

Diagnosing the Maltese economy

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Where does the economy stand?

Where is the economy heading to?

What are the key economic drivers and constraints?

INCENTIVES

*Shape
economic
behaviour*

*Determine
outcomes*

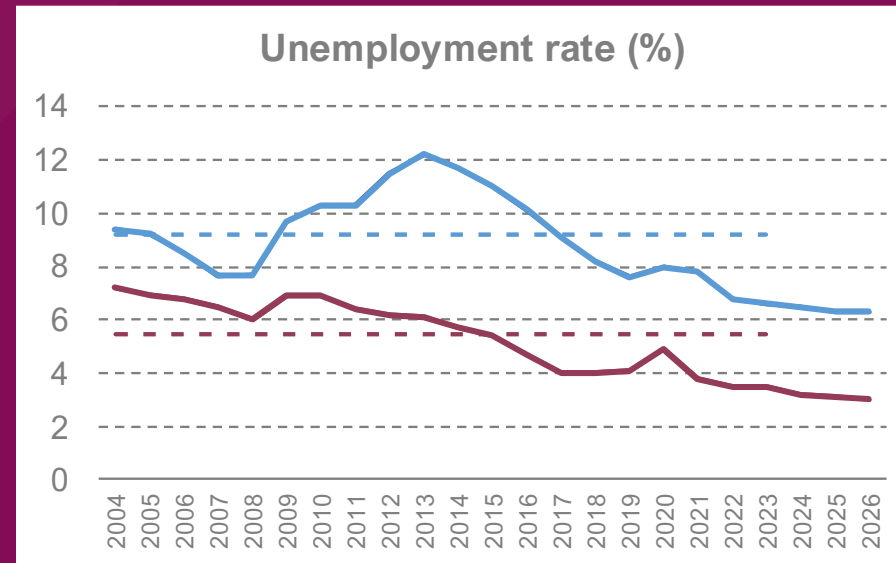
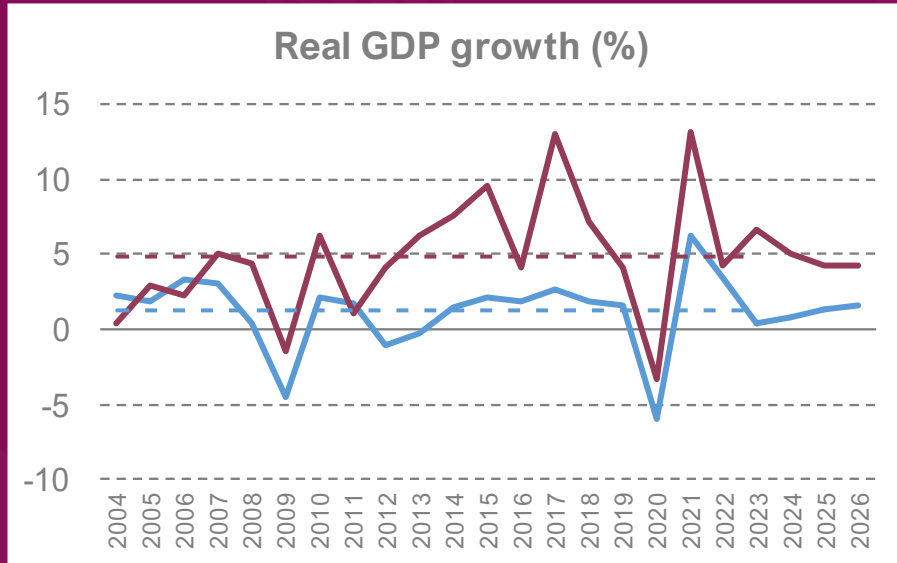


The Maltese economy

2029
3.5%

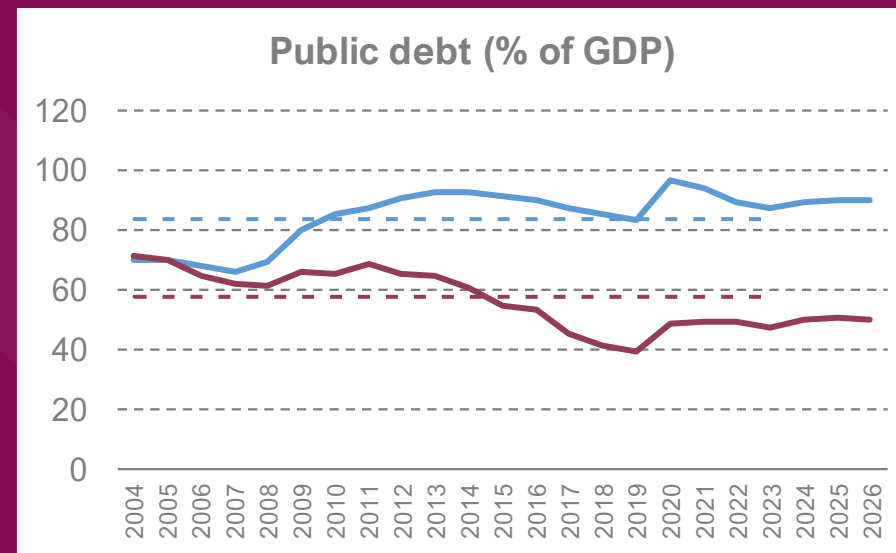
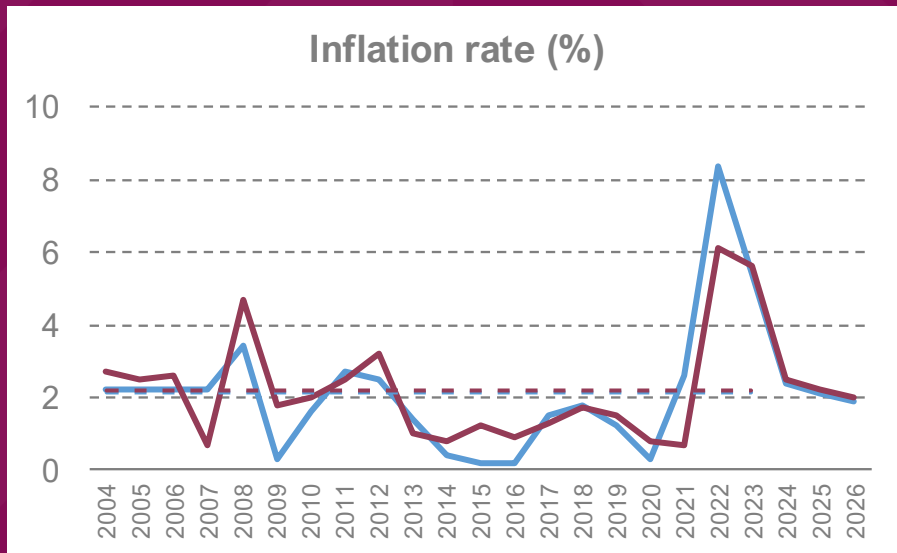
Note: forecasts for the period 2024 - 2026 are by the EU Commission; forecasts for 2029 are by the IMF.

