

# News Release

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**Compiled by:**

**Balance of Payments Unit**  
e-mail: [bop.nso@gov.mt](mailto:bop.nso@gov.mt)  
Tel: 25997269



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## Balance of Payments

January - March 2005

### International Economic and Financial Transactions during the March 2005 quarter

Provisional figures on the international economic and financial transactions of Malta during the first quarter of 2005 reveal a deterioration in the current account balance of Lm35.3 million, from a net deficit of Lm25.4 million during the first quarter of 2004 to one of Lm60.8 million during the relative quarter this year.

Leading towards this outcome was essentially an expansion in the visible trade gap of Lm51.4 million, from a net negative balance of Lm34.7 million during the January to March 2004 period to one of Lm86.1 million during the corresponding period in 2005. Indeed, as can be seen in Table 1 below, the net balance in the goods account was influenced by the twofold effect of a plunge in export receipts of Lm45.9 million as well as by a rise in the imports bill of Lm5.5 million.

Notwithstanding this, however, the deterioration recorded in the current account balance was partially mitigated by favourable shifts in the net balances of the income account, the services account as well as the current transfers account of the statement. In fact, the net balance in the income account shifted by Lm9.5 million, from a net deficit of Lm2.5 million during the first three months of 2004 to a net surplus of Lm6.9 million during the January to March period in 2005; while the net positive balance in the services account improved by Lm6.2 million, from a net surplus of Lm18.8 million during the first quarter of 2004 to one of Lm25.0 million during the January to March period this year. Likewise, the net negative balance in the current transfers account ameliorated by Lm0.4 million, from a net deficit of Lm6.9 million during the first quarter of 2004 to one of Lm6.6 million during the relative period this year.

As regards the capital and financial account of the statement, the capital account was marked by net inflows of Lm16.8 million as opposed to net inflows of Lm0.1 million during the same period in 2004; whereas the financial account was characterised by net inflows of Lm65.0 million as against net inflows of Lm41.6 million during the January to March period in 2004.

The direct investment account registered net inflows of Lm32.3 million as opposed to net inflows of Lm20.4 million during the first three months of 2004. Indeed, the direct investment in Malta increased by Lm20.0 million as against an increase of Lm11.9 million during the January to March period last year; whereas the direct investment abroad decreased by Lm12.3 million as opposed to a decline of Lm8.5 million during the corresponding period in 2004.

Also, the portfolio investment account was shaped by net outflows of Lm116.9 million as against net outflows of Lm198.8 million during the first quarter of 2004; whereas the other investment account was marked by net inflows of Lm117.8 million as opposed to net inflows of Lm211.9 million during the relative period last year.

As a result of the above movements in the current and financial part of the statement, the reserve assets of the country dropped by Lm36.4 million as opposed to a fall of Lm2.3 million during the January to March period last year. ■

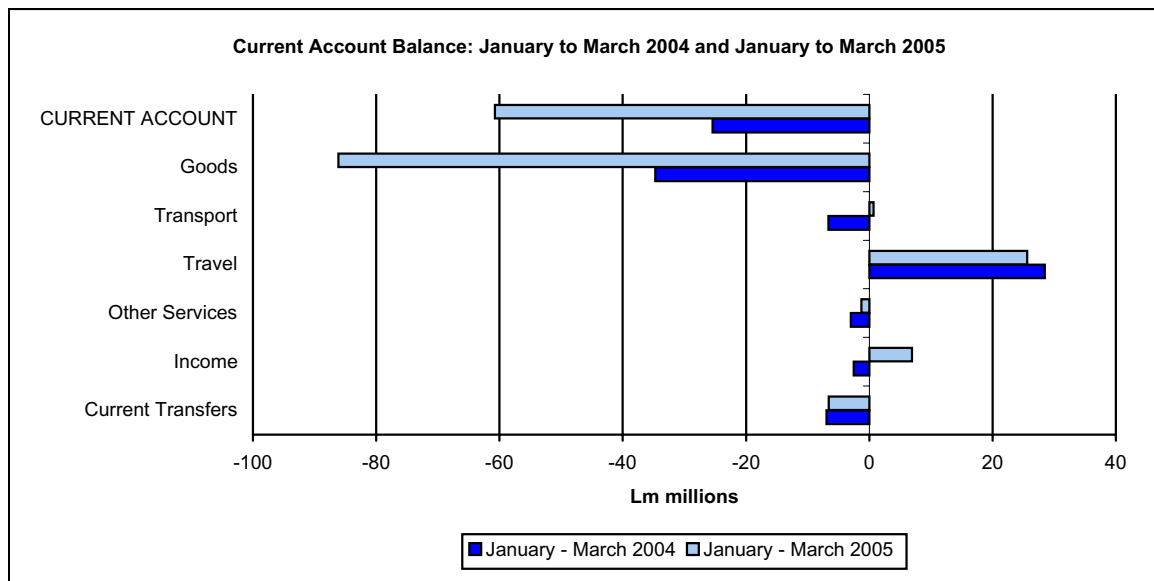
**National Statistics Office**  
**Library & Information Unit**  
Lascaris, Valletta CMR 02, Malta  
Tel: (+356) 21239225, 25997219  
Fax: (+356) 21249841  
e-mail: [nso@gov.mt](mailto:nso@gov.mt)  
<http://www.nso.gov.mt>

