

6. Prices and Incomes

6. Prices and Incomes

This Chapter presents a review of local inflationary trends, together with a comparison of inflation rates in the European Union (EU) Member States. The analysis of fluctuations in international prices is important given the high degree of openness of the domestic economy. The study of local inflationary developments is followed by an in-depth analysis of the changes in domestic sectoral wages occurring between September 2003 and September 2004. The analysis of these two topics is carried out in the context of the close relation that exists between inflationary developments and changes in earnings levels, which impinge not only on Malta's international competitiveness, hence on the ability of the domestic economy to create wealth, but also on income distribution patterns in Malta.

The 12-month inflation rate in Malta stood at 2.57 per cent in September 2004 as compared to 1.10 per cent in September 2003. After falling throughout most of 2002 and 2003, the domestic inflation rate recorded its lowest level of 1.05 per cent in October 2003. During the subsequent months, inflation followed a gradual increasing trend, reaching the highest level in September 2004. The evolution of inflation during the course of the first nine months of 2004 was primarily influenced by domestic factors.

The analysis of average weekly sectoral wage rates is compiled from the collective agreements of 204 companies employing a total workforce of 30,996 persons. The study shows that an increase of 1.6 per cent in average weekly sectoral wages was registered during the twelve months to September 2004. In accordance with the mandatory cost-of-living adjustments for 2004, all categories of employment benefited from a weekly wage increase of at least Lm0.75. The analysis indicates that the highest wage rises in percentage terms were granted in the Transport Equipment sub-sector, followed by the Machinery sub-sector in the direct production sector. On the other hand, the Wholesale and Retail Trade sub-sector recorded the largest wage increases in percentage terms within the market services sector. The study also shows that the largest proportion of employees for all firms (51.0 per cent) earn an average weekly wage higher than Lm92.25. Furthermore, the majority of employees (64.1 per cent) in market services earned an average weekly wage that exceeded Lm92.25, in comparison with 37.8 per cent of workers engaged in direct productive activities.

Box 6.1

Harmonised Index of Consumer Prices (HICP)

In May 2004, the National Statistics Office (NSO) published the Harmonised Index of Consumer Prices (HICP) for the first time. The HICP measures consumer price movements and is compiled according to the rules specified in a series of European Union Regulations developed by Eurostat in conjunction with EU Member States. This enables comparisons of inflation rates across the European Union.

The scope of the price index is determined by following closely National Accounts concepts of what constitutes household consumption. Consequently, the HICP uses National Accounts data sources to weigh the items in the basket.

It is pertinent to note the differences in the methodology of the Retail Price Index (RPI) and the HICP, in particular with respect to the population base of each index, the weights used and the coverage of the indices. The population of the RPI is representative of private households, largely based on data derived from the Household Budgetary Survey (HBS). Meanwhile, the HICP weights are based on the final consumption expenditures of all individuals in the domestic territory, including spending by private households, institutional households and tourists as a result of which the restaurants and hotels sub-index is assigned a higher weight than in the RPI. The main discrepancy related to the weighting system is that the RPI is a fixed weights and fixed base index whilst the HICP is a chain index whose weights are reviewed in January of each year. This weighting system enables the introduction of new significant goods and services on an annual basis. In contrast to the RPI, which is based on a local classification system with ten commodity groups, the HICP is composed of twelve sub-indices based on the international National Accounts Classification of Individual Consumption by Purpose (COICOP) system. The largest differences between RPI and HICP on a monthly basis are due to disparities in the weighting schemes. It is noteworthy that both the RPI and HICP utilise the same price collection methodologies.

The Table presents inflation rates as measured by the 12-month moving average HICP with base year 1996 for the period January 2001 to September 2004. During this period, the inflation rate fluctuated from the lowest level of 1.90 per cent in November 2003 to the highest rate of 3.11 per cent in May 2002. Since January 2002, the domestic HICP inflation rate followed a general upward trend peaking in May 2002. Thereafter, the HICP inflation rate decelerated to reach the lowest level in November 2003. During the subsequent three months, the 12-month moving inflation rate increased marginally to reach 2.13 per cent in February 2004. After recording a slight decline in March 2004, the inflation rate continued to increase gradually to reach 2.75 per cent in September 2004.

