed to a decline of 7.0 per cent in animal feeds, although energy and lubricants and various services also contributed negatively to intermediate consumption. These declines more than offset an increase of 10.3 per cent registered in cropping.

Table 3 provides insight in the income of the factors of production of the agricultural sector. The decrease registered in factor income can be attributed to a base effect, since 2015 saw a large increase of 23.6 per cent over 2014. The main contribution to this base effect stemmed from a decline in entrepreneurial income (profits), which in 2016 fell by 28.9 per cent over the previous year, equivalent to €22.7 million. An analysis of the share that each component has in total factor income will show that entrepreneurial profits still forms the vast majority of total factor income, representing a share of 91.1 per cent of factor income in 2016. As a result, a 9.9 per cent increase in compensation of employees, amounting to an increase of €0.4 million had little effect on the overall decline in factor income. Interest and rents, whose share of total factor income stand at 0.9 and 1.1 per cent respectively also saw declines in 2016 over 2015, correspondingly equivalent to

Distribution of Factor Income at Current Prices

Table 3 € thousand

	2013	2014	2015	2016
Factor Income	67,252	67,736	83,749	61,363
Entrepreneurial income (profits)	61,879	62,525	78,549	55,876
Compensation of employees (wages)	4,083	4,013	3,884	4,268
Interest	756	649	633	542
Rents	535	549	684	676

Source: National Statistics Office

Box 4.2 cont.

14.4 and 1.1 per cent. Further analysis of the share from total factor income shows that the share held by entrepreneurial income declined from 93.8 per cent in 2015 to 91.1 per cent in 2016. The reduction in share from profits was mainly gained by compensation of employees which rose from 4.6 per cent in 2015 to 7.0 per cent of total factor income in 2016. To a smaller degree, this was also reflected in higher shares for rents and interest which saw an increase in their share of 0.3 and 0.1 percentage points respectively in 2016 when compared to the previous year.

Annual producer price indices for agricultural products

(2010 = 100)

Table 4

	Weight	2013	2014	2015	2016
Output index at producer prices	**100.0**	**114.8**	**104.6**	**114.5**	**118.3**
Forage	3.4	121.2	112.2	114.3	116.4
Potatoes	4.6	128.1	96.6	114.5	139.8
Fresh vegetables	26.3	103.1	87.4	124.5	135.0
Fruit	4.7	99.5	90.5	90.7	103.8
Animals	39.2	114.6	111.7	109.1	107.5
Animal products	21.8	128.7	116.0	117.2	116.7
Input total	**100.0**	**115.9**	**112.8**	**111.1**	**110.7**
Goods and services currently consumed in agriculture	**80.3**	**117.8**	**113.6**	**110.0**	**108.6**
Seeds and planting stock	4.5	99.8	99.8	101.6	112.9
Energy; lubricants	10.3	124.2	122.9	111.5	104.0
Fertilisers and soil improvers	2.3	111.2	105.2	98.1	77.0
Plant protection products and pesticides	1.1	55.8	56.4	56.8	62.3
Veterinary expenses	1.7	103.5	104.0	104.8	105.5
Animal feeding stuffs	37.6	130.3	120.8	114.5	113.1
Maintenance of materials	8.4	107.0	109.2	114.7	113.5
Maintenance of buildings	2.9	110.5	112.6	113.6	115.3
Other goods and services	11.5	97.8	99.4	101.1	102.2
Goods and services contributing to agricultural investment	**19.7**	**108.1**	**109.6**	**115.7**	**119.4**

Source: National Statistics Office

Box 4.2 cont.

Table 4 illustrates the annual producer price indices in relation to the agricultural sector from 2013 to 2016. Fluctuations in retail prices of fruit, vegetables, animals and animal products can be viewed in the output index while the input price index represents the price of raw materials and other services used as inputs by the agricultural sector. The disparity between input prices and output prices has a bearing on the profit margin.

As displayed in Table 4, in 2016, output prices increased by 3.4 per cent over the previous year, an increase that can be mainly attributed to increases of 8.5 per cent and 22.1 per cent respectively for fresh vegetables and potatoes. On the other hand, input prices saw a marginal decline of 0.3 per cent. This decline was mainly the result of lower energy and lubricants, animal feeding stuffs, and fertilisers and soil improvers. This was partially offset by increases in almost all the remaining components, most notably seeds and planting stock.

Footnote:

[1] NACE sector 12 – Manufacture of tobacco products
NACE sector 19 – Manufacture of coke and refined petroleum products
NACE sector 24 – Manufacture of basic metals

5. Services Activities

5. Services Activities

This Chapter presents an analysis of developments in the domestic services sector, focusing mainly on the first seven months of 2017 of the local tourism industry. Apart from delving into 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).

5.1 Tourism

Between January and July 2017, all tourism indicators continued to show a positive performance. The number of inbound tourists and nights spent in Malta continued to expand over the comparable period of 2016, along with tourist expenditure and employment. The same applies for the cruise passenger industry, which recorded a positive performance over the period under review. Table 5.1 and Appendix Table VI present a selection of tourism indicators.

In the first seven months of the year, inbound tourism increased by a significant 17.6 per cent when compared to the same period last year, reaching 1,241,248 persons. Nights spent by inbound tourists increased by around 11.0 per cent, and expenditure of inbound tourists increased by 13.9 per cent. Average full-time employment in the accommodation and food services activities increased by almost 800 jobs in the first quarter of the year. In the first two quarters of 2017, cruise passenger arrivals, excluding the embarkations and the Maltese cruise passenger arrivals, increased by 12.2 per cent over the corresponding period of 2016.

This sustained positive performance in the tourism industry reflects the collaboration between the Government, the Malta Tourism Authority (MTA) and stakeholders that continued to refine and improve the tourism product through an increased emphasis on diversification, as well as addressing accessibility to

Main Tourism Indicators

Table 5.1

	2014	2015	2016	2016 Jan-Jul	2017 Jan-Jul
Inbound Tourists	1,689,809	1,783,366	1,965,928	1,055,189	1,241,248
Nights spent (000's)	13,522	14,152	14,961	7,775	8,626
Total Expenditure (€ million)	1,529	1,639	1,709	886	1,009
Cruise Passengers*	465,373	591,682	615,198	237,145[1]	266,183[1]
Average full-time employment in accomodation and food services activities**	10,396	10,760	11,367	10,906[2]	11,703[2]

*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.

[1]Data shows average for January-June.

[2]Data shows average for January-March.

Source: National Statistics Office, JobsPlus

Malta through new routes while increasing frequency of existing ones especially during winter.

5.1.1 Monthly Distribution

Arrivals between January and July 2017, reached a significant level of 1,241,248; a 17.6 per cent increase over the same period in 2016. As shown in Table 5.2 and Chart 5.1, all months considered in the analysis registered increases in inbound tourists when compared to the corresponding levels registered in 2016. The study of monthly data confirms that July was again the peak month for inbound tourism accounting for 20.2 per cent of total inbound tourists. A significant positive performance was also recorded in May and June, with shares of 17.4 per cent and 18.2 per cent respectively.

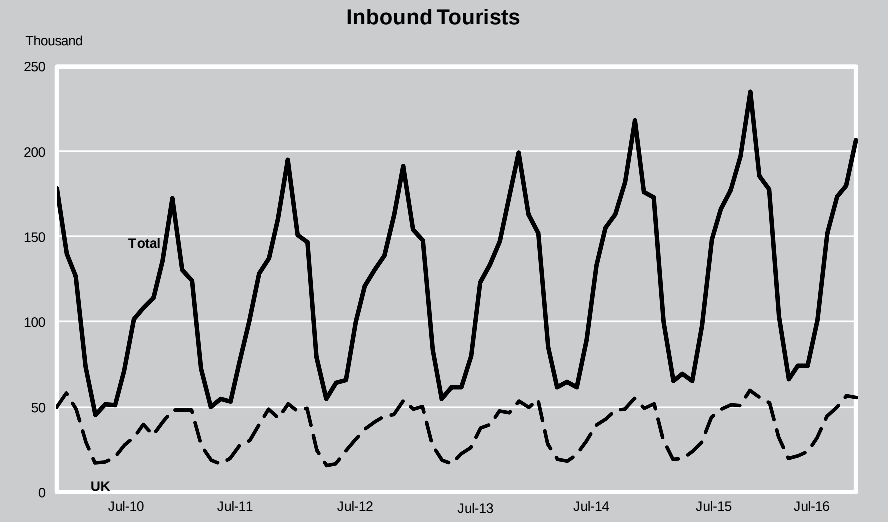
Monthly Inbound Tourists

Table 5.2

	2014	2015	2016	2017
January	69,525	74,280	84,817	104,069
February	65,299	74,189	81,005	103,899
March	97,800	101,160	115,519	140,922
April	148,188	152,101	164,885	199,586
May	166,497	173,589	190,586	215,373
June	177,446	180,082	193,038	226,333
July	197,389	206,626	225,339	251,066
January-July	922,144	962,028	1,055,189	1,241,248
% change	8.6	4.3	9.7	17.6
August	235,094	246,485	253,330	
September	185,438	192,550	206,920	
October	177,961	196,692	215,119	
November	102,940	113,042	140,404	
December	66,232	72,568	94,966	
Total	1,689,809	1,783,366	1,965,928	
% change	6.8	5.5	10.2	

Source: National Statistics Office

Chart 5.1



The number of inbound tourists increased by a significant 24.0 per cent in the first three months of 2017 when compared to the corresponding period in 2016, even though Easter was celebrated in April. As such, the buoyant performance registered in the sector can be only attributed to an increase in the number of flights to Malta in the winter months.

The aspect of seasonality is captured in Table 5.3, which shows the quarterly distribution of tourist departures between 2013 and 2016. The third quarter consistently registered the highest share of inbound tourists with around 35 per cent of the total, while the first quarter as expected registered the lowest shares with the rate hovering around 14 per cent. However, the share of inbound tourists in the first quarter followed an upward trend in the period under review. Consequently, both the second and the third quarters of 2016 recorded a marginal decline in the share of inbound tourists when compared to the corresponding period in 2015. This suggests that the drops in demand during the shoulder months are becoming less pronounced.

Quarterly Distribution of Inbound Tourists

Table 5.3 per cent

	2013	2014	2015	2016
Q1	13.6	13.8	14.0	14.3
Q2	28.5	29.1	28.4	27.9
Q3	36.4	36.6	36.2	34.9
Q4	21.4	20.5	21.4	22.9

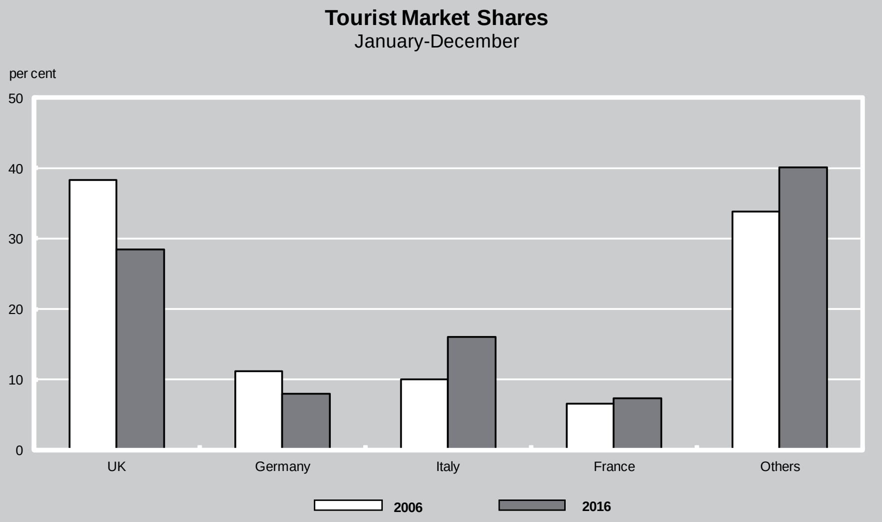
Source: National Statistics Office

5.1.2 Tourist Nationality

The British market remained the major market in the tourism sector, but its market share has declined by almost 10.0 percentage points in eleven years, from a share of 38.4 per cent in 2006 to 28.5 per cent in 2016. Likewise, the market share of the German tourist went down to 8.0 per cent in 2016 from a share of 11.2 per cent in 2006. By contrast, the shares of the Italian and French markets increased by 6.0 percentage points and 0.8 percentage points respectively. The other main source markets registered an increase in their share as well from 33.9 per cent in 2006 to 40.1 per cent in 2016. Chart 5.2 illustrates the relative market share of Malta's main source markets between January and December of 2006 and 2016.

As shown in Table 5.4, which provides a detailed breakdown of inbound tourists by the country of residence, almost all markets registered increases during the first seven months of 2017. The largest absolute increase was registered by the Italian market, with an increase of 36,960 tourists accounting for 16.3 per cent of the total inbound tourists. The United Kingdom (UK) market still recorded the highest share of inbound tourists at 24.6 per

Chart 5.2



cent; however, this rate is 4.1 percentage points lower than the rate recorded in the same period in 2016.

Other notable increases in inbound tourists were recorded from the French and the Spanish markets, with the latter increasing by 48.3 per cent in the period January to July 2017, when compared to the corresponding period of 2016. The table also shows a marginal drop from the Libyan market of 142 tourists.

5.1.3 Cruise Passengers

During the first two quarters of 2017, cruise passenger arrivals (excluding embarkations and Maltese cruise passengers) recorded a significant increase when compared to those recorded in the corresponding period of 2016, increasing from 237,145 arrivals to 266,183 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.

Inbound Tourists by Country of Residence

Table 5.4

	2014	2015	2016	2016 Jan-Jul	2017 Jan-Jul
United Kingdom	487,714	525,996	559,987	302,410	305,316
Germany	143,053	141,855	156,786	81,113	100,095
Italy	262,631	282,815	315,223	165,058	202,018
France	125,511	127,953	144,804	79,998	96,321
Spain	42,285	47,237	55,023	28,537	42,323
Netherlands	44,697	44,962	52,642	27,482	35,622
Scandinavia*	108,647	117,388	123,963	69,922	73,195
Libya	30,770	6,651	3,415	1,728	1,586
Belgium	31,399	35,937	41,759	20,987	45,502
Austria	27,567	30,246	24,319	14,882	17,217
Switzerland	31,797	35,293	40,504	19,292	23,421
USA	22,402	25,887	26,454	14,901	19,956
Others	331,337	361,145	421,048	228,879	278,675
TOTAL	1,689,809	1,783,366	1,965,928	1,055,189	1,241,248

*Includes Denmark, Finland, Norway, and Sweden.

Source: National Statistics Office

There were 149 cruise liner calls, an increase of 24 calls when compared to the levels recorded in the same months of 2016. During this period, the British market accounted for the biggest increase in passengers, with an increase of 26,081 passengers. The total cruise passengers that spent a night in Malta, increased by 9,628 passengers to 14,861. At the same time, there was an increase of 1,705 passengers that visited Gozo, increasing from 2,474 passengers to 4,179.

5.1.4 Accommodation

By the end of June 2017, the 4-Star and the 2-Star hotel categories declined by a unit each compared to June 2016. The number of hotel bed-places registered an increase of 1,064, with only the 2-Star hotel category recording a decline of 170 beds. During the same period, the other collective accommodation units increased by eight units with the number of bed-places increasing by 241. Table 5.5 provides data on the accommodation capacity by category in terms of units and beds.

The occupancy rates recorded for various types of accommodation and referring to the first six months of 2017, show that all accommodation categories recorded the highest occupancy rate in June, as shown in Table 5.6. During June 2017, the 4-Star hotel category recorded the highest occupancy rate at 82 per cent, followed by the 5-Star category at 76 per cent.

Main Types of Tourist Accommodation

Table 5.5

	2016 (June)		**2017 (June)**	
	Establishments	Bed-Places	Establishments	Bed-Places
Hotels				
5-Star	14	6,546	15	7,085
4-Star	44	17,460	43	17,556
3-Star	53	11,237	54	11,836
2-Star	18	1,679	17	1,509
Hotel Total	**129**	**36,922**	**129**	**37,986**
Other N.E.C. Total	**46**	**3,092**	**54**	**3,333**

Source: National Statistics Office

Monthly Accommodation Occupancy Rates*

Table 5.6 per cent

	Hotels				
	5-Star	4-Star	3-Star	2-Star	Hostels & Guesthouses[1]
2016					
Average (Jan-June)	62	66	51	47	42
2017					
January	40	46	37	37	30
February	48	60	48	42	35
March	55	63	52	46	36
April	75	78	65	57	44
May	71	72	66	61	49
June	76	82	67	63	50
Average (Jan-June)	61	67	57	51	41

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

[1] includes tourist villages

Source: National Statistics Office

In the period January to July 2017, the average length of stay declined to 6.9 nights, from 7.4 nights in 2016. It is to be noted, that increases were recorded in the number of guests staying in Malta for 3 days or less, the number of guests whose duration of stay was between 4 to 6 nights, and those staying for 7 nights or more. However, the number of guests staying in Malta for 3 days or less recorded a significant increase of 36.6 per cent when compared to the same period in 2016. These results confirm the now common trend of shorter and more frequent holidays.

Another emerging trend in the tourism sector is the increase in the number of tourists residing in private accommodation[1]. In the first seven months of 2017, there were 26.8 per cent more tourists opting to stay in private accommodation.

5.1.5 Employment

Data for this indicator refers to the first quarter of 2017. During this period, employment in the accommodation and food services activities increased to 11,703 persons on average, from an average of 10,906 persons in the corresponding period of 2016. As a share of the gainfully occupied population, employment in this sector increased marginally by 0.1 percentage points, to 6.3 per cent. However, as a share of the total private gainfully occupied population, the private sector employment in the accommodation and food services activities remained unchanged at 8.3 per cent.

5.1.6 Tourism Earnings

During the period January to July 2017, tourism spending increased by 13.9 per cent, from €886.0 million to €1,009.5 million (see Table 5.7 and Chart 5.3). 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. National Statistics Office (NSO) data confirms, that the year-on-year increase in the period January to July 2017 was mainly the result of a 27.7 per cent increase in non-package tourists, which in turn reflected increases in both air/sea fares and accommodation. It is to be noted, that accommodation spending registered an increase of 28.9 per cent, 7.8 percentage points higher than the expenditure on air/sea fares, which stood at 21.1 per cent during the same period. Tourists' expenditure on package holidays decreased by 1.4 per cent, while expenditure on the 'other' component (including shopping, food and drinks, and excursions during a tourism trip) of tourist expenditure increased by 17.2 per cent. Since tourism spending increased at a slightly slower pace than inbound tourists, expenditure in per capita terms decreased by 3.2 per cent to €813.3, while expenditure per nights spent

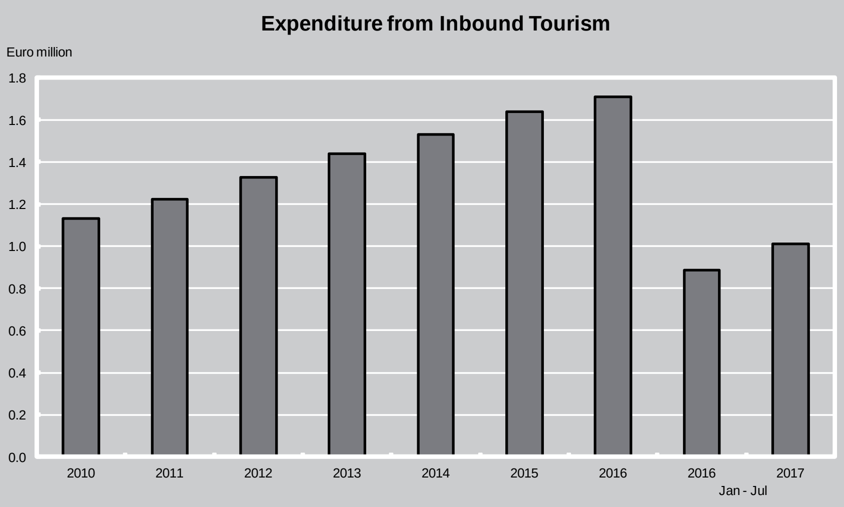
Expenditure from Inbound Tourism

Table 5.7

	Total Expenditure (€ million)	Per Capita Expenditure (€)	Expenditure Per Nights Spent (€)
2014	1,529	905	113
2015	1,639	919	116
2016	1,709	869	114
2016 (Jan-Jul)	886	840	114
2017 (Jan-Jul)	1,009	813	117

Source: National Statistics Office

Chart 5.3



increased from €114.0 in January to July 2016 to €117.0 in the corresponding period of 2017.

5.2 Regulatory Activity

This section provides an insight into the regulatory developments in the services industry of Malta. Particularly, this section focuses on the MFSA, it 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.

5.2.1 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. Data presented in this section deal with the period January to September 2017.

During the first nine months of 2017, 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.

The MFSA played an important part in handling a substantial number of financial services sector dossiers during Malta's Presidency of the European Union (EU) between January and June 2017. The MFSA also supported the discussions to approve the amendments to the Anti-Money Laundering Directive. The Authority also hosted two EU Presidency events, the annual Strategy Day for Board Members of the European Insurance and Occupational Pensions Authority (EIOPA) and a meeting for the Board Members of the European Securities and Markets Authority (ESMA).

The MFSA continued to propose various amendments in order to enhance the legal and regulatory framework. In fact, the Authority conducted consultations on a variety of legislative initiatives, including proposed rules for Trustees and other Fiduciaries; issue of Legal Notices under the Financial Markets Act (FMA) and the Investment Services Act (ISA); amendments to Chapter 11 of the Listing Rules; proposed changes to Part A and Part B1 of the Investment Services Rules for Investment Services Providers; proposed amendments to the Insurance Intermediaries Act and the Insurance Business Act; and the proposed amendments to the Notified Investments Fund Regime (NAIFs). The macro-prudential framework continued to be strengthened during the period under review in line with Recommendations issued by the ESRB, as well as through the Joint Financial Stability Board (JFSB).

In February 2017, the MFSA successfully concluded and signed a Memorandum of Understanding (MoU) with the Abu Dhabi Global Market Financial Services Regulatory Authority. This enables a framework of bilateral cooperation between the two Authorities in the carrying out of their respective duties and obligations in the areas of banking, securities and insurance. It also provides for the exchange of information and the provision of technical and investigative assistance between the two Authorities.

Throughout the first eight months of the year, the MFSA issued a significant number of new licences. In total, 11 investment services licences were issued, leading to 161 licences by the end of August 2017. The MFSA also issued 83 new Collective Investment Scheme (CIS) licences, increasing the total number of CIS licences to 1,414. Financial institutions were issued 2 licences, increasing the total as at end of August to 44 units. Concerning insurance companies, 3 licences were issued, bringing the total to 63 insurance companies. Moreover, trustees increased by 8, to an aggregate of 165 trustees. With regards to retirement schemes, 4 schemes were licensed, with the total increasing to 49 schemes. In addition, during the period under review, 3,304 companies and partnerships were registered with the Registry of Companies.

5.2.2 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-neutral 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 on MGA's performance is available up to the first half of 2017.

During the first six months of 2017, the MGA continued to review its approach through a variety of initiatives. The most important initiative was 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 this 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. This 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 June 2017, there were 282 remote gaming companies in Malta, which collectively held 558 licences. This implies that the number of registered remote gaming licences increased by almost 14 per cent over the corresponding period in 2016. Data on the land-based sector of the MGA shows that by the end of this period, the number of casinos in Malta stood at 4, while the number of bingo halls increased by a unit to 5 halls.

In April 2017, the MGA published the Skill Games Regulations (S.L. 438.11) which regulate the online skill games sector, which resulted in the issue of 15 controlled skill games companies. Furthermore, in June 2017, the 4th Anti-Money Laundering Directive (4th AMLD) came into force, whereby the transposition of this Directive enables that all gambling operators address persons in terms of anti-money laundering legislation, bringing into force onerous obligations and new compliance challenges.

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 were in anyway affected, the interests of the industry would be properly safeguarded.

The MGA attended the quarterly meetings of the Expert Group on Gambling Services, hosted by the European Commission. The Expert Group discussed current issues relating to the European gambling sector, including challenges to regulation, new products and technological developments, the implementation of the 4th AMLD, initiatives relating to match-fixing, as well as initiatives sponsored by the European Commission. In 2017, the European Commission concluded a project on comparing the technical requirements imposed by European gambling regulators, and has continued working on getting CEN-CENELEC, the European Standardisation Body, to create a European standard on technical reporting requirements in the gambling industry. The secretariat of the CEN technical committee has been awarded to AFNOR, the French standardisation authority, and the MGA has been cooperating with the Maltese standardisation authority, the MCCAA, in contributing to the development of such a standard. The newest project proposed by the European Commission, is a study on the effectiveness of payment and website blocking measures.

Another topic which is being discussed at Expert Group level, and which has been championed by the Dutch representatives, is cooperation in enforcement across borders. Although the MGA is in favour of cooperation, the stance remains that the

Maltese authorities are not in a position to enforce the laws of other Member States.

