

### 1. INSTITUTIONAL ENVIRONMENT

#### 1.1. *CoPI Professional Independence / PCI Professional Independence*

##### 1.1.1 *Legal basis*

The National Statistics Office (NSO) is Malta's official national statistical agency. It was established by order of the Malta Statistics Authority's (MSA's) Act XXIV of 2000, and it replaced the Central Office of Statistics on March 1, 2001. The NSO has established a tradition of professional independence, particularly after the adoption of the new legislation that extended its prerogatives and authority in producing Malta's official statistics. Other government agencies recognize the importance of the statistical independence of the NSO. The MSA Act provides the NSO with autonomy and professional independence in carrying out its statistical functions. The DG of the NSO decides, on the basis of professional and ethical considerations, the scope and purpose of the statistics produced, as well as the methods and procedures for data collection, production, and publication.

The independence of the Central bank of Malta (CBM), in its capacity as a member of the ESCB, is further emphasized in Article 130 of the EU Treaty and Article 7 of the Statute of the ESCB and of the ECB, which stipulate that *"when exercising the powers and carrying out the tasks and duties conferred upon them..., neither the ECB nor a national central bank nor any member of their decision making bodies shall seek or take instructions from Community institutions or bodies, from any government of a Member State or from any other body. The Community institutions and bodies and governments of the Member States undertake to respect this principle and not to seek to influence the members of the decision making bodies of the ECB or of the national central banks in the performance of their tasks."*

The development, production and dissemination of statistics are governed by the statistical principles laid down in article 2 of the Regulation (EC) No 223/2009 of the European Parliament and the Council on European statistics.

The Annual Report, apart from reporting on the work done during the year under review, gives indications on work and processes to be performed in the forthcoming year/s.

##### 1.1.2 *Statistics work programme*

The Annual Report, apart from reporting on the work done during the year under review, gives indications on work and processes to be performed in the forthcoming year/s.

## **1.2. CoP2 Mandate for data collection/PC2 Mandate for data collection**

### *1.2.1 Allocation of responsibilities*

The data is being compiled in terms of the Malta Statistics Authority Act 2000 and EC Regulation 184/2005 as well as subsequent amendments. The BOP and IIP are the responsibility of the NSO. Following a memorandum of understanding signed between the NSO and the CBM in 2004, the financial sector is being compiled by the CBM while the non-financial sector is compiled by the CBM.

### *1.2.2 The legal basis*

The collection, compilation and presentation of the BOP statement of Malta has been the responsibility of the NSO since 1954, the year that such data started to be published by the statistical authorities in Malta. Since 1993, the compilation process has been enhanced by the participation of the CBM. As from 2004, the CBM has shared responsibility in the compilation of the BOP and IIP (see 1.2.1).

The NSO is in charge of the common IT system for data management of all the accounts of the BOP and IIP statements.

## **1.3. CoP6 Impartiality and objectivity / PC6 Impartiality and objectivity**

### *1.3.1 Advanced release calendar*

Release calendar: NSO disseminates an advance release calendar covering all data categories including BOP and IIP news releases.

### *1.3.2 Revision policy*

Quarterly balance of payments data are revised on an ongoing basis, as more actual and updated data become available. These data are normally subject to revisions for up to one year.

The data's preliminary status is clearly identified when they are disseminated. The reference "provisional" is included in all documents and tables. However, no distinction is made between previously published and revised data.

## **2. STATISTICAL PROCESSES**

### **2.1. CoP7 Sound methodology / PC7 Sound methodology**

#### *2.1.1 General remarks*

BOP and IIP statistics are compiled in accordance with the standards set forth in the sixth edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6). Furthermore, specific compilation recommendations from relevant international bodies are observed. In particular, as specified in the ECB Guideline ECB/2011/23 of 9 December 2011 (as amended), and Commission Regulation (EU) No 555/2012 of 22 June 2012.

The main economic sectors of Malta in relation to external transactions are the Finance Industry, Tourism and also special purpose entities (SPEs).

Malta's financial industry includes Banks, Insurance Companies, Captives, Investment Funds, and Other Financial Institutions which all transact with non-residents. Travel earnings are also a very important source of earnings for Malta's economy. There are also a substantial number of SPEs registered in Malta.

#### *2.1.2 Residency*

The general principles laid down in the BPM6 are applied. Special purpose entities (SPEs) which are registered in Malta are considered as residents of Malta.

#### *2.1.3 Institutional unit definition*

The general principles on institutional units (centre of economic interest, decision-making autonomy, and complete set of accounts) are applied. The definition of SPEs is in line with the conclusion of the Eurostat/ECB/OECD 2013 Task Force on Head Offices, Holding Companies and SPEs.

