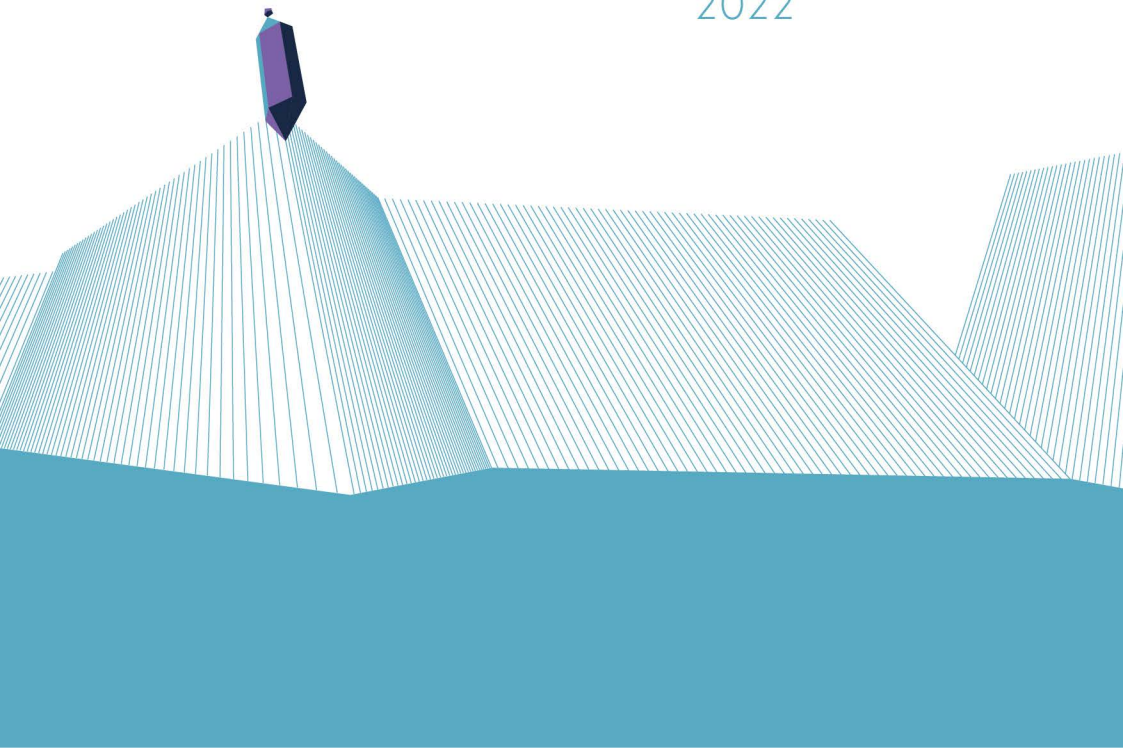


**MALTA**  
ĊERTEZZA  
U STABBILTÀ

ECONOMIC  
SURVEY  
2022



# **Economic Survey**

## **October 2022**

Economic Policy Department  
Ministry for Finance and Employment  
24<sup>th</sup> October, 2022

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Section	Description
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<b>B</b>	Mining and quarrying
<b>C</b>	Manufacturing
<b>D</b>	Electricity, gas, steam and air conditioning supply
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<b>F</b>	Construction
<b>G</b>	Wholesale and retail trade; repair of motor vehicles and motorcycles
<b>I</b>	Accommodation and food service activities
<b>H</b>	Transportation and storage
<b>J</b>	Information and communication
<b>K</b>	Financial and insurance activities
<b>L</b>	Real estate activities
<b>M</b>	Professional, scientific and technical activities
<b>N</b>	Administrative and support service activities
<b>O</b>	Public Administration and defence; compulsory social security
<b>P</b>	Education
<b>Q</b>	Human health and social work activities
<b>R</b>	Arts, entertainment and recreation
<b>S</b>	Other service activities
<b>T</b>	Activities of households as employers; undifferentiated goods-and services-producing activities of households for own use
<b>U</b>	Activities of extraterritorial organisations and bodies



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# Executive Summary

The Maltese economy continued with its positive performance in the first half of 2022, recording real Gross Domestic Product (GDP) growth of 8.5 per cent. This stands at the 4.9 per cent growth rate registered in the EU27 and the 4.8 per cent recorded in the Euro Area (EA) during the same period. The positive economic performance recorded in the first half of 2022 was relatively balanced, particularly reflecting a strong recovery in private consumption and a favourable performance in exports.

During the first half of 2022, Gross Value Added (GVA) in nominal terms registered a growth rate of 13.6 per cent over the same period in 2021, reaching a total of €7.2 billion. This growth in GVA was predominantly driven by the services sector, which contributed 12.5 percentage points to GVA growth and, to a lesser extent, by the industrial sector which contributed 1.0 percentage points and the primary sector which contributed 0.1 percentage points. The growth in GVA was underpinned by increases registered in all sectors of the economy, with substantial growth rates registered in the Wholesale and Retail Trade sector, the Information and Communication sector, the Arts, Entertainment and Recreation sector, the Manufacturing sector, the Agriculture, Forestry and Fishing sector and the Professional, Scientific and Technical Activities sector.

In the first half of 2022, compensation of employees amounted to €3.5 billion, registering an increase of 8.0 per cent. Growth in compensation of employees was broad-based, with notable increases recorded in the Information and Communication sector, followed by the Wholesale and Retail Trade sector, the Real Estate Activities sector, and the Financial and Insurance Activities sector. Throughout the first half of 2022 corporate profits increased by a larger percentage, that is 15.9 per cent, equivalent to €3.8 billion.

The COVID-19 pandemic and the Russia-Ukraine conflict triggered major disruptions in global supply chains. The large dependency on third-party supplies for energy and fuel sources led to vulnerability in energy supply in Europe which was reflected in soaring prices for electricity and fuel. Energy is also an essential input in production so higher energy costs fed into higher costs of manufactured goods and food. The conflict in Ukraine exposed the strategic dependencies of the global economy on Russia and Ukraine as suppliers of staple foods like wheat, corn and vegetable oils. Supply-side bottlenecks coincided with the strong recovery in aggregate demand as the pandemic effects abated. This backdrop led to an unprecedented surge in global inflation.

In August 2022, Malta's 12-month moving average Harmonised Index of Consumer Prices (HICP) inflation rate was 4.3 per cent, whereas the annual rate stood at 7.0 per cent. The 12-month moving inflation rate in the EA was 6.5 per cent while the HICP in August was 9.1 per cent. Notwithstanding the relatively high inflation rate, in August 2022, Malta had the lowest inflation rate in the EU, mainly reflecting the Government's commitment to control utility prices and supporting the security of imported supplies of grain, wheat and animal fodder. This political commitment has been instrumental in containing costs for corporations, allowing the domestic economy to remain competitive and supporting consumers. In the absence of this policy, Malta would be witnessing rates of inflation comparable to the rest of Europe.

The population slowdown registered in 2020 was somewhat reversed in the subsequent year, wherein Malta's population grew by 0.7 per cent. This growth was mainly driven by the increase in net migration during the same year. The labour market is exhibiting positive trends in terms of employment and activity rates, with an unemployment rate that has seen a constant declining trend. These trends are mostly attributed to the Government's effort in retaining both national and foreign nationals within the labour market even through the COVID-19 pandemic. Employment rates for males saw a marginal increase across all age brackets except for the 55-64 age cohort which declined slightly by 1.9 percentage points. The same age cohort analysis for females suggests that all age cohorts registered an increase in the employment rate, with the 25-54 age cohort registering the largest increase.

Such positive outcomes in the labour market have spilled over to the social dimension as well. Average wage rates in Malta have been increasing across sectors, with the higher skilled sectors registering a relatively larger increase. The at-risk-of-poverty and social exclusion (AROPE) for Malta is substantially below the EU average, signifying that social conditions in Malta are comparatively better than its EU peers. A break-down of this indicator would also suggest that the at-risk-poverty-rate (AROP), which is based on a threshold at 60.0 per cent of equivalised household disposable income, remained constant.

In terms of energy and climate change, Greenhouse Gas (GHG) emissions have decreased by 28.7 per cent between 2011 and 2020. Such a development is largely the result of the Government's investment in the energy sector between 2015 and 2016. A decomposition of this reduction would suggest that, from 2015 to 2020, the majority of GHG emission reductions emanate from two sources: domestic fuel combustion and fuel combustion in international aviation. The latter accounts for a significant chunk of the decrease owing to the COVID-19 pandemic which disrupted the aviation industry in 2020. Total environmental taxes as a percentage of GDP were on a declining trend,

mostly due to a relatively higher increase in GDP. In total, environmental taxes amounted to €296.8 million in 2020.

In 2021, the total value of imported goods totalled €6,635.1 million while exported goods amounted to €3,561.1 million. This resulted in a widening of the trade deficit to €3,074.0 million, mainly attributed to the combined increase in imports and decrease in exports of mineral fuels, lubricants and related materials, and machinery and transport equipment. When comparing the first seven months of 2022 to the same period in 2021, Malta's total imports and exports increased by €1,310.1 million and €315.1 million, respectively. Excluding the year 2020 in view of the abnormal economic consequences of the COVID-19 pandemic on trade, Malta has maintained a historical trade deficit averaging 23.0 per cent of GDP over the past five years.

Malta had been recording large and persistent current account surpluses in the last few years prior to the COVID-19 crisis, indicating that domestic savings were successively financing domestic investment contributing to a strong external economic performance for Malta. The COVID-19 pandemic swung Malta's current account balance to a deficit position from 2020 to the second half of 2022. As domestic savings in this period were not enough to finance domestic investment, external borrowing and debt have increased. In the second half of 2022, the current account balance as a percentage of GDP recorded a 3.7 deficit, down from a deficit of 4.8 per cent in the first half of 2021. As a result, a decrease in domestic savings was also recorded during the same comparable period.

Malta's capital account has been in a net payment position over time as outward capital transfers significantly outweighed inward transfers. The net payment position as a share of GDP has been declining since 2019 and the ratio has halved in the first six months of 2022, reaching 0.4 per cent of GDP. The current account deficit recorded in 2020 meant that foreign capital was transferred into Malta to finance the deficit. As a result, the financial account recorded a reversal from a net outflow position of €253.8 million in 2019 to a net inflow position of €309.6 million in 2020. In 2021, despite an increase in capital inflows, the financial account recorded a net outflow position of €775.4 million, which is mostly the result of an increase in the net acquisition of short-term loans under Other investment coupled with an increase in the net acquisition of debt securities under Portfolio investment.

From 2017 to 2020, Malta's Net International Investment Position (NIIP) averaged at 56.4 per cent of GDP. In 2021, NIIP stood at 52.8 per cent of GDP, reflecting a €0.1 billion decline in net assets, as assets increased by €11.6 billion, and liabilities increased by €11.7 billion. This contrasts with the developments in the Financial Account which showed a €0.8



billion improvement in its net asset position, suggesting that there was a net loss from exchange rate and valuation changes (plus tax payments) of €0.9 billion.

In August 2022, the exchange rate of the Euro against the US Dollar fell to a multi-year low rate of \$1.00. Influencing the strengthening of the US dollar against the Euro is the surrounding uncertainty in Europe. The Euro-Pound Sterling exchange rate traded at £0.86 by the end of August. The Euro-Yen exchange rate reached a value of JPY 138.72 by the end of August 2022. The Real Effective Exchange Rate (REER) depreciated to 103.20 in 2021, suggesting that Malta has regained some of its competitiveness losses from the previous year. A relatively lower level of inflation in Malta when compared to that of our trading partners has also contributed to Malta's improvement in the REER. Overall, the goods and services export market share remained at a stable rate of 0.1 per cent between 2016 and 2019. After increasing temporarily by 1.0 percentage point in 2020, the share of Malta's exports to the total exports of the world declined again to 0.1 per cent in 2021.

In the first seven months of this year, Maltese Monetary Financial Institutions' (MFIs) increased the EA Broad Money (M3) stock by 3.8 per cent. This positive contribution was driven mainly by an increase in overnight deposits. In contrast, two-years maturity deposits contributed negatively, while the three-months deposits' contribution towards M3 was negligible. Net claims on non-residents of the EA had a negligible impact on M3, while the 'Other counterparts' element contributed positively. These developments were accompanied by a strong positive contribution from the credit counterpart. Given the current interest rate environment, there was a continued preference of depositors to hold more liquid demand deposits.

Between January to July 2022, the credit counterpart balance reached €22,345.5 million, increasing by 6.9 per cent in comparison to the level registered in December 2021. Such development was mainly driven by positive contributions from credit to both local residents and to other EA residents. In fact, in July 2022, credit to EA residents reached €4,354.5 million, reflecting an increase of 14.1 per cent compared to December 2021 while credit to Maltese residents increased by 5.3 per cent, standing at €17,991.0 million in July 2022.

The general Government balance for 2021 registered a deficit of 7.8 per cent, improving by 1.6 percentage points over the deficit of 9.4 per cent recorded in 2020. The debt-to-GDP ratio increased slightly to 56.3 per cent, from a rate of 53.3 per cent in 2020. On a cash basis, in 2021, the central Government's Consolidated Fund registered a deficit of €1,242.2 million. During the first half of 2022, the increase in the general Government revenue ratio to GDP more than outweighed

the increase in the general Government expenditure-to-GDP ratio. This meant that the general Government balance improved from a deficit of 8.4 per cent of GDP in the first half of 2021 to 6.0 per cent during the corresponding period in 2022. Meanwhile, the Consolidated Fund improved from a deficit of €749.1 million during January-August 2021 to a deficit of €359.0 million over the same period in 2022. Recurrent revenue increased by €388.8 million reflecting higher tax revenues, while total expenditure decreased marginally by €1.3 million.



# **1. Macroeconomic Developments**

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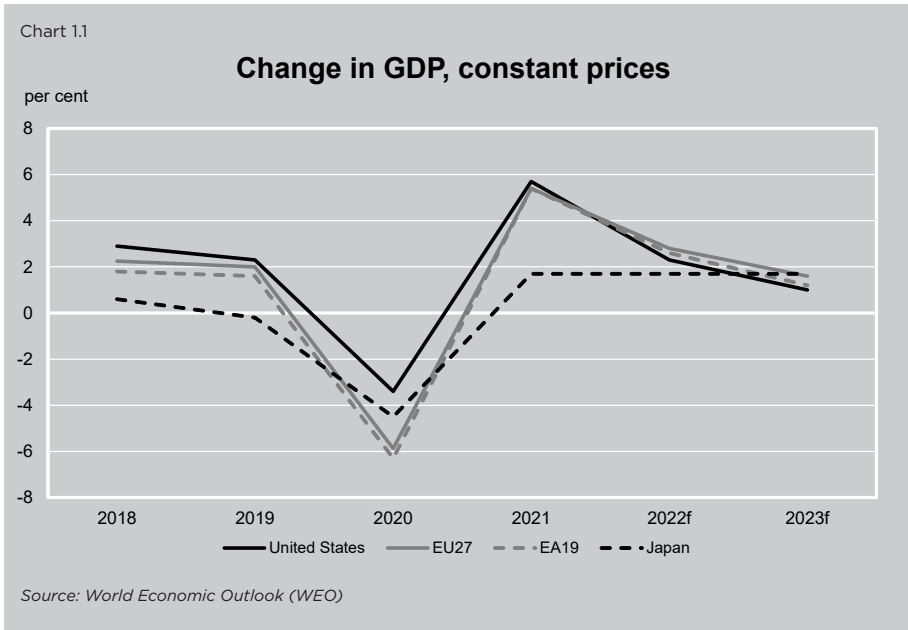


# 1. Macroeconomic Developments

## 1.1 International Context

As the global economy was recovering from the shock brought about by the COVID-19 pandemic, the conflict between Russia and Ukraine brought about renewed disruptions to global supply, amplifying the pandemic-induced bottlenecks. The conflict also led to further devastation of global energy markets and the further fuelling of commodity price pressures. Global financial markets have also been affected with drops in equity prices, widening credit spreads, declining sentiment, sharp increases in bond yields, along with strengthening inflationary pressures leading to an accelerated monetary tightening cycle.

The first half of 2022 witnessed a slowdown in global economic activity and trade, reflecting both the effects of the conflict in Ukraine and China's zero-COVID policy leading to lockdowns in key manufacturing cities and ports. This momentum is expected to remain, with latest Purchasing Managers' Index (PMI) surveys showing further slowdown in activity growth.



Commodity prices surged in the first half of 2022, following a broad-based increase that began in the middle of 2021 due to transitory supply-demand mismatches leading to a shortage of materials. The recent increase in prices was especially evident for commodities of which Russia and Ukraine are large exporters, including energy, wheat and certain alloys. Agricultural prices have also increased significantly reflecting weaker production of grains in Ukraine as well as much higher input costs, including for fuel, chemicals, and fertilizers.

Global inflation continued to increase, reaching a 40-year high in the USA and the UK. Similar rates of inflation are being experienced in the Euro Area (EA), while in many emerging markets and developing economies inflation is often several multiples higher. Although higher energy and food prices remain the main drivers behind inflation, core inflation in advanced economies also increased significantly reflecting the pass-through of cost pressures by way of supply chains and tight labour markets. According to the European Commission, global inflation is expected to moderate next year as global growth moderates, demand shifts further from goods towards services, supply chain bottlenecks abate, and commodity prices edge down and base effects from the prior year come into effect. However, it will likely remain above inflation targets in many economies.

Rising inflation has led central banks around the world to accelerate their monetary policy tightening. Advanced economies have experienced further equity market losses and rising bond yields, both sovereign and corporate, and measures of equity volatility have seen a sustained increase, weighing on valuations of risky assets.

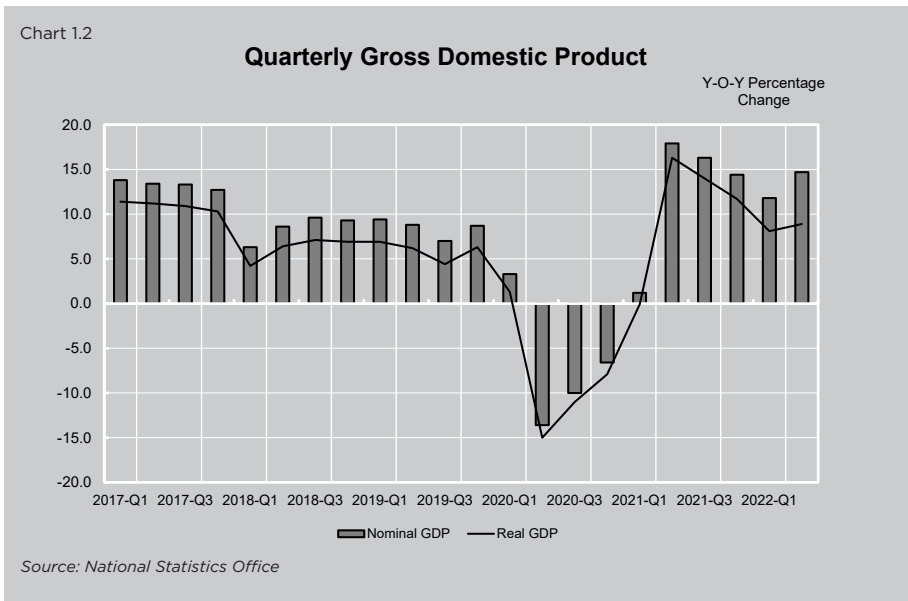
Against this background, the European Commission Summer 2022 forecast expects global growth to be 3.0 per cent, a decline of 0.3 percentage points from the forecast issued in Spring. The European Commission highlights that the decline in growth prospects is expected for both emerging and advanced economies, given that global inflation is expected to remain higher and persist for longer, declining sentiment and an accelerated tightening of global financing conditions. This outlook complements the IMF's global forecast published in the July 2022 World Economic Outlook (WEO), whereby the 2022 global economic outlook was revised downwards from 3.6 per cent to 3.2 per cent, a downward revision of 0.4 percentage points from its projections in April.

Economic activity in the United States lost momentum in the first half of 2022 amid rising Omicron infections at the beginning of the year, surging inflation and the economic effects of rising commodity

prices. Yet the US economy has been remarkably resilient in the face of surging prices, as private consumption, wage growth and employment remain strong, in spite of the tightening financial conditions. That said, continued monetary tightening and higher inflationary pressures are expected to act as a drag on economic growth over the next quarters. Activity in Japan has slowed in the first half of 2022, amid subdued domestic demand and unfavourable external conditions. The overreliance on imports for energy and the dovishness of the Bank of Japan has led to profound weakness in the Japanese Yen, resulting in imported inflation. Growth has also been revised lower for China amidst indications that the property sector, a key engine of growth during the past years, is facing challenges.

## 1.2 Gross Domestic Product: Expenditure Approach

The Maltese economy continued with its positive performance in the first half of 2022, growing at a nominal growth rate of 13.3 per cent, and a real growth rate of 8.5 per cent, standing well above the 4.9 per cent growth rates registered in the EU27 and the 4.8 per cent recorded in the EA during the same period.





## Main Macroeconomic Indicators

Table 1.1

	2019	2020	2021	Jan-June 2021	Jan-June 2022
GDP growth at current market prices (%)	8.4	-6.9	12.3	9.1	13.3
GDP growth at Chain Linked Volumes by period (Reference year 2010) (%) <sup>(1)</sup>	5.9	-8.3	10.3	7.7	8.5
<b>Expenditure Components of GDP</b>					
<b>at Current Market Prices by period (%)</b>					
Private final consumption expenditure <sup>(2)</sup>	6.6	-9.2	8.4	5.7	16.1
General Government final consumption expenditure	16.1	18.1	9.5	11.1	8.6
Gross fixed capital formation	9.7	-6.9	20.7	9.1	3.7
Exports of goods and services	9.1	-3.1	11.2	8.7	12.7
Imports of goods and services	9.6	0.4	10.4	7.4	11.1
<b>Expenditure Components of GDP</b>					
<b>at Chain Linked Volumes by period (Reference year 2010) (%)</b>					
Private final consumption expenditure <sup>(2)</sup>	4.6	-10.2	7.1	5.1	11.3
General Government final consumption expenditure	13.1	15.7	6.7	9.0	4.9
Gross fixed capital formation	8.4	-7.7	17.3	7.4	-4.6
Exports of goods and services	7.0	-3.8	9.0	7.1	8.4
Imports of goods and services	7.9	-0.2	8.0	5.9	6.4
Inflation rate (%)	1.5	0.8	0.7	0.2	5.0
Employment growth (National Accounts Definition) (%)	5.7	2.8	2.9	1.4	5.2
Unemployment rate (Harmonised definition, Eurostat) (%)	3.6	4.4	3.4	3.6	2.9
Compensation per employee (% change)	3.9	-0.7	4.8	6.1	2.5
Labour productivity (% change)	0.2	-10.8	7.2	6.2	3.2
Nominal Unit Labour Cost (% change)	3.6	11.4	-2.2	-0.2	-0.6
Real Unit Labour Costs (% change)	1.1	9.8	-4.1	-1.5	-5.1

<sup>(1)</sup> Users should note that chain-linking gives rise to components of GDP not adding up to the aggregate real GDP series. This non-additivity, similar to that in other countries' national accounts, is due to mathematical reasons and reflects the fact that chain-linked volumes are calculated by separately extrapolating both totals and their sub-components.

<sup>(2)</sup> Includes NPISH final consumption expenditure.

The positive economic performance recorded in the first half of 2022 was relatively balanced, particularly reflecting a strong recovery in private consumption and a favourable performance in exports.

Private consumption expenditure, which includes household final consumption expenditure and consumption expenditure of non-profit institutions serving households (NPISH) recorded a growth rate of 11.3 per cent, backed by favourable developments in the labour market and a strong household balance sheet. Gross Fixed Capital Formation (GFCF) declined by 4.6 per cent, reflecting base effects following the exceptionally strong growth registered in the first half of 2021. Public consumption expenditure exhibited a growth rate of 4.9 per cent in the first half of 2022, as expenditure to support the economy remained high.

From an external standpoint, in the first half of 2022, Malta also recorded a positive contribution from net exports of goods and

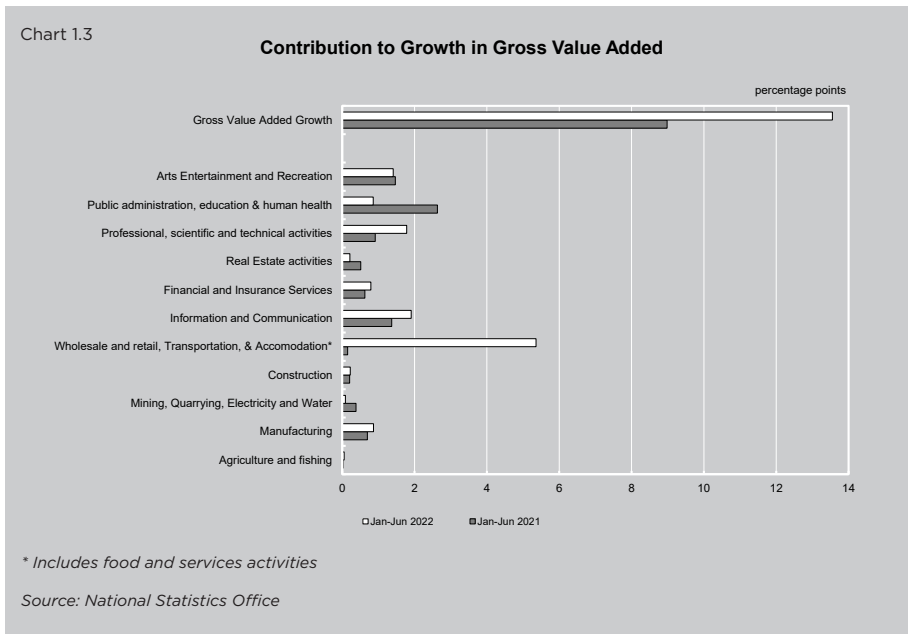
services. In the first six months of 2022, exports grew by 8.4 per cent which outweighed the increase in imports of 6.4 per cent. Further details on exports and imports of goods and services are provided in Chapter 3 of the Economic Survey.

Table 1.1 provides more detailed data on the growth of different components of Gross Domestic Product (GDP).

### 1.3 Maltese Economy – Sectoral Analysis (Gross Value Added)

During the first half of 2022, Gross Value Added (GVA) in nominal terms registered a growth rate of 13.6 per cent over the same period in 2021, reaching a total of €7.2 billion. This growth in GVA was predominantly driven by the services sector, which contributed 12.5 percentage points to GVA growth, and to a lesser extent by the industrial sector, which contributed 1.0 percentage points and the primary sector, which contributed 0.1 percentage points.

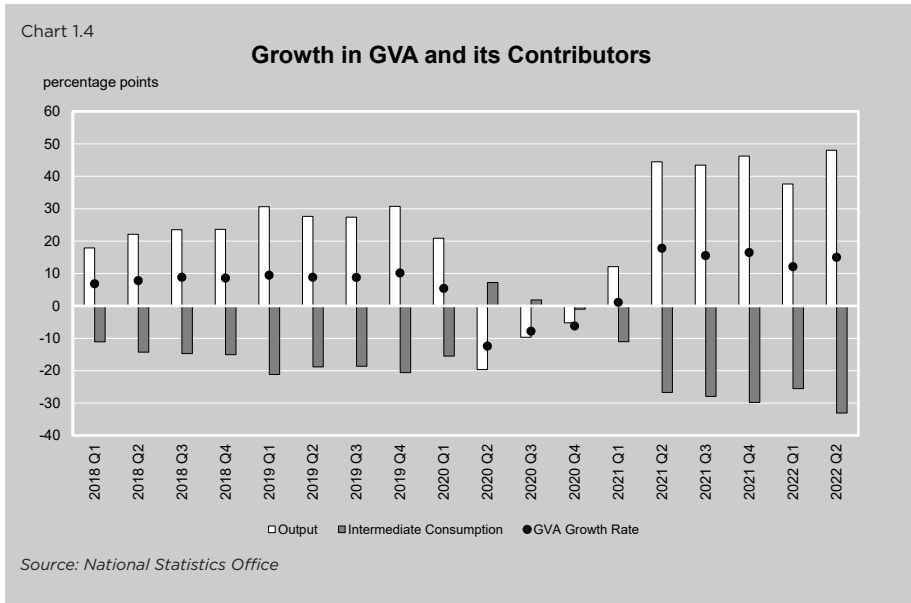
The growth in GVA was underpinned by increases registered in all sectors of the economy, with substantial growth rates registered in



the Wholesale and Retail sector, which grew by 40.4 per cent as the sector continued to recover from the decline witnessed during the pandemic, the Information and Communication sector (18.5 per cent), the Arts, Entertainment and Recreation sector (14.4 per cent), the Manufacturing sector (10.7 per cent), the Agriculture, Forestry and Fishing sector (10.7 per cent) and the Professional, Scientific and Technical Activities sector (10.6 per cent). Chart 1.3 identifies the main sectors contributing to the growth in GVA.

### 1.3.1 Contributors to GVA

On the output side, GVA is defined as the value of all newly created goods and services (output) less the value of inputs consumed in their production (intermediate consumption). Chart 1.4 shows the year-on-year growth in GVA and the contribution of output and intermediation consumption to this growth over time. Following declines in both output and intermediate consumption during 2020, both components experienced a recovery thereafter, with output contributing positively to GVA growth, partly outweighed by increases in intermediate consumption in 2021. This trend continued in the first half of 2022, as GVA growth was driven by increases in output (42.9 percentage points), and was partly offset by the increase in intermediate consumption, which contributed a negative 29.4 percentage points. Growth in both components is higher than the observed pre-pandemic trend, mainly as a result of price increases both from the input and output side. This

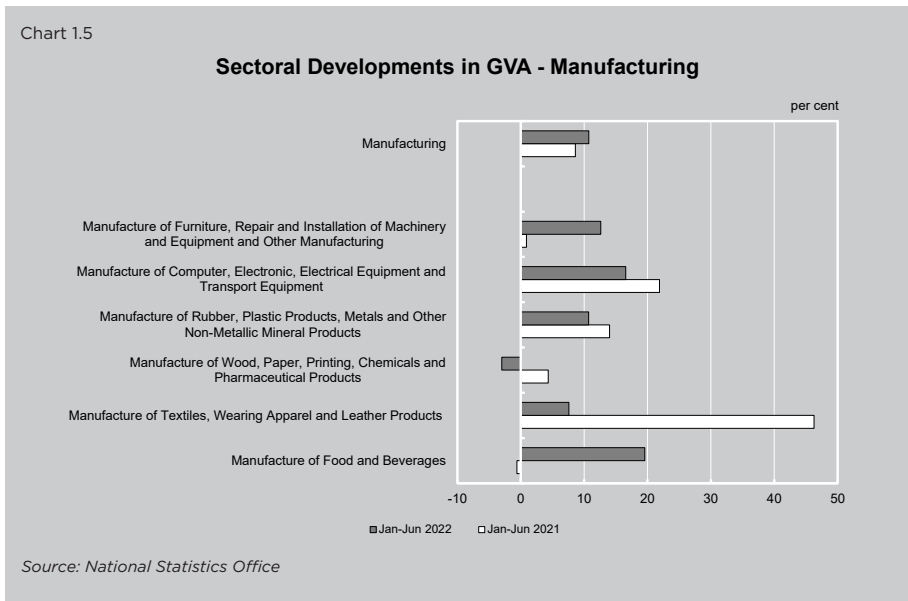


indicates that Maltese producers were generally able to pass-through the higher costs of production to final goods prices and also managed to increase value added margins, aided by growing productivity.

### 1.3.2 Manufacturing Performance

Chart 1.5 provides an assessment of the change in GVA of the different sub-sectors within the Manufacturing sector and compares performance with that in the previous year. The Manufacturing sector proved to be relatively robust to the pandemic, especially when compared to other sectors in the economy. By the end of 2021, all manufacturing sub-sectors had recovered to their pre-pandemic levels of GVA, with the exception of Furniture, Repair and Installation of Machinery and Equipment and Other Manufacturing, and the Food and Beverages sub-sectors (19.6 per cent).

In the first half of 2022, the Manufacturing sector experienced an acceleration in GVA growth when compared to the first half of the previous year, increasing by 10.7 per cent. GVA growth was broad-based across almost all sub-sectors within Manufacturing, with the largest increase recorded by the Food and Beverages sub-sector, a result of easing COVID-19 containment measures and a recovery in tourism, following declines in the first half of the previous two years. Other sub-sectors that recorded increases were the Computer, Other sub-sectors that recorded increases were the Computer,



Electronic, Electrical Equipment and Transport Equipment (16.6 per cent), Furniture, Repair and Installation of Machinery and Equipment and Other Manufacturing (12.6 per cent), Rubber, Plastic Products, Metals and Other Non-Metallic Mineral Products (10.7 per cent), and Textiles, Wearing Apparel and Leather Products (7.6 per cent) sub-sectors. On the other hand, the Manufacture of Wood, Paper, Printing, Chemicals and Pharmaceutical Products experienced a contraction in GVA, decreasing by 3.0 per cent.

### **1.3.3 Financial Services**

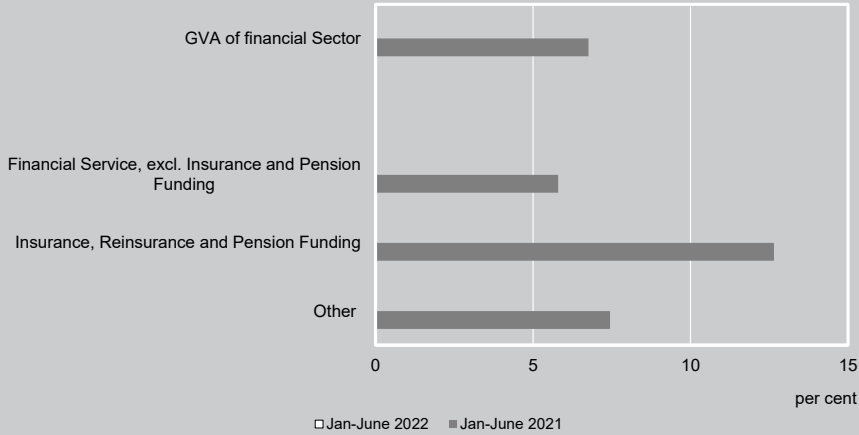
During the past ten years the Financial Services sector accounted for approximately 8.9 per cent of Malta's GVA and employed around 5.3 per cent of the workforce. The GVA of the financial sector increased by an average of 9.3 per cent per annum since 2012. Financial Service activities excluding Insurance and Pension funding was the main driver of growth in the industry, followed by Activities Auxiliary to Financial Services and Insurance Activities. Even in 2020, when economic activity was negatively impacted by the pandemic, the Financial Services sector managed to record a growth of 6.5 per cent.

Whilst Financial Service activities have traditionally dominated the growth of the sector, in recent years, Auxiliary Services and Pension and Insurance Activities have been experiencing high levels of growth. This is an important development as these sub-sectors appear to generate a greater multiplier effect on the Maltese economy, in terms of gross value added, income and employment. At an aggregate level, the total multipliers obtained for the Financial Services sector are relatively lower in comparison with other dominant sectors in the economy. This is largely attributed to the high import content within the sector, which is affected by the activities of Special Purpose Entities (SPEs).<sup>1</sup>

Over the past decade, Malta has successfully attracted key international players in financial services, supported by continuous improvement in the ease of doing business, a strong regulatory environment, unhindered access to the EU market, a stable currency, a long tradition of business support services especially auditing and legal services, enhanced tax competitiveness and the availability of skilled and English-speaking workforce. Malta is currently home to twenty-six banks, including three branches of foreign banks and foreign-owned credit institutions, eight domestically relevant insurance companies, of which three are life and five are non-life insurance companies, and sixty-seven domestically relevant sub-funds.

Chart 1.6

### Sectoral Developments in GVA - Financial Services



Source: National Statistics Office

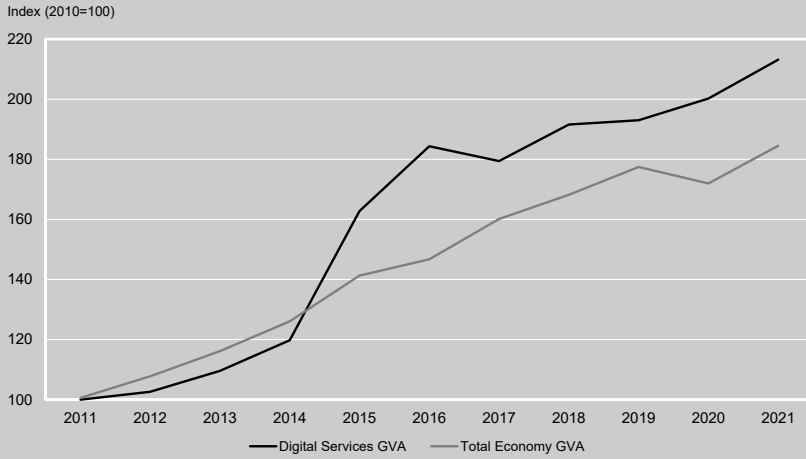
### 1.3.4 Digital Services

The development of a resolute digital services sector<sup>2</sup> has been central to Malta’s recent economic performance, competitiveness, and jobs strategy. During the past decade, the industry experienced remarkable growth, contributing an average of 1.7 percentage points to GVA growth, while employing 5.0 per cent of the workforce. This growth is particularly attributable to a steady increase in Gambling and Betting activities, which has close interlinkages with the Information and Communication sector.

