

# News Release

e-stats service



Date: 6 September 2005  
No. : 190/2005  
Time of release: 11.00 hrs

**Theme:**  
**Economy and Finance**

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27 November 2005

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## Balance of Payments

April - June 2005

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

Provisional indicators on the international economic and financial transactions of Malta during the second quarter of the current year reveal a deterioration in the current account balance of Lm21.1 million, from a net deficit of Lm22.9 million during the June 2004 quarter to one of Lm43.9 million during the corresponding period in 2005.

Contributing towards this outcome was essentially the twofold effect of a worsening in the net balances of both the income account as well as the visible trade account of the statement. Indeed, the net balance in the income account shifted by Lm23.0 million, from a net surplus of Lm20.0 during the second quarter of 2004 to a net deficit of Lm3.0 million during the same period in 2005; whereas the visible trade gap in the goods account expanded by Lm5.3 million, from a net deficit of Lm85.2 during the June 2004 quarter to one of Lm 90.5 million during the relative period this year.

In fact, the net balance in the income account was influenced by a rise in dividend payments to non-residents as well as by an increase in retained earnings (that are due to foreign investors having direct ownership in resident entities) that overshadowed completely the increase in net interest earnings received during the period under consideration; while the net balance in the goods account was affected by a fall in export receipts of Lm15.1 million that was stronger than the decline in the imports bill of Lm9.8 million.

Notwithstanding this, however, the net negative balance in the current transfers account decreased favourably by Lm4.6 million, from a net deficit of Lm5.9 million during the second quarter of 2004 to one of Lm1.4 million during the same quarter in 2005; whereas the net positive balance in the services account improved by Lm2.6 million, from a net surplus of Lm48.3 million during the June 2004 quarter to one of Lm50.9 million during the relative quarter this year.

As regards the capital and financial account of the statement, the capital account was marked by net inflows of Lm10.0 million as against net inflows of Lm6.4 million during the second quarter of 2004; whereas the financial account was shaped by net inflows of Lm2.2 million as opposed to net inflows of Lm3.2 million during the same quarter last year.

The direct investment abroad was characterized by net outflows of Lm4.0 million as against net inflows of Lm1.7 million during the June quarter of 2004; whereas the direct investment in Malta was shaped by net inflows of Lm43.8 million as opposed to net inflows of Lm70.5 million during the same quarter last year.

The portfolio investment account was marked by net outflows of Lm96.5 million as against net outflows of Lm7.0 million during the second quarter of 2004; while the other investment account was characterized by net inflows of Lm40.5 million as opposed to net outflows of Lm83.6 million during the June quarter last year.

As a result of the above shifts, the reserve assets of the country dropped by Lm18.0 million as against a decrease of Lm26.4 million during the June quarter of 2004.

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## **International Economic and Financial Transactions during January to June 2005**

First estimates of the balance of payments transactions conducted during the first half of 2005 indicate a deterioration in the current account balance of Lm47.9 million, from a net deficit of Lm46.8 million during the January to June 2004 period to one of Lm94.7 million during the same period in 2005.

Generating this result was essentially the dual impact of a worsening in the net balance of the goods account as well as the income account of the statement. In fact, the visible trade gap in the goods account expanded by Lm52.7 million, from a net deficit of Lm116.6 million during the first six months of 2004 to one of Lm169.3 million during the same period in 2005, whereas the net positive balance in the income account worsened by Lm7.4 million, from a net surplus of Lm14.2 million during the January to June 2004 period to one of Lm6.8 million during the relative period this year. Indeed, the goods account was particularly influenced by a fall in exports revenue of Lm61.6 million that more than offset the decrease in the imports bill of Lm8.9 million.

On the contrary, however, the net balance in the services account ameliorated by Lm7.7 million, from a net surplus of Lm68.4 million during the January to June 2004 period to one of Lm76.1 million during the corresponding period in 2005; while that in the current transfers account improved by Lm4.6 million, from a net deficit of Lm12.9 million during the first half of 2004 to one of Lm8.3 million during the relative months in 2005.

