

News Release



Date: 2 February 2007
No. : 19/2007
Time of release: 11.00 hrs

Cut-off date for data presented:
22 December 2006

Theme:
Economy and Finance

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Balance of Payments

Direct Investment in Malta and Abroad

Provisional data for the first nine months of 2006, show that the Foreign Direct Investment flows in Malta amounted to Lm487.7 million while Direct Investment abroad was Lm2.1 million.

As from 2004, for Balance of Payments purposes, data started to be collected on a country and economic activity breakdown basis. For the first time, this release presents a set of tables introducing Direct Investment broken down by a number of countries, regional aggregates and economic activity aggregates.

The fifth edition of the IMF Balance of Payments manual defines Direct Investment as "the category of international investment that reflects the objective of a resident entity in one economy (i.e. direct investor) obtaining a lasting interest in an enterprise resident in another economy. The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise and significant degree of influence by the investor on the management of the enterprise. Direct investment comprises not only the initial transaction establishing the relationship between the investor and the enterprise but also all subsequent transactions between them and among affiliated enterprises, both incorporated and unincorporated."

Direct Investment is sub-divided into two categories:

Foreign Direct Investment (FDI) in Malta – where a foreign investor owns 10% or more of the ordinary shares (or voting power) of an enterprise in Malta; and

Direct Investment Abroad – where a Maltese resident entity (or an individual, government or association) owns 10% or more of the ordinary shares of an enterprise in another economy. These companies can be subsidiaries, affiliates or branches.

Direct Investment is made up of three basic components:

- Equity Capital - comprising equity investment in subsidiaries, associates and branches. Capital contributions (e.g. provisions of machinery) and purchase of immovable property are also classified under equity capital.
- Reinvested Earnings - consisting of the direct investor's share (i.e. attributed to the shareholding of the company) of earnings not distributed as dividends by subsidiaries, associates and branches not remitted to the direct investor. Losses are regarded as negative re-invested earnings.
- Other Capital - including inter-company transactions such as borrowing and lending of funds; and, trade debits and credits between direct investors and direct investment enterprises. Transactions between enterprises in different economies that share the same direct investor are also considered as direct investment and included under other capital.

Direct Investment flows include transactions occurring during a particular period. Besides accumulated flows, Direct Investment Stock Position takes into account any market value revaluations; reclassifications; and exchange rate changes prevailing at the end of the reporting period.

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Foreign Direct Investment (FDI) in Malta

Table 1 presents a breakdown of provisional FDI inflows in Malta coming from countries all over the world. Total FDI inflows totalled Lm218.8 million in 2005 compared to Lm143.3 million registered during the previous year. Equity capital investment flows increased by Lm130.5 million or Lm21.7 million more than a year before. However, due to larger dividends payments, re-invested earnings were Lm11.4 million shorter than in 2004. A decrease in claims, accompanied by a higher increase in liabilities resulted in an increase in the total of other capital flows during 2005.

During the first nine months of 2006, total FDI inflows in Malta amounted to Lm487.7 million or Lm315.4 million more than the same period in 2005. Mainly due to new acquisitions by foreign investors, equity capital increased by Lm200.3 million over the same period a year before. Reinvested earnings were also Lm38.1 million more than the amount registered a year earlier. Also, other capital flows amounted to Lm143.9 million, Lm76.9 million more than the same period in 2005.

Table 2 introduces provisional FDI inflows in Malta broken down by geographical regions. In 2005, total FDI inflows from the EU Member States totalled Lm22.9 million as against Lm105.3 million during 2004. At the same time, FDI inflows from non-EU countries amounted to Lm195.9 million when compared to Lm38 million during 2004. Additionally, between January and September of 2006, FDI inflows from EU and non-EU countries amounted to Lm94 million and Lm393.6 million respectively.

Table 3 discloses provisional figures for FDI flows in Malta classified by economic activity. During 2005, the main recipient of FDI inflows was the financial sector for a total of Lm149.8 million as opposed Lm70.7 million during the previous year. Similarly, during the first nine months of 2006, the financial sector was the main receiver of FDI flows with a total of Lm299.3 million.