Following the signature of the multilateral cooperation arrangement with EU/EEA gaming regulators in 2015, the MGA has been cooperating with its counterparts when receiving cooperation requests. These normally include information on best practices, the content of legislation in Malta, or information about particular Maltese operators. Malta has also made use of the cooperation arrangement to request information on the gambling policies implemented by other Member States. Whilst international cooperation on gambling matters is a priority for the MGA, especially in the prevention of crime and consumer protection, this is not to the detriment of the industry in Malta.

The MGA also follows-up on other EU-related developments, specifically initiatives related to the Digital Single Market strategy. Although gambling was excluded from the scope, the MGA ensures that any of the proposals do not have adverse impacts on the gaming industry in Malta.

In 2017, the MGA announced the launch of a New Licensee Relationship Management System accessible through a secure and dedicated web portal, whereby such a project will entail a change in the way MGA interacts with its current and prospective licensees through the simplification and digitisation of its online and land-based processes. This new system will empower the gaming operators to electronically track the status of their applications and meet regulatory requirements more efficiently. This digitisation process will enhance a two-way communication between the Authority and its customers and will act as a one-stop shop for licensing.

5.2.3 Development and Investment Promotion

ME is Malta's economic development agency, responsible for 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. ME develops support measures 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.

During January to August 2017, ME approved 23 foreign-owned projects, where the new foreign projects were primarily in the life sciences sector, while the foreign expansion projects were in various established economic sectors including aviation, life sciences, precision engineering and plastics. The local industry also demonstrated a notable growth, evidenced by the approval of 10 Greenfield and 30 expansion projects by Maltese-owned enterprises. During this period, ME continued in its work of attracting new global investment to Malta. 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.

During the first eight months of the year, ME supported 16 start-up enterprises through the Start-up Finance and Business Start (B.Start) Schemes, with the total assistance awarded amounting to €500,000. ME also offered support through a number of other schemes, whereby by the end of August 2017, the Corporation issued €6 million worth of tax credits under the Micro Invest Scheme, over €8.5 million in favour of beneficiaries through Investment Aid Tax Credits, and €2.5 million in favour of 24 beneficiaries under the Business Development and Continuity scheme.

Business First has further consolidated the support offered to SMEs with an emphasis on start-ups. During the period under review, Business First and its functions were incorporated into a separate legal entity through a public-private partnership, with the aim of strengthening the focus on the promotion of government support services to local SMEs and microenterprise, as well as reinforce the one-stop-shop services for enterprises.

Furthermore, to fulfil its objectives 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 2017, KBIC hosted 17 full-time clients, thus implying an 85 per cent occupancy rate.

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 January to August 2017, MIP allocated around 182,500 square metres of space to local and foreign owned businesses under titles of lease and emphyteusis.

Other significant developments in 2017 included the continuous effort provided by the Enterprise European Network (EEN) to support micro-enterprises and SMEs. 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. Through close collaboration with these entities, ME supported various workshops within the framework of the EU's SME Policy, facilitated the participation of Maltese companies at international brokerage events and assisted the profiling of SMEs interested in establishing contact with foreign entrepreneurs for cooperation purposes. Furthermore, ME, through EEN, continued to organise events mainly focusing on how nanotech and materials technologies can strengthen competitiveness across all European industries.

During the first nine months of 2017, the Malta Life Sciences Centre hosted 28 companies/institutions most of which have already commenced operations and operate in a variety of areas, including genome sequencing, development and manufacture of pharmaceutical products, food technology, nutraceuticals, general laboratory testing, medical device design and accreditation. Furthermore, during the same period, the

Digital Hub facility located within the Malta Life Sciences Park was at full capacity and hosted seven companies specialising in a number of areas in the IT sector, some of which related to the life sciences sector.

In addition, the connectivity study on Gozo, including the feasibility of the digital hub, was completed during the period under review. Works on the tender for the implementation of a new optic fibre connection for Gozo progressed smoothly, with a development permit application for the project submitted to the Planning Authority.

Footnote:

[1] Private accommodation comprises holiday furnished premises (farmhouses, flats and villas), rented accommodation (host families, marinas, paid-convents, rented yachts, student dormitories), own private residence (owned dwellings, owned caravans and yachts), staying with friends or relatives (even if charged - includes also friends' private apartments) and other private accommodation (oilrig, free-convents, timeshare, dockyards (Palumbo), ship (used for work)).

6. Prices and Incomes

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The Harmonised Index of Consumer Prices (HICP) rate published by Eurostat provides the official measure of consumer price inflation in the Euro Area for the purposes of monetary policy. This Chapter presents a review of the domestic price movements during the twelve months to August 2017, together with a comparison of Malta's inflation rate to that of other European Union (EU) Member States.

This Chapter also includes an analysis of average sectoral wages, on the basis of collective agreements of a representative sample of companies deposited within the Department of Industrial and Employment Relations.

Between October 2016 and January 2017, Malta's monthly year-on-year harmonised inflation rate, increased from 0.5 per cent to 1.4 per cent. However, it subsequently declined to 1.0 per cent by June 2017 before reaching the rate of 1.2 per cent in August 2017. The 12-month moving average inflation rate stood at 1.1 per cent in August 2017 the same as was recorded in August 2016.

The Labour Force Survey (LFS) figures show that in the first quarter of 2017, the average annual basic salary for employees was 5.7 per cent higher than the level recorded a year earlier. In the same period under review, the annual basic salary for employees engaged in Financial and insurance activities and Wholesale and retail trade, transportation and storage, accommodation and food service activities - the sectors with the highest and lowest levels respectively - experienced increases of 16.8 per cent and 3.8 per cent respectively.

Meanwhile, the study reviewing increases in collectively agreed wages indicates that, on average, the weekly wage increased by €7.38 or 2.1 per cent between August 2016 and August 2017. Wage growth in Direct production amounted to 1.7 per cent while wages in Services increased by 2.2 per cent. The highest percentage weekly wage increase of 5.2 per cent was registered in the Water supply; sewerage, waste management and remediation activities sub-sector.

6.1 Inflation

6.1.1 International Comparison

Table 6.1 presents data on the inflation rates for EU Members States as at August 2017. The inflation rate is measured by the HICP methodology and enables direct comparability among Member States. Chart 6.1 shows domestic inflationary trends in the 12-month moving average and annual HICP.

Inflationary developments in the EU in August 2017, showed that Lithuania registered the highest annual rate of inflation of 4.6 per cent, followed by Estonia (4.2 per cent), Latvia (3.2 per cent) and United Kingdom (2.9 per cent). The average inflation rate for the EU28 Member States was 1.7 per cent, significantly higher than the 0.3 per cent recorded in August 2016. Under the twelve main categories comprising the overall index, one notices that all sub-indices recorded a positive annual rate of change except for the Communication sub-index which declined at the rate of 1.2 per cent. Meanwhile, the highest change was observed in Restaurants and Hotels at 2.9 per cent and Transport at 2.7 per cent. These were followed by the Alcoholic beverages, tobacco and narcotics at 2.4 per cent and Housing, Water, Gas and Other fuel at 1.8 per cent.

The annual rate of inflation in Malta in August 2017 stood at 1.2 per cent, marginally higher than the rate of 1.0 per cent recorded in August 2016. This is indicative of the fact that inflation remained relatively low and stable during the past twelve months. Main price increases during this period were noted in Education (5.3 per cent), Alcoholic beverages, tobacco and narcotics (2.6 per cent), Health (2.1 per cent) and Furnishings, Household Equipment and Routine Household Maintenance (2.0 per cent). In the meantime, price declines were mainly driven by the Communications and Clothing and Footwear sub-indices with an annual decline of 2.3 per cent and 1.1 per cent,

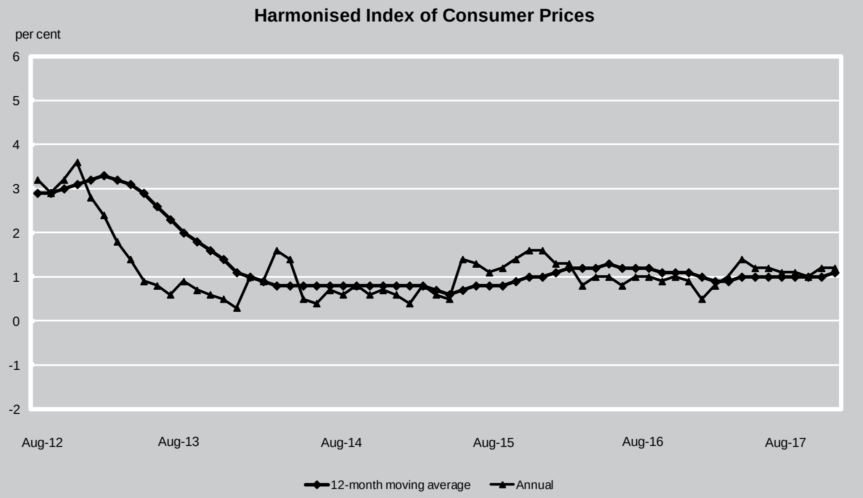
Harmonised Index of Consumer Prices (August 2017)

Table 6.1 per cent

Member States	**Annual Rate**	**12-Month Moving Average**
Austria	2.1	1.9
Belgium	2.0	2.2
Bulgaria	0.7	0.4
Croatia	1.5	0.8
Cyprus	0.5	0.5
Czech Republic	2.4	2.0
Denmark	1.5	0.7
Estonia	4.2	2.8
Finland	0.8	0.9
France	1.0	1.0
Germany	1.8	1.4
Greece	0.6	0.9
Hungary	2.7	2.0
Ireland	0.4	0.0
Italy	1.4	1.0
Latvia	3.2	2.4
Lithuania	4.6	2.7
Luxembourg	2.3	1.8
Netherlands	1.5	0.9
Poland	1.4	1.1
Portugal	1.3	1.2
Romania	0.6	0.4
Slovakia	1.6	0.7
Slovenia	1.4	1.2
Spain	2.0	1.7
Sweden	2.2	1.7
United Kingdom	2.9	2.1
EU 28	1.7	1.4
Euro Area	1.5	1.3
Malta	**1.2**	**1.1**

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

	2014	2015	2016	2017
January	0.9	0.8	0.8	1.4
February	1.6	0.6	1.0	1.2
March	1.4	0.5	1.0	1.2
April	0.5	1.4	0.8	1.1
May	0.4	1.3	1.0	1.1
June	0.7	1.1	1.0	1.0
July	0.6	1.2	0.9	1.2
August	0.8	1.4	1.0	1.2
September	0.6	1.6	0.9	
October	0.7	1.6	0.5	
November	0.6	1.3	0.8	
December	0.4	1.3	1.0	

Source: National Statistics Office

respectively. Table 6.2 illustrates the monthly annual rate of HICP for the period January 2014 and August 2017.

In light of the above developments in the annual rate of inflation, the 12-month moving average for Malta in August 2017 stood at 1.1 per cent, which was below the rate for EU28 at 1.4 per cent.

6.2 Retail Price Index and COLA

The Cost of Living Adjustment (COLA) agreement 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. Thus, the COLA as announced annually during the Budget, is directly dependent on the monthly changes occurring in the overall inflation index. Moreover, 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 2017 stood at 1.2 per cent. The fluctuations at sub-index level provides insight on the underlying contributors to domestic inflation. Indeed, as Table 6.3 illustrates, the highest change in August 2017 was noted in the Food sector followed by the Beverages and Tobacco and Household Equipment and House Maintenance Costs sub-indices. Table 6.4 shows the 12-month moving average of the RPI overall inflation rate.

In August 2017, the Food sub-index 12-month moving average increased to 3.88 per cent from 1.91 per cent in August 2016. Its contribution to overall price developments was the highest among all categories at 0.83 percentage points. This contribution was mainly driven by developments as observed in vegetables, fish, fruit, served meals and take-away meals.

The 12-month moving average rate for the Beverages and Tobacco sub-index, decreased from 4.25 per cent in August 2016 to 3.20 per cent during the same month in 2017, with a resulting contribution of 0.18 percentage points to the headline inflation

Index by Commodity Group

(Average for 12 months)

Table 6.3

December 2016=100

per cent

Commodity Group	Aug-15	Aug-16	Aug-17
Food	2.34	1.91	3.88
Beverages and Tobacco	3.08	4.25	3.20
Clothing and Footwear	3.16	-0.87	-2.49
Housing	0.45	1.55	0.58
Water, Electricity, Gas and Fuels	-12.23	-1.53	-0.21
Household Equipment & House Maintenance Costs	0.04	2.16	2.44
Transport and Communications	-0.50	-2.40	-0.75
Personal Care and Health	1.09	1.34	1.19
Recreation and Culture	2.31	1.91	0.83
Other Goods and Services	1.86	1.87	0.17

Source: National Statistics Office

Retail Price Index

(12-Month Moving Average Inflation Rate)

Table 6.4

per cent

	2014	2015	2016	2017
January	1.23	0.32	1.08	0.74
February	1.17	0.29	1.05	0.85
March	1.10	0.24	1.04	0.94
April	0.99	0.38	0.95	1.02
May	0.80	0.52	0.90	1.07
June	0.66	0.63	0.86	1.11
July	0.48	0.72	0.83	1.17
August	0.35	0.84	0.79	1.20
September	0.30	0.93	0.74	
October	0.33	1.02	0.66	
November	0.39	1.03	0.64	
December	0.31	1.10	0.64	

Source: National Statistics Office

rate. The principal contributors to inflationary developments for this sub-index included cigarettes prices and off-sales non-alcoholic beverages.

The Clothing and Footwear sub-index sustained a declining pattern in its 12-month average, recording a decline of 2.49 per cent in August 2017. The contribution to headline inflation stood at -0.16 percentage points. These developments mainly emanated from women's outwear, although price developments in men's outwear also contributed to the decline.

The Housing sub-index registered a 12-month average of 0.58 per cent in August 2017, with a contribution of 0.05 percentage points to the overall inflation rate. Positive contributions to inflation were observed in materials for plastering and cement rendering, and rents were in part offset by the negative contribution of various construction works.

In August 2017, the Water, Electricity, Gas and Fuels sub-index continued to show a negative average, however, the change has diminished. The 12-month average for August 2017 was -0.21 per cent showing almost a negligible change under this category. The relevant contribution for this sub-index was that of -0.01 percentage points and this mainly reflected a slight change in gas and liquid fuels indices.

The 12-month moving average rate for the Household Equipment and House Maintenance Cost sub-index, increased to 2.44 per cent in August 2017, up from 2.16 per cent in August 2016. The contribution of this sub-index to the overall rate stood at 0.17 percentage points, mainly underpinned by developments in furniture and furnishings sub-indices. However, a marginal negative contribution was noticed in household appliances and carpets.

In August 2017, the 12-month moving average inflation rate for the Transport and Communications sub-index continued its negative trend with a registered rate of -0.75 per cent. The overall contribution to headline inflation of this sub-index was also negative at -0.17 percentage points and this mainly emanated from developments pertaining to air transport services and fuels. On the other hand, motor vehicles showed a noticeable positive contribution.

In August 2017, the 12-month moving average rate for the Personal Care and Health sub-index stood at 1.19 per cent with a contribution of 0.11 percentage points to the RPI inflation rate. This rate was slightly lower than the 1.34 per cent recorded in the previous comparable period of 2016. The main drivers included changes in medical services and hairdressing/personal grooming services.

The 12-month moving average growth rate in the Recreation and Culture sub-index was that of 0.83 per cent in August 2017. The contribution to the overall rate was that of 0.08 percentage points with the main contributor being education expenses and to a lesser extent hire and leasing of recreational sports events and entertainment and cultural visits. Meanwhile, books, newspapers and magazines, and audio visual equipment contributed negatively.

The 12-month average inflation rate of the Other Goods and Services sub-index for August 2017 was that of 0.17 per cent with a contribution of 0.01 percentage points to the RPI inflation rate. Positive developments in this index were observed in insurances. On the other hand, marginal negative contributions were registered in veterinary services and pet food, and jewelry, watches and clocks indices.

6.3 Sectoral Wages - Collective Agreements

This section is concerned with the developments in average weekly wage rates based on collective agreements as deposited with the Department of Industrial and Employment Relations and covers the period between August 2016 and August 2017.

The sample under review is made up of 93 firms employing 19,582 employees, with 20 firms engaged in direct production and employing 6,064 employees with the other 73 firms operating in services with 13,518 employees. The data for weekly wages is divided into three distinguished levels as per ISCO-08 ten skill level groups excluding military occupations. ISCO stands for International Standard Classification of Occupations and is a system of classification and aggregation of occupational information under the International Labour Office (ILO). Level 1 includes ISCO major group 9 where it refers to elementary occupations. Level 2 includes ISCO major groups 4 to 8 where these consist 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 based on the entity's European Classification of Economic Activities (NACE) code. This classification provides a structure for statistical data according to economic activity. The mean wage under the three levels for each individual collective agreement is then calculated. The figures obtained are then increased by the COLA in cases where the collective agreement is exclusive of COLA. The COLA for the year 2017 as announced in the 2017 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 2016. The overall weighted average wage of all sectors stood at €345.21 whereas the weighted average wage for those employed in direct production and services stood at €316.86 and €348.87, respectively. This implies a sectoral wage gap of €32.01. The highest average weekly wage rates were recorded by the Financial and insurance activities (€535.14) and the Education sub-sectors (€453.44). These were followed by Public administration and defence; compulsory social security (€394.86), Real estate activities (€391.31) and Manufacture of pharmaceuticals, medicinal chemical and botanical products (€384.05) sub-sectors. The lowest paid sub-sectors were the Residential care and social work activities (€248.00), the Accommodation and food service activities (€258.96), and the Water supply; sewerage, waste management and remediation activities sub-sector (€274.20). The lowest weekly average wage rate in August 2016 amounted to €194.57 and was earned under Level 2 in the Residential care and social work activities sub-sector while the highest weekly average wage rate was earned by the Financial and insurance activities Level 3 classification (€676.97).

Table 6.6 shows the average weekly wage rates for the three employment levels in the sampled firms as at August 2017. 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

Average Weekly Wages
August 2016

Table 6.5 €

	Level 1	Level 2	Level 3	Weighted Average
Manufacture of food products, beverages and tobacco products	236.86	293.20	369.88	296.17
Manufacture of textiles, apparel, leather and related products	288.33	304.40	352.17	310.35
Manufacture of wood and paper products, and printing	317.22	349.15	390.96	351.84
Manufacture of chemicals and chemical products	266.78	302.94	333.40	302.01
Manufacture of pharmaceuticals, medicinal chemical and botanical products	314.00	357.93	415.46	384.05
Manufacture of rubber and plastics products, and other non-metallic mineral products	262.80	301.04	350.84	301.47
Manufacture of basic metals and fabricated metal products, except machinery and equipment	312.58	321.35	345.26	324.20
Manufacture of computer, electronic and optical products	230.30	273.86	320.47	289.66
Other manufacturing, and repair and installation of machinery and equipment	274.82	310.23	395.65	325.34
Water supply; sewerage, waste management and remediation activities	235.00	270.54	367.64	274.20
Wholesale and retail trade; repair of motor vehicles and motorcycles	207.23	256.32	381.92	289.19
Transportation and storage	317.84	315.22	466.08	352.60
Accommodation and food service activities	234.13	249.08	284.60	258.96
Publishing, audiovisual and broadcasting activities	283.06	311.06	365.98	353.88
Financial and insurance activities	317.31	411.89	676.97	535.14
Real estate activities	214.72	279.75	448.34	391.31
Legal, accounting, management, architecture, engineering, technical testing and analysis activities	246.88	342.88	394.33	377.30
Administrative and support service activities	244.70	255.30	411.18	291.41
Public administration and defence; compulsory social security	245.92	310.60	457.72	394.86
Education	239.06	320.93	524.45	453.44
Residential care and social work activities	233.09	194.57	404.62	248.00
Arts, entertainment and recreation	247.87	300.58	392.59	344.63
Other service activities	198.92	302.51	439.89	327.62
All sectors	245.17	290.66	435.31	345.21
Direct production	268.11	307.70	370.74	316.86
Services	241.22	287.73	440.12	348.87

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

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 2017 stood at €352.59. Similar to the observations as at August 2016, the highest average weekly wage rates as at August 2017 were recorded by the Financial and insurance activities sub-sector, which had a weekly average weighted remuneration of €542.17. This was followed by the Education sub-sector registering an average wage of €464.60. The least remunerated sub-sectors in the sample were the Residential care and social work activities

Average Weekly Wages

August 2017

Table 6.6 €

	Level 1	Level 2	Level 3	Weighted Average
Manufacture of food products, beverages and tobacco products	242.68	299.78	379.64	303.33
Manufacture of textiles, apparel, leather and related products	297.08	313.15	365.92	319.85
Manufacture of wood and paper products, and printing	318.97	350.90	392.71	353.59
Manufacture of chemicals and chemical products	273.78	308.94	340.40	308.64
Manufacture of pharmaceuticals, medicinal chemical and botanical products	320.75	364.58	421.96	390.64
Manufacture of rubber and plastics products, and other non-metallic mineral products	265.67	303.57	353.61	304.10
Manufacture of basic metals and fabricated metal products, except machinery and equipment	318.33	327.10	351.01	329.95
Manufacture of computer, electronic and optical products	234.37	277.18	323.71	292.97
Other manufacturing, and repair and installation of machinery and equipment	281.32	317.30	404.03	332.64
Water supply; sewerage, waste management and remediation activities	247.50	284.96	384.40	288.32
Wholesale and retail trade; repair of motor vehicles and motorcycles	213.65	262.23	388.62	295.42
Transportation and storage	324.28	320.87	486.37	361.96
Accommodation and food service activities	237.24	253.56	288.99	263.16
Publishing, audiovisual and broadcasting activities	284.81	312.81	367.73	355.63
Financial and insurance activities	320.87	415.70	687.59	542.17
Real estate activities	221.95	286.99	459.92	401.56
Legal, accounting, management, architecture, engineering, technical testing and analysis activities	253.31	350.56	403.29	385.88
Administrative and support service activities	250.21	257.42	418.77	296.04
Public administration and defence; compulsory social security	253.99	319.06	469.51	405.32
Education	245.02	328.85	537.35	464.60
Residential care and social work activities	238.62	197.49	415.35	252.98
Arts, entertainment and recreation	254.25	307.13	402.57	352.87
Other service activities	201.39	307.37	449.32	333.45
All sectors	251.06	296.20	445.12	352.59
Direct production	273.25	312.85	377.14	322.33
Services	247.24	293.33	450.17	356.49

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

(€252.98), the Accommodation and food service activities (€263.16) and the Water supply; sewerage, waste management and remediation activities (€288.32). The lowest reported wage resulted at Level 2 under the Residential care and social work activities sub-sector (€197.49), which is €27.73 or 16.33 per cent over the National Minimum Wage for 2017, which stood at €169.76. The highest average wage was at Level 3 in the Financial and insurance activities sub-sector at €687.59, while other relatively high wages were registered in the Education (€537.35) and the Public administration and defence; compulsory social security sub-sectors (€469.51) under the same level.

Table 6.7 shows percentage changes in average weekly wage occurring between August 2016 and August 2017. The weighted average increase for all firms stood at 2.1 per cent. The average wage in the direct production sector increased by €5.47 or 1.7 per cent to reach €322.33 in August 2017, while the average weekly wage rate in the services sector increased by €7.62 or 2.2 per cent, thus reaching €356.49 in August 2017. The sub-sectors which recorded the highest percentage increase were the Water supply; sewerage, waste management and remediation activities which registered an increase of 5.2 per cent, followed

Percentage Growth in Average Weekly Wages

August 2017 - August 2016

Table 6.7 per cent

	Level 1	Level 2	Level 3	Weighted Average
Manufacture of food products, beverages and tobacco products	2.46	2.24	2.64	2.42
Manufacture of textiles, apparel, leather and related products	3.03	2.87	3.90	3.06
Manufacture of wood and paper products, and printing	0.55	0.50	0.45	0.50
Manufacture of chemicals and chemical products	2.62	1.98	2.10	2.20
Manufacture of pharmaceuticals, medicinal chemical and botanical products	2.15	1.86	1.56	1.71
Manufacture of rubber and plastics products, and other non-metallic mineral products	1.09	0.84	0.79	0.87
Manufacture of basic metals and fabricated metal products, except machinery and equipment	1.84	1.79	1.67	1.77
Manufacture of computer, electronic and optical products	1.77	1.21	1.01	1.14
Other manufacturing, and repair and installation of machinery and equipment	2.37	2.28	2.12	2.24
Water supply; sewerage, waste management and remediation activities	5.32	5.33	4.56	5.15
Wholesale and retail trade; repair of motor vehicles and motorcycles	3.10	2.31	1.75	2.15
Transportation and storage	2.03	1.79	4.35	2.65
Accommodation and food service activities	1.33	1.80	1.54	1.62
Publishing, audiovisual and broadcasting activities	0.62	0.56	0.48	0.49
Financial and insurance activities	1.12	0.93	1.57	1.31
Real estate activities	3.37	2.59	2.58	2.62
Legal, accounting, management, architecture, engineering, technical testing and analysis activities	2.60	2.24	2.27	2.27
Administrative and support service activities	2.25	0.83	1.84	1.59
Public administration and defence; compulsory social security	3.28	2.72	2.57	2.65
Education	2.49	2.47	2.46	2.46
Residential care and social work activities	2.37	1.50	2.65	2.01
Arts, entertainment and recreation	2.57	2.18	2.54	2.39
Other service activities	1.24	1.61	2.14	1.78
All sectors	2.40	1.90	2.25	2.14
Direct production	1.92	1.67	1.73	1.73
Services	2.50	1.95	2.28	2.18

Compiled from data provided by the Department of Industrial and Employment Relations and JobsPlus by the Manufacture of textiles, apparel, leather and related products with an increase of 3.1 per cent. More specifically, the Water supply; sewerage, waste management and remediation activities sub-sector registered the highest percentage increases at Level 1 and Level 2 both by 5.3 per cent and Level 3 at 4.6 per cent. This was followed by the Transportation and storage Level 3 at 4.4 per cent.