Although the sector contributes substantially to the Maltese economy, there remains scope to increase the indirect contribution of the sector by strengthening its links with other areas of the economy. Indeed, the backward linkages in the Information and Communication sector and the Arts, Entertainment and Recreation sector with the rest of the economy remain limited compared to other sectors, particularly in the latter<sup>3</sup>. This suggests that most inputs are not procured from domestic sources and are often imported. Forward linkages are rather strong in the Information and Communications sector suggesting that it provides a substantial input in the production of other sectors of the economy.

Chart 1.7

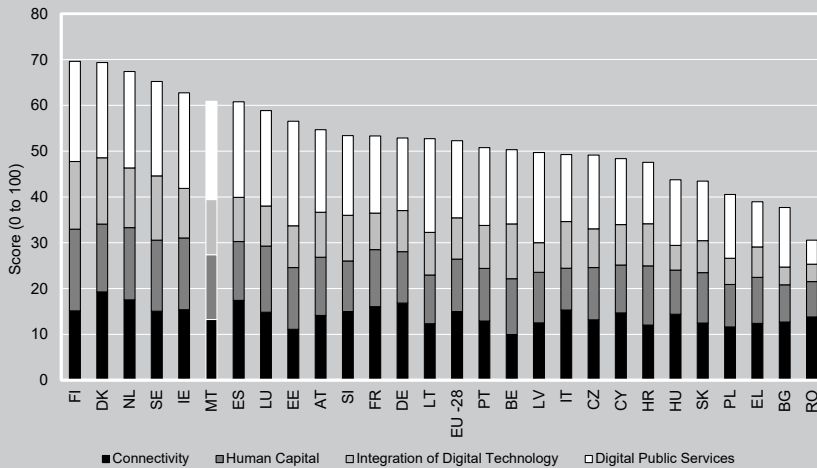
### Sectoral Developments in GVA - Digital Services



Source: National Statistics Office

Chart 1.8

### Digital Economy and Society Index 2022 Ranking



Source: Digital Economy and Society Index Report

Chart 1.7 analyses the performance of the digital services industry during the past ten years and compares it to the performance of the total economy.

The Digital Economy and Society Index (DESI) monitors the digital performance and competitiveness of EU countries on an annual basis. The index is made up of four dimensions: Connectivity, Human Capital, Integration of Digital Technology, and Digital Public Services. Malta ranked 6th out of all EU Member States in 2022, performing well above the EU average in all dimensions, except connectivity. Malta performs relatively well in digital public services as the share of e-government users increased notably, particularly due to the significant progress made in the provision of digital public services to citizens and businesses.



## **Box 1.1**

### **Tourism Developments**

For the period January to July 2022, incoming tourists to the Maltese Islands amounted to 1.2 million. Due to the containment measures put in place by the Government during 2020 and 2021 to prevent widespread contagion of COVID-19, the number of incoming tourists' figures had seen a significant decrease. However, during the first seven months of 2022, tourism witnessed a strong rebound, with inbound tourism reaching 77.3 per cent of 2019 tourists. The share of tourists visiting Malta for a holiday increased by 381.9 per cent from the same period last year, reaching 77.6 per cent of 2019 tourists. Those visiting for business purposes increased by 197.0 per cent from the prior year, reaching 72.6 per cent of pre-pandemic levels. An increase of 168.9 per cent was recorded for inbound tourists visiting Malta for "other" reasons, including educational, religious and health purposes, reaching 78.4 per cent of 2019 levels.

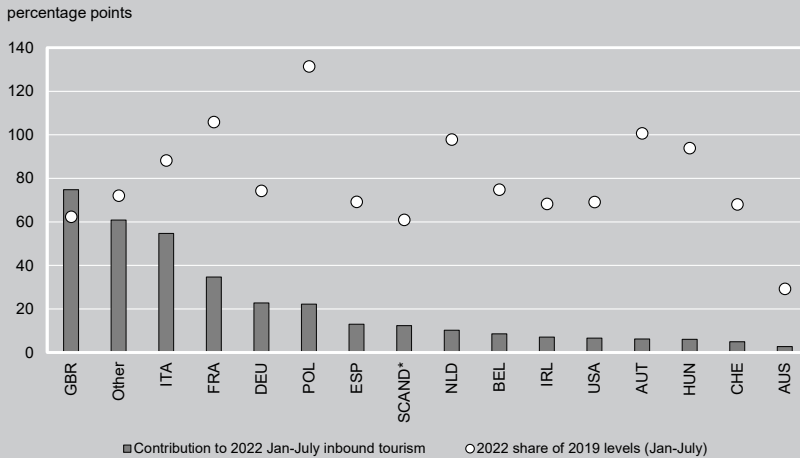
Non-EU travellers increased the most, growing by 293,623 tourists compared to 2021 figures, and even surpassing 2019 levels by 37.2 per cent. Tourists coming from the European Union (EU) are still at 65.5 per cent of 2019 levels, yet EU markets still account for the largest share of tourism, approximating 70.8 per cent of total inbound tourists in the first seven months of 2022. In terms of age composition, 40.5 per cent of total tourists visiting between January and July 2022 were aged between 25 and 44 years while only 8.2 per cent were aged 65 or older.

Growth in inbound tourists was mostly underpinned by tourists coming from the United Kingdom, which amounted to 18.9 per cent of the total. The 'Other Markets' category, which comprises tourists from Romania, Russia, Czech Republic and Japan among others contributed 17.0 per cent to the share of total tourists. Tourists coming from Italy accounted for 16.3 per cent

(Box 1.1 cont.)

Chart 1

### Leading inbound travel markets



\*Scandinavia includes Denmark, Finland, Norway and Sweden

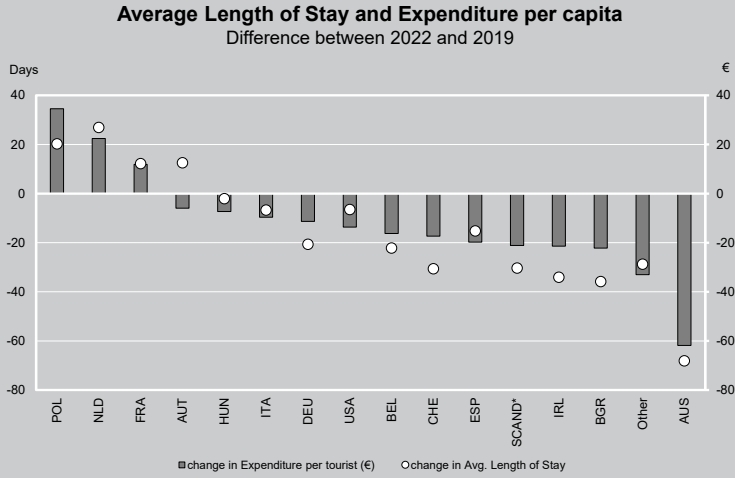
Source: Eurostat

of total tourists, while tourists coming from France accounted for 11.7 per cent of total tourists. Other notable increases were in tourists from Germany (7.5 per cent) and Poland (6.7 per cent). Although all travel markets witnessed an increase in the first seven months of 2022, only the Polish market, the French market and the Austrian market surpassed the 2019 level of tourists. Other markets that are relatively close to fully recovering are the Hungarian and Dutch markets.

Tourists stayed for 7.1 nights on average, resulting in a decrease of 3.2 nights in the average length per stay when compared to the same period of last year, however remaining 0.3 nights higher than pre-pandemic levels. During the period under review, each tourist spent €830.7 on average, a decline from €945.9 average of 2021, but 7.5 per cent higher than the 2019 level of €772.6.

(Box 1.1 cont.)

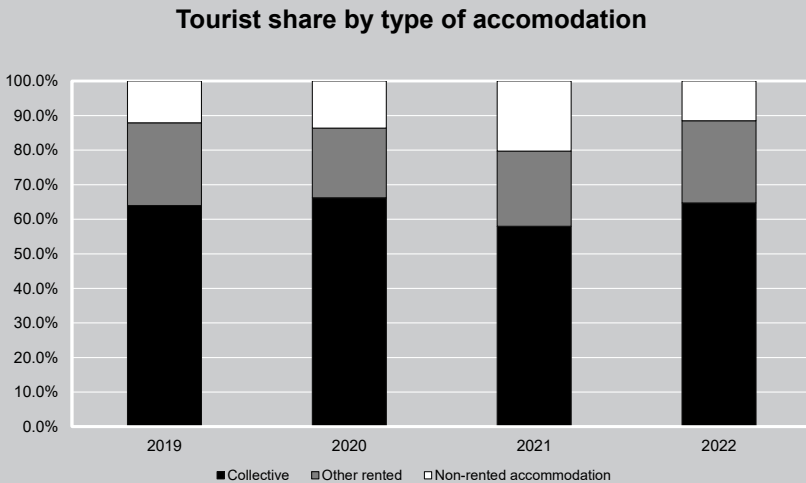
Chart 2



\*Scandinavia includes Denmark, Finland, Norway and Sweden

Source: Eurostat

Chart 3



Source: Eurostat

*(Box 1.1 cont.)*

Continuing the trend observed in previous years, more tourists are opting for non-package travel. This is equivalent to 77.1 per cent of all travellers, an increase of 7.7 percentage points from the share recorded in 2019. Increases in the number of tourists residing in all accommodation types were noted in the January-July period, with the majority of tourists residing in collective accommodation establishments (64.7 per cent in the first seven months of the year).

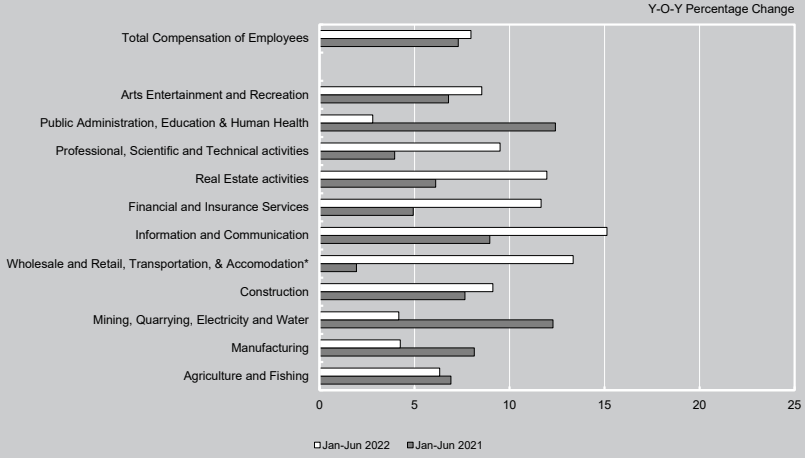
## **1.4 Gross Domestic Product: Income Approach**

In the first half of 2022, compensation of employees amounted to €3.5 billion. Growth in compensation of employees was broad-based, with notable increases recorded in the Information and Communication sector (15.1 per cent), followed by the Wholesale and Retail trade sector (13.4 per cent), the Real Estate Activities sector (12.0 per cent), and the Financial and Insurance Activities (11.7 per cent) sector. Other increases in compensation of employees were recorded in the Professional, Scientific and Technical Activities sector (9.5 per cent), the Construction sector (9.1 per cent) and the Arts, Entertainment and Recreation sector (8.5 per cent).

The factor distribution of income gains throughout the first half of 2022 was somewhat less balanced when compared to the previous year. In fact, corporate profits increased by 15.9 per cent, while the compensation of employees increased by 8.0 per cent. Throughout the first half of 2022, subsidies on production and imports decreased by €17.9 million or 5.4 per cent, following strong increases in subsidies granted temporarily to cushion the effects of the pandemic, while taxes on production and imports increased by €124.9 million or 16.6 per cent. Developments in the factor distribution of income throughout the first six months of both 2021 and 2022 are shown in Chart 1.10.

Chart 1.9

### Compensation of Employees

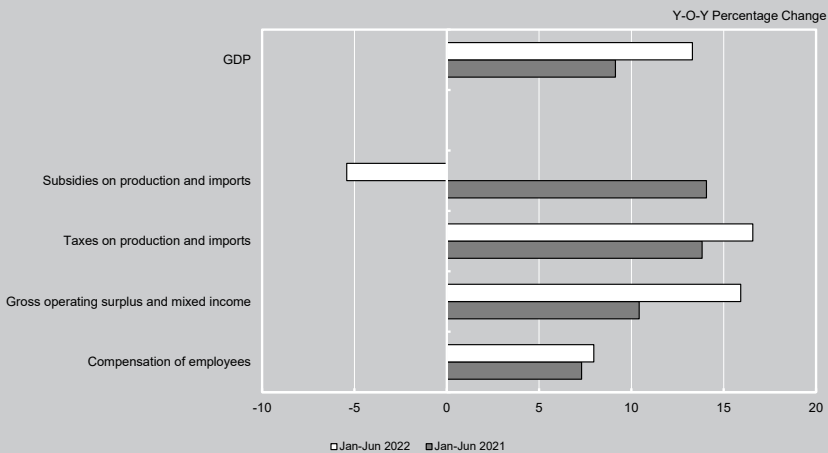


\* Includes food and services activities

Source: National Statistics Office

Chart 1.10

### Factor Distribution of Income Gains



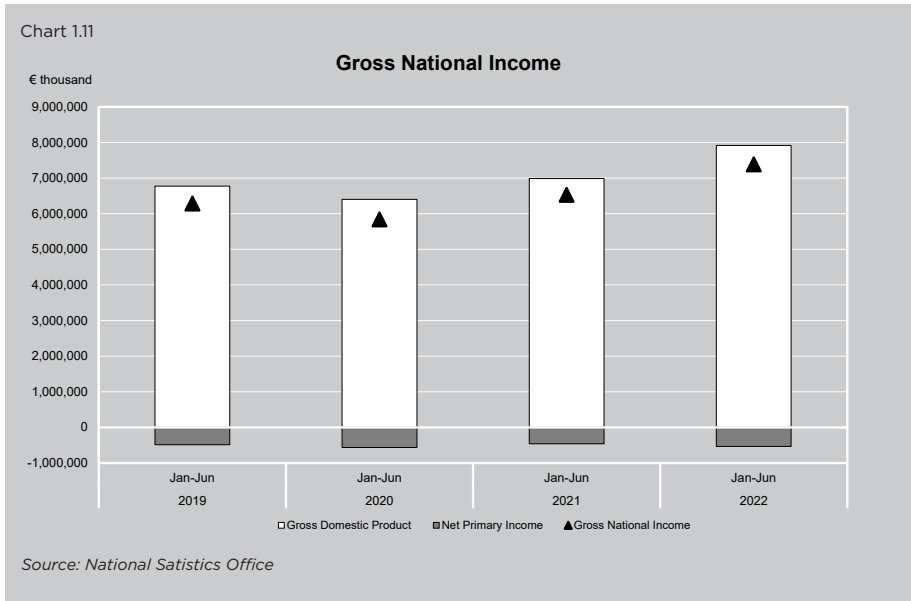
Source: National Statistics Office

# 1.4.1 Gross National Income

Gross National Income (GNI) is defined as the sum of GDP at market prices, compensation of employees receivable less payable to the rest of the world, subsidies less taxes from/to the rest of the world, and net property income from/to the rest of the world. It represents the total income earned by the residents of an economy in a given period.

Over the past four years, GNI has consistently been lower than GDP. This is largely attributable to net property income, as the return to foreigners on domestic investment exceeded the returns generated abroad by domestic nationals.

Net property income paid abroad over the first half of 2022 amounted to €512.8 million, which is 0.9 per cent above the amount recorded in the first half of 2021. These payments abroad mainly comprise of compensation of employees paid to the rest of the world, which has been on an upward trend over the past years because of the increase in foreign workers. Net property income receivable over the first half of 2022 amounted to €459.4 million, which is a reduction of 0.6 per cent from the amount recorded in the first half of 2021. The increase in net property income payable combined with a decrease in net property receivable resulted in a GNI growth of 13.1 per cent relative to the increase in nominal GDP of 13.3 per cent.

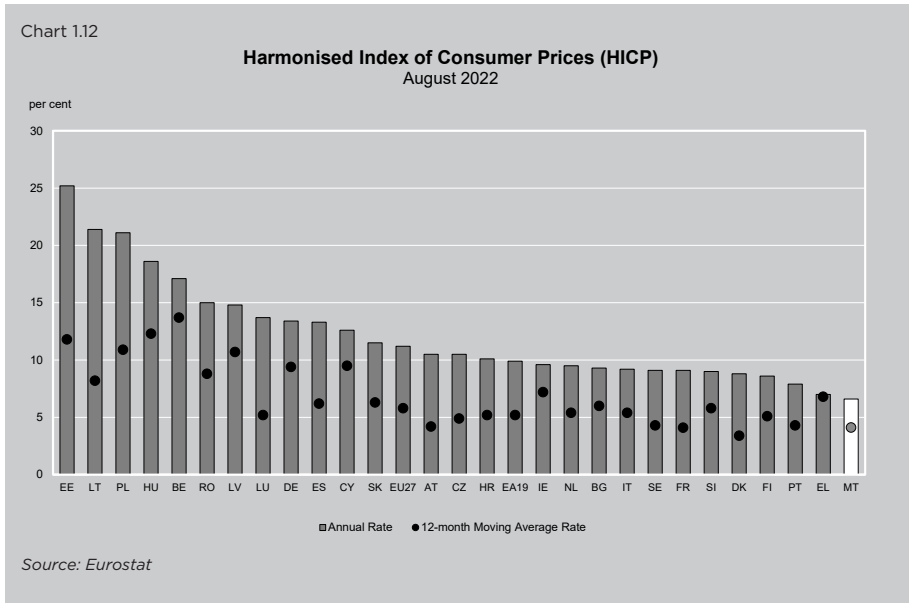


# 1.5 Inflation

## 1.5.1 International Comparison

The COVID-19 pandemic and the Russia-Ukraine conflict triggered major disruptions in global supply chains. A decade of underinvestment in energy infrastructure as well as a political movement towards cleaner energy sources led to vulnerability of energy supplies in Europe which was reflected in soaring prices for electricity and fuel. Energy is also an essential input in production, so higher energy costs fed into higher costs of manufactured goods and food. The conflict in Ukraine exposed the strategic dependencies of the global economy on Russian and Ukraine as a supplier of staple foods like wheat, corn and vegetable oils. Supply side bottlenecks coincided with the strong recovery in aggregate demand as the pandemic effects abated. This confluence of unprecedented events and the strong policy response led to the global economy facing price increases not witnessed since the 1980s.

In August 2022, Malta’s 12-month moving average Harmonised Indices of Consumer Prices (HICP) inflation rate was 4.3 per cent, whereas the annual rate stood at 7.0 per cent. The 12-month moving inflation rate in the EA was 6.5 per cent, while the HICP in August was 9.1 per cent. By August 2022, Malta had the lowest inflation rate in the EU, mainly reflecting the Government’s commitment to control utility prices and supporting the security of imported supplies of grain, wheat and



animal fodder. This political commitment has been instrumental in containing costs for corporations, allowing the domestic economy to remain competitive and supporting consumers. In absence of this policy, Malta would be witnessing rates of inflation comparable to the rest of Europe.

Although Malta has one of the lowest inflation rates in the EU, it is accelerating at a faster pace. Malta recorded a cumulative price growth of 11.4 per cent from January to August compared to 6.5 per cent in the EA. This is partly because the Maltese economy experienced very low inflation throughout the first half of 2021, creating a low base effect and increasing the likelihood of larger inflation prints throughout the first half of 2022. However, when removing energy and food from the HICP calculation, Malta experienced higher core inflation than the EU, particularly because of rising imported material costs and increases in overhead costs like freight.

As shown in Chart 1.13 housing services inflation was considerably higher than in the EU. Other notable discrepancies in the inflationary dynamics when compared to the EU are noted in transport services and unprocessed food products. On the other hand, the prices of accommodation rose less sharply in Malta than in the EU despite the strong recovery in tourism experienced in the first half of 2022.

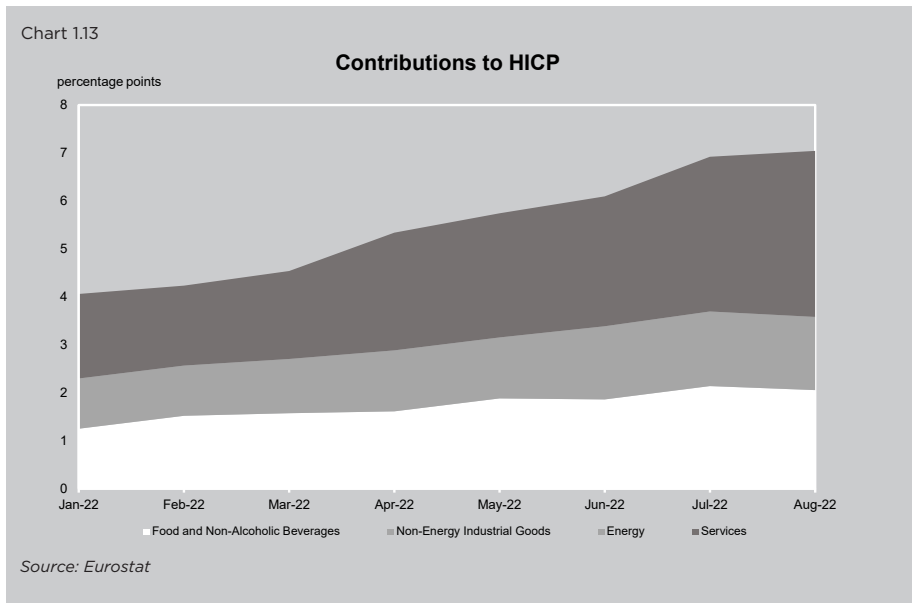
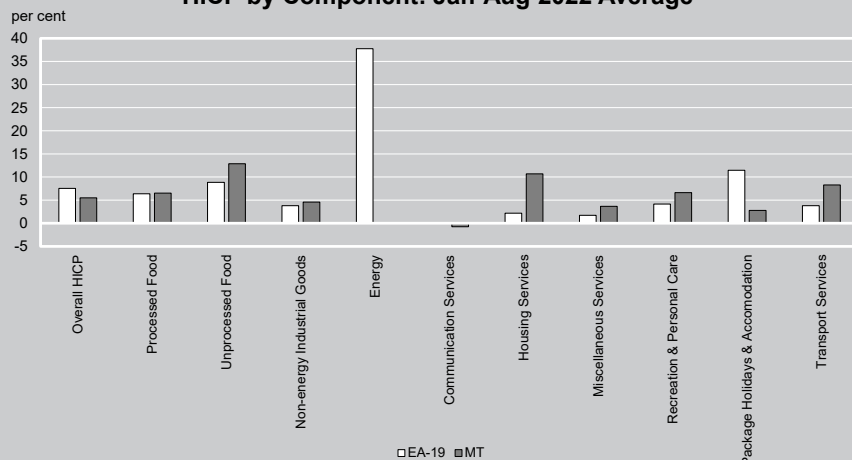




Chart 1.14

### HICP by Component: Jan-Aug 2022 Average



Source: Eurostat

During the first eight months of 2022, services were the largest contributor to overall HICP, recording an average contribution rate of 2.4 percentage points. The contribution of services prices to inflation seems to be progressively increasing on a monthly basis, reaching 3.2 percentage points in August. Food and non-alcoholic beverages contributed an average of 1.7 percentage points to overall HICP from January to August, with the contribution appearing to have peaked at 2.1 percentage points in July and August. Non-energy industrial goods contributed an average of 1.3 percentage points, while energy recorded zero contribution to price growth in 2022.

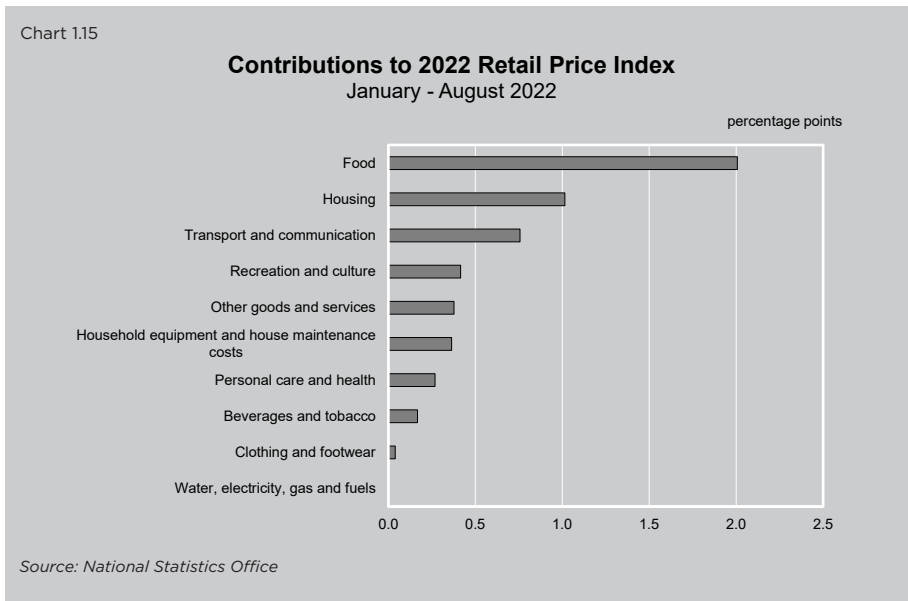
## 1.5.2 Retail Price Index

The Retail Price Index (RPI) differs from the HICP both in terms of composition of the index as well as the weighting mechanism. The RPI measures the cost of a representative basket of goods and services consumed by private households relative to the cost of the same basket at a fixed-base period. Weights of the representative basket change relatively infrequently compared to the HICP. The RPI excludes purchasing behaviour of institutional households and expenditure of tourists in Malta.

Malta witnessed rapid price growth over the first eight months of 2022, with prices rising by an average of 5.5 per cent from January to August according to the RPI.

The two main sub-indices driving the rate of growth in the RPI are food, contributing 2.0 percentage points to the average RPI, and housing at 1.0 percentage point. The next highest contributors are transport and communication at 0.8 percentage points, recreation and culture, other goods and services and household equipment and household maintenance costs, which each contributed 0.4 percentage points.

The official rate used to compute the Cost-of-Living Adjustment (COLA) is the 12-month moving average rate of inflation as measured by the RPI. This rapid acceleration in prices will result in a COLA of €9.90 per week, which will be the highest payout since its introduction in 1990.



## Box 1.2

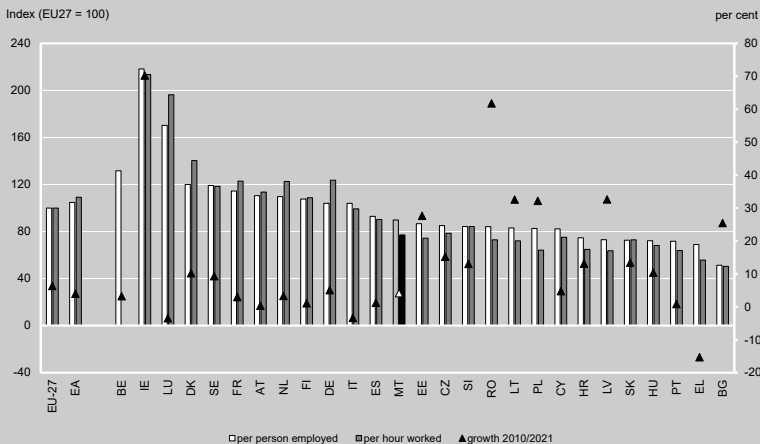
### Labour Productivity and Competitiveness

This section examines Malta's price competitiveness based on unit labour costs and labour productivity given that these are the main determinants of per capita income levels in the Maltese islands.

GDP per person employed provides a sufficient estimate on the level of labour productivity within an economy. In 2021, Malta's nominal labour productivity per employee was around 89.9 per cent, close to the European Union (EU) average. In terms of labour productivity per hour worked, Malta's rate stands at 77.1 per cent of the EU average as shown in Chart 1. Between 2011 and 2021, the real labour productivity per person employed increased by 6.7 per cent. Following a decline of 10.8 per cent in 2020 reflecting labour hoarding, labour productivity recorded an improvement of 7.2 percentage points in 2021, as the economy strongly progressed in its recovery from the

Chart 1

#### Relative Nominal Labour Productivity as a % of EU27 and Growth in Real Labour Productivity since 2010



Source: Eurostat

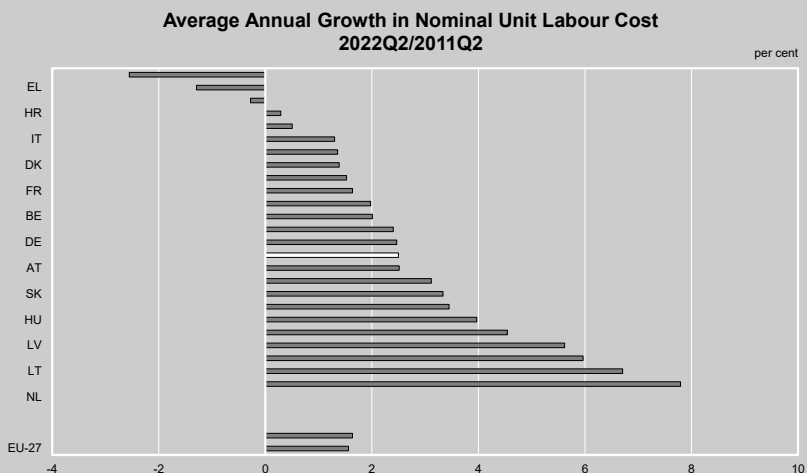
(Box 1.2 cont.)

pandemic. During the first half of 2022 labour productivity continued to improve by 3.2 per cent.

In real terms, labour productivity has been increasing gradually since 2012, except for a big contraction in growth observed in 2020 as the fall in GDP outweighed the decline in employment. In 2021, real productivity rebounded drastically when compared to the previous year, leading to a decline in unit labour costs as labour productivity growth outpaced increases in compensation per employee.

Year in year out, Malta's nominal unit labour cost continues to exceed both the EU and Euro Area averages. Between the second quarter of 2011 and the second quarter of 2022, Malta's unit labour cost reached an average annual growth rate of 2.5 per cent compared to the 1.6 per cent of both the EU and Euro Area respectively (see Chart 2).

Chart 2

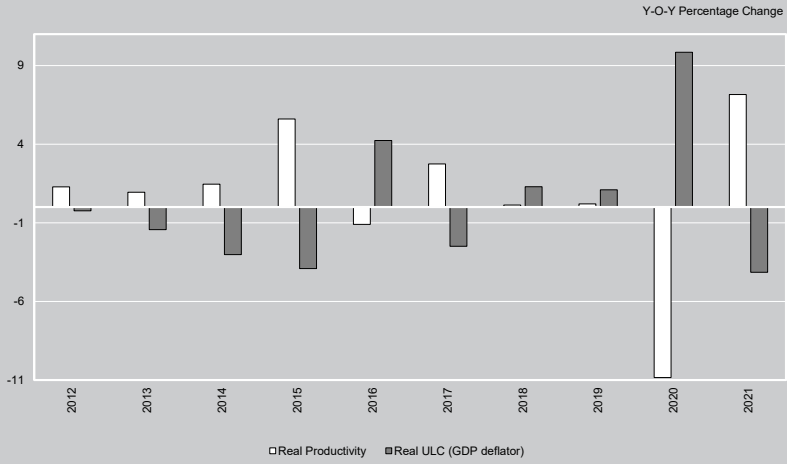


Source: Google Mobility Report

(Box 1.2 cont.)

Chart 3

**Productivity and Real Unit Labour Costs for Malta**



Source: Eurostat

### Box 1.3

#### Residential Property Prices

According to the Property Price Index (PPI) based on administrative records and collected by the National Statistics Office, in 2021, Malta's property prices increased by an average of 5.1 per cent when compared to the previous year. This was one of the lowest rates of change out of 27 Member States and is well below the EU-27 average, which stood at an average change rate of 8.4 per cent.

During the last year, Czechia recorded the highest growth rate, at 19.7 per cent, followed by Hungary and Lithuania, with a growth rate of 16.5 and 16.1 per cent respectively. For the second year consecutively, Cyprus recorded a negative rate of change in the property price index with an annual average rate equal to -3.4 per cent in 2021, making it the lowest growth rate compared to other countries.

During the first quarter of 2022, the PPI for Malta increased by 7.2 per cent when compared to the same quarter of last year.

Chart 1



Source: Eurostat

*Footnotes:*

<sup>1</sup> For more details refer to MFSA publication [https://www.mfsa.mt/wp-content/uploads/2019/01/2017\\_October\\_288.pdf](https://www.mfsa.mt/wp-content/uploads/2019/01/2017_October_288.pdf)

<sup>2</sup> The digital services sector constitutes the following: Telecommunications, Computer Programming, Consultancy and Related Activities, Information Service Activities and Gambling and Betting Activities.

<sup>3</sup> For more details refer to Central Bank publication <https://www.centralbankmalta.org/file.aspx?f=51530>

## **2. Labour Market and Social Developments**

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## **2. Labour Market and Social Developments**

### **2.1 Introduction**

Sustainable development not only depends on Malta's economic growth but also on a healthy labour market, on having good social conditions and on having an environment that sustains the well-being of individuals. This chapter will review these three key aspects.

Following the temporary shocks experienced during the pandemic, the Maltese labour market continued to exhibit a positive, strong trend in employment and activity rates, whilst registering one of the historically lowest unemployment rates. The market's well-placed position is the product of past and contemporary labour market measures aimed towards the encouragement and retention of Maltese and foreign nationals. Such a positive outlook on the labour market, resulted in a positive influence on the local social conditions. Malta remains well placed across its European counterparts, with the at risk of poverty rate being still well below that of the European Union (EU) average. Average weekly wages have increased over several sectors with the more highly skilled sectors contributing to a larger extent. This development supports the recent trend in income inequality in Malta where slight increases in both the Gini coefficient and the S80/S20 ratios have been observed.

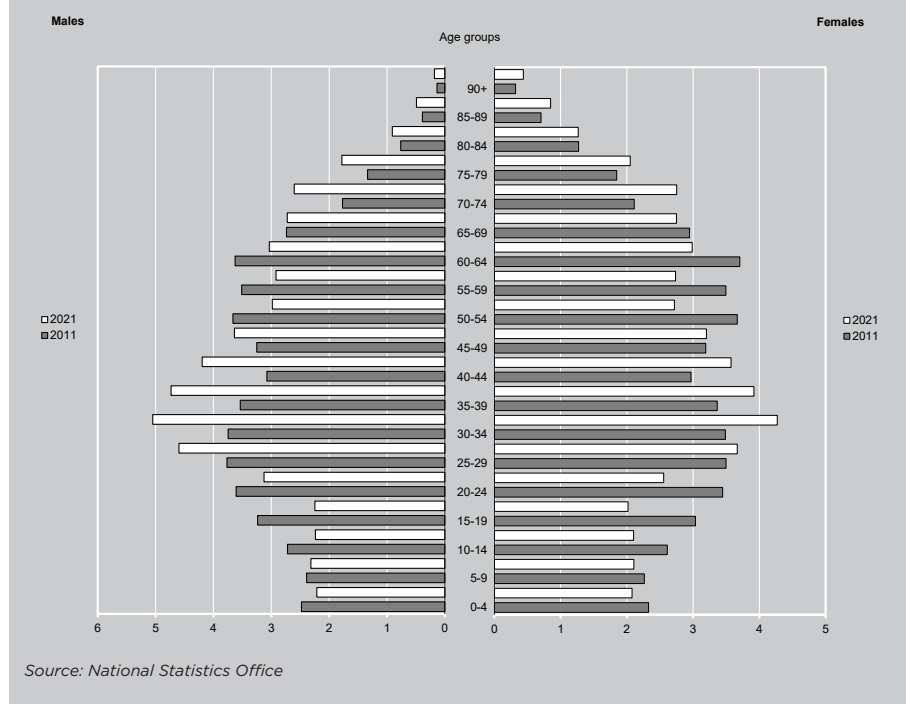
### **2.2 Labour Supply**

#### **2.2.1 Dependency Ratio**

After registering a population slowdown in 2020, Malta's pre-pandemic population growth trend has partially recovered in the subsequent year. Specifically, Malta's population grew by 0.7 per cent by the end of 2021, totalling 519,562 individuals. The registered growth is driven by an increase in net migration. The share of people aged 65+ increased significantly in recent years due to a stabilised level of life expectancy. In 2021, persons aged 65 and over, represented 18.8 per cent of the total population; in comparison to 2011, the figure has increased by 2.5 percentage points. On a separate note, life expectancy at birth has registered a year-on-year increase, shifting from 82.3 to 82.5 years in 2021. Furthermore, the share of the working age population (that is the persons forming part of the 15 to 64 age bracket) represented 68.2 per cent of the total population, indicating a reduction of 0.7 percentage points when compared to 2011. As illustrated by Chart 2.1, the latter shows a shift in Malta's population structure i.e., the resulting product

Chart 2.1

**MT - Population by Age Groups and Sex as a Share of Total Population**



of low birth rates and increasing life expectancies in higher ages, as similarly observed in other developed societies.

