

# News Release



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## Balance of Payments

### International Economic and Financial Transactions: April-June 2006

*There was a widening of the current account deficit during the second quarter of 2006, together with net higher inflows on the capital and financial account.*

Provisional balance of payments data for the second quarter of 2006 indicate that the deficit on the current account widened by Lm9.5 million over the same period of last year to Lm53.8 million, as shown in Table 1. This was underpinned by an increase in the net deficit on the goods and services account, contrasted by higher net receipts of income and transfers from abroad.

The net deficit on merchandise trade widened by Lm15.9 million during the second quarter of 2006. While the total revenue from domestic exports rose by Lm30.0 million during the period, imports of merchandise increased by Lm45.9 million over the same period of last year.

The net surplus in the services account decreased by Lm10.8 million during the survey period. In the main, this was the outcome of a fall in revenue from the provision of transportation services to non-residents, as well as higher expenditure by Maltese residents travelling abroad.

The net balances on the income account and the current transfers account improved by Lm12.6 million and Lm4.6 million respectively. The income account was conditioned by higher receipts of investment income from abroad.

The capital and financial account registered net inflows of Lm87.8 million during the second quarter of 2006, up by Lm23.2 million from the same period last year. There was an increase in direct investment on account of an inflow of new capital by a credit institution operating in Malta, which also effected direct investments abroad. The capital and financial account was also conditioned by significant flows of a portfolio and other investment nature, in the main carried out by banking institutions operating in Malta. The reserve assets of the country rose by Lm71.2 million during the second quarter of 2006, compared with a fall of Lm17.6 million during the same period last year.

Reflecting developments during the second quarter, the current account deficit widened by Lm15.5 million during the second half of 2006 to stand at Lm123.4 million, as shown in Table 2. This was conditioned by an increase in the visible trade gap as well as lower net receipts on the services account, contrasted by higher net receipts recorded in the income and current transfers accounts. Higher net inflows on the capital and financial account were registered for the first half of 2006. During the same period, reserve assets rose by Lm15.3 million as opposed to a decline of Lm53.0 million during the first six months of 2005 ■

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Table 1. Balance of Payments Summary: June quarter

Lm thousands

	June 2005 Quarter*			June 2006 Quarter*			Change in balance
	Credit	Debit	Net	Credit	Debit	Net	
<b>CURRENT ACCOUNT</b>		<b>44,309</b>	<b>-44,309</b>		<b>53,838</b>	<b>-53,838</b>	<b>-9,529</b>
<b>GOODS, SERVICES AND INCOME</b>	457,980	501,708	-43,728	531,938	589,787	-57,849	<b>-14,121</b>
<b>GOODS AND SERVICES</b>	360,686	398,527	-37,841	383,756	448,326	-64,570	<b>-26,729</b>
<b>GOODS</b>	218,563	317,860	-99,297	248,537	363,770	-115,233	<b>-15,936</b>
<b>SERVICES</b>	142,123	80,667	61,456	135,219	84,556	50,663	<b>-10,793</b>
Transport	35,901	21,853	14,048	29,598	22,583	7,015	<b>-7,033</b>
Travel	67,858	19,170	48,688	68,934	23,775	45,159	<b>-3,529</b>
Other Services	38,364	39,644	-1,280	36,687	38,198	-1,511	<b>-231</b>
<b>INCOME</b>	97,294	103,181	-5,887	148,182	141,461	6,721	<b>12,608</b>
Compensation of Employees	2,881	1,770	1,111	2,665	1,262	1,403	<b>292</b>
Investment Income	94,413	101,411	-6,998	145,517	140,199	5,318	<b>12,316</b>
<b>CURRENT TRANSFERS</b>	23,963	24,544	-581	39,167	35,156	4,011	<b>4,592</b>
<b>CAPITAL AND FINANCIAL ACCOUNT</b>	<b>64,591</b>		<b>64,591</b>	<b>87,769</b>		<b>87,769</b>	<b>23,178</b>
<b>CAPITAL ACCOUNT</b>	14,208		14,208	12,652		12,652	<b>-1,556</b>
<b>FINANCIAL ACCOUNT</b>	50,383		50,383	75,117		75,117	<b>24,734</b>
Direct Investment	68,824		68,824	92,149		92,149	<b>23,325</b>
Abroad	13,321		13,321		154,290	-154,290	<b>-167,611</b>
In Malta	55,503		55,503	246,439		246,439	<b>190,936</b>
Portfolio Investment	13,617		13,617		543,134	-543,134	<b>-556,751</b>
Assets	13,717		13,717		537,397	-537,397	<b>-551,114</b>
Liabilities		100	-100		5,737	-5,737	<b>-5,637</b>
Financial Derivatives		1,689	-1,689	661		661	<b>2,350</b>
Other Investment		47,953	-47,953	596,612		596,612	<b>644,565</b>
Assets		245,472	-245,472		780,573	-780,573	<b>-535,101</b>
Liabilities	197,519		197,519	1,377,185		1,377,185	<b>1,179,666</b>
Reserve Assets	17,584				71,171		
<b>NET ERRORS AND OMISSIONS</b>		<b>20,282</b>			<b>33,931</b>		