Furthermore, as indicated in Table 4, provisional FDI stock position in Malta at the end of 2005, stood at Lm1,448 million; an increase of Lm185 million over the end of the previous year. FDI stock position at the end of 2005 attributable to EU Member States stood at Lm1,139 million; which is almost equivalent to that recorded at the end of 2004. Direct investment in Malta by non-EU countries totalled Lm308 million in 2005; a rise of Lm178.8 million over the previous year.

Direct Investment Abroad

Table 5 below shows the breakdown of provisional Direct Investment flows abroad by Maltese resident entities. In 2005, total DI outflows declined by Lm8 million as compared to a decrease of Lm0.6 million in 2004. This shift was mainly conditioned by the other capital component due to a net increase in claims of Lm9.6 million (compared to a decrease of Lm6.6 a year before) as well as by an increase in liabilities of Lm27.2 million. From the perspective of the first nine months of 2006, direct investment abroad fell by Lm2.1 million.

Looking at Table 6, in 2005, Direct Investment in the European Union decreased by Lm13.3 million; which was similar to that recorded during the previous year. On the other hand, Direct Investment outside the EU increased by Lm5.2 million in 2005 compared to the net increase of Lm12.2 during 2004. Also, during the first nine months of 2006, Direct Investment in the EU decreased by Lm2.4 million; but increased by Lm0.3 million in non-EU countries.

Table 7 indicates that the hotels, restaurants and real estate sector was the principal direct investor abroad in both 2004 and 2005; amounting to Lm11.1 million and Lm24.2 million respectively. Indeed, this was mainly due to inter-company loan transactions.

Finally, Table 8 exhibits provisional stock position of Direct Investment Abroad. Total stock position at the end of 2005 totalled Lm333.6 million; consisting of Lm138.9 million investment in the European Union and Lm194.7 million in the rest of world. This implied in a decline of Lm3.4 million over the year 2004 ■

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

[EUROSTAT Website/Homepage/Economy&Finance/data](http://ec.europa.eu/eurostat/homepage/economy&finance/data)

- >Economy & Finance
- >Balance of payments - International transactions
- >European Union Direct Investments

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Table 1. Foreign Direct Investment flows in Malta

Partner Country - World	Lm '000				
	2004*	2005*	2004 Q1-Q3*	2005 Q1-Q3*	2006 Q1-Q3*
	Inward FDI		Inward FDI		
Equity capital	108,773	130,493	62,914	99,998	300,342
Reinvested earnings	35,554	24,142	26,649	5,255	43,396
Other capital	-1,054	64,186	-7,613	67,003	143,920
Claims on direct investors	-7,152	33,358	-544	43,211	-15,178
Liabilities to direct investors	6,098	30,828	-7,069	23,793	159,097
Total	143,273	218,821	81,950	172,256	487,658

*provisional

Figures may not add up due to rounding

Increase in assets and decrease in liabilities are denoted as negative (Debit flows)

Decrease in assets and increase in liabilities are denoted as positive (Credit flows)

Table 2. Foreign Direct Investment flows in Malta: geographical breakdown

Geographical breakdown	Lm '000				
	2004*	2005*	2004 Q1-Q3*	2005 Q1-Q3*	2006 Q1-Q3*
	Inward FDI		Inward FDI		
World	143,273	218,821	81,950	172,256	487,658
of which:					
EU-25	105,258	22,895	56,177	9,992	94,038
of which:					
Austria	49,378	21,390	48,383	15,531	36,858
Belgium	-231	-4,289	-266	-2,855	333
Denmark	1,135	658	1,067	592	76
France	33,434	-3,176	-3,432	-2,776	11,881
Germany	6,371	12,729	5,675	8,721	10,385
Italy	-13,104	-20,267	-14,224	-22,724	27,347
Luxembourg	2,239	2,985	1,673	2,306	2,949
Netherlands	3,192	-14,084	1,872	-15,459	-9,982
Spain	-2	3,193	65	2,927	173
United Kingdom	18,962	20,789	12,403	21,736	12,644
Extra-EU 25	38,015	195,926	25,773	162,264	393,620
of which:					
Other European Countries	47,525	87,456	36,867	80,615	41,668
of which:					
Switzerland	17,963	73,634	15,936	68,642	27,893
Turkey	21,482	16,817	16,113	12,595	21,868
Africa	2,549	-1,699	1,996	-1,095	773
of which:					
Libyan Arab Jamahiriya	2,693	-2,010	2,149	-1,190	809
America	-8,033	7,931	-12,204	6,171	15,644
of which:					
Canada	530	6,301	514	4,999	12,046
United States	-6,431	1,960	-10,617	995	1,892
Asia	-3,498	-1,580	-431	-1,294	94,927
Australia & Oceania	516	104,366	344	78,270	240,881