6.4 Sectoral Wages – Labour Force Survey

The annual basic salary, as defined in the LFS, is the annual basic salary received by employees before any social contributions and tax deductions. This amount is different from the wage, as it excludes payments for overtime, allowances and bonuses. It is also different from compensation of employees, which consists of both wages and salaries and employer's actual and imputed social contributions. The economic activity in this section is

Average Annual Basic Salary

Table 6.8

	2016 Jan-Mar €	2017 Jan-Mar €	2017 %
Manufacturing, mining and quarrying and other industry	16,564	17,700	6.9
Construction	15,364	15,867	3.3
Wholesale and retail trade, transportation and storage, accommodation and food service activities	14,878	15,450	3.8
Information and communication	21,230	22,021	3.7
Financial and insurance activities	20,676	24,148	16.8
Professional, scientific, technical, administration and support service activities	17,801	17,623	-1.0
Public administration, defence, education, human health and social work activities	17,736	18,733	5.6
Other services	17,257	20,212	17.1
Total	**17,063**	**18,029**	**5.7**

Source: National Statistics Office

classified according to NACE Rev. 2 (Nomenclature générale des Activités économiques dans les Communautés Europeennes).

LFS figures for the average annual basic salary in Table 6.8 show that in the first quarter of 2017, the average annual basic salary, for both public and private employees was 5.7 per cent higher than the level recorded a year earlier. The economic sectors with the highest average annual basic salary in the first three months of the year included Financial and insurance activities (€24,148), Information and communication activities (€22,021) and Other services (€20,212). The highest growth rate was registered in the latter sector, which includes the Arts, entertainment and recreation sector amongst others, with an average annual basic salary growth of 17.1 per cent, followed by Financial and insurance activities with a growth of 16.8 per cent. On the other hand, the construction sector registered the lowest growth rate at 3.3 per cent. The lowest average annual basic salary was registered in the Wholesale and retail trade, transportation and storage, accommodation and food service activities sector at €15,450, but the figure is still 3.8 per cent higher than the level recorded a year earlier.

7. International Trade

7. International Trade

This Chapter seeks to provide an outline of Malta's imports and exports with respect to the provision of goods and their flows by geographical distribution and type of commodity. The trade balance, defined as the difference between exports and imports will also be explored.

7.1 Exports of Goods

For the period January to July 2017, Malta's total exports declined by 32.1 per cent over the corresponding period in 2016, reaching a value of €1,555.9 million. Total exports net of fuel decreased by 32.6 per cent to a value of €1,167.7 million.

During the review period, chemicals exports fell by 75.8 per cent while the exports of fuel also fell by 30.6 per cent. The former can be attributed to a base effect following a substantial one-off consignment of pharmaceutical products which was exported to the United States (USA) in 2016, while the declining exports of oil relative to the increasing imports would suggest an increase in domestic consumption.

Exports of food, beverages and tobacco increased by €5.4 million (or 5.0 per cent), as a result of higher exports of fish. Exports of machinery and transport equipment experienced a recovery, increasing by €11.8 million (or 2.2 per cent) explained by the increases in the exports of electrical machinery and higher exports of mechanical machinery and appliances. Miscellaneous manufactured articles rose by €8.5 million (or 3.7 per cent) reflecting higher exports of clothing, footwear, plastics and toys which more than offset lower exports of printed matter and iron made articles.

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

Commodity Breakdown of Exports

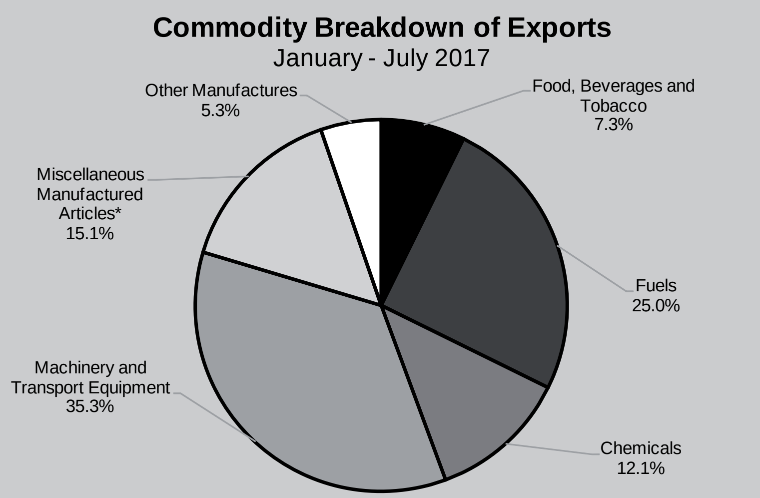
Table 7.1 € million

	2013	2014	2015	2016	2016 Jan-Jul	2017 Jan-Jul
Food, Beverages and Tobacco	247.5	242.4	287.8	295.8	108.4	113.8
Fuels	1,665.7	1,608.2	1,357.5	926.6	559.8	388.2
Chemicals	358.2	377.3	363.6	921.9	778.1	188.1
Machinery and Transport Equipment	1,112.4	1,000.7	968.0	960.3	536.8	548.6
Miscellaneous Manufactured Articles*	404.5	375.9	411.5	406.6	226.6	235.1
Other Manufactures	137.3	134.2	139.6	134.7	83.1	82.1
Total Exports	3,925.5	3,738.7	3,528.0	3,645.9	2,292.8	1555.9
Total Exports excl. Fuels	2,259.9	2,130.4	2,170.5	2,719.2	1,733.0	1,167.7

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

Source: National Statistics Office

Chart 7.1



7.1.1 Geographical Distribution - Exports

During the period January to July 2017, exports were mainly directed towards Europe, which accounted for 45.6 per cent of total exports. As shown in Table 7.2, the bulk of these exports were to countries within the European Union (EU), amounting to €657.6 million or 42.3 per cent. When analysing the main developments within the EU, Malta registered a decrease of 33.0 per cent in exports to the United Kingdom (UK), a 32.5 per cent decrease in exports to Italy, and a decrease of 21.2 per cent to the Netherlands. Partly offsetting these negative growth rates was an increase of 36.1 per cent in exports to Spain.

Exports to other European countries amounted to €52.4 million which was €12.3 million higher than the exports registered in January to July period of 2016.

Meanwhile, exports towards America declined substantially by 84.6 per cent from €698.8 million to €107.9 million, mainly attributed to a base effect from the substantial sale of pharmaceuticals to the USA in 2016. In fact, total exports to the USA only accounted for 5.0 per cent of total exports during the period January to July 2017, which is significantly less than the 29.1 per cent of total exports recorded throughout the corresponding period of 2016.

Malta's exports to Africa declined by 17.0 per cent, reaching €291.8 million, accounting for 18.8 per cent of total exports for the period January to July 2017. This was due to a drop in the export of machinery, mechanical appliances and electrical machinery to Libya, in conjunction with lower exports of fuels to Egypt.

Exports to Asia increased by 6.5 per cent to reach €295 million, equivalent to 19.0 per cent of total exports over the period January to July 2017. Behind this growth was an increase of €21.8 million in exports to Hong Kong mainly related to electrical machinery, an increase of €8.1 million in exports to China mainly attributed to machinery, mechanical appliances and electrical machinery as well as a €6.3 million increase in exports to Japan, related to electrical appliances and fish. These were sufficient

Total Exports by Main Geographical Areas

Table 7.2 € million

	2013	2014	2015	2016	2016 Jan-Jul	2017 Jan-Jul
Europe	1,535.4	1,321.3	1,156.7	1,255.2	740.7	710.0
EU	1,246.1	1,105.8	1,079.1	1,183.5	700.6	657.6
Italy	154.1	161.2	137.7	208.8	144.4	97.5
Germany	348.6	309.2	334.1	389.0	225.3	232.2
France	253.0	204.1	239.6	229.7	123.8	124.8
UK	107.8	99.3	126.4	106.1	65.9	44.2
Netherlands	47.3	39.2	31.5	34.4	17.2	13.6
Spain	34.6	35.8	36.2	33.2	20.0	27.3
Others	300.6	257.0	173.7	182.3	103.9	118.0
Euro Area	953.6	835.6	826.0	947.6	561.5	526.1
Other European Countries	289.3	215.5	77.5	71.7	40.1	52.4
Africa	617.3	971.3	934.9	563.5	351.6	291.8
Libya	238.0	208.6	120.0	124.8	77.6	52.6
Others	379.3	762.8	815.0	438.7	274.0	239.2
America	224.7	231.3	222.7	802.8	698.8	107.9
USA	170.0	164.1	135.6	740.9	667.2	78.1
Others	54.7	67.2	87.0	61.8	31.6	29.8
Oceania	9.8	14.4	17.3	14.1	7.7	4.6
Asia	1,059.6	767.4	715.8	671.6	277.0	295.0
Japan	196.5	106.0	109.4	144.7	12.0	18.4
Singapore	272.2	185.4	169.9	153.5	89.9	72.7
China	45.6	23.4	43.5	43.7	13.9	22.0
Hong Kong	199.2	203.7	171.5	118.4	62.5	84.3
India	31.5	30.6	21.0	15.4	7.0	5.4
South Korea	11.3	37.1	16.1	27.6	5.9	10.2
Others	303.3	181.2	184.3	168.3	85.9	82.0
Ships & Aircraft	478.7	433.0	480.6	338.6	217.0	146.6
Total Exports	**3,925.5**	**3,738.7**	**3,528.0**	**3,645.9**	**2,292.8**	**1,555.9**
Exports to the EU as % of Total	31.7	29.6	30.6	32.5	30.6	42.3

Source: National Statistics Office

to offset the €17.1 million decline in exports to Singapore mainly stemming from lower exports in electrical machinery. Exports to ships and aircrafts, which mainly represent bunkering activities, declined by 32.4 per cent.

7.2 Imports of Goods

During the period January to July 2017, imports of goods decreased by 12.0 per cent to reach a value of €3,636.5 million. Total imports net of fuel declined by 22.5 per cent throughout the first seven months of 2017 from €3,223.9 million to €2,498.4 million. Data on imports of goods is presented in Table 7.3 and Chart 7.2.

Imports of consumer goods registered a growth of 4.3 per cent in reflection of an increase of €10.1 million in food and beverages imports, an increase of €6.6 million in imports of durable consumer goods and a substantial increase of €13.6 million in imports of other consumer goods. The other consumer goods imports category includes a variety of non-durable goods, yet

Imports by Broad Economic Category

Table 7.3 € million

	2013	2014	2015	2016	2016 Jan-Jul	2017 Jan-Jul
Consumer Goods						
Food and Beverages	451.0	472.7	485.9	498.8	276.4	286.5
Durable Goods	335.5	374.0	453.8	433.5	253.9	260.5
Others	254.2	269.3	284.3	308.8	173.6	187.2
Total	**1,040.8**	**1,116.0**	**1,224.0**	**1,241.1**	**704.0**	**734.3**
Industrial Supplies						
Primary	95.1	81.2	80.0	106.6	62.7	65.1
Semi-finished	1,274.4	1,169.8	1,178.2	1,014.4	601.0	579.2
Finished	160.0	151.0	210.8	193.2	105.1	109.2
Total	1,529.5	**1,402.0**	**1,469.0**	**1,314.2**	**768.8**	**753.6**
Capital and Others						
Capital Goods	867.5	1,309.5	1,717.3	2,250.9	1,744.0	1,007.0
Fuel	2,179.7	2,561.1	1,689.4	1,672.3	908.5	1,138.1
Non-specified and Gold	22.2	13.0	15.0	12.6	7.1	3.5
Total	**3,069.3**	**3,883.6**	**3,421.8**	**3,935.8**	**2,659.6**	**2,148.7**
Total Imports	**5,639.6**	**6,401.6**	**6,114.8**	**6,491.1**	**4,132.4**	**3,636.5**
Total Imports excl. Fuel	**3,460.0**	**3,840.5**	**4,425.3**	**4,818.8**	**3,223.9**	**2,498.4**

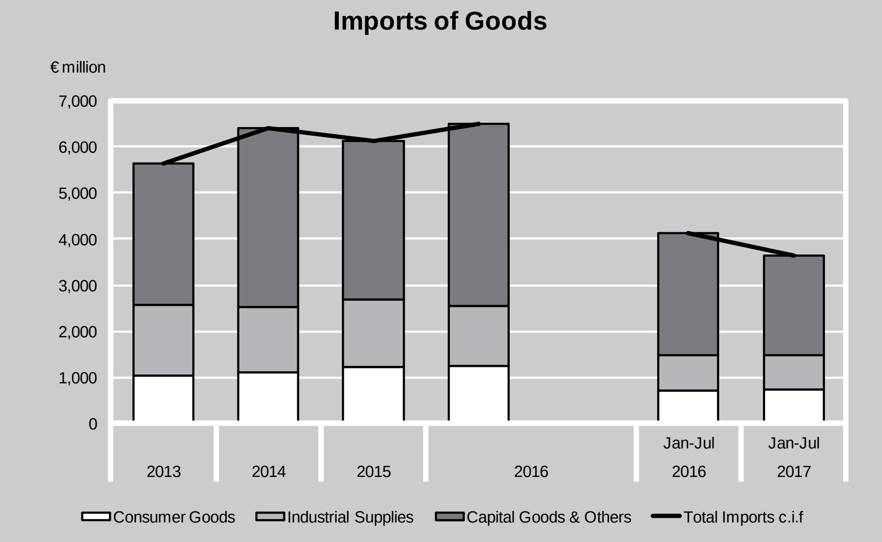
Source: National Statistics Office

the bulk of this increase concerns imports of pharmaceutical goods. Consumer goods as at the end of July 2017 amounted to €734.3 million, accounting for 20.2 per cent of total imports.

Throughout the period January to July 2017, imports of industrial supplies registered a decline of 2.0 per cent or €15.2 million. This was due to a €21.8 million decrease in imports of semi-finished industrial supplies which outweighed the slight 3.9 per cent growth rate registered in the imports of both primary industrial supplies and finished industrial supplies. The share of industrial supplies as a percentage of total imports amounted to 20.7 per cent, which is 2.1 percentage points higher than the 18.6 per cent recorded over the corresponding period last year.

Capital and other goods continues to be the largest component in Malta's total imports, amounting to a substantial 59.1 per cent of total imports over the period January to July 2017. Imports in this category registered a significant drop of €510.9 million or 19.2 per cent, from €2,659.6 million for the period January to July 2016 to €2,148.7 million in 2017. The increase in fuel imports of

Chart 7.2



€229.6 million, or 25.3 per cent was offset by a sharp decline in imports of capital goods of 42.3 per cent, equivalent to €737.0 million. This reflected the substantial drop in imports of aircraft and sea vessels following the extraordinary increase registered in 2016. This resulted in imports of capital goods as a percentage of total imports to decline by 14.5 percentage points from 40.2 per cent to 27.7 per cent.

7.2.1 Geographical Distribution – Imports

Table 7.4 shows developments in the geographical distribution of imports. Over the January to July 2017 period, total imports from Europe reached a level of €2,252.5 million, which represented 61.9 per cent of total imports. This was 11.2 percentage points higher than that recorded in 2016.

Around 52.6 per cent of total imports relate to countries within the EU. Increasing imports from Spain (€57.3 million), the UK (€51.7 million) and Italy (€22.6 million) more than offset the decreases in imports of €46.1 million and €44.2 million from France and the Netherlands respectively. Imports with other European countries outside the EU, increased by €94.9 million reaching a value of €339.4 million, over the period January to July 2017.

Throughout the period January to July 2017, Malta's imports from the Americas declined substantially by 56.5 per cent from €1,403.6 million to €611.0 million. This decline included a €410 million drop in imports of sea vessels and yachts from the Caribbean, an aggregated €389 million drop in imports of aircraft from both the USA and Canada, and a €58.4 million drop in imports of fuels from the USA. In terms of the share in total imports, a decline from 34.0 per cent to 16.8 per cent was registered from the American continent.

Imports from Africa increased by 18.1 per cent or €25.5 million to represent 4.6 per cent of total imports. An increase in imports by €28.4 million from Egypt and by €10.4 million from Cameroon were mainly related to fuel, while the €22.3 million imports from

Total Imports by Main Geographical Areas

Table 7.4 € million

	2013	2014	2015	2016	2016 Jan-Jul	2017 Jan-Jul
Europe	4,066.4	4,285.6	4,284.7	3,684.0	2,098.2	2,252.5
EU	3,245.5	3,228.2	3,633.4	3,235.7	1,853.7	1,913.1
Italy	1,410.4	1,178.7	1,299.9	1,247.0	707.3	729.8
Germany	321.4	324.6	380.0	374.6	219.0	226.5
France	285.6	224.9	234.2	259.3	182.8	136.7
UK	309.5	390.6	418.8	347.6	213.2	264.9
Netherlands	202.4	231.6	438.8	230.7	143.2	99.0
Spain	168.4	237.4	230.0	203.8	84.5	141.9
Others	547.7	640.5	631.8	572.7	303.7	314.3
Euro Area	2,639.3	2,521.2	2,889.0	2,656.7	1,509.5	1,534.3
Other European Countries	820.9	1,057.4	651.3	448.3	244.5	339.4
Africa	256.4	236.1	163.2	269.6	140.9	166.5
Libya	113.1	24.0	55.9	11.5	2.6	2.6
Others	143.4	212.0	107.3	258.0	138.3	163.8
America	387.9	986.6	823.6	1,692.7	1,403.6	611.0
USA	187.9	610.2	294.3	292.3	203.3	180.5
Others	200.0	376.4	529.3	1,400.4	1,200.3	430.5
Oceania	18.0	80.8	36.0	31.8	20.3	19.4
Asia	827.6	733.6	783.0	803.9	462.9	584.0
Japan	49.0	49.2	70.1	53.1	32.7	30.3
Singapore	80.8	60.0	71.1	31.5	16.4	101.6
China	136.5	147.7	217.0	202.4	120.1	123.5
Hong Kong	17.4	17.9	26.5	40.0	27.0	13.5
India	86.9	100.7	108.0	112.6	68.4	78.7
South Korea	77.6	75.4	44.4	61.3	45.4	24.8
Others	379.4	282.8	245.9	302.9	153.0	211.7
Ships & Aircraft	83.2	79.0	24.2	9.2	6.6	3.1
Total Imports	**5,639.6**	**6,401.6**	**6,114.8**	**6,491.1**	**4,132.4**	**3,636.5**
Imports to the EU as % of Total	57.5	50.4	59.4	49.8	44.9	52.6

Source: National Statistics Office

Equatorial Guinea were entirely liquefied natural gas. An increase in imports of yachts from South Africa contributed significantly to the increase of €6.6 million in goods imported from this country. Meanwhile, a decline of €35.9 million was registered in imports of gas from Tunisia.

Malta's imports from Asia increased substantially by 26.2 per cent, attributed to a growth by €85.1 million in imports from Singapore, €15.2 million in imports from Taiwan, €10.3 million imports from India, and a €3.4 million increase in Chinese imports. The increases in imports from Singapore and Taiwan mainly related to machinery, mechanical appliances and electrical machinery, while the higher imports from India were in pharmaceuticals. Decreases in imports were registered from Hong Kong and South Korea, with the former declining by 50.0 per cent and the latter declining by 45.3 per cent. There was a decline in the imports of sea vessels and yachts coming from Hong Kong, while lower imports from South Korea were due to a lower demand for fuel oil. In the meantime, imports from Japan also declined by 7.4 per cent, related to machinery and mechanical appliances. As at the end of July 2017, imports from Asian countries accounted for 16.1 per cent in total exports. Imports from ships and aircrafts also declined by €3.4 million, reaching a level of imports of €3.1 million.

7.3 Trade Balance

Historically, Malta has recorded a trade deficit which has widened over time, averaging at 27.0 per cent of Gross Domestic Product (GDP) at current market prices over the past five years. As at the end of July 2017, Malta's visible negative trade gap, which shows the difference between exports and imports of goods, increased by €241 million, resulting in a negative trade balance of €2,080.6 million. Total exports decreased by €736.9 million, surpassing the decrease in imports of €495.9 million and thus widening the trade deficit. Table 7.5 and Chart 7.3 illustrate these developments.

International trade in Malta has been highly influenced by the involvement of offshore oil bunkering activities and transhipment of oil. Such activities, however, may have a limited impact on the national accounts, balance of payments and employment data given their limited economic linkages to the Maltese economy. When excluding fuels from trade data, the visible trade gap increased by €160.2 million, amounting to €1,330.7 million over the January to July period of 2017. This reflects a decrease in non-fuel imports of €725.5 million, which exceeded the decrease in non-fuel exports of €565.3 million.

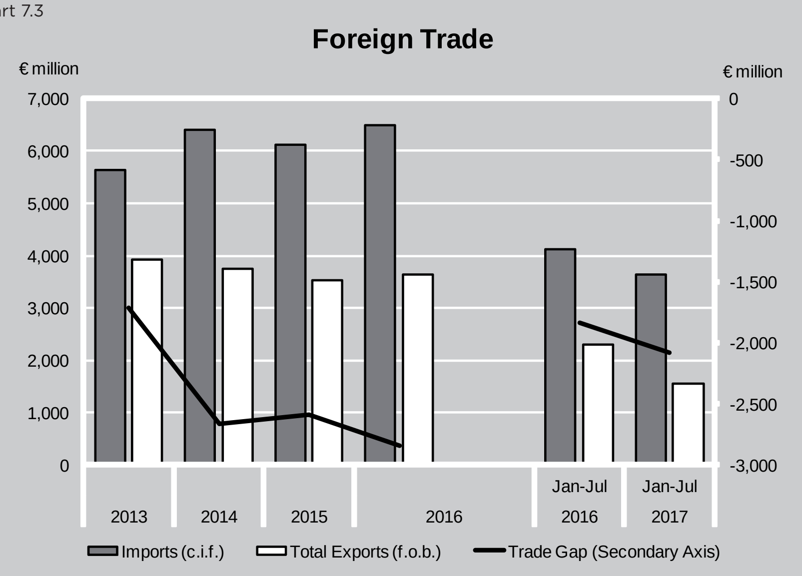
Foreign Trade

Table 7.5 € million

	2013	2014	2015	2016	2016 Jan-Jul	2017 Jan-Jul
Imports (c.i.f.)	5,639.6	6,401.6	6,114.8	6,491.1	4,132.4	3,636.5
Total Exports (f.o.b.)	3,925.5	3,738.7	3,528.0	3,645.9	2,292.8	1,555.9
Trade Gap	-1,714.1	-2,662.9	-2,586.8	-2,845.2	-1,839.6	-2,080.6

Source: National Statistics Office

Chart 7.3



7.3.1 Geographical Distribution – Trade Balance

Table 7.6 illustrates the trade balance held with a number of countries and regions. Malta has been registering a trade deficit with most countries within the EU, in particular Italy, the UK, the Netherlands and Spain. Throughout the period January to July 2017, the trade deficit continued to widen by 77.7 per cent with Spain, by 49.8 per cent with the UK and by 12.3 per cent with Italy, so that in total, Malta's trade deficit with the EU increased by €102.4 million, reaching €1,255.5 million.

With respect to countries outside the EU, the main development was Malta's trade balance with the USA, which from a trade surplus of €463.9 million in 2016 returned to a historical deficit of €102.4 million. A similar outcome occurred in the trade balance with Singapore, which shifted from a €73.5 million surplus to a €28.9 million deficit. As for Hong Kong, the trade surplus improved from €35.5 million to €70.8 million, while the trade

Trade Balances with Various Countries

Table 7.6 — € million

	2013	2014	2015	2016	2016 Jan-Jul	2017 Jan-Jul
EU	-1,999.4	-2,122.4	-2,554.3	-2,052.2	-1,153.1	-1,255.5
Italy	-1,256.3	-1,017.5	-1,162.2	-1,038.2	-562.9	-632.3
Germany	27.2	-15.4	-45.9	14.4	6.3	5.7
France	-32.6	-20.8	5.4	-29.6	-59.0	-11.9
UK	-201.7	-291.3	-292.4	-241.5	-147.3	-220.7
Netherlands	-155.1	-192.4	-407.3	-196.3	-126.0	-85.4
Spain	-133.8	-201.6	-193.8	-170.6	-64.5	-114.6
Other EU	-247.1	-383.5	-458.1	-390.4	-199.8	-196.3
Other Countries						
Libya	124.9	184.6	64.1	113.3	75.0	50.0
USA	-17.9	-446.1	-158.7	448.6	463.9	-102.4
Japan	147.5	56.8	39.3	91.6	-20.7	-11.9
Singapore	191.4	125.4	98.8	122.0	73.5	-28.9
China	-90.9	-124.3	-173.5	-158.7	-106.2	-101.5
Hong Kong	181.8	185.8	145.0	78.4	35.5	70.8

Source: National Statistics Office

surplus with Libya experienced a €25 million decline. In the meantime, improvements were registered in the trade deficit with Japan and China which decreased by €8.8 million and €4.7 million, respectively.