2029
2.0%



2029
3.0%

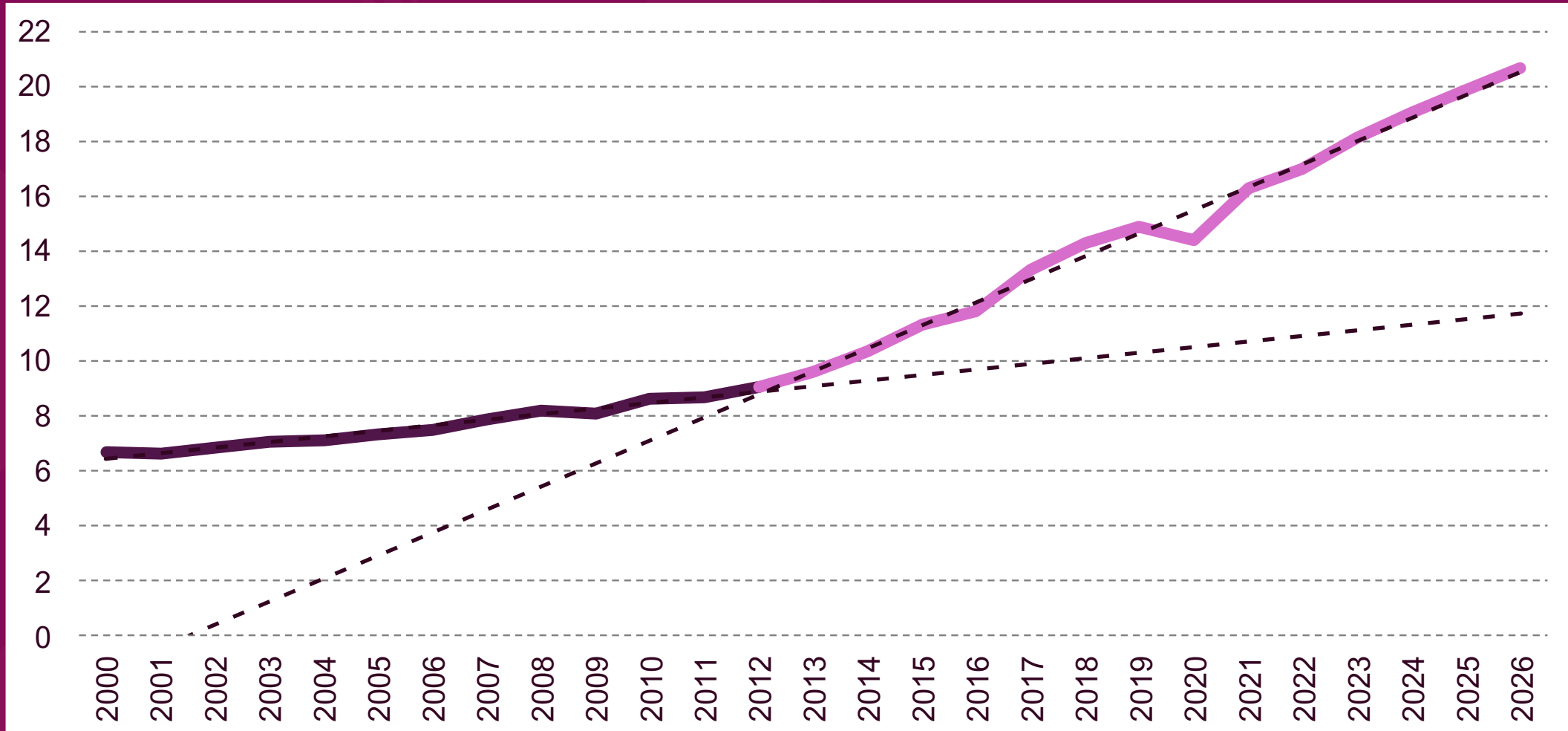
— Euro Area
— Malta



2029
49.7%

Note: dashed lines indicate averages over the period 2004 - 2023.

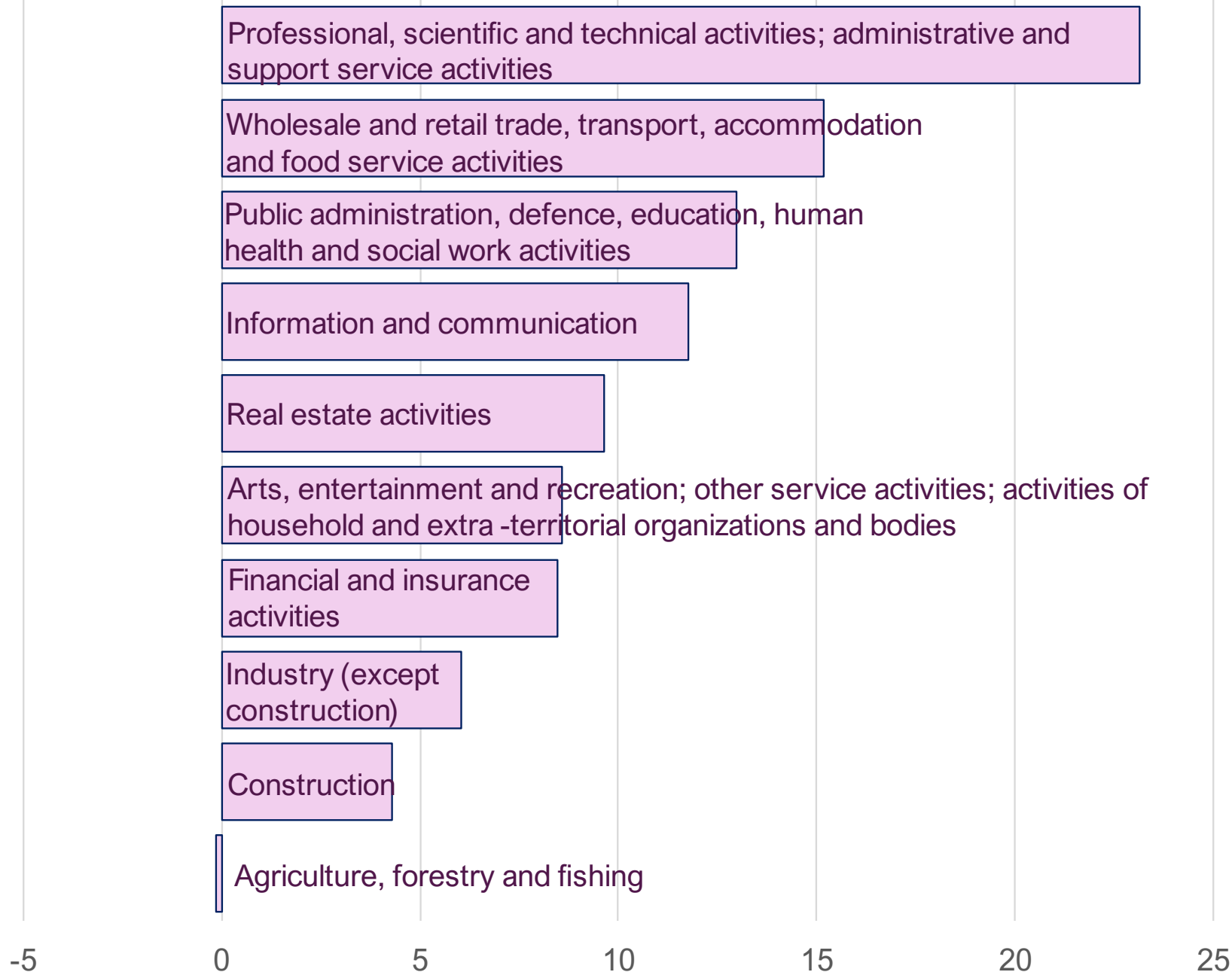
Real GDP EUR billions



Source: Eurostat, European Commission Autumn 2024 Economic Forecast.