Box 6.1 continued

**Harmonised Index of Consumer Prices
12-Month Moving Average Inflation Rate**
(1996=100)

	per cent			
	2001	2002	2003	2004
January	2.84	2.77	2.34	2.09
February	2.66	2.95	2.24	2.13
March	2.52	3.06	2.18	2.11
April	2.42	3.10	2.13	2.24
May	2.30	3.11	2.08	2.34
June	2.25	3.07	2.08	2.44
July	2.23	3.00	2.03	2.56
August	2.23	2.92	1.99	2.62
September	2.23	2.84	1.95	2.75
October	2.19	2.82	1.94	
November	2.30	2.74	1.90	
December	2.51	2.61	1.93	

Source: National Statistics Office

Inflation

The official measure of inflation in Malta is calculated by using percentage changes in the 12-month moving average for the Retail Price Index (RPI).

As from January 2003, the National Statistics Office (NSO) introduced a new RPI with base December 2002. The new index series started being compiled as from January 2002. Thus in order to have a continuous series of RPI readings expressed in terms of a common benchmark, the RPI with base year 1995 has been extended with the use of a linking coefficient.

Table 6.1 presents domestic inflation rates whilst Table 6.2 shows the monthly RPI readings, for the period between January 2001 and September 2004 in terms of base year 1995. The inflation rates are calculated by comparing the average RPI in the twelve months leading to the month under review with the average for the previous 12-month corresponding period. Over the last twelve months, the domestic inflation rate recorded its lowest level of 1.05 per cent in October 2003, but increased continuously thereafter to reach 2.57 per cent in September 2004. A graphical representation of the domestic 12-month moving inflation rates for the period between September 1999 and September 2004 is provided in Chart 6.1.

12-Month Moving Inflation Rate

(1995=100)

Table 6.1

per cent

	2001	2002	2003	2004
January	2.15	3.27	1.79	1.57
February	2.01	3.48	1.58	1.70
March	1.92	3.62	1.46	1.75
April	1.91	3.65	1.36	1.86
May	1.89	3.64	1.26	1.95
June	1.95	3.54	1.25	2.03
July	2.04	3.39	1.20	2.23
August	2.22	3.14	1.14	2.41
September	2.42	2.89	1.10	2.57
October	2.48	2.82	1.05	
November	2.64	2.55	1.13	
December	2.93	2.19	1.30	

Source: National Statistics Office

Retail Price Index

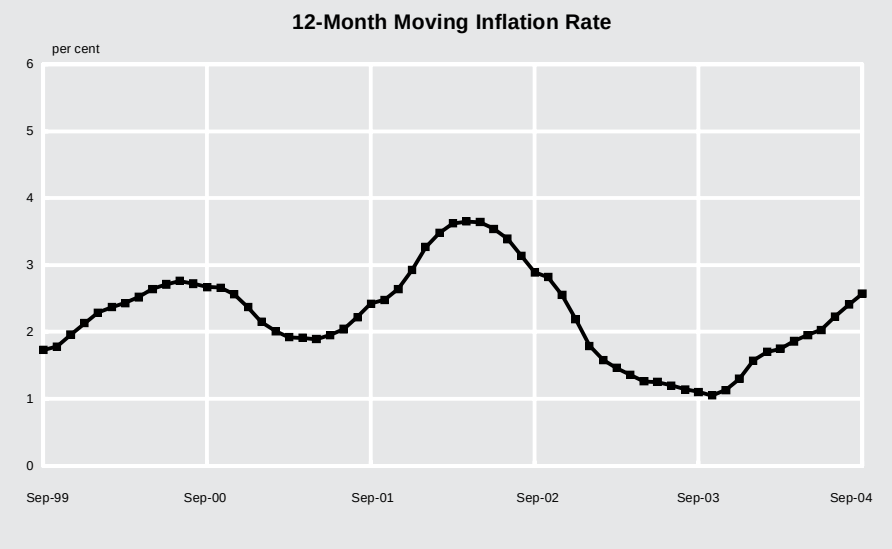
(1995=100)

Table 6.2

	2001	2002	2003	2004
January	112.95	118.23	118.09	121.76
February	113.26	117.44	118.66	121.80
March	113.94	117.55	119.57	122.31
April	114.52	117.75	119.62	123.10
May	115.62	118.47	120.01	122.87
June	115.75	118.03	120.19	123.45
July	116.31	118.44	119.78	124.07
August	117.30	118.90	119.70	123.01
September	117.66	119.18	120.12	123.38
October	116.82	119.40	121.42	
November	118.48	119.29	121.22	
December	118.76	119.14	121.98	
Average Jan-Dec	115.95	118.49	120.03	

Source: National Statistics Office

Chart 6.1



The upward trend in the twelve-month moving average rate of inflation during the eleven months to September 2004 was mainly attributable to higher prices recorded within the Beverages and Tobacco sub-index and the Other Goods and Services sub-index. The Personal Care and Health sub-index also registered an increase in average prices, followed by the Housing sub-index. All the remaining sub-indices of the RPI reported percentage increases, with the exception of the Clothing and Footwear sub-index which was characterised by lower average prices.

