

News Release



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Balance of Payments

January-March 2006

International Economic and Financial Transactions during the March 2006 quarter

A provisional statement on the international economic and financial transactions of Malta during the first quarter of the current year reveals a deterioration in the current account balance of Lm8.2 million, from a net deficit of Lm61.4 million during the March 2005 quarter to one of Lm69.5 million during the same quarter in 2006.

In fact, as can be seen in Table 1 below, this was generated by a worsening in the net balances of both the income account as well as the goods account of the statement. The net balance in the income account recorded a turnaround of Lm17.5 million, from a net surplus of Lm11.9 million during the first quarter of 2005 to a net deficit of Lm5.6 million during the March 2006 quarter; while the visible trade gap in the goods account expanded by Lm12.5 million, from a net deficit of Lm87.6 million during the first three months of 2005 to one of Lm100.2 million during the corresponding period in 2006.

Indeed, the net balance in the income account was adversely affected by a rise in dividend payments to non-resident shareholders having direct interest in enterprises established in Malta; whereas that in the goods account was affected by an increase in the imports bill of Lm44.1 that was higher than the rise in export receipts of Lm31.6 million.

In contrast, however, the net balance in the current transfers account shifted favourably by Lm17.9 million, from a net deficit of Lm5.0 million during the March 2005 quarter to a net surplus of Lm13.0 million during the relative quarter in 2006; while that in the services account ameliorated by Lm4.0 million, from a net surplus of Lm19.3 million during the first quarter of 2005 to one of Lm23.3 million during the same period in 2006.

As regards the capital and financial account of the statement, the capital account was shaped by net inflows of Lm11.1 million as opposed to net inflows of Lm16.8 million during the March 2005 quarter; while the financial account was marked by net inflows of Lm96.4 million as against net inflows of Lm76.3 million during the first quarter of 2005.

Indeed, the direct investment abroad was characterised by net inflows of Lm0.2 million as opposed to net inflows of Lm13.6 million during the March 2005 quarter; whereas the direct investment in Malta was marked by net inflows of Lm65.5 million as against net inflows of Lm21.4 million during the March 2005 quarter.

The portfolio investment account was shaped by net outflows of Lm140.7 million as opposed to net outflows of Lm109.2 million during the first three months of 2005; while the other investment account was marked by net inflows of Lm108.7 million as against net inflows of Lm122.3 million during the first quarter of 2005.

As a result of the above shifts in the current and capital and financial account of the statement, the reserve assets of the country fell by Lm55.8 million as against a drop of Lm35.4 million during the March quarter last year ■

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Table 1. Balance of Payments Summary

Lm thousands

Balance of Payments Summary							
	March 2005 Quarter*			March 2006 Quarter*			Change in balance
	Credit	Debit	Net	Credit	Debit	Net	
CURRENT ACCOUNT	0	61,354	-61,354	0	69,515	-69,515	-8,161
GOODS, SERVICES AND INCOME	365,607	421,990	-56,383	450,565	533,040	-82,475	-26,092
GOODS AND SERVICES	278,403	346,724	-68,321	314,259	391,128	-76,869	-8,548
GOODS	193,545	281,183	-87,638	225,163	325,330	-100,167	-12,529
SERVICES	84,858	65,541	19,317	89,096	65,798	23,298	3,981
Transport	29,576	22,508	7,068	23,801	19,942	3,859	-3,209
Travel	33,407	19,863	13,544	32,563	17,668	14,895	1,351
Other Services	21,875	23,170	-1,295	32,732	28,188	4,544	5,839
INCOME	87,204	75,266	11,938	136,306	141,912	-5,606	-17,544
Compensation of Employees	3,071	1,008	2,063	3,949	1,419	2,530	467
Investment Income	84,133	74,258	9,875	132,357	140,493	-8,136	-18,011
CURRENT TRANSFERS	25,962	30,933	-4,971	42,534	29,574	12,960	17,931
CAPITAL AND FINANCIAL ACCOUNT	93,182	0	93,182	107,490	0	107,490	14,308
CAPITAL ACCOUNT	16,848	0	16,848	11,135	0	11,135	-5,713
FINANCIAL ACCOUNT	76,334	0	76,334	96,355	0	96,355	20,021
Direct Investment	34,993	0	34,993	65,779	0	65,779	30,786
Abroad	13,556	0	13,556	249	0	249	-13,307
In Malta	21,437	0	21,437	65,530	0	65,530	44,093
Portfolio Investment	0	109,194	-109,194	0	140,680	-140,680	-31,486
Assets	0	110,797	-110,797	0	140,707	-140,707	-29,910
Liabilities	1,603	0	1,603	27	0	27	-1,576
Financial Derivatives	0	7,175	-7,175	6,706	0	6,706	13,881
Other Investment	122,307	0	122,307	108,720	0	108,720	-13,587
Assets	0	11,724	-11,724	0	499,333	-499,333	-487,609
Liabilities	134,031	0	134,031	608,053	0	608,053	474,022
Reserve Assets	35,403	0		55,830	0		
NET ERRORS AND OMISSIONS	0	31,828		0	37,975		