7.4 Balance of Payments

The present 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 (BPM6). 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.

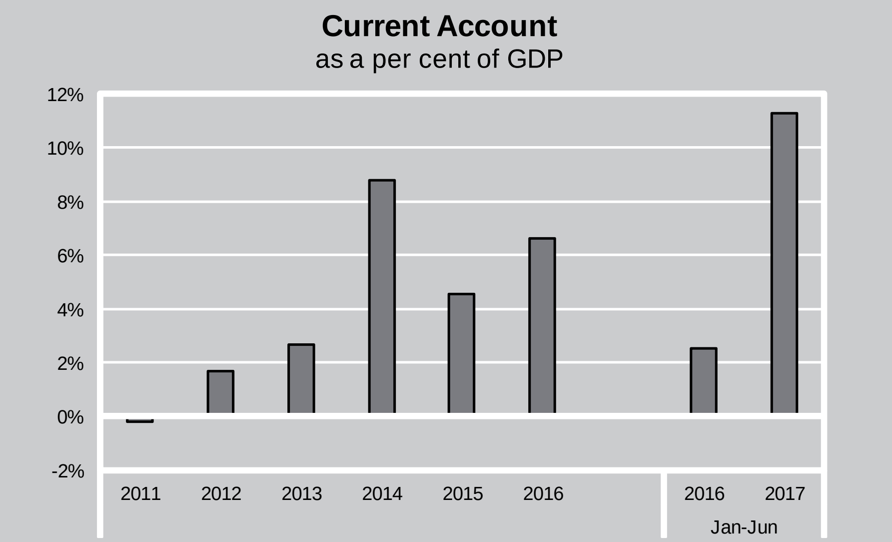
7.4.1 Current Account

Malta's current account has been recording a surplus since 2012, contingent mainly on structural developments, improved competitiveness of the Maltese economy from a supply perspective, developments in international capital flows, and supported by a demand-induced effect following the gradual global economic recovery from the financial crisis. In fact, Malta's current account surplus averaged at 4.9 per cent of GDP over the past 5 years (2012 to 2016). Whilst similar developments are also evident in the rest of the European continent, the main distinguishing factor in Malta is that the surplus is supported by a strong economic performance, a structural fiscal surplus and a substantial growth in investment activity suggesting that the surplus is more prominently a feature of structural improvements in the economy which can be sustained over time.

The current account balance for Malta has continued to record consistent surpluses mainly driven by the growth in net exports primarily related to services activity. A number of indicators also show that the domestic component of production of goods but more prominently of services, has also been increasing, a development that is consistent with the growing goods and services balance. The positive developments in the current account balance are even more pronounced when one considers that this was achieved despite a continued increase in net payments in the primary income account balance.

Throughout the first two quarters of 2017, a current account surplus of €587.8 million was registered, which is €465.0 million higher than the surplus managed throughout the first half of 2016. The factors underpinning this higher current account surplus include a decreasing deficit from trade in goods and further strong performance recorded in the services sector combined with increased inflows in the secondary account. These positive developments were sufficient to offset the higher outflows in the primary account when compared to the corresponding period last year. As at the end of June 2017, the current account balance stood at 11.3 per cent of GDP, while for the corresponding period in 2016 this balance stood at 2.6 per cent. In both instances, the surplus was mainly driven by the goods and services balance. Recent trends in the current account balance are presented in Chart 7.4.

Chart 7.4



7.4.1.1 The Goods and Services Account

The latest figures pertaining to the external balance indicate improved developments stemming from numerous fronts. The gradual global economic recovery following the financial crisis has resulted in an increased demand for Malta's exports. Also, the diversification of the Maltese economy not only smoothened the risk associated with the small size of the economy, but also contributed to improved competitiveness. Moreover, the shift from a goods-oriented to a services-oriented economy also improved competitiveness.

Despite continuous increases in the goods deficit resulting from higher imports over the years, the post-crisis surge in services exports by far outweighed the higher goods imports. In fact, the goods and services account has been the primary contributor towards the surplus in the current account.

As illustrated in Table 7.7, throughout the first half of 2017, the goods and services balance remained positive as exports exceeded imports by €797.8 million. This was €461.6 million higher than the external balance registered throughout the corresponding period in 2016. As shown in Chart 7.5, the external balance as a percentage of GDP now stands at 15.3 per cent, when compared to the 8.4 per cent average over the period 2012 to 2016.

During the first six months of 2017, net imports of goods declined by €254.8 million due to lower goods imports which were then partly offset by the decline in goods exports. Such developments are mainly explained by movements in transactions relating to general merchandise. The drop in goods imports of €266.5 million exceeded the decline in goods exports of €14.6 million, resulting in a merchandise trade deficit which declined by €251.9 million over 2016, reaching €748.6 million. As a share of GDP, the general merchandise trade deficit stood at 14.4 per cent.

While the goods account continues to register a persisting deficit, the Maltese economy continues to export more services than it imports. Indeed, the surplus in services increased from

Balance of Payments

Goods, Services and Income Account (Net)

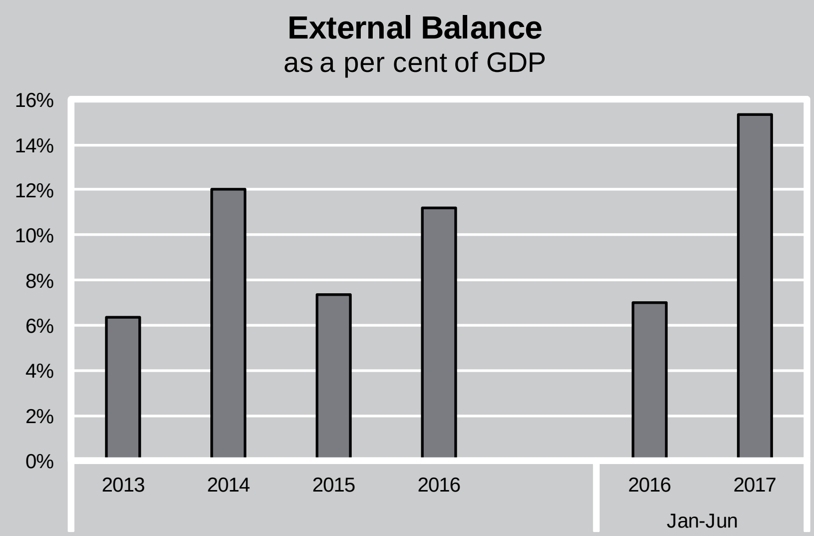
Table 7.7 € million

	2013	2014	2015	2016	2016 Jan-Jun	2017 Jan-Jun
GOODS						
General Merchandise Transactions	-1,125.5	-1,212.7	-1,928.9	-1,907.5	-1,000.5	-748.6
Nonmonetary Gold	-17.0	-9.6	-13.5	-10.9	-5.1	-2.5
Others	8.2	10.0	10.8	8.4	4.2	4.5
Total Goods	-1,134.3	-1,212.3	-1,931.6	-1,910.0	-1,001.5	-746.6
SERVICES						
Transportation	-87.1	-133.2	4.9	162.9	64.4	95.1
Travel	768.4	845.8	914.8	938.1	353.4	423.9
Other Services	937.1	1,514.0	1,693.1	1,921.5	919.8	1,025.4
Total Services	1,618.5	2,226.5	2,612.7	3,022.6	1,337.6	1,544.4
Total Goods and Services	484.2	1,014.2	681.1	1,112.6	336.2	797.8
INCOME						
Primary income	-427.9	-475.6	-465.1	-674.9	-322.5	-324.8
of which Compensation of employees	-19.1	-34.5	-34.6	-21.1	-10.2	-15.1
Secondary Income	147.3	205.4	208.4	220.8	109.1	114.8
Total Income	-280.6	-270.2	-256.7	-454.1	-213.4	-210.1
Total Goods, Services and Income	203.7	744.1	424.3	658.4	122.8	587.8

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 7.5



20.2 per cent of GDP in 2012 to 30.4 per cent of GDP in 2016. This is around double the average of 15.6 per cent of GDP recorded pre-crisis.

Throughout the first six months of 2017, the Maltese economy managed an invisible net export figure of €1,544.4 million, a rise of €206.8 million over January to June 2016. Although both services exports and imports experienced increases, the €323.6 million growth in exports more than offset the €116.8 million import growth.

The majority of net exports were composed mainly of developments in the personal cultural and recreation services sector, the travel sector and transport sector, where in each sector, imports were outweighed by exports. Notable developments in the other business services sector were also recorded, yet in this case imports continued to outweigh exports, resulting in a negative net exports balance.

The transport sector recorded an export figure of €402.9 million in the January to June period of 2017, an increase of €31.0 million over the corresponding period in 2016, while imports increased by a negligible €0.2 million to reach €307.7 million. Such an increase in the net exports balance was brought about by the continued expansion in the aviation industry in Malta. Indeed, this expansion in services was supported by the strong investment activity in transport equipment, particularly last year, which contributed to the rising deficit in the goods balance in view of the import content of this investment.

Furthermore, Malta has managed to register consistent improvements in the tourism sector. During the first six months of this year, the number of inbound tourists reached 1.0 million, an increase of 20.4 per cent when compared to the same period last year. This strong increase was mainly driven by a higher number of tourists that visited Malta for leisure purposes, although the number of business tourists also increased. The net exports registered by the travel sector were €423.9 million, since exports of €585.8 million outweighed the €162.0 million imports throughout the first half of the year.

This marks further improvements over and above the already buoyant performance in the sector, brought about by increased tourism activity in Malta when compared to the activity by Maltese residents abroad.

The personal, cultural and recreational sector maintained its strong performance as a key contributor to the services surplus. From January to June 2017, exports over the corresponding period in 2016 continued to grow by €160.5 million, reaching €1,742.1 million. When netted against the relatively low €76.9 million imports figure, net exports in the personal cultural and recreational sector increased by €154.5 million over the corresponding half of 2016, reaching €1,665.2 million. These developments are primarily attributed to the expansion of the remote gaming sector in Malta.

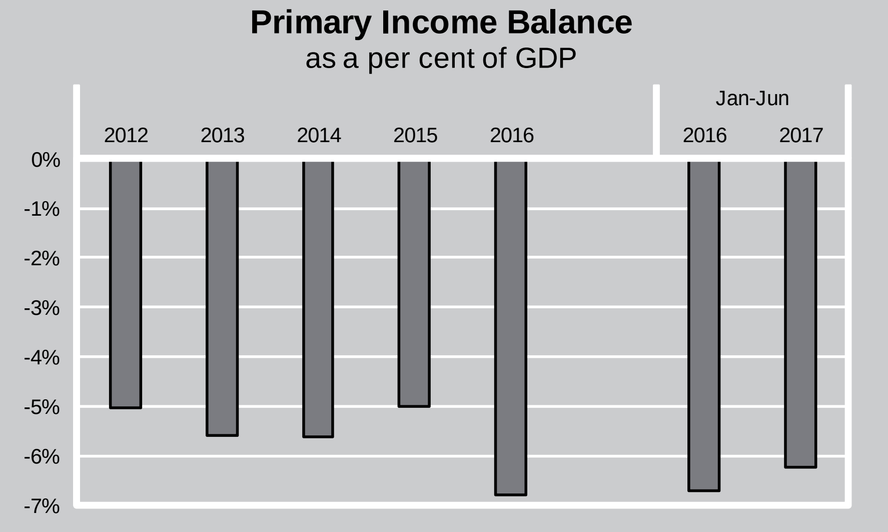
The financial services sector has also recorded an increase in net exports amounting to €16 million, mainly attributed to a €35.2 million decline in imports which exceeded the decrease in exports of €19.3 million.

When considering other business services, the negative net exports figure registered an increase of €19.6 million, since the increase in imports of other business services exceeded the growth in exports. A further disaggregation of this sector shows that the main increase in exports is attributed to an increase of €117.7 million in exports of professional and management consulting services. However, this was partly offset by a €44.2 million decline in exports of technical, trade-related and other business services. In terms of imports, both imports from professional and management consulting services as well as technical, trade-related and other business services increased by €51.3 million and €41.7 million, respectively. The overall result was an increase in the negative net exports of other business services from €706.2 million to €725.8 million.

7.4.1.2 Primary Income

The Primary income account has consistently registered net payments over the past few years, thus exerting a negative contribution on the current account balance. This implies that payments to foreigners for their investments in Malta exceed the receipts by domestic investors in foreign assets. In fact, as presented in Chart 7.6, the average primary account deficit as a percentage of GDP over the period 2012 to 2016 stands at 5.6 per cent. This is in part attributable to the composition of the stock of capital with a predominance of direct equity investments (liabilities) financing a large portion of domestic economic activity while the more limited investment in foreign assets by Maltese residents is predominantly made up of portfolio investments. The relatively strong rate of growth in the Maltese economy compared to that of our investment partners also supports a higher rate of return to foreigners on their domestic investments in Malta relative to the returns accruing to Maltese nationals on their holdings of foreign assets.

Chart 7.6



Throughout the first half of 2017, primary income net payments stood at €324.8 million, an increase of €2.3 million when compared to the corresponding period last year. The primary account deficit as a percentage of GDP stands at 6.2 per cent, which is 0.5 percentage points higher than the deficit recorded throughout the first half of 2016.

This increase in net payments is a result of a €118.7 million decline in net receivables which mitigated the €116.3 million decline in net payables. Net receivables as at the end of June 2017 stood at €4,791.5 million while net payables were recorded at €5,116.3 million.

Compensation of employees, which represents a minor component of the primary income account, contributed €15.1 million in net payments to the total balance. The investment income account contributed €267.1 million in net payments whilst other primary income contributed to €42.6 million in net payments.

A disaggregation of the investment income component shows that a decrease of €94.8 million in direct investment net payments was registered when compared to the corresponding period in 2016. This is mainly due to lower Foreign Direct Investment outflows related to a €225.3 million decline in dividends and withdrawals from income of quasi-corporations that were then partially offset by an increase in reinvested earnings outflows of €127.4 million. Coupled with a minor decrease in receivables, direct investment net payments stood at €4,369.9 million.

Throughout the first two quarters of 2017, portfolio investment net income receivables registered a decline of €103.6 million, attributed to a substantial decline in receivables. The dwindling portfolio investment net receivables figure is in fact the main contributor to the decline in primary income net payments when compared to the first half of 2016.

When compared to January to June 2016, other investment net receivables increased by €20.8 million over the first half of 2017,

Balance of Payments

Current Account

Table 7.8						€ million
	2013	**2014**	**2015**	**2016**	**2016 Jan-Jun**	**2017 Jan-Jun**
GOODS AND SERVICES						
Exports of Goods and Services	12,001.7	12,583.2	13,300.5	13,896.3	6,691.6	7,000.8
Imports of Goods and Services	11,517.5	11,568.9	12,619.4	12,783.7	6,355.4	6,203.0
Goods and Services Account	484.2	1,014.2	681.1	1,112.6	336.2	797.8
PRIMARY INCOME						
Income Received	10,099.3	10,290.2	10,059.1	9,855.9	4,910.1	4,791.5
Income Paid	10,527.2	10,765.8	10,524.2	10,530.8	5,232.6	5,116.3
Primary Income Account	-427.9	-475.6	-465.1	-674.9	-322.5	-324.8
SECONDARY INCOME (Net)						
General Government	777.3	818.8	813.3	833.6	416.1	416.7
Other Sectors	-630.0	-613.4	-605.0	-612.9	-307.0	-301.9
Secondary Income Account	147.3	205.4	208.4	220.8	109.1	114.8
Balance on Current Account	**203.7**	**744.1**	**424.3**	**658.4**	**122.8**	**587.8**

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

reaching €102.1 million. This was primarily related to a decline in interest payments abroad.

7.4.1.3 Secondary Income

Between January and June 2017, net receipts in the secondary income account rose by €5.7 million when compared to a year earlier, to stand at €114.8 million, as illustrated in Table 7.8. This increase was mainly due to a decline in net payments in personal transfers relating to financial corporations, nonfinancial corporations, households and NPISHs from €393.2 million to €387.4 million.

7.4.2 Capital Account

The Capital Account shows the capital transfers receivable or payable between residents and non-residents as well as the acquisition and disposal of non-produced non-financial assets between residents and non-residents. Malta's capital account balance has been recording net inflows over recent years, with the capital account balance as a percentage of GDP averaging at 1.6 per cent over the five-year period 2012 to 2016, as shown in Table 7.9. These net inflows were mainly driven by capital transfers receivable.

Malta's capital account balance increased from a net inflow of €41.8 million recorded in the first half of 2016 to €88.5 million recorded throughout the first half of 2017. This was driven by

Current, Capital and Financial Flows

Table 7.9 € million

	2013	2014	2015	2016	2016 Jan-Jun	2017 Jan-Jun
Capital Account	**133.2**	**142.8**	**167.3**	**79.3**	**41.8**	**88.5**
Financial Account	**-24.6**	**443.9**	**413.8**	**1,518.9**	**597.5**	**974.8**
Direct investment	**-7,036.9**	**-6,785.0**	**-8,908.7**	**-8,272.0**	**-4,178.2**	**-4,363.8**
Net acquisition of financial assets	-6,605.0	-6,546.5	-6,250.6	-6,056.8	-3,138.0	-3,015.5
Net incurrence of liabilities	431.9	238.5	2,658.1	2,215.3	1,040.2	1,348.3
Portfolio Investment	**9,141.4**	**13,206.0**	**4,899.7**	**4,813.3**	**3,054.7**	**3,685.3**
Net acquisition of financial assets	8,472.4	13,258.3	3,950.8	4,857.2	3,047.5	3,690.9
Net incurrence of liabilities	-669.0	52.2	-948.9	43.9	-7.1	5.6
Financial Derivatives	**-104.4**	**-573.2**	**-897.4**	**-40.0**	**17.8**	**-89.3**
Net acquisition of financial assets	185.2	321.9	288.9	223.8	184.9	39.3
Net incurrence of liabilities	289.6	895.0	1,186.3	263.8	167.1	128.6
Other investments	**-1,985.9**	**-5,416.0**	**5,393.7**	**4,929.4**	**1,549.0**	**1,661.5**
Net acquisition of financial assets	1,339.6	-2,049.3	-1,298.4	243.7	-1,536.6	3,117.1
Net incurrence of liabilities	3,325.5	3,366.7	-6,692.1	-4,685.7	-3,085.6	1,455.6
Reserves	**-38.8**	**12.0**	**-73.5**	**88.3**	**154.2**	**81.1**
Net Errors and Omissions	**-361.4**	**-443.0**	**-177.8**	**781.2**	**433.0**	**298.5**
				Percentage of GDP		
Current Account	2.7%	8.8%	4.6%	6.6%	2.6%	11.3%
Capital Account	1.7%	1.7%	1.8%	0.8%	0.9%	1.7%
Reserve Assets	-0.5%	0.1%	-0.8%	0.9%	3.2%	1.6%
Net errors and Omissions	-4.7%	-5.2%	-1.9%	7.9%	9.0%	5.7%

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

a substantial increase in capital inflows coupled with a slight decline in capital outflows. The developments in the capital account occurred as a result of higher net inflows from capital transfers relating to the general Government. The capital account as a percentage of GDP stood at 1.7 per cent, 0.8 percentage points higher than what was recorded in 2016.

7.4.3 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 2017, domestic residents held about €73.6 billion in direct investment assets, mainly composed of debt instruments which stood at €42.0 billion. Direct investment liabilities amounted to €176.9 billion, mostly in the form of equity and investment fund shares.

Throughout January to June 2017, foreign direct investment net liabilities decreased by €4.4 billion, attributed primarily to an increase in liability holdings of €1.3 billion coupled with a decrease of €3.0 billion in asset holdings. The latter was the direct result of a €3.4 billion decline in asset holdings on debt instruments, which were then partially offset by a €360.7 million increase in equity and investment fund shares. Similarly, the increases in liability holdings mainly developed following higher debt instruments liability holdings of €1.2 billion along with an increase equity and investment fund shares liability holdings of €176.4 million. During the period under review, both reinvested earnings from the assets side and the liabilities side increased by €3.5 million and €161.2 million, respectively.

In terms of portfolio investment, as at the end of the first half of 2017, assets held by domestic investors reached €110.5 billion, compared to the €3.6 billion portfolio investment liabilities. Portfolio investment asset holdings increased by €3.7 billion over the corresponding period of 2016. This was mainly composed of increases in long-term debt securities relating to deposit-taking corporations other than the central bank as well as debt securities in other sectors. Portfolio investment liabilities increased by €5.6 million due to increases in equity and investment fund shares which was enough to offset the decline in long-term debt securities relating to deposit-taking corporations other than the central bank. The above developments resulted in an overall increase in net portfolio investment of €3.7 billion.

Financial derivatives asset holdings amounted to €1.5 billion, while liabilities stood at €652.9 million. Net asset holdings decreased by €89.3 million throughout the first half of 2017. This was primarily due to a substantial increase in liability holdings of €128.6 million which surpassed the €39.3 million higher asset holdings.

Other investment assets held by domestic investors amounted to €46.4 billion as at the end of June this year, while other investment liabilities held by domestic investors amounted to €44.8 billion. In the financial account, the other investment category registered an increase in net asset holdings of €1.6 billion, reflecting a €3.1 billion surge in asset holdings which was partially offset by a €1.5 billion increase in liability holdings. The increase in total asset holdings was attributed to increased asset holdings in currency and deposits (€2.6 billion), trade credit and advances (€282.7 million) and other accounts receivable/payable (€714.0 million) as well as decreased loan liability holdings (€76.2 million) and other accounts receivable/payable liability holdings (€97.1 million). Meanwhile, the increase in total liability holdings resulted from higher liability holdings in currency and deposits (€1.3 billion), higher trade credit and advances (€331.9 million) and declining asset holdings in loans (€528.9 million).

Net errors and omissions throughout the first half of 2017 amounted to an inflow of €298.5 million equivalent to 5.7 per cent of GDP. All in all, the financial account registered a net inflow of funds amounting to €974.8 million, of which reserve assets amounted to €81.1 million, equivalent to 1.6 per cent of GDP.

8. Financial Developments

8. Financial Developments

In 2016, the general Government recorded a surplus of 1.0 per cent of Gross Domestic Product (GDP). During the eight months to August 2017, the difference between central Government recurrent revenue and total expenditure improved to €31.1 million - an improvement of €110.24 million when compared to the same period in the previous year. This improvement was mainly the result of higher recurrent revenue resulting from higher tax revenues reflecting in particular the impact of stronger economic growth, as well as further efficiency in revenue collection. Meanwhile, the public sector borrowing requirement decreased from €383.7 million to €60.3 million reflecting developments in the sinking fund contribution and direct loan repayment.

Local Monetary Financial Institutions' (MFIs) contribution to the stock of broad money (M3) of the Euro Area (EA) reached €19,576.0 million, in the period between January and July 2017, reflecting an increase of 9.9 per cent compared to December of 2016. In recent years, the European Central Bank (ECB) was vital in helping restore economic and financial stability by supporting the economic recovery in the aftermath of the global financial and economic crisis. Significant liquidity assistance was provided by the ECB to Euro Area (EA) banks. Recourse was made to conventional monetary policy tools in the initial stages of the crisis, while as the crisis intensified, the ECB opted for several non-conventional monetary policy measures. As the EA economy continues its gradual recovery, the ECB continues to work within its remit to support the economy by aiming to maintain the main objective of price stability. The Enhanced Credit Support, the Outright Monetary Transactions Programme, as well as, the addition of the Corporate Sector Purchase Programme (CSPP) to the Asset Purchase Programme (APP) and the adjustment of the parameters of the Public-Sector Purchase Programme (PSPP), were among the non-conventional monetary policy decisions adopted by the ECB.

In the early months of 2015, the Euro experienced declines against all the three major currencies - US Dollar, Sterling and

Japanese Yen - as a result of increased uncertainties surrounding the EA's sovereign debt markets. In the subsequent months, the Euro-Dollar exchange rate started to show greater stability, whereas the Euro to Japanese Yen rate continued to follow a downward path up until 2016. On the other hand, the Euro-Sterling exchange rate experienced notable increases in the build-up of the Brexit referendum and this appreciation was further maintained post the Brexit result in June of 2016. In 2017, the Euro appreciated against all three major currencies in light of an improved economic outlook for the EA.