In the capital and financial part of the statement, the capital account was characterised by net inflows of Lm26.8 million as against net inflows of Lm6.5 million during the January to June 2004 period; while the financial account was marked by net inflows of Lm73.5 million as opposed to net inflows of Lm47.2 million during the first six months of 2004.

The direct investment abroad decreased by Lm6.5 million as against a decrease of Lm1.1 million during the January to June 2004 period; while the direct investment in Malta increased by Lm67.2 million as opposed to an increase of Lm93.0 million during the first half of 2004.

The portfolio investment account was marked by net outflows of Lm213.0 million as against net outflows of Lm196.1 million during the January to June 2004 period; while the other investment account was shaped by net inflows of Lm166.3 million as against net inflows of Lm117.8 million during the first six months of 2004.

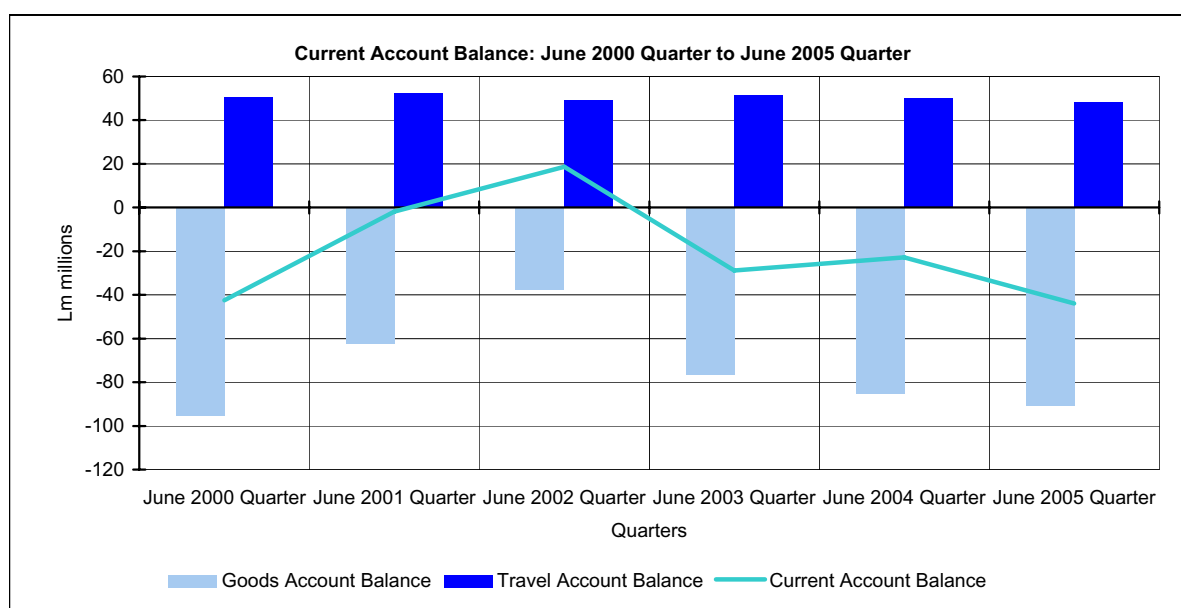
In a mirror reflection of the above shifts, the reserve assets of Malta fell by Lm53.4 million as against a drop of Lm30.6 million during the January to June period in 2004 ■