An analysis of particular trends inherent in each sub-index of the RPI provides more insight on the underlying inflationary movements. The average for the twelve months to September of the 2001-2004 period for the sub-indices composing the RPI, categorised by commodity group, are presented in Table 6.3.

The Food sub-index followed an erratic pattern during the four years to September 2004. During the twelve months to September 2004, the Food sub-index rose by 1.42 per cent over the comparable level for 2003. The increase in average food prices during the period October 2003 to September 2004, was marginally higher than that recorded during the previous year. The removal of the remaining levies on imported foodstuffs including agricultural and agro-food products from 1st May 2004 have been reflected in lower average prices for amongst others, pasta, biscuits and rusks, unprocessed potatoes and vegetables during the same

Index by Commodity Group
(Average for 12 months to September)

Table 6.3

(1995=100)

Commodity Group	Weight	2001	2002	2003	2004
Food	23.82	114.05	118.24	119.66	121.36
Beverages and Tobacco	6.11	137.55	148.10	152.61	165.22
Clothing and Footwear	8.24	92.74	92.86	85.94	84.75
Housing	7.57	117.91	121.64	124.50	128.50
Water, Electricity, Gas and Fuels	2.25	104.64	108.66	110.04	110.46
Transport and Communications	23.13	125.67	127.75	131.44	135.02
Recreation and Culture	8.84	116.29	120.08	122.00	122.67
Household Equipment & House Maintenance					
Costs	7.65	105.48	105.74	104.96	106.13
Personal Care and Health	6.22	119.64	123.44	127.11	133.42
Other Goods and Services	6.17	106.96	108.22	111.83	120.68

Source: National Statistics Office

month. A marginal increase in the average price of fresh bread and fresh pastry was recorded in August 2004, mainly due to the revision in the price of flour to reflect higher imported prices from international markets. However, in general, the increase in average prices for fresh or chilled fish, vegetables, served meals and take-aways, and fresh or chilled fruits have compensated for the decline in average prices of other items falling within the Food sub-index during the twelve months to September 2004. It is noteworthy that the Food sub-index carries the largest weighting within the RPI.

Average prices for beverages and tobacco increased significantly by 8.26 per cent in the October 2003-September 2004 period compared to the same period of the previous year, mainly contributing to the higher overall inflation during the same period. The Beverages and Tobacco sub-index has followed a general upward trend during the past years, mainly on account of higher excise duties on cigarettes and alcohol. It is pertinent to note that although these price changes generally become effective in November of each year, following an announcement in the Budget, they are captured in the RPI in January of the following year when average prices are observed by the NSO. In December 2003 and January 2004, higher average prices for cigarettes, non-alcoholic beverages, wines, and served beverages were recorded. On the other hand, the highest price drops were recorded in respect of retail wine prices, mainly brought about by the removal of levies on foreign wines.

The Clothing and Footwear sub-index experienced a decline of 1.38 per cent in 2004 over the comparable twelve-month period of 2003. This sub-index has been declining generally since 2001. Average prices in the Clothing and Footwear sub-index tend to be subject to seasonal fluctuations. In particular, price increases are generally recorded in November and May, whilst average price reductions are typically registered in January and August due to seasonal sales.

The Housing sub-index followed a general upward trend over the four years to September 2004. This sub-index increased by 3.21 per cent during the twelve months to September 2004, compared to the corresponding period of the previous year. In particular, higher average prices were recorded in respect of the repair and maintenance of dwellings and parts of household appliances in January, June and September 2004.

During the twelve months to September 2004, the Water, Electricity, Gas and Fuels sub-index was characterised by a marginal increase of 0.38 per cent. Following an increase in the Water, Electricity, Gas and Fuels sub-index in January 2002 due to the total removal of rebates on electricity bills, average prices for items falling within this sub-index remained relatively stable during the subsequent months to September 2004. Average price increases for liquid fuels were recorded in January, April and July 2004, whilst an increase in the price of liquid gas was recorded in February 2004, following an adjustment in tariffs for liquid petroleum gas and propane gas.