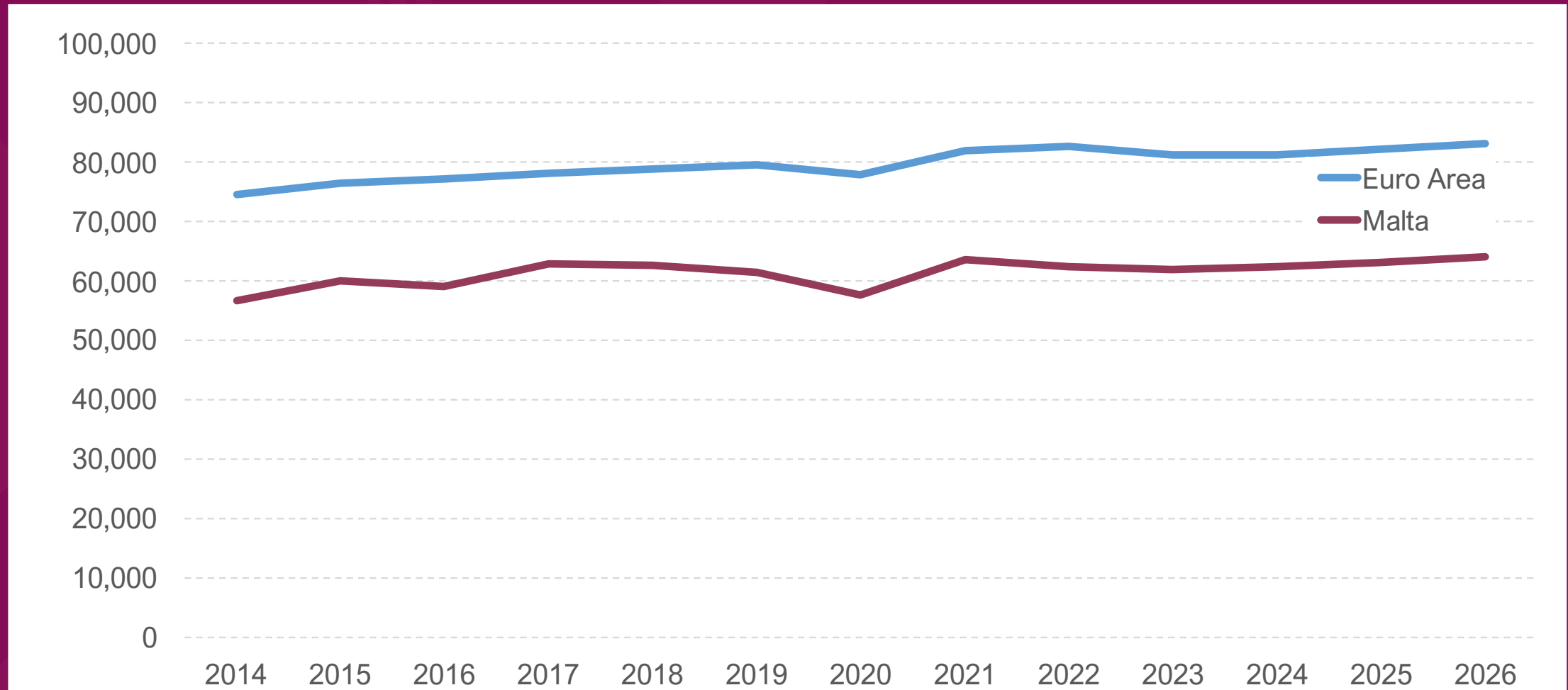
Expansion in nominal Gross Value Added

Contribution to growth in percentage points
(2023 Q4 – 2024 Q3 compared to 2012)