The developments in the dependency ratios explain the dynamics of the ageing process, by linking the number of youths and the elderly that are likely to be 'dependent' on the support of others for their daily living, to the number of individuals who can provide such support. Key indicators of age dependency are the old-age-dependency ratio (OADR - which shows persons aged 65+ in relation to the number of individuals aged between 15-64 years), the ageing of the aged ratio (80+ age bracket as a percentage of the 65+ age bracket) and the economic old-age dependency ratio (inactive population aged 65+ as a percentage of the employed population 15 to 64).

As observed in Chart 2.2, the OADR has registered a significant increase since 2011, standing at 27.6 per cent in 2021 (that is, an increase of 3.9 percentage points). The ageing of the aged ratio has remained stable since 2011 at a rate of 22.0 per cent. On the other hand, the economic old-age ratio has dropped by 3.2 percentage points since

2011, registering a rate of 33.1 per cent in 2021. The decrease reflects the relatively higher shift in employed individuals, mainly driven by the active labour market policies (ALMPs) directed towards increasing the active involvements of females and the elderly in the labour market.

### 2.2.2 Regional Overview

Gozo’s share of population in relation to the total population in the Maltese islands stood at 7.6 per cent in 2021. Gozo’s population registered a growth rate of 13.7 per cent on the previous year. The share of the population in Gozo aged 65+ stood at 21.9 per cent, which is 3.4 percentage points higher than the share of 65+ recorded in Malta. Furthermore, like the observed trend in Malta, Gozo’s old-age dependency ratio has decreased over the previous year by 0.8 percentage points, standing at 33.5 per cent in 2021. Furthermore, Gozo’s OADR ratio is 6.0 percentage points higher than that of Malta in the year 2021.

### 2.2.3 Net Migration

The ageing trend in the Maltese society characterised by decreasing mortality rates and relatively low birth rates, places Malta in a position requiring a foreign labour supply injection. The COVID-19 pandemic has resulted in a significant slowdown of migration. Specifically, after realising one of the largest drops in net migration (immigration less

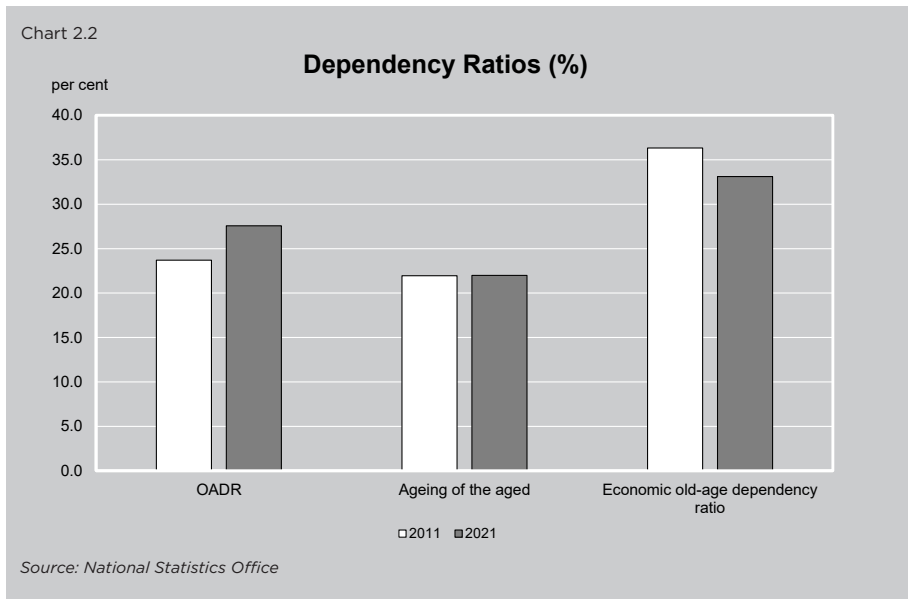
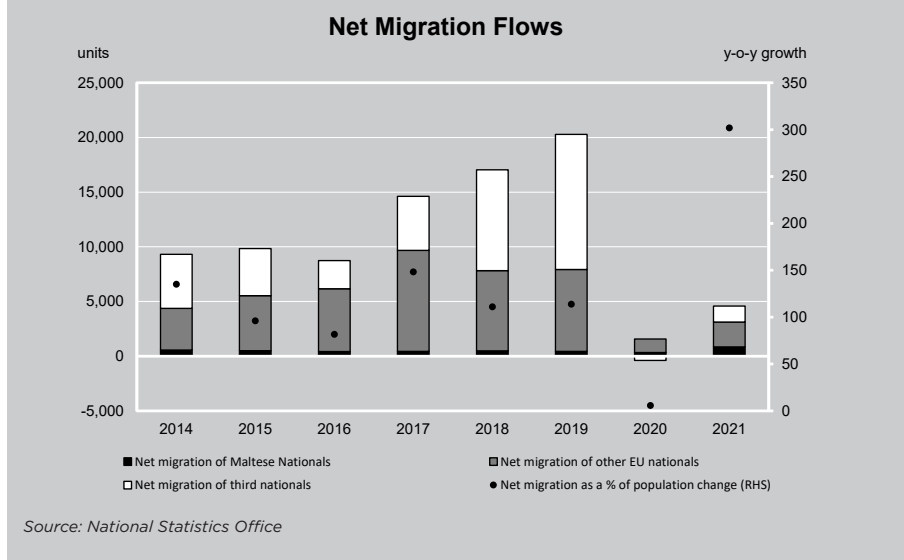


Chart 2.3



emigration) between 2019 and 2020, a subsequent increase of 4,639 persons was registered in 2021.<sup>1</sup>

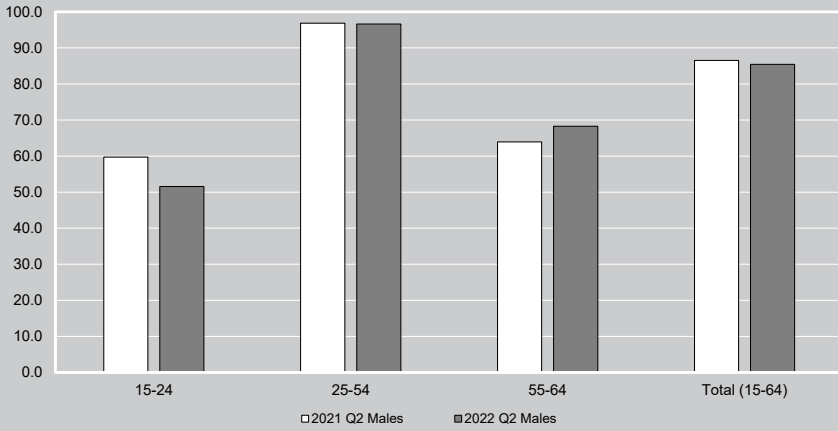
## 2.2.4 Labour Supply

According to the Labour Force Survey (LFS) data, in the second quarter of 2022, the overall activity rate for the 15-64 years age bracket in Malta increased by 2.4 percentage points when compared to the corresponding quarter of 2021, standing at 79.9 per cent. With reference to Charts 2.4 and 2.5, the reported increase can be further broken down by analysing both age and gender dynamics. Specifically, applying a quarter-on-quarter analysis, the total activity rate for males has increased by 1.0 percentage point, from 85.5 to 86.5 per cent. Similarly, the total activity rate for females increased by 3.9 percentage points, reporting a 72.3 per cent figure by the end of the second quarter of 2022.

Focusing on the age dynamics, the 15-24 age bracket reported the largest increase (5.6 percentage points) in activity rate, standing at 57.7 per cent. On a similar note, individuals forming part of the 25-54 age bracket reported a 2.5 percentage point increase, settling slightly above the 90.0 per cent mark. Contrarily to the latter, the activity rates for persons aged 55 to 64 experienced a decline of 2.2 percentage points, mainly due to a significant reduction (4.3 percentage points) in the activity rates of males in the same age bracket.

Chart 2.4

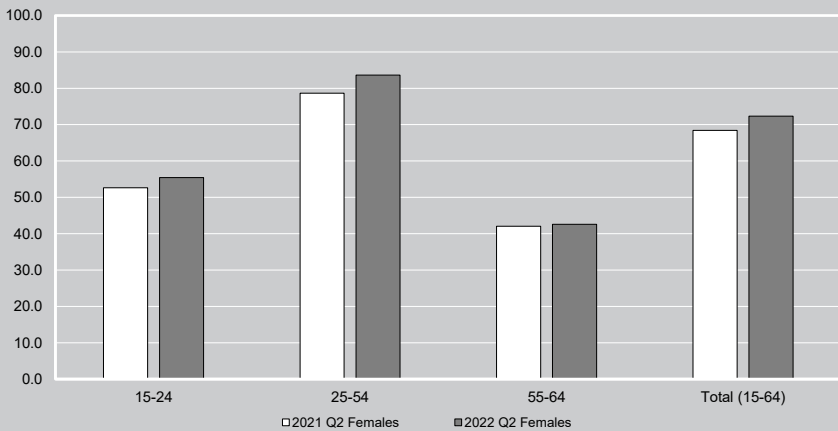
### Activity Rates, Males



Source: National Statistics Office

Chart 2.5

### Activity Rates, Females



Source: National Statistics Office

## 2.3 Labour Market Outcomes

As a result of the recovery from the repercussions of the COVID-19 pandemic, the number of employed persons increased by 12,980 during the second quarter of 2022, over the corresponding period in 2021. The overall employment figure for the year 2021 totalled 280,469. Furthermore, the latter figure is representative of a 77.5 per cent employment rate, indicating an increase of 2.7 per cent from 2020. The highlighted increase could be partially attributed towards both the extension of the COVID-19 Wage Supplement Scheme (which ended at the end of May 2022 for the worst-hit companies), as well as the increased demand for tourism (translating into further demand for accommodation and food) and consumer services.

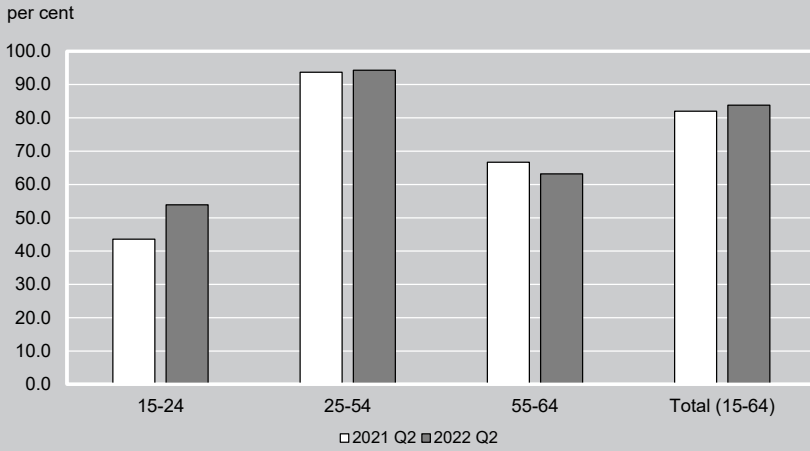
With reference to the second quarter of 2022, the number of employed persons aged between 15 and 64 in Malta as a proportion of the total individuals in this category, retains a relatively high-ranking position amongst its European peers. Breaking down the total employment rate by age, the highest employment rate recorded was for people aged 25-54, whereby out of every 100 individuals, around 88 individuals were in employment, indicating an improvement of 2.9 percentage points when compared to the second quarter of 2021. The largest increase was registered by the 15-24 age bracket, reporting an increase of 5.7 percentage points. On the other hand, the employment rate for persons forming part of the 55-64 age group has decreased by 1.9 percentage points, falling to 52.9 per cent.

The female employment rate in the 55-64 age group remained relatively stable, registering a small increase of 0.1 percentage points. On the other hand, the corresponding male employment rate decreased by 3.5 percentage points, standing at 63.2 per cent. The 15-24 age group's reported increase is majorly driven by a sharp rise in the male employment rate, with female employment reporting a minimal increase. Furthermore, the opposite has occurred for the 25-54 age bracket, with the largest increase resulting from an improved female employment rate, shifting from 76.5 to 81.8 per cent.

As indicated in Table 2.1, full-time employment in the private sector increased by 9.8 percentage points in January 2022, as a result of an increase of 3.9 percentage points in direct production and an increase of 5.9 percentage points in market services, when compared to the same month of the previous year. The increase in full-time employment in the private sector is indicative of a labour supply recovery, across all major and minor sectors. Going further, the direct production segment's growth is mainly driven by employment growth in the Construction (3.3 percentage points) and Manufacturing sectors (0.3 percentage points). On the other hand, the market services' employment growth is

Chart 2.6

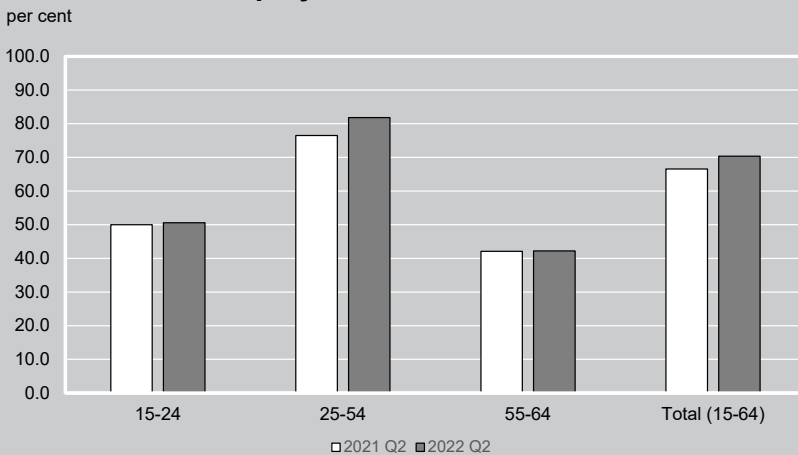
### Employment Rates, Males



Source: National Statistics Office

Chart 2.7

### Employment Rates, Females

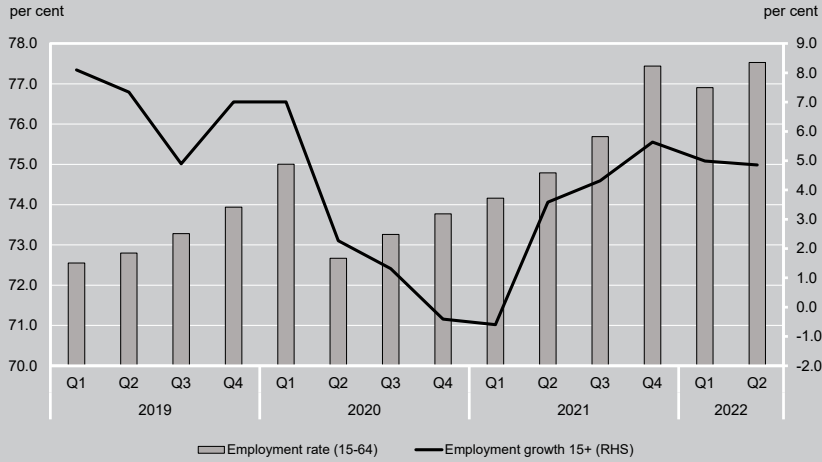


Source: National Statistics Office



Chart 2.8

### Employment Growth and Employment Rate



Source: National Statistics Office

### Contribution to Growth in Private Sector Employment\*

Table 2.1

percentage points

	Dec 2020/ Dec 2019	Dec 2021/ Dec 2020	Jan 2022/ Jan 2021
<b>Direct Production</b>	<b>1.7</b>	<b>3.8</b>	<b>3.9</b>
F Construction	2.1	3.2	3.3
C Manufacturing	-0.7	0.3	0.3
A Agriculture, forestry and fishing	0.0	0.2	0.2
Water supply; sewerage, waste management and remediation activities	0.3	0.0	0.1
E Mining and quarrying	-0.0	-0.0	0.0
D Electricity, gas, steam and air conditioning supply	0.0	0.0	0.0
<b>Market Services</b>	<b>1.0</b>	<b>5.3</b>	<b>5.9</b>
I Accommodation and food service activities	-1.0	1.0	1.1
M Professional, scientific and technical activities	0.3	0.8	0.9
R Arts, entertainment and recreation	-0.0	0.7	0.6
N Administrative and support service activities	0.2	0.2	0.6
J Information and Communication	0.1	0.4	0.5
H Transportation and storage	-0.1	0.4	0.5
K Financial and insurance activities	0.5	0.4	0.5
Wholesale and retail trade; repair of motor vehicles and motorcycles	0.2	0.4	0.4
Q Human health and social work activities	0.6	0.4	0.4
P Education	0.1	0.2	0.2
S Other service activities	0.1	0.2	0.2
L Real estate activities	0.1	0.1	0.1
Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	0.0	0.0	0.0
T			
U Activities of extraterritorial organisations and bodies	0.0	0.0	0.0

\* including temporary employment

Source: Jobsplus

a product of several sectoral employment level increases, in particular, the Accommodation and food services activities (1.1 percentage points) and the Professional, scientific and technical activities (0.9 percentage points).

As of April 2022, foreign employees accounted for 29.5 per cent of full-time and part-time employees, increasing from the previous year (27.2 per cent). In absolute terms, foreign employees across all sectors increased by 10,701 individuals. The Administrative and support services activities employed around 15.2 per cent of total foreign employment; followed by the Accommodation and food services activities sector (12.8 per cent), the Construction sector (10.4 per cent), and the Arts, entertainment, and recreation sector (10.1 per cent).

As portrayed in Chart 2.9, April 2022 figures indicate that the sectors with the highest shares of Maltese employees are the Public administration and defence, compulsory social security sector (17.1 per cent) and the Wholesale and Retail Trade (including repair of motor vehicles & motorcycles) sector (14.5 per cent). With regards to foreign employment, the Arts, Entertainment and Recreation sector and the Professional, Scientific, and Technical Activities sector employ the largest shares of European citizens, amounting to 17.9 and 12.4 per cent, respectively. On the other hand, the Administrative and Support Services Activities and the Construction sectors employ the highest

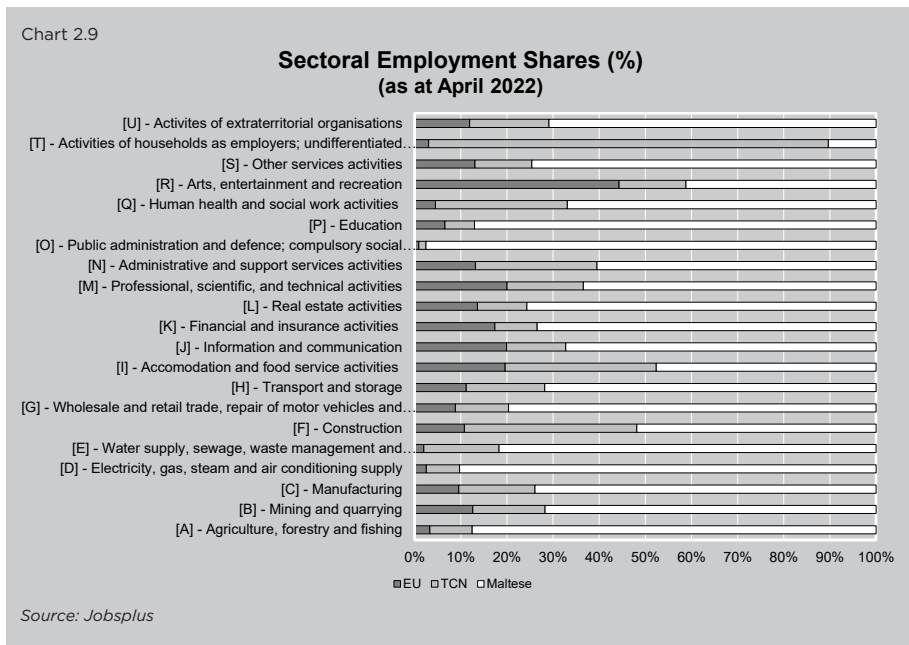
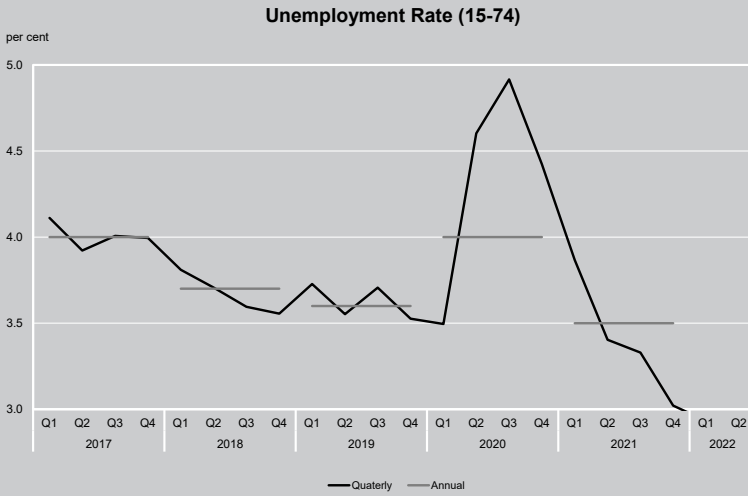
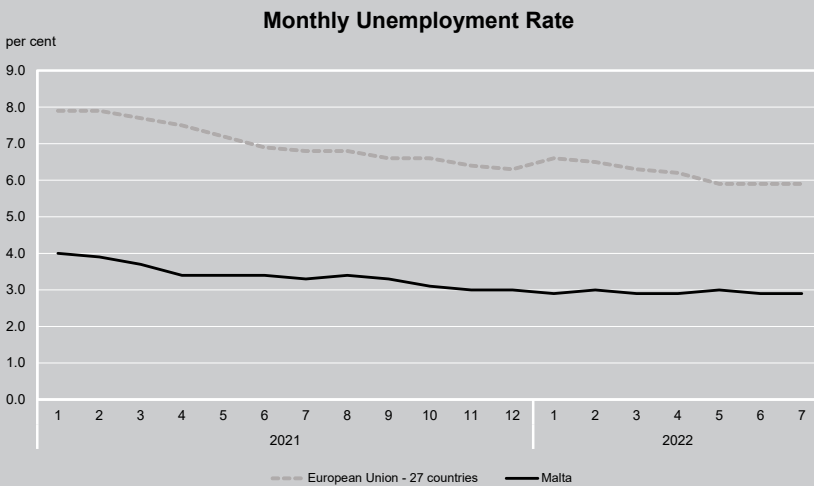


Chart 2.10



Source: National Statistics Office

Chart 2.11



Source: Eurostat

shares of third country nationals (TCNs), reporting 15.3 and 14.1 per cent figures, respectively.

Despite the persistent labour market issues resulting from the COVID-19 crisis, Malta registered one of the lowest unemployment rates amongst its European peers. As indicated in Chart 2.10, Malta overcame the increasing unemployment rates experienced during the first three quarters of 2020, with the unemployment rate ultimately falling even further below pre-pandemic levels, reflecting the observed average trend amongst EU27 countries (refer to Chart 2.11).

## 2.4 Negotiated Wages

The following section describes the development in the average weekly wage rates based on the collective agreements deposited with the Department of Industrial and Employment Relations (DIER), covering the period between August 2021 and August 2022. The analysis focuses on basic wage rates and does not consider any additions to the basic wage rate such as overtime, allowances, bonuses and other perks. It is important to highlight that the wages illustrated in the tables below signify the weekly basic wage rates associated with full-time employment. Box 2.1 provides a more detailed description of the methodology and its underlying assumptions.

With reference to Table 2.2, and based on our sample of collective agreements, as of August 2021, the aggregate weighted average basic weekly wage rate stood at €387.72. The weighted average basic wage of individuals employed in direct production stood at €341.04, whilst for those employed in the services sector, it stood at €397.68. Thus, the sectoral gap between direct production and services sectors stood at €56.64.

As shown in Table 2.3, as at August 2022, the weighted average weekly wage across all sectors stood at €396.62. The highest weighted average weekly wage for this period was recorded in the Financial and insurance sector (€614.59) followed by the Education sector (€477.38); whilst the lowest weighted average weekly wage was registered in the Accommodation and food service activities sector (€285.77). The lowest reported average basic wage was registered at Level 1 under Administrative and support service activities sector (€229.15), which is €45.32 or 25.3 per cent over the national minimum wage for 2022. Furthermore, the highest average basic wage was registered in the Financial and insurance sector under Level 3 at €783.06.

Table 2.4 shows the percentage changes in average weekly wages between August 2021 and August 2022, while Chart 2.12 illustrates

**Average Weekly Wages  
August 2021**

Table 2.2

		€			
		level 1	level 2	level 3	weighted average
B	Mining support services activities	328.62	373.72	413.95	377.07
C	Manufacturing	292.06	358.56	428.92	368.05
E	Water supply; sewerage, waste management and remediation activities	264.44	352.97	539.10	367.55
F	Construction	260.92	296.18	343.77	293.83
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	236.66	296.61	404.03	319.88
H	Transportation and storage	302.94	355.66	567.93	402.00
I	Accommodation and food service activities	248.21	276.30	313.00	282.18
J	Information and communication	258.54	314.51	416.94	391.11
K	Financial and insurance activities	302.61	450.84	770.56	604.81
M	Professional, scientific and technical activities	272.96	362.94	492.00	440.80
N	Administrative and support service activities	224.98	281.10	549.80	324.44
O	Public administration and defence; compulsory social security	234.55	342.46	515.15	439.72
P	Education	262.80	365.88	523.07	464.43
QB	Residential care and social work activities	261.06	321.20	474.35	359.36
R	Arts, entertainment and recreation	286.28	375.49	479.44	419.16
S	Other service activities	270.60	345.77	477.56	389.29
All sectors		252.48	334.19	492.81	387.72
Direct production		273.53	338.81	408.02	341.04
Services		244.37	332.99	502.95	397.68

Source: MFE (Compiled from data provided by the Department of Industrial and Employment Relations and Jobsplus)

**Average Weekly Wages  
August 2022**

Table 2.3

		€			
		level 1	level 2	level 3	weighted average
B	Mining support services activities	335.37	380.47	420.70	383.82
C	Manufacturing	298.37	366.02	436.05	375.24
E	Water supply; sewerage, waste management and remediation activities	270.77	361.53	551.36	376.25
F	Construction	265.91	301.03	347.88	298.57
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	240.11	301.46	411.14	325.20
H	Transportation and storage	315.40	365.33	589.81	415.22
I	Accommodation and food service activities	251.72	279.91	316.60	285.77
J	Information and communication	263.04	322.24	426.40	400.08
K	Financial and insurance activities	306.53	458.14	783.06	614.59
M	Professional, scientific and technical activities	278.66	372.35	505.52	452.70
N	Administrative and support service activities	229.15	289.78	561.90	332.40
O	Public administration and defence; compulsory social security	239.35	352.36	529.77	452.13
P	Education	269.08	376.46	537.59	477.38
QB	Residential care and social work activities	266.97	330.61	487.18	369.46
R	Arts, entertainment and recreation	292.79	384.10	491.47	429.23
S	Other service activities	275.56	353.24	488.30	397.77
All sectors		257.56	341.78	504.45	396.62
Direct production		279.12	345.49	414.46	347.41
Services		249.24	340.82	515.22	407.11

Source: MFE (Compiled from data provided by the Department of Industrial and Employment Relations and Jobsplus)

**Percentage Change in Average Weekly Wages  
August 2021 - August 2022**

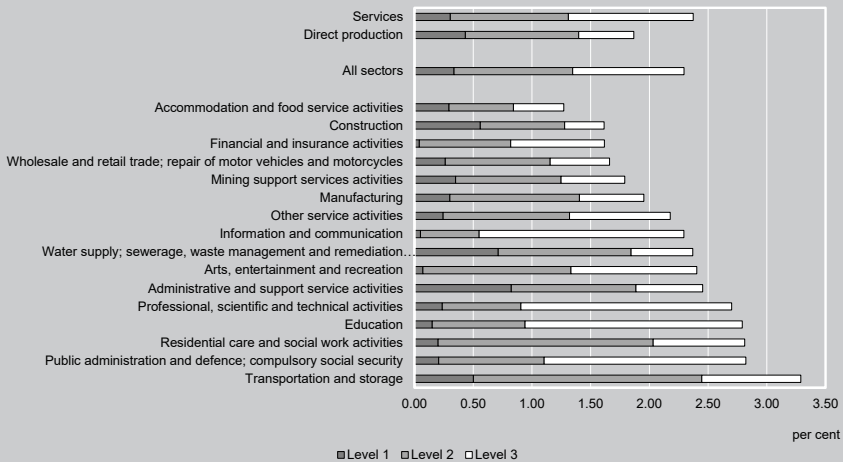
Table 2.4

		per cent			
		Level 1	Level 2	Level 3	Weighted Average
B	Mining support services activities	2.05	1.81	1.63	1.79
C	Manufacturing	2.16	2.08	1.66	1.95
E	Water supply; sewerage, waste management and remediation activities	2.39	2.42	2.28	2.37
F	Construction	1.91	1.64	1.19	1.61
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	1.46	1.63	1.76	1.66
H	Transportation and storage	4.11	2.72	3.85	3.29
I	Accommodation and food service activities	1.42	1.31	1.15	1.27
J	Information and communication	1.74	2.46	2.27	2.29
K	Financial and insurance activities	1.29	1.62	1.62	1.62
M	Professional, scientific and technical activities	2.45	2.59	2.75	2.70
N	Administrative and support service activities	1.86	3.09	2.20	2.45
O	Public administration and defence; compulsory social security	2.05	2.89	2.84	2.82
P	Education	2.39	2.89	2.78	2.79
QB	Residential care and social work activities	2.26	2.93	2.70	2.81
R	Arts, entertainment and recreation	2.27	2.29	2.51	2.40
S	Other service activities	1.83	2.16	2.25	2.18
All sectors		2.01	2.27	2.36	2.29
Direct production		2.05	1.97	1.58	1.87
Services		1.99	2.35	2.44	2.37

Source: MFE (Compiled from data provided by the Department of Industrial and Employment Relations and Jobsplus)

Chart 2.12

**Contribution to the Weighted Average Growth  
August 2021 - August 2022**



Source: MFE (Compiled from data provided by the Department of Industrial and Employment Relations and Jobsplus)

the contributions to the sectoral growth rates. The weighted average increase for all firms stood at 2.3 per cent, mainly supported by the growth in Level 2 wages. On average, the basic wage in direct production increased by €6.37 (1.9 per cent), mainly driven by the wages in Level 2 (0.96 percentage points). On the other hand, the average basic wage in the services sector increased by €9.44 (2.4 per cent), primarily underpinned by Level 3 wages, with a contribution of 1.06 percentage points.

The sector which recorded the highest percentage increase, was the Transportation and storage sector at 3.3 per cent, in which most of the workers are classified under Level 2. Specifically, this sector recorded the highest percentage increase in Level 1 by 4.1 per cent and in Level 3 by 3.9 per cent. The highest increase in Level 2 of 3.1 per cent was recorded in the Administrative and support service activities.

## **Box 2.1**

### **Collective Agreements Methodology**

The sample under review comprises of 166 firms employing 70,704 full-time employees; with 40 firms engaged in direct production and employing 9,802 individuals and the remaining 126 firms operate in the services sector engaging 60,902 employees. The total coverage ratio is around 35.0 per cent of total employment. The basic weekly wages are divided into three distinguished levels as per International Standard Classification of Occupation (ISCO-08) ten-skill level groups including military occupations. ISCO is a system of classification and aggregation of occupational information under the International Labour Office (ILO). Level 1 includes ISCO major group 9, which reflects elementary occupations. Level 2 includes ISCO major groups 4 to 8 referring to clerk, service and sales workers, skilled agricultural and fishery workers, craft and related trades workers, and plant and machine operators and assemblers. Lastly, Level 3 includes ISCO major groups 1 to 3 covering managers, professionals, technicians and associate professionals. Employment data disaggregated by ISCO level is provided by Jobsplus.

*(Box 2.1 cont.)*

In this analysis, definite contracts of employment are not considered and any employment benefits over and above the basic wage such as production bonuses, overtime payments, social security and allowances and other non-wage income, are excluded. This source of non-wage income can be quite significant for some sectors of employment, such that the employees' actual average weekly remuneration may be significantly higher than the average weekly basic wages reported in this study.

The results presented - comparing the figures for 2022 with those of 2021 - are directly comparable since the analysis is based on the same employment weighting structure and sample of firms. Hence, the difference represents the actual change in wages over the year. However, the wage estimates published in previous Economic Surveys are not directly comparable to these estimates. Comparability is hampered by the methodology and sampling procedure adopted, mainly the inclusion of additional firms and exclusion of others. Thus, the individual firms weighting in each category would change reflecting the changes in employment levels. The average basic wage rate may also change due to the reclassification of grades of a new collective agreement and also due to the reclassification of the NACE code of certain businesses.

The methodology complies collective agreements based on the entity's NACE code. This classification provides a structure for statistical data according to economic activity. Then the average wage under the three levels for each individual collective agreement is calculated and where the collective agreement is exclusive of the Cost-of-Living Adjustment (COLA), the figures are increased accordingly.

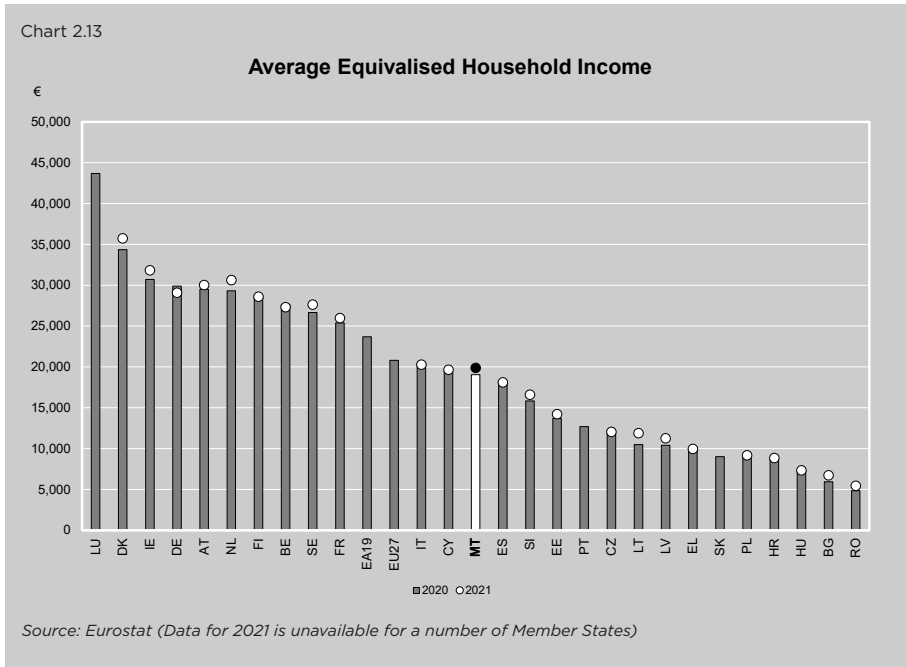


## 2.5 Social Conditions

The following section provides an analysis on the average equivalised income and disposable income of Maltese households when compared to the EU, as well as the changes in poverty and social exclusion over the last few years. This chapter also sheds light on the degree of income inequality in Malta with various indicators such as the Gini coefficient and the S80/S20.

### 2.5.1 Average Equivalised Household Income<sup>2</sup>

The Maltese average equivalised household income in 2021 stood at €19,882, as shown in Chart 2.13. The average equivalised income increased when compared to 2020 and has continued to follow the same positive upward trend experienced during the past few years. This means that Malta’s average equivalised household disposable income has continued converging steadily towards the EU27 average. Over the past ten years from 2012 to 2021, Malta’s average household income has increased by 57.0 per cent. When compared as a proportion of the Euro Area (EA), average household income has increased by 18.5 percentage points since 2011: from 61.9 per cent in 2011 to 80.4 per cent in 2020.