\*provisional

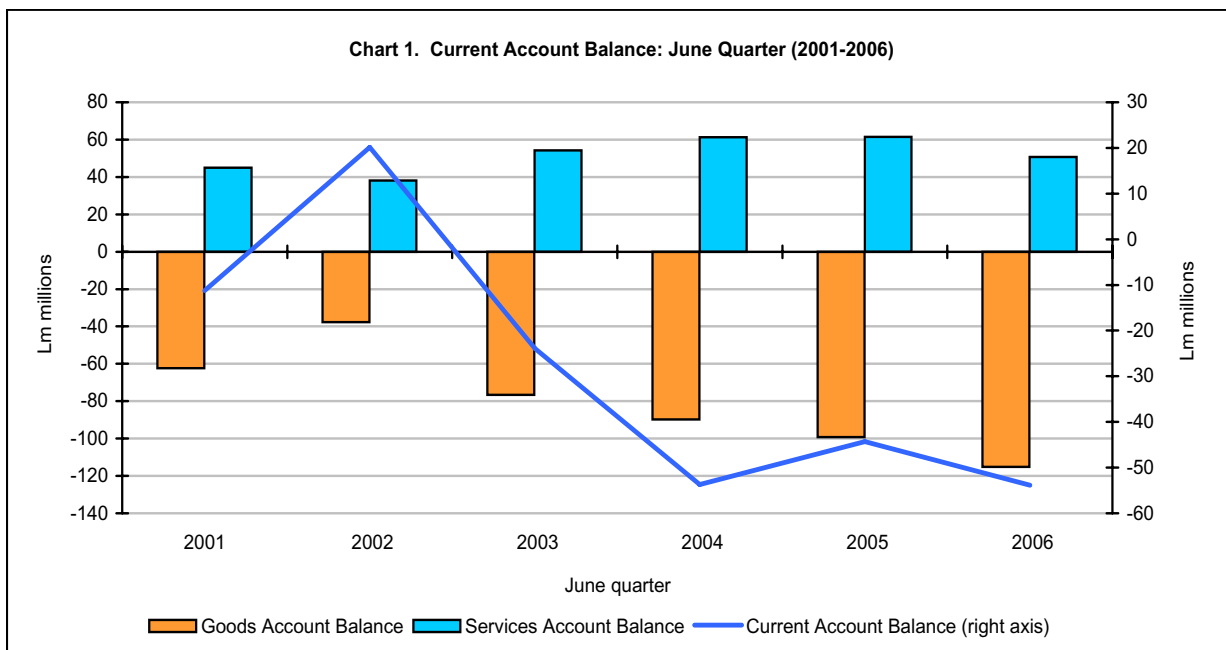
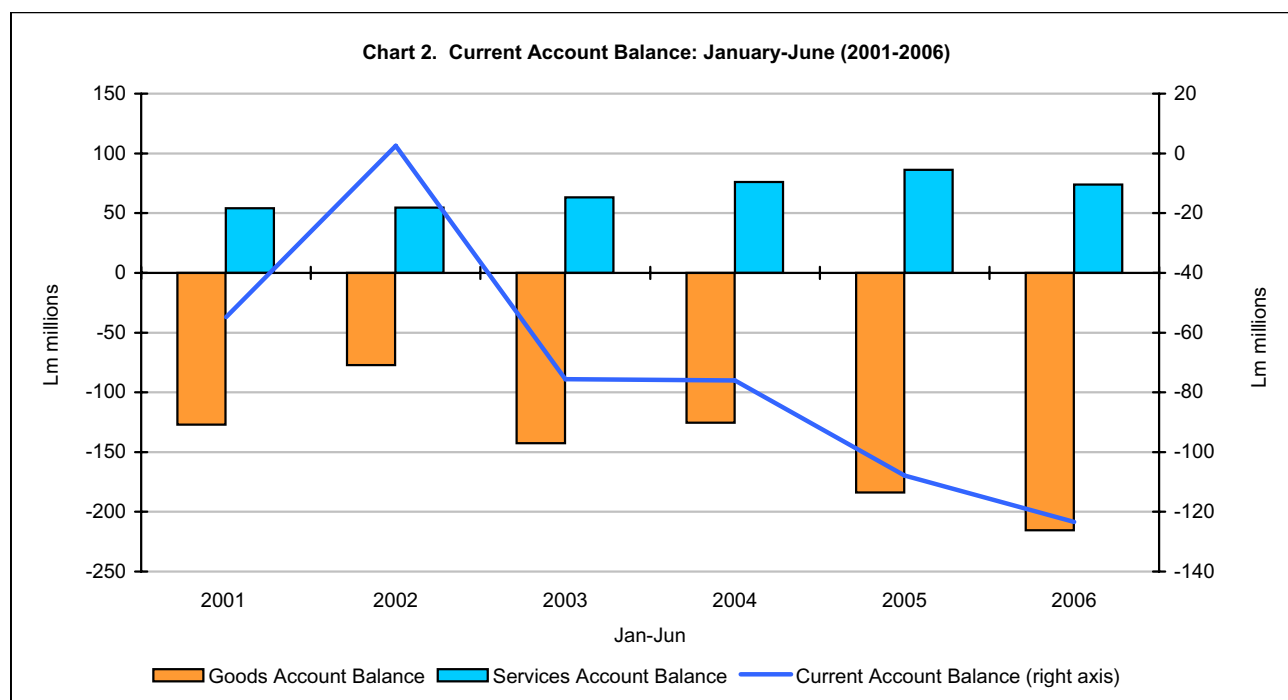