Productivity

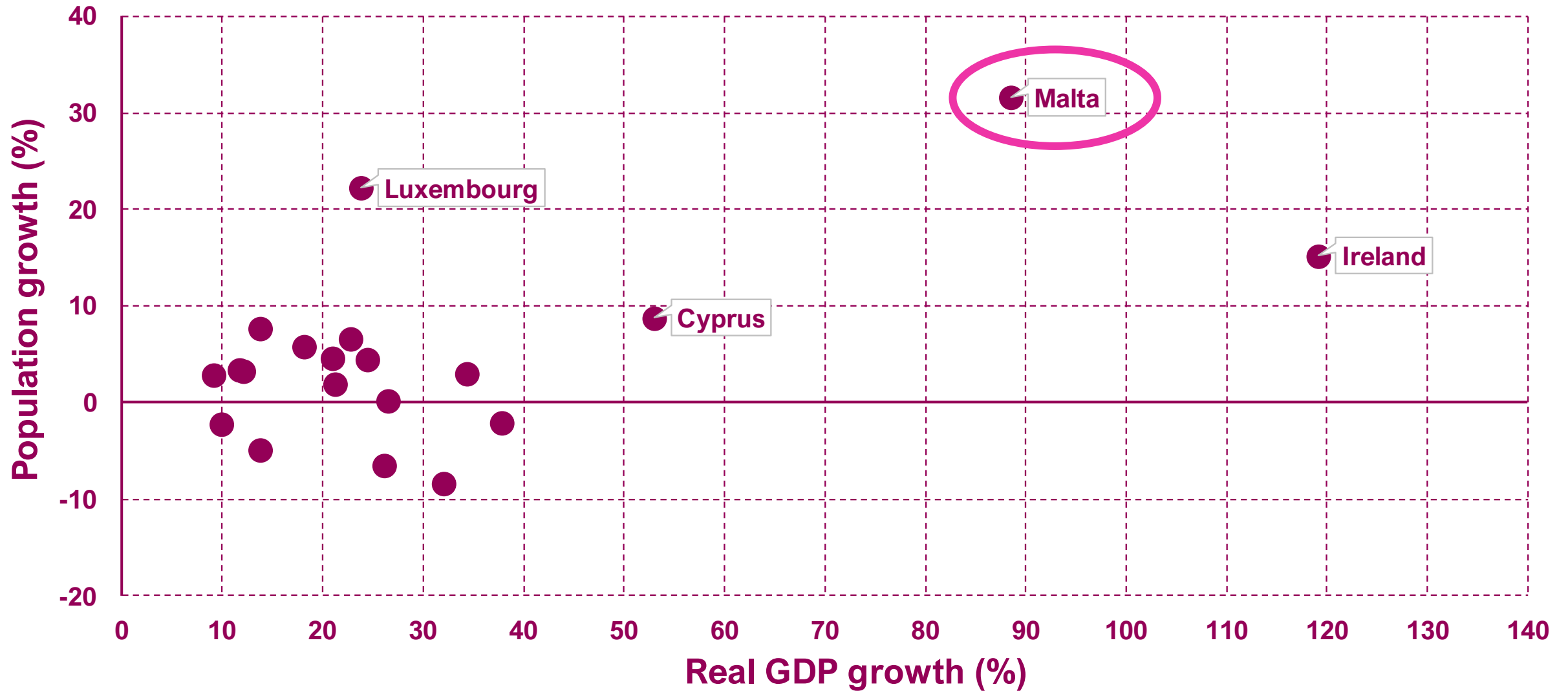
Real GDP per employee in EUR



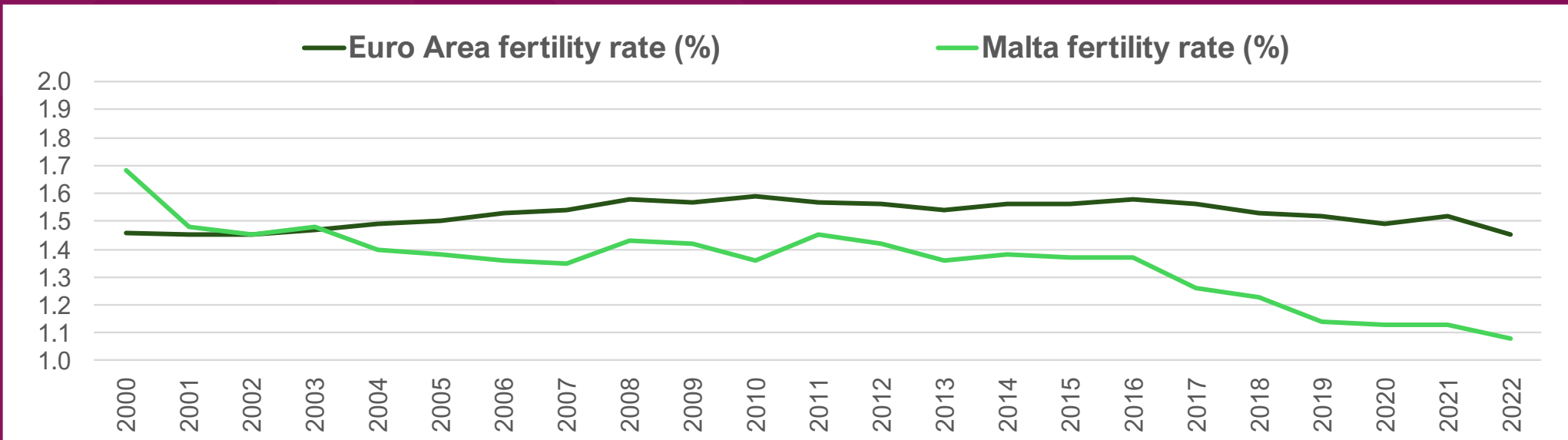
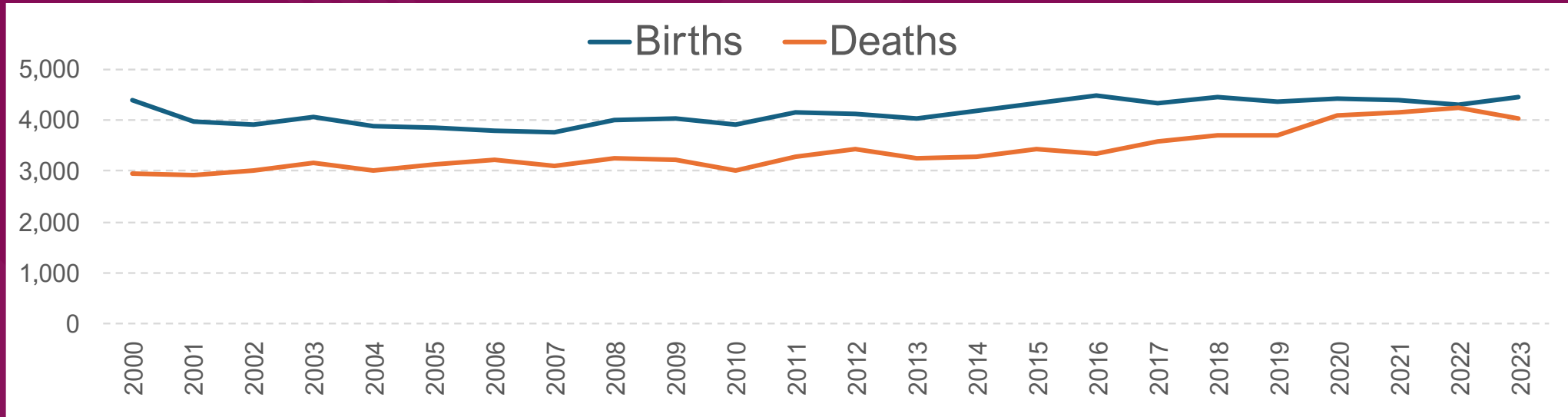
Note: Euro Area figures are calculated using simple average.

Source: Eurostat, European Commission Autumn 2024 Economic Forecast.

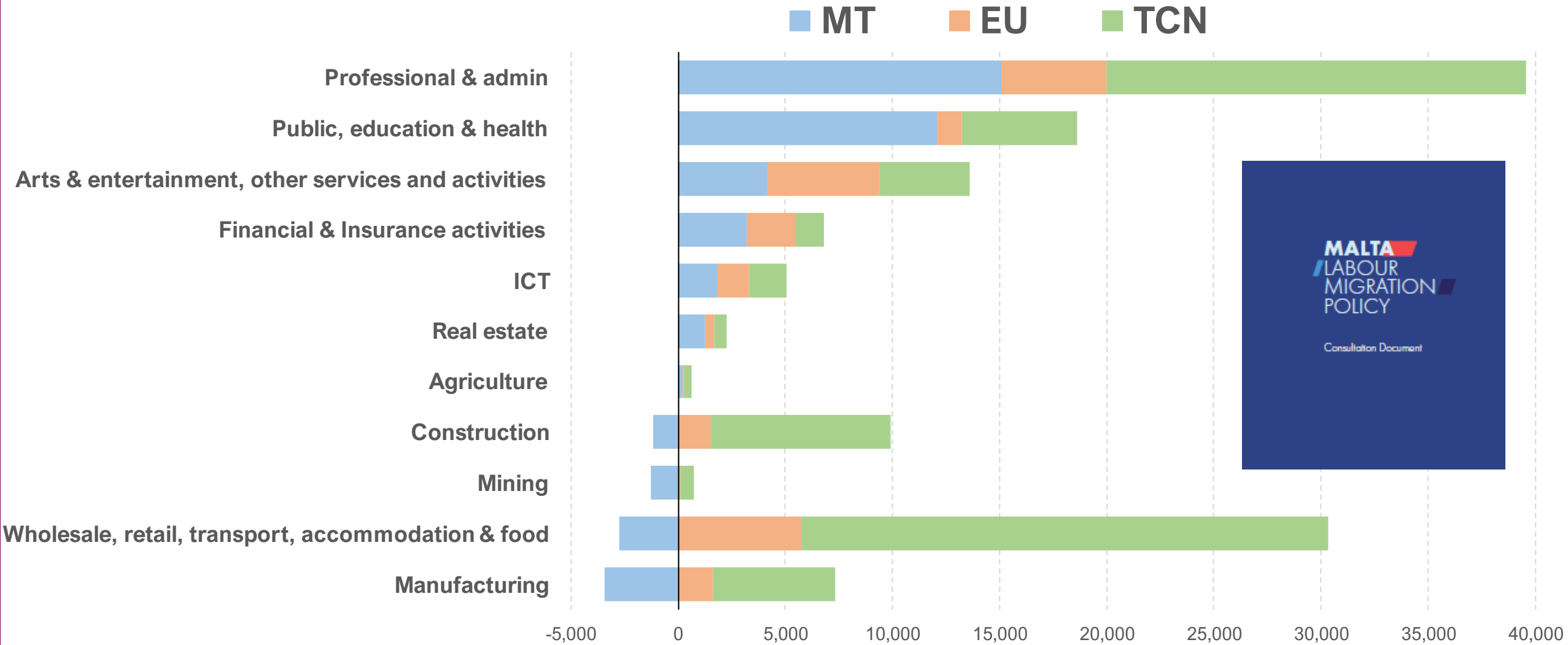
Economic and population growth 2013 - 2023



