

News Release



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Balance of Payments

International Economic and Financial Transactions: Q3/2006

The current account balance registered a surplus of Lm2.6 million during the third quarter of 2006, contributing to a deficit of Lm114.5 million for the first nine months of the year.

July-September 2006

Provisional data on Malta's balance of payments for the third quarter of 2006 indicate that the surplus on the current account dropped by Lm7.2 million over the same period of last year to Lm2.6 million, as shown in Table 1. This reflected an increase in the net deficit in the goods and services accounts, contrasted by higher net receipts from transfers and income from abroad.

The net deficit on merchandise trade widened by Lm15.7 million during the third quarter of 2006 to stand at almost Lm114.0 million. While the total revenue from domestic exports rose by Lm24.5 million during the period under review, imports of merchandise goods increased by Lm40.1 million over the same period of last year.

The net surplus in the services account decreased by Lm9.0 million during the survey period to Lm83.5 million. This reflected lower net earnings from services provided to non-residents and an increase in outlays by Maltese residents travelling abroad.

The net balances on the current transfers account and the income account improved by Lm16.0 million and Lm1.3 million respectively. The current transfers account was conditioned by higher revenue by the government from non-resident entities as well as by developments in the remote betting industry, while the income account reflected higher net receipts of investment income from abroad.

The capital and financial account registered net outflows of Lm7.8 million during the third quarter of 2006 compared to Lm31.2 million during the same period last year. During the reference period, the direct investment account registered net inflows of Lm72.4 million, in the main part reflecting direct investment in Malta through the acquisition of equity, re-invested earnings, and other capital. The capital and financial account continued to be affected by significant flows of a portfolio and other investment nature principally carried out by banking institutions operating in Malta. The reserve assets of the country rose by Lm39.2 million during the third quarter of 2006, compared with an increase of Lm97.3 million during the same period last year.

January-September 2006

Table 2 details international economic and financial transactions during the first nine months of 2005 and 2006. The current account deficit widened by Lm25.8 million to stand at Lm114.5 million for the first nine months of 2006. This was conditioned by an expansion in the visible trade gap as well as lower net receipts in the services account of the statement. At the same time, there were higher net receipts recorded in the current transfers and income accounts.

Net inflows to the capital and financial account were just under Lm130 million during the first nine months of 2006, compared to Lm156.2 million during the same period of 2005. The direct investment account recorded net inflows of Lm489.8 million between January and September 2006, mainly on account of the acquisition by non-residents of equity capital in Malta, but also reflecting re-invested earnings and the acquisition of other capital. During the same period, reserve assets rose by Lm54.6 million compared with an increase of Lm44.3 million during the same period in 2005 ■

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Table 1. Balance of Payments Summary: September Quarter

Lm thousands

	September 2005 Quarter*			September 2006 Quarter*			Change in balance
	Credit	Debit	Net	Credit	Debit	Net	
CURRENT ACCOUNT	9,886		9,886	2,643		2,643	-7,243
GOODS, SERVICES AND INCOME	509,157	527,588	-18,431	600,812	642,512	-41,700	-23,269
GOODS AND SERVICES	408,746	414,614	-5,868	428,471	458,944	-30,473	-24,605
GOODS	209,525	307,854	-98,329	233,988	347,969	-113,981	-15,652
SERVICES	199,221	106,760	92,461	194,483	110,975	83,508	-8,953
Transport	40,321	24,649	15,672	38,793	22,701	16,092	420
Travel	108,814	26,503	82,311	108,838	31,274	77,564	-4,747
Other Services	50,086	55,608	-5,522	46,852	57,000	-10,148	-4,626
INCOME	100,411	112,974	-12,563	172,341	183,568	-11,227	1,336
Compensation of Employees	2,699	1,650	1,049	2,819	1,946	873	-176
Investment Income	97,712	111,324	-13,612	169,522	181,622	-12,100	1,512
CURRENT TRANSFERS	50,321	22,004	28,317	99,202	54,859	44,343	16,026
CAPITAL AND FINANCIAL ACCOUNT		31,226	-31,226		7,766	-7,766	23,460
CAPITAL ACCOUNT	12,141		12,141	13,483		13,483	1,342
FINANCIAL ACCOUNT		43,367	-43,367		21,249	-21,249	22,118
Direct Investment	35,491		35,491	72,442		72,442	36,951
Abroad		19,101	-19,101	1,942		1,942	21,043
In Malta	54,592		54,592	70,500		70,500	15,908
Portfolio Investment		250,732	-250,732	165,412		165,412	416,144
Assets		252,340	-252,340	159,591		159,591	411,931
Liabilities	1,608		1,608	5,821		5,821	4,213
Financial Derivatives		2,330	-2,330		5,264	-5,264	-2,934
Other Investment	271,479		271,479		214,609	-214,609	-486,088
Assets		1,095,593	-1,095,593		176,591	-176,591	919,002
Liabilities	1,367,072		1,367,072		38,018	-38,018	-1,405,090
Reserve Assets		97,275			39,230		
NET ERRORS AND OMISSIONS	21,340			5,123			

