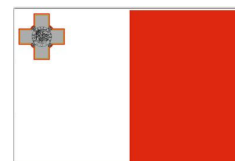




# Malta



## Did you know...?

**Geography** Malta is an archipelago comprised of several islands, only three of which are inhabitable: Malta Island, Gozo, and Comino.

**History** Throughout history many foreign powers have ruled the islands. Malta became independent from the UK in 1964, and became a republic in 1974.

**Etymology** The name Malta is thought to derive from the ancient Greek word for "honey sweet", due to the existence of an endemic species of bees on the island.

**Culture** Malta is one of the most multi-lingual countries in the EU. The national language is Maltese, but English, Italian and French are all widely spoken.

**Fun Fact** The archipelago is apparently ideal for film making: The Gladiator, the Da Vinci Code, Alexander, Troy and Casino Royale were all shot in Malta.

## An overview of Malta's economy

Malta's economic growth exceeded the euro area average for several years and was led by robust domestic demand and export expansion. The global financial and economic crisis did not spare Malta, but it was one of the least affected countries in the EU.

In 1990, Malta began the process required to eventually join the European Union. It was in 2004, after various votes and referenda, that the Maltese people formally became members of the European Union. Four years later, Malta adopted the euro, making it the smallest country in the euro area.

Malta's geographic location has defined the country's economic development. The opening of the Suez canal in 1869 made Malta one of the principal ports in the Mediterranean. Along with trade, banks and financial services started to develop, activities which continue to form an important part of today's economy. From 2005 to 2007, Malta recorded an average GDP growth rate of 3.7%, making it one of the fastest-growing economies in the EU.

Malta's economy slipped into recession in 2009 when GDP contracted by 1.9%, compared to 4.1% for the euro area. Malta is highly dependent on energy and food imports, making the country's economy extremely vulnerable to swings in the world economy. Tourism, one of Malta's main industries, declined dramatically. Malta's main sources of economic growth depend heavily on the economic health of its neighboring countries. However, a recovery is underway and Malta must seek to remain competitive.

Moreover, the Maltese banking sector weathered the crisis relatively well and is in a position to aid the recovery. The Maltese government is undertaking the necessary measures to ensure the island's recovery from the crisis, by targeting manufacturing through investment projects and privatizing shipyards.

Public finances came under strain during the crisis. The deficit is forecast to narrow to 3% in 2011, whereas the debt is projected to reach a peak of 68.0 % of GDP this year.

The main challenge for the Maltese economy, with its dependency on imports and its vulnerability to external shocks, is to ensure that it is well-positioned to buffer and respond to negative economic developments in those countries with whom it has close ties. It must also ensure the sustainability of public finances.





## Malta's Economy – Key Facts

- Malta's GDP per capita is below the euro area average, but its growth rate over the past 10 years has exceeded that of its neighbors, leading to impressive gains in many economic and social fields.
- The World Economic Forum (WEF) Global Competitiveness Report for 2011/2012 ranked Malta 51<sup>st</sup> out of 139 countries. Malta gets high marks for innovation and for its financial markets.
- According to the European Commission's Spring 2011 forecast, the Maltese economy will expand by 2% of GDP this year, and 2.2% in 2012. The public deficit is projected to narrow to 3.1% of GDP in 2011 while public debt will begin to fall in 2012 to 67.9% of GDP.
- Malta will use EU funds to help partially pay for some planned public investment projects in environment and infrastructure. The emphasis is on improving the quality of drinking water and the elimination of waste. Other environmental measures will aim to protect the natural environment and make increased use of renewable energy sources. This priority also concerns transport, educational and social infrastructures, service infrastructures for industry and aid for SMEs in the productive sector and tourism.

## References

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**Exports** Malta's merchandise exports, especially electronics, machinery and transport equipment and chemical products, were remarkably resilient in 2008-2009 given the contraction in world trade.

**Labor** The archipelago is known for its former strong performance in labor productivity. Unemployment is below the euro area average and has been decreasing since the country joined the EU, however, it spiked to 7% in 2009 and has since lowered to a 6.8% for 2011 where it should remain in the short term.

**Inflation** has been generally higher than the EU average, given global increases in food and commodity prices, and the fact that Malta needs to import food to meet its domestic demand. Malta produces only about 20% of its food needs.

**Trade** Malta is no longer the crucial harbor it was in the past, but it still hosts one of the biggest merchant marine fleets in the world.

**Tourism** Malta relies heavily on tourists from the rest of the EU and is very popular with visitors from the United Kingdom.