Demography

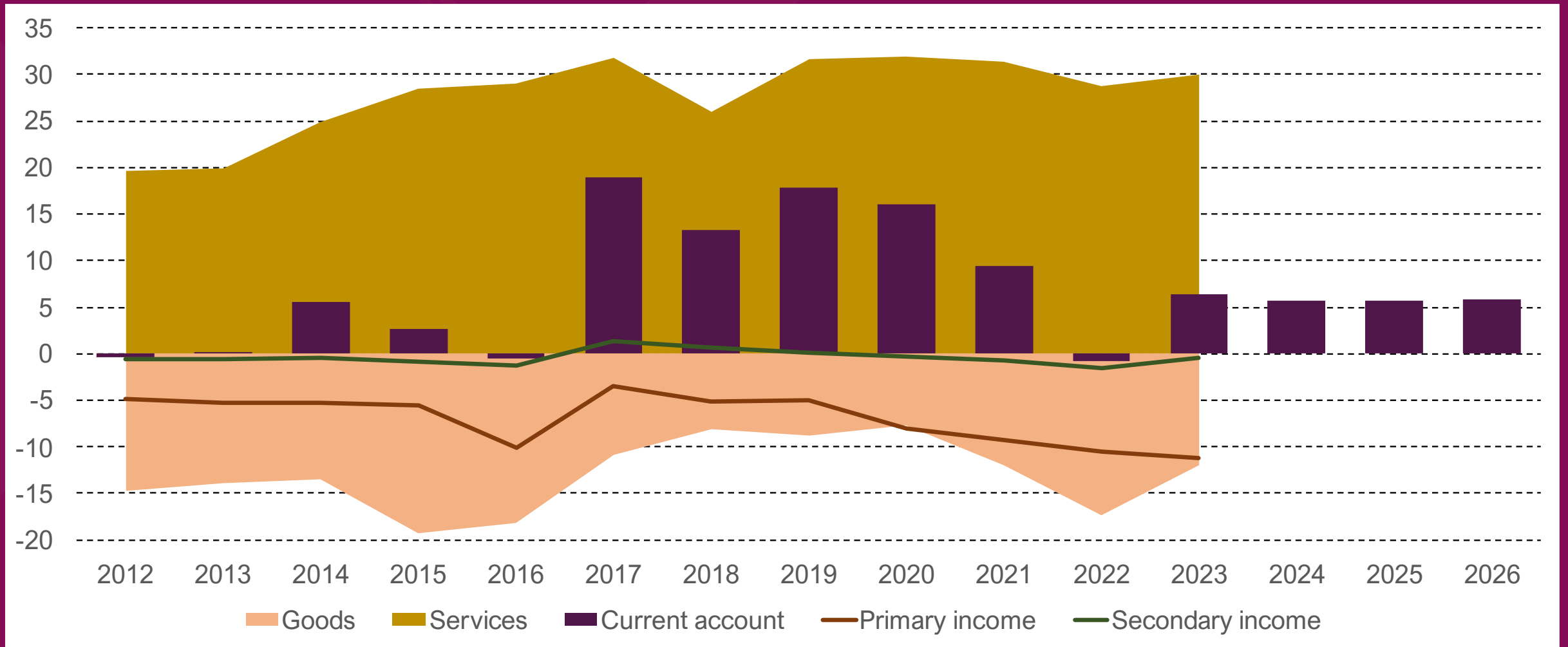


Employment change between 2013 and 2023



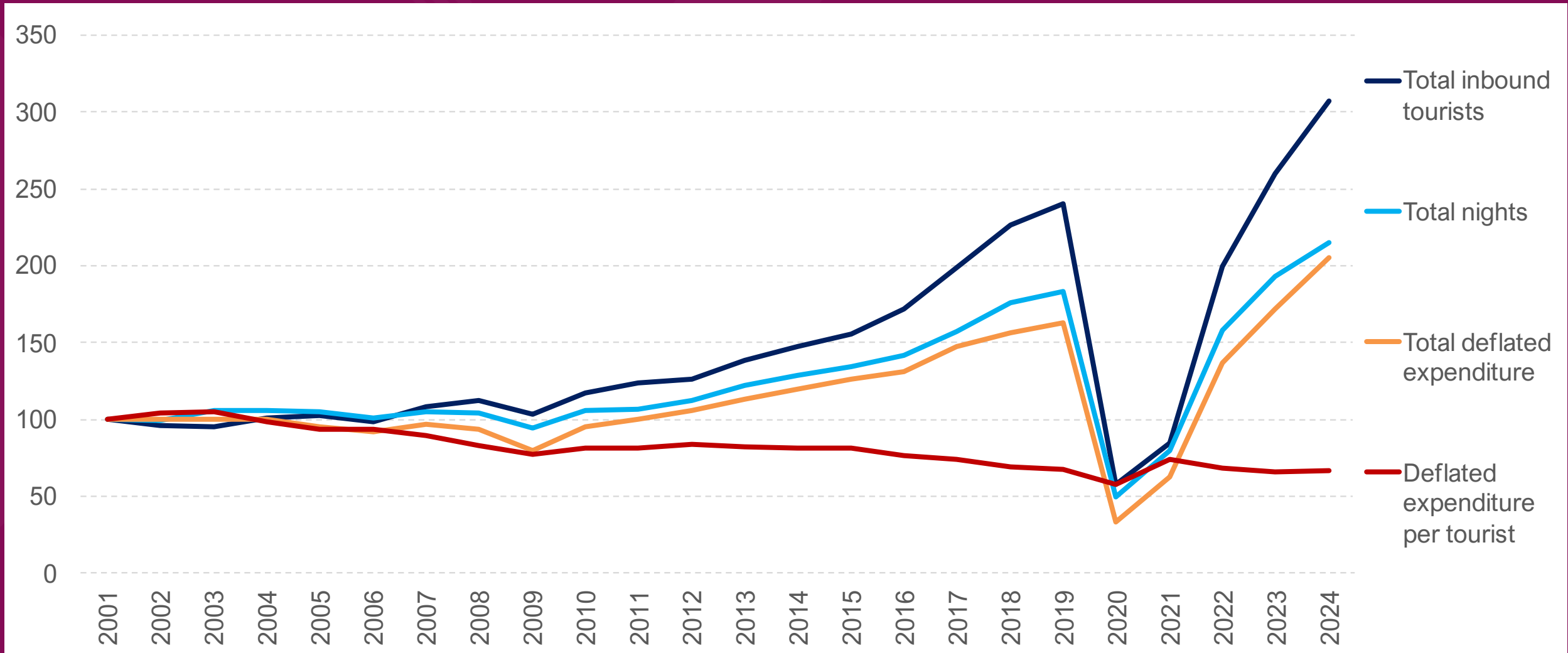
External sector

Current account of the balance of payments as % of GDP



Tourism performance

Index 2001 = 100



Source: National Statistics Office, own estimates.

TIMES MALTA Latest **National** World Opinion Fact-check X2 Sport Motoring Business Community

Watch: Ryanair wants to carry eight million passengers a year on Malta routes

Airline CEO says Malta can handle more tourists if evenly spread through the year

TIMES MALTA Latest **National** World Opinion Fact-check X2 Sport Motoring Business Community

Watch: 'Malta is nearing maximum tourist capacity' – Tony Zahra

MHRA president questions the sustainability of Malta's tourism industry

"I understand that 99 applications for hotels and extensions have been approved. The Planning Authority should ask these hotels: 'What are your plans for managing drainage, energy, and staffing?'"

Zahra notes that these projects will add 27,000 rooms to the current stock and will require 15,000 additional employees to operate.

TIMES MALTA Latest **National** World Opinion Fact-check X2 Sport Motoring Business Community

Malta airport passengers up by 15% in 2024, record traffic reported

Much of the growth came in the low season, more growth expected in 2025

Borg said the airport expects to see an increase from the 8.96 million who visited Malta in 2024 in the new year.