Table 2. Balance of Payments Summary: January-June

Lm thousands

	January-June 2005*			January-June 2006*			Change in balance
	Credit	Debit	Net	Credit	Debit	Net	
<b>CURRENT ACCOUNT</b>		<b>107,831</b>	<b>-107,831</b>		<b>123,353</b>	<b>-123,353</b>	<b>-15,522</b>
<b>GOODS, SERVICES AND INCOME</b>	841,567	948,887	-107,320	982,504	1,122,828	-140,324	<b>-33,004</b>
<b>GOODS AND SERVICES</b>	654,756	752,317	-97,561	698,016	839,455	-141,439	<b>-43,878</b>
<b>GOODS</b>	415,467	599,300	-183,833	473,700	689,101	-215,401	<b>-31,568</b>
<b>SERVICES</b>	239,289	153,017	86,272	224,316	150,354	73,962	<b>-12,310</b>
Transport	66,626	42,206	24,420	53,398	42,525	10,873	<b>-13,547</b>
Travel	101,241	39,026	62,215	101,497	41,443	60,054	<b>-2,161</b>
Other Services	71,422	71,785	-363	69,421	66,386	3,035	<b>3,398</b>
<b>INCOME</b>	186,811	196,570	-9,759	284,488	283,373	1,115	<b>10,874</b>
Compensation of Employees	5,555	3,041	2,514	6,614	2,681	3,933	<b>1,419</b>
Investment Income	181,256	193,529	-12,273	277,874	280,692	-2,818	<b>9,455</b>
<b>CURRENT TRANSFERS</b>	47,371	47,882	-511	81,701	64,730	16,971	<b>17,482</b>
<b>CAPITAL AND FINANCIAL ACCOUNT</b>	<b>168,386</b>		<b>168,386</b>	<b>195,259</b>		<b>195,259</b>	<b>26,873</b>
<b>CAPITAL ACCOUNT</b>	31,022		31,022	23,788		23,788	<b>-7,234</b>
<b>FINANCIAL ACCOUNT</b>	137,364		137,364	171,471		171,471	<b>34,107</b>
Direct Investment	127,409		127,409	157,927		157,927	<b>30,518</b>
Abroad	26,843		26,843		154,042	-154,042	<b>-180,885</b>
In Malta	100,566		100,566	311,969		311,969	<b>211,403</b>
Portfolio Investment		41,675	-41,675		683,814	-683,814	<b>-642,139</b>
Assets		47,860	-47,860		678,104	-678,104	<b>-630,244</b>
Liabilities	6,185		6,185		5,710	-5,710	<b>-11,895</b>
Financial Derivatives		7,072	-7,072	7,367		7,367	<b>14,439</b>
Other Investment	5,715		5,715	705,332		705,332	<b>699,617</b>
Assets		230,002	-230,002		1,279,906	-1,279,906	<b>-1,049,904</b>
Liabilities	235,717		235,717	1,985,238		1,985,238	<b>1,749,521</b>
Reserve Assets	52,987				15,341		
<b>NET ERRORS AND OMISSIONS</b>		<b>60,555</b>			<b>71,906</b>		

\*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 metadata, please refer to the Balance of Payments publication published annually by the NSO.