

News Release



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Compiled by:
Balance of Payments Unit
e-mail: bop.nso@gov.mt
Tel: 25997269

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Balance of Payments

International Economic and Financial Transactions: October-December 2006

During the last quarter of 2006, the net deficit in the current account contracted by Lm37.8 million to settle at a negative balance of Lm43.8 million.

October-December 2006

Early indicators on the international economic and financial transactions of Malta during the last quarter of 2006 show an improvement in the current account balance of Lm37.8 million, from a net deficit of Lm81.6 million during the December 2005 quarter to one of Lm43.8 million during the corresponding quarter this year.

Contributing towards this amelioration in the balance of payments statement was essentially a contraction in the visible trade gap of Lm41.5 million as well as an improvement in the net balance of the income account of Lm21.6 million. Indeed, net balance in the goods account was affected by the dual impact of a rise in export earnings of Lm28.1 million as well as by a drop in import outlays of Lm13.4 million; while that in the income account was primarily influenced by a rise in interest earnings coming from investments in bonds, deposit assets and loans to non-resident entities by financial institutions operating in Malta that were higher than the interest payments incurred by the same institutions on loans and deposits due to entities residing abroad.

On the contrary, the net balance in the current transfers account fell by Lm18.5 million, from a net surplus of Lm35.3 million during the December 2005 quarter to one of Lm16.8 million during the same quarter under consideration; while that in the services account dropped by Lm6.9 million, from a net surplus of Lm11.5 million during the last quarter of 2005 to one of Lm4.7 million during the relative period in 2006. Indeed, the net balance in the services account was particularly affected by the twofold effect of a rise in outlays by Maltese residents travelling abroad of Lm8.6 million as well as a fall in revenue coming from tourists visiting the Maltese islands of Lm2.0 million.

As regards the capital and financial account of the statement, the capital account was marked by net inflows of Lm27.6 million as against net inflows of Lm23.7 million during the December quarter last year; while the financial account was shaped by net inflows of Lm67.7 million as opposed to net outflows of Lm2.7 million during the fourth quarter of 2005.

The direct investment account was marked by net inflows of Lm94.3 million as against net inflows of Lm42.8 million during the last quarter of 2005. In fact, the direct investment in Malta was shaped by net inflows of Lm94.3 million as opposed to net inflows of Lm42.2 million during the December 2005 quarter.

As a result of the above shifts in the statement, the reserve assets of the country fell by Lm18.9 million as against an increase of Lm36.3 million during the corresponding quarter in 2005.

January-December 2006

Provisional estimates on the balance of payments statement of Malta during 2006 reveal an improvement in the current account balance of Lm31.3 million, from a net deficit of Lm164.5 million during 2005 to one of Lm133.2 million during 2006.

Generating this outcome was essentially an improvement in the net balances of the current transfers account and the income account of Lm61.3 million and Lm22.5 million respectively that collectively outweighed the deterioration recorded in the net balances of the services and goods account of Lm27.2 million and Lm25.2 million respectively.

In the capital and financial account of the statement, the capital account was marked by net inflows of Lm64.8 million as against net inflows of Lm66.8 million during 2005; whereas the financial account was shaped by net inflows of Lm127.7 million as opposed to net inflows of Lm96.9 million during 2005.

As a result of the above shifts, the reserve assets of the country rose by Lm35.7 million as against an increase of Lm80.6 million during 2005 ■

National Statistics Office
Library & Information Unit
Lascaris, Valletta CMR 02, Malta
Tel: (+356) 25997219
Fax: (+356) 25997205
e-mail: nso@gov.mt
<http://www.nso.gov.mt>