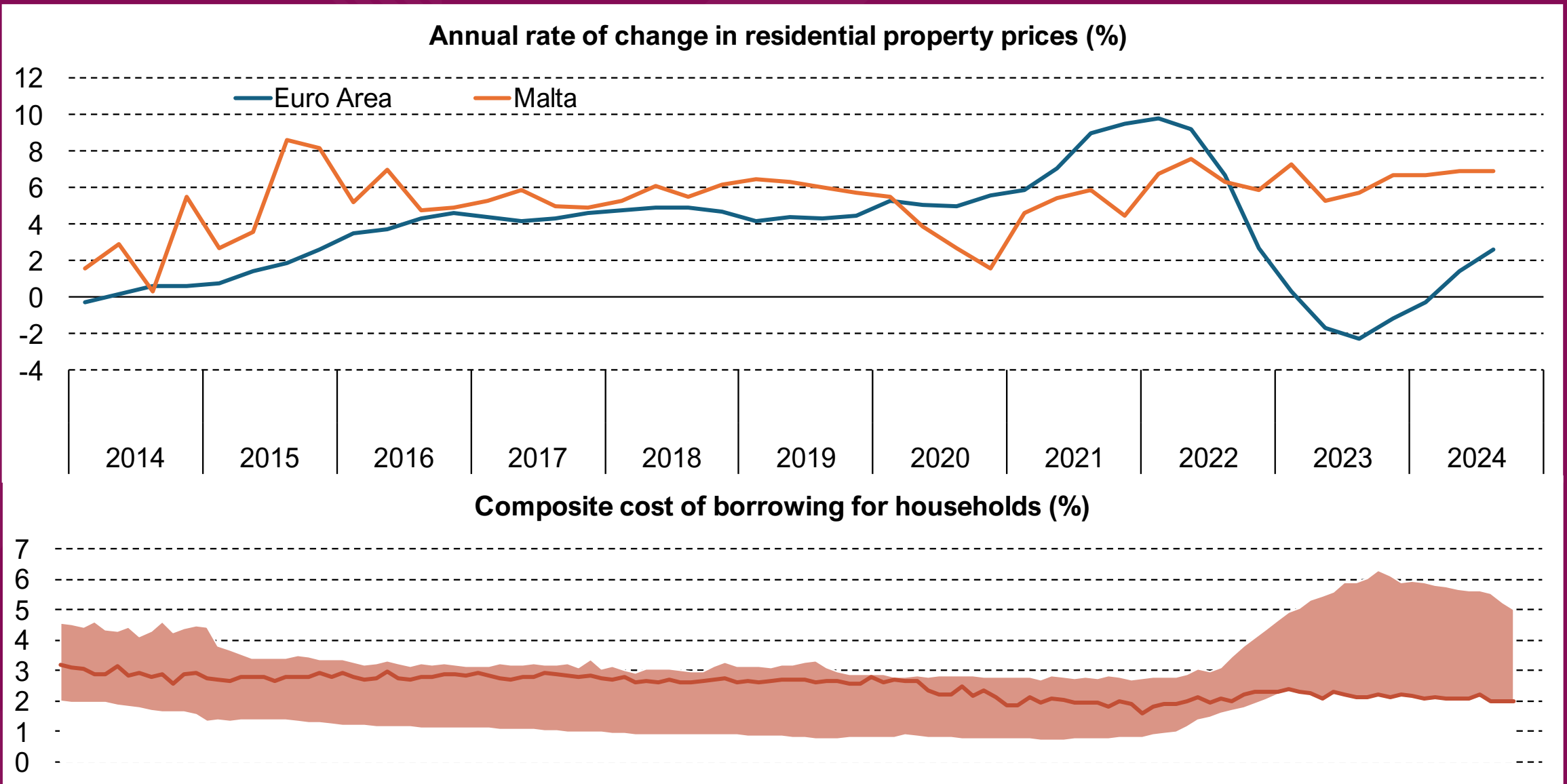
MIA is expecting a total of 9.3 million passengers in 2025, Borg said.

**European Tourism:
Trends & Prospects**
Quarterly Report Q3/2024

**European Travel Commission 2025 forecast:
visitor growth to the Mediterranean**

8.1%

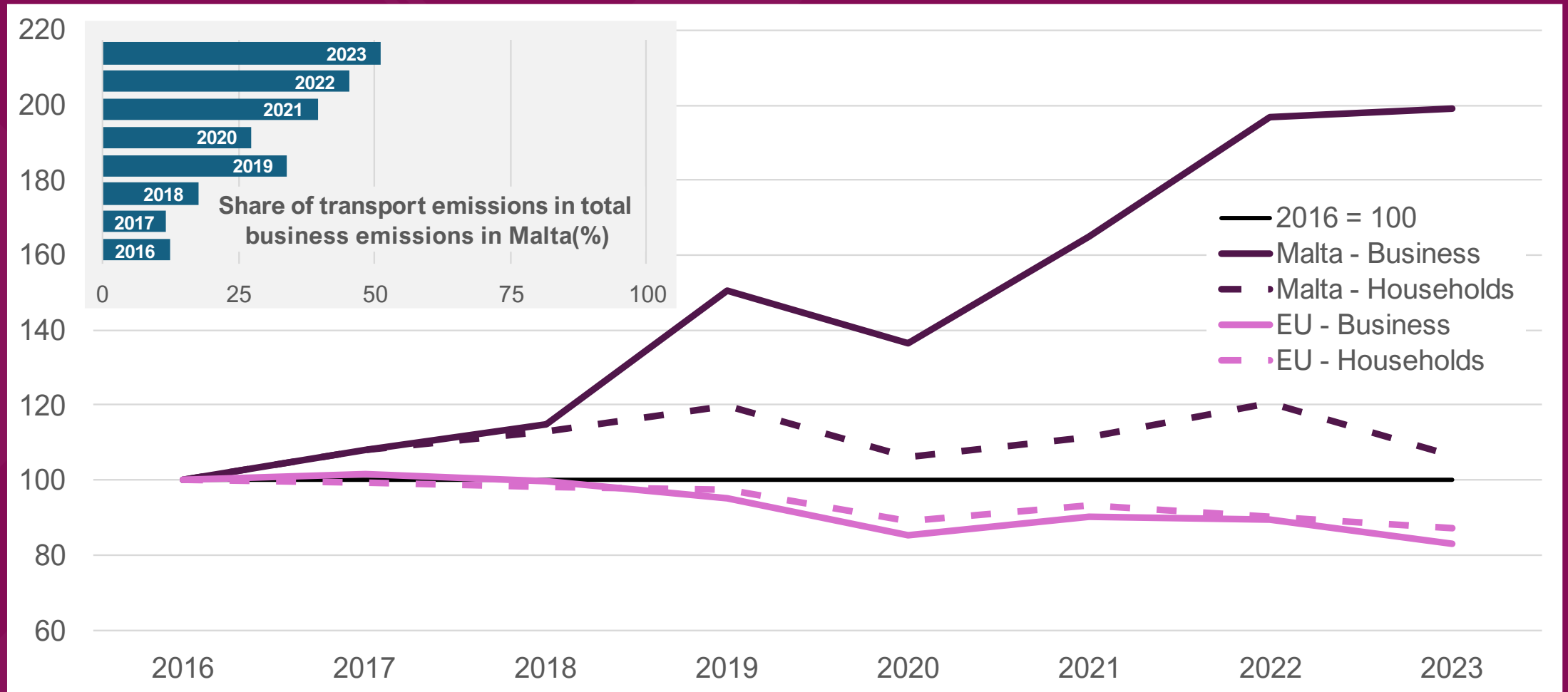
Property prices and interest rates



Source: Eurostat, European Central Bank.

Air emissions

Index 2016 = 100



Source: Eurostat.

Which five risks are the most likely to pose the biggest threat to your country in the next two years?