*provisional

Table 2. Balance of Payments Summary: January-September

Lm thousands

	January-September 2005*			January-September 2006*			Change in balance
	Credit	Debit	Net	Credit	Debit	Net	
CURRENT ACCOUNT		88,692	-88,692		114,471	-114,471	-25,779
GOODS, SERVICES AND INCOME	1,365,865	1,531,596	-165,731	1,590,822	1,835,672	-244,850	-79,119
GOODS AND SERVICES	1,078,448	1,202,078	-123,630	1,134,434	1,353,093	-218,659	-95,029
GOODS	626,702	908,461	-281,759	705,305	1,044,001	-338,696	-56,937
SERVICES	451,746	293,617	158,129	429,129	309,092	120,037	-38,092
Transport	107,583	67,003	40,580	94,965	64,172	30,793	-9,787
Travel	210,055	65,529	144,526	210,335	72,717	137,618	-6,908
Other Services	134,108	161,085	-26,977	123,829	172,203	-48,374	-21,397
INCOME	287,417	329,518	-42,101	456,388	482,579	-26,191	15,910
Compensation of Employees	8,356	5,372	2,984	9,550	5,638	3,912	928
Investment Income	279,061	324,146	-45,085	446,838	476,941	-30,103	14,982
CURRENT TRANSFERS	148,087	71,048	77,039	251,164	120,785	130,379	53,340
CAPITAL AND FINANCIAL ACCOUNT	156,185		156,185	129,887		129,887	-26,298
CAPITAL ACCOUNT	43,073		43,073	37,103		37,103	-5,970
FINANCIAL ACCOUNT	113,112		113,112	92,784		92,784	-20,328
Direct Investment	179,833		179,833	489,779		489,779	309,946
Abroad	7,578		7,578	2,121		2,121	-5,457
In Malta	172,255		172,255	487,658		487,658	315,403
Portfolio Investment		292,527	-292,527		680,883	-680,883	-388,356
Assets		300,302	-300,302		675,623	-675,623	-375,321
Liabilities	7,775		7,775		5,260	-5,260	-13,035
Financial Derivatives		9,401	-9,401		93,797	-93,797	-84,396
Other Investment	279,495		279,495	432,256		432,256	152,761
Assets		1,335,201	-1,335,201		1,480,185	-1,480,185	-144,984
Liabilities	1,614,696		1,614,696	1,912,441		1,912,441	297,745
Reserve Assets		44,288			54,571		
NET ERRORS AND OMISSIONS		67,493			15,416		