Average prices for items falling within the Transport and Communications sub-index have increased over the past four years. An increase of 2.72 per cent in this sub-index was recorded in the twelve months to September 2004, when compared to the same period in 2003. During the three months to December 2003, lower average prices were recorded in respect of fuels, maintenance and repair service of cars and air transport services. However, significant increases were recorded in January, April and July 2004 in respect of the retail price of fuels, which are linked with movements in world oil prices. In July 2004, higher average prices were also recorded in respect of sea transport services and telephone services, the latter as a result of a revision in tariffs for local calls and fixed line rentals by the national fixed line telephony provider, applicable from 1st June 2004. Furthermore, average price rises in respect of motor cars, car parts, the maintenance and repair services of cars and air transport services also contributed to the rise in the Transport and Communications sub-index. Since the introduction of the new RPI in January 2003, the Transport and Communications sub-index has carried the second largest weighting within the RPI.

The Recreation and Culture sub-index was characterised by a general increase in prices during the four years to September 2004. During the October 2003 to September 2004 period, the Recreation and Culture sub-index recorded a marginal increase of 0.55 per cent over the comparable period of 2003. In particular, higher average prices in respect of parts and accessories of audio-visual equipment, plants and flowers and hire and leasing of recreational and sports events contributed to higher prices in this sub-index in December 2003 and January 2004. Higher average prices were also recorded in respect of books and newspapers, reflecting the introduction of a reduced VAT rate of 5 per cent on these items as from 1st May 2004.

The Household Equipment and House Maintenance Costs sub-index generally followed an erratic pattern over the four years to September 2004. During the twelve months to September 2004, this sub-index increased by 1.11 per cent over the comparable period of the previous year. In particular, higher average prices for furniture and household appliances were registered in January 2004. In contrast, the decline in this sub-index during June 2004 was brought about by lower average prices recorded for furniture and household appliances due to annual sales.

The Personal Care and Health sub-index followed a general upward trend during the four years to September 2004. In particular, average prices for items falling within this sub-index increased by 4.96 per cent during the twelve months to September 2004 when compared to the same period of 2003. The main price increases were registered in January and February 2004, resulting from price changes for medical services, dental services and hairdressing and personal grooming services.

Average prices for items falling within the Other Goods and Services sub-index have in general increased over the past four years. Indeed, this sub-index increased by 7.91 per cent over the October 2003 to September 2004 period. A significant increase was registered in January 2004, mainly attributable to higher average prices for insurance services and other personal effects. Further price increases were also registered in April 2004 for jewellery, watches and clocks and in June 2004 for insurance services, contributing to the general rise in the Other Goods and Services sub-index.

International Comparison

Table 6.4 presents data on inflation rates based on the 12-month moving average of the Harmonised Index of Consumer Prices (HICP) for EU Member States.

The common methodology used to compile this index enables the comparison of inflation rates across the European Union.

The lowest inflation rates in September 2004 were recorded in Lithuania and Finland, at 0.1 per cent and 0.3 per cent, respectively. In contrast, the highest inflation rates were reported in three of the new Member States, Slovakia (8.2 per cent), Hungary (6.7 per cent) and Latvia (5.3 per cent). The 12-month moving average inflation rate registered for the EU 25 Member States in September 2004 stood at 1.9 per cent, practically at the same level recorded in December 2003. Inflation in the EU Member States throughout the past nine months was mainly affected by movements in energy prices. In the first quarter of 2004, inflation in the EU Member States declined due to a sharp fall in oil and

European Union Inflation Rates (Harmonised Index of Consumer Prices)				
Table 6.4	per cent			
	2001	2002	2003	2004 ⁽¹⁾
Austria*	2.3	1.7	1.3	1.7
Belgium	2.4	1.6	1.5	1.7
Cyprus	2.0	2.8	4.0	2.0
Czech Republic	4.5	1.4	-0.1	2.1
Denmark	2.3	2.4	2.0	0.9
Estonia	5.6	3.6	1.4	2.2
Finland	2.7	2.0	1.3	0.3
France*	1.8	1.9	2.2	2.4
Germany	1.9	1.3	1.0	1.5
Greece	3.7	3.9	3.4	3.0
Hungary	9.1	5.2	4.7	6.7
Ireland	4.0	4.7	4.0	2.5
Italy	2.3	2.6	2.8	2.4
Latvia	2.5	2.0	2.9	5.3
Lithuania	1.3	0.4	-1.1	0.1
Luxembourg	2.4	2.1	2.5	2.8
Netherlands*	5.1	3.9	2.2	1.5
Poland	5.3	1.9	0.7	2.8
Portugal	4.4	3.7	3.3	2.5
Slovakia	7.2	3.5	8.5	8.2
Slovenia	8.6	7.5	5.7	4.0
Spain	2.8	3.6	3.1	2.9
Sweden	2.7	2.0	2.3	1.2
United Kingdom	1.2	1.3	1.4	1.3
EU 25*	2.2	2.1	2.0	1.9
Malta	2.5	2.6	1.9	2.8
* Provisional for September 2004 ⁽¹⁾ For 2004, figures relate to September				
Source: Eurostat National Statistics Office				