Malta

- 1st Pollution (air, water, soil)
- 2nd Labour and/or talent shortage
- 2nd Inflation
- 4th Extreme weather events (floods, heatwaves etc.)
- 5th Economic downturn (e.g. recession, stagnation)
- 5th Energy supply shortage

The Global Risks Report 2025

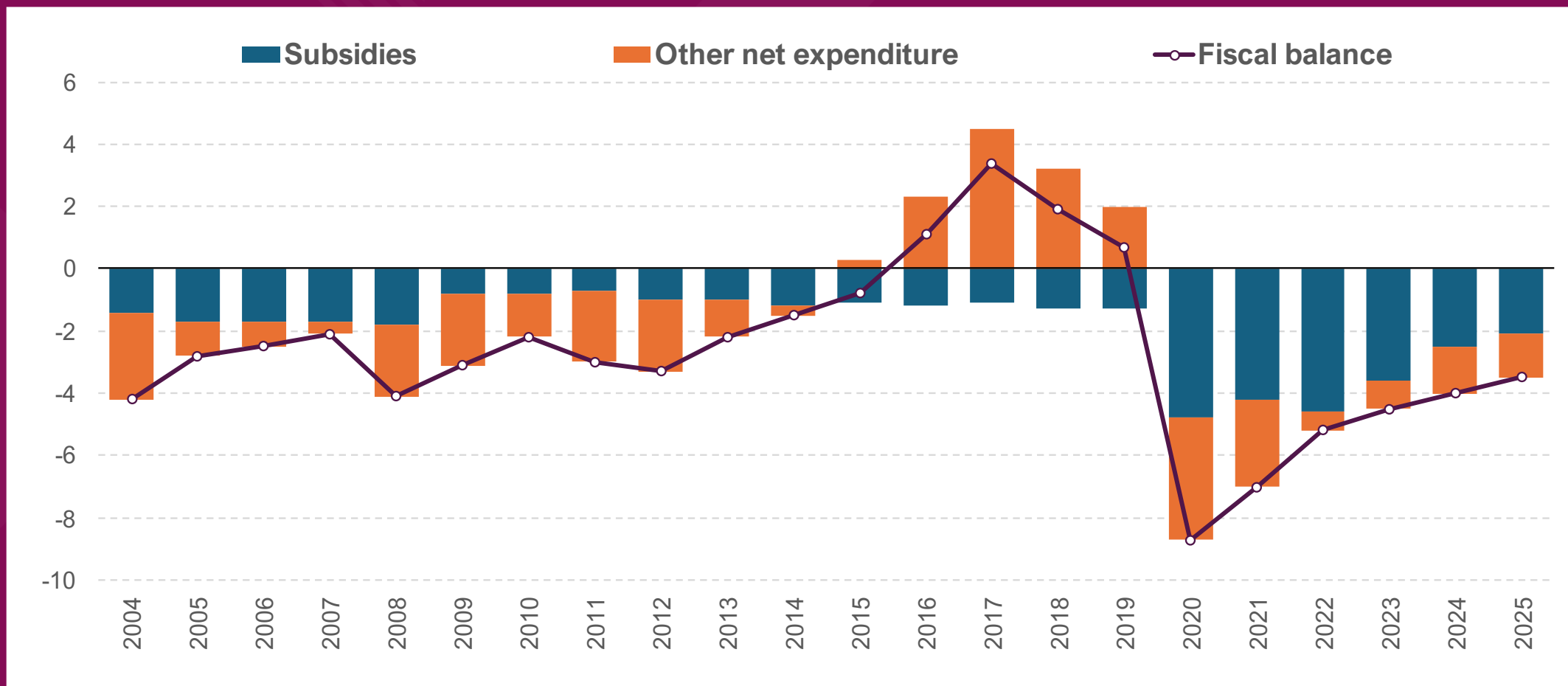
20th Edition

INSIGHT REPORT



Public finances

% of GDP

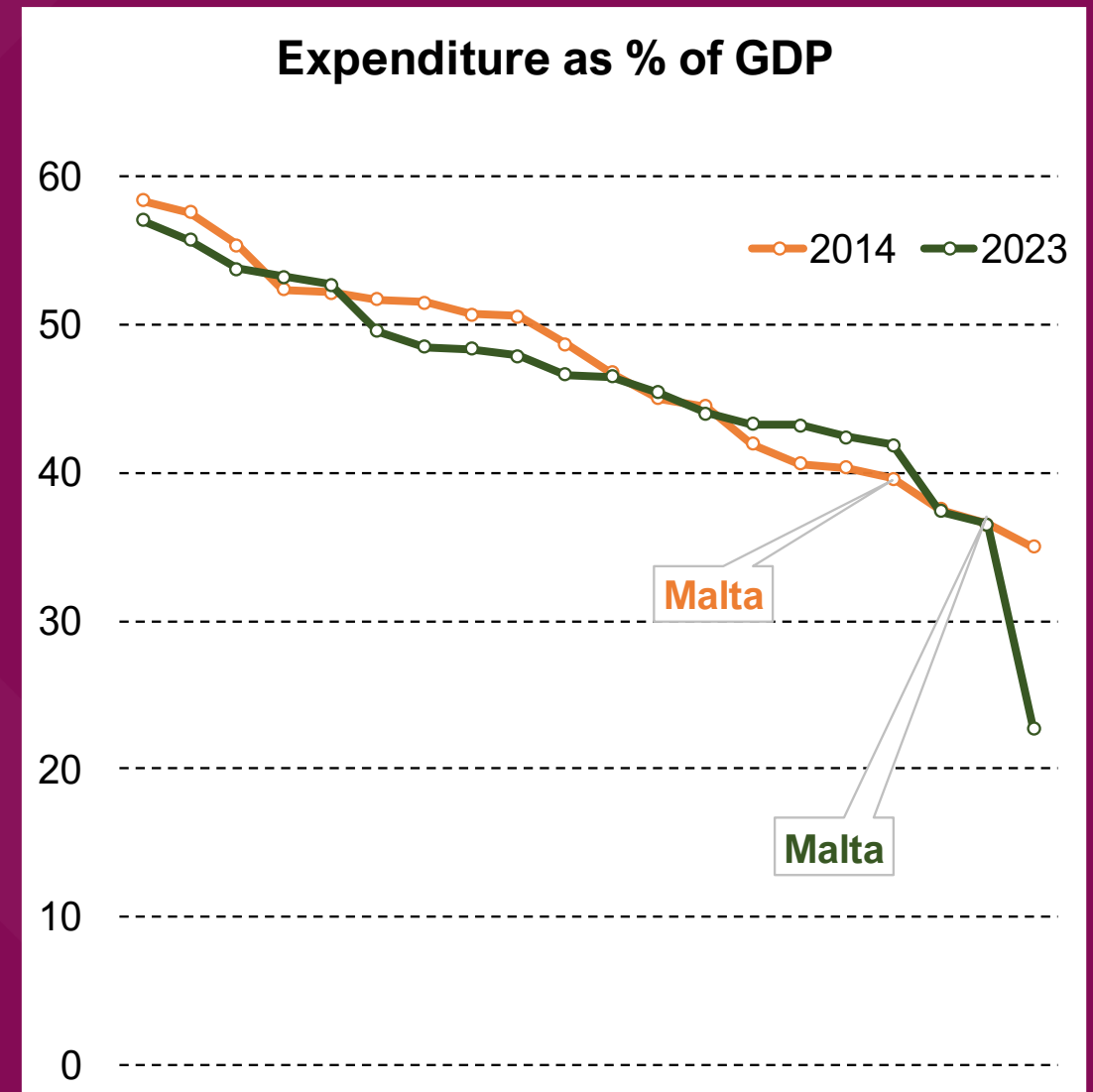
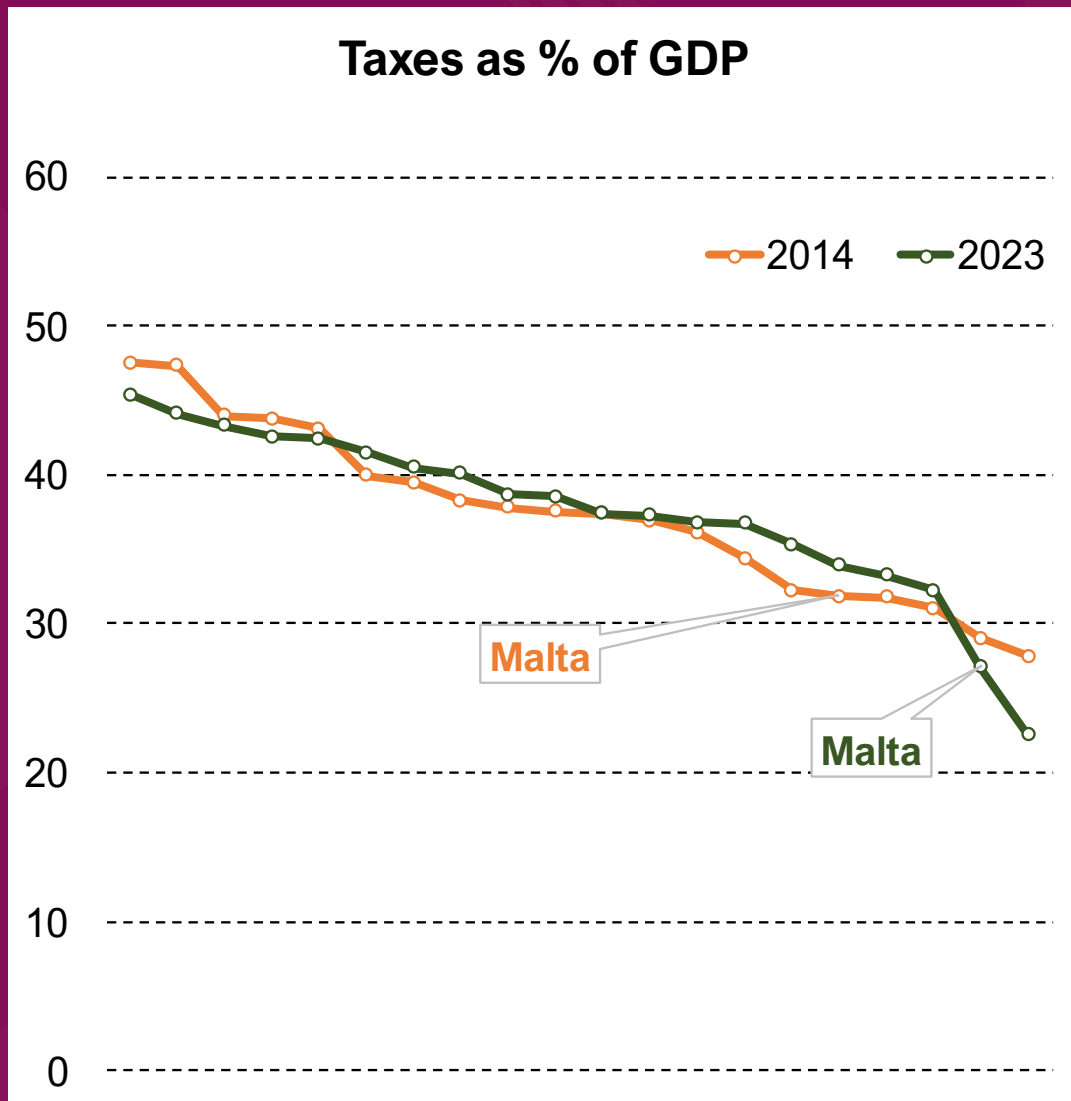