*provisional

Figures may not add up due to rounding

Increase in assets and decrease in liabilities are denoted as negative (Debit flows)

Decrease in assets and increase in liabilities are denoted as positive (Credit flows)

Table 3. Foreign Direct Investment flows in Malta: Economic activity

Partner Country - World	Lm '000				
	2004*	2005*	2004 Q1-Q3*	2005 Q1-Q3*	2006 Q1-Q3*
Economic activity	Inward FDI		Inward FDI		
Manufacturing, Electricity, Gas, Water, Construction, Trade & Repairs	-3,440	6,772	-6,842	10,409	15,006
Hotels & Restaurants, Real Estate, Renting & Business Act	26,607	14,654	20,702	12,380	10,004
Transports, Storage & Communications	42,727	12,401	283	9,360	137,309
Financial Intermediation	70,744	149,804	63,210	113,137	299,290
Other activities *	6,635	35,188	4,598	26,969	26,051

*provisional

Figures may not add up due to rounding

Increase in assets and decrease in liabilities are denoted as negative (Debit flows)

Decrease in assets and increase in liabilities are denoted as positive (Credit flows)

Table 4. Foreign Direct Investment in Malta: Stock position

Geographical breakdown	Lm '000	
	2004*	2005*
	Inward FDI position	
World	1,262,905	1,447,867
of which:		
EU-25	1,133,200	1,139,393
of which:		
Austria	496,570	512,136
Belgium	-4,940	-8,835
Denmark	12,288	14,232
France	28,288	24,936
Germany	82,485	95,846
Italy	107,127	89,482
Luxembourg	34,378	37,313
Netherlands	213,750	179,943
Spain	-928	3,621
United Kingdom	148,371	169,135
Extra-EU 25	129,706	308,475
of which:		
Other European Countries	24,928	95,746
of which:		
Switzerland	-69,812	3,197
Turkey	71,931	72,550
Africa	53,617	51,772
of which:		
Libyan Arab Jamahiriya	44,639	42,563
America	32,971	38,547
of which:		
Canada	10,922	16,877
United States	15,110	15,951
Asia	18,511	19,236
Australia & Oceania	2,201	106,925

*provisional

Figures may not add up due to rounding

Negative figures imply that net assets exceed net liabilities

Table 5. Direct Investment flows abroad

Partner Country - World	Lm '000				
	2004*	2005*	2004 Q1-Q3*	2005 Q1-Q3*	2006 Q1-Q3*
	Outward FDI		Outward FDI		
Equity capital	-11,685	-9,249	-8,945	-7,861	-1,100
Reinvested earnings	1,860	-278	1,423	-209	1,516
Other capital	10,464	17,583	11,466	15,648	1,705
Claims on direct investors	6,647	-9,607	8,076	-5,679	-1,585
Liabilities to direct investors	3,817	27,190	3,390	21,327	3,290
Total	639	8,056	3,943	7,578	2,121

*provisional

Figures may not add up due to rounding

Increase in assets and decrease in liabilities are denoted as negative (Debit flows)

Decrease in assets and increase in liabilities are denoted as positive (Credit flows)

Table 6. Direct Investment flows abroad: geographical breakdown

Geographical breakdown	Lm '000				
	2004*	2005*	2004 Q1-Q3*	2005 Q1-Q3*	2006 Q1-Q3*
	Outward FDI		Outward FDI		
World	639	8,056	3,943	7,578	2,121
of which:					
EU-25	12,825	13,273	14,671	12,297	2,382
Extra-EU 25	-12,186	-5,217	-10,728	-4,719	-261