energy prices, from high prices in early 2003 due to the start of the Iraq war. Thereafter, the strong increase in oil prices in the past months contributed to reverse the downward trend followed by EU inflation in the first months of 2004. The inflation rate in Malta, based on the HICP reached 2.8 per cent in September 2004 as compared to 1.9 per cent recorded in December 2003. A review of the data presented in Table 6.4 shows that the domestic inflation rate stood above the average for the EU 25 Member States in September 2004, as well as that of our main trading partners.

Sectoral Wages

This section reviews developments in sectoral average weekly wage rates recorded between September 2003 and September 2004 on the basis of collective agreements finalised and deposited with the Department of Industrial and Employment Relations until September 2004. The analysis is based on 204 enterprises, accounting for a total of 30,996 employees. This includes 100 firms engaged in direct productive activities employing a total of 15,416 workers and 104 organisations operating in the market services sector with a total workforce complement of 15,580 employees. The study focuses on four major categories of employment covered by collective agreements, namely labourers, skilled tradesmen, clerical as well as managerial grades. Definite contracts of employment are excluded from the analysis. Likewise, employment benefits received over and above the basic wage, such as production bonuses, overtime payments, social security benefits and allowances, and other non-wage income are not taken into account. As a result, the employees' actual average weekly remuneration is higher than that reported hereunder. It is relevant to note that since not all employees are covered by a collective agreement and the analysis includes only the basic wage, the results reported in this Chapter are not directly comparable to data based on the gainfully occupied population included in other chapters of this Economic Survey.

In addition, the tables presented in this section are not directly comparable to those published in previous issues of the Economic Survey, due to the methodology and sampling procedure adopted in this analysis. Direct comparability is restrained by the introduction of additional firms and changes in employment levels of the enterprises, which alter the individual firm's respective weightings in each category. Furthermore, in the case when a new collective agreement results in a reclassification of grades and there are new trainees who are generally paid the entry level of any given wage scale, the

reported average remuneration level may decline. This decline would be recorded even if the compensation level of existing employees would not have been adversely affected. Collective agreements were classified according to their respective sub-sector of economic activity. Each sub-sectoral mean wage is computed by averaging minimum and maximum wage scales specified in the individual collective agreements. Subsequently, cost-of-living adjustments, which stood at Lm1.75 for 2003 and Lm0.75 for 2004, were added to these figures. The mean wages are then weighted according to employment levels as at September 2003 in each sub-sector.

The overall weighted average wage of all the firms stood at Lm93.71 in September 2003. As shown in Table 6.5, average weekly wages in the direct production sector stood at Lm85.06, in comparison with the corresponding figure for the market services sector, which amounted to Lm102.27. The highest average weekly wage rates were recorded in the market services sector, specifically in the Banking and Other Financial Institutions sub-sector (Lm112.77), the Transport sub-sector (Lm108.37) and the Community and Business sub-sector (Lm104.31). In contrast, the lowest paid sub-sectors were included in the direct production sector. These were the Leather and Leather Goods sub-sector (Lm59.74) and the Textiles, Footwear and Clothing sub-sector (Lm67.45). The labourer category in the Leather and Leather Goods sub-sector registered the lowest weekly wage rate, which stood at Lm58.30 in September 2003, exceeding the 2003 minimum wage (Lm53.13) by Lm5.17 or 9.7 per cent. In contrast, the managerial grade within the Banking and Other Financial Institutions sub-sector reported the highest average weekly wage of Lm156.63 as at September 2003.

The average weekly wage rate for the various employment categories as at September 2004 is illustrated in Table 6.6. It is noteworthy that both Table 6.5 and Table 6.6 are directly comparable since the same enterprises and the same employment weighting structure is maintained. Hence, the divergences in the respective wage rates reflect the actual change in remuneration levels occurring during the twelve months to September 2004. The weighted average weekly wage for all firms as at September 2004 reached Lm95.17, representing a weekly rise of Lm1.46 or 1.6 per cent over the corresponding figure for 2003. This increase was above the statutory minimum weekly wage increase of Lm0.75 for 2004.

During the Survey period, the wage increase registered in the direct production sector was marginally higher than that recorded by the market services sector.

