

# News Release

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## Balance of Payments

### Indicators emanating from the Balance of Payments Statement

One of the primary economic objectives that most governments around the world keep under a constant look and aim to achieve through their policy-measures is the attainment of a sound balance of payments situation. Towards this end, it is imperative for them to have not only the latest balance of payments data, but also essential statistical indicators that are both timely and reliable.

The following table portrays some indicators that show the direction towards which the main current account transactions recorded in the balance of payments statement were heading over the last five years. In fact, as can be seen in following charts, the ratio of exports of goods and services to the Gross Domestic Product (GDP) of Malta dropped from a level of 94.3 percent in 2000 to one of 75.5 percent in 2004; while the ratio of imports of goods and services to the GDP of Malta fell initially and then settled around the 84.0 percent mark. Also, the openness to trade of the Maltese economy dropped from a level of 2.0 in 2000 to a level of 1.6 during 2004; implying that Malta was engaged in less trading with non-residents during 2004 than it was in 2000.

Additionally, the ratio of net services (i.e. receipts from services rendered to non-residents less expenditure on services received from non-residents) to the GDP of Malta dwindled from a level of 9.8 percent in 2000 to one of 8.4 percent in 2004; while the ratio of net current transfers (i.e. receipts less payments) to the GDP of Malta fell from a positive level of 0.7 percent in 2000 to a negative one of 1.4 percent in 2004.

Likewise, the ratio of the current receipts (i.e. the credit side of the balance of payments statement) to the GDP of Malta dropped from a level of 120.2 per cent in 2000 to one of 97.1 percent in 2004; while that of the current account balance to the GDP of Malta rose from a negative level of 12.5 percent in 2000 to a positive one of 0.3 percent in 2002 to then fall again to a negative level of 10.3 percent in 2004. Indeed, this implies that while in the year 2000 Malta had to consume the equivalent of 12.5 percent of its GDP from other countries' resources, the same ratio reached the equivalent of 10.3 per cent of the GDP in 2004. In addition, the reserve assets of the country shifted from a fall of Lm97.6 million during 2000 to an increase of Lm121.8 million during 2002 to then decline by Lm69.5 million during 2004.

In the capital and financial part of the statement, it is also shown that the percentage of inward foreign direct investment (FDI) to the GDP of Malta fell from a level of 16.3 per cent in 2000 to a negative level of 10.6 percent in 2002 to then rise again to a mark of 7.6 percent in 2004. Also, the ratio of inward FDI to total exports of goods and services dropped from a level of 17.3 percent in 2000 to a negative level of 12.4 percent in 2002 to then rise again to a mark of 10.0 percent in 2004. Moreover, the level of reserves in terms of months of imports rose from a mark of 4.4 months of sustenance in 2000 to a mark of 7.4 months of sustenance in 2003 to then drop to 6.7 months of sustenance in 2004 ■

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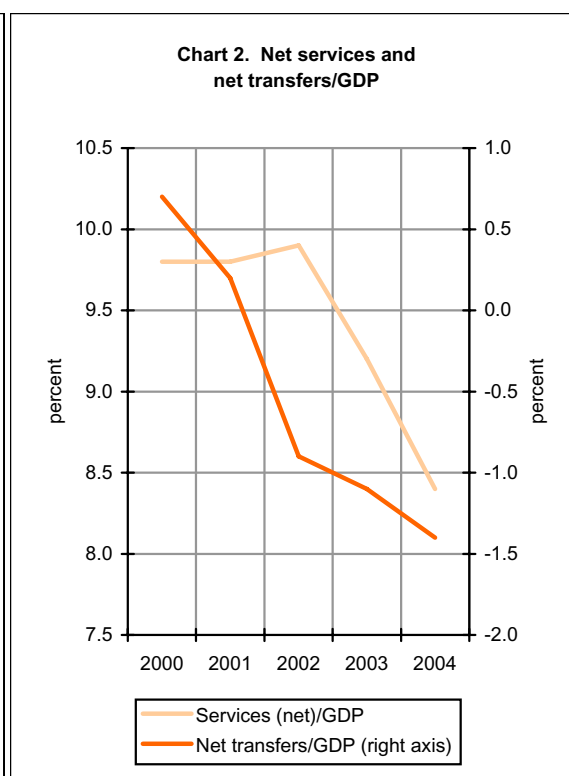
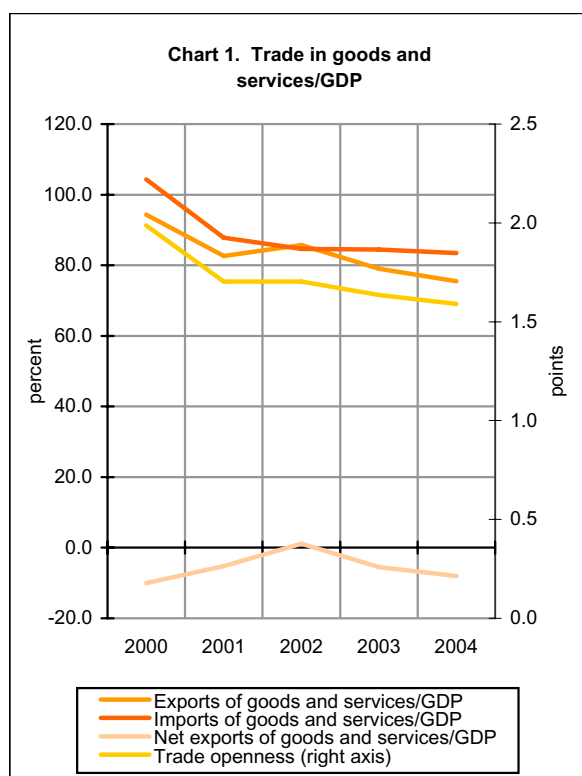
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**Table 1. Key indicators emanating from the main accounts of the Balance of Payments Statement of Malta**