Government Revenue and Expenditure

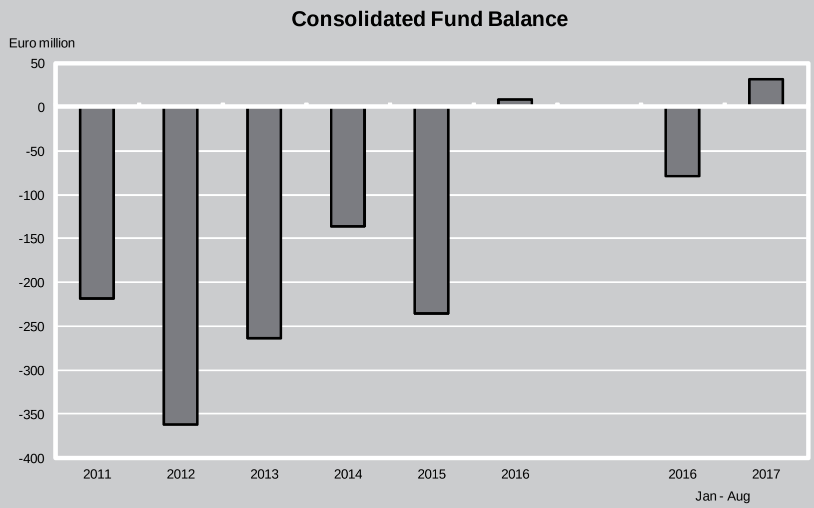
(January-August)

Table 8.1 — € million

	2014	2015	2016	2017
Recurrent Revenue	**1,986.8**	**2,222.4**	**2,322.6**	**2,583.8**
Tax Revenue	1,733.2	1,918.5	2,119.0	2,299.7
Direct Tax Revenue	1,052.5	1,137.4	1,263.3	1,364.0
Indirect Tax Revenue	680.7	781.1	855.7	935.7
Non-Tax Revenue	253.6	304.0	203.7	284.1
Total Expenditure	**2,196.7**	**2,363.4**	**2,401.8**	**2,552.7**
Recurrent Expenditure	1,790.8	1,939.3	2,063.7	2,221.6
Interest on Public Debt	151.8	152.7	149.8	144.4
Capital Expenditure	254.1	271.4	188.3	186.7
Balance of recurrent revenue and total expenditure	-209.9	-141.0	-79.1	31.1
Financed by:				
Receipts from sale of shares	0.0	0.7	1.1	0.9
Sinking Funds of Converted Loans	0.0	0.0	0.0	0.0
Sinking Fund Contribution and Direct Loan Repayments	-293.2	-79.7	-305.2	-90.2
Equity Acquisition	-13.8	-1.1	-12.5	-2.1
Repayment of Loan made by government	0.0	0.0	12.0	0.0
Public Sector Borrowing Requirement	-516.9	-221.1	-383.7	-60.3
Local Loans	573.8	258.3	438.7	257.8

Source: National Stastics Office

Chart 8.1



8.1 Public Finance

Unless otherwise stated, the analysis in this section is based on Government finance data as classified in the statement of the Consolidated Fund, where such data is defined on a cash basis rather than on an accruals system. Consequently, this data is to be interpreted with caution since developments in Government's 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 2014 to 2017 period, while Chart 8.1 illustrates trends in the consolidated fund balance.

8.1.1 Revenue

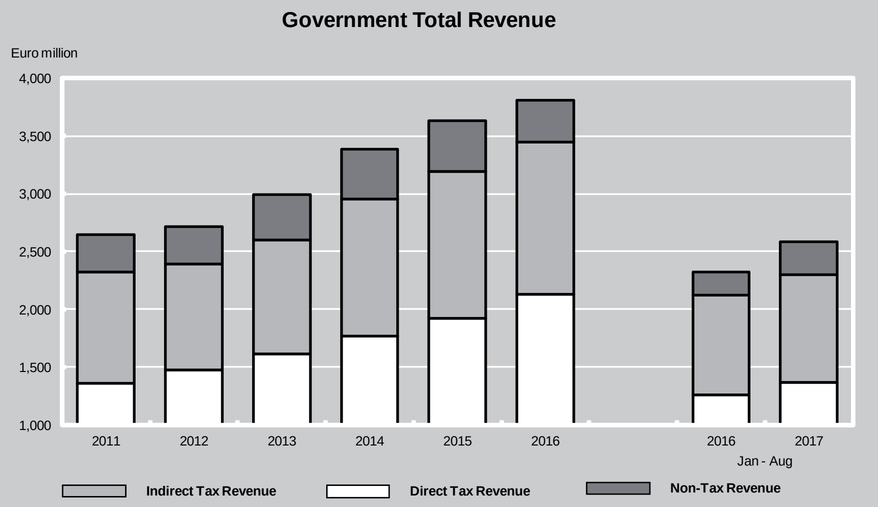
During the first eight months of 2017, recurrent revenue increased by €261.2 million, to reach €2,583.8 million. This increase was the result of higher revenues from taxes as well as from non-tax revenue components. Developments in the components of Government revenue for the periods January to August 2014 to 2017 are outlined in Appendix Table 8.1. Furthermore, Chart

8.2 illustrates recent trends in the components of Government revenue.

During the first eight months of 2017, the share of Government revenue from taxes stood at 89.0 per cent of total recurrent revenue. Revenue from taxes increased by €180.7 million, reaching €2,299.7 million during the period January to August 2017. This increase was mainly characterised by the robust performance of direct tax revenue which increased by €100.8 million, reaching €1,364.0 million in 2017 from €1,263.3 million in 2016. The increase in direct tax revenue reflects higher revenue from both income tax and social security contributions, as both revenue categories increased by around 8.0 per cent when compared to the corresponding period of the previous year. This increase in direct tax revenue reflects the impact of robust economic developments, as well as enhanced efficiency in revenue collection.

When compared to the same period of 2016, income tax receipts increased by €62.1 million during the first eight months of

Chart 8.2



2017, reaching €833.3 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. Additionally, during the first eight months of 2017, revenue from social security contributions increased by €38.7 million to reach €530.8 million. The positive developments in social security contributions are supported by the developments in the domestic labour market, confirming the reform measures aimed at improving the labour market participation rate, particularly of women, as well as the pension reform initiatives resulting in higher social contribution rates and a lower number of retirees reflecting the increase in the contribution period.

Meanwhile, revenue from indirect taxes also registered an addition of €80.0 million, increasing from €855.7 million in the first eight months of 2016 to €935.7 million in 2017. The increase in indirect tax revenue can be explained by the higher revenue from Value Added Tax (VAT). Higher proceeds from Custom and Excise duties were also recorded. Meanwhile, higher revenue was also registered from Licences, Taxes and Fines.

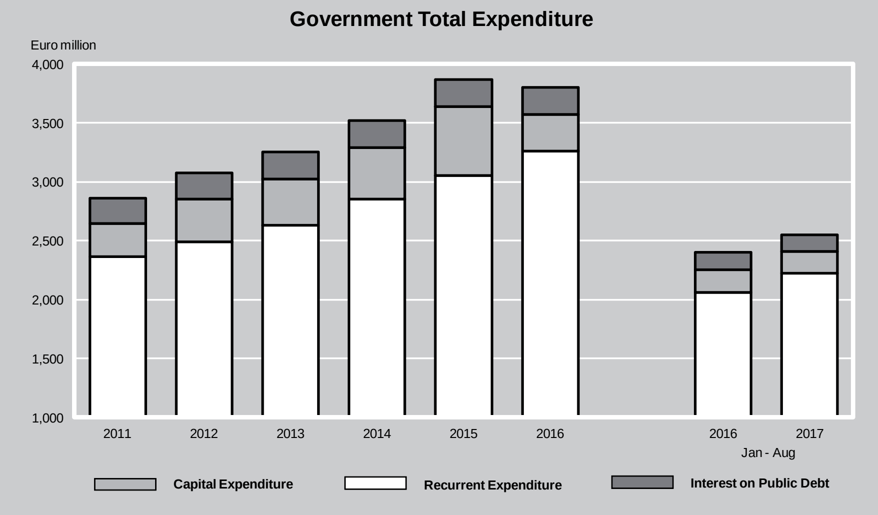
Receipts from VAT increased by €43.2 million to €517.8 million during the period under review. This increase is mainly sourced from services/manufacturing/traders. Furthermore, alongside a more pronounced consumption pattern evident in the Maltese economy, these developments partially reflect higher expenditure by foreign tourists in Malta. Receipts from custom and excise duties increased by €25.4 million to €196.0 million, mainly due to higher revenue from excise duty on petroleum. Additionally, revenue from licenses, taxes and fines increased by €11.5 million, reaching €222.0 million, reflecting higher proceeds from duty on documents.

Non-tax revenue, which mainly comprises of grants, fees of office and the transfer of profits generated by the Central Bank of Malta (CBM), increased by €80.4 million in the first eight months of 2017 and reached €284.1 million, when compared to the corresponding period in 2016. This increase was mainly underpinned by higher revenue from European Union (EU) grants, as re-imbursements in respect of foreign financed projects under the 2007-2013 financial framework, including those originally budgeted for in 2016, will continue to be received in 2017. Furthermore, during the first eight months of 2017, a significant increase in the revenue from Fees of Office of €33.6 million was also recorded, mainly as a result of proceeds from the Individual Investor Programme (IIP).

8.1.2 Expenditure

During January to August 2017, total Government expenditure increased by €150.9 million to reach €2,552.7 million. This increase is the result of an increase in recurrent expenditure, in part offset by lower interest on public debt and capital expenditure. Indeed, during the first eight months of 2017, recurrent expenditure amounted to €2,221.6 million, an increase of €157.9 million. Meanwhile, over the same period, outlays in respect of interest on public debt decreased by €5.3 million to €144.4 million, while capital expenditure decreased by €1.6 million to €186.7 million. Chart 8.3 illustrates recent trends in Government expenditure.

Chart 8.3



8.1.3 Recurrent Expenditure

Recurrent expenditure is classified under four categories, including 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. It also includes payments of own resources as contribution to the EU budget. During the period under review, this category of expenditure increased by €133.7 million to €1,367.9 million, mainly on account of higher outlays towards social security benefits, in particular retirement pensions and widow pensions. It is nevertheless worth noting that in part, additional outlays towards social security benefits also reflect seasonal conditions in the timing of payments due. Higher outlays were also recorded in respect of Health Concession Agreements, as well as EU own resources and the Presidency of the Council of the EU. However, lower outlays were recorded for the provision of spare capacity and due to the non-recurrence of international conventions, in particular the CHOGM 2015.

Contributions towards Government Entities include the funding of Government entities, Parastatals, Corporations and Authorities. Outlays towards this category of expenditure amounted to €241.4 million during the period under review, thus representing a marginal increase of €2.0 million when compared to the same period a year earlier.

Personal Emoluments include all salaries and wages paid to elected officials and civil servants, as well as any bonuses and supplements paid to employees in excess of standard remunerations including any allowances and overtime payments. In the period under review, this category of expenditure increased by €25.6 million to €501.7 million when compared to the corresponding period of the previous year. Higher personal emoluments were mainly recorded in respect of the health and education sectors.

During the first eight months of 2017, Operational and Maintenance expenditure which includes payments for utilities, contractual services, materials and supplies, transport and rent, decreased by €3.5 million over the same period in 2016, to €110.6 million. Higher outlays in respect of the elderly and community care were more than offset by lower operational and maintenance expenditure by the Ministry for Health.

Appendix Table 8.2 presents the developments in Government's recurrent expenditure on a cost centre basis for the first eight months of 2017. 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.

At 28.2 per cent of Government's total recurrent expenditure, Social Security Benefits make up the largest share of Government recurrent expenditure. Around 81.0 per cent of the social security benefits are contributory benefits, mainly retirement pensions, while the rest of the 19.0 per cent make up the non-contributory benefits, mainly social assistance and children's allowance. During the first eight months of 2017, welfare payments reached €625.9 million, as contributory benefits increased by €33.4 million mainly reflecting increases in outlays towards retirement pensions. Meanwhile, non-contributory benefits increased marginally by €1.2 million.

8.1.4 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-August 2016 and 2017. 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 2017, social protection expenditure accounted for 44.1 per cent of recurrent expenditure followed by health and education which accounted for 15.8 and 13.4 per cent respectively. When compared to the same period of 2016, recurrent expenditure increased by €157.9 million, mainly on account of higher expenditure towards social protection (+€50.7 million) and general public services (+€45.2 million). Other noteworthy developments were registered in respect of expenditure towards health (+€33.6 million). All the other categories also recorded an expenditure increase but to a lesser extent.

Chart 8.4

Expenditure by Functional Classification

January - August

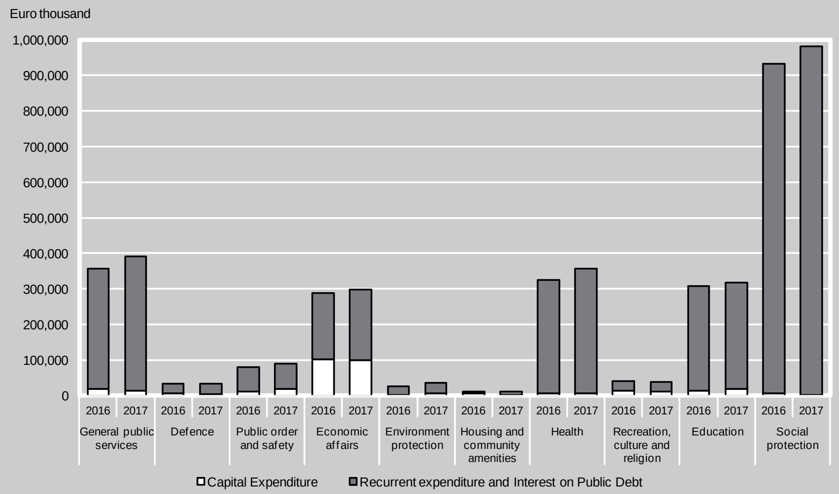


Chart 8.5

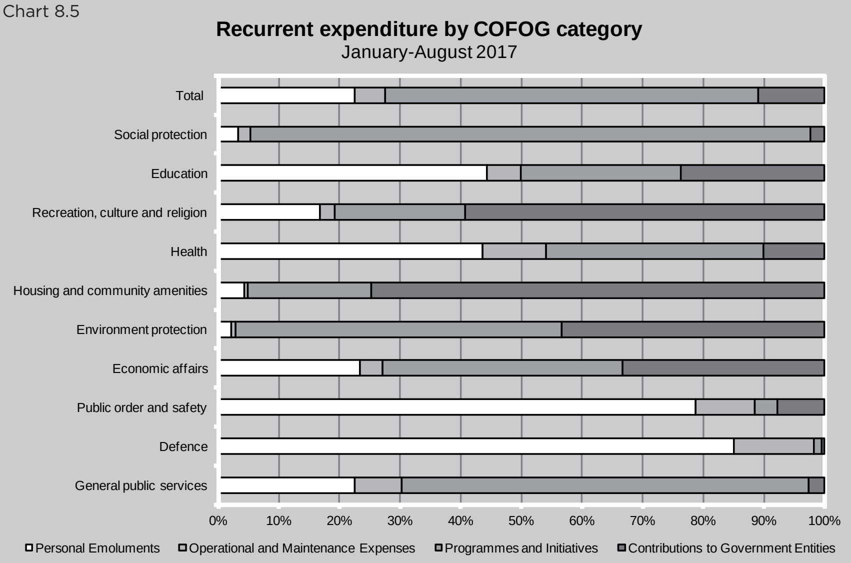


Chart 8.5 illustrates the components of recurrent expenditure for the main socio-economic functions of Government for the period January-August 2017. It is noted, that recurrent expenditure towards defence and public order and safety, and to a lesser extent that towards health and education, is mainly to finance personal emoluments. Meanwhile, above average expenditure on programmes and initiatives is registered by the social protection and the general public services categories. Expenditure towards housing and community amenities and recreation culture and religion mainly reflects contributions to Government entities classified under these categories of expenditure. It is also worth noting that operational and maintenance expenditure comprises the smallest share of Government outlays in each of the different Government functions.

8.1.5 Capital Expenditure

During the period January-August 2017, capital expenditure declined marginally to €186.7 million or 7.3 per cent of total Government expenditure. Based on the latest available expenditure data by economic function, during the period

January-August 2017, more than half of capital outlays were in respect of the ‘economic affairs’ category which includes nine groups being the ‘general economic, commercial and labour affairs’, ‘agriculture, forestry, fishing and hunting’, ‘fuel and energy’, ‘mining, manufacturing and construction’, ‘transport’, ‘communication’, ‘other industries’, ‘R&D economic affairs’ and ‘economic affairs n.e.c’. This category was followed by capital spending on education and public order and safety, which in aggregate amounted to three-quarters of total capital expenditure.

When compared to the corresponding period of 2016, higher capital expenditure was registered by the public order and safety, education and environmental protection categories, while a decrease in capital expenditure for all the other Government functions was recorded. During January-August 2017, capital expenditure on public order and safety increased by €7.2 million when compared to the corresponding period in 2016 while outlays on education and on environment protection increased by €6.7 million and €5.7 million, respectively. Meanwhile, a major decline in capital spending during the period under review over the January-August 2016 levels was noted for the housing and community amenities category, which decreased by €6.1 million.

8.1.6 International Comparison

The following is an analysis of the fiscal position of the EU Member States for 2016. 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 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 United States 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 2017 European Economic Forecast.

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

as a percentage of GDP

Table 8.2 per cent

	2014	2015	2016	2017F	2018F
Austria	-2.7	-1.1	-1.6	-1.3	-1.0
Belgium	-3.1	-2.5	-2.6	-1.9	-2.0
Bulgaria	-5.5	-1.6	0.0	-0.5	-0.3
Croatia	-5.4	-3.4	-0.8	-1.1	-0.9
Cyprus	-8.8	-1.2	0.4	0.2	0.7
Czech Republic	-1.9	-0.6	0.6	0.3	0.1
Denmark	1.4	-1.3	-0.9	-1.3	-0.9
Estonia	0.7	0.1	0.3	-0.3	-0.5
Finland	-3.2	-2.7	-1.9	-2.2	-1.8
France	-3.9	-3.6	-3.4	-3.0	-3.2
Germany	0.3	0.7	0.8	0.5	0.3
Greece	-3.7	-5.9	0.7	-1.2	0.6
Hungary	-2.1	-1.6	-1.8	-2.3	-2.4
Ireland	-3.7	-2.0	-0.6	-0.5	-0.3
Italy	-3.0	-2.7	-2.4	-2.2	-2.3
Latvia	-1.6	-1.3	0.0	-0.8	-1.8
Lithuania	-0.7	-0.2	0.3	-0.4	-0.1
Luxembourg	1.4	1.4	1.6	0.2	0.3
Netherlands	-2.3	-2.1	0.4	0.5	0.8
Poland	-3.5	-2.6	-2.4	-2.9	-2.8
Portugal	-7.2	-4.4	-2.0	-1.8	-1.9
Romania	-1.4	-0.8	-3.0	-3.5	-3.7
Slovakia	-2.7	-2.7	-1.7	-1.3	-0.6
Slovenia	-5.4	-2.9	-1.8	-1.4	-1.2
Spain	-6.0	-5.1	-4.5	-3.2	-2.6
Sweden	-1.5	0.3	0.9	0.4	0.7
United Kingdom*	-5.7	-4.3	-3.0	-2.9	-2.3
EU 28	-3.0	-2.4	-1.7	-1.6	-1.5
Euro Area	-2.6	-2.1	-1.5	-1.4	-1.3
United States	-4.8	-4.2	-4.8	-4.7	-5.2
Japan	-5.4	-3.5	-3.7	-4.2	-3.6
Malta	**-2.0**	**-1.3**	**1.0**	**0.5**	**0.8**

* 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

	2014	2015	2016	2017F	2018F
Austria	84.4	85.5	84.6	82.8	81.2
Belgium	106.7	106.0	105.9	105.6	105.1
Bulgaria	27.0	26.0	29.5	26.8	26.0
Croatia	86.6	86.7	84.2	81.9	79.4
Cyprus	107.1	107.5	107.8	103.4	99.8
Czech Republic	42.2	40.3	37.2	36.2	35.6
Denmark	44.0	39.6	37.8	36.7	36.0
Estonia	10.7	10.1	9.5	9.5	9.6
Finland	60.2	63.7	63.6	65.5	66.2
France	94.9	95.6	96.0	96.4	96.7
Germany	74.9	71.2	68.3	65.8	63.3
Greece	179.7	177.4	179.0	178.8	174.6
Hungary	75.7	74.7	74.1	72.6	71.2
Ireland	105.3	78.7	75.4	73.5	72.7
Italy	131.8	132.1	132.6	133.1	132.5
Latvia	40.9	36.5	40.1	38.5	36.0
Lithuania	40.5	42.7	40.2	42.4	38.9
Luxembourg	22.4	21.6	20.0	22.0	22.3
Netherlands	67.9	65.2	62.3	59.8	57.2
Poland	50.2	51.1	54.4	54.6	55.4
Portugal	130.6	129.0	130.4	128.5	126.2
Romania	39.4	38.0	37.6	39.3	40.9
Slovakia	53.6	52.5	51.9	51.5	49.8
Slovenia	80.9	83.1	79.7	77.8	75.5
Spain	100.4	99.8	99.4	99.2	98.5
Sweden	45.2	43.9	41.6	39.1	37.0
United Kingdom	88.1	89.0	89.3	88.6	87.9
European Union	88.4	86.5	85.1	84.8	83.6
Euro area	94.3	92.5	91.3	90.3	89.0
United States	104.6	105.2	107.4	107.8	108.7
Japan	236.1	238.0	238.6	239.4	240.5
Malta	**64.3**	**60.6**	**58.3**	**55.8**	**52.5**

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

Source: AMECO Database

In 2016, the Government deficit of both the EA and the EU decreased in absolute terms compared with 2015. Indeed, in the EA, the Government deficit-to-GDP ratio continued to decline from 2.1 per cent in 2015 to 1.5 per cent in 2016, and for the EU from 2.4 per cent to 1.7 per cent of GDP. Furthermore, the Government debt-to-GDP ratio improved in both the EA and the EU by 1.1 and by 1.4 percentage points, respectively. In 2016, the EA debt-to-GDP ratio declined by 1.1 percentage points to 91.3 per cent from 92.5 per cent in 2015, while that in the EU decreased by 1.3 percentage points to 85.1 per cent from 86.5 per cent in 2015. This improvement in the debt-to-GDP ratio was attributed to the changes in the nominal GDP level which outweighed the increase in the debt level. Historically-low interest rates also contributed to these improvements.

In 2016, Malta, together with Luxembourg, Sweden, Germany, Greece, the Czech Republic, the Netherlands, Cyprus, Estonia and Lithuania registered a Government surplus, while Bulgaria and Latvia reported a balanced budget. The lowest Government deficits as a percentage of GDP were recorded in Ireland, Croatia and Denmark. In the meantime, France and Spain had deficits higher than the 3.0 per cent of GDP benchmark, at 3.4 per cent and 4.5 per cent respectively, while the United Kingdom and Romania recorded a 3.0 per cent deficit in 2016. The most pronounced improvement in the deficit-to-GDP ratio was recorded by Greece, which registered a 6.7 percentage points improvement in the Government balance, to reach a surplus of 0.7 per cent of GDP from a deficit of 5.9 per cent in 2015. However, the budget balance deteriorated by 2.3 percentage points in Romania, from a deficit of 0.8 per cent of GDP in 2015 to -3.0 per cent of GDP in 2016. Malta recorded a Government surplus of 1.0 per cent of GDP in 2016, from a deficit of 1.3 per cent in 2015, placing Malta among the Member States with the best reported government balance in the EU and EA, second only to Luxembourg.

At the end of 2016, the lowest ratios of Government debt-to-GDP were recorded in Estonia, Luxembourg and Bulgaria. 16 Member States had Government debt ratios higher than 60.0 per cent of

GDP, with the highest registered in Greece, Italy and Portugal. Consequently, the EU and EA average government debt-to-GDP ratios remains above the 60.0 per cent of GDP benchmark. Nevertheless, it is worth noting that 19 Member States registered a decline in their debt ratios, including Malta. Indeed, Malta recorded a Government debt ratio of 58.3 per cent of GDP, down by 2.4 percentage points from 2015. In the meantime, by registering a decrease of 3.5 percentage points between 2015 and 2016, Slovenia recorded the major improvement in its debt ratio to 79.7 per cent in 2016. By contrast, Latvia reported the highest increase in its ratio by 3.6 percentage points to 40.1 per cent during the same period, but remaining below the 60.0 per cent threshold.

On the 16 of June 2017, the Council closed the excessive deficit procedures for Croatia and Portugal confirming their deficits had dropped below the EU's 3.0 per cent of GDP reference value. The Commission also decided to recommend the Council to close the excessive deficit procedure for Greece. If the Council follows the Commission's recommendation, this would leave only 3 Member States under the corrective arm of the Pact, down from 24 countries in 2011.

Furthermore, the Commission adopted reports for Belgium and Finland under the Article 126 (3) of the Treaty on the Functioning of the EU (TFEU), in which it reviews their compliance with the debt criterion of the Treaty. In both cases, the conclusion is that the debt criterion should be considered as complied with. Earlier this year, the Commission also addressed a warning to Romania on the existence of a significant deviation from the adjustment path toward the medium-term budgetary objective in 2016 and recommended the Council to adopt a recommendation for Romania to take appropriate measures in 2017 with a view to correcting the significant deviation. It is the first time that this procedure of the EU economic governance framework is being applied. It gives the authorities the opportunity to take corrective action in order to avoid a further worsening in public finances and the consequent opening of an excessive deficit procedure.