## Income Distribution

Table 2.5

	EU27	Malta	
	2020	2021	2022
S80/S20 ratio	4.9	4.7	5.0
<i>Less than 65 years</i>	5.1	4.8	5.2
<i>65 years or over</i>	4.2	3.5	3.4
Gini-coefficient	30.0	29.9	31.2

Source: Eurostat

### 2.5.2 Income Distribution

Two methods are used to analyse Malta's income distribution; the income quintile share ratio and the Gini coefficient. The income quintile share ratio compares households' income in the 80th percentile with those in the 20th (S80/S20) by dividing the former with the latter. This indicator has slightly increased in the past year, from 4.7 in 2020 to 5.0 in 2021. This indicates that for 2021 those in the top 20th percentile in terms of income earn on average five times more than those in the 80th percentile. Decomposing this increase to reflect those above the age of 65 and those below, one can note that the increase is primarily led by those aged less than 65. In fact, the ratio for the cohort of persons aged less than 65 years increased by 0.4 (or stood at 5.2) in 2021. Meanwhile the ratio for persons aged 65 and over, decreased, resulting in a ratio of just 3.4 during the same year. The discrepancy among the ratio between the cohorts is mainly driven by employment income, as the difference in the employment income earned by households is much larger than pensions.

The Gini coefficient after social transfers, also increased in the past year, from a ratio of 29.9 in 2020 to 31.2 in 2021, suggesting higher income inequality. This could be attributed to the fact that employment income increased by a higher rate when compared to social benefits. These figures and the ones for the S80/S20 ratio are slightly lower than the EU average in 2020 especially among the elderly cohort. This may be an indication that income inequality is less pronounced in Malta than in other EU countries.

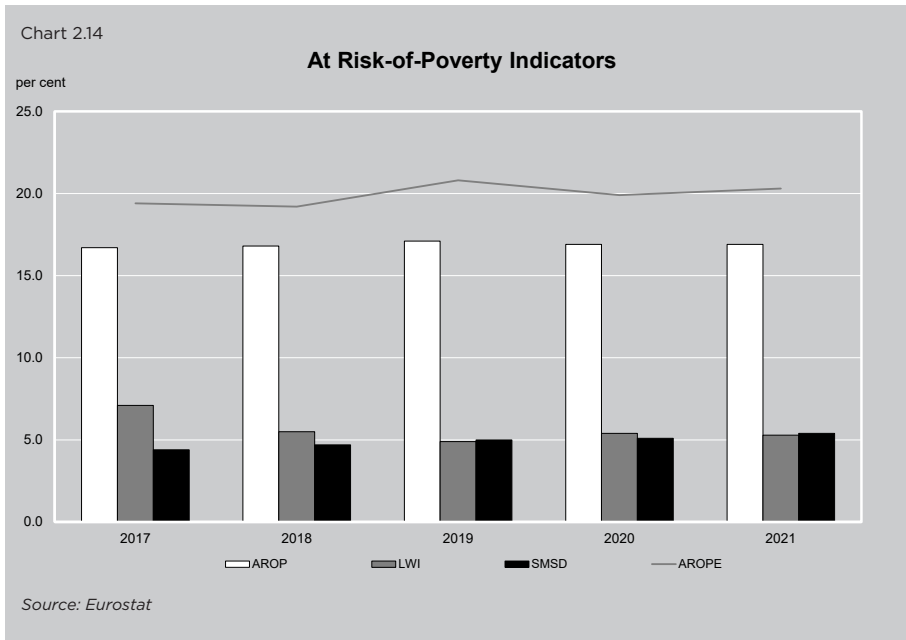
### 2.5.3 Poverty and Social Exclusion

The main indicator to monitor the EU 2030 target on poverty and social exclusion, is the at-risk-of-poverty-or-social-exclusion (AROPE<sup>3</sup>) rate, which captures the share of the total population which is considered to be at risk of poverty or at risk of social exclusion. As shown in Chart 2.14, the indicator for Malta stood at 20.3 per cent in 2021, which is 0.4 percentage points higher when compared to 2020 and 0.9 percentage points higher than the rate recorded in 2017. When compared to the EU average, Malta’s AROPE was 1.7 percentage points lower in 2020, with the EU average standing at 21.6 per cent.

The AROPE can be decomposed into three main indicators namely:

1. The at-risk-of poverty rate: which shows the number of households falling below a threshold set at 60 per cent of median household disposable income.
2. Severe material and social deprivation (SMSD): shows the number of households unable to afford certain basic necessities from an established list of goods and services.
3. Low Work Intensity (LWI): shows the degree of households’ work intensity in terms of hours worked per week.

The at-risk-of-poverty (AROP) rate before social transfers for Malta stood at 36.2 per cent in 2021. In the EU, the rate was 43.3 per cent



in 2020, which was 8.2 percentage points higher when compared to Malta's corresponding rate for the same year. After the inclusion of social transfers, the AROP rate for Malta, which is one of the components of the AROPE rate, dropped by 19.3 percentage points to a rate of 16.9 per cent in 2021. A similar though larger drop was also noted at the EU level, with a drop of 26.6 percentage points in 2020.

Malta's AROP rate after the inclusion of social transfers has been, on average, hovering around the same rate in past few years, increasing from 16.7 per cent in 2017 to 17.1 per cent in 2019 and decreasing to 16.9 per cent in 2021. Nevertheless, it should be noted that the AROP thresholds, also known as the poverty line, for both single person households and households comprising two adults with two children younger than 14 years, increased by 17.3 per cent over the five-year period under review, reflecting the increase in the median equivalised income<sup>4</sup>. This increase is mainly driven by employment income, as the growth in this source of income grew at a faster rate than the increase in social benefits and other income. As a result, this may have exacerbated the AROP rate as the increase in the poverty line alone captures more households below the threshold.

Chart 2.14 also shows the trend of the two other components of the AROPE rate: the SMSD and the LWI. In 2021, the SMSD rate among persons living in households was equal to 5.4 per cent, which is equivalent to around 27,334 individuals. The rate increased slightly by 0.3 percentage points when compared to 5.1 per cent recorded in the previous year. Nevertheless, based on the 2020 data, when compared to the EU average, the rate for Malta is 1.7 percentage points lower. With regards to the share of persons residing in a household with LWI, the rate amounted to 5.3 per cent in 2021, a 0.1 percentage point lower than the rate recorded in 2020 and 1.8 percentage points lower than the rate recorded in 2017. Moreover, in 2020, when compared to the EU level, the share of person residing in a household with LWI is 2.9 percentage points lower in Malta.

## **2.6 Energy and Climate Change**

### **2.6.1 Introduction**

Increased cognisance of environmental matters and their relationship with the economy is required to ensure that the needs of the present generation are met without compromising the ability of future generations to meet their own needs.

The Paris Agreement in 2016, the European Commission's action plan towards a climate-neutral EU and the European Green Deal continued

to accentuate the importance of tending to climate related issues. These initiatives also stressed the need to maintain appropriate analysis with respect to indicators which measure the progress being made in this regard. To this end this sub-section will review indicators that track aspects of climate change and final energy consumption in Malta.

## **2.6.2 Greenhouse Gas Emissions**

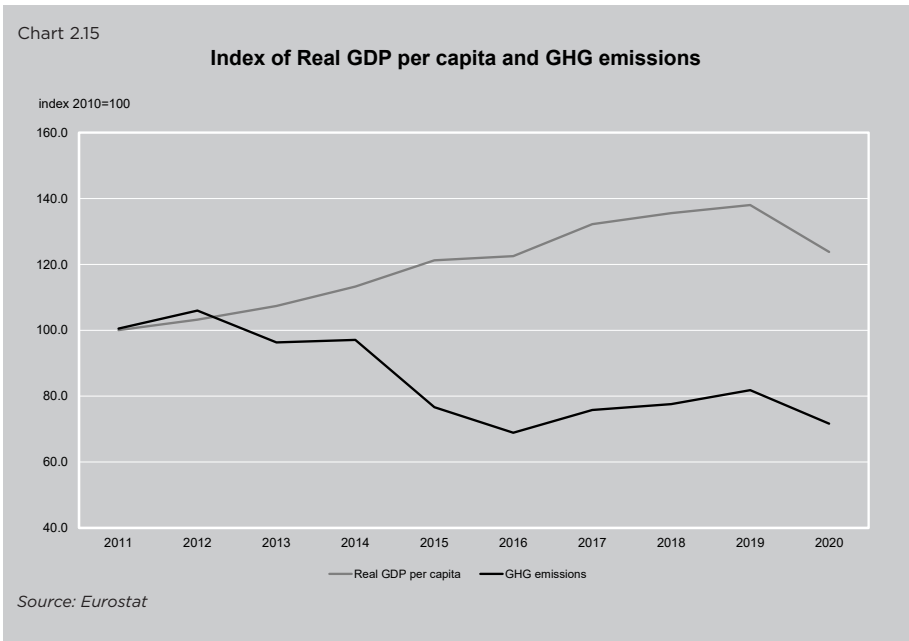
This section focuses on emissions of GHG classified by technical processes as recorded in GHG emission inventories submitted to the United Nations Framework Convention on Climate Change (UNFCCC). This GHG emission inventory contains the official data for international climate policy. Data for GHG emissions used in this section include emissions from international aviation and exclude emissions or removals from land use, land use change and forestry (LULUCF) and other memo items.

Estimates of all GHG emissions are produced from a number of sources which are delineated in sectors primarily according to the technological source of emissions, based on a methodology devised by the Intergovernmental Panel on Climate Change (IPCC). The five main sectors causing emissions include: energy (which also includes transport), industrial processes and product use, agriculture and waste management.

In 2020, GHG emissions in Malta were down by 28.7 per cent when compared with 2011 levels, representing an absolute reduction of approximately 934 thousand tonnes of CO<sub>2</sub>-equivalents. In order to analyse the driving forces behind these emissions, developments in GHG emissions are considered with various underlying factors, such as economic activity and human population. The analysis spans a ten-year period up to 2020, the latter being the latest year for which GHG emissions data are available.

Up to 2019, real Gross Domestic Product (GDP) in Malta has experienced robust growth, with Malta's average total population steadily increasing for the last eight years under review. Indeed, Chart 2.15 shows a clear upward trend for real GDP per capita, albeit for the 2019-2020 period in which reduced economic activity was registered due to the COVID-19 pandemic.

Malta has shown evidence of absolute decoupling between 2011 and 2020, as GHG emissions decreased by 28.7 per cent, while GDP per capita grew by 23.7 per cent over the ten-year period. This is largely the result of the Government's investment in the energy sector over the 2015-2016 period. Decoupling between environmental damage and



economic growth takes place when over a given period, the growth in environmental pressure is less than that of its economic driving force.

To better understand the driving forces behind the reduction in GHG emissions, the next part of the analysis will look in more detail at the source sectors of these GHG emissions for the five years over the 2015 and 2020 period, based on the definitions of the IPCC.

Chart 2.16 indicates that in 2020, 77.6 per cent of the GHG emissions were due to fuel combustion. This includes domestic fuel combustion (69.0 per cent) to generate electricity and heat, produce goods, construct buildings and infrastructure, and to move freight and persons. International aviation contributes to the remaining 8.6 per cent. From a sectoral point of view, the transport and energy sectors are the largest contributors to GHG emissions from the combustion of fuel.

The remaining share of total GHG emissions is due to other activities that do not involve fuel combustion. It includes industrial processes and product uses (IPPU) (12.0 per cent), waste management (6.9 per cent) and agricultural activities (3.5 per cent). Emissions from IPPU are largely driven by increases in estimated emissions of hydrofluorocarbons (HFCs). HFCs are by far the most important class of fluorinated gases reported by Malta, in terms of overall emissions. On the other hand, waste management produces mainly methane emissions, which

Chart 2.16

### Greenhouse Gas Emissions by Source Sector

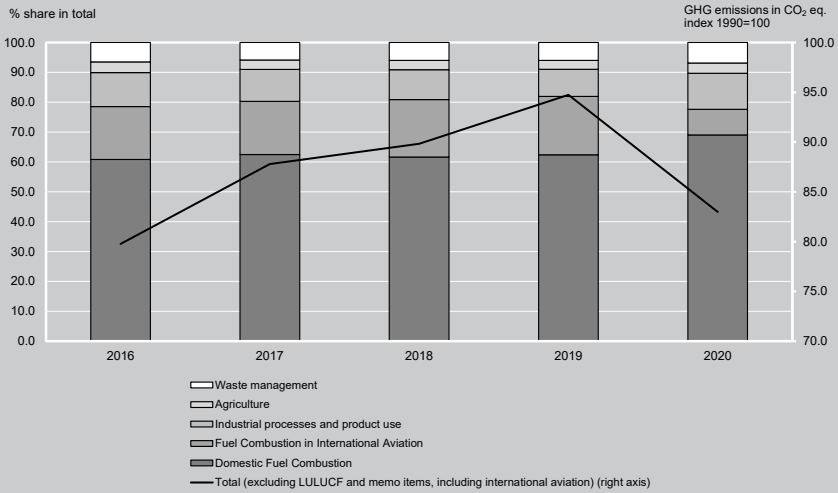
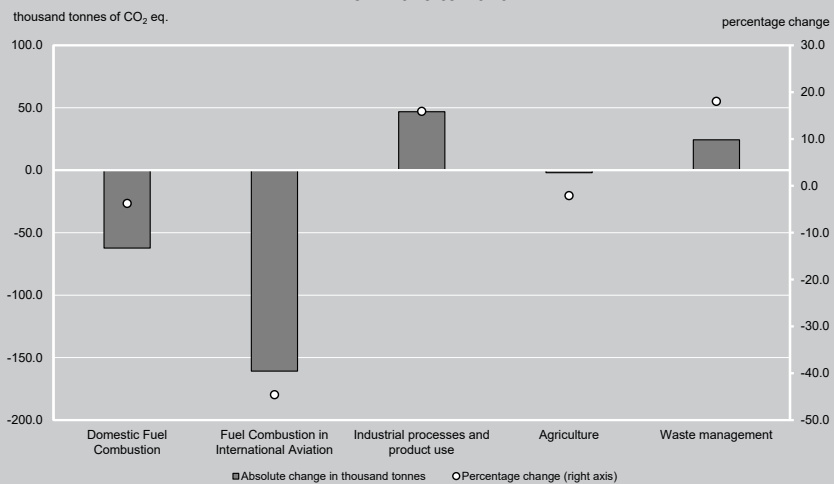


Chart 2.17

### Changes in GHG emissions, by IPCC source sector, from 2015 to 2020



contribute about 80.0 per cent of all methane emissions generated in Malta. The rest of the methane emissions are mainly derived from the agriculture sector.

Overall, GHG emissions over the five-year comparison period leading to 2020 have been declining, mainly due to the large decreases in emissions from fuel combustion in international aviation, in both absolute and relative terms. This decline was mainly driven by lower flights as a result of the pandemic-related disruptions. Measures taken in response to the COVID-19 pandemic and the resultant reduction in energy consumption also contributed to a decline of 3.7 per cent in GHG emissions from domestic fuel combustion over the comparable period. The overall decline in GHG emissions was albeit partially offset from IPPU and waste management. Chart 2.17 shows that GHG emissions in relative terms have also been declining, albeit with the exception of both the IPPU and waste management activities, which in 2020 have increased by 15.9 and 18.0 per cent, respectively, when compared with 2015.

### **2.6.3 Final Energy Consumption**

The final energy consumption for Malta, which is the energy that reaches the final consumer's door and excludes energy which is used by the energy sector itself, amounted to 499.9 thousand tonnes of oil equivalent (toe) in 2020; 8.2 per cent less than that for the previous year. As depicted in Chart 2.18, oil and petroleum products accounted for the biggest share (52.3 per cent) in the structure of final energy consumption in 2020, followed by electricity (40.5 per cent), and renewables (7.2 per cent). In recent years, as the Government has issued numerous schemes encouraging investment in renewables, namely in PVs, the share of renewable energy sources in final energy consumption increased by 4.3 percentage points in 2020 from 2.9 per cent in 2016. While the share of electricity in the total remained quite stable over the 2016 to 2020 period, the share of oil and petroleum products dropped by 5.1 percentage points during the same comparable period.

Chart 2.19 shows that a closer analysis of the final end use of energy in Malta in 2020 reveals three dominant categories: the road transport (37.8 per cent), the commercial and public services (24.5 per cent) and households (21.0 per cent). The road transport sector registered a decline of 17.4 per cent in its final energy consumption to 188.9 thousand toe.

### **2.6.4 Environmental Taxation**

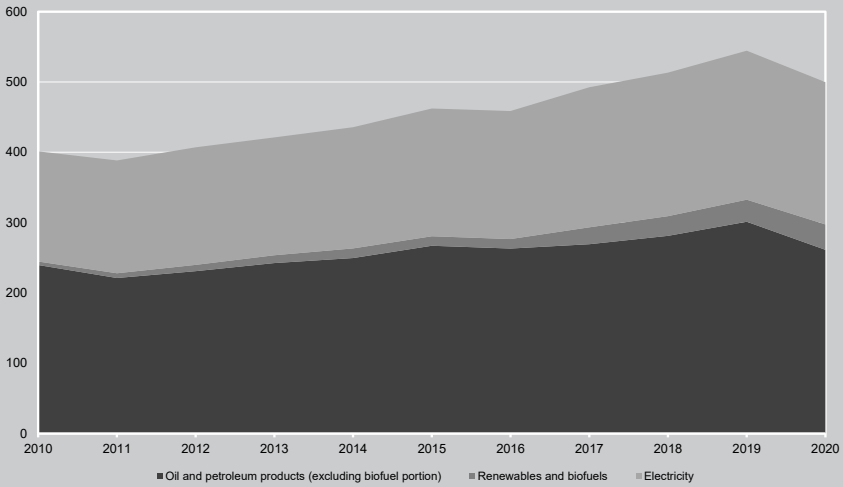
Environmental taxation is one way of encouraging a shift in production and consumption towards more eco-friendly choices, in order to tackle



Chart 2.18

### Final Energy Consumption, by fuel source

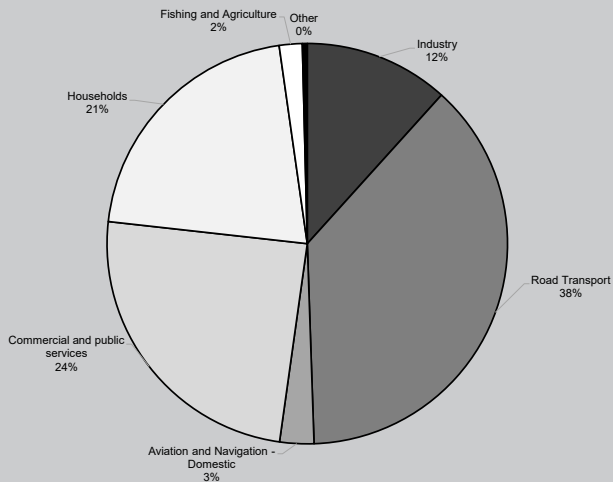
thousand tonnes of oil equivalent



Source: Eurostat

Chart 2.19

### Final Energy Consumption in 2020 % Share in Total by sector



Source: Eurostat

environmental and climate challenges. A complementary objective of environmental taxation is their ability to raise revenues.

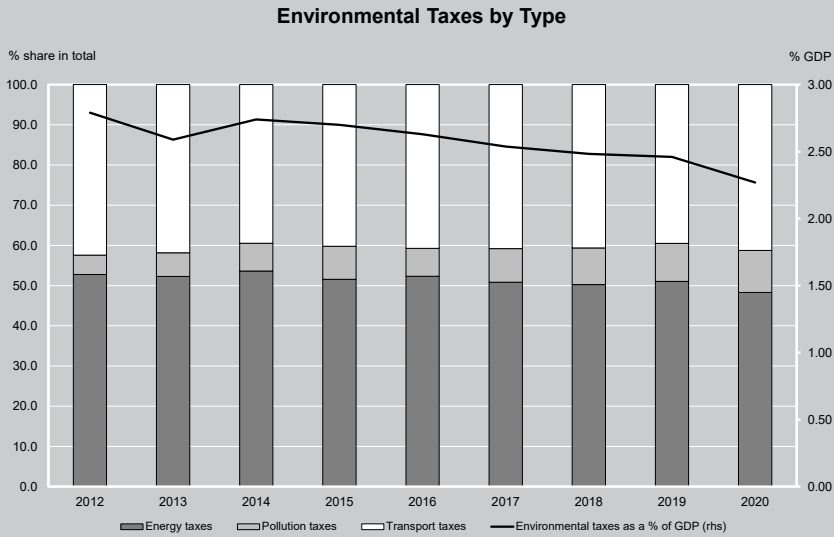
Environmental tax is defined as a tax “whose tax base is a physical unit (or a proxy of a physical unit) of something that has a proven, specific negative impact on the environment, and which is identified in ESA as a tax.”<sup>5</sup> This definition puts emphasis on the effect of a given tax in terms of its impacts on the costs of activities and the prices of products that have a negative effect on the environment. Environmental taxes comprise taxes on energy, transport, pollution and resources<sup>6</sup>. Value-added type taxes are excluded because they are levied on all products.

Energy taxes include taxes on energy products used for both transport and stationary purposes. The most prominent energy products for transport purposes are petrol and diesel, making up around 84.0 per cent of the total energy taxes in 2020. Energy products for stationary use include fuel oils, natural gas and electricity. Revenue from the auctioning of emission trading permits amounted to €17.6 thousand in 2020, equivalent to about 12.0 per cent of the total energy taxes in 2020. Excise levies from bunkering and electricity totalled a share of the remaining 4.0 per cent. Energy taxes represented 1.1 per cent of GDP in 2020, compared to 1.7 per cent of the EU27 average.

Transport taxes mainly include taxes related to ownership and use of motor vehicles. At €40.3 million in 2020, revenue from the motor vehicle registration tax consisted around 33.0 per cent of total transport taxes. These taxes also include ‘one off’ taxes related to imports or sales of the equipment or recurrent taxes, such as an annual road tax. Tax revenue collected from the annual road tax was equivalent to around 63.5 per cent of total transport taxes in 2020. Taxes on petrol, diesel and other transport fuels are not included here but are included under energy taxes. The Government collected around 1.5 per cent of its transport taxes from the sale of number plates and the remaining 2.0 per cent from driving licenses and the administration charge towards motor vehicle testing. At 0.9 per cent of GDP in 2020, Malta’s transport taxes were higher than the EU27 average of 0.4 per cent of GDP.

Pollution taxes are taxes on measured or estimated emissions to air and water, management of solid waste and noise. At around 71.0 per cent of total pollution taxes, the excise on cement constitutes the Government’s largest pollution tax. Other pollution taxes in Malta relate to excises on non-alcoholic beverages, on construction components and fixtures, pneumatic tyres and others. Total taxes on pollution represented 0.2 per cent of GDP in Malta compared to 0.1 per cent of GDP in the EU27 average.

Chart 2.20



Source: Eurostat

In 2020, total environmental taxes amounted to €296.7 million, equivalent to 2.3 per cent of GDP, compared to the EU27 average of 2.2 per cent of GDP. As depicted in Chart 2.20, the share of each environmental tax to the total remained relatively stable over the years under review. More specifically, energy taxes constitute about half of the total environmental taxes. The share of pollution taxes, albeit the smallest share, keeps on increasing as a percentage of GDP on a year-to-year basis. The share of environmental taxes as a percentage of total revenues from taxes and social contributions amounted to 7.5 per cent in 2020, compared to the EU27 average of 5.4 per cent.

*Footnotes:*

<sup>1</sup> As of 2020, net migration figures of other (non-Maltese) EU nationals refers to EU27 Member States (i.e., excluding the United Kingdom). Contrastingly, the net migration figures for third-country nationals (TCNs) includes the emigration and immigration of UK nationals.

<sup>2</sup> Equivalised income refers to household income adjusted to reflect different household compositions and income requirements. The equivalised scale is based on the weight specified by the OECD, in which the reference person takes a value of one, all other adults in the household take a value of 0.5 each and children take a weighting value of 0.3. Thus, larger households' total disposable income is penalised using an established weighting system to reflect further income requirements to cater for dependent children and additional adults.

<sup>3</sup> The AROPE indicator for the EU 2030 target is made up of three components: at-risk-of-poverty (AROP) rate, severe material and social deprivation (SMSD) and low work intensity (LWI). The definition of this indicator is slightly different than the indicator used for the EU 2020 strategy. The SMSD indicator replaced the severe material deprivation (SMD) indicator whereby it now captures the proportion of the population experiencing an enforced lack of at least 7 out of 13 material and social deprivation items. The other difference relates to the extension of the age bracket of the LWI indicator from 0 to 59 years to 0 to 64 years. Further detail: Glossary: At risk of poverty or social exclusion (AROPE) - Statistics Explained (europa.eu).

<sup>4</sup> AROP threshold is defined as 60 per cent of the median national equivalised income.

<sup>5</sup> Regulation (EU) No 691/2011 on European environmental economic accounts.

<sup>6</sup> Malta does not have any resources-related environmental taxes.



### **3. International Trade and the Balance of Payments**

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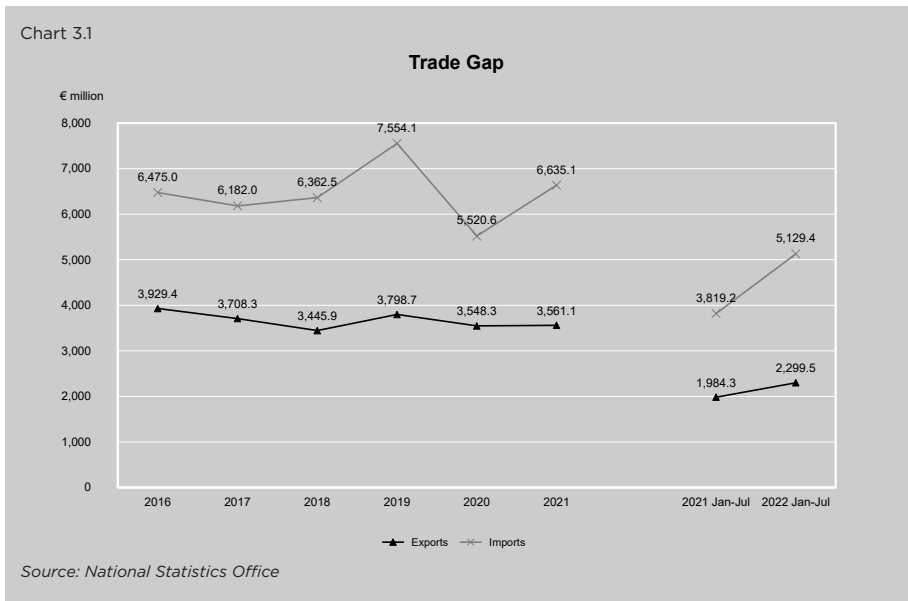


# 3. International Trade and the Balance of Payments

## 3.1 International Trade

Malta is a small open economy that relies heavily on imported goods, making trade flows an essential factor in the domestic economy. In 2021, the value of imported goods totalled €6,635.1 million while exported goods amounted to €3,561.1 million, representing a 20.2 per cent and a 0.4 per cent increase, respectively, relative to 2020 figures. As noted in Chart 3.1, this resulted in a widening of the trade deficit by 55.9 per cent to €3,074.0 million.

During the period January to July 2022, Malta's total imports and exports increased by €1,310.1 million and €315.1 million, respectively, when compared to the same period in 2021. This resulted in a widening of the trade gap by €995.0 million, mainly attributed to a substantial increase in the value of imports of mineral fuels, lubricants and related materials, and a notable increase in imports of machinery and transport equipment. The deterioration in the trade balance is partly attributable to extraordinary imports of aircraft and the extraordinary increase in net fuel imports which more than doubled following the rising international energy prices.



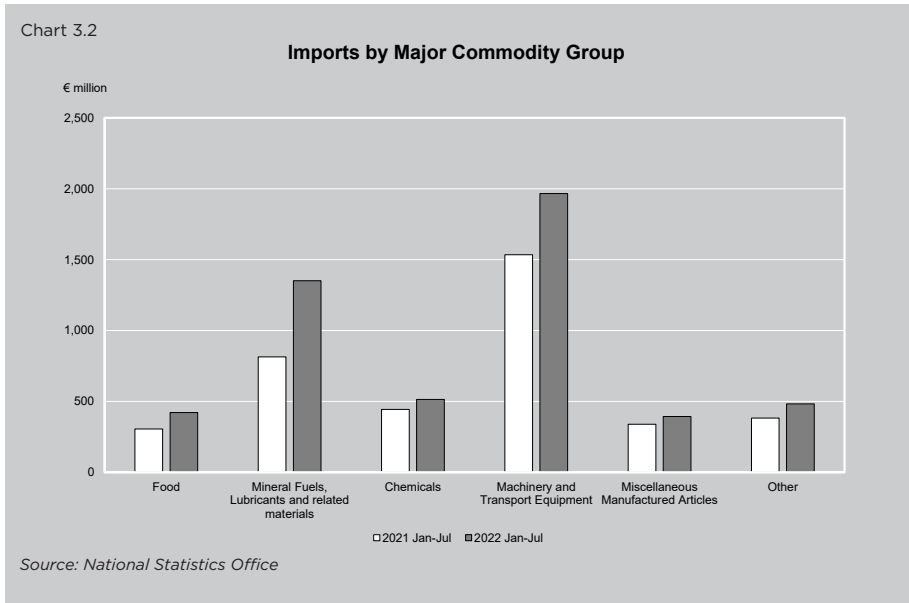


### 3.1.1 Imports

During the period January to July 2022, imports of goods increased by 34.3 per cent reaching €5,129.4 million, compared to the same period in 2021. Chart 3.2 represents the imports by major commodity group.

The increase in imports was largely driven by imports of mineral fuels, lubricants and related materials, which contributed to 14.1 percentage points increase in total imports, equivalent to a level increase of €537.8 million. The importation of machinery and transport equipment also made up a considerable share of the increase in total imports (11.3 percentage points). This was equivalent to a €431.4 million increase in the importation of machinery and transport equipment. Most notably, this was the result of increases in the importation of aircraft and parts thereof. Food imports increased by €115.9 million. The importation of semi-manufactured goods increased by 25.3 per cent, whilst both imports of chemicals and miscellaneous manufactured articles increased by 15.9 per cent each.

Imports from the European Union (EU) reached €2,837.3 million by July 2022, which is equivalent to 55.3 per cent of total imports for that period. Imports from the Euro Area (EA) increased by €684.6 million (33.5 per cent) relative to the same period of January to July in 2021. Italian imports dominated EA imports with a value of €1,014.9 million. Imports from Greece and Spain experienced significant increases of



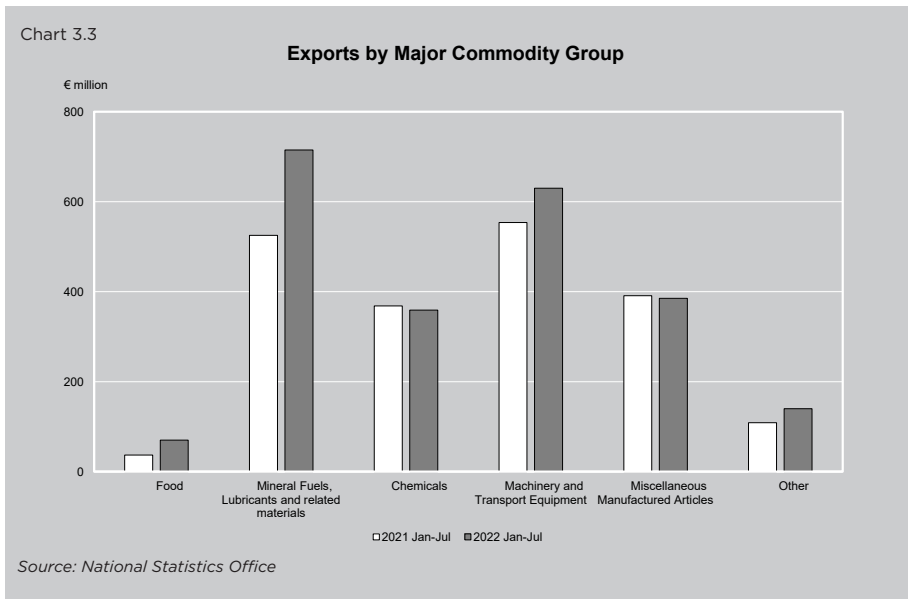
€142.7 million and €119.4 million, respectively, when compared to the same period in 2021.

### 3.1.2 Exports

Reaching a value of €2,299.5 million as at July 2022, total exports increased by 15.9 per cent when compared to the same period in 2021. Chart 3.3 outlines Malta's exports by major commodity groups.

The largest contribution was derived from the exportation of mineral fuels, lubricants and related materials which increased by €189.7 million (equivalent to 9.6 percentage points). The exportation of machinery and transport equipment increased by €76.2 million, equivalent to a 13.8 per cent increase, largely due to the increase in exportation of electronic integrated circuits. Food exports increased by €33.2 million, namely due to tuna exports. Exports of semi-manufactured goods increased by 35.6 per cent to €103.2 million namely as a result of seamless metal casings. The exportation of chemicals, miscellaneous manufactured articles and crude materials decreased by 2.5, 1.5 and 3.6 per cent, respectively.

During the January to July period, 43.2 per cent of total exports were mainly directed towards Europe. Albeit a marginal decrease in EU exports of 1.5 per cent. The EU accounted to 35.6 per cent of total exports, reaching €819.6 million as at July 2022. EA exports also

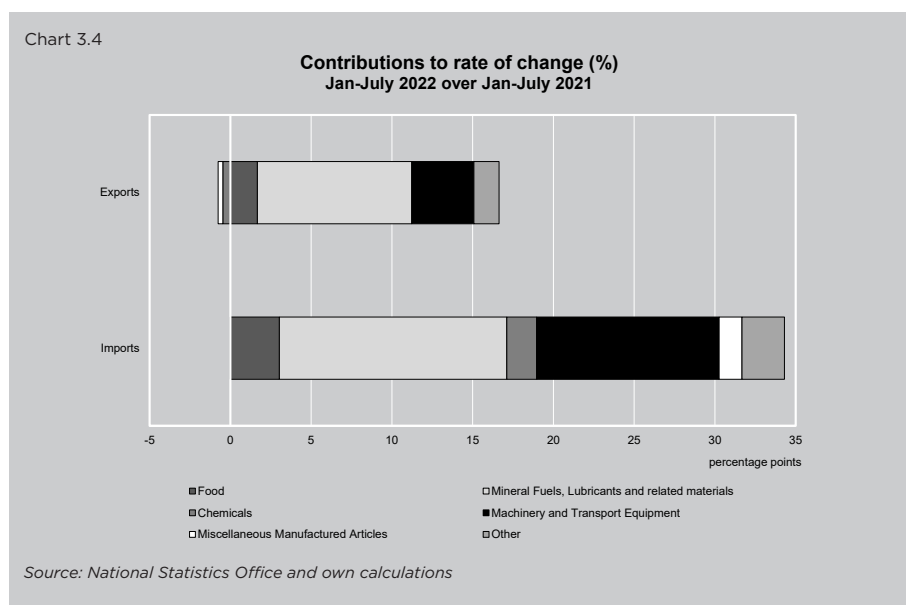


decreased by a marginal 0.5 per cent, equivalent to €2.9 million, in comparison to the same period in 2021. Most exports made their way to Germany (€261.4 million), while exports towards Italy declined by €40.7 million, equivalent to 30.7 per cent.

### 3.1.3 Trade Balance

Excluding the year 2020 in view of the economic consequences of the COVID-19 pandemic on trade, Malta has maintained a historical trade deficit averaging 23.0 per cent of Gross Domestic Product (GDP) at current market prices over the past five years. As of July 2022, the trade gap for Malta further increased by €995.0 million to reach €2,829.9 million. As depicted in Chart 3.4, the increase in the trade gap reflected a 34.3 percentage point increase in total imports and a 15.9 percentage point increase in exports.

Consistent with previous years, Malta registered most of its trade deficit with EU countries (71.3 per cent), most notably with Italy (32.6 per cent). Malta also registered a notable trade gap with Spain, Ireland, Greece and the Netherlands. Compared to the period January to July 2021, the trade balance with Italy widened by an additional €317.5 million during the same period in 2022. Furthermore, Malta's trade deficit with Spain and Greece increased by €106.1 million and €129.8 million, respectively.



## 3.2 Balance of Payments

The balance of payments (BOP) is a statistical table that summarises transactions between residents and non-residents of a country during a specified time period. The main accounts within the BOP refer to:

1. The Current Account: records international trade in goods and services, income payments and receipts between residents and non-residents, and current transfers between residents and non-residents.
2. The Capital Account: records transfers of tangible assets (e.g., machinery) between Malta and the rest of the world, and the acquisition and disposal of non-produced non-financial assets (e.g., contracts and leases).
3. The Financial Account: records on a net basis monetary flows stemming from financial assets and liabilities.