Average Weekly Wages - September 2003

Table 6.5

Lm

	Labourer	Skilled Tradesman	Clerical/ Executive	Managerial	Weighted Average
Oil Drilling	86.75	87.25	83.75	92.75	86.89
Food	81.26	91.26	82.50	90.20	82.72
Beverages	90.34	100.62	92.82	104.17	94.15
Tobacco	78.47	94.92	101.34	-	84.53
Textiles, Footwear and Clothing	65.18	83.62	81.76	84.27	67.45
Furniture	78.34	99.45	97.25	101.25	90.84
Paper & Printing	94.33	104.43	91.73	102.61	98.25
Leather & Leather Goods	58.30	65.90	73.50	84.25	59.74
Chemicals	88.46	96.94	97.23	103.59	92.18
Non-Metallic Products	71.50	91.00	-	94.75	84.43
Metal Products	87.17	90.91	86.16	91.13	88.60
Machinery	65.05	80.78	72.34	89.97	74.23
Electrical Machinery	75.84	98.32	87.22	106.20	85.67
Transport Equipment	77.41	86.64	87.98	103.62	89.74
Miscellaneous	81.25	97.20	96.60	108.11	86.57
Electricity & Gas Services	83.66	97.60	95.87	109.12	92.04
Construction	76.37	98.02	100.56	-	83.65
Wholesale & Retail Trade	77.03	89.34	84.85	104.79	86.30
Banking & OFI	89.17	108.42	106.79	156.63	112.77
Insurance & Real Estate	68.80	-	-	-	68.80
Transport	97.63	115.74	105.39	129.80	108.37
Storage and Warehousing	89.98	101.11	97.36	121.98	97.69
Communications	93.47	106.04	87.56	135.39	96.98
Community & Business	78.05	94.76	85.27	133.33	104.31
Recreation Services	90.54	98.30	99.88	108.11	97.20
Hotels & Catering Ests	85.84	91.67	90.93	90.83	88.33
All Firms	80.12	97.05	96.84	121.39	93.71
Direct Production	77.70	95.89	90.27	104.02	85.06
Market Services	86.35	98.88	97.85	131.12	102.27

Compiled from data provided by the Department of Industrial and Employment Relations
and Employment and Training Corporation

Whilst the average wage in the direct production sector rose by Lm1.50 to reach Lm86.56 in September 2004, the average weekly wage rate in the market services sector increased by Lm1.43, to stand at Lm103.70 during the same month. This contributed to a marginal drop in the wage gap existing between the two sectors to Lm17.14 in September 2004. The best performing sub-sectors as at September 2004 were the Banking and Other Financial Institutions sub-sector (Lm114.09), the Transport sub-sector (Lm109.42) and the Community and Business sub-sector (Lm105.68). Likewise, the least remunerated sub-sectors engaged in direct productive activities were the Leather and Leather Goods sub-sector (Lm60.49) and the Textiles, Footwear and Clothing sub-sector (Lm68.42). All sub-sectors within the direct production sector recorded an

Average Weekly Wages - September 2004					Lm
Table 6.6	Labourer	Skilled Tradesman	Clerical/ Executive	Managerial	Weighted Average
Oil Drilling	87.50	88.00	84.50	93.50	87.64
Food	82.01	92.01	83.25	90.95	83.47
Beverages	91.38	101.58	95.13	105.04	95.36
Tobacco	79.22	95.67	102.09	-	85.28
Textiles, Footwear and Clothing	66.14	84.53	82.77	85.48	68.42
Furniture	80.37	101.86	100.00	103.20	93.08
Paper & Printing	95.39	105.33	92.77	103.51	99.24
Leather & Leather Goods	59.05	66.65	74.25	85.00	60.49
Chemicals	90.66	98.96	99.27	106.56	94.50
Non-Metallic Products	72.25	91.75	-	95.50	85.18
Metal Products	89.31	92.68	87.83	92.50	90.54
Machinery	66.84	82.96	73.09	90.72	76.13
Electrical Machinery	77.04	99.73	89.00	107.63	86.98
Transport Equipment	79.74	89.10	90.36	106.13	92.16
Miscellaneous	83.47	99.88	97.65	109.79	88.74
Electricity & Gas Services	85.91	99.85	98.12	111.37	94.29
Construction	77.12	98.77	101.31	-	84.40
Wholesale & Retail Trade	79.04	91.70	87.00	107.14	88.49
Banking & OFI	89.96	109.17	108.05	158.58	114.09
Insurance & Real Estate	69.55	-	-	-	69.55
Transport	98.50	116.54	106.21	131.83	109.42
Storage and Warehousing	90.73	101.86	98.11	122.73	98.44
Communications	95.74	108.27	89.96	137.62	99.30
Community & Business	79.18	96.42	86.56	134.83	105.68
Recreation Services	91.29	99.05	100.63	108.86	97.95
Hotels & Catering Ests	86.97	92.80	91.98	91.93	89.45
All Firms	81.48	98.69	98.25	123.06	95.17
Direct Production	79.10	97.53	91.98	105.69	86.56
Market Services	87.58	100.53	99.21	132.79	103.70