In 2016, the United States reported a Government fiscal deficit ratio of 4.8 per cent of GDP, representing a further worsening of 0.6 of a percentage point from that reported in 2015. The gross debt-to-GDP ratio increased by 2.2 percentage points from 105.2 per cent in 2015 to 107.4 per cent in 2016. Meanwhile, in Japan, the Government deficit-to-GDP ratio increased to 3.7 per cent of GDP in 2016 from 3.5 per cent in 2015. Furthermore, Japan's debt-to-GDP ratio increased to 238.6 per cent in 2016 from 238.0 per cent in 2015. In this context, it is noted that both the EU and the EA compare favourably to the United States and Japan with respect to both the deficit and debt ratios to GDP.

In the Spring 2017 European Economic Forecast, the European Commission observed that the European economy continued to grow at a steady rate in a context of global political uncertainties and other global challenges. The economy was at present benefitting from accommodative monetary policy, a broadly neutral fiscal stance (assuming no policy change), stronger confidence, the gradual recovery in global activity and robust job creation. Nevertheless, growth is not expected to strengthen much further as the economy remains burdened by legacies from the crisis such as high indebtedness and a fragile banking sector within some Member States.

Under a no-policy-change assumption, the deficit-to-GDP ratio is expected to fall to 1.3 per cent of GDP in the EA and 1.5 per cent in the EU in 2018, while the gross debt to-GDP ratio is forecast at 89.0 per cent of GDP in the EA and 83.6 per cent in the EU in the same year.

After the budget balance for Malta swung into surplus in 2016, the Commission's Spring Forecast expects the balance to remain positive but to moderate to 0.5 per cent of GDP. In 2018, under a no-policy-change assumption, the budget surplus is projected to improve further to 0.8 per cent of GDP. The government debt-to-GDP ratio, which fell below the 60.0 per cent threshold in 2016, is forecast to decline further to 55.8 per cent in 2017 and 52.5 per cent in 2018.

Box 8.1

General Government Budgetary Developments

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

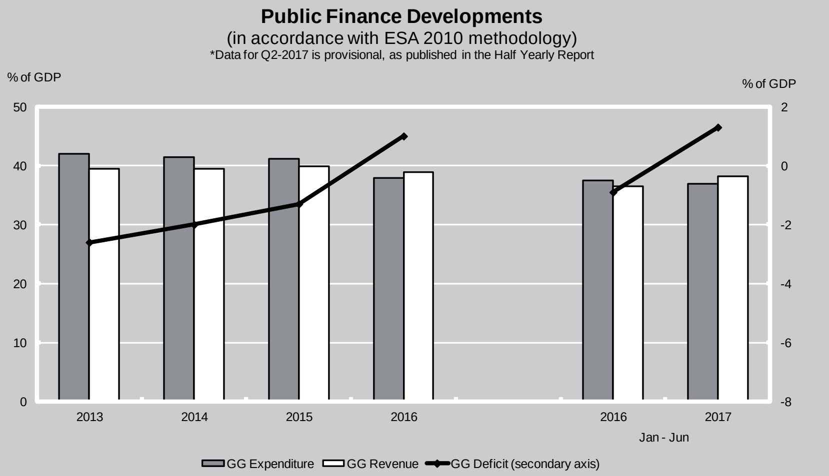
The following analysis relates to General Government budgetary developments during the first two quarters of 2017.

Given that General Government data in ESA 2010 for the second quarter of 2017 was not fully available by the cut-off date of this publication, the reported budgetary performance of General Government for the first half of 2017 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.

As confirmed in Chart 1, during the first half of 2017, the General Government balance was estimated at 1.3 per cent of GDP, which confirms a considerable improvement of 2.2 percentage

Box 8.1 continued

Chart 1



points when compared to the corresponding period of the previous year.

During the first six months of 2017, the revenue-to-GDP ratio is estimated to have increased from 36.5 per cent to 38.2 per cent. This increase is mainly on account of higher non-tax revenue, as the 'other' category of revenue is estimated to have increased by 2.2 percentage points of GDP, reflecting more buoyant proceeds from the IIP. All components of tax revenue, except for capital taxes, are estimated to have registered marginal declines while the tax burden is estimated to have declined by 0.5 of a percentage point of GDP.

When compared to the first two quarters of 2016, the expenditure-to-GDP ratio in the first half of 2017 is estimated to have decreased by 0.5 percentage points to 36.9 per cent of GDP. These developments primarily reflect lower ratios for most categories of expenditure, other than the 'other' category of expenditure, which primarily reflects higher EU Own Resources and intermediate consumption. It is worth noting that in 2017, expenditure on intermediate consumption includes expenditure related to Malta's Presidency of the EU

Box 8.1 continued

Council. Moreover, during the first two quarters of 2017, this category of expenditure involved added outlays due to Health Concession Agreements.

8.2 Monetary Developments

During the first seven months of 2017, the contribution of Maltese monetary financial institutions (MFIs) to the stock of EA Broad Money (M3) increased, mainly underpinned by higher overnight deposits. On the other hand, the contributions towards M3 of both deposits redeemable at notice up to three months and of deposits with an agreed maturity of up to two years were negative, albeit the former more marginally so. In addition, there has also been a decline in net claims on non-residents of the EA, while both the other counterparts component and the credit counterpart contributed positively to Broad Money. In the meantime, the commercial banks opted to maintain unchanged the tight lending conditions for corporations, while slightly relaxing credit standards for consumer credit. 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.

8.2.1 Contribution of Resident MFIs to Euro Area Monetary Aggregates

In the first seven months of 2017, the contribution of Maltese resident MFIs to total monetary aggregates (M3) of the EA registered an increase of 9.9 per cent, reaching €19,576.0 million when compared to €17,808.9 million registered in December 2016. The main factor which led to such an increase was a rise in overnight deposits. At the same time, slight negative contributions stemmed from both deposits redeemable at notice up to three months and deposits with an agreed maturity of up to two years. Table 8.4 illustrates the main developments in monetary indicators. This data reflects the continuous inclination towards maintaining short-term liquid money balances in the form of cash.

Between January and July 2017, narrow money (M1) reached €14,734.2 million, increasing by 8.7 per cent when compared to €13,550.9 million registered in December 2016. This was mainly due to a 9.1 per cent increase in overnight deposits during the same period as it reached €13,763.5 million in July 2017. Overnight deposits increased mostly during the second quarter of the year and slightly less in the first three months of the year. Subsequently, overnight deposits continued to increase

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

Table 8.4 — € million

	2016 (Dec)	**2017 (Mar)**	**2017 (Jun)**	**2017* (Jul)**	**Jul-17 - Dec-16**
					% Change
Narrow Money (M1)	13,550.9	13,877.7	14,472.0	14,734.2	8.7
Currency issued[2]	939.5	931.0	955.3	970.7	3.3
Overnight deposits[3]	12,611.4	12,946.7	13,516.7	13,763.5	9.1
Intermediate Money (M2)	17,713.2	18,045.1	18,564.4	18,729.4	5.7
Narrow Money (M1)	13,550.9	13,877.7	14,472.0	14,734.2	8.7
Deposits redeemable at notice up to 3 months[3]	105.0	93.8	53.1	51.2	-51.3
Deposits with agreed maturity up to 2 years[3]	4,057.3	4,073.5	4,039.3	3,944.1	-2.8
Broad Money (M3)[4]	17,808.9	18,958.7	19,426.0	19,576.0	9.9
Intermediate Money (M2)	17,713.2	18,045.1	18,564.4	18,729.4	5.7
Debt securities issued up to 2 years initial maturity	95.7	913.6	861.6	846.6	784.7

* Provisional

[1] Figures show the contribution of Maltese Monetary Financial Institutions (MFIs) to the Euro Area totals, and include deposit liabilities to both residents of Malta and other Euro Area residents.

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

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

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

Source: Central Bank of Malta

in the month of July. This dynamic reflected developments in deposits from both Maltese residents as well as deposits from EA residents albeit due to their share, the former represented the main contributors to the developments in total overnight deposits.

Currency issued registered an increase of 3.3 per cent between January and July 2017 reaching €970.7 million, however its positive contribution to M1 was low due to its small share. The overall increase in currency issued was underpinned by increases registered in the second quarter and in July which both outweighed a decline registered in the first quarter of the year.

During the period under review, deposits redeemable at notice up to three months declined substantially by 51.3 per cent when compared to December 2016, reaching €51.2 million. A significant decline in such deposits from Maltese residents was the main contributor to this development. Although to a lesser extent, three month deposits from other EA residents also registered a noticeable decline, however, their overall effect was practically negligible due to their very small share.

During the same period, there has been a slight decrease of 2.8 per cent in deposits with an agreed maturity of up to two years which reached €3,944.1 million in July 2017. These 'longer-term' deposits registered a slight increase throughout the first three months of the year, mainly due to slight increases in deposits from both Maltese and EA residents. This growth was reversed during the second quarter of 2017, mainly driven by lower deposits from residents of Malta which more than outweighed an increase registered in deposits from other EA residents. In the month of July, the decline in deposits with agreed maturity of up to two years intensified, although, conversely to the second quarter, this was underpinned by lower deposits from other EA residents which more than outweighed a small increase in deposits from Maltese residents.

As shown in Table 8.5, total resident deposits increased by 6.3 per cent between January and July 2017 when compared to

Resident Deposits

Table 8.5					€ million
	2014 (Dec)	**2015 (Dec)**	**2016 (Dec)**	**2017* (Jul)**	**Jul-17 - Dec-16**
					% Change
Overnight Deposits[1]	8,390.8	10,839.6	12,165.1	13,292.7	9.3
Deposits redeemable at notice up to 3 months	124.4	121.7	103.3	49.9	-51.7
Deposits with agreed maturity up to 2 years	3,893.7	3,487.8	3,162.0	3,061.4	-3.2
Total resident deposits	12,408.9	14,449.2	15,430.4	16,404.0	6.3

* Provisional

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

Source: Central Bank of Malta

December 2016 reaching €16,404.0 million. Such an increase is mainly due to the significant positive contribution from overnight deposits which increased by 9.3 per cent during the aforementioned period. At the same time, there has been a significant decline of 51.7 per cent in deposits redeemable at notice up to three months, while two-year maturity deposits declined slightly by 3.2 per cent. Nevertheless, due to its share, the latter was the main negative contributor towards total resident deposits growth as the overall negative contribution from the decline in deposits redeemable at notice up to three months was only marginal.

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

The developments in the contribution of resident MFIs to counterparts to EA monetary aggregates since the end of 2016 are portrayed in Table 8.6. Between January and July 2017, Maltese MFIs' contribution to the EA broad money stock (M3) increased, despite a decline in net claims on non-residents of the EA. The increase in resident MFIs' contribution was mainly due to an increase registered in the credit counterpart, as well

Contribution of Resident MFIs to Counterparts to Euro Area Monetary Aggregates

Table 8.6

	2016 (Dec)	2017 (Mar)	2017 (Jun)	2017* (Jul)	Jul-17 - Dec-16
					% Change
Broad Money (M3)[1]	17,808.9	18,958.7	19,425.9	19,576.0	9.9
Credit Counterpart[2]	17,012.7	17,616.0	17,602.6	17,760.7	4.4
Credit to residents of Malta	12,706.1	12,969.3	12,959.9	12,979.4	2.2
Credit to general Government	2,961.5	3,182.1	3,188.9	3,186.9	7.6
Credit to other residents	9,744.6	9,787.3	9,771.0	9,792.5	0.5
Credit to other Euro Area residents	4,306.6	4,646.7	4,642.6	4,781.3	11.0
Net claims on non-residents of the Euro Area	9,421.5	9,032.1	7,577.2	7,884.8	-16.3
Other counterparts (net)[3]	8,625.3	7,689.4	5,753.9	6,069.5	-29.6

* Provisional

[1] This does not represent holdings of M3 by residents of Malta but rather the contribution of MFIs in Malta to the Euro Area aggregate.

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

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

Source: Central Bank of Malta

as thanks to a decline in the other counterparts element, as both had an overall positive contributory effect.

In the period January to July 2017, the credit counterpart of broad money reached €17,760.7 million, signifying an increase of 4.4 per cent when compared to December 2016. Such development was mainly driven by higher credit to other EA residents, albeit credit to Maltese residents also increased in the period under review. In the first seven months of 2017, credit to other EA residents increased by 11.0 per cent, reaching €4,781.3 million when compared to December 2016. Lending to the private sector, which rose at a rate of 24.7 per cent, supported EA credit developments, outweighing the decline in credit to general Government which declined by 11.9 per cent during the same period. At the same time, lending to local residents increased by 2.2 per cent, reaching €12,979.4 million during the same comparative period. This was led by a 7.6 per cent increase in credit to general Government as credit to the private sector registered an increase of 0.5 per cent.

Table 8.7, illustrates the detailed developments in credit to Maltese residents, excluding general Government, underlying the 0.5 per cent increase in private sector loans during the first seven months of 2017 when compared to December of last year. The overall increase was primarily the result of higher loans given out to 'household and individuals' which increased by 3.3 per cent between January and July 2017 when compared to December 2016. Positive contributions also stemmed from increases in credit to the 'real estate, renting and business activities' (+3.1 per cent), 'wholesale, retail trade and repairs' (+2.2 per cent), 'construction' (+2.9. per cent) and 'manufacturing' (+5.5 per cent). Loans to the 'electricity, gas and water supply' category

Credit to Other Residents[1]

Loans by Economic Activity

Table 8.7

	2014 (Dec)	2015 (Dec)	2016 (Dec)	2017* (Jul)	Jul-17 - Dec-16 % Change
Total Credit	9,235.1	9,474.0	9,744.6	9,792.5	0.5
Total Loans[2]	9,101.9	9,205.4	9,428.6	9,533.8	1.1
Electricity, gas & water supply	393.0	264.7	274.8	279.5	1.7
Transport, storage & communication	379.3	369.2	304.0	275.2	-9.5
Manufacturing	271.1	274.8	259.1	273.3	5.5
Construction	712.9	515.0	485.9	500.1	2.9
Hotels & restaurants	368.0	404.9	344.8	301.4	-12.6
Wholesale & retail trade; repairs	811.7	814.1	780.1	797.4	2.2
Real estate, renting & business activities	677.6	713.1	764.1	787.5	3.1
Households & individuals	4,249.4	4,536.0	4,800.8	4,958.5	3.3
Other[3]	1,238.9	1,313.5	1,415.1	1,361.0	-3.8

* Provisional

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

(2) Data presented in this Table is compiled in accordance with NACE Rev2

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

Source: Central Bank of Malta

increased by 1.7 per cent, although due to their share this had a marginal impact on total loans. Declines in credit were registered in the 'transport, storage and communication', the 'hotels and restaurants' and 'other' category sectors which declined by 9.5 per cent, 12.6 per cent, and 3.8 per cent respectively.

Foreign capital from outside the EA also affects the growth dynamics in M3. Net claims representing the external counterpart of M3 declined significantly by 16.3 per cent during the first seven months of 2017 when compared to December 2016, which reached €7,884.8 million. Such development was mainly the result of a decline during the first half of the year which more than outweighed the increase registered in July 2017. The decline in net claims on non-residents of the EA was complemented by a lower level of the other counterparts net balance which declined by 29.6 per cent during the period January to July 2017 over December 2016, reaching €6,069.5 million. These developments followed the same dynamics in net claims, registering a decline throughout the first half of the year which more than offset an increase registered in the month of July 2017. The decline in the net claims component reflects a slowdown in resident credit institutions' liabilities to other EA banks with respect to their claims on them while the other counterparts' component mainly reflects interbank transactions across the EA and contributes negatively to M3.

8.2.3 The Money Market

Over the last decade, the ECB played a major role in restoring economic and financial stability, gradually aiding the economic recovery following the financial crisis. At first, European financial institutions were provided with important liquidity assistance as the ECB made recourse to traditional tools, including interest rate cuts. Nevertheless, as the financial turmoil escalated in September 2008, the ECB further stepped in by supplementing traditional monetary policy and introduced a number of non-conventional monetary policy measures which were unparalleled in nature, scope and magnitude. These measures had the main objective to safeguard the primary aim of maintaining price stability, while ensuring an effective and efficient monetary policy transmission mechanism. As the crisis unfolded, the ECB played a key role in supporting financial intermediation within the EA while looking after the refinancing tools of solvent banks and facilitating the restoration of confidence in financial markets. In recent years, during the economic recovery, the ECB continues working within its remit to support the European economy.

During the last month of 2015, the ECB announced further reductions to the interest rate on the deposit facility of 10 basis points to reach -0.30 per cent, while keeping unchanged the interest rates on the main refinancing operations and the marginal lending facility at 0.05 per cent and 0.30 per cent respectively. At the turning of the first quarter of 2016, the ECB Governing Council reduced by 5 basis points the interest rate on the main refinancing operations of the Eurosystem to 0.00 per cent. Similarly, both interest rates on the marginal lending facility and on the deposit facility were further decreased by 5 and 10 basis points, to reach 0.25 per cent and -0.40 per cent respectively. Moreover, during the same month of March, the ECB added the Corporate Sector Purchase Programme (CSPP) to the Asset Purchase Programme (APP) and announced a number of changes to the APP. For instance, the ECB decided that the combined monthly purchases under the APP were to increase as of 1 April 2016 to €80 billion from €60 billion.

Furthermore, investment-grade euro-denominated bonds issued by non-bank corporations established in the EA would be included in the list of assets eligible for regular purchases under the CSPP. The CSPP was intended to further strengthen the pass-through of the Eurosystem's asset purchases to the financing conditions of the real economy with purchases due to start towards the end of the second quarter of 2016. As a result, and in conjunction with the other non-standard measures in place, the CSPP aimed to provide further monetary policy accommodation and contribute to a return of inflation rates to levels below, but close to, 2.00 per cent in the medium-term. The eligibility under the Eurosystem's collateral framework (the rules that lay out which assets are acceptable as collateral for monetary policy credit operations) constitutes a necessary condition for determining the eligibility of assets to be purchased under the CSPP, subject to further criteria.

In addition, a new series of four targeted longer-term refinancing operations (TLTRO II), each with a maturity of four years, was launched (due to be starting in June 2016) whereby borrowing conditions for the aforementioned operations could be set as low as the interest rate on the deposit facility. The Governing Council also decided to adjust the parameters of the Public-Sector Purchase Programme (PSPP). The issuer and issue share limits for securities issued by eligible international organisations and multilateral development banks would be increased to 50.00 per cent.

Moreover, as of April 2016, the share of such securities purchased under the PSPP would be reduced from 12.00 per cent to 10.00 per cent on a monthly basis. To maintain the 20.00 per cent risk-sharing regime, the ECB's share of monthly PSPP purchases would be increased from 8.00 per cent to 10.00 per cent. In the subsequent month, the main interest rate tools available to the ECB remained unchanged. The decision to maintain the rates on the main refinancing operations, the marginal lending facility and the deposit facility remained unchanged up till July 2017.

By mid-2016, the Eurosystem started making purchases under its Corporate Sector Purchase Programme (CSPP). Moreover, the ECB started to conduct the first operation in its new series of targeted longer-term refinancing operations. In July 2016 and in subsequent months, the ECB confirmed that the monthly asset purchases of €80 billion would run until the end of March 2017, or beyond, if necessary, until a sustained adjustment in the path of inflation consistent with the ECB inflation target was achieved. The Governing Council of the ECB also confirmed that it expected the key ECB interest rates to remain at present or lower levels for an extended period of time, and well past the horizon of the net asset purchases.

In the last month of 2016, the Governing Council decided that as of April 2017, the net asset purchases would continue at a monthly pace of €60 billion until the end of December 2017, or beyond, if necessary depending on the progress towards the target inflation objective. To ensure the continued smooth implementation of the Eurosystem's asset purchases, the Governing Council decided to change some of the parameters of the APP, effective as of January 2017. Amongst the changes, in addition to the extension of the programme, the ECB decided that the maturity range of the PSPP would be broadened by decreasing the minimum remaining maturity for eligible securities from two years to one year. Moreover, the purchases of securities under the APP with a yield to maturity below the interest rate on the ECB's deposit facility would be permitted to the extent necessary.

Throughout the first seven months of 2017, the Governing Council reconfirmed that the net asset purchases, at the new monthly pace of €60 billion, were intended to run until the end of December 2017, or beyond, if necessary. The ECB maintained such a stance for the interest rate on the main refinancing operations and on the marginal lending facility and the deposit facility as these remained unchanged at 0.00 per cent, 0.25 per cent and -0.40 per cent, respectively up until July 2017. The Governing Council expects the key ECB interest rates to remain at such levels for an extended period of time, and well beyond the horizon of the net asset purchases.

EA credit institutions can receive Central Bank credit not only through monetary policy operations but exceptionally also through Emergency Liquidity Assistance (ELA). ELA aims to provide Central Bank money to solvent financial institutions that are facing temporary liquidity problems, outside of normal Eurosystem monetary policy operations. The rules and procedures surrounding the provision of ELA are laid down in the ELA agreement, which sets out the Governing Council's role in the provision of ELA by National Central Banks (NCBs), in particular when assessing whether the provision of ELA by Eurosystem NCBs interferes with the objectives and tasks of the European System of Central Banks (ESCB). The ELA agreement was published in June 2017 and replaces the ELA procedure that was in place since October 2013.

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.

The rates of interest charged on short-term loans between banks (interbank rates) are generally indicative of the risk appetite in financial markets. As the level of risk aversion rises, financial institutions would be less willing to exchange amongst themselves credit in the interbank market. During the first three quarters of 2013, interbank rates remained relatively unchanged. Subsequently, interbank rates experienced some increasing volatility up until the first half of 2014. However, from mid-2014 onwards, interbank rates were on a declining trend, leading to certain interest rate levels reaching negative values. This declining trend persisted till the second quarter of 2016 for the shorter-term rates which then stabilised in negative territory up until July 2017. Longer-term rates continued to decline throughout the second half of 2016 and during the first seven months of 2017, albeit remaining at higher levels than their shorter-term counterparts. The overnight rate reached a negative value of 0.36 per cent in July 2017. The one year and six month rates reached a negative value of 0.15 per cent and 0.27 per cent respectively in July 2017.

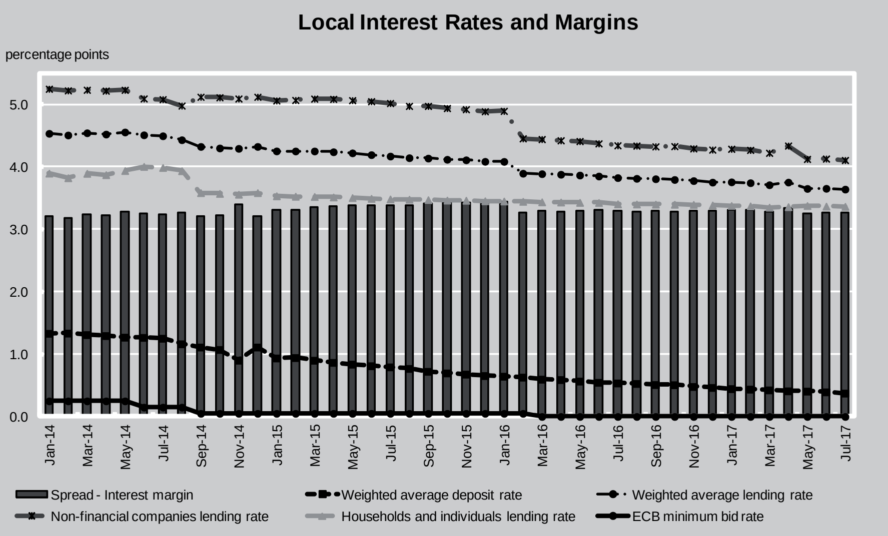
The interest rates of EA interbank money markets have a bearing on Maltese Treasury Bills, as they represent an alternative portfolio investment opportunity to the local investors. During the first eight months of 2017, the Maltese Government issued €376.2 million worth of Treasury Bills on the primary market. This level is €305.9 million lower than the level of Treasury Bills that were issued during the same period a year earlier. Yields in the primary and secondary markets for Malta Treasury Bills have been on a declining path since January 2013, while experiencing some volatility during 2014. In the first seven months of 2017 yields experienced a slight increase and as at July 2017, the yield on three-month bills in the primary market stood at a negative rate of 0.34 per cent whilst the yield on one-year bills stood at a negative rate of 0.19 per cent when compared to negative rates registered in July 2016 of 0.31 per cent and 0.28 per cent for three-month bills and one-year bills respectively.

No trades were executed in Treasury Bills for the period January-August 2017 and the comparable period of 2016.