The BOP and the Net International Investment Position (described in Section 3.3) are prepared in accordance with the International Monetary Fund (IMF) Balance of Payments Manual of 2009 (BPM6).

### 3.2.1 Current Account

Malta had been recording large and persistent current account surpluses in the last few years prior to the COVID-19 crisis. In particular, Malta's average current account balance amounted to 5.5 per cent of GDP between 2017 and 2019. This was primarily attributable to strong net export positions in Personal, cultural, and recreational services; Tourism; and Financial services. Chart 3.5 depicts the main trends underlying the components of Malta's current account.

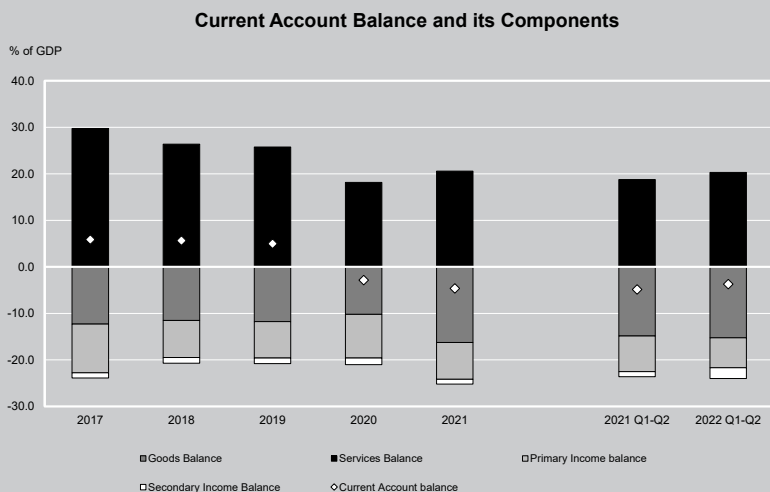
The COVID-19 pandemic swung Malta's current account balance to a deficit position from 2020 to the second half of 2022. In 2020, the net export balance of services as a per cent of GDP declined by 7.6 percentage points relative to 2019 and began to recover in 2021. However, the current account maintained a deficit position in 2021 owing to a 6.0 percentage point increase in the net import balance of goods.

In the second half of 2022, the current account balance as a per cent of GDP recorded a 3.7 per cent deficit, down from a deficit of 4.8 per cent in the first half of 2021.

### Goods and Services

The goods balance has been in a net import balance position over time, reflecting Malta's dependency on imports. In contrast, the services balance has consistently recorded a net export position, owing to a

Chart 3.5



Source: National Statistics Office

service-oriented economy, largely supported by Personal, cultural, and recreational services; Travel services (tourism); and Financial services. In contrast, Other business services, which include professional and legal services, have historically accounted for significant net imports. Chart 3.6 shows how the main service components have changed over time.

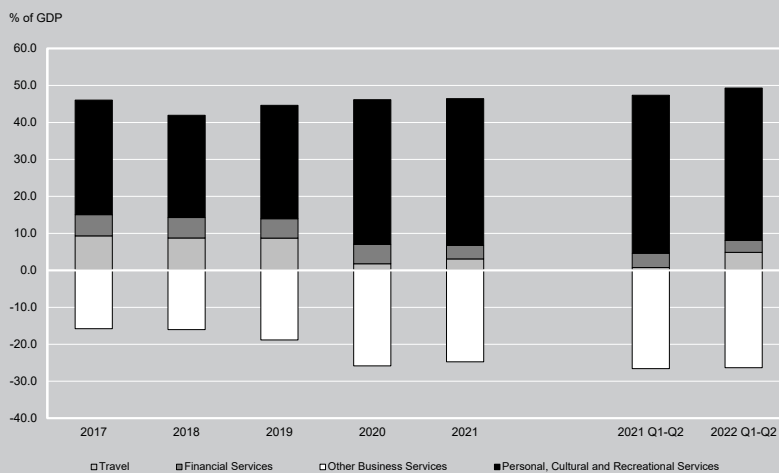
In the first half of 2022, the balance of services as a per cent of GDP grew by 1.5 percentage points over the same period last year. This largely reflected a 5.4 percentage points of GDP increase in Travel services exports as tourism embarked on a strong recovery from the pandemic. In addition, a 2.6 percentage points of GDP decrease in imports of Other business services also contributed to the improvement in the services balance. On the other hand, a 1.6 percentage points decline in exports of Personal, cultural, and recreational services was registered in the first half of 2022 whilst the Financial services net export balance also declined as a share of GDP.

## Primary Income Account

The transactions recorded in the primary income account pertain to income flows between residents and non-residents stemming from compensation of employees, financial investment, and other primary income (rent, taxes on production and imports, and subsidies). Investment income represents the largest component of Malta's current

Chart 3.6

### Services Components



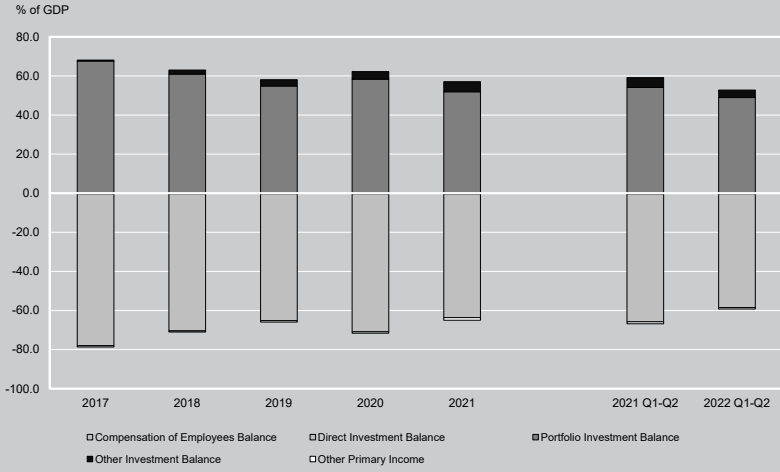
Source: National Statistics Office

account. It has recorded a net payments position over time, largely driven by substantial inward foreign direct investment (FDI). Chart 3.7 shows the recent evolution of the primary income account.

In the first half of 2022, the primary income balance recorded a deficit of 6.4 per cent of GDP, which is 1.2 percentage points lower than the deficit recorded in the first half of 2021. This most notably reflected a decline in Direct investment payables as a per cent of GDP despite an increase in Direct investment liabilities. However, in level terms, Direct investment payables increased marginally while Direct investment liabilities recorded a larger increase. As a result, the effective rate of return on foreign direct investment declined slightly in the first half of 2022 as portrayed in Chart 3.8, which is in line with the downward trend in previous years. This was partially offset by a decline in the share of Portfolio investment receivables in GDP, despite an increase in Portfolio investment assets. In addition, Other investment income as a per cent of GDP recorded a 1.2 percentage point decrease in net receivables. During the same period, compensation of employees and other primary income, which represent the smallest components of Malta's primary income account, reported a small increase in their net payments balances.

Chart 3.7

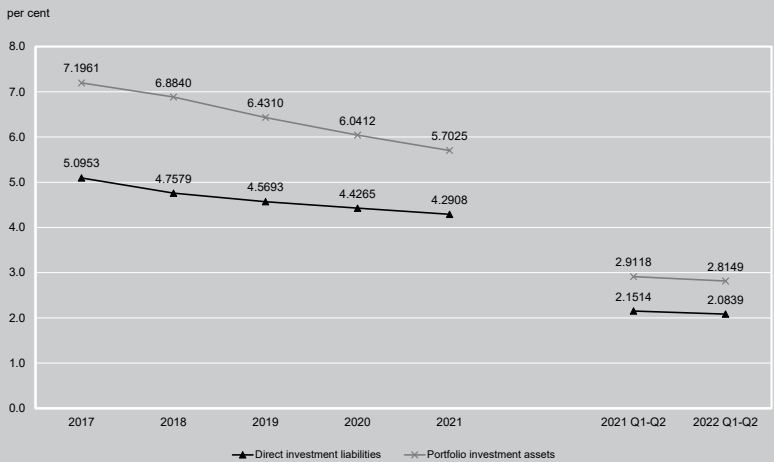
### Primary Income Account Components



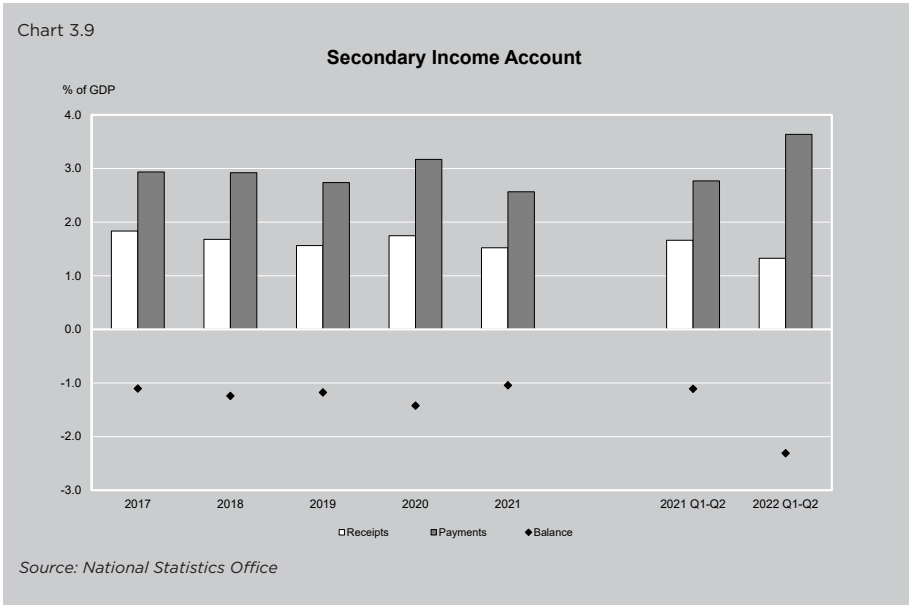
Source: National Statistics Office

Chart 3.8

### Effective Rate of Return



Source: National Statistics Office



## Secondary Income Account

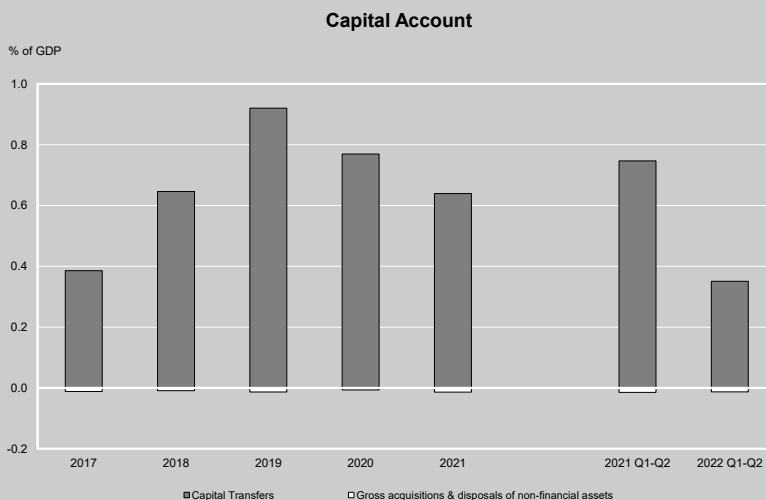
The secondary income account records current non-productive transfers between residents and non-residents; these include personal transfers, taxes on income and wealth, and social benefits and contributions. Chart 3.9 depicts recent developments within Malta's secondary income account. This account makes a small contribution to Malta's current account. Over the past years, the secondary income account registered a net payments figure, as payments abroad outweighed inward receipts. In the January to June period of 2022, net payments increased by 1.2 percentage points of GDP over the first half of 2021, mainly reflecting an increase in personal transfers abroad in the second quarter.

### 3.2.2 Capital Account

The capital account records capital transfers between residents and non-residents and the acquisition and disposal of non-produced, non-financial assets between residents and non-residents. Malta's capital account has been in a net payment position over time as outward capital transfers significantly outweighed inward transfers. The net payment position as a share of GDP has been declining since 2019 and the ratio has halved in the first six months of 2022 to reach 0.4 per cent of GDP. Chart 3.10 shows that gross acquisitions of non-financial assets have been quite small in recent years while capital transfers



Chart 3.10

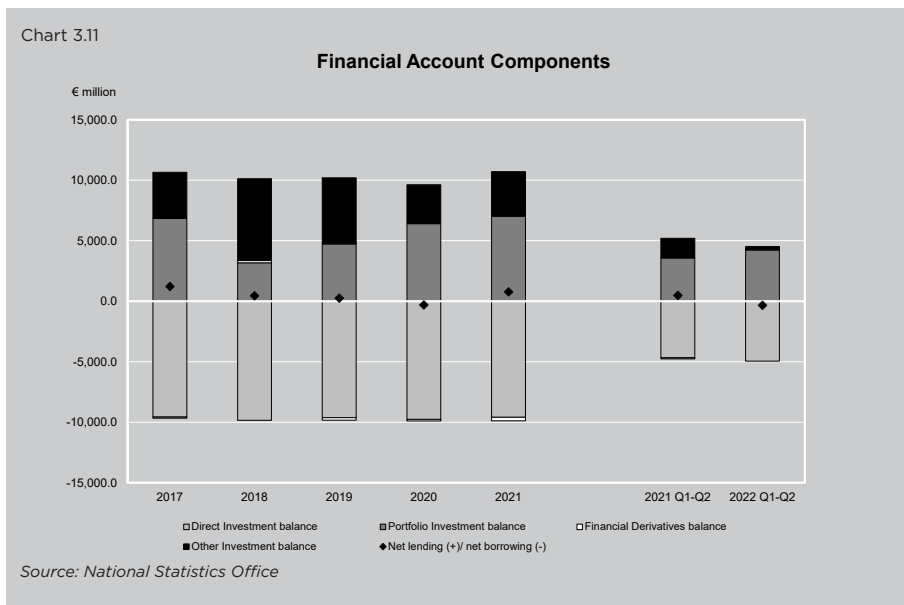


(asset transfers other than cash or inventories) are more significant but less predictable.

### 3.2.3 Financial Account

The financial account records transactions involving financial assets and liabilities between residents and non-residents. Chart 3.11 depicts the recent developments within the financial account balances in Direct investment, Portfolio investment, Financial derivatives, and Other investment.

From 2017 to 2019, the financial account registered a net lending position, owing to net lending positions in Portfolio investment and Other investment that outweighed net borrowing positions in Direct investment and Financial derivatives. In 2020, the current account recorded a deficit, which means that foreign capital was transferred into Malta to finance the deficit. Accordingly, the financial account recorded a reversal from a net outflow position of €253.8 million in 2019 to a net inflow position of €309.6 million in 2020. In 2021, the current account recorded another deficit. However, despite an increase in capital inflows, the financial account recorded a net outflow position of €775.4 million<sup>1</sup>. This is mostly traced to an increase in the net acquisition of short-term loans under Other investment coupled with an increase in the net acquisition of debt securities under Portfolio investment.



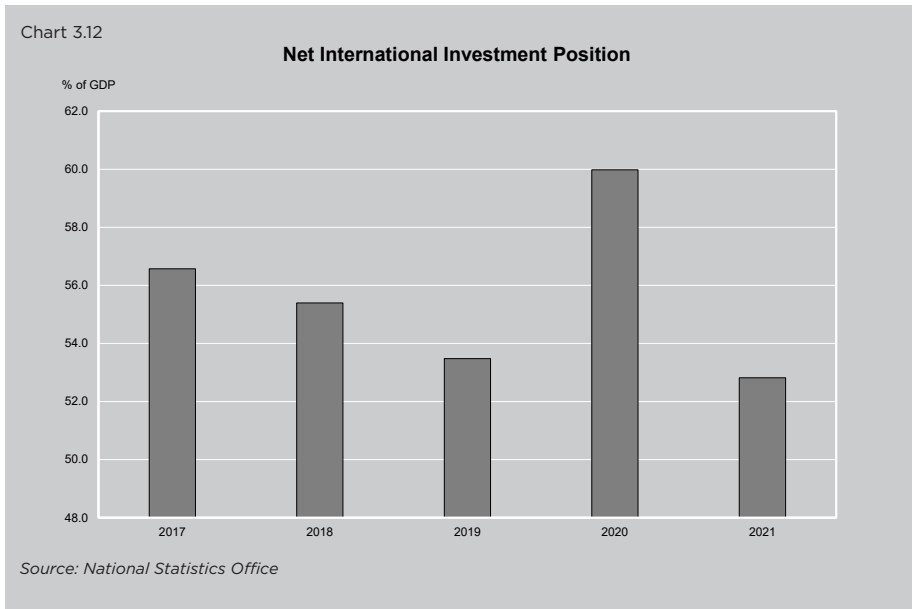
Direct investment represents the largest component of the financial account. This component has consistently recorded a net borrowing position over the past few years, reflecting the increased reliance of the Maltese economy on inward FDI. In contrast, portfolio investment, the second largest component, has historically recorded a net lending position largely owing to increases in acquisitions of portfolio investment assets. Financial derivatives represent only a small yet volatile part of the financial account; both net acquisition of financial derivatives assets and net incurrence of financial derivatives liabilities have been increasing over the past years. Finally, the Other investment balance has shown year-on-year increases in net lending, reflecting a steady increase in assets while liabilities have been fairly volatile.

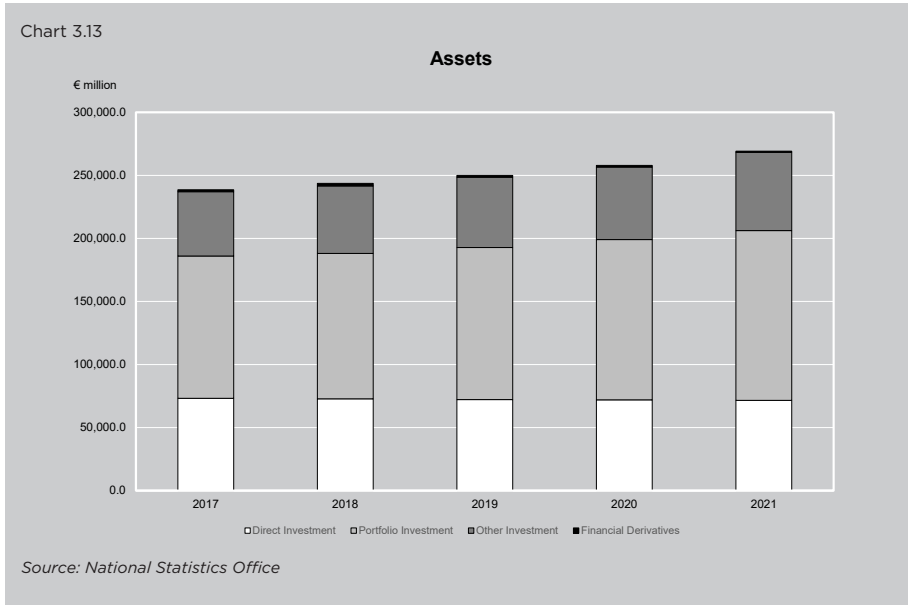
When comparing the first half of 2022 with the first half of 2021, the financial account shifted from a net lending position of €0.5 billion to a net borrowing position of €0.3 billion. This was largely attributable to net borrowing flows in Direct investment that were not offset by net lending flows in the other investment categories. The negative flow in Direct investment reflected a €2.9 billion decrease in net acquisition of financial assets and a €2.0 billion increase in net incurrence of liabilities. Overall, in the first half of 2022, liabilities (including errors and omissions) increased by €3.3 billion, including a €1.1 billion increase in Other investment liabilities and a €0.3 billion increase in Portfolio investment. These financed the current account deficit of €0.3 billion

and the increase in assets of €3.0 billion. The acquisition of assets was mainly composed of equity and investment funds shares (€3.5 billion) and debt securities (€1.0 billion) under Portfolio Investments, and Other accounts receivable/payable (€0.7 billion) and Currency and deposits (€0.5 billion) under Other investment assets.

### 3.3 Net International Investment Position

The Net International Investment Position (NIIP) aggregates the stock of a country’s external financial assets and liabilities at a point in time. The structure of the NIIP is the same as the Financial account, with the same functional categories and the same instruments. Chart 3.12 illustrates the annual development of Malta’s NIIP, showing a net lending position over time. From 2017 to 2020 the NIIP averaged at 56.4 per cent of GDP. In 2021, NIIP stood at 52.8 per cent of GDP, reflecting a €0.1 billion decline in net assets, as assets increased by €11.6 billion and liabilities increased by €11.7 billion. This contrasts with the developments in the Financial Account, which showed a €0.8 billion improvement in its net asset position, suggesting that there was a net loss from exchange rate and valuation changes (plus tax payments) of €0.9 billion.





### 3.3.1 Assets

Portfolio investment represents the largest asset component in the NIIP, followed by Direct investment assets. Direct investment assets have been exhibiting a downward trend while Portfolio investment assets and Other investment assets have been exhibiting an upward trend. Financial derivatives assets only represent a small portion of the NIIP; overall these have been exhibiting a downward trend. These developments are shown in Chart 3.13.

### 3.3.2 Liabilities

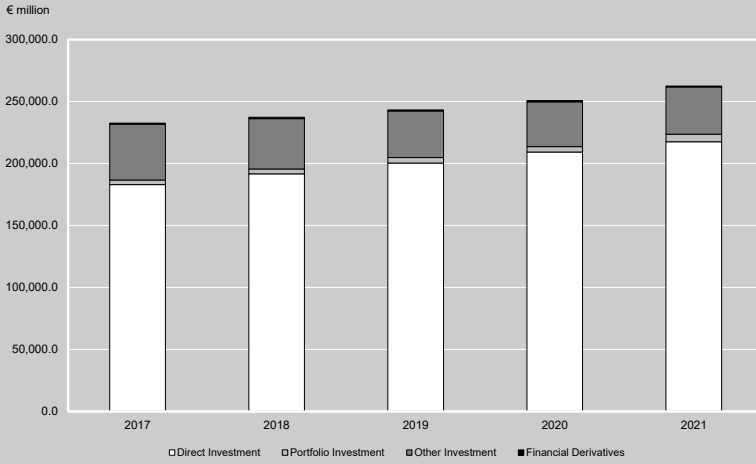
Chart 3.14 reports the evolution of liabilities within the NIIP since 2017. Most liabilities are held in the form of Direct investment. This is followed by Other investment, largely in the form of currency and deposits held by foreigners in domestic banks and trade credits.

## 3.4 Savings and Investment

During the period 2017 to 2019, Malta registered a current account surplus, indicating that domestic savings were successively financing domestic investment. As indicated in Chart 3.15, a net lending position was registered (which is equivalent to the inverse of the current account balance), whereby surplus savings provided a source of accumulation

Chart 3.14

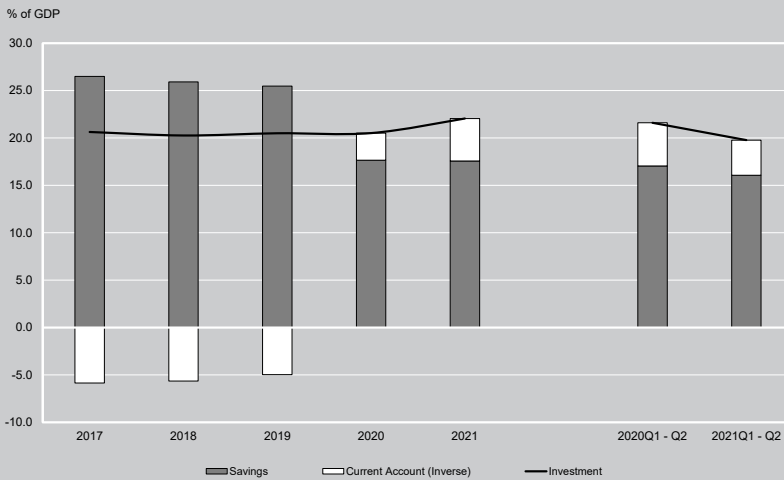
### Liabilities



Source: National Statistics Office

Chart 3.15

### Savings and Investment



Source: Eurostat

for net foreign assets, which is indicative of Malta's strong external economic performance.

However, due to the disruptions brought about by the COVID-19 pandemic, Malta's current account surplus turned into a deficit in 2020. This implies that domestic savings were not enough to finance domestic investment, thereby increasing external borrowing and debt. In 2020, a significant drop in domestic savings (probably reflecting the drop in corporate savings and Government dissavings) was further exacerbated by a drop in private investment, albeit partly mitigated by higher Government investment through fiscal policy measures. While domestic investment started to pick up in 2021, the sustained deficit in the current account meant that domestic savings were not enough to finance domestic investment such that a slight fall in savings was still recorded.

When comparing the first half of 2021 with that of 2022, Malta registered a decline in the current account deficit, with a slight fall in investment of 1.8 percentage points of GDP. As a result, a decrease of 1.0 percentage points in domestic savings was also recorded during the same comparable period.

## **3.5 Exchange Rate Developments**

Movements in the exchange rate have economy-wide implications that range from impacting the effective returns on capital and influencing international trade flows. Exchange rate developments have a bearing on the country's import and export prices, with important implications on the overall price competitiveness of the country's exports. Exchange rates are also sensitive to monetary policy developments. Subsequently, exchange rate developments have an impact on economies, firms, consumers, and policy makers, thus affecting both the real and the financial sectors of the economy.

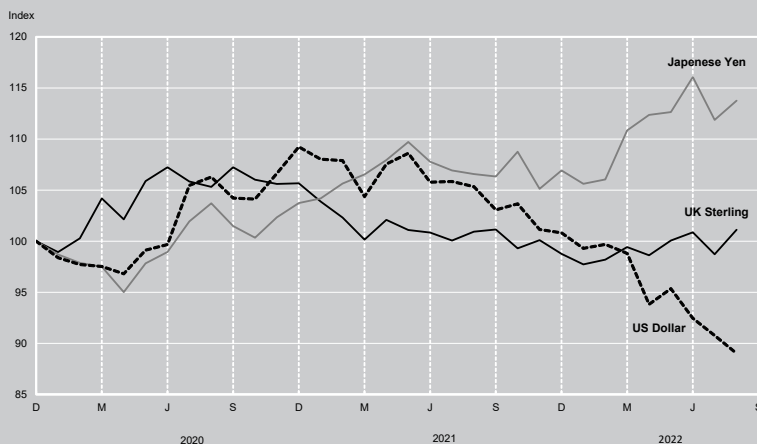
### **3.5.1 Euro Exchange Rate Movements**

Chart 3.16 shows the developments in an indexed Euro exchange rate against three major currencies, namely the US Dollar, UK Sterling, and the Japanese Yen since the end of 2019.

Throughout the year 2020, a sharp increase of 11.03 per cent in the Euro to US Dollar was recorded, ending the year at a value of \$1.23. For the first two months of 2021, the exchange rate temporarily remained at a steady value of \$1.21 and declined to \$1.17 at the end of the first quarter of 2021. From the end of March till the end of May 2021, the exchange rate appreciated by 4.1 per cent, again reaching a high value of \$1.22.

Chart 3.16

**Euro Exchange Rate Movements  
(Index of End of Month Rates, End 2019=100)**



Source: Eurostat

However, throughout the rest of the year, the Euro depreciated by 7.2 per cent, reaching a value of \$1.13. An analysis of the exchange rate fluctuations of the Euro against both the Japanese Yen and the UK Sterling indicates that against the Dollar, the Euro has depreciated less than the Yen and as much as the Pound Sterling. This suggests that the Euro is not depreciating against the Dollar any more than other currencies. The depreciation of the Euro against the US Dollar could also be the result of the low attractiveness of the eurozone equity market as brought about by a decline in non-residents' purchases of European bonds.

By the end of January 2022, the Euro further declined to \$1.12 and hovered around an average value of \$1.12 during the first quarter of the year. For the rest of the year, up until the end of August, a steep decline of 9.9 per cent in the exchange rate was recorded. In August 2022, the exchange rate of the Euro against the US Dollar fell to a multi-year low rate of \$1.00, which is 14.5 per cent below its 10-year average. Indeed, it has been two decades since the Euro last traded at such a low level against the US Dollar. Multiple factors seem to be influencing these movements, but this is particularly a result of increasing interest rates by the Fed on account of high inflation. Furthermore, with the US being self-sufficient in energy compared to Europe, which is a huge importer, the current high energy prices benefit the Dollar. Geopolitics is another factor driving the Dollar's strength, as Europe is much more vulnerable

to the conflict in Ukraine and China's economic slowdown. With so much uncertainty, the US Dollar is strengthening against the Euro.

From a trading value of £0.84 as at end January 2020, the Euro appreciated slightly in the second quarter and reached a value of £0.91 in June 2021. This rise was only temporary as a fall of 1.8 per cent in the Euro Pound exchange rate was recorded in the subsequent two months, trading at a value of £0.89 as at end of August 2020. For the rest of the year, the exchange rate hovered around the value of £0.90. During the first quarter of 2021, a fall of 5.2 per cent was recorded, with the Euro reaching a value of £0.85 in March 2021. Till the end of November 2021, the Euro remained at a relatively stable rate, floating around a value of £0.86, albeit falling to £0.84 by the end of the year.

Up to the first quarter of 2022, the Euro remained stable at £0.84. From the end of March to the end of April 2022, the Euro experienced a depreciation of 0.8 per cent but appreciated once again in the subsequent month to £0.85 and remained stable for the following month. During July 2022, the Euro fell by 2.1 per cent, reaching a value of £0.84, but appreciated back to £0.86 by the end of August, trading at 2.0 per cent higher than its 10-year average.

Due to the magnitude of uncertainty surrounding the COVID-19 pandemic, from the end of 2019 to the first quarter of 2020, the Euro grew weaker against the Yen, reaching a low value of JPY 115.87 by the end of April 2020. Throughout the rest of 2020, the Euro steadily appreciated, reaching a high value of JPY 126.47 by August 2020. In the subsequent months, the Euro slightly declined by 3.3 per cent to JPY 122.36 in October 2020 but appreciated once again by end of year to JPY 126.49. Consistent appreciation of the Euro against the Japanese Yen throughout the first quarter of 2021 and subsequent months resulted in a 5.30 per cent increase in the months leading up to May 2021, with the exchange rate reaching a value of JPY 133.79. As at end of June 2021, the Euro traded against the Yen at JPY 131.43. For the third quarter of 2021, the Euro-Yen exchange rate hovered around an average of JPY 130.00. This decline mainly stemmed from fear of rising infection rates from the Coronavirus pandemic. From the end of September to the end of October 2021, the Euro experienced a temporary rise in value against the Yen of 2.3 per cent, reaching JPY 132.62. Over the last quarter, a slight fall of 0.6 per cent. The Euro rose once again at the end of the year, reaching JPY 130.38 by the end of 2021.

Temporary falls were recorded yet again in the exchange rate, resulting in an average value of JPY 129.05 for the first two months of 2022. A sharp rise was experienced in the following months leading to the second quarter, with an appreciation of 9.5 per cent in the exchange

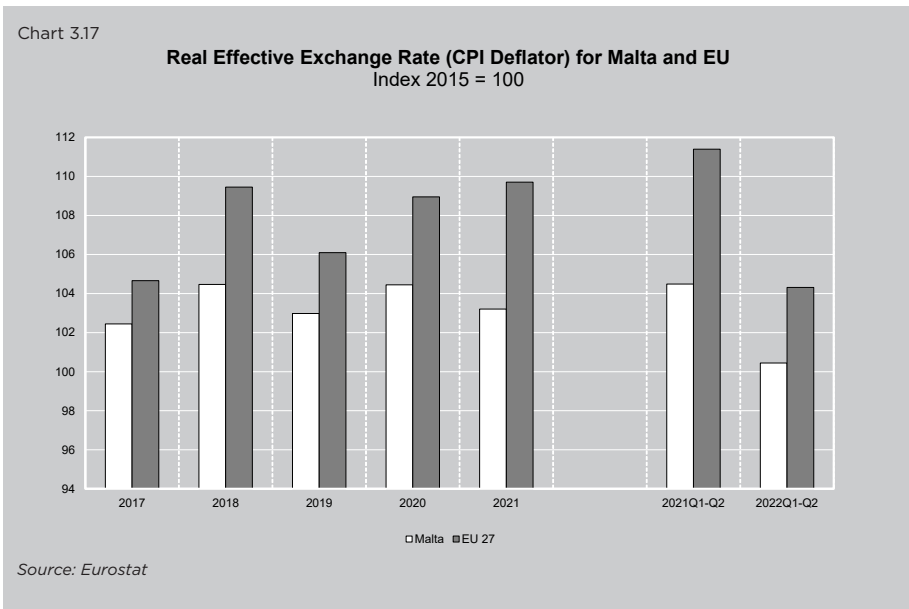


rate, reaching a multi-year high level of JPY 141.54 in June 2022. Weakness recorded in the Yen stems from widening interest rate differentials between Japan and the rest of the world as inflation in Japan appears to be relatively contained compared to the rest of the world, though rising above its monetary policy target. A temporary fall of 3.6 per cent in the Euro-Yen exchange rate, was recorded in the following month. However, such exchange rate appreciated by 1.7 per cent, reaching JPY 138.72 by the end of August 2022. As the Euro against the Yen trade at 7.5 per cent higher than its historic 10-year average, uncertainty surrounds the current situation as to whether the Yen will continue to experience a fall and whether currency intervention in Japan will occur to limit such decline.

### **3.5.2 Real Effective Exchange Rate**

The Real Effective Exchange Rate (REER) is an index that measures changes in a country's currency and thus its price competitiveness, relative to the exchange rate of the country's main trading partners, adjusted for inflation. A higher REER value indicates that the Euro is relatively more expensive than that of its main trading partners, implying competitiveness losses.

Chart 3.17 illustrates developments in the REER for Malta with respect to 42 trading partners using the Consumer Price Index (CPI) as a deflator, together with the REER of the EU27. The decline in the REER for Malta in 2019 was temporary as the index appreciated once again in 2020. However, this increase was not sustained as the REER depreciated again in 2021, reaching an indexed value of 103.20, suggesting that Malta has regained some of its competitiveness losses from the previous year. A relatively lower level of inflation compared to that of our trading partners has also contributed to Malta's improvement in the REER. An analysis of Malta's trade with non-Euro trading partners indicates that the UK is relatively the most important trading partner outside of the EA. Thus, it is also important to note that the decrease in Malta's REER is highly influenced by the Euro-Sterling exchange rate. In fact, the decrease in Malta's REER in 2021 corresponds to a depreciation of the Euro against the Sterling over the same period. When comparing the first half of 2021 with the corresponding half of 2022, Malta's REER experienced a decline from 104.49 to 100.44, signifying minor competitiveness gains over this same period. For the period under assessment, Malta's REER was below that of the EU, which may signify that Malta's external competitiveness in terms of its weighted exchange rates, may have improved. Meanwhile, while the EU's CPI based REER has been on an upward trajectory since 2017, some competitiveness gains were observed over the first half of 2022 when compared to the same period in 2021.



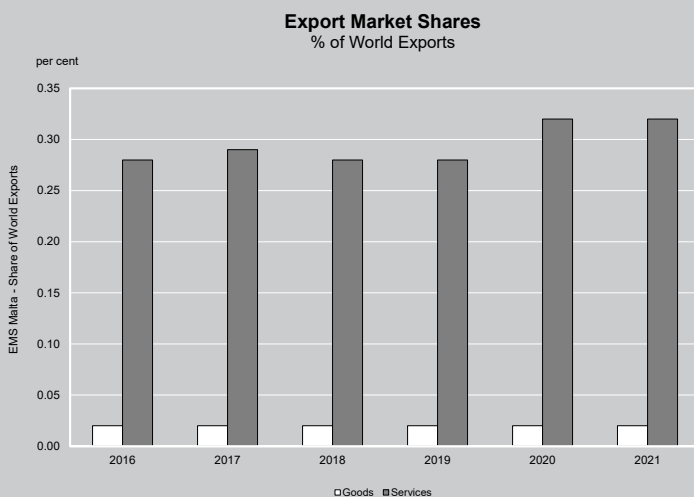
### 3.5.3 Export Market Shares

The REER is calculated solely on the basis of trade weights in goods and may not be indicative of the competitiveness of the all-important services sector in Malta. Furthermore, the price index used refers to domestic consumer prices which may differ from commodity prices charged to the final consumer including export prices. As a result, the REER provides only a partial picture of the competitiveness developments in Malta.

To complement the analysis of competitiveness we can also look at export market shares. These have the advantage of providing insight into Malta's performance by also including the service trade sector and values reflect the actual prices of commodities charged on the market. Also, trade development may be caused by non-cost competitive elements, which are not captured by the REER but captured by the export market share. The disadvantage of this indicator is that the data does not cover recent months and we can only present a picture of external competitiveness up to 2021.

