

News Release

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Balance of Payments

October - December 2004

International Economic and Financial Transactions during the December 2004 quarter

Early statistical indicators on the international economic and financial transactions of Malta with its world trading partners show a deterioration in the current account balance of Lm58.0 million, from a net deficit of Lm42.2 million during the fourth quarter of 2003 to one of Lm100.2 million during the corresponding quarter in 2004.

Contributing towards this outcome, as can be seen in Table 1 below, was essentially a deterioration in the net balances of both the goods account as well as the services account of the statement. Indeed, the visible trade gap in the goods account expanded by Lm59.3 million, from a net deficit of Lm56.1 million during the December 2003 quarter to one of Lm115.3 million during the comparable period in 2004; whereas the net balance in the services account worsened by Lm13.9 million, from a net surplus of Lm37.9 million during the last quarter of 2003 to one of Lm24.0 million during the December quarter in 2004. Also, the net balance in the current transfers account deteriorated by Lm0.4 million, from a net deficit of Lm8.8 million during the fourth quarter of 2003 to one of Lm9.2 million during the same period in 2004.

The net balance in the goods account was particularly affected by the twofold effect of a rise in the imports bill of Lm37.7 million as well as by a fall in merchandise export receipts of Lm21.6 million; whereas that in the services account was influenced by an across-the-board deterioration in the net balances of the main categories that make up the entire account. In fact, the net balance in the transport account worsened by Lm6.1 million, from a net deficit of Lm6.0 million during the last quarter of 2003 to one of Lm12.0 million during the same period in 2004; whereas that in the other services account shifted by Lm5.8 million, from a net surplus of Lm0.6 million during the December 2003 quarter to a net deficit of Lm5.1 million during the last quarter of 2004. Also, the net balance in the travel account declined by Lm2.1 million, from a net surplus of Lm43.3 million during the fourth quarter of 2003 to one of Lm41.2 million during the corresponding quarter this year.

Indeed, the net balance in the transport account was affected by a rise in payments of Lm8.0 million for transportation services obtained from non-resident carriers that more than offset the increase in earnings of Lm1.9 million from transportation services provided to non-residents; whereas that in the other services account was affected by a fall in earnings of Lm6.4 million from a number of services rendered to foreign entities that overshadowed entirely the decrease in payments of Lm0.6 million on similar services obtained from abroad during the period under review. Additionally, the net balance in the travel account was shaped by a rise in expenditure of Lm4.3 million by Maltese residents travelling abroad that outweighed completely the rise in earnings of Lm2.3 million from foreign tourists visiting the islands during the quarter under consideration.

In contrast to the above, however, the net balance in the income account improved by a turnaround of Lm15.6 million, from a net deficit of Lm15.3 million during the December 2003 quarter to a net surplus of Lm0.3 million during the fourth quarter under consideration. Indeed, this amelioration was brought about by the dual impact of a fall in interest payments to non-residents as well as by a rise in interest receipts from abroad by monetary and financial institutions operating in Malta.

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As regards the capital and financial account of the statement, the capital account was characterised by net inflows of Lm9.8 million as against net inflows of Lm0.3 million during the December quarter of 2003; whereas the financial account was marked by net inflows of Lm48.3 million as opposed to net inflows of Lm38.4 million during the same quarter of 2003.

The direct investment abroad stood at Lm5.0 million as against Lm2.8 million during the fourth quarter of 2003; whereas the direct investment in Malta amounted to Lm44.9 million as opposed to Lm95.1 million during the last quarter of 2003.

The portfolio investment account recorded net outflows of Lm17.9 million as against net outflows of Lm104.5 million during the December quarter of 2003; while the other investment account recorded net outflows of Lm37.7 million as opposed to net inflows of Lm33.9 million during the last quarter of 2003.

As a result of all the above shifts, the reserve assets of the country declined by Lm68.0 million as compared to a fall of Lm7.7 million during the December quarter of 2003.