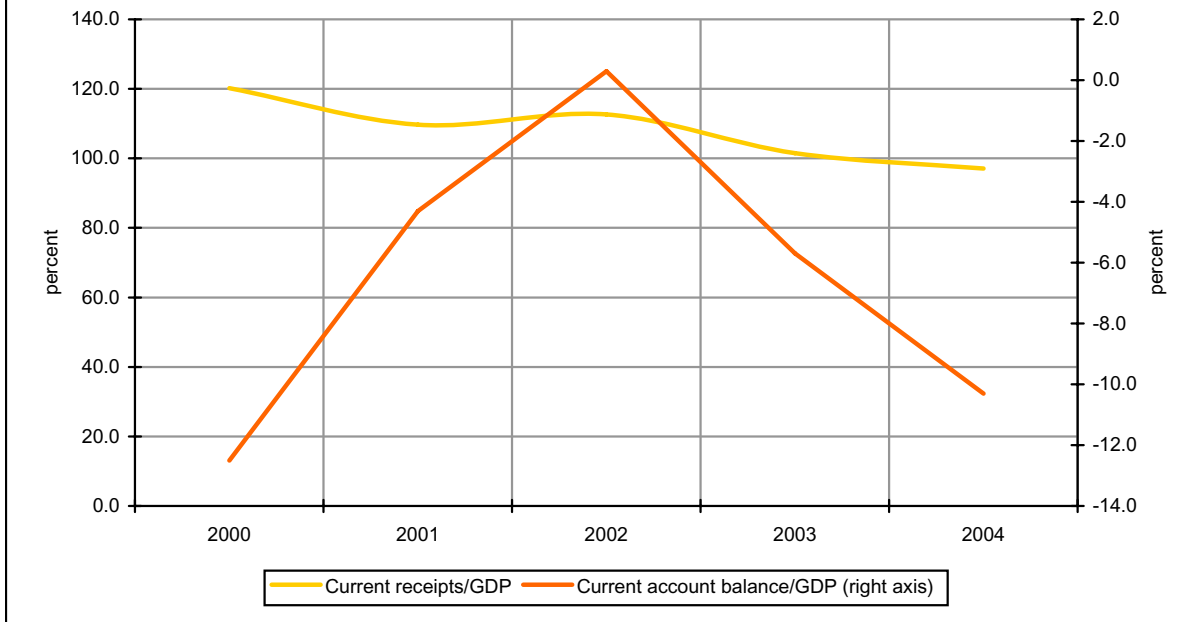
	2000	2001	2002	2003	2004
<b>Trade</b>					
Exports of goods and services/GDP (percent)	94.3	82.6	85.7	79.0	75.5
Imports of goods and services/GDP (percent)	104.3	87.8	84.6	84.5	83.5
Net exports of goods and services/GDP (percent)	-10.0	-5.2	1.1	-5.5	-8.0
Trade openness (points)	2.0	1.7	1.7	1.6	1.6
<b>Services account</b>					
Services (net)/GDP (percent)	9.8	9.8	9.9	9.2	8.4
<b>Transfers</b>					
Net transfers/GDP (percent)	0.7	0.2	-0.9	-1.1	-1.4
<b>Current account</b>					
Current receipts/GDP (percent)	120.2	109.7	112.6	101.5	97.1
Current receipts growth (percent)	9.3	-7.4	5.6	-7.1	-1.2
Reserve assets (flow in Lm million)	-97.6	115.3	121.8	54.7	-69.5
Current account balance/GDP (percent)	-12.5	-4.3	0.3	-5.7	-10.3
<b>Capital account</b>					
FDI/GDP (percent)	16.3	6.9	-10.6	6.2	7.6
FDI/exports (percent)	17.3	8.3	-12.4	7.8	10.0
<b>Others</b>					
Reserves in months of imports (months)	4.4	6.1	7.2	7.4	6.7

GDP is the Gross Domestic Product at current market prices.

FDI is Foreign Direct Investment in the reporting economy.



**Chart 3. Current receipts and current account / GDP**



**Chart 4. FDI / GDP and FDI / Exports**