*provisional

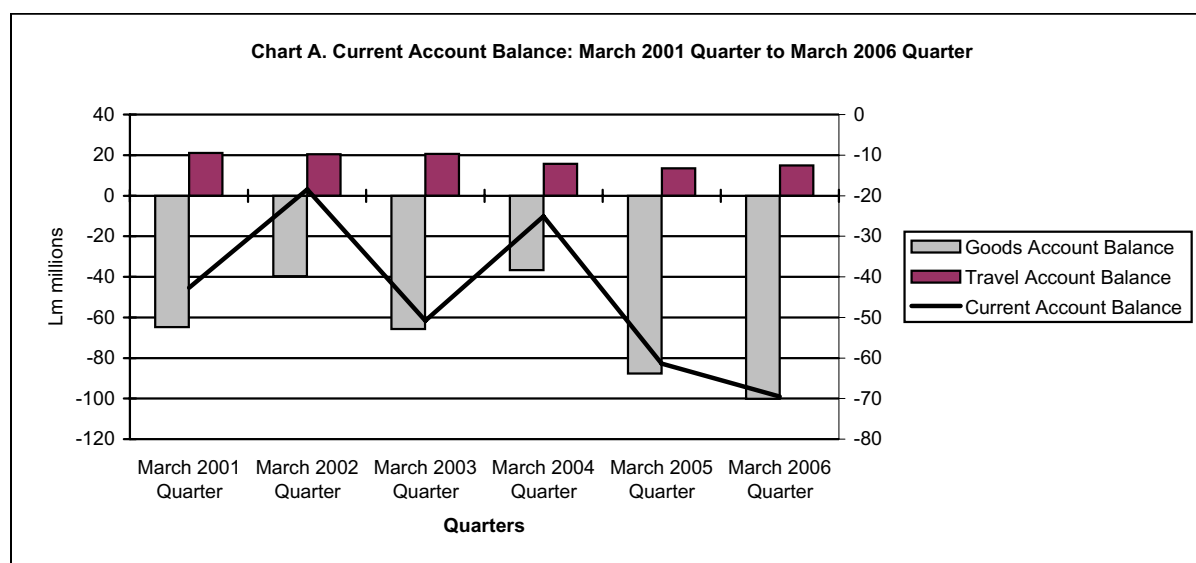


Table 2. Balance of Payments Summary

Lm thousands

	Balance of Payments Summary												Change in balance
	January - December 2002			January - December 2003			January - December 2004*			January - December 2005*			
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net	
CURRENT ACCOUNT	24,104	0	24,104	83,533	0	-83,533	0	140,068	-140,068	0	213,037	-213,037	-72,969
GOODS, SERVICES AND INCOME	1,884,976	1,847,843	37,133	1,868,765	1,852,949	-119,917	1,733,032	1,852,949	-119,917	1,762,608	1,985,627	-223,019	-103,402
GOODS AND SERVICES	1,515,694	1,489,256	26,438	1,526,045	1,529,404	-128,279	1,401,125	1,529,404	-128,279	1,345,765	1,565,980	-220,215	-91,936
GOODS	999,154	1,153,401	-154,247	942,404	1,201,552	-259,148	920,375	1,247,586	-327,211	850,588	1,268,323	-417,735	-90,524
SERVICES	516,540	335,855	180,685	518,890	324,493	194,397	480,750	281,818	198,932	495,177	297,657	197,520	-1,412
Transport	145,696	151,792	-6,096	124,229	133,603	-9,374	120,684	99,585	21,099	125,771	100,159	25,612	4,513
Travel	263,573	66,360	197,213	272,161	80,931	191,230	267,971	88,025	179,946	263,268	92,880	170,388	-9,558
Other Services	107,271	117,703	-10,432	122,500	109,959	12,541	92,095	94,208	-2,113	106,138	104,618	1,520	3,633
INCOME	369,282	358,587	10,695	337,854	342,720	-4,866	331,907	323,545	8,362	416,843	419,647	-2,804	-11,166
Compensation of Employees	9,074	3,463	5,611	9,481	3,774	5,707	11,133	4,137	6,996	14,408	4,922	9,486	2,490
Investment Income	360,208	355,124	5,084	328,373	338,946	-10,573	320,774	319,408	1,366	402,435	414,725	-12,290	-13,656
CURRENT TRANSFERS	110,583	123,612	-13,029	82,150	96,066	-13,916	82,200	102,351	-20,151	126,593	116,611	9,982	30,133
CAPITAL AND FINANCIAL ACCOUNT	0	18,388	-18,388	48,336	0	48,336	99,128	0	99,128	161,044	0	161,044	61,916
CAPITAL ACCOUNT	2,870	0	2,870	6,619	0	6,619	28,817	0	28,817	62,412	0	62,412	33,595
FINANCIAL ACCOUNT	0	21,258	-21,258	41,717	0	41,717	70,311	0	70,311	98,632	0	98,632	28,321
Direct Investment	0	181,844	-181,844	153,858	0	153,858	106,361	0	106,361	203,193	0	203,193	96,832
Abroad	11,965	0	11,965	0	207,220	-207,220	59	0	59	8,954	0	8,954	8,895
In Malta	0	193,809	-193,809	361,078	0	361,078	106,302	0	106,302	194,239	0	194,239	87,937
Portfolio Investment	0	159,419	-159,419	0	598,775	-598,775	0	575,266	-575,266	0	1,020,547	-1,020,547	-445,281
Assets	0	160,225	-160,225	0	591,595	-591,595	0	574,469	-574,469	0	1,022,985	-1,022,985	-448,516
Liabilities	806	0	806	0	7,180	-7,180	0	797	-797	2,438	0	2,438	3,235
Financial Derivatives	0	0	0	9,037	0	9,037	942	0	942	0	15,651	-15,651	-16,593
Other Investment	441,841	0	441,841	532,337	0	532,337	469,017	0	469,017	1,012,251	0	1,012,251	543,234
Assets	0	235,668	-235,668	0	16,374	-16,374	0	365,701	-365,701	0	1,086,112	-1,086,112	-720,411
Liabilities	677,509	0	677,509	548,711	0	548,711	834,718	0	834,718	2,098,363	0	2,098,363	1,263,645
Reserve Assets	0	121,836	-121,836	0	54,740	-54,740	69,257	0	69,257	0	80,614	-11,357	-11,357
NET ERRORS AND OMISSIONS	0	5,716	-5,716	35,197	0	35,197	40,940	0	40,940	51,993	0	51,993	0

*provisional

Methodological Notes