Compiled from data provided by the Department of Industrial and Employment Relations and Employment and Training Corporation

average weekly remuneration level below the average for all firms in September 2004, with the exception of the Paper and Printing sub-sector (Lm99.24) and the Beverages sub-sector (Lm95.36). However, it is pertinent to note that even the lowest average weekly wage of Lm59.05, corresponding to the labourer category in the Leather and Leather Goods sub-sector, exceeded the National Minimum Wage for the year 2004 of Lm53.88 by Lm5.17 or 9.6 per cent.

In order to facilitate the comparison of average weekly wage rates, Table 6.7 shows percentage changes occurring between September 2003 and September 2004. The weighted average weekly wage for all firms in September 2004 was 1.6 per cent higher than that recorded in September 2003. The direct production

Changes in Average Weekly Wages

September 2004 - September 2003

Table 6.7

per cent

	Labourer	Skilled Tradesman	Clerical/ Executive	Managerial	Weighted Average
Oil Drilling	0.9	0.9	0.9	0.8	0.9
Food	0.9	0.8	0.9	0.8	0.9
Beverages	1.2	1.0	2.5	0.8	1.3
Tobacco	1.0	0.8	0.7	-	0.9
Textiles, Footwear and Clothing	1.5	1.1	1.2	1.4	1.4
Furniture	2.6	2.4	2.8	1.9	2.5
Paper & Printing	1.1	0.9	1.1	0.9	1.0
Leather & Leather Goods	1.3	1.1	1.0	0.9	1.3
Chemicals	2.5	2.1	2.1	2.9	2.5
Non-Metallic Products	1.0	0.8	-	0.8	0.9
Metal Products	2.5	1.9	1.9	1.5	2.2
Machinery	2.8	2.7	1.0	0.8	2.6
Electrical Machinery	1.6	1.4	2.0	1.3	1.5
Transport Equipment	3.0	2.8	2.7	2.4	2.7
Miscellaneous	2.7	2.8	1.1	1.6	2.5
Electricity & Gas Services	2.7	2.3	2.3	2.1	2.4
Construction	1.0	0.8	0.7	-	0.9
Wholesale & Retail Trade	2.6	2.6	2.5	2.2	2.5
Banking & OFI	0.9	0.7	1.2	1.2	1.2
Insurance & Real Estate	1.1	-	-	-	1.1
Transport	0.9	0.7	0.8	1.6	1.0
Storage and Warehousing	0.8	0.7	0.8	0.6	0.8
Communications	2.4	2.1	2.7	1.7	2.4
Community & Business	1.4	1.7	1.5	1.1	1.3
Recreation Services	0.8	0.8	0.8	0.7	0.8
Hotels & Catering Ests	1.3	1.2	1.2	1.2	1.3
All Firms	1.7	1.7	1.5	1.4	1.6
Direct Production	1.8	1.7	1.9	1.6	1.8
Market Services	1.4	1.7	1.4	1.3	1.4

Compiled from data provided by the Department of Industrial and Employment Relations
and Employment and Training Corporation

sector registered the highest growth in weekly remuneration levels of 1.8 per cent, whilst the comparable figure for the market services sector amounted to 1.4 per cent. During the period under review, both the labourer and skilled tradesman categories for all the firms recorded the highest percentage weekly wage increase of 1.7 per cent. The skilled tradesman category also registered the highest percentage increase (1.7 per cent) in average weekly wages within the market services sector. In contrast, the highest percentage wage increase (1.9 per cent) recorded in the direct production sector during the period under review, pertained to the clerical/executive category. On a sub-sectoral level, the Transport Equipment sub-sector registered the highest percentage wage increase of 2.7 per cent with the labourer category recording the highest