*provisional

Figures may not add up due to rounding

Increase in assets and decrease in liabilities are denoted as negative (Debit flows)

Decrease in assets and increase in liabilities are denoted as positive (Credit flows)

Table 7. Direct Investment flows abroad: Economic activity

Partner Country - World	Lm '000				
	2004*	2005*	2004 Q1-Q3*	2005 Q1-Q3*	2006 Q1-Q3*
	Outward FDI		Outward FDI		
Manufacturing, Electricity, Gas, Water, Construction, Trade & Repairs	-401	268	-393	170	-164
Hotels & Restaurants, Real Estate, Renting & Business Act	11,101	24,181	11,421	16,579	-971
Transports, Storage & Communications	3,810	-4,386	3,989	-1,477	2,236
Financial Intermediation	-9,311	-9,475	-7,765	-8,109	-962
Other activities *	-4,560	-2,532	-3,309	416	1,982

*provisional

Figures may not add up due to rounding

Increase in assets and decrease in liabilities are denoted as negative (Debit flows)

Decrease in assets and increase in liabilities are denoted as positive (Credit flows)

Table 8. Direct Investment Abroad: Stock Position

Lm '000

Geographical breakdown	2004*	2005*
	Outward FDI position	
World	337,000	333,593
of which:		
EU-25	133,265	138,853
Extra-EU 25	203,735	194,740

*provisional

Figures may not add up due to rounding

Methodological notes

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. Direct Investment is extracted from both statements, 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.

The type of data collection system used to compile the Direct Investment is a composite system based on a monthly, quarterly and annual direct reporting (DR) enterprise survey, as well as various other sources that are identified from time to time by the BoP compilers. No major sectors of the economy are excluded from the aggregate data. The data for all components are compiled from these surveys. However, where not directly available, preliminary figures on reinvested earnings are estimates based on an average of the previous four years. The final data on reinvested earnings are then compiled from the annual DR survey.

Direct Investment data is collected on a country breakdown basis. The debtor/creditor principle is used as the basis for the geographic allocation of the data.

The classification used for economic activity is NACE Rev. 1.1, which corresponds to the Statistical Classification of Economic Activities in the European Community, Rev. 1.1 set up by Eurostat. Both the data on direct investment abroad and foreign direct investment in Malta are classified on the basis of the industrial activity of the resident direct investment enterprises. Due to confidentiality issues, aggregate economic activities are grouped as follows:

<p>Manufacturing, Electricity, Gas, Water, Construction, Trade & repairs include:</p> <ul style="list-style-type: none">Manufacturing IndustryElectricity, Gas and Water Provision IndustryConstruction IndustryWholesale & Retail ActivitiesMaintenance and Repair Industry <p>Hotels & Restaurants, Real Estate, Renting & Business Act include:</p> <ul style="list-style-type: none">Hotel & Restaurants IndustryReal Estate ActivitiesRenting of machinery & equipment <p>Transport, Storage & Communications include:</p> <ul style="list-style-type: none">Land, Sea and Air TransportStorage, Supporting and auxiliary transport activitiesActivities of Travel AgenciesPost and TelecommunicationsPost and Courier Activities <p>Financial Intermediation include:</p> <ul style="list-style-type: none">BanksInsurance Principals and AgenciesExchange BureauxInvestment Service ProvidersFinancial Holding CompaniesOther Monetary and Financial Intermediation <p>Other Activities include:</p> <ul style="list-style-type: none">Agriculture & FishingMining & QuarryingResearch & DevelopmentLegal ActivitiesAccounting, bookkeeping, audit and tax consultancyMarket research, Advertising and Public OpinionBusiness and Management Consultancy activitiesArchitectural, Engineering and Other Technical activitiesEducation, Health and Social Work activitiesSewage and Refusal DisposalRecreational, Cultural & Sporting ActivitiesActivities of Membership OrganizationsOther Activities not allocated elsewhere
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More extensive breakdown by country or economic activity is not always available because of confidentiality issues. Where there are less than three contributors to a number, or where particular respondents could be identified, these would be included in a group in order to respect confidentiality. However, more detailed data not disseminated in this release could be made available on request, once confidentiality issues are not breached.