**Table 1. Balance of Payments Summary**

Lm thousands

Balance of Payments Summary							
	June 2004 Quarter*			June 2005 Quarter*			Change in balance
	Credit	Debit	Net	Credit	Debit	Net	
<b>CURRENT ACCOUNT</b>	<b>0</b>	<b>22,858</b>	<b>-22,858</b>	<b>0</b>	<b>43,919</b>	<b>-43,919</b>	<b>-21,061</b>
<b>GOODS, SERVICES AND INCOME</b>	434,325	451,260	-16,935	456,666	499,214	-42,548	<b>-25,613</b>
<b>GOODS AND SERVICES</b>	354,099	391,016	-36,917	339,556	379,112	-39,556	<b>-2,639</b>
<b>GOODS</b>	226,323	311,533	-85,210	211,240	301,724	-90,484	<b>-5,274</b>
<b>SERVICES</b>	127,776	79,483	48,293	128,316	77,388	50,928	<b>2,635</b>
Transport	36,362	38,865	-2,503	35,027	33,262	1,765	<b>4,268</b>
Travel	67,021	16,906	50,115	67,625	19,171	48,454	<b>-1,661</b>
Other Services	24,393	23,712	681	25,664	24,955	709	<b>28</b>
<b>INCOME</b>	80,226	60,244	19,982	117,110	120,102	-2,992	<b>-22,974</b>
Compensation of Employees	744	1,074	-330	2,961	1,337	1,624	<b>1,954</b>
Investment Income	79,482	59,170	20,312	114,149	118,765	-4,616	<b>-24,928</b>
<b>CURRENT TRANSFERS</b>	21,724	27,647	-5,923	27,202	28,573	-1,371	<b>4,552</b>
<b>CAPITAL AND FINANCIAL ACCOUNT</b>	<b>9,552</b>	<b>0</b>	<b>9,552</b>	<b>12,165</b>	<b>0</b>	<b>12,165</b>	<b>2,613</b>
<b>CAPITAL ACCOUNT</b>	6,391	0	6,391	9,961	0	9,961	<b>3,570</b>
<b>FINANCIAL ACCOUNT</b>	3,161	0	3,161	2,204	0	2,204	<b>-957</b>
Direct Investment	72,199	0	72,199	39,861	0	39,861	<b>-32,338</b>
Abroad	1,660	0	1,660	0	3,976	-3,976	<b>-5,636</b>
In Malta	70,539	0	70,539	43,837	0	43,837	<b>-26,702</b>
Portfolio Investment	0	6,951	-6,951	0	96,504	-96,504	<b>-89,553</b>
Assets	0	6,913	-6,913	0	97,055	-97,055	<b>-90,142</b>
Liabilities	0	38	-38	551	0	551	<b>589</b>
Financial Derivatives	0	4,921	-4,921	272	0	272	<b>5,193</b>
Other Investment	0	83,569	-83,569	40,530	0	40,530	<b>124,099</b>
Assets	0	171,183	-171,183	0	360,774	-360,774	<b>-189,591</b>
Liabilities	87,614	0	87,614	401,304	0	401,304	<b>313,690</b>
Reserve Assets	26,403	0		18,045	0		
<b>NET ERRORS AND OMISSIONS</b>	<b>13,306</b>	<b>0</b>		<b>31,754</b>	<b>0</b>		