Chart 3.18 shows how Malta's export market share has evolved over the last six years. The indicator measures the degree of importance of a country within the total exports of the world. The export market share of goods remained at a stable rate of 0.02 per cent from 2016 to 2021. From 2016 to 2019, the export market share of services maintained a

Chart 3.18



Source: Eurostat

stable position at 0.3 per cent, rising slightly in 2020. An increase of 4.0 percentage points in the export market share of services to 0.3 per cent was recorded from 2019 to 2020, which share was maintained for the year 2021. Overall, the goods and services export market share remained at a stable rate of 0.1 per cent from 2016 to 2019. After temporarily increasing by a 1.0 percentage point in 2020, the share of Malta's exports to the total exports of the world declined again to 0.1 per cent in 2021.

*Footnote:*

<sup>1</sup> This balance includes the financial account categories and reserve assets and excludes net errors and omissions.

### **Box 3.1**

#### **Mapping the Critical Supply Chains of the Maltese Economy**

Supply-chain vulnerabilities have recently been exposed by the COVID-19 pandemic and the Russian-Ukraine conflict, highlighting existing and newly developed risks arising to global trade. Applying island dynamics, as well as our historical dependence on imported content, foreign-sourced Maltese supply chain (vertical and horizontal) bottlenecks are reaching ever-new heights. The latter has translated into higher commodity costs and price inflation, on both finished and semi-finished goods. In this context the Economic Policy Department, within the Ministry for Finance and Employment, has carried out an exercise focused on the identification and analysis of Malta's critical and strategic, imported goods.

By utilising the European Commission's staff working document<sup>1</sup> titled 'Strategic dependencies & capacities' to assess Malta's strategic capacities<sup>2</sup>, a list of strategic dependencies which are considered of critical importance to Malta's vital interests such as security, safety, health, and the green and digital transformation, were identified. From the list of strategic dependencies, the Economic Policy Department quantified the degree of dependency where:

1. the supply of goods, services, data, infrastructures, skills, and technologies is heavily reliant on a limited number of actors, and
2. where Malta has a limited capacity for internal production to substitute these imports.

Specifically, the study's aim is to apply a bottom-up approach for the mapping of foreign dependencies, combining both data-driven and expert-based perspectives. Going forward, focusing on the quantitative-based results of the exercise, Table 1 outlines the aggregated import values of the goods

(Box 3.1 cont.)

**Imports Value and Products of Goods with Critical Supply Chains, by category**

Table 1

Imported good classification and description	Non-EU based sources, products	EU-based sources, products	Imports Value
			€
Food, beverages, etc.	24	85	120,631,795
Machinery & Transport equipment	57	83	356,844,618
Mineral, ores, plastics, metals and other articles thereof	42	40	540,616,230
Miscellaneous goods	10	20	44,326,392
Raw materials	16	9	93,359,433
Stone, glass and precious metals	29	35	72,514,998
Textiles and Footwear	1	2	1,005,772
Aggregate value	179	274	1,229,299,238

Source: Economic Policy Department using HS-8 Customs data.

identified with critical supply chains by category, as well as the number of products categorised by European Union (EU) or non-EU sources.

From a qualitative analysis, based on a survey conducted with a sample of Maltese enterprises (majorly focusing on companies with relatively significant import contents, as well as economic sensitivity), common themes across sectors were identified. Inflated shipping costs and longer delivery times are flagged as the main issues, with companies compelled to change their inventory ordering and storage practices to keep operations as smooth as possible. The shipping constraints from the COVID-19 pandemic was compounded by the effect of the conflict in Ukraine on the prices of certain commodities, including fuel and grains.

Indications are that the situation plateaued, although other problems related to the lack of economies of scale have been aggravated as foreign suppliers of production input are prioritising larger orders. As a consequence of all these

*(Box 3.1 cont.)*

factors, even though the Government has taken heightened action to shield producers from the energy crisis, there has been an element of imported inflation which businesses had to account for.

*Footnotes:*

<sup>1</sup> European Commission (2021), Strategic dependencies and capacities. SWD (2021) 352 (final), Working paper. Brussels: European Commission.

<sup>2</sup> The EC working document defines strategic capacities as “a certain level of capabilities held within the Maltese islands allowing to produce, provide or rely on strategic goods, services, data, infrastructures, skills, industrial knowhow and technologies.” (p. 7-8).



## **4. Monetary Developments**

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## 4. Monetary Developments

The contribution towards the stock of Euro Area (EA) Broad Money (M3) of Maltese Monetary Financial Institutions' (MFIs) increased in the period between January and July 2022. This was driven mostly by a strong positive contribution arising from an increase in overnight deposits. Deposits with agreed maturity of up to two years contributed slightly negatively towards M3, while the negative contribution from deposits redeemable at notice up to three months was negligible. M3 growth was backed mainly through growth in the credit counterpart. Declines in net claims on non-residents of the EA had a slight negative contribution, however, the 'other counterparts' element declined albeit having a slight positive contribution. Given the low-for-long interest rate outlook, short-term liquid deposits remained the most favoured compared to other types of less liquid longer-term deposits.

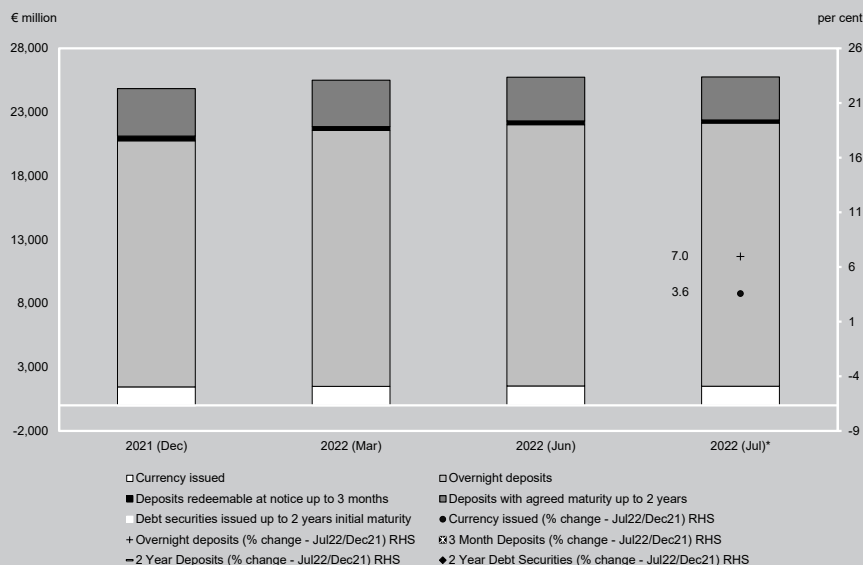
### 4.1 Contribution of Resident MFIs to Euro Area Monetary Aggregates<sup>1</sup>

For the period under review of January till July 2022, Maltese resident MFIs' contribution to total monetary aggregates of the EA (M3)<sup>2</sup> increased by 3.8 per cent, from €24,800.0 million recorded in December 2021 to €25,749.7 million reached on July 2022. This increase was mainly driven by a significant contribution from overnight deposits<sup>3</sup>, which outweighed slight negative contributions from both deposits redeemable at notice up to three months and those maturing up to two years. Despite an increase of 80.6 per cent in debt securities issued up to two years maturity, the former had a negligible contribution towards M3, due to its small share. Developments of such monetary indicators are illustrated in Chart 4.1, from which the continued inclination towards holding more liquid forms of money can be observed.

Narrow money (M1) reached €22,143.4 million as of July 2022. This development reflects an increase of 6.7 per cent when compared to its recorded level of €20,748.9 million as at December 2021. Driving this change was a 7.0 per cent increase in overnight deposits, which, in July 2022, stood at €20,640.0 million in comparison with its December 2021 level of €19,297.4 million. Overnight deposits held by Maltese residents were the primary driver of total overnight deposits' growth, as those held by other EA residents increased to a lesser extent during the period under review. Despite an increase of 3.6 per cent in currency issued<sup>4</sup>, which stood at €1,503.4 million in July 2022, the latter's contribution proved to be negligible given its low share.

Chart 4.1

### Contribution of Resident MFIs to Euro Area Monetary Aggregates (M3)

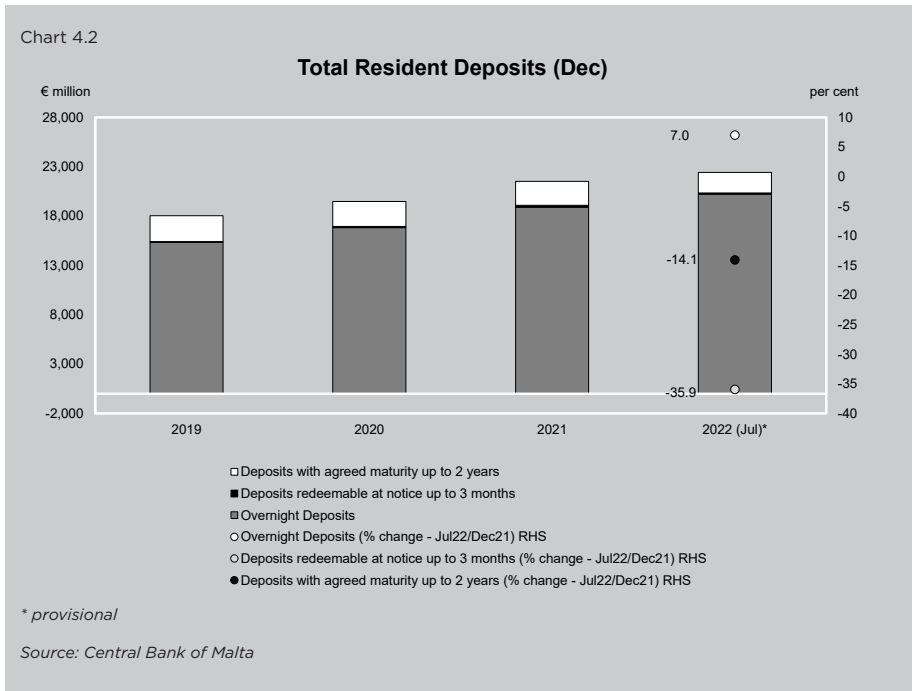


\* provisional

Source: Central Bank of Malta

The level of deposits redeemable at notice up to three months have decreased by 34.3 per cent during the review period, with the figures of such deposits recorded at €373.2 million and €245.2 million in December 2021 and July 2022 respectively. This decline was attributable to both three-month deposits held by Maltese residents and those of other EA residents, however, the former registered a slightly higher, albeit marginal, decrease when compared to the latter. In fact, Maltese residents' three-month deposits fell by 35.9 per cent while the same deposits from other EA residents declined by 32.6 per cent. At the same time, two-year agreed maturity deposits have declined by 9.5 per cent during the review period from an initial €3,722.9 million recorded in December 2021 to a balance of €3,369.8 million as at July 2022.

As portrayed in Chart 4.2, there has been an increase of 4.3 per cent in total resident deposits between January-July 2022, in comparison to those in December 2021, reaching €22,430.5 million. Such growth was solely fuelled by the positive contribution from an increase in overnight deposits<sup>5</sup> of 7.0 per cent.



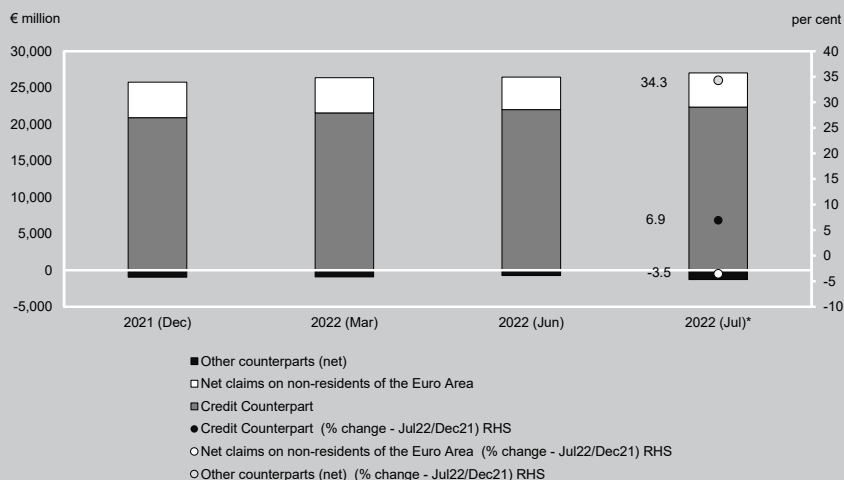
## 4.2 Contribution of Resident MFIs to Counterparts to Euro Area Monetary Aggregates

Movements in the contribution made by residents MFIs to counterparts to EA monetary aggregates (M3) from December 2021 till July 2022 are represented in Chart 4.3. During such period there was a 3.8 per cent increase in broad money stock (M3)<sup>6</sup>, reflected by its July 2022 level of €25,749.7 million as compared with a level of €24,800.0 million as at December 2021. Driving such developments was a positive contribution from the credit counterpart<sup>7</sup> as well as a positive contribution from a decline in the other counterparts<sup>8</sup> element, which together more than outweighed a decline in net claims on non-residents of the EA.

As of July 2022, the credit counterpart increased by 6.9 per cent, reaching €22,345.5 million from €20,897.5 million registered in December 2021. This was derived through an increase of 5.3 per cent in credit to residents of Malta, as well as an increase of 14.1 per cent in credit to other EA residents. In nominal values, credit to other EA residents has increased to €4,354.5 million in July 2022, from its level

Chart 4.3

### Contribution of Resident MFIs to Counterparts to Euro Area Monetary Aggregates (M3)



\* provisional

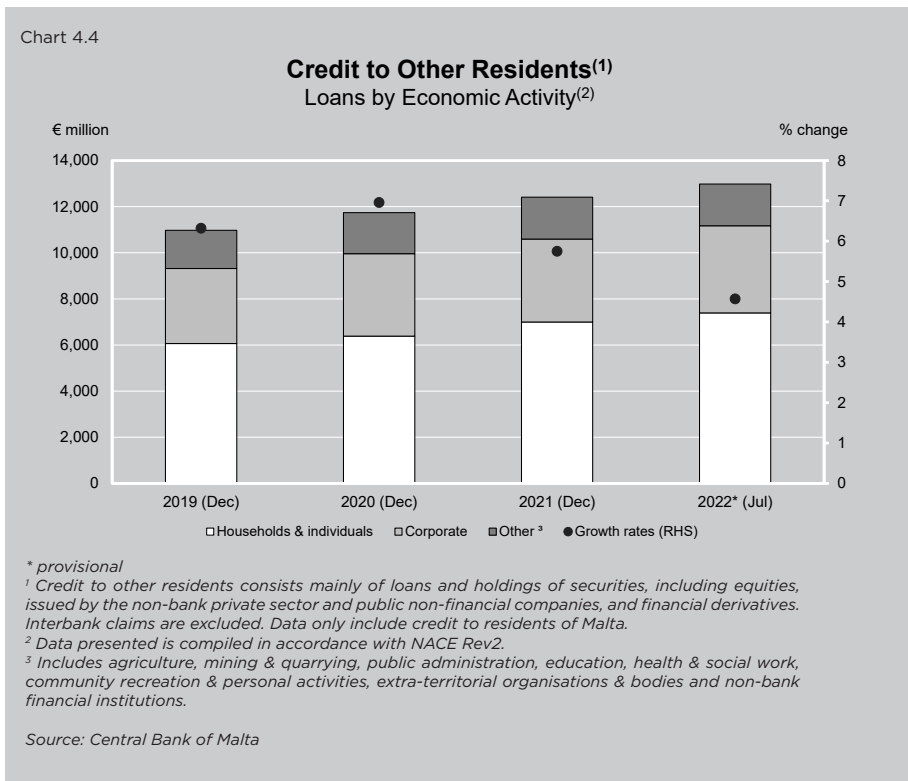
Source: Central Bank of Malta

of €3,816.6 million in December 2021. In this regard, an increase of 27.1 per cent was registered in terms of credit to the general Government, while credit to other residents increased slightly by 1.1 per cent. Furthermore, credit to Maltese residents reached €17,991.0 million in July 2022 from its December 2021 level of €17,080.9 million. This was attributable to increases in both credit to the general Government and to other residents of 7.9 per cent and 4.4 per cent respectively.

External influences on M3 through foreign capital is represented by claims. The latter have declined by 3.5 per cent during the first seven months of 2022 in comparison to December 2021. Such decline is explained by the balance of net claims on non-residents of the EA which decreased from €4,853.9 million to €4,682.1 million during the review period. Furthermore, the other counterparts net negative balance reached €1,277.8 million representing a 34.3 per cent increase when compared to its level as at December 2021. Other counterparts are mainly representative of interbank transactions across the EA and contribute negatively to M3 while developments in net claims reflect the dynamic nature of liabilities held by local credit institutions' due to other EA banks.

## 4.3 Sectoral Credit Developments

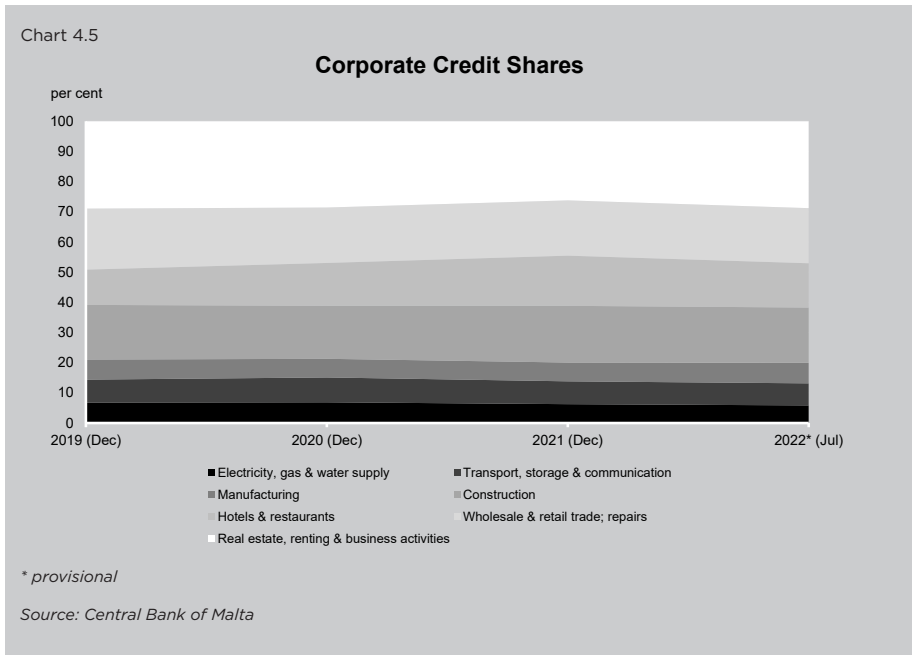
The sectoral credit development of the residents of Malta, excluding the general Government, are portrayed in Chart 4.4. In the months between December 2021 and July 2022, total loans to the private sector rose by 4.6 per cent compared to the 3.8 per cent increase during the same period one year prior. In the chart, the private sector is comprised of three categories: ‘households and individuals’, ‘corporate’, and ‘other’. The main driver behind the mentioned growth was ‘households and individuals’ as the credit to this category rose by 5.6 per cent. Meanwhile, the ‘corporate’ category as a whole registered the second largest expansion in credit at 5.0 per cent. When breaking the ‘corporate’ category down into different sub-sectors, it emerges that ‘Real Estate, Renting and Business Activities’, ‘Manufacturing’, and, to a lesser extent, ‘Wholesale and Retail Trade; repairs’ experienced the main increases in credit. This picture is slightly different than that pertaining to the same period of the previous year whereby the sub-sector with the largest increase in credit was ‘Hotels and Restaurants’. Conversely, between December 2021 and July 2022, this sub-sector



experienced the largest decline in credit with a decrease of 7.4 per cent. Credit to the 'Other' category decreased by 0.3 per cent during the period under review.

Chart 4.5 describes the credit distribution among the seven sub-categories of the 'Corporate' category for the period ranging from December 2019 to July 2022. As of July 2022, the majority of the loans provided to the 'corporate' category – 28.8 per cent – went towards the 'Real Estate, Renting and Business Activities' sub-category. The 'Construction' and 'Wholesale and Retail Trade; Repairs' sub-categories followed at an 18.3 per cent credit share each. A similar picture was observed over the same comparable period a year earlier, although the credit share of the 'Real Estate, Renting and Business Activities' industry was slightly lower at 26.3 per cent.

Five out of the seven sub-categories within the 'Corporate' category received more loans between December 2021 and July 2022 than during the same period of the previous year. The 'Real Estate, Renting and Business Activities' sub-category experienced the largest expansion in credit at 15.2 per cent representing a reversal of the developments registered in the first months of 2021, whereby the same sub-category had experienced the largest credit decline. This was followed by the



'manufacturing' sub-category which registered 14.8 per cent more loans. The 'Wholesale and Retail Trade; Repairs', 'Construction', and 'Transport, Storage and Communication' sub-categories experienced smaller increases in the credit provided to them at 4.8 per cent, 2.4 per cent, and 1.3 per cent respectively. Only two sub-categories experienced a contraction in their credit between December 2021 and July 2022, namely the 'Hotels and Restaurants' and 'Electricity, Gas and Water Supply' which respectively underwent a 7.4 per cent and 1.9 per cent decline in loans. Such decreases, however, did not offset the credit increases experienced by the other five sub-categories. As a whole, the 'Corporate' category took out 5.0 per cent more loans in the first seven months of 2022 when compared to December 2021. During the same period of the prior year, the whole 'Corporate' category had registered a credit increase of 1.3 per cent.

## 4.4 Money Market

As reported in the European Central Bank's (ECB) May 2022 Financial Stability Review, the ongoing Russian-Ukrainian conflict is leaving significant impact in Europe and beyond, particularly from an economic perspective. The ensuing uncertainty has led to a degree of repricing in global financial markets whilst also impacting business and consumer confidence in a post COVID-19 pandemic setting. The process of economic recovery is thus hampered as higher energy and commodity prices drive inflation across the EA. The high level of volatility has also highlighted a number of liquidity risks, particularly in some commodity derivatives markets. According to the ECB, the main threat to the financial stability of the EA remains linked to macroeconomic channels. The role of the ECB remains critical in sustaining economic and financial stability throughout the EA.

In February 2022, the ECB Monetary Policy Decisions confirmed that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility would remain unchanged at 0.00 per cent, 0.25 per cent and -0.50 per cent respectively. Following the Russian invasion, the ECB prioritised smooth liquidity conditions, implementation of sanctions, ensuring price stability and safeguarding financial stability. Indeed, the ECB Monetary Policy Decisions of March 2022 indicated a recalibrated purchase schedule for the Asset Purchase Programme (APP) during the following months. Monthly net purchases under the APP were estimated to be €40 billion in April, €30 billion in May and €20 billion in June. The ECB decided it would continue to reinvest the principal payments from maturing securities purchased under the APP for an extended period of time so as to maintain sufficient liquidity and an



appropriate monetary policy stance. The Governing Council's Monetary Policy Decisions of April 2022 stipulated that the ECB would reinvest the principal payments from maturing securities purchased under the Pandemic Emergency Purchase Programme (PEPP) until at least the end of 2024.

The second quarter of 2022 was characterised by inflationary developments stemming from energy and food prices and the effects of the conflict in Ukraine. These developments overall contributed to upside risks in the ECB's target inflation projections. Consequently, in July 2022, the ECB approved the adoption of the Transmission Protection Instrument (TPI) aimed at countering unwarranted, disorderly market dynamics that could pose a serious threat to the transmission of monetary policy across the EA.

The Governing Council also signalled its intention to raise the three key ECB interest rates by 50 basis points with effect from 27 July 2022, effectively bringing to an end a prolonged period of negative and zero rates. Such a decision also reflected similar interest rate increases in the United States, Canada, Switzerland, and the United Kingdom among others. In September 2022, the ECB decided to raise its three key interest rates again by 75 basis points, thus boosting the benchmark deposit rate from 0.00 to 0.75 per cent and returning to the levels of 2011.

Interbank rates, which are the rates of interest charged between banks on short-term loans, generally indicate the risk appetite in financial markets. Theoretically, as level of risk aversion increases, financial institutions are less willing to exchange credit amongst themselves in the interbank market. The Euro short-term rate, which is a measure of the EA 1-day interbank interest rate, has registered a slight increase of 0.07 percentage points between January and July 2022. Moreover, the data for the first seven months of 2022 revealed that other short-term rates have experienced significant changes, especially during the second quarter of the year. Indeed, the one-month rate stood at -0.31 per cent in July 2022, which represented an increase of 25 basis points when compared to a year earlier. During the same time period, both six-month and one-year rates experienced increments of almost 1.0 per cent and 1.48 per cent when compared to July 2021. The one-year rate stood at 0.99 per cent in July 2022, whilst its average during the year 2021 was -0.49 per cent. The latest developments bring to an end the generally downward trends of rates for fixed-term deposits experienced in 2021.

The interest rates of EA interbank money markets have a bearing on Maltese Treasury Bills (T-Bills) since they represent an alternative portfolio investment opportunity to the local investors. From January to August of 2022, T-Bills on the primary market issued by the Maltese Government rose by €343.7 million in comparison to the same period in 2021, reaching €1,693.0 million worth of T-Bills. Yields in the primary market for three-month Malta T-Bills stood at 0.28 per cent in July 2022, representing an increase of 69 basis points compared to the -0.41 per cent registered in the same month of 2021. Similarly, the yield on one-year bills increased by 89 basis points when comparing the latest records of June 2022 with respect to a year earlier. Developments in the secondary market during the first seven months of 2022 were characterised by increments in the T-Bills rates which reached 0.40 per cent or more as of July. Indeed, the secondary market yields for T-Bills were on average almost 1.0 per cent higher when compared to July 2021. Also reflecting international developments, the yields for T-Bills on both primary and secondary markets turned positive in June 2022 ending a trend of negative yields observed since the end of 2015.

It is to be noted that no trades were executed in T- Bills for the period starting from January till August 2022, whilst trades during the comparable period of 2021 amounted to €24.3 million.

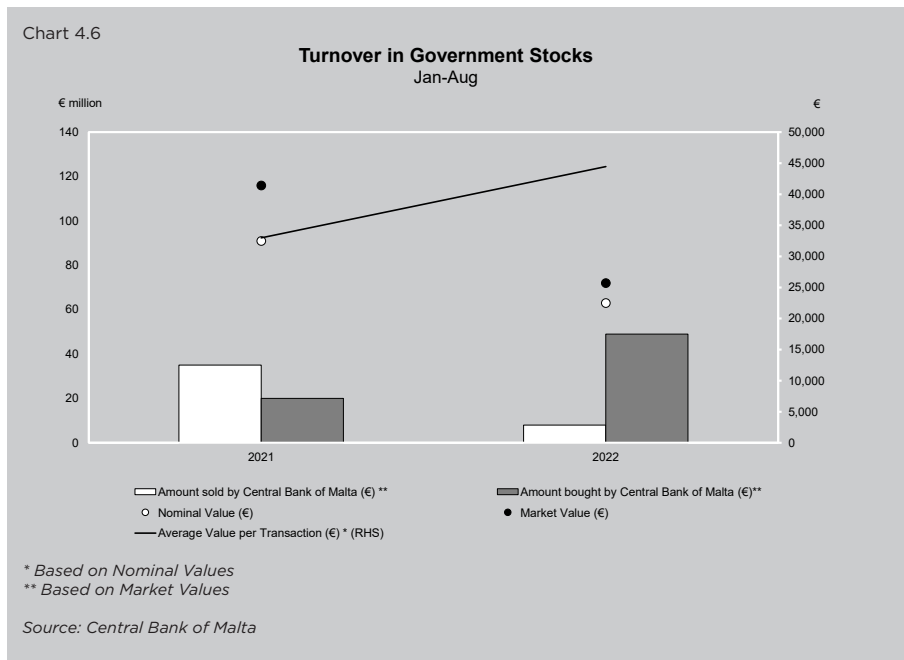
## 4.5 The Capital Market

Throughout the period January to August 2022, the Maltese Government issued €536.8 million worth of stocks on the primary market, with €134.4 million worth of redeemed stocks.

The issuance of new corporate bonds in the first eight months of 2022, which amounted to €322.6 million, more than tripled compared to the same period of 2021, totalling €88.4 million. Furthermore, the amount of corporate bonds redemptions increased by €38.4 million whilst amounting to €59.8 million for the period ending August 2022. Similar to 2021, during the first eight months of 2022, there were no deductions recorded, whereas an increase in rollovers of corporate bonds totalling €39.8 million was recorded in the period January-August 2022 compared to just below €0.5 million recorded in the same period of 2021. In addition, buy-backs rose from €2.7 million as at August 2021 to €12.8 million as at August 2022.

Chart 4.6 presents data on the secondary market trading activities related to the Government stocks. From January to August 2022, trading activity declined by more than a third (37.7 per cent) when

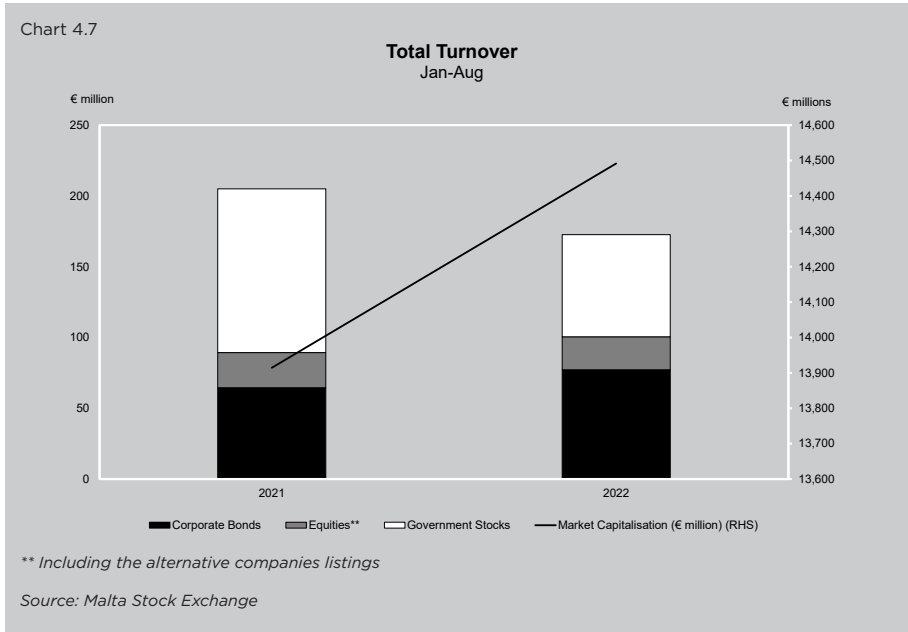
Chart 4.6



compared to the first eight months in 2021, with turnover levels reaching €72.1 million. Furthermore, during the same period, the number of transactions almost halved from 2,746 in 2021 to 1,422 in 2022. Trading was mainly centred around two issues during the first eight months of 2022 namely: 3 per cent MGS 2040 (I) and 5.25 per cent MGS 2030 (I) which registered 164 and 120 deals respectively. The Central Bank of Malta (CBM) bought and sold a total value of €57.6 million in Government stocks during the first eight months of 2022.

Secondary market indicators relative to the capital market are illustrated in Chart 4.7. Over the two comparative periods, aggregate turnover for equities dropped by 5.9 per cent, reaching €23.4 million as at August 2022. During the first eight months 2022, Bank of Valletta (BOV) and APS Bank plc share issues registered the largest level of trading activity standing at 875 and 363 deals, respectively.

While secondary market activity during the first eight months of 2021 was inclusive of the Institutional Financial Securities Market (IFSM) with an aggregate turnover of €1.4 million, there was no IFSM activity in 2022.



As at end of August 2022, the Share Index of the Malta Stock Exchange decreased by 5.1 per cent to 7,649.0 in comparison to 8,062.1 registered in the same period of the previous year. In contrast, market capitalisation in the equity market increased from €3,970.4 million as at August 2021 to €4,211.6 million as at August 2022.

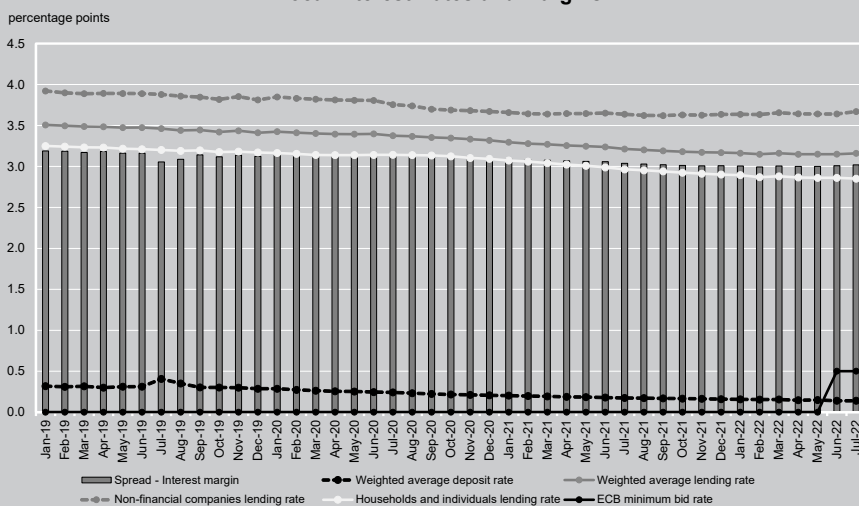
Total market capitalisation increased from €13,914.6 million to €14,491.5 million when comparing the first eight months of 2021 with the same period in 2022, thus representing a rise of €577.0 million. This growth was driven by increases in the market capitalisation for equities, corporate bonds and T-Bills, whereas MGS registered a slight reduction.

## 4.6 Deposit and Lending Rates

The weighted average deposit and lending rates together with their relative spread, the lending rates for non-financial companies, for households and individuals, as well as the ECB minimum bid rate for the period January 2019 till July 2021 are shown in Chart 4.8. The weighted average deposit rate stood at 0.16 per cent at the beginning of 2022 before declining to 0.14 per cent in July 2022. the aforementioned rates were lower than the respective 0.20 per cent and 0.17 per cent recorded in January and July 2021. During the first seven

Chart 4.8

### Local Interest Rates and Margins



Source: Central Bank of Malta

months of 2022, the weighted average lending rate averaged 3.15 per cent when compared to an average rate of 3.26 per cent during the same period of the previous year. The spread between the weighted average lending and deposit rates grew marginally by 0.01 percentage points between January 2022 (3.01 per cent) and July 2022 (3.02 per cent). This contrasted the developments between January and July 2021 whereby a contraction of 0.05 percentage points in the interest margin was recorded. While the non-financial companies lending rate increased by 0.03 percentage points during the first seven months of 2022, the households and individuals' lending rate decrease by 0.04 percentage points. For the first time in a number of years, the ECB decided to raise its minimum bid rate from 0.00 per cent to 0.50 per cent in June 2022.

*Footnotes:*

<sup>1</sup> Figures show the contribution of Maltese monetary financial institutions (MFIs) to the EA totals and include deposit liabilities to both residents of Malta and other EA residents.

<sup>2</sup> M3-M2 comprises repurchase agreements and debt securities up to 2 years' maturity issued by MFIs in Malta less holdings by MFIs in Malta of such securities issued by MFIs anywhere in the EA. Figures also include MMFs shares/units issued less holdings in such units by MMFs and credit institutions resident in the EA and holdings by non-residents of the EA.

<sup>3</sup> Deposits with MFIs exclude interbank deposits and deposits held by central Government.

<sup>4</sup> Comprises the Central Bank of Malta's share of Euro banknotes issued by the Eurosystem, plus coins issued by the Bank on behalf of the Treasury, less holdings of issued Euro banknotes and coins held by the MFI sector.

<sup>5</sup> Overnight deposits are deposits withdrawable on demand and exclude interbank deposits and deposits held by central Government.

<sup>6</sup> This does not represent holdings of M3 by residents of Malta but rather the contribution of MFIs in Malta to the EA aggregate.

<sup>7</sup> Credit includes, besides lending, claims in the form of debt securities and shares and other equity.

<sup>8</sup> Includes net interbank claims/liabilities within the MFI sector. These counterparts make a negative contribution to M3.