International Economic and Financial Transactions during January to December 2004

In another statement detailing the balance of payments transactions of Malta during 2004, it is shown that the current account balance deteriorated by Lm88.1 million, from a net deficit of Lm103.3 million during 2003 to one of Lm191.3 million during the period under consideration.

Leading towards this outcome was essentially an across-the-board deterioration in all the main accounts that compose the statement. In fact, the visible trade gap in the goods account expanded by Lm40.8 million, from a net deficit of Lm263.2 million during 2003 to one of Lm304.0 million during 2004; while the net positive balance in the income account shifted by Lm32.5 million, from a net surplus of Lm15.4 million during 2003 to a net deficit of Lm17.1 million during the year under review. Additionally, the net positive balance in the services account worsened by Lm9.2 million, from a net surplus of Lm164.9 million during 2003 to one of Lm155.7 million during 2004; whereas the net negative balance in the current transfers account deteriorated by Lm5.6 million, from a net deficit of Lm20.4 million during 2003 to one of Lm25.9 million during the year under consideration.

Indeed, the net balance in the goods account was particularly determined by the dual impact of a fall in merchandise exports of Lm23.2 million as well as by a rise in merchandise imports of Lm17.6 million; whereas that in the services account was influenced by a deterioration in the net balances of both the other services account as well as the transport account of Lm6.7 million and Lm3.0 million respectively. On the other hand, the net balance in the income account was affected by the twofold effect of a rise in retained earnings that are due to foreign investors having direct interest in resident entities as well as by a fall in interest receipts from abroad by international financial institutions operating in Malta; whereas that in the current transfers account was shaped by a rise in transfer payments of Lm8.2 million that overshadowed completely the rise in transfer receipts of Lm2.6 million.

As regards the capital and financial account of the statement, the capital account was marked by net inflows of Lm25.3 million as against net inflows of Lm2.4 million during 2003; whereas the financial account was shaped by net inflows of Lm81.9 million as opposed to net inflows of Lm6.6 million.

The direct investment abroad amounted to Lm3.1 million as against Lm7.3 million during 2003; whereas the direct investment in Malta amounted to Lm140.8 million as opposed to Lm111.0 million during 2003. Also, the portfolio investment account was characterised by net outflows of Lm578.8 million as against net outflows of Lm585.8 million during 2003; while the other investment account was marked by net inflows of Lm452.5 million as opposed to net inflows of Lm534.4 million during 2003.

In a mirror reflection to the above shifts in the current and financial account of the statement, the reserve assets of the country fell by Lm69.5 million as against an increase of Lm54.7 million during the same period in 2003. ■

Table 1. Balance of Payments Summary

Lm thousands

Balance of Payments Summary							
	December 2003 Quarter*			December 2004 Quarter*			Change in balance
	Credit	Debit	Net	Credit	Debit	Net	
CURRENT ACCOUNT	0	42,245	-42,245	0	100,205	-100,205	-57,960
GOODS, SERVICES AND INCOME	447,643	481,081	-33,438	430,170	521,183	-91,013	-57,575
GOODS AND SERVICES	361,554	379,674	-18,120	337,733	429,034	-91,301	-73,181
GOODS	246,853	302,918	-56,065	225,234	340,571	-115,337	-59,272
SERVICES	114,701	76,756	37,945	112,499	88,463	24,036	-13,909
Transport	26,697	32,654	-5,957	28,576	40,623	-12,047	-6,090
Travel	64,722	21,440	43,282	67,013	25,783	41,230	-2,052
Other Services	23,282	22,662	620	16,910	22,057	-5,147	-5,767
INCOME	86,089	101,407	-15,318	92,437	92,149	288	15,606
Compensation of Employees	1,057	839	218	2,372	1,191	1,181	963
Investment Income	85,032	100,568	-15,536	90,065	90,958	-893	14,643
CURRENT TRANSFERS	17,562	26,369	-8,807	14,817	24,009	-9,192	-385
CAPITAL AND FINANCIAL ACCOUNT	38,795	0	38,795	58,055	0	58,055	19,260
CAPITAL ACCOUNT	352	0	352	9,796	0	9,796	9,444
FINANCIAL ACCOUNT	38,443	0	38,443	48,259	0	48,259	9,816
Direct Investment	92,324	0	92,324	39,907	0	39,907	-52,417
Abroad	0	2,761	-2,761	0	4,971	-4,971	-2,210
In Malta	95,085	0	95,085	44,878	0	44,878	-50,207
Portfolio Investment	0	104,473	-104,473	0	17,949	-17,949	86,524
Assets	0	100,734	-100,734	0	17,296	-17,296	83,438
Liabilities	0	3,739	-3,739	0	653	-653	3,086
Financial Derivatives	9,036	0	9,036	0	3,986	-3,986	-13,022
Other Investment	33,894	0	33,894	0	37,737	-37,737	-71,631
Assets	12,392	0	12,392	0	47,913	-47,913	-60,305
Liabilities	21,502	0	21,502	10,176	0	10,176	-11,326
Reserve Assets	7,662	0		68,024	0		
NET ERRORS AND OMISSIONS	3,450	0		42,150	0		