1. The National Statistics Office (NSO), with the cooperation of the Central Bank of Malta (CBM), is responsible for the collection, compilation and presentation of both the Balance of Payments (BoP) as well as the International Investment Position (IIP) Statement of Malta. Both statements are compiled in accordance with the international guidelines set in the fifth manual of the International Monetary Fund as well as with the (similarly-set) methodological guidelines established by the European Union statistical agency, Eurostat.
2. The type of data collection system used to compile the above statistics is a composite system based on a monthly and annual direct reporting enterprise survey, customs data as well as various other sources that are identified from time to time by the BoP compilers. The monthly and annual survey provides both current account as well as financial account transactions conducted by all entities operating in Malta. Also, merchandise transactions conducted by Malta with its world trading partners are captured through INTRASTAT forms as well as through customs documents.
3. The majority of the transactions that are collected through the above-mentioned sources are broken down by country.
4. The data is then compiled using a standard format and published on a quarterly basis within a three-month lag from the period to which the data would be referring.
5. Revisions are conducted on a quarterly basis with the previous year data remaining subject to revision. Data is considered to be final once it is published in the annual NSO publication for the BoP of Malta which is normally one year after the end of the reporting period.
6. The quarterly figure for re-invested earnings (a component of both the income account as well as the direct investment account) reported as from 2004 is mostly collated annually. Where actual figures are not available, as from 2005, an average of the re-invested earnings quoted for the previous four years is apportioned on a quarterly basis. This figure is then revised once the annual questionnaires are submitted by the surveyed entities.
7. From 2004 onwards, INTRASTAT data is now being utilised to extract shipment data (freight and insurance) from the c.i.f. import figure. Previously, when shipment data was not available separately, the shipment content of the merchandise import c.i.f value was taken as 10%. This has resulted in a break in series, with the goods account and transportation account not strictly comparable to previous data.
8. The source for gross earnings from tourism has been changed. Figures are now being derived from the surveys TOURSTAT and CRUISETAT carried out by the NSO. This is replacing the previous source, that used to be collected from foreign currency transactions reported to the CBM by the banking institutions and other authorized dealers. Indeed, this has been revised backwards to 1995.
9. The change to a (complete) direct reporting system initialized in January 2004 is still underway. Other sources, especially for the personal sector, have had to be utilized. In fact, more accurate administrative sources have been used to replace previous figures. Furthermore, other sectors are being surveyed and their contribution will be incorporated in the BOP and IIP statements once enough data is available.
10. For a more detailed meta-data, please refer to the Balance of Payments publication published annually by the NSO.