## **5. Public Finances**

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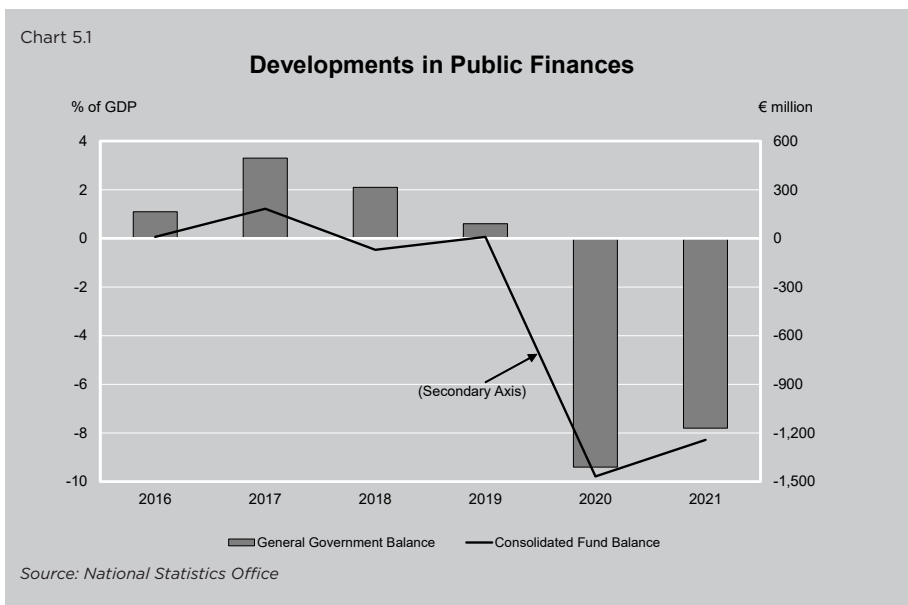


## 5. Public Finances

The economic effects of the COVID-19 pandemic persisted in the beginning of 2021, and consequently the Government extended its support to help mitigate the effects of the pandemic on various economic sectors and thus stimulating the economy to recover. The rapid pace of vaccine roll-out and the improvement in the epidemiological situation in Malta, allowed for a gradual easing of containment measures in the second quarter. On a cash basis, in 2021, the central Government's Consolidated Fund registered a deficit of €1,242.2 million. In terms of the European System of Accounts (ESA 2010) standards, the general Government recorded a deficit of €1,142.9 million or 7.8 per cent of Gross Domestic Product (GDP) in 2021.

The debt ratio registered a 3.0 percentage point increase when compared to the level recorded in 2020 and reached 56.3 per cent of GDP in 2021. Chart 5.1 provides an analysis of the developments within the Consolidated Fund balance and the general Government balance over recent years.

During the first half of 2022, the increase in the general Government revenue ratio to GDP more than outweighed the increase in the general Government expenditure-to-GDP ratio, such that the general Government balance improved from a deficit of 8.4 per cent of GDP in the first half of 2021 to 6.0 per cent during the corresponding period in



2022. Similar positive developments were registered in the balance of the Consolidated Fund, which improved from a deficit of €749.1 million during January-August 2021 to €359.0 million during the corresponding period in 2022.

## 5.1 Consolidated Fund Developments

The analysis in this section is based on Government finance data as classified in the statement of the Consolidated Fund, where such data is defined on a cash basis rather than on an accrual adjusted system. The data should be interpreted with caution since developments in the Government's net financial position may not fully reflect actual spending and revenue flows on an accrual basis.

It is to be noted that, in 2022, as the number of hospitalisations due to the COVID-19 pandemic decreased, along with the strong resumption in economic activity, allocation of the Government COVID-19 health-related expenditure and supporting schemes assisting the tourism industry, businesses and employment are expected to be almost phased out by the end of 2022. The Malta Enterprise business assistance schemes, including the wage supplement scheme, have been terminated in May 2022. On the other hand, during the same year, energy support measures to stabilise the price of gas, petroleum, electricity, grains and animal fodder were implemented along with a temporary economic stimulus to compensate for the higher cost of living.

During the first eight months of 2022, recurrent revenues increased by €388.8 million, while total expenditure decreased marginally by €1.3 million. Consequently, the Government's Consolidated Fund balance improved by €390.1 million to a deficit of €359.0 million. The public sector borrowing requirement decreased from €1,216.2 million to €769.7 million reflecting developments in the sinking fund contribution and direct loan repayments.

### 5.1.1 Recurrent Revenue

During the first eight months of 2022, recurrent revenues increased by 12.0 per cent reflecting higher tax revenues. Developments in the components of the Government revenue for the first eight months between 2019 and 2022 are presented in Appendix Table 5.1. Furthermore, Chart 5.2 illustrates recent trends in the components of Government revenue.

The share of the Government revenue from taxes reached 92.1 per cent of total recurrent revenue during the first eight months of 2022.

## Government Revenue and Expenditure (January-August)

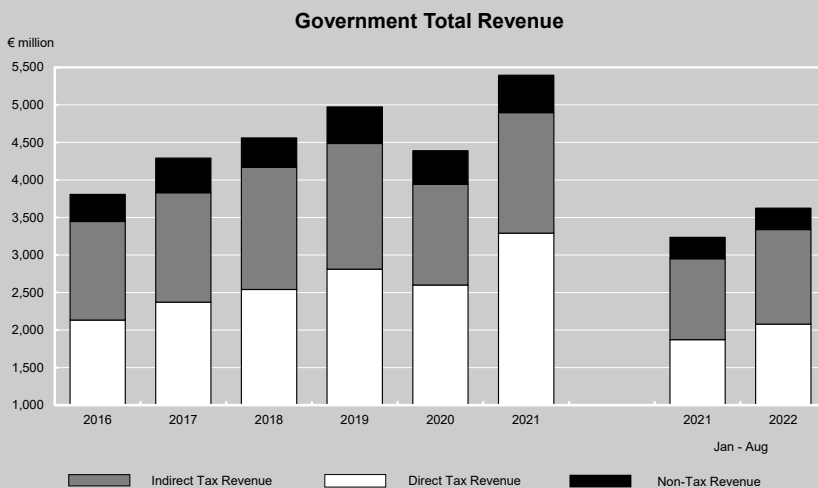
Table 5.1

€ million

	2019	2020	2021	2022
<b>Recurrent Revenue</b>	<b>3,190.2</b>	<b>2,524.8</b>	<b>3,234.0</b>	<b>3,623.9</b>
Tax Revenue	2,846.3	2,216.6	2,948.5	3,338.7
Direct Tax Revenue	1,713.9	1,405.8	1,871.8	2,079.6
Indirect Tax Revenue	1,132.3	810.8	1,076.7	1,259.1
Non-Tax Revenue	343.9	308.3	285.5	285.1
<b>Total Expenditure</b>	<b>3,106.3</b>	<b>3,611.1</b>	<b>3,984.1</b>	<b>3,982.8</b>
Recurrent Expenditure	2,666.8	2,965.1	3,477.9	3,517.7
Interest on Public Debt	126.5	121.3	123.1	112.4
Capital Expenditure	313.0	524.6	383.1	352.8
<b>Balance of recurrent revenue and total expenditure</b>	<b>83.9</b>	<b>-1086.2</b>	<b>-750.1</b>	<b>-359.0</b>
<b>Financed by:</b>				
Receipts from sale of shares	0.9	0.9	0.9	0.9
Sinking Funds of Converted Loans	-	-	-	-
Sinking Fund Contribution and Direct Loan Repayments	-197.3	-287.6	-462.5	-377.9
Equity Acquisition	-10.3	-27.0	-4.5	-35.0
Repayment of Loan made by Government	-	0.2	-	1.3
Public Sector Borrowing Requirement	-122.7	-1399.8	-1216.2	-769.7
Local Loans	279.7	1044.8	1265.3	579.7

Source: National Statistics Office

Chart 5.2



Source: National Statistics Office

Tax revenue increased by 13.2 per cent, reaching €3,338.7 million as direct tax revenues increased by €207.8 million and indirect taxes increased by €182.4 million. Non-tax revenues decreased marginally by €0.4 million.

The proceeds from income tax increased by 10.9 per cent while social security contributions increased by 11.5 per cent. Proceeds from personal income tax revenue and social security contributions were partly shielded by the effectiveness of the wage supplement scheme, which was terminated in May 2022, together with the resumption in economic activity, reflecting positive developments in the labour market.

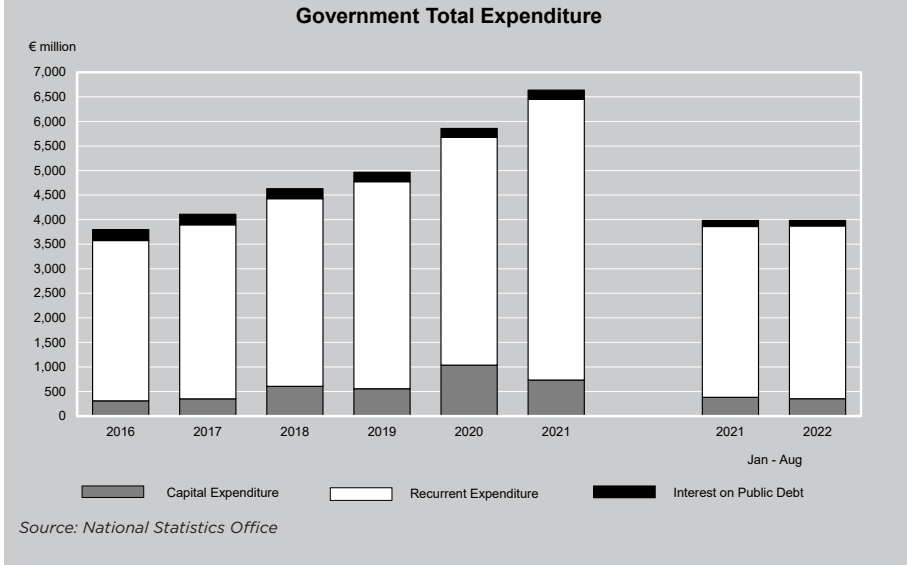
During the period under review, revenue from indirect taxes increased by 16.9 per cent. Revenue from Value Added Tax (VAT) increased by €177.7 million, reflecting the gradual economic turnaround, particularly in household consumption and tourist spending. Revenues derived from Customs and Excise Duties decreased by €5.3 million whilst Licences, Taxes and Fines increased by €8.9 million. The decrease in excise duties was attributed to petroleum products and mobile telephony services as all other components showed an increase consisting mainly of duties paid on machine-made cigarettes and spirits. Higher receipts from Licences, Taxes and Fines mainly reflected a rise in proceeds from duty on documents, and annual circulation licence fees, which outweighed the decline that was mainly reported from proceeds derived from gaming taxes.

Non-tax revenue mainly comprises grants, fees of office, the transfer of profits generated by the Central Bank of Malta (CBM), and reimbursements. During the eight months to August 2022, non-tax revenue was at the same levels as the previous year decreasing slightly by €0.4 million. Increases in revenue were observed in reimbursements, rents, dividends, grants and overall profit by the Central Bank of Malta. These were offset by revenue declines recorded in fees of office, miscellaneous receipts and interest on loans made by Government.

## **5.1.2 Expenditure**

Total Government expenditure decreased by €1.3 million during the eight months to August 2022, as the recurrent expenditure increase of €39.8 million was outweighed by the drops in expenditure recorded in capital expenditure (€30.3 million) and interest on public debt (€10.7 million). Chart 5.3 presents the recent trend in the Government expenditure disaggregated by components.

Chart 5.3



## Recurrent Expenditure

The recurrent expenditure component is made up of four categories; Personal emoluments, Operational and maintenance expenditure, Programmes and initiatives, and Contributions to Government entities. The Programmes and initiatives category comprises the major component of recurrent expenditure, making up 56.0 per cent per cent of total recurrent expenditure. This component of expenditure also registered the largest increase during the eight months to August 2022 reaching €2,231.6 million.

The Programmes and initiatives component refers to expenditure that includes social transfer payments as well as subsidies, payments and grants for the provision of services to citizens and to charitable and private institutions. It also includes contributions to the European Union (EU) budget. During the first eight months of this year, expenditure on Programmes and initiatives increased by €38.4 million, which mainly reflect the added outlays in energy support measures, economic stimulus package, social security benefits, tax relief measures, gas stabilisation fund and the extension of school transport. These added outlays were partly offset by a decrease in the Pandemic Assistance Schemes.

Contributions towards Government entities include the funding of Government entities, Parastatals, Corporations and Authorities. Outlays in this expenditure category amounted to €440.2 million for the period

January to August 2022, recording a €3.6 million increase over the level recorded during the same period last year.

Personal emoluments include all salaries and wages paid to elected officials and civil servants, as well as bonuses and supplements paid to employees in excess of standard remunerations including any allowances and overtime payments. During the period January to August 2022, this category of expenditure increased by €15.2 million and stood at €691.1 million, mainly underpinned by higher outlays directed towards education, health, general public services, economic affairs, social protection as well as recreation, culture and religion.

In the meantime, Operational and maintenance expenditure, which includes payments for utilities, contractual services, materials and supplies, transport, and rent, decreased by €17.5 million to €154.8 million during the first eight months of 2022.

Developments in the Government's recurrent expenditure on a cost centre basis for the January to August 2022 period are presented in Appendix Table 5.2. The nomenclature of Ministries and the cost centres referred in this Chapter reflect the allocation of portfolios and assignment of responsibility for Government Departments and Government Entities. Thus, a direct comparison with data of past years is not always possible.

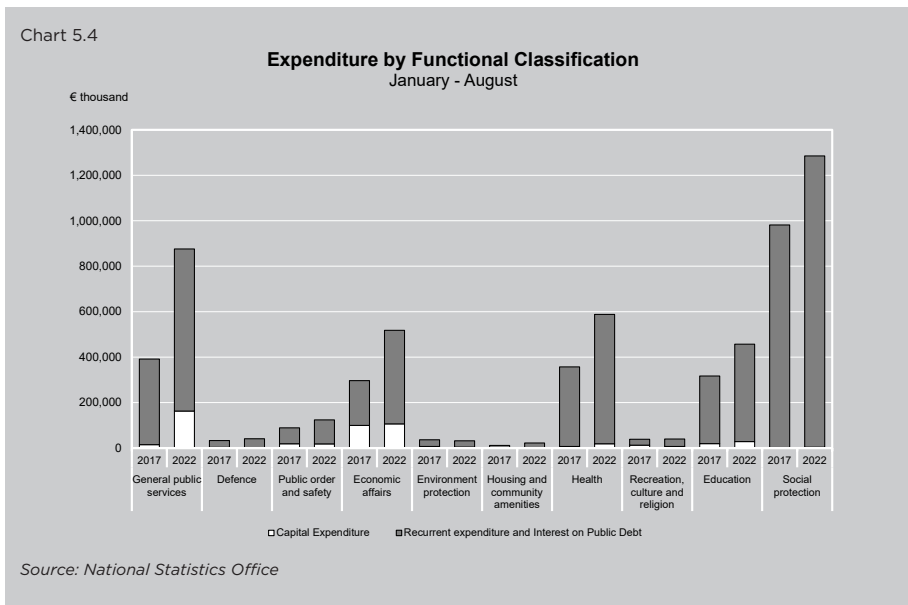
Social security benefits comprised 22.6 per cent of the Government recurrent expenditure which makes it the major component of the Government's total recurrent expenditure. Contributory benefits make up around three-quarters of social security benefits that includes retirement pensions, while the rest consist of non-contributory benefits, mainly social assistance, children's allowance and disability pensions/allowance. During the first eight months of 2022, total contributory benefits increased by €37.0 million, over the same period of 2021, largely reflecting higher outlays on retirement pensions. Meanwhile, non-contributory benefits decreased by €4.8 million to €111.7 million.

Whilst both the Draft Budgetary Plan (2022) and the Medium-Term Fiscal Strategy (2021) have anticipated a recovery to pre-pandemic levels, the economy was expected to remain below its potential, with an extended period of uncertainty brought about by the conflict in Ukraine justifying the continuation of support measures in 2022, in line with the European Council's recommendation. These included energy support measures, cash vouchers and tax refunds cheques to mitigate rising inflationary pressures.

### Analysis of Recurrent Expenditure by Functional Classification

The structure of recurrent expenditure can be classified by the main socio-economic functions of the Government (according to the Classification of the Functions of Government – COFOG). The different economic functions are the general public service; defence, public order and safety; economic affairs; environment protection; housing and community amenities; health; recreation culture and religion; education; and social protection. Developments in the main components of the Government expenditure for the main COFOG categories are presented in Chart 5.4 and Appendix Table 5.3.

Over the medium-term, social protection remains the economic function absorbing the highest amount of public funds, though over recent years its share in recurrent expenditure (including interest on public debt) has been on a declining trend. Social protection declined by 6.1 percentage points to 35.3 per cent during the eight months to August 2022, when compared to the same period in 2017. A drop of 0.8 percentage points and 0.5 percentage points were recorded in the share of expenditure on education and environment protection, respectively. Meanwhile, the share of recurrent expenditure on general public services increased by 3.7 percentage points, while recurrent expenditure on economic affairs and health rose by 3.0 percentage points and 0.9 percentage points, respectively. The other governmental functions, including defence (1.1 per cent), public order and safety (2.9 per cent), housing and community amenities (0.6 per cent) and





recreation, culture and religion (0.9 per cent), maintained their share over total recurrent expenditure when compared to 2017 levels.

Recurrent expenditure (including interest on public debt) decreased by €29.0 million when comparing the first eight months of 2022 with the same period in 2021, reflecting lower outlays directed towards most expenditure categories. The most significant expenditure decreases were directed towards economic affairs (€124.4 million) and education (€21.9 million). The two types of expenditures which experience a significant increase were the general public services (€106.4 million) and social protection (€81.6 million), which partly offset the decreases in the other expenditure components.

### **Capital Expenditure**

During the eight months to August 2022, capital expenditure decreased by €30.3 million and comprised 8.9 per cent of total Government expenditure. According to the most recent available data by economic function, during the January to August 2022 period, around 46.1 per cent of capital outlays were directed to the general public services category, followed by around 30.2 per cent of capital outlays directed towards the economic affairs category. Meanwhile, the remaining categories, in aggregate accounted for around 23.7 per cent of total capital expenditure.

During the period under review, higher capital outlays were mainly recorded in education (€3.4 million) and economic affairs (€3.2 million) sectors. Meanwhile, lower capital expenditure was recorded in respect of general public services (€27.6 million), public order and safety (€3.4 million), environment protection (€3.1 million), social protection (€2.5 million) and health (€2.4 million).

Total capital expenditure during the January to August 2022 period, totalled €352.8 million and was mainly financed from local funds. Developments in total capital expenditure are underpinned by trends in the nationally funded capital programme (excluding investment and equity acquisitions), which stood at €289.0 million increasing slightly by €0.3 million from the same period for 2021. Meanwhile, foreign funding declined by €28.0 million, to €42.9 million, while the Malta local co-financing and ineligible costs declined by €6.8 million to €20.9 million.

## **5.2 Main Budgetary Developments**

The general Government accounts as published every quarter during the year are in line with the harmonised accounting system within the EU Members States, commonly known as the ESA 2010 methodology. Within this system, adjustments are carried out to the cash balances of

the Consolidated Fund transactions to include all Government accounts, exclude all financial transactions, and include accrual adjustments. Together with these adjustments Extra Budgetary Units (EBUs) and local councils net operational balances are also included. In this regard, it is worth noting that, data as presented in the following tables cannot be compared with the cash basis approach as worked out under the Consolidated Fund described in the previous sections. Nevertheless, conformity to the use of ESA 2010 methodology in line with the procedure defined in Article 104 of the Maastricht Treaty, allows for the international comparability of data for reporting purposes.

## 5.2.1 Fiscal Developments in 2021

The general Government balance for 2021 slightly improved from a deficit of €1,224.9 million in 2020 to €1,142.9 million in 2021. Total revenue, at €5,439.4 million, increased by €646.9 million, while expenditure amounted to €6,582.3 million, increasing by €565.0 million. As a share of GDP, the general Government balance was equivalent to a deficit of 7.8 per cent, improving by 1.6 percentage points over the deficit of 9.4 per cent recorded in 2020.

In 2021, the Government revenue-to-GDP ratio has increased by 0.3 percentage points to 37.1 per cent, over the year 2020. The economic effects of the COVID-19 pandemic persisted in the beginning of 2021, amidst renewed restrictions in March. The rapid pace of vaccine roll-out and the improvement in the epidemiological situation in Malta, allowed for a gradual easing of containment measures in the second quarter. By the end of the fourth quarter of 2021, stronger private consumption and tourist spending together with a resilient labour market saw most components of consumption at higher levels than those recorded in the fourth quarter of 2019. These developments, coupled with a strong performance in the property market had a major effect on revenue from taxes on production and imports, which recorded an increase of 12.9 per cent in 2021, with the share over GDP at 10.8 per cent. Furthermore, the sustained Government support measures together with the economic recovery, resulted in higher than estimated income for households and corporations and had a positive impact on revenue from current taxes on income and wealth, increasing by 20.4 per cent, with a higher share over GDP of 0.9 percentage points over 2020. In addition, revenue from social contributions increased by 8.9 per cent year-on-year, with the ratio-to-GDP standing at 6.2 per cent.

In 2021, although the expenditure-to-GDP ratio decreased by 1.2 percentage points, the Government expenditure has increased by €565.0 million, or 9.0 per cent over the year 2020. Expenditure increased almost throughout all components, but most notably towards current transfers payable, compensation of employees and intermediate

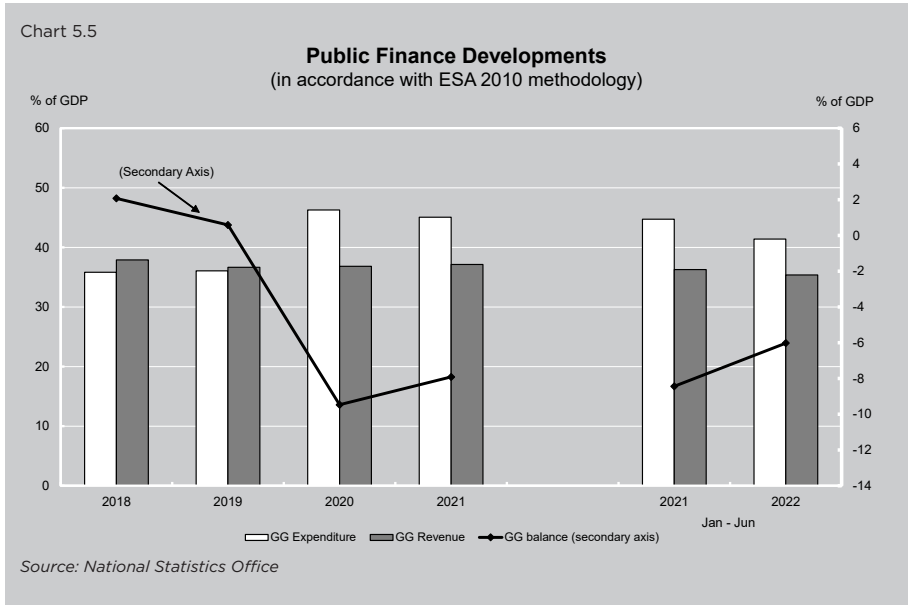
consumption. Current transfers increased by 1.0 percentage point as a share of GDP over the previous year, mainly reflecting higher accrued EU Own Resources. Intermediate consumption remained at 8.9 per cent over GDP with an overall increase of 9.3 per cent, largely due to higher intermediate consumption by EBUs, and additional spending in relation to elderly care and health care. The increase in compensation of employees reflects increases in EBUs, central Government and local councils. Additionally, higher subsidies were allocated as energy support measures. Social payments included measures started in the 2020 Budget to support pensioners by increasing their pension income, reducing tax on pensionable income and Government schemes to address past anomalies related to pensions. Conversely, declines in expenditure were noted in capital transfers, property income and current taxes on income and wealth.

## **5.2.2 Budgetary Developments during the first half of 2022**

The analysis in this section is based on the general Government data in ESA 2010. It is worth noting that due to seasonal factors, a larger proportion of revenue and to a lesser extent expenditure materialises in the last quarter of the year. As a result, the in-year budgetary performance is not symmetrical between the first half and the second half of the year. Seasonal patterns may also vary from one quarter to the next due to the timing of payments and receipts. Therefore, in-year budgetary data as a measure of budgetary performance for the year should be read with caution. Such caution is even more warranted during the current year in view of the withdrawal of almost all the extraordinary measures the Government undertook to address the challenges brought about by the COVID-19 pandemic and therefore the resulting impact on the Government revenue and expenditure. On the other hand, one should also take into the account the increase in energy support measures in light of the inflationary developments witnessed since the first months in 2022. Chart 5.5 presents public finance developments in accordance with ESA 2010 methodology over recent years. The analysis is based on provisional estimates presented in the Half Yearly Report 2022.

In the first half of 2022, the general Government balance is estimated at an improved deficit of €476.7 million when compared to €589.6 million recorded during the same period in 2021.

During January to June 2022, the general Government revenue is estimated to have increased by €264.8 million over the comparable period in 2021, to €2,800.7 million. Higher proceeds, except for the 'other' income category, are estimated from all components of revenue, reflecting a persistent post-pandemic recovery of the broad economy



in general. The largest increases in revenue were indeed recorded for Taxes on production and imports (€142.5 million), followed by Current taxes on income and wealth (€109.8 million) and Social Contributions (€44.3 million).

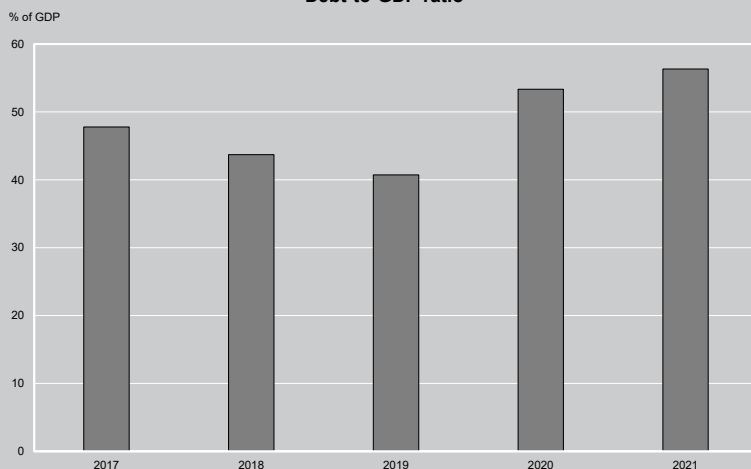
When compared to the first two quarters of 2021, during the first half of 2022 expenditure increased by €151.9 million to €3,277.3 million. Expenditure increases were recorded in intermediate consumption (€115.2 million), social benefits (€50.5 million), and ‘other’ expenditure (€40.6 million). In contrast, declines in expenditure during the same period were recorded in Subsidies (partly reflecting the withdrawal measures associated with the pandemic), Gross fixed capital formation, compensation of employees and interest expenditure.

### 5.3 General Government Debt Developments

In 2021, despite the Government’s extraordinary health related expenditure and continuous economic support due to the pandemic of COVID-19, the general Government debt-to-GDP ratio has maintained its levels under the 60 per cent of the Maastricht Debt treaty requirement. The debt-to-GDP ratio increased to 56.3 per cent, from the rate of 53.3 per cent recorded in 2020. The total general Government debt stood at €8,267.8 million in 2021. Chart 5.6 shows developments in the debt-to-GDP ratio over recent years.

Chart 5.6

**Debt-to-GDP ratio**



Source: National Statistics Office

At the end of June 2022, the general Government debt stood at €8,599.1 million, showing an increase of €577.2 million over the corresponding quarter in 2021. Currency and deposits stood at €567.2 million, an increase of €98.5 million over June 2021. This includes the Euro coins issued in the name of the Treasury considered a liability of central Government, and the 62+ Malta Government Savings Bond. Over the same period, long-term loans increased by €6.7 million while short-term loans decreased by €10.5 million.

## Government Revenue

(January-August)

Appendix Table 5.1

€ thousand

	2019	2020	2021	2022
<b>Tax Revenue</b>	<b>2,846,290</b>	<b>2,216,568</b>	<b>2,948,567</b>	<b>3,338,746</b>
Direct Tax Revenue	1,713,948	1,405,799	1,871,849	2,079,635
Income Tax	1,071,225	835,912	1,167,353	1,294,264
Social Security	642,723	569,887	704,496	785,371
Indirect Tax Revenue	1,132,341	810,769	1,076,719	1,259,111
Customs and Excise Duties	214,007	129,547	188,093	182,825
Licences, Taxes and Fines	262,101	202,300	223,633	233,549
Value Added Tax	656,233	478,922	664,992	842,737
<b>Non-Tax Revenue</b>	<b>343,895</b>	<b>308,279</b>	<b>285,496</b>	<b>285,118</b>
Fees of Office	53,629	84,227	66,642	58,711
Reimbursements	28,275	20,550	19,518	29,230
Rents	27,792	20,119	17,929	20,733
Dividends on Investments	11,385	15,410	15,639	18,205
Repayment of Government Loans and interest	71	8	1	1
Miscellaneous Receipts	34,056	63,927	58,022	47,831
Public Corporations	-	-	-	-
Central Bank of Malta	20,000	20,000	20,000	22,173
Grants	168,687	84,039	87,745	88,234
<b>Recurrent Revenue</b>	<b>3,190,185</b>	<b>2,524,847</b>	<b>3,234,064</b>	<b>3,623,864</b>
Extraordinary Receipts	889	889	889	889
Loans	279,713	1,044,791	1,265,255	579,717
Repayment of Loans made by Government	-	171	-	1,267
<b>Total Revenue</b>	<b>3,470,786</b>	<b>3,570,697</b>	<b>4,500,207</b>	<b>4,205,737</b>

Source: *The Treasury, Ministry for Finance and Employment*

## Government Recurrent Expenditure

(January-August)

Appendix Table 5.2

€ thousand

	2019	2020	2021	2022
Office of the President	3,060	2,299	2,411	3,080
House of Representatives	7,250	7,388	7,523	5,960
Office of the Ombudsman	700	1,340	952	950
National Audit Office	2,610	2,700	2,850	2,970
Commissioner for Standards in Public Life	350	640	239	380
Office of the Prime Minister	35,786	49,185	32,894	34,052
Information	705	705	702	924
Government Printing Press	989	995	1,064	1,146
Electoral Office	6,759	1,552	1,687	7,891
Public Service Commission	434	450	387	391
Industrial and Employment Relations	984	1,058	1,200	1,161
Ministry for Health	409,361	493,032	570,634	568,908
Ministry for Foreign and European Affairs	18,475	53,185	23,570	27,791
Ministry for the Senior Citizens and Active Ageing	-	-	115,385	130,334
Ministry for Research, Innovation and the Co-ordination of post Covid-19 Strategy	-	-	5,852	4,545
Ministry for the National Heritage, the Arts and Local Government	-	-	32,137	31,435
Local Government	33,543	35,135	36,406	37,636
Ministry for Transport, Infrastructure and Capital Projects	63,719	73,523	62,488	66,707
Ministry for Social Justice and Solidarity, the Family and Children's Rights	61,636	80,075	50,549	40,408
Social Policy	204,407	176,279	217,945	245,193
Social Security Benefits	669,049	719,706	738,778	795,099
Pensions	67,920	68,709	69,784	69,061
Ministry for Justice, Equality and Governance	48,941	64,098	29,721	32,511
Ministry for Agriculture, Fisheries, Food and Animal Rights	-	-	22,273	27,634
Ministry for Social Accommodation	-	-	19,170	23,060
Ministry for Education	187,717	243,774	228,234	203,981
Education	183,146	202,495	222,148	224,530
Ministry for the Economy and Industry	12,558	53,715	92,582	24,174
Commerce	871	917	1,003	1,120
Ministry for Inclusion and Social Wellbeing	-	-	29,032	32,363
Ministry for the Environment, Climate Change and Planning	53,634	60,629	37,518	30,806
Ambjent Malta	16,276	11,552	8,995	10,894
Ministry for Gozo	25,748	27,653	31,534	36,478
Ministry for Home Affairs, National Security and Law Enforcement	16,055	31,153	50,949	44,528
Armed Forces of Malta	31,611	32,680	46,930	39,699
Police	47,938	49,285	50,957	51,478
Probation and Parole	777	796	856	877
Civil Protection	4,331	5,590	7,184	6,333
Ministry for Tourism and Consumer Protection	79,325	87,260	86,668	94,532
Ministry for Energy, Enterprise and Sustainable Development	64,684	70,697	320,297	248,397
Ministry for Finance and Employment	135,726	102,612	184,477	196,882
Economic Policy	1,036	1,009	928	1,213
Treasury	17,191	21,596	7,775	82,275
Commissioner for Revenue	12,201	11,670	14,466	17,082
Customs	7,791	7,343	7,684	8,795
Contracts	1,056	1,063	1,108	1,992
[Ministry for European Affairs and Equality]	12,567	11,959	-	-
[Correctional Services]	9,933	-	-	-
[Elderly and Community Care]	94,393	97,627	-	-
[Judicial]	13,519	-	-	-
[Inland Revenue]	-	-	-	-
[V.A.T.]	-	-	-	-
[Social Welfare Standards]	-	-	-	-
<b>Recurrent Expenditure</b>	<b>2,666,762</b>	<b>2,965,129</b>	<b>3,477,927</b>	<b>3,517,658</b>

Note: [ ] denotes change in name of cost centres

Source: The Treasury, Ministry for Finance







## **Statistical Annex**

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**Population<sup>1</sup>**

Table I

	2014	2015	2016	2017	2018	2019	2020	2021
<b>Total Population (000's)</b>	<b>439,691</b>	<b>450,415</b>	<b>460,297</b>	<b>475,701</b>	<b>493,559</b>	<b>514,564</b>	<b>516,100</b>	<b>520,971</b>
Males (000's)	220,488	226,396	231,663	240,599	251,836	265,762	266,939	270,066
Females (000's)	219,203	224,019	228,634	235,102	241,723	248,802	249,161	250,905
% Increase per annum	2.4%	2.4%	2.2%	3.3%	3.8%	4.3%	0.3%	0.9%
Natural Increase per annum	921	883	1,134	748	756	662	330	232
Crude Birth Rate (per 1,000 population)	9.6	9.7	9.8	9.2	9.2	8.6	8.6	8.5
Crude Mortality Rate (per 1,000 population)	7.5	7.7	7.3	7.6	7.6	7.3	7.9	8.0
Crude Marriage Rate (per 1,000 population) <sup>2</sup>	6.6	6.7	6.7	6.3	5.8	5.3	2.2	4.4
Infant Mortality Rate (per 1,000 births)	5.0	5.8	7.4	6.7	5.6	6.7	3.9	3.9
Life Expectancy (at birth)	82.1	82.0	82.6	82.4	82.5	83.0	82.3	82.5
Males	79.9	79.8	80.6	80.2	80.4	81.2	80.3	80.8
Females	84.3	84.1	84.4	84.6	84.6	84.6	84.5	84.3
Life Expectancy (at age 65)	20.3	20.3	21.0	20.7	20.8	21.1	20.5	20.7
Males	18.7	18.8	19.7	19.0	19.2	19.4	18.9	19.5
Females	21.7	21.6	22.1	22.2	22.3	22.5	22.0	21.8

<sup>1</sup> Time series to be revised based on results from the 2021 Census of Population and Housing.

<sup>2</sup> The numerator corresponds to marriages registered in Malta and occurring in the reference year. This includes marriages occurring abroad and marriages occurring in Malta amongst non-residents.

Source: National Statistics Office

## Social Indicators

Table II

	2014	2015	2016	2017	2018	2019	2020	2021
GDP at current market prices per capita (€)	20,203	22,447	23,169	25,488	26,699	27,832	25,343	28,305
<b>Quality of Life</b>								
Motor Vehicle Licences per 1,000 population <sup>1</sup>	762	770	780	782	781	773	780	793
Internet Subscriptions per 1,000 population	352.9	371.2	380.2	393.9	403.3	410.3	414.0	428.6
Mobile Phone Subscriptions per 1,000 population*	1,272.0	1,268.1	1,299.8	1,313.8	1,294.6	1,285.3	1,230.4	1,259.3
Fixed Telephone Lines per 1,000 population*	536.4	523.6	520.3	520.6	534.7	517.9	501.2	499.9
<b>Education</b>								
Number of teachers (000)	8.0	8.2	8.7	8.8	9.1	9.3	9.7	9.7 <sup>(p)</sup>
Number of pupils/students (000) of which:	78.5	79.6	80.4	80.3	82.3	83.3	85.0	86.0 <sup>(p)</sup>
University students (All Courses)	10,957	11,115	11,062	11,092	11,014	11,024	10,676	11,080.8 <sup>(p)</sup>
<b>Electricity<sup>2</sup></b>								
Total Generated (000 MWh) <sup>3</sup>	2,170.2	2,257.2	2,247.5	2,376.8	2,395.8	2,515.7	2,320.1	2,499.1
Number of Consumers (000)	283.9	289.5	295.0	301.0	307.6	317.2	325.5	334.8
Domestic Consumption (million kwh)	604.3	644.1	641.8	774.3	805.3	882.8	892.0	959.8
<b>Water</b>								
Total annual production (million m <sup>3</sup> )	30.4	31.2	32.0	33.1	33.5	34.7	34.6	34.2
Average daily consumption (000 m <sup>3</sup> )	73.4	75.9	77.1	79.9	81.3	84.3	85.4	84.4
<b>Social Security</b>								
Total Payments (€ million)	1,352.9	1,411.6	1,502.4	1,607.0	1,687.4	1,813.8	2,027.9	2,199.5
Total Contributions (€ million)	699.2	739.6	804.4	875.1	967.8	1,046.1	1,064.1	1,199.6
Welfare Gap (€ million)	653.7	672.0	698.0	731.9	719.5	767.6	963.7	999.9

<sup>1</sup> Amount of motor vehicles irrespective of whether they are commercial or not.