*provisional

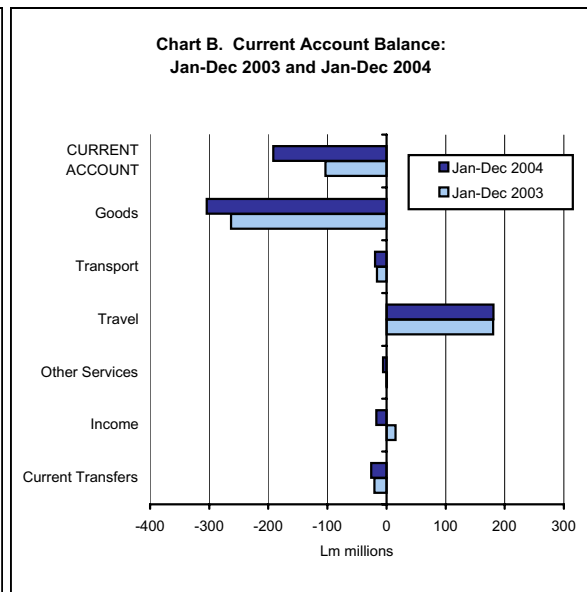
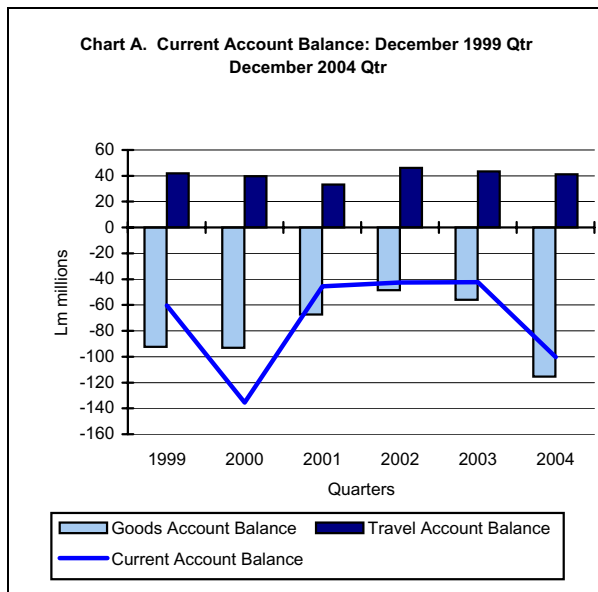