Proportion of Sampled Employees in Wage Ranges					
Table 6.8	per cent				
Sector \ Wage Range	Up to Lm62.24	Lm62.25- Lm72.24	Lm72.25- Lm82.24	Lm82.25- Lm92.24	Over Lm92.25
Oil Drilling	0.0	0.0	0.0	96.3	3.8
Food	0.0	0.0	44.8	37.2	18.0
Beverages	0.0	0.0	10.2	18.6	71.2
Tobacco	5.6	1.9	64.8	0.0	27.8
Textiles, Footwear & Clothing	31.2	51.1	10.1	5.2	2.4
Furniture & Fixtures	3.7	0.6	11.0	26.2	58.5
Paper & Printing	0.0	1.8	11.2	22.7	64.2
Leather & Leather Goods	87.5	8.1	1.5	2.9	0.0
Chemicals	0.3	3.2	22.3	12.3	61.9
Non-Metallic Products	0.0	0.0	36.0	52.0	12.0
Metal Products	0.0	13.3	12.2	22.7	51.8
Machinery	4.3	35.0	7.4	45.1	8.2
Electrical Machinery	5.7	5.5	51.8	4.5	32.6
Transport Equipment	0.0	0.0	10.1	64.6	25.3
Miscellaneous	1.5	30.5	4.4	1.2	62.4
Electricity & Gas	0.0	0.0	0.0	48.1	51.9
Construction	0.0	0.0	66.7	0.0	33.3
Wholesale & Retail Trade	0.0	7.8	29.9	30.5	31.7
Banking & OFI	0.0	0.0	4.0	1.1	94.9
Insurance & Real Estate	0.0	0.0	100.0	0.0	0.0
Transport	0.0	0.5	0.0	7.5	92.0
Storage and Warehousing	0.0	0.0	19.0	7.1	73.8
Communications	0.0	1.4	2.0	37.1	59.5
Community & Business	1.3	5.1	21.3	20.6	51.8
Recreation Services	0.0	0.0	16.1	16.1	67.8
Hotels & Catering Ests.	1.1	1.0	13.3	56.4	28.3
All Firms	4.1	7.8	17.5	19.7	51.0
Direct Production	7.7	13.3	24.1	17.1	37.8
Market Services	0.5	2.3	10.9	22.2	64.1

Compiled from data provided by the Department of Industrial and Employment Relations and Employment and Training Corporation

percentage increase (3.0 per cent) in average weekly wages during the twelve months to September 2004.

The dispersion of weekly wages as at September 2004 along different wage brackets is presented in Table 6.8. This dispersion may reflect the relative degree of skill and specialised expertise required by each sub-sector. In general, sub-sectors that demand superior skills pay higher remuneration to a larger proportion of their workforce. The largest share of employees (51.0 per cent) for all firms earned on average a weekly wage that fell within the highest weekly wage bracket of Lm92.25 and above. At 19.7 per cent, the Lm82.25-Lm92.24 wage bracket represents the second largest proportion of remunerated employees. It

is pertinent to note that the largest share of employees engaged in both the direct production sector (37.8 per cent) and the market services sector (64.1 per cent) earned on average a weekly wage that exceeded Lm92.25. Around one-fourth of employees engaged in direct productive activities fell within the central Lm72.25-Lm82.24 wage bracket, followed by the Lm82.25-Lm92.24 wage cluster with a share of 17.1 per cent of employees. On the other hand, the second largest proportion of employees in market services (22.2 per cent) earned an average weekly wage between Lm82.25-Lm92.24, whilst the Lm72.25-Lm82.24 wage bracket only accounted for around one-tenth of employees.

In the market services sector, the Banking and Other Financial Institutions sub-sector had 94.9 per cent of its employees clustered in the highest wage bracket, closely followed by the Transport sub-sector at 92.0 per cent. In comparison, in the direct production sector, the Beverages sub-sector had the largest share of employees (71.2 per cent) earning wages over Lm92.25. This was followed by the Paper and Printing sub-sector, with nearly two-thirds of its employees earning an average weekly wage falling within the highest wage bracket. Furthermore, the analysis shows that 7.7 per cent of the workers engaged in direct productive activities earned an average weekly wage of up to Lm62.24, whilst only 0.5 per cent of the market services employees fell within this lowest income bracket.

Notwithstanding the differential in average weekly wages that exists between the two main economic sectors, it is relevant to note that when one factors in production bonuses, the actual take-home pay of a large number of workers in the direct production sector is higher than that actually reported in this study. The dispersion in average weekly wage rates between the direct production and market services sectors is indicative of the differences in the respective operational, skills and expertise structures required in these two sectors. The largest proportion of employees (62.8 per cent) engaged in direct production activities fall within the labourer category, whilst only around one-fourth of market services employees are labourers. In contrast, the majority of workers (42.9 per cent) employed within the market services sector are engaged in the clerical/executive grades.