<sup>2</sup> Refer to Financial Year.

<sup>3</sup> Electricity generation from power plants and the interconnector.

<sup>(p)</sup> Provisional data.

Source: National Statistics Office

<sup>(1)</sup> Source: Malta Communications Authority

### Factor Incomes in Gross National Income

	€ million														
	2014	2015	2016	2017	2018	2019	2020	2021	2016 Jan-Jun	2017 Jan-Jun	2018 Jan-Jun	2019 Jan-Jun	2020 Jan-Jun	2021 Jan-Jun	2022 Jan-Jun
Compensation of employees	3,716.7	4,096.6	4,498.5	4,984.6	5,460.0	5,979.3	6,083.9	6,571.4	2,218.0	2,445.2	2,692.3	2,936.5	3,028.6	3,249.8	3,508.7
Gross operating surplus and mixed income	4,034.1	4,830.6	4,895.1	5,678.4	6,103.8	6,646.0	6,267.8	7,211.0	2,337.0	2,743.0	2,882.1	3,145.8	3,002.1	3,315.0	3,842.8
Taxes on production and imports	1,121.6	1,204.0	1,284.5	1,423.8	1,593.8	1,638.5	1,417.9	1,608.1	595.1	657.8	724.1	793.8	662.2	753.8	878.7
Subsidies	121.3	134.6	137.0	146.0	202.6	215.8	695.8	709.1	64.1	69.1	89.7	103.0	289.4	330.1	312.2
<b>Gross Domestic Product at market prices</b>	<b>8,751.1</b>	<b>9,996.7</b>	<b>10,541.1</b>	<b>11,940.8</b>	<b>12,955.0</b>	<b>14,047.9</b>	<b>13,073.9</b>	<b>14,681.3</b>	<b>5,085.9</b>	<b>5,776.8</b>	<b>6,208.9</b>	<b>6,773.1</b>	<b>6,403.6</b>	<b>6,988.5</b>	<b>7,918.0</b>
Net income from Abroad	-455.5	-552.5	-1,032.0	-1,193.6	-946.4	-1,036.1	-1,135.3	-970.5	-495.9	-561.9	-394.3	-487.7	-565.1	-461.0	-533.4
<b>Gross National Income at market prices</b>	<b>8,295.6</b>	<b>9,444.2</b>	<b>9,509.2</b>	<b>10,747.2</b>	<b>12,008.6</b>	<b>13,011.8</b>	<b>11,938.5</b>	<b>13,710.8</b>	<b>4,590.0</b>	<b>5,214.9</b>	<b>5,814.6</b>	<b>6,285.4</b>	<b>5,838.5</b>	<b>6,527.5</b>	<b>7,384.6</b>
<b>Sectoral Percentage Contribution to Gross Value Added (at basic prices)</b>															
Agriculture, hunting and forestry <sup>(1)</sup>	1.1	1.0	1.0	0.7	0.8	0.5	0.5	0.5	1.0	0.7	0.7	0.6	0.5	0.5	0.5
Industry <sup>(2)</sup>	14.7	13.8	13.9	13.2	13.6	14.0	14.8	14.1	14.4	13.4	13.7	13.8	14.5	14.5	13.8
Services Activities	84.1	85.1	85.0	86.0	85.6	85.5	84.7	85.4	84.6	85.8	85.6	85.7	85.0	85.1	85.8

<sup>(1)</sup> Includes fishing and operation of fish hatcheries and fish farms.

<sup>(2)</sup> Includes energy and construction.

Source: National Statistics Office

**Gross National Income and Expenditure**

	2015		2016		2017		2018		2019		2020		2021		2022	
	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun
<b>GNI at current market prices</b>	9,444.2	9,509.2	10,747.2	12,008.6	13,011.8	11,938.5	13,710.8	6,285.4	5,838.5	6,527.5	7,384.6					
% annual increase of GNI	13.8%	0.7%	13.0%	11.7%	8.4%	-8.2%	14.8%	8.1%	-7.1%	11.8%	13.1%					
<b>GDP at current market prices</b>	9,996.7	10,541.1	11,940.8	12,955.0	14,047.9	13,073.9	14,681.3	6,773.1	6,403.6	6,988.5	7,918.0					
% annual increase of GDP	14.2%	5.4%	13.3%	8.5%	8.4%	-6.9%	12.3%	9.1%	-5.5%	9.1%	13.3%					
<b>GDP at constant prices<sup>(a)</sup></b>	9,996.7	10,334.7	11,463.8	12,171.0	12,891.2	11,818.1	13,035.1	6,251.6	5,806.7	6,251.4	6,782.6					
<b>Total Final Consumption Expenditure</b>																
current market prices	6,607.2	6,762.6	7,176.1	7,975.1	8,691.7	8,530.8	9,277.3	4,208.3	4,060.2	4,363.5	4,957.0					
constant prices <sup>(2)</sup>	6,607.2	6,690.4	7,012.3	7,693.6	8,212.7	7,943.0	8,497.4	4,001.2	3,785.6	4,027.5	4,395.8					
Ratio (%) of consumption to GDP at m.p.	66.1%	64.2%	60.1%	61.6%	61.9%	65.3%	63.2%	62.1%	63.4%	62.4%	62.6%					
<b>General Government Final Consumption Expenditure</b>																
current market prices	1,708.2	1,668.8	1,740.5	2,009.5	2,332.3	2,754.8	3,015.8	1,156.0	1,319.0	1,465.7	1,592.4					
constant prices <sup>(2)</sup>	1,708.2	1,644.3	1,679.1	1,885.2	2,131.8	2,465.9	2,631.8	1,058.6	1,178.9	1,284.7	1,347.5					
Ratio (%) of Government consumption to GDP at m.p.	17.1%	15.8%	14.6%	15.5%	16.6%	21.1%	20.5%	17.1%	20.6%	21.0%	20.1%					
<b>Private Final Consumption Expenditure<sup>(1)</sup></b>																
current market prices	4,899.0	5,093.8	5,435.5	5,965.6	6,359.4	5,776.0	6,261.5	3,052.3	2,741.2	2,897.8	3,384.6					
constant prices <sup>(2)</sup>	4,899.0	5,046.1	5,333.5	5,807.9	6,075.9	5,454.0	5,841.1	2,939.4	2,595.6	2,729.2	3,036.6					
Ratio (%) of private consumption to GDP at m.p.	49.0%	48.3%	45.5%	46.0%	45.3%	44.2%	42.6%	45.1%	42.8%	41.5%	42.5%					
<b>Gross Fixed Capital Formation</b>																
current market prices	2,419.2	2,391.1	2,463.7	2,624.9	2,879.3	2,681.9	3,237.8	1,445.0	1,384.1	1,509.7	1,565.6					
constant prices <sup>(2)</sup>	2,419.2	2,357.5	2,405.3	2,538.6	2,752.4	2,540.4	2,979.4	1,383.5	1,310.8	1,407.2	1,343.1					
Ratio (%) fixed investment to GDP at m.p.	24.2%	22.7%	20.6%	20.3%	20.5%	20.5%	22.1%	21.3%	21.6%	21.6%	19.8%					

<sup>(1)</sup> Including NPISH final consumption expenditure.

<sup>(2)</sup> In Chain linked volumes (reference year 2015).

Source: National Statistics Office

Table V  
**Labour**

	2017	2018	2019	2020	2021	2020	2021	2022	2020	2021	2022
						March	March	March	April	April	April
<b>Labour Supply</b>	<b>198,287</b>	<b>211,343</b>	<b>225,036</b>	<b>235,839</b>	<b>240,767</b>	<b>235,328</b>	<b>238,118</b>	<b>249,215</b>	<b>236,019</b>	<b>239,009</b>	<b>250,127</b>
<b>Gainfully Occupied</b>	<b>195,787</b>	<b>209,496</b>	<b>223,336</b>	<b>232,679</b>	<b>238,873</b>	<b>233,203</b>	<b>235,731</b>	<b>248,207</b>	<b>232,040</b>	<b>236,761</b>	<b>249,164</b>
Males	121,358	128,670	136,373	141,780	144,968	142,265	143,193	150,453	141,589	143,729	151,023
Females	74,429	80,826	86,963	90,899	94,005	90,938	92,538	97,754	90,451	93,032	98,141
<b>Private Direct Production</b>	<b>34,211</b>	<b>35,795</b>	<b>37,936</b>	<b>39,745</b>	<b>40,821</b>	<b>39,657</b>	<b>40,504</b>	<b>42,102</b>	<b>39,716</b>	<b>40,741</b>	<b>42,116</b>
of which:											
Construction	10,509	11,295	12,942	14,435	15,468	14,349	15,044	16,433	14,366	15,205	16,523
Manufacturing	21,030	21,747	22,120	22,246	22,305	22,471	22,341	22,425	22,315	22,415	22,355
Others	2,672	2,753	2,874	3,064	3,148	3,037	3,119	3,244	3,037	3,121	3,238
<b>Private Market Services</b>	<b>115,481</b>	<b>126,377</b>	<b>136,691</b>	<b>143,064</b>	<b>146,885</b>	<b>143,888</b>	<b>144,419</b>	<b>155,002</b>	<b>142,866</b>	<b>145,060</b>	<b>155,921</b>
of which:											
Wholesale and Retail (including Repair of Motor Vehicles, Motorcycles and Personal and Household Goods)	26,628	27,321	28,262	28,840	29,207	28,955	28,867	29,847	28,784	29,008	29,928
Accommodation and Food Services	12,678	14,033	15,258	15,443	15,064	16,168	14,387	16,471	15,892	14,327	16,616
Financial and Insurance Activities	9,043	9,724	10,371	11,359	11,725	11,409	11,576	12,281	11,333	11,601	12,377
Others	67,132	75,299	82,780	87,442	90,889	87,356	89,589	96,403	86,857	90,124	97,000
<b>Public Sector</b>	<b>46,095</b>	<b>47,324</b>	<b>48,709</b>	<b>49,850</b>	<b>51,167</b>	<b>49,458</b>	<b>50,808</b>	<b>51,103</b>	<b>49,456</b>	<b>50,960</b>	<b>51,127</b>
of which:											
Government Departments	33,638	34,096	34,422	34,658	35,291	34,480	35,070	34,922	34,469	35,141	34,961
Independent Statutory Bodies	10,592	11,174	12,017	12,789	13,514	12,575	13,398	13,747	12,594	13,468	13,727
Companies with Public Sector majority s/hold	1,865	2,054	2,270	2,393	2,362	2,403	2,340	2,434	2,393	2,353	2,439
<b>of which Temporary Employment</b>											
<b>Registered Unemployed*</b>	<b>2,500</b>	<b>1,847</b>	<b>1,700</b>	<b>3,160</b>	<b>1,794</b>	<b>2,125</b>	<b>2,387</b>	<b>1,008</b>	<b>3,979</b>	<b>2,248</b>	<b>963</b>
Males	1,774	1,297	1,187	1,990	1,208	1,423	1,573	722	2,429	1,485	680
Females	726	550	513	1,170	586	702	814	286	1,550	763	283
<b>Self Employed</b>	<b>22,366</b>	<b>23,912</b>	<b>25,481</b>	<b>26,946</b>	<b>28,152</b>	<b>26,566</b>	<b>27,878</b>	<b>28,761</b>	<b>26,602</b>	<b>27,988</b>	<b>28,813</b>

Note: Employment data is subject to revision

\* Includes both Parts I and II of the registered unemployed

Data for 2015 - 2019 shows annual averages while data for 2018, 2019, 2020 shows data as at end March

Source: JobsPlus



**Tourism**

Table VI

	2014	2015	2016	2017	2018	2019	2020	2021	2020	2021	2022
									Jan-Jul	Jan-Jul	Jan-Jul
<b>Inbound Tourists (000's)</b>	<b>1,689.8</b>	<b>1,783.4</b>	<b>1,965.9</b>	<b>2,273.8</b>	<b>2,598.7</b>	<b>2,753.2</b>	<b>668.6</b>	<b>968.1</b>	<b>419.0</b>	<b>261.0</b>	<b>1,168.7</b>
of which from:											
United Kingdom	487.7	526.0	560.0	560.9	640.6	649.6	135.9	214.3	92.3	25.9	221.1
Italy	262.6	282.8	315.2	363.7	390.6	393.0	94.0	127.8	56.5	48.1	190.9
Germany	143.1	141.9	156.8	193.0	227.0	211.5	72.5	96.5	33.3	28.0	87.5
Libya	30.8	6.7	3.4	2.8	3.4	2.8 <sup>a</sup>	:	:	:	:	1.4 <sup>a</sup>
Scandinavian Countries*	108.6	117.4	124.0	135.3	128.3	124.4	18.3	31.3	14.8	9.7	41.9
Other	657.0	708.7	806.6	1,018.1	1,208.9	1,371.9	337.4	498.0	221.6	149.2	625.9
<b>Cruise Passengers (000's)<sup>(1)</sup></b>	<b>465.4</b>	<b>591.7</b>	<b>615.2</b>	<b>658.2</b>	<b>623.4</b>	<b>754.0</b>	<b>99.0</b>	<b>138.6</b>	<b>40.2</b>	<b>45.2</b>	<b>225.2</b>
<b>Expenditure from Inbound Tourism (€ million)</b>	<b>1,528.6</b>	<b>1,639.1</b>	<b>1,709.0</b>	<b>1,946.9</b>	<b>2,101.8</b>	<b>2,220.6</b>	<b>455.1</b>	<b>870.7</b>	<b>258.4</b>	<b>246.9</b>	<b>970.9</b>
<b>Total Sector Employment in Hotels and Restaurants</b>	<b>10,343</b>	<b>10,800</b>	<b>11,619</b>	<b>12,878</b>	<b>14,053</b>	<b>15,258</b>	<b>15,443</b>	<b>15,064</b>	<b>15,892</b>	<b>14,327</b>	<b>16,616</b>
% of Gainfully Occupied	6.2	6.2	6.3	6.5	6.7	6.8	6.6	6.3	6.8	6.1	6.7
<b>Outbound Tourists (000's)</b>	<b>390.7</b>	<b>427.6</b>	<b>496.8</b>	<b>572.5</b>	<b>667.0</b>	<b>706.8</b>	<b>196.5</b>	<b>303.1</b>	<b>133.9</b>	<b>93.7</b>	<b>277.9</b>
<b>Days Stayed / Nights Spent (000's)</b>	<b>3,181.4</b>	<b>3,265.2</b>	<b>3,483.2</b>	<b>3,921.6</b>	<b>4,477.5</b>	<b>4,608.6</b>	<b>1,653.6</b>	<b>2,832.5</b>	<b>877.0</b>	<b>1,217.0</b>	<b>2,038.1</b>
% of which spent in:											
5 star	6.5%	5.4%	5.6%	5.6%	5.2%	4.9%	3.0%	3.3%	4.2%	3.2%	3.2%
4 star	19.5%	18.4%	18.7%	18.4%	19.4%	20.1%	9.8%	8.8%	14.2%	4.6%	11.6%
3 star	13.5%	13.1%	13.2%	12.8%	15.0%	12.8%	7.0%	5.8%	10.9%	3.3%	7.3%
2 star	0.9%	0.7%	1.0%	1.0%	0.8%	1.0%	0.5%	0.4%	0.7%	0.5%	0.4%
1 star	0.1%	0.1%	0.1%	0.1%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Unclassified	3.0%	3.6%	4.3%	4.4%	4.0%	4.0%	0.0%	1.8%	0.0%	0.0%	6.7%
Guest Houses	0.8%	1.1%	1.0%	0.9%	0.8%	0.9%	0.5%	0.7%	0.9%	0.3%	0.5%
Flats/Private Residences	45.7%	48.6%	47.4%	50.1%	51.2%	53.5%	74.0%	73.3%	64.3%	82.1%	63.1%
Tourist Village/Aparthotels/Hostels/Holiday Complex/Camp Sites/Bed & Breakfast	9.9%	9.1%	8.7%	6.7%	7.3%	6.6%	5.2%	6.0%	4.7%	6.1%	7.2%

<sup>(1)</sup> Unreliable, less than 20 sample observations.

<sup>a</sup> Under represented - between 20 and 49 sample observations.

\* Denmark, Finland, Norway and Sweden

<sup>(1)</sup> Excluding embarkations and Maltese cruise passengers.

<sup>(2)</sup> Data for January-June.

<sup>(3)</sup> Data shows average for January-March.

Source: National Statistics Office, JobsPlus

## Foreign Trade

Table VII

€ million

	2014	2015	2016	2017	2018	2019	2020	2021	2020 Jan-Jul	2021 Jan-Jul	2022 Jan-Jul
<b>Imports and Exports</b>											
Imports (c.i.f.)*	6,408.1	6,142.4	6,475.2	6,182.2	6,363.1	7,554.4	5,522.5	6,638.3	3,525.7	3,820.4	5,205.0
Consumer goods*	1,116.3	1,226.0	1,244.5	1,356.3	1,480.0	1,568.5	1,472.4	1,633.5	851.8	882.9	1,080.5
Industrial supplies*	1,415.6	1,488.7	1,343.9	1,333.0	1,487.5	1,684.1	1,407.4	1,634.7	834.2	925.8	1,205.5
Capital goods and others*	1,315.4	1,746.5	2,293.8	1,721.1	1,461.2	2,459.5	1,417.0	1,940.1	1,106.0	1,198.6	1,567.6
Fuels and Lubricants	2,560.7	1,681.3	1,593.0	1,771.7	1,934.4	1,842.2	1,225.7	1,430.0	733.8	813.1	1,351.5
Total Exports (f.o.b.)*	3,771.0	3,602.5	3,929.4	3,708.3	3,445.9	3,798.7	3,548.3	3,561.1	2,017.1	1,984.4	2,345.8
Consumer goods*	780.9	790.7	1,452.1	903.0	1,005.4	988.0	981.3	1,020.2	487.1	517.7	561.2
Industrial supplies*	1,168.4	1,220.9	1,126.6	1,128.4	1,162.2	1,388.0	1,169.5	1,209.6	694.3	746.3	848.4
Capital goods and others*	213.5	224.5	220.5	256.9	291.8	294.1	323.3	316.0	195.9	195.1	188.7
Fuels and Lubricants	1,608.2	1,366.3	1,130.1	1,419.9	986.6	1,128.6	1,074.2	1,015.3	639.8	525.2	747.4
Trade Gap	-2,637.0	-2,539.8	-2,545.6	-2,473.8	-2,916.6	-3,755.5	-1,973.8	-3,074.8	-1,508.6	-1,836.1	-2,859.3
as % of GDP at current market prices	-30.1%	-25.4%	-24.1%	-20.7%	-22.5%	-26.7%	-15.1%	-20.9%	-18.6%**	-18.5%**	-25.3%**
<b>Selected Groupings</b>											
<b>EU</b>											
Imports	2,846.1	3,253.7	2,883.2	2,950.5	3,687.4	3,683.6	3,043.6	3,699.8	1,898.5	2,174.0	2,839.9
Exports	1,023.5	984.5	1,125.8	1,350.2	1,444.1	1,568.6	1,235.0	1,260.6	739.3	832.4	829.4
<b>United Kingdom</b>											
Imports	392.0	420.1	351.2	412.0	526.8	1,361.7	422.6	501.6	212.0	195.4	231.9
Exports	118.3	141.4	108.3	78.6	62.3	57.9	47.3	106.3	22.1	51.9	122.1
<b>Italy</b>											
Imports	1,183.0	1,307.2	1,251.8	1,266.6	1,458.4	1,344.4	1,153.2	1,458.4	717.3	738.4	1,008.8
Exports	163.6	142.3	214.6	402.3	335.5	293.7	180.4	201.0	89.2	132.7	93.4
<b>Germany</b>											
Imports	325.1	381.0	376.5	430.2	453.1	512.2	342.2	323.8	212.0	195.4	231.9
Exports	314.5	345.9	399.4	402.8	426.0	495.4	427.2	359.2	287.0	224.7	266.7
<b>France</b>											
Imports	225.8	238.3	255.7	236.0	302.6	469.5	340.1	404.7	203.5	263.5	267.1
Exports	204.3	242.6	239.0	238.2	271.5	269.2	241.4	164.1	136.7	136.6	151.7
<b>America</b>											
Imports	1,001.9	789.3	1,673.4	939.7	453.8	500.8	479.1	697.1	378.4	407.8	720.4
Exports	216.1	193.0	789.2	187.2	180.5	192.1	146.9	168.7	92.8	110.5	99.5
<b>Africa</b>											
Imports	242.3	184.9	263.5	284.6	259.8	165.0	238.8	160.8	159.8	65.0	102.6
Exports	969.6	931.0	562.7	592.5	468.3	436.2	420.9	360.1	275.4	202.9	225.1
<b>Asia</b>											
Imports	739.6	782.0	786.5	946.9	943.1	1,030.8	964.6	1,106.3	605.1	617.7	886.8
Exports	766.3	715.6	671.2	640.4	701.4	765.2	790.9	691.0	357.9	295.3	346.5

\* Treated differently from other parts in the Survey

\*\* Values are computed for the January to June period

Source: National Statistics Office

## Balance of Payments

Table VIII

€ millions

	2015	2016	2017	2018	2019	2020	2021	2020 Jan-Jun	2021 Jan-Jun	2022 Jan-Jun
<b>Goods Balance<sup>(1)</sup></b>	-1,977.0	-1,983.2	-1,469.1	-1,490.5	-1,653.3	-1,334.1	-2,385.9	-713.9	-1,039.0	-1,207.9
Imports (f.o.b.)	4,667.7	4,598.5	4,526.0	4,694.1	5,103.1	4,341.1	5,421.5	2,115.8	2,455.8	2,945.5
Exports (f.o.b.)	2,690.7	2,615.3	3,056.9	3,203.7	3,449.8	3,007.0	3,035.6	1,401.9	1,416.7	1,737.5
<b>Services-Net</b>	2,911.0	3,155.0	3,551.7	3,416.5	3,618.0	2,374.0	3,020.7	1,124.8	1,311.9	1,607.6
Transport-net	56.3	209.5	284.9	355.4	354.9	197.3	338.0	80.1	116.7	59.0
Travel-net	914.0	937.8	1,114.1	1,132.6	1,224.3	231.8	454.3	95.5	52.7	385.6
Other Services-net	1,940.7	2,007.7	2,152.6	1,928.5	2,038.8	1,944.9	2,228.4	949.1	1,142.4	1,163.0
<b>Primary Income- Net</b>	-573.0	-1,092.5	-1,251.4	-1,033.3	-1,101.2	-1,227.6	-1,160.1	-620.0	-534.0	-510.2
Compensation of Employees-net	-19.4	-37.7	-45.4	-46.4	-51.5	-48.6	-56.2	-24.4	-26.3	-27.1
Investment Income-net	-505.7	-978.0	-1,130.9	-905.3	-953.7	-1,086.4	-913.6	-543.8	-435.0	-425.9
<b>Secondary Income-Net</b>	-91.2	-139.1	-131.7	-160.8	-165.2	-186.0	-153.3	-95.7	-77.5	-182.9
General Government-net	6.1	3.1	6.6	-4.3	-5.6	-3.9	-7.0	-2.9	-3.7	-9.5
Private-net	-97.4	-142.2	-138.3	-156.5	-159.6	-182.1	-146.3	-92.8	-73.8	-173.4
<b>Current A/C-Net</b>	269.8	-59.8	699.4	732.0	698.3	-373.7	-678.7	-304.9	-338.7	-293.5
Goods Balance <sup>(1)</sup> as % of GDP at m.p.	-19.8%	-18.8%	-12.3%	-11.5%	-11.8%	-10.2%	-16.3%	-11.1%	-14.9%	-15.3%
Invisible Balance as % of GDP at m.p.	29.1%	29.9%	29.7%	26.4%	25.8%	18.2%	20.6%	17.6%	18.8%	20.3%
Primary Income a/c Balance as % of GDP at m.p.	-5.7%	-10.4%	-10.5%	-8.0%	-7.8%	-9.4%	-7.9%	-9.7%	-7.6%	-6.4%
Secondary Income a/c Balance as % of GDP at m.p.	-0.9%	-1.3%	-1.1%	-1.2%	-1.2%	-1.4%	-1.0%	-1.5%	-1.1%	-2.3%
Current a/c Balance as % of GDP at m.p.	2.7%	-0.6%	5.9%	5.7%	5.0%	-2.9%	-4.6%	-4.8%	-4.8%	-3.7%
<b>Capital A/C-Net</b>	268.7	37.5	76.1	117.7	107.2	81.7	150.9	46.8	23.1	74.4
<b>Financial A/C-Net<sup>(2)</sup></b>	164.2	862.1	1,220.8	448.1	253.8	-309.6	775.4	-197.6	478.0	-336.5
Direct Investment-net	-9,222.4	-8,511.7	-9,566.1	-9,846.9	-9,625.2	-9,760.9	-9,597.2	-4,863.9	-4,670.7	-4,946.9
Portfolio Investment-net <sup>(3)</sup>	4,899.9	4,757.5	6,839.7	3,175.7	4,732.4	6,411.5	7,026.3	3,157.8	3,572.5	4,231.3
Financial Derivatives-net <sup>(3)</sup>	-897.4	-6.4	-106.8	180.4	-208.1	-131.3	-291.2	-64.5	-100.6	62.4
Other Investment-net <sup>(3)</sup>	5,457.6	4,534.4	3,817.8	6,771.0	5,464.0	3,208.6	3,681.2	1,641.6	1,621.3	219.2
Reserve Assets <sup>(3)</sup>	-73.5	88.3	236.2	168.0	-109.4	-37.5	-43.7	-68.6	55.6	97.6

<sup>(1)</sup> For Balance of Payments purposes, both imports and exports are taken at f.o.b., thus the trade balance is different from that shown under Table VII.

<sup>(2)</sup> The Financial Account-Net in this Table includes Reserve Assets but does not include Errors and Omissions.

<sup>(3)</sup> As from 1st January 2008, following Malta's entry into the Euro Area (EA), a reclassification of the external reserves of the country has been carried out. Indeed, this meant that, as from this date, all cross-border claims that Malta has within the EA, as well as all claims that the country has in euro-denomination, are no longer considered as being part of Malta's reserve assets. In addition, as happened in other EA Member States, Malta has transferred a fraction of its external reserves to the European Central Bank (ECB) in exchange for a claim on the ECB, which, being an intra-Eurosystem asset, is also not considered as being part of the country's external reserves. As a result of this, the portfolio investment account, the financial derivatives account and the other investment account recorded significant changes in their net balances.

Note: The balance of payments is compiled in accordance with the sixth edition of the International Monetary Fund's Balance of Payments Manual (BPM6). The split of secondary income-net is not yet available for the 2012-2014 period.

Source: National Statistics Office

**Government Revenue and Expenditure**

	€ million																				
	2013		2014		2015		2016		2017		2018		2019		2020		2021		2022		
	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug	
Government Recurrent Revenue	2,992.1	3,387.2	3,634.8	3,807.0	4,291.2	4,559.8	4,972.9	4,386.3	5,413.2	3,190.2	2,524.8	2,949.5	3,338.7	3,190.2	2,524.8	3,235.0	3,623.9	3,190.2	2,524.8	3,235.0	3,623.9
Increase/(Decrease) % per annum	10.2	13.2	7.3	4.7	12.7	6.3	9.1	-11.7	23.3	16.3	-20.9	28.1	12.0	16.3	-20.9	28.1	12.0	16.3	-20.9	28.1	12.0
of which:																					
Tax Revenue	2,602.5	2,953.7	3,195.6	3,446.0	3,829.3	4,167.8	4,485.8	3,942.5	4,898.2	2,846.3	2,216.6	2,949.5	3,338.7	2,846.3	2,216.6	2,949.5	3,338.7	2,846.3	2,216.6	2,949.5	3,338.7
Direct Tax Revenue	1,612.9	1,767.3	1,924.2	2,132.7	2,372.5	2,541.0	2,811.9	2,600.1	3,291.0	1,713.9	1,405.8	1,871.8	2,079.6	1,713.9	1,405.8	1,871.8	2,079.6	1,713.9	1,405.8	1,871.8	2,079.6
Indirect Tax Revenue	989.6	1,186.4	1,271.4	1,313.3	1,456.7	1,625.8	1,673.9	1,342.4	1,607.2	1,132.3	810.8	1,076.7	1,259.1	1,132.3	810.8	1,076.7	1,259.1	1,132.3	810.8	1,076.7	1,259.1
Non-Tax Revenue	389.6	433.5	439.2	361.0	461.9	392.0	487.0	446.8	515.0	343.9	308.3	285.5	285.1	343.9	308.3	285.5	285.1	343.9	308.3	285.5	285.1
Total Government Expenditure	3,255.3	3,523.5	3,870.6	3,798.1	4,108.5	4,630.0	4,963.5	5,857.2	6,645.7	3,106.3	3,611.1	3,984.1	3,982.8	3,106.3	3,611.1	3,984.1	3,982.8	3,106.3	3,611.1	3,984.1	3,982.8
Increase/(Decrease) % per annum	5.8	8.2	9.9	-1.9	8.2	12.7	7.2	18.0	13.5	13.1	16.3	10.3	-0.0	13.1	16.3	10.3	-0.0	13.1	16.3	10.3	-0.0
of which:																					
Recurrent Expenditure	2,632.6	2,857.0	3,056.8	3,264.3	3,543.3	3,821.4	4,216.2	4,638.9	5,714.7	2,666.8	2,965.1	3,477.9	3,517.7	2,666.8	2,965.1	3,477.9	3,517.7	2,666.8	2,965.1	3,477.9	3,517.7
Capital Expenditure	394.7	435.3	581.5	310.3	350.2	605.0	555.0	1,037.1	746.7	313.0	524.6	383.1	352.8	313.0	524.6	383.1	352.8	313.0	524.6	383.1	352.8
% of Total Government Expenditure	12.1	12.4	15.0	8.2	8.5	13.1	11.2	17.7	11.2	10.1	14.5	9.6	8.9	10.1	14.5	9.6	8.9	10.1	14.5	9.6	8.9
Interest on Public Debt	227.9	231.1	232.3	223.5	215.1	203.6	192.3	181.2	184.3	126.5	121.3	123.1	112.4	126.5	121.3	123.1	112.4	126.5	121.3	123.1	112.4
Balance of recurrent revenue and total expenditure	-263.2	-136.3	-235.8	8.9	182.7	-70.2	9.4	-1,467.9	-1,232.5	83.9	-1,086.2	-749.1	-359.0	83.9	-1,086.2	-749.1	-359.0	83.9	-1,086.2	-749.1	-359.0
Financed by:																					
Extraordinary Receipts	28.4	0.0	0.8	1.1	0.9	1.0	1.0	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Receipts from sale of shares	0.0	0.0	0.8	1.1	0.9	0.9	1.0	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Sinking Funds of Converted Loans	28.4	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sinking Fund Contribution & Direct Loan Repayment	-380.8	-427.2	-384.1	-545.1	-427.9	-444.0	-489.7	-485.8	-492.5	-197.3	-287.6	-462.5	-377.9	-197.3	-287.6	-462.5	-377.9	-197.3	-287.6	-462.5	-377.9
Equity Acquisition	-26.5	-13.8	-41.1	-13.0	-71.4	-63.5	-18.8	-37.0	34.5	-10.3	-27.0	-4.5	-35.0	-10.3	-27.0	-4.5	-35.0	-10.3	-27.0	-4.5	-35.0
Loan Facility Agreement with the Hellenic Republic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loan Facility Agreement with Air Malta plc	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayment of Loans made by Government	0.0	0.0	40.4	12.2	0.0	0.0	0.0	0.9	2.2	0.0	0.2	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.2	0.0	0.0
Public Sector Borrowing Requirement	-642.1	-577.3	-619.8	-535.9	-315.7	-576.7	-498.2	-1,988.8	-1,687.4	-122.8	-1,399.8	-1,215.2	-771.0	-122.8	-1,399.8	-1,215.2	-771.0	-122.8	-1,399.8	-1,215.2	-771.0
Loans	627.1	648.8	473.2	597.9	357.4	243.5	449.7	1,549.8	1,854.1	279.7	1,044.8	1,265.3	579.7	279.7	1,044.8	1,265.3	579.7	279.7	1,044.8	1,265.3	579.7

Source: National Statistics Office

**Contribution of Resident MFIs to Euro Area Monetary Aggregates and Counterparts<sup>(1)</sup>**

Table X

€ million

	2014	2015	2016	2017	2018	2019	2020	2021	2022*
									Jan-Jul
<b>Broad Money (M3)<sup>(2)</sup></b>	14,607.8	16,229.4	17,809.2	19,426.1	19,671.1	20,663.4	22,411.3	24,800.0	25,749.7
<b>Intermediate Money (M2)</b>	14,486.4	16,104.3	17,713.5	18,643.3	19,610.6	20,609.1	22,464.6	24,845.0	25,758.4
% Increase/ (Decrease)		11.2	10.0	5.2	5.2	5.1	9.0	10.6	3.7
of which:									
Narrow Money (M1)	9,696.4	12,148.2	13,551.2	14,904.4	15,881.4	16,986.0	18,601.6	20,748.9	22,143.4
Currency issued <sup>(3)</sup>	839.4	893.1	939.5	968.7	1,028.7	1,190.8	1,356.0	1,451.6	1,503.4
% Increase/ (Decrease)		6.4	5.2	3.1	6.2	15.8	13.9	7.1	3.6
Overnight deposits <sup>(4)</sup>	8,857.0	11,255.1	12,611.8	13,935.7	14,852.7	15,795.2	17,245.6	19,297.4	20,640.0
Deposits redeemable at notice up to 3 months <sup>(4)</sup>	124.4	123.0	105.0	46.8	77.6	91.2	121.6	373.2	245.2
Deposits with agreed maturity up to 2 years <sup>(4)</sup>	4,665.6	3,833.1	4,057.3	3,692.0	3,651.6	3,531.9	3,741.5	3,722.9	3,369.8
<b>Credit Counterpart<sup>(5)</sup></b>	15,768.4	16,407.6	17,012.7	17,407.5	18,318.7	18,847.1	20,079.1	20,897.5	22,345.5
of which:									
Credit to residents of Malta	11,736.8	12,393.6	12,706.1	12,943.9	13,560.6	14,212.2	15,759.6	17,080.9	17,991.0
Credit to other Euro area residents	4,031.6	4,014.0	4,306.6	4,463.6	4,754.6	4,634.8	4,319.5	3,816.6	4,354.5
<b>Net claims on non-residents of the Euro Area</b>	11,732.4	11,034.4	9,421.8	6,718.4	5,440.8	4,756.5	5,066.5	4,853.9	4,682.1
<b>Other counterparts (net)<sup>(6)</sup></b>	12,892.9	11,212.7	8,625.3	4,699.9	4,115.7	2,964.5	2,734.3	951.3	1,277.8

\* Provisional

<sup>(1)</sup> Figures show the contribution of Maltese Monetary Financial Institutions (MFIs) to the Euro Area (EA) aggregates.

<sup>(2)</sup> M3 comprises M2, repurchase agreements and debt securities with agreed maturity of up to 2 years. This does not represent holdings of M3 by residents of Malta but rather the contribution of MFIs in Malta to the EA aggregate. As from December 2008, figures also include MMFs shares/units issued less holdings in such units by MMFs and credit institutions resident in the EA and holdings by non-residents of the EA.

<sup>(3)</sup> Comprises the Central Bank of Malta's share of Euro banknotes issued by the Eurosystem, plus coins issued by the Bank on behalf of the Treasury, less holdings of issued Euro banknotes and coins held by the MFI sector.

<sup>(4)</sup> Deposits with MFIs exclude interbank deposits and deposits held by Central Government.

<sup>(5)</sup> Credit includes, besides lending, claims in the form of debt securities and shares and other equity.

<sup>(6)</sup> Includes net interbank claims/liabilities within the MFI sector. These counterparts make a negative contribution to M3.

Source: Central Bank of Malta