8.2.4 Deposit and Lending Rates

Chart 8.6 below portrays developments in deposits and lending rates, together with the interest margin between their weighted averages and the ECB minimum bid rate. During 2014, the spread between weighted average deposit and lending rates experienced some fluctuation, peaking at 3.40 per cent in November 2014 before edging down again in the final month of the year. During 2014, the ECB minimum bid rate continued on a downward path reaching a low of 0.05 per cent in September. Over the course

Chart 8.6



of 2015 and up to January 2016, the spread level increased gradually before declining again in the subsequent month and remaining relatively stable, while the ECB rate dropped to 0.00 per cent in March 2016 and remained at this level thereafter. The spread dipped again in May 2017 and edged mildly upwards until July 2017. The dynamics of such a stable spread level between lending and deposit rates, reflects an overall marginal decrease in deposit rates and a corresponding minimal decline in lending rates from February 2016 onwards. As at the end of July 2017, the spread stood at 3.30 per cent, which represents the same level registered in January 2017.

8.2.5 The Capital Market

In the first eight months of 2017, the Government issued €258.9 million worth of stocks on the primary market. Moreover, €495.6 million worth of stocks were re-integrated into other issued stock during the period under review and total redeemed stocks amounted to €4.6 million.

Newly issued corporate bonds decreased by 3.0 per cent during the period January to August 2017, reaching €216.0 million as at August 2017 from €222.7 million registered in the first eight months of 2016. Redemptions of corporate bonds increased by €88.1 million over the period under review, reaching €95.6 million by end of August 2017. No deductions were registered as at August 2017, mirroring the situation in same period in 2016, while rollovers registered an increase of 4.8 per cent, reaching €66.5 million as at August 2017.

Table 8.8 portrays the secondary market trading activities related to Government stock. Trading activity between January and August 2017 was lower than during the same period last year, as indeed, turnover levels declined by 9.4 per cent, to reach €299.4 million. The number of deals during the first eight months of 2017 increased to 9,265 deals when compared to 7,514 in the period January to August 2016, reflecting an increase of 23.3 per cent. In the period under review, trading was mainly concentrated in two issues, namely: 2.1 per cent MGS 2039 and 2.5 per cent MGS

Table 8.8

Government Stocks

Activity on the Secondary Market

	2016 Jan-Aug	2017 Jan-Mar	2017 Apr-Jun	2017 Jul-Aug	2017 Jan-Aug
Turnover in Government Stocks:					
Nominal Value (€ million)	288.7	104.1	93	67.5	264.6
Market Value (€ million)	330.5	117.7	105.2	76.5	299.4
Number of Transactions	7,514	4,132	2,941	2,192	9,265
Average Value per Transaction (€)*	38,427	25,196	31,626	30,806	28,564
Amount sold by CBM (€ million)**		9.9	22.6	24.1	56.6
Amount bought by CBM (€ million)**		54.4	41.6	25.9	121.9

* Based on Nominal Values

** Based on Market Values

Source: Central Bank of Malta

2036, which registered 1,482 and 1,048 deals, respectively. The value transacted by the CBM in the local secondary Government bond market amounted to €178.5 million during the first eight months of 2017.

Table 8.9 portrays a number of secondary market indicators relative to the capital market. Aggregate turnover for equities increased slightly to €56.8 million in the first eight months of 2017, compared to a level of €54.4 million registered in the same period of 2016. During the months of January to August 2017, Bank of Valletta and HSBC Bank Malta share issues registered the largest level of trading activity standing at 2,285 and 810 deals, respectively.

As at August 2017, the Malta Stock Exchange Share Index closed at 8,925.1 reflecting a sharp increase of 101.0 per cent over the same period in 2016. Market capitalisation in the equity market

Selected Indicators of the Capital Market

Table 8.9

	2016 Jan-Aug	2017 Jan-Mar	2017 Apr-Jun	2017 Jul-Aug	2017 Jan-Aug
Corporate Bonds*					
Number of Listings**	54.0	55.0	55.0	53.0	53.0
Turnover (€ million)	35.4	21.6	20.0	12.3	53.9
Equities*					
Number of Issues Outstanding**	23.0	23.0	23.0	23.0	23.0
Turnover (€ million)	54.4	19.5	20.6	16.8	56.8
Total Listed Securities*					
Total Turnover (€ million)***	420.4	158.8	145.8	105.6	410.2
Market Capitalisation (€ million)**/***	12,171.2	12,305.7	12,463.5	12,433.4	12,433.4
MSE Ord. Share Index**	4,439.8	4,718.4	4,697.4	8,925.1	8,925.1

*Including the Alternative Companies listing

**As at end of period

***Including Malta Government Stocks and Treasury Bills

Source: Malta Stock Exchange

increased from €4,010.4 million in August 2016 to €4,370.1 million at the end of August 2017.

Total market capitalisation stood at €12,433.4 million at end August 2017, increasing by €262.2 million from the level of €12,171.2 million prevailing in the same month last year. This increase was underpinned mainly by increases in the market capitalisation for equities and to a lesser extent for corporate bonds. Market capitalisation for treasury bills and Government bonds decreased during the period under review. In particular, market capitalisation for treasury bills almost halved in the first eight months of 2017 when compared to the same period in 2016.

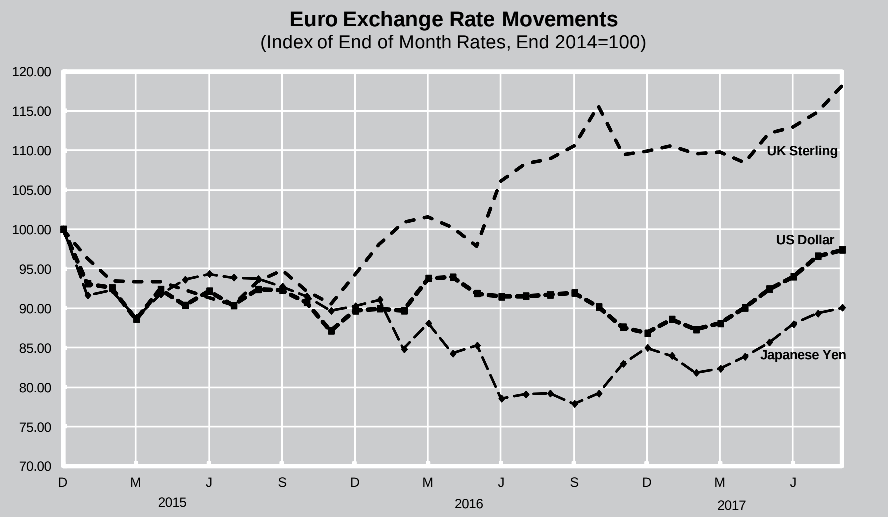
8.3 Exchange Rate Developments

Movements in exchange rates have economy-wide implications ranging from influencing the overall price competitiveness of the country's exports, hence influencing international trade flows, to impacting the real return of an investor's portfolio. As a result, exchange rates developments affect economies, firms and also consumers, thus having a bearing on both the real, as well as the financial sectors of an economy.

Chart 8.7 shows the developments in exchange rate markets since the end of 2014, portraying an indexed Euro exchange rate against the three major currencies, namely the US Dollar, UK Sterling and the Japanese Yen. The Euro experienced sharp declines against all three major currencies in the early months of 2015 as a result of increased uncertainties in the EA's sovereign debt markets. Thereafter, the Euro to US Dollar exchange rate started to show greater stability, whereas the Euro to Japanese Yen rate continued to follow the downward path. With regards to the Euro-Sterling exchange rate, a notable appreciation was experienced following the Brexit referendum. In 2017, the Euro appreciated against all three major currencies in light of an improved economic outlook for the EA.

The Euro to US Dollar followed a downward path during the second half of 2014, and the depreciation intensified during the

Chart 8.7



first 3 months of 2015, reaching a 12-year low of US$1.05 by mid-March 2015, standing around 22.0 per cent lower than the level prevailing in the same comparable period a year earlier. This was the result of a number of factors, namely the possibility of a Greek exit from the Euro zone, along with a weak economic activity by a number of EA Member States, the expected tightening of monetary policy in the USA 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, after which it declined back to a US$1.06 level by the end of November 2015 amid continued non-standard interventions by the ECB. The Euro-US Dollar exchange rate was relatively stable in the subsequent months hovering towards a value of US$1.12 up until October 2016, after which it declined again, reaching US$1.04 by December 2016. The Euro-Dollar exchange rate gained momentum in the subsequent months following better prospects in the Euro zone and was trading at US$1.18 by the end of August 2017. From a longer-term perspective, it was trading at around 8.7 per cent below its 10-year average level of US$1.30.

The Euro-Sterling exchange rate followed a downward trend during 2014 and the depreciation in the exchange rate continued during the first quarter of 2015, with the rate reaching a 7-year low of £0.71 by mid-March 2015, representing an 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 value of the Euro relative to the Sterling persisted in the following months reaching £0.70 in the beginning of August 2015. A strengthening of the Euro against the UK Sterling was observed in the subsequent weeks before depreciating again in November reaching £0.70 by the end of the month. 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 the EA 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 24th 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 Sterling and the relative exchange rate reached £0.90 by end of October 2016, albeit depreciating slightly in the following weeks. By the end of 2016, the sterling was trading at £0.85 against the Euro and it hovered around the same rate for the subsequent five months. It then followed a gradual appreciation as a result of better EA prospects, and was trading at £0.92 by the end of August 2017 which, from a longer-term perspective, is 11.6 per cent above its 10-year average level of £0.84.

Following an overall sharp appreciation of the Euro in respect of the Japanese Yen during 2014, where it peaked at a 7-year high of around JPY 148, the value of the Euro against the Yen depreciated during the first months of 2015 with the rate reaching JPY 126.96 by mid-April 2015 as a result of distress in the European markets. 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, standing at JPY 130.97 by the end of 2015. The downward trend persisted in the subsequent months and the Euro was trading at JPY 123.97 by the end of May 2015. The uncertainty surrounding the Brexit intensified the depreciation of the Euro against the Japanese Yen with the rate falling from JPY 120.7 to JPY 113.62 in just 1 day following the announcement of Brexit. The exchange rate seemed to stabilise thereafter, hovering around JPY 114 up to the end of November 2016, after which it appreciated again reaching the rate of JPY 123.08 by the end of 2016. This upward trend in the exchange rate was thereafter observed in 2017 as a result of an improved outlook for the EA, and the Euro against the Japanese Yen was trading at JPY 130.81 by the end of August 2017 – representing 13.7 per cent increase when compared to the level prevailing in the corresponding month of the previous year. From a longer-term perspective, the Euro against the Japanese Yen is currently trading at 2.7 per cent above the 10-year average mark of JPY 127.35.

Government Revenue

(January-August)

Appendix Table 8.1 € thousand

	2014	2015	2016	2017
Tax Revenue	**1,733,182**	**1,918,470**	**2,118,960**	**2,299,698**
Direct Tax Revenue	1,052,515	1,137,357	1,263,274	1,364,038
Income Tax	629,051	693,976	771,170	833,252
Social Security	423,464	443,381	492,105	530,786
Indirect Tax Revenue	680,667	781,113	855,685	935,660
Customs and Excise Duties	96,905	160,222	170,594	195,957
Licences, Taxes and Fines	161,313	180,307	210,493	221,952
Value Added Tax	422,449	440,584	474,598	517,751
Non-Tax Revenue	**253,619**	**303,960**	**203,670**	**284,091**
Fees of Office	25,175	29,154	32,997	66,566
Reimbursements	14,738	15,413	16,708	22,993
Rents	20,145	21,515	22,253	22,088
Dividends on Investments	4,306	9,273	12,441	19,125
Repayment of Government Loans and interest	1,031	132	73	34
Miscellaneous Receipts	15,739	33,050	24,158	22,839
Public Corporations	0	0	0	0
Central Bank of Malta	37,000	36,000	36,000	36,000
Grants	135,485	159,423	59,041	94,447
Recurrent Revenue	**1,986,801**	**2,222,430**	**2,322,630**	**2,583,789**
Extraordinary Receipts	0	700	1,131	889
Loans	573,841	258,287	438,669	257,770
Repayment of Loans made by Government	0	0	11,984	0
Total Revenue	**2,560,642**	**2,481,418**	**2,774,413**	**2,842,448**

Source: The Treasury, Ministry for Finance

Government Recurrent Expenditure

(January-August)

Appendix Table 8.2 € thousand

	2014	2015	2016	2017
Office of the President	1,715	2,291	2,683	3,412
House of Representatives	1,909	2,306	2,826	2,855
Office of the Ombudsman	700	800	600	900
National Audit Office	1,980	2,025	2,160	2,363
Office of the Prime Minister	17,161	17,621	24,248	21,560
Public Service Commission	280	339	363	371
Information	711	742	676	616
Government Printing Press	845	840	825	864
Electoral Office	6,310	6,841	1,224	6,636
Government Property Division	4,777	4,808	4,516	0
Ministry for European Affairs and Implementation of the Electoral Manifesto	5,283	7,697	16,232	34,650
Ministry for Foreign Affairs	12,847	14,129	15,013	16,438
Ministry for Tourism [Culture and the Environment]	42,406	31,511	44,275	42,776
Local Government	27,619	26,809	27,405	29,918
Ministry for Education and Employment	138,543	164,874	170,956	168,687
Education	120,072	129,329	137,783	146,070
Ministry for Sustainable Development, the Environment and Climate Change	29,851	29,345	31,654	40,356
Ministry for Transport and Infrastructure	57,680	54,402	60,801	59,952
Ministry for Gozo	16,678	16,786	18,186	19,616
Ministry for Social Dialogue, Consumer Affairs and Civil Liberties	6,234	6,566	6,917	8,497
Industrial and Employment Relations	784	781	960	986
Ministry for the Economy, Investment and Small Business	18,250	20,006	21,135	12,438
Trade Services [Commerce]	1,033	1,036	1,115	981
Ministry for the Family and Social Solidarity	32,161	42,452	40,798	51,249
Social Policy [Security]	131,419	137,665	151,893	163,030
Social Security Benefits	530,958	568,960	591,399	625,949
Social Welfare Standards	611	675	678	691
Elderly and Community Care	48,963	52,141	60,998	67,266
Ministry for Home Affairs and National Security	18,757	14,145	8,876	8,919
Armed Forces of Malta	24,694	26,672	27,145	29,514

Government Recurrent Expenditure

(January-August)

Appendix Table 8.2 continued — € thousand

	2014	2015	2016	2017
Police	34,102	35,332	35,357	36,749
Correctional Services	6,276	6,749	6,755	7,312
Probation and Parole [Services]	541	597	647	677
Civil Protection	2,699	2,899	3,467	3,356
Land and Public Registry Division	3,000	0	0	0
Judicial	8,033	8,369	8,591	9,347
Ministry for Finance	69,268	71,873	67,116	87,372
Treasury	3,110	3,793	4,095	5,355
Pensions	62,116	62,078	64,814	69,917
Inland Revenue	4,702	5,010	5,269	5,352
V.A.T.	3,639	3,430	4,149	4,853
Customs	7,346	6,973	6,855	6,322
Contracts	779	918	987	920
Economic Policy	737	790	745	865
Ministry for Energy and the Conservation of Water	19,714		0	0
Ministry for Health [the Elderly and Community Care]	263,512		0	0
Ministry for Energy [the Conservation of Water] and Health		35,603	41,819	0
Ministry for Health		293,918	313,936	348,713
Ministry for Justice, Culture and Local Government		16,365	24,753	26,180
Energy and Projects				31,006
Ministry for Competitiveness and Digital, Maritime and Service Economy				9,715
Recurrent Expenditure	**1,790,803**	**1,939,291**	**2,063,693**	**2,221,572**

Note: [ ] denotes change in name of cost centres

Source: The Treasury, Ministry for Finance

Government Expenditure by COFOG category

(January-August)

Appendix Table 8.3

€ thousand

COFOG	Personal Emoluments			Operational and Maintenance Expenses			Programmes and Initiatives			Contributions to Government Entities		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
General public services	45,370	48,592	52,245	17,310	17,092	18,132	110,286	114,728	155,943	4,858	6,660	5,987
Defence	22,764	24,028	25,351	3,717	2,994	3,909	191	255	397	0	0	130
Public order and safety	51,714	53,388	55,924	7,063	6,523	6,966	5,428	2,741	2,650	5,246	5,337	5,541
Economic affairs	43,426	43,909	45,954	7,725	9,992	7,398	71,487	73,775	77,924	39,643	59,973	65,776
Environment protection	501	556	642	78	77	206	11,526	12,345	15,704	7,701	11,907	12,662
Housing and community amenities	1,750	1,638	437	683	503	52	6	0	2,039	2,177	1,967	7,488
Health	135,215	143,637	152,680	36,568	42,666	36,361	91,020	98,015	125,847	33,383	32,058	35,066
Recreation, culture and religion	5,120	5,266	4,393	834	648	659	8,906	6,628	5,633	10,560	13,519	15,550
Education	117,138	124,081	131,861	13,978	15,804	16,525	78,208	75,811	78,259	74,242	78,615	70,631
Social protection	27,176	31,015	32,221	14,146	17,717	20,355	812,141	849,832	903,472	20,005	29,400	22,603
Total	**450,175**	**476,109**	**501,708**	**102,103**	**114,017**	**110,563**	**1,189,199**	**1,234,130**	**1,367,869**	**197,815**	**239,437**	**241,432**

	Interest Expenditure			Capital Expenditure			Total expenditure		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
General public services	152,740	149,770	144,439	27,390	19,713	14,723	**357,954**	**356,556**	**391,470**
Defence	0	0	0	25,325	7,314	3,219	**51,997**	**34,591**	**33,006**
Public order and safety	0	0	0	2,650	10,923	18,085	**72,101**	**78,912**	**89,165**
Economic affairs	0	0	0	87,124	101,101	99,814	**249,406**	**288,751**	**296,866**
Environment protection	0	0	0	40,847	1,407	7,125	**60,653**	**26,292**	**36,339**
Housing and community amenities	0	0	0	12,397	7,715	1,581	**17,013**	**11,823**	**11,597**
Health	0	0	0	17,397	7,462	7,060	**313,583**	**323,837**	**357,014**
Recreation, culture and religion	0	0	0	19,200	14,140	12,674	**44,620**	**40,202**	**38,909**
Education	0	0	0	32,348	13,067	19,763	**315,913**	**307,378**	**317,038**
Social protection	0	0	0	6,725	5,464	2,629	**880,194**	**933,428**	**981,280**
Total	**152,740**	**149,770**	**144,439**	**271,403**	**188,307**	**186,674**	**2,363,433**	**2,401,770**	**2,552,685**

Statistical Annex

Population

Table I

	2009	2010	2011	2012	2013	2014	2015	2016
Total Population (000's)	414,027	414,989	417,546	421,364	425,384	429,344	434,403	440,433
Males (000's)	206,203	206,405	207,695	209,880	212,424	214,735	217,569	220,914
Females (000's)	207,824	208,584	209,851	211,484	212,960	214,609	216,834	219,519
% Increase per annum	0.8%	0.2%	0.6%	0.9%	1.0%	0.9%	1.2%	1.4%
Natural Increase per annum	808	888	898	712	796	921	883	1,134
Crude Birth Rate (per 1000 population)	9.8	9.4	10.0	9.8	9.5	9.8	10.0	10.2
Crude Mortality Rate (per 1000 population)	7.8	7.3	7.8	8.1	7.6	7.7	8.0	7.6
Crude Marriage Rate (per 1000 population)	5.7	6.3	6.2	6.7	6.1	6.7	7.0	6.9
Infant Mortality Rate (per 1000 births)	5.5	5.6	6.5	5.3	6.7	5.0	5.8	7.4
Life Expectancy (at birth)								
Males	77.9	79.3	78.7	78.6	79.6	79.8	79.7	80.4
Females	82.7	83.6	83.0	83.0	84.0	84.3	84.0	84.3
Life Expectancy (at age 65)								
Males	16.8	18.5	17.7	17.6	18.4	18.5	18.7	19.6
Females	20.6	21.1	21.0	21.0	21.5	21.7	21.6	22.1

Source: National Statistics Office

Social Indicators

Table II

	2009	2010	2011	2012	2013	2014	2015	2016
GDP at current market prices per capita (€)	14,883	15,923	16,426	17,078	18,051	19,781	21,472	22,723
Quality of Life								
Motor Vehicle Licences per 1,000 population	725.1	734.2	747.1	746.4	762.6	780.8	798.6	815.0
Internet Subscriptions per 1,000 population[(2)]	266.5	293.1	308.2	322.2	336.2	353.0	375.7	388.9
Mobile Phone Subscriptions per 1,000 population[(2)]	1,019.5	1,097.8	1,249.6	1,263.1	1,308.6	1,272.2	1,283.6	1,346.2
Fixed Telephone Lines per 1,000 population[(2)]	596.3	596.7	556.1	545.2	543.8	536.5	530.0	526.3
Education[(1)]								
Number of teachers (000)	9.5	7.7	8.6	8.0	7.8	8.0	8.2	
Number of pupils/students (000)	83.1	84.0	79.0	78.6	78.5	78.5	79.6	
of which:								
University students (All Courses)	9,724	10,004	10,188	10,533	10,873	10,957	11,115	
Electricity								
Total Generated (000 MWh)*	2,167.0	2,113.0	2,169.0	2,268.0	2,216.0	2,170.0	2,257	2,248
Number of Consumers (000)*	265.7	260.5	265.7	272.2	277.6	283.9	289.5	295.0
Domestic Consumption (million kwh)*	443.3	604.3	597.2	616.0	608.8	604.3	644.1	641.4
Water								
Total annual production (million m)	29.2	28.8	29.6	30.8	30.5	30.4	31.2	32.0
Average daily consumption (000 m)	68	68	69	72	73	73	76	77
Social Security								
Total Payments (€ million)	1,027.7	1,096.4	1,106.7	1,190.3	1,264.0	1,352.9	1,411.6	1,502.4
Total Contributions (€ million)	526.1	552.1	585.6	609.7	645.3	699.2	739.6	804.4
Welfare Gap (€ million)	501.6	544.3	521.1	580.6	618.7	653.7	672.0	698.0

*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

Table III

€ million

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2012 Jan-Jun	2013 Jan-Jun	2014 Jan-Jun	2015 Jan-Jun	2016 Jan-Jun	2017 Jan-Jun
Compensation of employees	2,229.5	2,366.2	2,503.0	2,668.9	2,736.1	2,845.3	3,035.7	3,207.4	3,412.4	3,657.6	3,927.0	4,182.0	1,582.8	1,689.0	1,801.0	1,933.9	2,062.4	2,185.4
Gross operating surplus and mixed income	2,268.6	2,338.2	2,534.3	2,722.6	2,632.2	2,961.5	2,931.6	3,088.8	3,321.0	3,796.2	4,274.7	4,602.9	1,477.5	1,601.0	1,820.2	2,047.1	2,211.8	2,446.1
Taxes on production and imports	740.8	781.1	826.2	858.1	831.1	865.4	935.5	959.4	1,004.0	1,122.6	1,206.5	1,292.7	449.1	444.0	505.8	545.7	591.3	635.7
Subsidies	89.6	99.4	105.9	121.0	60.8	72.6	65.1	92.3	95.6	121.6	133.8	134.5	44.9	42.2	62.5	62.5	62.3	66.1
Gross Domestic Product at market prices	**5,149.3**	**5,386.1**	**5,757.5**	**6,128.7**	**6,138.6**	**6,599.5**	**6,837.8**	**7,163.3**	**7,641.9**	**8,454.8**	**9,274.5**	**9,943.1**	**3,464.5**	**3,691.8**	**4,064.6**	**4,464.1**	**4,803.2**	**5,201.1**
Net Income from Abroad	-183.2	-216.1	-156.8	-96.1	-333.2	-278.2	-221.7	-291.1	-334.5	-390.0	-368.3	-581.8	-154.8	-212.8	-193.5	-180.2	-280.4	-384.1
Gross National Income at market prices	**4,966.1**	**5,170.0**	**5,600.7**	**6,032.6**	**5,805.4**	**6,321.3**	**6,616.0**	**6,872.1**	**7,307.4**	**8,064.8**	**8,906.2**	**9,361.4**	**3,309.7**	**3,478.9**	**3,871.0**	**4,283.9**	**4,522.8**	**4,817.0**
Sectoral Percentage Contribution to Gross Value Added (at basic prices)																		
Agriculture, hunting and forestry [1]	2.2	2.2	2.0	1.4	1.7	1.7	1.6	1.5	1.4	1.3	1.3	1.4	1.4	1.3	1.1	1.1	1.1	1.1
Industry [2]	23.5	22.4	21.2	22.0	20.3	20.1	19.4	17.4	16.9	15.7	15.2	14.6	17.7	17.6	16.3	15.8	15.1	14.5
Services Activities	74.3	75.4	76.8	76.6	78.0	78.2	79.0	81.1	81.7	83.0	83.5	84.0	80.9	81.1	82.5	83.0	83.7	84.4