The SPEs of the Financial Sectors in Malta consist mainly of Captive Insurances, Professional Investment Funds and Investment Service Providers (ISPs). This statistical coverage is provided to the CBM on a quarterly basis. As for the rest of SPEs, these are identified through the business register at the NSO, and they are defined in accordance with the conclusions of the same Task Force.

#### *2.1.4 Sectorisation & sector definition and delimitation*

Allocation to resident institutional sectors is clear as regards Banks, Investment Funds, Insurances, and Other Financial Institutions amongst others. The most dominant of these sectors is the banks sector.

As regards the Counterpart sector of Portfolio Investment Assets, these are downloaded from the Security-by-Security reporting of the ECB. Entities in the non-financial sectors are sectorised in accordance with the classification available in the business register held at the NSO.

### *2.1.5 Valuation*

For Non-ISIN securities, respondents provide their market valuations in a questionnaire for securities not reported on a security-by-security basis. Non-listed enterprises that are not in a position of quoting a market value for their equity issued capital are requested to give an estimate by using one of the following methods:

- A recent transaction report;
- Director's valuation; or
- Net asset value. (Net asset value is equal to total assets, including intangibles, less non-equity liabilities and the paid-up value of non-voting shares. Assets and liabilities should be reported at current rather than at historical value).

### *2.1.6 Time of recording (accrual accounting)*

Data is mostly recorded on an accrual basis except for certain categories of private sector revenues, which are posted on a cash basis.

### *2.1.7 Coverage gaps & deviations*

Household data coverage especially for Portfolio Assets and deposits held abroad is currently a Gap which should be improved in the near future.

## **2.2. *CoP8 Appropriate Statistical procedures / PC8 Appropriate Statistical procedures***

### *2.2.1 Main features*

An important element of the collection system is the Direct Reporting (DR) survey sent to reporting agents of both the Non-Financial and Financial sectors, which is supplemented by other data sources. The survey is based on a stock/flow/income model and covers all the instruments required for the compilation of the Current Account, Capital Account and Financial Account: financial instruments and related income as well as the services transactions of these enterprises. No reporting is asked for goods transactions that are reported through trade statistics compiled by the International Trade unit at the NSO.

The NSO is responsible for the collection of data from the non-financial sector and government. These include:

- General purpose companies
- Local airlines and shipping lines
- Agents for foreign airlines and shipping lines
- Shipbuilders and ship repairers
- Remote gaming companies
- Special purpose entities other than those covered by the CBM.

Using the Business Register, the top companies operating in the non-financial sector of the national economy are surveyed on a monthly or quarterly basis. Furthermore, an annual survey is sent to an even larger number of companies.

The Central Bank of Malta is responsible for the collection of the Financial Sector in Malta:

- Investment Funds
- Money Market Funds
- Insurance Corporations
- Insurance Agents
- Credit Institutions
- Investment Service Providers
- Financial SPEs such as Professional Investment Funds and Captive Insurances
- Other Financial Institutions

The Central Bank collects data from Credit Institutions on a monthly basis. Most of the other sectors are collected on a quarterly basis.

Portfolio Investment such as bonds and equities for these sectors are collected on a security-by-security basis and eventually enriched with information from the CSDB.

For Securities without an ISIN code, data is directly received from the Direct Reporting Survey sent to respondents.

Data on External Reserves are also based on a stock/flow/income model and are submitted to the External Statistics section by the CBM's Finance Office on a monthly basis.

Estimates are made mainly in order to produce monthly data when data is received on a quarterly basis.

The NSO is also responsible for the compilation of the trade and travel account for which administrative data collected by units within the NSO is used.

As regards Merchandise trade, exports are reported f.o.b, while imports are given on a c.i.f basis. The latter are converted to f.o.b. for use in BOP. The statistical and invoice values contained in INTRASTAT and EXTRASTAT forms are used to calculate the shipment content contained in the import value of goods. When no indications are available, an estimate of 10 per cent of the value of imports is made. Of this estimate, 90 per cent is allocated to freight and the remainder to insurance.

### 2.2.2 Country specific aspects

Goods: Foreign trade statistics is collected on a monthly basis by the Trade unit within the NSO. Foreign trade statistics are adjusted in order to comply with BPM6 methodology.

The main source for trade data is the trade statistics compiled by the Trade Section of the NSO. These collate data from the customs department and VAT authorities. Adjustments for coverage are subsequently made by the BOP compiler to both imports (reported on a c.i.f. basis) and exports. The merchandise trade import data are converted to f.o.b. basis.

Adjustments to trade figures are mainly made due to imports and exports of oil by VAT-only registered companies which are considered to be not BOP relevant. Further major adjustments to imports/exports, is made due to yachts and aircrafts which are only regarded as being operationally leased and are therefore removed from goods for BOP purposes.