Table 2. Balance of Payments Summary

Lm thousands

	Balance of Payments Summary												Change in balance
	January - December 2001			January - December 2002			January - December 2003*			January - December 2004*			
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net	
CURRENT ACCOUNT	0	73,629	-73,629	5,407	0	5,407	0	103,282	-103,282	0	191,340	-191,340	-88,058
GOODS, SERVICES AND INCOME	1,772,038	1,849,432	-77,394	1,853,739	1,832,196	21,543	1,750,904	1,833,805	-82,901	1,725,857	1,891,256	-165,399	-82,498
GOODS AND SERVICES	1,399,132	1,487,633	-88,501	1,492,598	1,473,609	18,989	1,419,565	1,517,884	-98,319	1,400,591	1,548,876	-148,285	-49,966
GOODS	900,601	1,155,266	-254,665	999,154	1,153,401	-154,247	942,067	1,205,272	-263,205	918,913	1,222,890	-303,977	-40,772
SERVICES	498,531	332,367	166,164	493,444	320,208	173,236	477,498	312,612	164,886	481,678	325,986	155,692	-9,194
Transport	145,231	140,608	4,623	145,696	151,792	-6,096	122,352	138,611	-16,259	131,957	151,245	-19,288	-3,029
Travel	260,745	81,234	179,511	245,726	66,360	179,366	261,471	80,931	180,540	269,131	88,025	181,106	566
Other Services	92,555	110,525	-17,970	102,022	102,056	-34	93,675	93,070	605	80,590	86,716	-6,126	-6,731
INCOME	372,906	361,799	11,107	361,141	358,587	2,554	331,339	315,921	15,418	325,266	342,380	-17,114	-32,532
Compensation of Employees	2,443	3,078	-635	3,459	3,463	-4	4,647	3,116	1,531	5,470	4,312	1,158	-373
Investment Income	370,463	358,721	11,742	357,682	355,124	2,558	326,692	312,805	13,887	319,796	338,068	-18,272	-32,159
CURRENT TRANSFERS	85,944	82,179	3,765	107,476	123,612	-16,136	71,670	92,051	-20,381	74,260	100,201	-25,941	-5,560
CAPITAL AND FINANCIAL ACCOUNT	0	49,916	-49,916	0	33,945	-33,945	9,012	0	9,012	107,217	0	107,217	98,205
CAPITAL ACCOUNT	663	0	663	2,870	0	2,870	2,387	0	2,387	25,270	0	25,270	22,883
FINANCIAL ACCOUNT	0	50,579	-50,579	0	36,815	-36,815	6,625	0	6,625	81,947	0	81,947	75,322
Direct Investment	106,739	0	106,739	0	180,784	-180,784	103,708	0	103,708	137,642	0	137,642	33,934
Abroad	0	9,821	-9,821	4,098	0	4,098	0	7,341	-7,341	0	3,116	-3,116	4,225
In Malta	116,560	0	116,560	0	184,882	-184,882	111,049	0	111,049	140,758	0	140,758	29,709
Portfolio Investment	0	218,926	-218,926	0	159,420	-159,420	0	585,806	-585,806	0	578,831	-578,831	6,975
Assets	0	124,305	-124,305	0	160,225	-160,225	0	582,078	-582,078	0	575,888	-575,888	6,190
Liabilities	0	94,621	-94,621	805	0	805	0	3,728	-3,728	0	2,943	-2,943	785
Financial Derivatives	0	0	0	0	0	0	9,036	0	9,036	1,131	0	1,131	-7,905
Other Investment	176,950	0	176,950	425,225	0	425,225	534,427	0	534,427	452,518	0	452,518	-81,909
Assets	488,225	0	488,225	0	239,884	-239,884	0	11,678	-11,678	0	385,588	-385,588	-373,910
Liabilities	0	311,275	-311,275	665,109	0	665,109	546,105	0	546,105	838,106	0	838,106	292,001
Reserve Assets	0	115,342	-115,342	0	121,836	-121,836	0	54,740	-54,740	69,487	0	69,487	-
NET ERRORS AND OMISSIONS	123,545	0	-123,545	28,538	0	28,538	94,270	0	94,270	84,123	0	84,123	-

*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.