Table 1. Balance of Payments Summary: December Quarter

Lm thousands

	December 2005 Quarter*			December 2006 Quarter*			Change in balance
	Credit	Debit	Net	Credit	Debit	Net	
CURRENT ACCOUNT		81,559	-81,559		43,767	-43,767	37,792
GOODS, SERVICES AND INCOME	500,743	617,589	-116,846	595,769	656,372	-60,603	56,243
GOODS AND SERVICES	374,550	471,847	-97,297	427,258	489,929	-62,671	34,626
GOODS	252,562	361,399	-108,837	280,627	347,969	-67,342	41,495
SERVICES	121,988	110,448	11,540	146,631	141,960	4,671	-6,869
Transport	20,064	22,843	-2,779	27,831	24,494	3,337	6,116
Travel	52,252	27,340	24,912	50,256	35,917	14,339	-10,573
Other Services	49,672	60,265	-10,593	68,544	81,549	-13,005	-2,412
INCOME	126,193	145,742	-19,549	168,511	166,443	2,068	21,617
Compensation of Employees	2,773	1,973	800	2,856	2,116	740	-60
Investment Income	123,420	143,769	-20,349	165,655	164,327	1,328	21,677
CURRENT TRANSFERS	67,707	32,420	35,287	77,064	60,228	16,836	-18,451
CAPITAL AND FINANCIAL ACCOUNT	21,051		21,051	95,322		95,322	74,271
CAPITAL ACCOUNT	23,720		23,720	27,625		27,625	3,905
FINANCIAL ACCOUNT		2,669	-2,669	67,697		67,697	70,366
Direct Investment	42,769		42,769	94,271		94,271	51,502
Abroad	607		607		74	-74	-681
In Malta	42,162		42,162	94,345		94,345	52,183
Portfolio Investment		631,117	-631,117		142,919	-142,919	488,198
Assets		636,521	-636,521		141,886	-141,886	494,635
Liabilities	5,404		5,404		1,033	-1,033	-6,437
Financial Derivatives	1,489		1,489	1,182		1,182	-307
Other Investment	620,516		620,516	96,249		96,249	-524,267
Assets	373,679		373,679	44,832		44,832	-328,847
Liabilities	246,837		246,837	51,417		51,417	-195,420
Reserve Assets		36,326		18,914			
NET ERRORS AND OMISSIONS	60,508				51,555		

*provisional

Table 2. Balance of Payments Summary: January to December

Lm thousands

	January-December 2005*			January-December 2006*			Change in balance
	Credit	Debit	Net	Credit	Debit	Net	
CURRENT ACCOUNT		164,537	-164,537		133,207	-133,207	31,330
GOODS, SERVICES AND INCOME	1,862,412	2,149,806	-287,394	2,237,057	2,554,385	-317,328	-29,934
GOODS AND SERVICES	1,445,846	1,678,035	-232,189	1,611,854	1,896,440	-284,586	-52,397
GOODS	885,258	1,274,883	-389,625	988,254	1,403,038	-414,784	-25,159
SERVICES	560,588	403,152	157,436	623,600	493,402	130,198	-27,238
Transport	107,304	82,649	24,655	130,721	97,767	32,954	8,299
Travel	262,307	92,869	169,438	260,591	108,634	151,957	-17,481
Other Services	190,977	227,634	-36,657	232,288	287,001	-54,713	-18,056
INCOME	416,566	471,771	-55,205	625,203	657,945	-32,742	22,463
Compensation of Employees	11,532	7,425	4,107	11,653	8,356	3,297	-810
Investment Income	405,034	464,346	-59,312	613,550	649,589	-36,039	23,273
CURRENT TRANSFERS	226,386	103,529	122,857	365,210	181,089	184,121	61,264
CAPITAL AND FINANCIAL ACCOUNT	163,739		163,739	192,523		192,523	28,784
CAPITAL ACCOUNT	66,793		66,793	64,786		64,786	-2,007
FINANCIAL ACCOUNT	96,946		96,946	127,737		127,737	30,791
Direct Investment	209,768		209,768	574,813		574,813	365,045
Abroad	8,573		8,573	1,818		1,818	-6,755
In Malta	201,195		201,195	572,995		572,995	371,800
Portfolio Investment		917,198	-917,198		831,888	-831,888	85,310
Assets		929,938	-929,938		825,932	-825,932	104,006
Liabilities	12,740		12,740		5,956	-5,956	-18,696
Financial Derivatives		7,912	-7,912		92,608	-92,608	-84,696
Other Investment	892,902		892,902	513,077		513,077	-379,825
Assets		969,246	-969,246		1,460,787	-1,460,787	-491,541
Liabilities	1,862,148		1,862,148	1,973,864		1,973,864	111,716
Reserve Assets		80,614			35,657		
NET ERRORS AND OMISSIONS	798			59,316			

*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 90 days from the end of the reference period. This is in line with Eurostat requirements for data compilation and dissemination.
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 revised and updated data pertaining to several sectors, particularly the remote gaming companies as well as merchandise trade. This has affected almost all accounts of the statement, with the more significant contributions being made to the Goods, the Other Services and the Transfers accounts, where bets and wins are recorded.
8. 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.
9. 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.
10. The source for gross earnings from tourism are the surveys TOURSTAT and CRUISTAT carried out by the NSO. This has replaced the previous source, that used to be collected from foreign currency transactions reported to the CBM by the banking institutions and other authorized dealers.
11. 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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