*provisional

Table 3. Balance of Payments Summary: March and June Quarters

Lm thousands

	January-March 2005*			January-March 2006*			April-June 2005*			April-June 2006*		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
CURRENT ACCOUNT		57,638	-57,638		66,119	-66,119		40,939	-40,939		50,995	-50,995
GOODS, SERVICES AND INCOME	391,963	474,182	-82,219	459,361	573,040	-113,679	464,745	529,826	-65,081	530,649	620,120	-89,471
GOODS AND SERVICES	302,348	370,805	-68,457	320,791	424,483	-103,692	367,354	416,659	-49,305	385,173	469,667	-84,494
GOODS	198,562	281,603	-83,041	225,769	334,722	-108,953	218,615	319,004	-100,389	245,549	361,310	-115,761
SERVICES	103,786	89,202	14,584	95,022	89,761	5,261	148,739	97,655	51,084	139,624	108,357	31,267
Transport	31,043	20,452	10,591	23,496	19,974	3,522	36,219	21,902	14,317	32,677	21,497	11,180
Travel	33,383	19,856	13,527	32,563	17,668	14,895	67,858	19,170	48,688	68,934	23,775	45,159
Other Services	39,360	48,894	-9,534	38,963	52,119	-13,156	44,662	56,583	-11,921	38,013	63,085	-25,072
INCOME	89,615	103,377	-13,762	138,570	148,557	-9,987	97,391	113,167	-15,776	145,476	150,453	-4,977
Compensation of Employees	2,725	1,612	1,113	4,000	1,805	2,195	2,932	2,110	822	2,731	1,886	845
Investment Income	86,890	101,765	-14,875	134,570	146,752	-12,182	94,459	111,057	-16,598	142,745	148,567	-5,822
CURRENT TRANSFERS	48,396	23,815	24,581	77,669	30,109	47,560	49,371	25,229	24,142	74,294	35,818	38,476
CAPITAL AND FINANCIAL ACCOUNT	113,144		113,144	93,542		93,542	74,266		74,266	44,112		44,112
CAPITAL ACCOUNT	16,769		16,769	11,057		11,057	14,162		14,162	12,563		12,563
FINANCIAL ACCOUNT	96,375		96,375	82,485		82,485	60,104		60,104	31,549		31,549
Direct Investment	67,132		67,132	59,611		59,611	77,211		77,211	357,727		357,727
Abroad	13,438		13,438	186		186	13,241		13,241			-6
In Malta	53,694		53,694	59,425		59,425	63,970		63,970	357,733		357,733
Portfolio Investment		55,353	-55,353		145,329	-145,329		13,558	13,558		700,966	-700,966
Assets		61,629	-61,629		140,972	-140,972		13,667	13,667		694,242	-694,242
Liabilities	6,276		6,276		4,357	-4,357		109	-109		6,724	-6,724
Financial Derivatives		5,383	-5,383	6,706		6,706		1,689	-1,689		95,239	-95,239
Other Investment	54,576		54,576	105,667		105,667		46,560	-46,560	541,198		541,198
Assets	10,373		10,373		513,195	-513,195		249,980	-249,980		790,399	-790,399
Liabilities	44,203		44,203	618,862		618,862	203,420		203,420	1,331,597		1,331,597
Reserve Assets	35,403			55,830			17,584				71,171	
NET ERRORS AND OMISSIONS		55,506			27,423			33,327		6,883		

*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. The data is subsequently compiled using a standard format and published at a quarterly frequency.
4. The date for the publication of data carried in this News Release is being extended from 70 to 90 days from the end of the reference period. This is in line with Eurostat requirements for data compilation and dissemination and allows more time for data capture and quality assurance.
5. The data carried in this News Release do not necessarily correspond to the latest published National Accounts data for the same reference period. This is due to different cut-off dates for the two sets of data and to methodological differences in the classification of certain transactions, including those relating to remote gaming activities.
6. Revisions are conducted on a quarterly basis with the previous year data remaining subject to revision. Data are considered to be final once published in the annual NSO publication for the BoP of Malta which is normally one year after the end of the reporting period.
7. The figures published in this release include, for the first time, data pertaining to remote gaming companies, as well as updated data for the other sectors. A reclassification of an instrument from long-term to short-term by a credit institution in the second quarter 2006, as well as the inclusion of new data received after the publication of the News Release for the same quarter, led to major revisions in the direct investment, portfolio investment and financial derivatives.
8. The source of the data relating to remote gaming activities is a specific survey which has been carried out for the first time with 2005 as the reference year. This has affected almost all accounts of the statement, with the more significant contributions being made to the Transfers account where bets and wins are recorded.
9. 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.
10. Shipment data (freight and insurance) is being extracted from the c.i.f. INTRASTAT import figure (as from 2004). 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.
11. The source for gross earnings from tourism are the surveys TOURSTAT and CRUISTAT 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.
12. For more detailed metadata, please refer to the Balance of Payments publication published annually by the NSO.

European statistics comparable to data in this News Release are available at:

[EUROSTAT Website/Homepage/Economy&Finance/data](http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&code=sdg_10_10_10)

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