**Table 1. Balance of Payments Summary**

Lm thousands

Balance of Payments Summary							
	March 2004 Quarter*			March 2005 Quarter*			Change in balance
	Credit	Debit	Net	Credit	Debit	Net	
<b>CURRENT ACCOUNT</b>	<b>0</b>	<b>25,411</b>	<b>-25,411</b>	<b>0</b>	<b>60,759</b>	<b>-60,759</b>	<b>-35,348</b>
<b>GOODS, SERVICES AND INCOME</b>	404,561	423,033	-18,472	371,477	425,665	-54,188	<b>-35,716</b>
<b>GOODS AND SERVICES</b>	327,351	343,274	-15,923	285,278	346,405	-61,127	<b>-45,204</b>
<b>GOODS</b>	237,395	272,138	-34,743	191,511	277,645	-86,134	<b>-51,391</b>
<b>SERVICES</b>	89,956	71,136	18,820	93,767	68,760	25,007	<b>6,187</b>
Transport	22,516	29,157	-6,641	29,898	29,226	672	<b>7,313</b>
Travel	46,322	17,870	28,452	45,471	19,863	25,608	<b>-2,844</b>
Other Services	21,118	24,109	-2,991	18,398	19,671	-1,273	<b>1,718</b>
<b>INCOME</b>	77,210	79,759	-2,549	86,199	79,260	6,939	<b>9,488</b>
Compensation of Employees	691	789	-98	1,669	1,006	663	<b>761</b>
Investment Income	76,519	78,970	-2,451	84,530	78,254	6,276	<b>8,727</b>
<b>CURRENT TRANSFERS</b>	18,727	25,666	-6,939	23,859	30,430	-6,571	<b>368</b>
<b>CAPITAL AND FINANCIAL ACCOUNT</b>	<b>41,694</b>	<b>0</b>	<b>41,694</b>	<b>81,875</b>	<b>0</b>	<b>81,875</b>	<b>40,181</b>
<b>CAPITAL ACCOUNT</b>	135	0	135	16,848	0	16,848	<b>16,713</b>
<b>FINANCIAL ACCOUNT</b>	41,559	0	41,559	65,027	0	65,027	<b>23,468</b>
Direct Investment	20,413	0	20,413	32,337	0	32,337	<b>11,924</b>
Abroad	8,547	0	8,547	12,344	0	12,344	<b>3,797</b>
In Malta	11,866	0	11,866	19,993	0	19,993	<b>8,127</b>
Portfolio Investment	0	198,781	-198,781	0	116,895	-116,895	<b>81,886</b>
Assets	0	198,542	-198,542	0	116,806	-116,806	<b>81,736</b>
Liabilities	0	239	-239	0	89	-89	<b>150</b>
Financial Derivatives	5,752	0	5,752	0	4,548	-4,548	<b>-10,300</b>
Other Investment	211,902	0	211,902	117,777	0	117,777	<b>-94,125</b>
Assets	0	69,862	-69,862	0	8,246	-8,246	<b>61,616</b>
Liabilities	281,764	0	281,764	126,023	0	126,023	<b>-155,741</b>
Reserve Assets	2,273	0		36,356	0		
<b>NET ERRORS AND OMISSIONS</b>	<b>0</b>	<b>16,283</b>		<b>0</b>	<b>21,116</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 set 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, a partial cash-settlement system of transactions that pass through the local banking system, 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 private and financial entities operating in Malta; whereas the partial cash-settlement system provides current account and financial account transactions conducted primarily by the personal sector. Also, the customs data provide merchandise transactions conducted by Malta with its world trading partners.
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 with 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 during 2004 is not strictly comparable to that shown for previous years; since there was a change in methodology. Beforehand, the figure that used to be taken was that reported on a quarterly basis by the various respondents. However, as from 2004, an average of the re-invested earnings quoted for the past four years is being apportioned on a quarterly basis. This figure is then revised once the annual questionnaires are submitted by the surveyed entities.
7. For a more detailed meta-data, please refer to the Balance of Payments publication published annually by the NSO.