Services: Services transactions are mainly collected through questionnaires.

For the Financial Sector including Credit Institutions, Insurance Companies, Investment Funds, Professional Investment Funds and Other Financial Institutions, services are collected by a census on a monthly, quarterly and annual basis depending on the size of respondents.

For Lenders and Deposit Takers, FISIM adjustments are made from the 'Other Investment' in the Financial Account to 'Services' in the Current Account to take account of the service charge in the interest component.

Services for the non-financial sector are collected from the DR survey. All items recommended in the BPM6 guidelines are requested and compiled. These include:

- "Manufacturing services on physical inputs owned by others (processing)" which cover processing, assembly, labelling, packing, oil refining, liquefaction of natural gas, etc. These are undertaken by enterprises that do not own the goods concerned; and a fee is charged for such service.
- "Maintenance and repair services (exclude repairs to construction and computer services)" which include maintenance and repairs done by residents on goods that are owned by non-residents and vice-versa. Parts and materials are requested to be included, if not charged separately.
- Travel: Gross earnings from tourism and gross expenditure by residents travelling abroad are derived from frontier surveys carried out by the Population and Tourism Statistics Unit of the NSO
- Government services are extracted from a DR quarterly survey of government entities

Primary income: The main source of data on income on direct investment are the Direct Reporting (DR) questionnaires, which provide information on compensation of employees, reinvested earnings, dividends and interest income.

As regards primary income for FDI, data is collected through monthly, quarterly, and annual surveys. With regard to income on debt, the DR questionnaires indicate whether the income is derived from the foreign parent company, fellow enterprises, subsidiaries or other non-resident sources. Income on debt securities between affiliates is recorded as income on direct investment.

Portfolio Investment income is derived at security level by using CSDB attributes including coupon rate, dividend rate, the Accrued Income Factor on foreign investment funds, the

sector and country of the counterparty. Equities and Debt Securities that do not have ISIN Codes are collected from BOP surveys.

There are two main data sources for income on 'Other Investment'. Financial and Non-Financial enterprises provide information on interest income and expenditure through the DR survey.

For the Financial Sector, Income from 'Other Investment' which is mainly Deposits and Loans is collected from BOP surveys to Credit Institutions, Domestic Insurance Companies, Captive Insurances, Investment Funds, Professional Investment Funds and Other Financial Institutions.

The Ministry of Finance provides data on interest payments on the Government's external debt. Income on the external reserves assets of the CBM is provided by its Finance Office and is recorded monthly on an accruals basis.

FISIM is derived as the difference between interests accrued and interests at reference rate for each sector.

Secondary income: Aggregated data on personal remittances, pensions, and other transfers are obtained administrative sources as well as from the Inland Revenue Department (pension receipts only). Non-life insurance premiums and claims reported by private and public entities are obtained from the DR survey, and additional information is obtained through specific data requests.

Capital account: Transactions in acquisitions/disposals of non-produced non-financial assets, debt forgiveness and other transfers of a capital nature are obtained from DR survey. Grants, debt forgiveness and other capital transfers transacted by the government are obtained from administrative sources.

Direct investment: The monthly, quarterly and annual DR questionnaires are used to collect foreign direct investment (FDI) data from all sectors of the economy with the exception of households. The DR questionnaires are designed in such a way as to identify all intercompany transactions, including loans and trade credits.

Information on the acquisition of real estate in Malta by non-residents is provided by the Ministry for Finance. Data on the acquisition of real estate by Maltese abroad is derived from administrative bank tapes. The latter are also the source of direct investment abroad by households.

Direct investment of SPEs is obtained from annual administrative tax sources.

Portfolio investment: The DR questionnaires are used to collect portfolio investment data from the non-financial and the financial sectors. Information on the portfolio investment transactions of households is obtained from the administrative bank tapes. Purchases of domestic equity and debt securities by non-residents on the Malta Stock Exchange (MSE) are reported directly to the BOP compilers by the MSE. Portfolio investment of the financial sector is collected on an SBS basis from the Direct Reporting surveys which are further enriched from the CSDB. SPEs' data is obtained from annual administrative tax sources.

Financial derivatives: The DR questionnaires are used to collect financial derivatives data from all sectors of the economy, the DR questionnaire being structured to differentiate

between options and derivatives other than options. SPEs' data is obtained from annual administrative tax sources.

Other investment: The DR questionnaires are used to record the other investment transactions of all sectors of the economy. The household sector is captured through the administrative bank tapes. SPEs' data is obtained from annual administrative tax sources.

Reserve Assets: The CBM compiles external reserve assets on a daily basis and makes them available to the BOP compilers on a monthly basis. The CBM's Finance Department is the source of data for reserve assets. These are available by instrument, and changes are compiled in accordance with the gross concept after being offset against any unrealized gains/losses. The amortization of discount and premium securities includes offsetting entries for accruals. Other instruments do not include such offsetting entries for accruals. Securities are valued at market price.