\*provisional



**Table 2. Balance of Payments Summary**

Lm thousands

Balance of Payments Summary													
	January - December 2003			January - December 2004*			January - June 2004*			January - June 2005*			Change in balance
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net	
<b>CURRENT ACCOUNT</b>	<b>0</b>	<b>115,912</b>	<b>-115,912</b>	<b>0</b>	<b>184,807</b>	<b>-184,807</b>	<b>0</b>	<b>46,799</b>	<b>-46,799</b>	<b>0</b>	<b>94,667</b>	<b>-94,667</b>	<b>-47,868</b>
<b>GOODS, SERVICES AND INCOME</b>	1,775,075	1,866,602	-91,527	1,715,322	1,873,661	-158,339	838,990	872,927	-33,937	827,405	913,773	-86,368	<b>-52,431</b>
<b>GOODS AND SERVICES</b>	1,443,815	1,524,435	-80,620	1,388,904	1,524,451	-135,547	681,579	729,762	-48,183	624,480	717,660	-93,180	<b>-44,997</b>
<b>GOODS</b>	942,404	1,201,552	-259,148	914,225	1,203,613	-289,388	463,712	580,330	-116,618	402,120	571,402	-169,282	<b>-52,664</b>
<b>SERVICES</b>	501,411	322,883	178,528	474,679	320,838	153,841	217,867	149,432	68,435	222,360	146,258	76,102	<b>7,667</b>
Transport	123,308	133,636	-10,328	120,554	141,323	-20,769	58,427	66,925	-8,498	64,477	62,702	1,775	<b>10,273</b>
Travel	261,471	80,931	180,540	269,131	88,025	181,106	113,343	34,776	78,567	113,096	39,034	74,062	<b>-4,505</b>
Other Services	116,632	108,316	8,316	84,994	91,490	-6,496	46,097	47,731	-1,634	44,787	44,522	265	<b>1,899</b>
<b>INCOME</b>	331,260	342,167	-10,907	326,418	349,210	-22,792	157,411	143,165	14,246	202,925	196,113	6,812	<b>-7,434</b>
Compensation of Employees	4,694	3,774	920	5,470	4,137	1,333	1,435	1,863	-428	4,630	2,343	2,287	<b>2,715</b>
Investment Income	326,566	338,393	-11,827	320,948	345,073	-24,125	155,976	141,302	14,674	198,295	193,770	4,525	<b>-10,149</b>
<b>CURRENT TRANSFERS</b>	71,561	95,946	-24,385	75,883	102,351	-26,468	40,451	53,313	-12,862	51,201	59,500	-8,299	<b>4,563</b>
<b>CAPITAL AND FINANCIAL ACCOUNT</b>	<b>38,970</b>	<b>0</b>	<b>38,970</b>	<b>103,215</b>	<b>0</b>	<b>103,215</b>	<b>53,704</b>	<b>0</b>	<b>53,704</b>	<b>100,283</b>	<b>0</b>	<b>100,283</b>	<b>46,579</b>
<b>CAPITAL ACCOUNT</b>	6,619	0	6,619	28,817	0	28,817	6,526	0	6,526	26,809	0	26,809	<b>20,283</b>
<b>FINANCIAL ACCOUNT</b>	32,351	0	32,351	74,398	0	74,398	47,178	0	47,178	73,474	0	73,474	<b>26,296</b>
Direct Investment	151,072	0	151,072	146,106	0	146,106	94,067	0	94,067	73,676	0	73,676	<b>-20,391</b>
Abroad	31,075	0	31,075	0	7,930	-7,930	1,071	0	1,071	6,503	0	6,503	<b>5,432</b>
In Malta	119,997	0	119,997	154,036	0	154,036	92,996	0	92,996	67,173	0	67,173	<b>-25,823</b>
Portfolio Investment	0	601,130	-601,130	0	572,019	-572,019	0	196,144	-196,144	0	213,010	-213,010	<b>-16,866</b>
Assets	0	594,083	-594,083	0	569,184	-569,184	0	196,028	-196,028	0	213,472	-213,472	<b>-17,444</b>
Liabilities	0	7,047	-7,047	0	2,835	-2,835	0	116	-116	462	0	462	<b>578</b>
Financial Derivatives	9,037	0	9,037	1,131	0	1,131	831	0	831	0	6,902	-6,902	<b>-7,733</b>
Other Investment	528,112	0	528,112	429,923	0	429,923	117,819	0	117,819	166,262	0	166,262	<b>48,443</b>
Assets	0	17,566	-17,566	0	391,152	-391,152	0	238,489	-238,489	0	366,502	-366,502	<b>-128,013</b>
Liabilities	545,678	0	545,678	821,075	0	821,075	356,308	0	356,308	532,764	0	532,764	<b>176,456</b>
Reserve Assets	0	54,740		69,257	0		30,605	0		53,448	0		
<b>NET ERRORS AND OMISSIONS</b>	<b>76,942</b>	<b>0</b>		<b>81,592</b>	<b>0</b>		<b>0</b>	<b>6,905</b>		<b>0</b>	<b>5,616</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 all entities operating in Malta; whereas the partial cash-settlement system provides current account and financial account transactions conducted primarily by the personal sector. Also, merchandise transactions conducted by Malta with its world trading partners is captured through INTRASTAT forms as well as 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 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.