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

[2] Includes energy and construction

Source: National Statistics Office

Gross National Income and Expenditure

Table IV — € million

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2012 Jan-Jun	2013 Jan-Jun	2014 Jan-Jun	2015 Jan-Jun	2016 Jan-Jun	2017 Jan-Jun
GNI at current market prices	4,966.1	5,170.0	5,600.7	6,032.6	5,805.4	6,321.3	6,616.0	6,872.1	7,307.4	8,064.8	8,906.2	9,361.4	3,309.7	3,478.9	3,871.0	4,283.9	4,522.8	4,817.0
% annual increase of GNI	2.7%	4.1%	8.3%	7.7%	-3.8%	8.9%	4.7%	3.9%	6.3%	10.4%	10.4%	5.1%		5.1%	11.3%	10.7%	5.6%	6.5%
GDP at current market prices	5,149.3	5,386.1	5,757.5	6,128.7	6,138.6	6,599.5	6,837.8	7,163.3	7,641.9	8,454.8	9,274.5	9,943.1	3,464.5	3,691.8	4,064.6	4,464.1	4,803.2	5,201.1
% annual increase of GDP	6.1%	4.6%	6.9%	6.4%	0.2%	7.5%	3.6%	4.8%	6.7%	10.6%	9.7%	7.2%		6.6%	10.1%	9.8%	7.6%	8.3%
GDP at constant prices	5,971.4	6,080.6	6,323.0	6,534.6	6,373.7	6,599.5	6,693.0	6,867.5	7,183.0	7,769.7	8,318.4	8,777.3	3,198.6	3,364.9	3,629.5	3,894.7	4,121.2	4,380.2
Total Final Consumption Expenditure																		
current market prices	4,176.1	4,421.8	4,517.7	4,814.8	4,956.2	5,101.3	5,355.2	5,541.9	5,708.4	5,949.2	6,321.4	6,492.6	2,717.9	2,796.4	2,906.0	3,056.7	3,246.5	3,303.8
constant prices	4,740.8	4,897.1	4,932.4	5,063.3	5,089.2	5,101.3	5,256.2	5,320.9	5,396.2	5,595.1	5,889.6	5,988.4	2,617.7	2,645.9	2,726.4	2,845.9	2,986.2	3,022.6
Ratio (%) of consumption to GDP at m.p.	81.1%	82.1%	78.5%	78.6%	80.7%	77.3%	78.3%	77.4%	74.7%	70.4%	68.2%	65.3%	78.4%	75.7%	71.5%	68.5%	67.6%	63.5%
General Government Final Consumption Expenditure																		
current market prices	932.4	1,002.7	1,032.7	1,209.4	1,213.9	1,286.4	1,345.0	1,448.9	1,479.1	1,604.5	1,688.4	1,685.8	708.0	730.3	792.2	841.1	893.9	842.6
constant prices	1,102.2	1,155.7	1,166.4	1,309.9	1,266.2	1,286.4	1,330.0	1,405.6	1,400.1	1,491.7	1,546.5	1,518.2	688.8	692.5	737.2	770.2	806.0	750.3
Ratio (%) of Government consumption to GDP at m.p.	18.1%	18.6%	17.9%	19.7%	19.8%	19.5%	19.7%	20.2%	19.4%	19.0%	18.2%	17.0%	20.4%	19.8%	19.5%	18.8%	18.6%	16.2%
Private Final Consumption Expenditure[1]																		
current market prices	3,243.8	3,419.1	3,485.0	3,605.5	3,742.3	3,814.9	4,010.2	4,093.0	4,229.3	4,344.7	4,633.0	4,806.8	2,009.9	2,066.1	2,113.8	2,215.6	2,352.5	2,461.2
constant prices	3,634.9	3,738.4	3,763.2	3,755.4	3,822.6	3,814.9	3,926.2	3,915.9	3,996.4	4,103.8	4,344.1	4,472.7	1,929.1	1,953.5	1,989.4	2,075.7	2,180.2	2,274.4
Ratio (%) of private consumption to GDP at m.p.	63.0%	63.5%	60.5%	58.8%	61.0%	57.8%	58.6%	57.1%	55.3%	51.4%	50.0%	48.3%	58.0%	56.0%	52.0%	49.6%	49.0%	47.3%
Gross Fixed Capital Formation																		
current market prices	1,132.9	1,183.2	1,288.2	1,203.1	1,114.8	1,411.6	1,229.1	1,300.6	1,335.6	1,474.5	2,328.5	2,362.3	650.7	654.1	722.1	1,086.7	1,206.8	1,076.5
constant prices	1,286.2	1,319.6	1,393.9	1,266.3	1,116.4	1,411.6	1,184.0	1,201.4	1,215.6	1,305.0	1,936.1	1,928.1	605.1	598.1	645.7	912.1	989.9	858.3
Ratio (%) fixed investment to GDP at m.p.	22.0%	22.0%	22.4%	19.6%	18.2%	21.4%	18.0%	18.2%	17.5%	17.4%	25.1%	23.8%	18.8%	17.7%	17.8%	24.3%	25.1%	20.7%

[1] Including NPISH final consumption expenditure

Source: National Statistics Office

Table V

Labour

	2012	2013	2014	2015	2016	2015 March	2016 March	2017 March
Labour Supply	**159,839**	**164,864**	**170,752**	**177,399**	**183,806**	**175,459**	**181,855**	**189,983**
Gainfully Occupied	**153,000**	**157,482**	**163,760**	**172,104**	**180,240**	**169,565**	**177,822**	**187,334**
Males	100,150	101,704	104,688	108,962	112,869	107,708	111,829	116,517
Females	52,850	55,778	59,072	63,142	67,371	61,857	65,993	70,817
Private Direct Production	**31,617**	**31,552**	**31,910**	**32,579**	**32,928**	**32,527**	**32,994**	**33,451**
of which:								
Construction	8,976	8,813	8,995	9,426	9,650	9,343	9,705	10,026
Manufacturing	20,111	20,231	20,380	20,556	20,614	20,598	20,640	20,727
Others	2,530	2,508	2,535	2,597	2,664	2,586	2,649	2,698
Private Market Services	**80,498**	**84,013**	**87,885**	**95,286**	**102,687**	**92,977**	**100,477**	**108,596**
of which:								
Wholesale and Retail (including Repair of Motor Vehicles, Motorcyles and Personal and Household Goods)	22,851	23,155	23,819	24,621	25,166	24,429	25,293	25,875
Accomodation and Food Services	10,022	10,103	10,396	10,760	11,367	10,576	11,020	11,793
Financial and Insurance Activities	6,701	7,003	7,379	7,787	8,193	7,611	8,034	8,482
Others	40,924	43,752	46,291	52,118	57,961	50,361	56,130	62,446
Public Sector	**40,885**	**41,917**	**43,965**	**44,239**	**44,625**	**44,061**	**44,351**	**45,287**
of which:								
Government Departments	30,311	31,297	32,279	33,029	33,093	32,989	32,973	33,413
Independent Statutory Bodies	8,753	8,789	9,062	9,346	9,701	9,240	9,486	10,103
Companies with Public Sector majority s/hldg	1,821	1,831	2,624	1,864	1,831	1,832	1,892	1,771
of which Temporary Employment	**601**	**558**	**505**	**429**	**428**	**418**	**417**	**417**
Registered Unemployed*	**6,839**	**7,382**	**6,992**	**5,295**	**3,566**	**5,894**	**4,033**	**2,649**
Males	5,303	5,626	5,306	3,978	2,621	4,451	2,993	1,913
Females	1,536	1,756	1,686	1,317	945	1,443	1,040	736
Self Employed	17,865	18,102	18,615	19,522	20,043	19,266	19,983	20,743

Note: Employment data is subject to revision

* Includes both Parts I and II of the registered unemployed

Data for 2012 - 2016 shows annual averages while data for 2015 March, 2016 March, 2017 March shows data as at end March

Source: JobsPlus

Tourism

Table VI

	2009	2010	2011	2012	2013	2014	2015	2016	2015 Jan-Jul	2016 Jan-Jul	2017 Jan-Jul
Inbound Tourists (000's)	1,182.5	1,338.8	1,415.0	1,443.4	1,582.2	1,689.8	1,783.4	1,965.9	962.0	1,055.2	1,241.2
of which from:											
United Kingdom	398.5	415.1	438.8	441.3	454.7	487.7	526.0	560.0	283.9	302.4	305.3
Italy	161.7	219.7	201.8	202.2	233.8	262.6	282.8	315.2	151.8	165.1	202.0
Germany	127.4	126.2	134.3	137.5	147.1	143.1	141.9	156.8	74.2	81.1	100.1
Libya	14.3	15.9	6.3	17.2	34.6	30.8	6.7	3.4	4.5	1.7	1.6
Scandinavian Countries	66.8	92.9	93.8	97.4	105.1	108.6	117.4	124.0	63.0	69.9	73.2
Other	413.8	469.1	540.1	547.9	606.9	657.0	708.7	806.6	384.7	435.0	559.0
Cruise Passengers (000's)[(1)]	415.5	467.6	493.2	555.7	424.6	465.4	591.7	615.2	223.8[(2)]	237.1[(2)]	266.2[(2)]
Expenditure from Inbound Tourism (€ million)	924.9	1,132.0	1,221.3	1,326.5	1,440.4	1,528.6	1,639.1	1,709.0	841.0	886.0	1,009.5
Total Sector Employment in Hotels and Restaurants	9,789	9,775	9,841	10,022	10,103	10,396	10,760	11,367	10,451[(3)]	10,906[(3)]	11,703[(3)]
% of Gainfully Occupied	6.7	6.7	6.6	6.6	6.4	6.3	6.3	6.3	6.2	6.2	6.3
Outbound Tourists (000's)	264.5	294.3	308.5	331.1	363.5	390.7	427.6	496.8	173.1[(2)]	207.8[(2)]	240.7[(2)]
Days Stayed / Nights Spent (000's)	9,949.4	11,147.9	11,241.5	11,859.5	12,890.3	13,522.1	14,151.6	14,961.4	7,247.8	7,774.8	8,626.4
% of which spent in :											
5 star	16.4	14.2	15.3	13.6	12.6	11.6	10.2	9.8	10.9	10.1	10.1
4 star	31.2	32.9	33.0	31.8	31.3	31.5	30.3	29.7	32.2	31.8	29.4
3 star	12.0	13.0	12.9	13.2	14.4	17.4	16.6	14.4	17.3	14.9	14.7
2 star	1.4	1.0	1.1	0.9	0.7	1.3	1.4	1.4	1.5	1.4	1.5
1 star	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unclassified	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.1
Guest Houses	0.6	0.8	0.6	0.9	1.0	1.0	1.0	1.1	1.1	1.0	1.1
Flats/Private Residences	31.4	31.3	30.3	32.1	33.1	34.4	37.8	40.6	34.2	38.0	40.3
Tourist Village/Aparthotels/Hostels/Holiday Complex/Camp Sites/Bed & Breakfast	7.0	6.9	6.8	7.6	6.9	2.7	2.6	2.9	2.7	2.8	2.8

(1) Excluding embarkations and Maltese cruise passengers.

(2) Data for January-June.

(3) Data shows average for January-March.

Source: National Statistics Office, JobsPlus

Foreign Trade

Table VII — € million

	2009	2010	2011	2012	2013	2014	2015	2016	2015 Jan-Jul	2016 Jan-Jul	2017 Jan-Jul
Imports and Exports											
Imports (c.i.f.)	3,475.3	4,335.4	5,341.6	6,189.5	5,639.6	6,401.6	6,114.8	6,491.1	3,924.9	4,132.4	3,636.5
Consumer goods*	1,057.8	1,200.7	1,466.0	1,722.1	1,585.7	1,756.3	1,646.4	1,659.1	953.7	931.1	1,018.8
Industrial supplies*	1,707.3	2,292.1	2,999.5	3,656.3	3,184.9	3,333.8	2,750.2	2,580.1	1,680.0	1,456.8	1,610.4
Capital goods and others*	710.3	842.7	876.1	811.0	869.0	1,311.5	1,718.2	2,251.8	1,291.2	1,744.5	1,007.3
Total Exports (f.o.b.)	2,087.4	2,809.3	3,819.0	4,438.8	3,925.5	3,738.7	3,528.0	3,645.9	2,128.8	2,292.8	1,555.9
of which manufactures	2,065.3	2,729.4	3,745.6	4,334.8	3,810.0	3,627.8	3,396.8	3,475.7	2,105.6	2,273.7	1,528.8
Trade Gap	-1,387.9	-1,526.1	-1,522.6	-1,750.6	-1,714.1	-2,662.9	-2,586.8	-2,845.2	-1,796.1	-1,839.6	-2,080.6
as % of GDP at current market prices	-22.6%	-23.1%	-22.3%	-24.4%	-22.4%	-31.5%	-27.9%	-28.6%			
Selected Groupings											
EU											
Imports	2,425.9	2,721.8	3,359.6	3,952.1	3,245.5	3,228.2	3,633.4	3,235.7	2,254.0	1,853.7	1,913.1
Exports	820.7	1,149.1	1,301.9	1,296.0	1,246.1	1,105.8	1,079.1	1,183.5	632.1	700.6	657.6
United Kingdom											
Imports	380.3	360.4	362.7	372.8	309.5	390.6	418.8	347.6	275.0	213.2	264.9
Exports	100.5	131.4	150.4	124.6	107.8	99.3	126.4	106.1	73.7	65.9	44.2
Italy											
Imports	861.4	1,068.9	1,447.8	1,988.8	1,410.4	1,178.7	1,299.9	1,247.0	772.4	707.3	729.8
Exports	105.2	157.6	171.2	174.2	154.1	161.2	137.7	208.8	77.5	144.4	97.5
Germany											
Imports	272.4	296.7	317.8	320.1	321.4	324.6	380.0	374.6	205.5	219.0	226.5
Exports	222.0	281.6	326.2	358.5	348.6	309.2	334.1	389.0	201.5	225.3	232.2
France											
Imports	339.0	338.5	376.1	369.1	285.6	224.9	234.2	259.3	132.6	182.8	136.7
Exports	187.4	238.6	244.9	296.9	253.0	204.1	239.6	229.7	134.7	123.8	124.8
America											
Imports	229.5	276.9	353.5	278.9	387.9	986.6	823.6	1,692.7	685.0	1,403.6	611.0
Exports	185.1	228.8	226.7	255.3	224.7	231.3	222.7	802.8	120.6	698.8	107.9
Africa											
Imports	72.4	151.5	35.8	197.2	256.4	236.1	163.2	269.6	76.9	140.9	166.5
Exports	137.2	182.7	234.3	776.8	617.3	971.3	934.9	563.5	614.8	351.6	291.8
Asia											
Imports	457.7	611.7	641.9	769.9	827.6	733.6	783.0	803.9	412.5	462.9	584.0
Exports	528.1	686.5	1,092.1	1,020.4	1,059.6	767.4	715.8	671.6	405.1	277.0	295.0

* Treated differently from other parts in the Survey

Source: National Statistics Office

Balance of payments

Table VIII — € million

	2010	2011	2012	2013	2014	2015	2016	2015 Jan-Jun	2016 Jan-Jun	2017 Jan-Jun
Goods Balance[1]	-1,251.2	-1,207.8	-1,099.5	-1,134.3	-1,212.3	-1,931.6	-1,910.0	-843.7	-1,001.5	-746.6
Imports (f.o.b.)	3,777.7	4,052.7	4,303.5	3,979.2	3,736.8	4,543.5	4,333.6	2,158.4	2,175.5	1,906.3
Exports (f.o.b.)	2,526.5	2,844.9	3,203.9	2,845.0	2,524.5	2,611.9	2,423.6	1,314.7	1,174.1	1,159.7
Services-Net	1,211.9	1,386.1	1,449.8	1,618.5	2,226.5	2,612.7	3,022.6	1,215.0	1,337.6	1,544.4
Transport-net	-24.6	-44.6	-55.5	-87.1	-133.2	4.9	162.9	-19.9	64.4	95.1
Travel-net	580.4	672.1	723.4	768.4	845.8	914.8	938.1	351.0	353.4	423.9
Other Services-net	656.1	758.6	781.9	937.1	1,514.0	1,693.1	1,921.5	883.9	919.8	1,025.4
Primary Income- Net	-344.8	-292.7	-360.7	-427.9	-475.6	-465.1	-674.9	-218.1	-322.5	-324.8
Compensation of Employees-net	-3.4	2.3	-4.2	-19.1	-34.5	-34.6	-21.1	-16.7	-10.2	-15.1
Investment Income-net	-341.5	-295.0	-356.5	-408.8	-441.1	-430.5	-653.8	-201.4	-312.3	-309.7
Secondary Income-Net	76.8	100.7	132.4	147.3	205.4	208.4	220.8	90.4	109.1	114.8
General Government-net	1,116.6	735.5	790.0	777.3	818.8	813.3	833.6	395.3	416.1	416.7
Private-net	-1,039.8	-634.8	-657.5	-630.0	-613.4	-605.0	-612.9	-304.9	-307.0	-301.9
Current A/C-Net	-307.4	-13.7	122.0	203.7	744.1	424.3	658.4	243.6	122.8	587.8
Goods Balance[1] as % of GDP at m.p.	-19.0%	-17.7%	-15.3%	-14.8%	-14.3%	-20.8%	-19.2%	-18.9%	-20.8%	-14.4%
Invisible Balance as % of GDP at m.p.	18.4%	20.3%	20.2%	21.2%	26.3%	28.2%	30.4%	27.2%	27.8%	29.7%
Primary Income a/c Balance as % of GDP at m.p.	-5.2%	-4.3%	-5.0%	-5.6%	-5.6%	-5.0%	-6.8%	-4.9%	-6.7%	-6.2%
Secondary Income a/c Balance as % of GDP at m.p.	1.2%	1.5%	1.8%	1.9%	2.4%	2.2%	2.2%	2.0%	2.3%	2.2%
Current a/c Balance as % of GDP at m.p.	-4.7%	-0.2%	1.7%	2.7%	8.8%	4.6%	6.6%	5.5%	2.6%	11.3%
Capital A/C-Net	128.9	83.4	136.5	133.2	142.8	167.3	79.3	156.5	41.8	88.5
Financial A/C-Net[2]	-56.9	220.4	1,006.8	-24.6	443.9	413.8	1,518.9	499.4	597.5	974.8
Direct Investment-net	-4,505.3	-8,759.4	-9,020.6	-7,036.9	-6,785.0	-8,908.7	-8,272.0	-3,842.7	-4,178.2	-4,363.8
Portfolio Investment-net[3]	4,867.7	11,707.4	9,435.2	9,141.4	13,206.0	4,899.7	4,813.3	1,375.0	3,054.7	3,685.3
Financial Derivatives-net[3]	-262.6	-246.7	-438.5	-104.4	-573.2	-897.4	-40.0	-568.0	17.8	-89.3
Other Investment-net[3]	-180.3	-2,428.1	909.4	-1,985.9	-5,416.0	5,393.7	4,929.4	3,600.0	1,549.0	1,661.5
Reserve Assets[3]	23.6	-52.9	121.4	-38.8	12.0	-73.5	88.3	-64.8	154.2	81.1

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

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

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

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

Source: National Statistics Office

Government Revenue and Expenditure

Table IX — € million

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2014 Jan-Aug	2015 Jan-Aug	2016 Jan-Aug	2017 Jan-Aug
Government Recurrent Revenue	2,302.1	2,370.8	2,525.4	2,643.8	2,716	2,992.1	3,387.2	3,634.8	3,807.0	1,986.8	2,222.4	2,322.6	2,583.8
Increase/(Decrease) % per annum	3.5	3.0	6.5	4.7	2.7	10.2	13.2	7.3	4.7	8.1	11.9	4.5	11.2
of which:													
Tax Revenue	2,098.3	2,130.1	2,242.5	2,323.4	2,393.0	2,602.5	2,953.7	3,195.6	3,446.0	1,733.2	1,918.5	2,119.0	2,299.7
Direct Tax Revenue	1,246.0	1,265.5	1,353.3	1,361.7	1,475.6	1,612.9	1,767.3	1,924.2	2,132.7	1,052.5	1,137.4	1,263.3	1,364.0
Indirect Tax Revenue	852.3	864.6	889.2	961.7	917.3	989.6	1,186.4	1,271.4	1,313.3	680.7	781.1	855.7	935.7
Non-Tax Revenue	203.8	240.6	282.8	320.5	322.8	389.6	433.5	439.2	361.0	253.6	304.0	203.7	284.1
Total Government Expenditure	2,535.3	2,667.8	2,804.6	2,862.4	3,078.0	3,255.3	3,523.5	3,870.6	3,798.1	2,196.7	2,363.4	2,401.8	2,552.7
Increase/(Decrease) % per annum	8.6	5.2	5.1	2.1	7.5	5.8	8.2	9.9	-1.9	8.0	7.6	1.6	6.3
of which:													
Recurrent Expenditure	2,124.1	2,204.4	2,296.3	2,361.3	2,488.4	2,632.6	2,857.0	3,056.8	3,264.3	1,790.8	1,939.3	2,063.7	2,221.6
Capital Expenditure	222.1	271.3	311.5	288.7	363.8	394.7	435.3	581.5	310.3	254.1	271.4	188.3	186.7
% of Total Government Expenditure	8.8	10.2	11.1	10.1	11.8	12.1	12.4	15.0	8.2	11.6	11.5	7.8	7.3
Interest on Public Debt	189.0	192.0	196.8	212.5	225.8	227.9	231.1	232.3	223.5	151.8	152.7	149.8	144.4
Balance of recurrent revenue and total expenditure	-233.1	-297.0	-279.2	-218.6	-362.3	-263.2	-136.3	-235.8	8.9	-209.9	-141.0	-79.1	31.1
Financed by:													
Extraordinary Receipts	33.3	2.8	0.0	9.6	28.4	28.4	0.0	0.8	1.1	0.0	0.7	1.1	0.9
Receipts from sale of shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	1.1	0.0	0.7	1.1	0.9
Sinking Funds of Converted Loans	33.3	2.8	0.0	9.6	28.4	28.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sinking Fund Contribution & Direct Loan Repayment	-111.4	-269.4	-207.4	-141.9	-361.3	-380.8	-427.2	-384.1	-545.1	-293.2	-79.7	-305.2	-90.2
Equity Acquisition	-6.5	-0.5	-0.2	-6.0	-33.4	-26.5	-13.8	-41.1	-13.0	-13.8	-1.1	-12.5	-2.1
Loan Facility Agreement with the Hellenic Republic	0.0	0.0	-19.8	-30.8	0.0	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	-52.0	-52.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayment of Loans made by Government	0.0	0.0	0.0	0.0	52.0	0.0	0.0	40.4	12.2	0.0	0.0	12.0	0.0
Public Sector Borrowing Requirement	-317.7	-564.2	-506.6	-439.8	-728.6	-642.1	-577.3	-619.8	-535.9	-516.9	-221.1	-383.7	-60.3
Loans	285.7	455.8	577.7	567.8	645.7	627.1	648.8	473.2	597.9	573.8	258.3	438.7	257.8

Source: National Statistics Office

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

Table X € million

	2009	2010	2011	2012	2013	2014	2015	2016	2017* Jan-Jul
Broad Money (M3)[2]	8,883.3	9,370.5	9,676.3	10,517.8	11,626.3	14,402.5	15,900.5	17,808.9	19,576.0
Intermediate Money (M2)	8,671.1	9,128.9	9,472.0	10,326.3	11,460.9	14,281.1	15,775.4	17,713.2	18,729.4
% Increase/ (Decrease)		5.3	3.8	9.0	11.0	24.6	10.5	12.3	5.7
of which:									
Narrow Money (M1)	4,359.5	4,999.0	5,425.6	6,006.6	6,725.7	9,512.7	11,819.5	13,550.9	14,734.2
Currency issued[3]	639.8	674.4	710.6	726.5	778.7	839.4	893.1	939.5	970.7
% Increase/ (Decrease)		5.4	5.4	2.2	7.2	7.8	6.4	5.2	3.3
Overnight deposits[4]	3,719.8	4,324.6	4,715.0	5,280.1	5,947.0	8,673.3	10,926.4	12,611.4	13,763.5
Deposits redeemable at notice up to 3 months[4]	111.7	124.3	125.1	153.2	113.1	124.4	123.0	105.0	51.2
Deposits with agreed maturity up to 2 years[4]	4,199.9	4,005.6	3,921.3	4,166.4	4,622.1	4,644.0	3,832.9	4,057.3	3,944.1
Credit Counterpart[5]	13,232.0	14,466.7	16,074.3	15,603.3	14,433.3	15,768.4	16,407.3	17,012.7	17,760.7
of which:									
Credit to residents of Malta	9,719.8	10,279.1	10,903.9	10,991.2	11,144.2	11,736.8	12,393.3	12,706.1	12,979.4
Credit to other Euro Area residents	3,512.2	4,187.6	5,170.4	4,612.0	3,289.1	4,031.6	4,014.0	4,306.6	4,781.3
Net claims on non-residents of the Euro Area	6,646.9	8,183.3	7,840.0	10,169.1	9,567.1	11,609.6	10,705.2	9,421.5	7,884.8
Other counterparts (net)[6]	10,995.6	13,279.4	14,238.0	15,254.6	12,374.0	12,975.4	11,212.1	8,625.3	6,069.5

* Provisional

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

[2] M3 comprises M2, repurchase agreements and debt securities with agreed maturity of up to 2 years. This does not represent holdings of M3 by residents of Malta but rather the contribution of MFIs in Malta to the 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.

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

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

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

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

Source: Central Bank of Malta