### **3. STATISTICAL OUTPUT**

#### ***3.1. CoP11 Relevance / PC11 Relevance***

BOP/IIP statistics support the ESCB in its tasks to define and implement the single monetary policy, potentially conduct foreign exchange operations and hold and manage official reserves. They also support the assessment of external vulnerabilities and interconnectedness for financial stability purposes, the 'risk dashboard' of the European Systemic Risk Board (ESRB) as well as the 'scoreboard' of the macroeconomic imbalances procedure. They are part of the 'Special Data Dissemination Standard' of the IMF and are required for IMF 'Article IV consultations' of the euro area and EU Member States.

#### ***3.2. CoP12 Accuracy and reliability / PC12 Accuracy and reliability (including stability)***

##### ***3.2.1 Revisions***

Quarterly balance of payments data are revised on an ongoing basis, as more actual and updated data become available. These data are normally subject to revisions for up to one year.

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##### ***3.2.2 Errors and omissions and integrity rules***

Errors and omissions are closely monitored. However, because of the small size of the Maltese economy, mirror data cannot be used to investigate the source of these errors and omissions.

### **3.3. CoP13 Timeliness and punctuality / PC13 Timeliness (including punctuality)**

#### *3.3.1 National requirements*

The BOP and IIP statements are compiled quarterly and made available to users within 90 days from the end of the period reported upon.

#### *3.3.2 EU and other international requirements*

International deadlines concerning BOP and IIP have been respected. Quarterly reports requested by Eurostat, ECB and IMF, as well as for SDDS, are produced within the recommended deadline of t+82. Monthly BOP data are produced within the recommended deadline of T+44.

### **3.4. CoP14 Coherence and comparability / PC14 Consistency and comparability**

#### *3.4.1 Bilateral asymmetries*

The FDI Network, a joint project of Eurostat and the ECB where statisticians of Member States exchange micro data, is used to identify asymmetries in FDI statistics.

#### *3.4.2 Consistency with related statistics*

Information obtained from the DR survey is checked against other sources of available information. These include data from banks, companies' balance sheets, as well as media reports.

Aggregated data provided by the Commissioner of Inland Revenue on income are checked against information provided by bank settlement reports.

Information provided by direct respondents is checked against data available from the MFSA.

#### *3.4.3 "Time" and back data consistency*

Back data under BPM6 methodology are available from the reference period 2004Q1 onwards.

#### *3.4.4 Consistency across frequencies*

Quarterly data are derived from monthly observations and annual results from quarterly data.

### 3.5. *CoP15 Accessibility and Clarity / PC15 Accessibility and Clarity*

#### 3.5.1 *Data*

Frequency of dissemination: The balance of payments statistics are published on a quarterly basis by both the NSO and the CBM. The NSO publishes quarterly figures relating to the IIP and FDI bi-annually.

BOP -

[http://nso.gov.mt/en/News\\_Releases/View\\_by\\_Unit/Unit\\_A3/Balance\\_of\\_Payments/Pages/International-Economic-and-Financial-Transactions.aspx](http://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_A3/Balance_of_Payments/Pages/International-Economic-and-Financial-Transactions.aspx)

IIP -

[http://nso.gov.mt/en/News\\_Releases/View\\_by\\_Unit/Unit\\_A3/Balance\\_of\\_Payments/Pages/The-International-Investment-Position-of-Malta.aspx](http://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_A3/Balance_of_Payments/Pages/The-International-Investment-Position-of-Malta.aspx)

#### 3.5.2 *Metadata*

Documentation of the methodology and data sources used in the preparation of the BOP and IIP statement is available on the NSO official website.

Sources and methods:

BOP -

[http://nso.gov.mt/en/nso/Sources\\_and\\_Methods/Unit\\_A3/Balance\\_of\\_Payments/Pages/Balance-of-Payments.aspx](http://nso.gov.mt/en/nso/Sources_and_Methods/Unit_A3/Balance_of_Payments/Pages/Balance-of-Payments.aspx)

IIP -

[http://nso.gov.mt/en/nso/Sources\\_and\\_Methods/Unit\\_A3/Balance\\_of\\_Payments/Pages/The-International-Investment-Position-of-Malta.aspx](http://nso.gov.mt/en/nso/Sources_and_Methods/Unit_A3/Balance_of_Payments/Pages/The-International-Investment-Position-of-Malta.aspx)

Euro-SDMX Metadata Standard (ESMS)

BOP - <http://nso.gov.mt/metadata/reports.aspx?id=4>

IIP - <http://nso.gov.mt/metadata/reports.aspx?id=6>