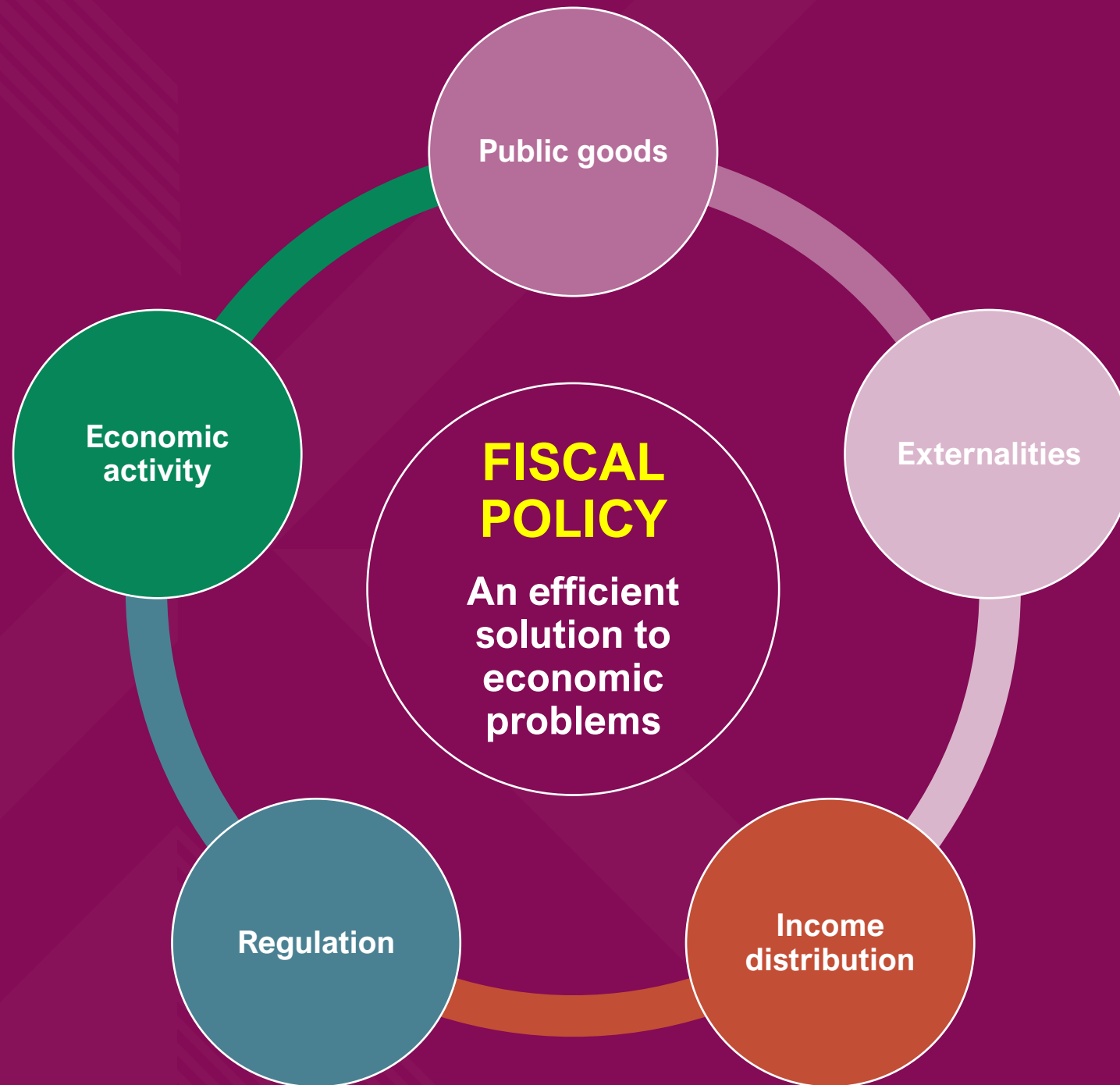
Subsidies

2020	2021	2022	2023	2024 F	2025 F
€684.4m	€706.4m	€833.8m	€745.5m	€556.1m	€502.5m

Source: Eurostat, Ministry for Finance Draft Budgetary Plan 2025.

Taxes and government expenditure





Factors of production

Land



Labour

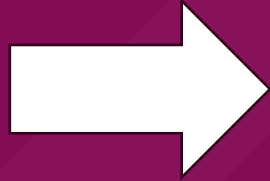


Capital



Entrepreneurship

**Price
signals**



**Determine the
mix of factors
or production**

Some examples

*Energy
subsidies*

*Capped social
contributions*

*Free public
transport*

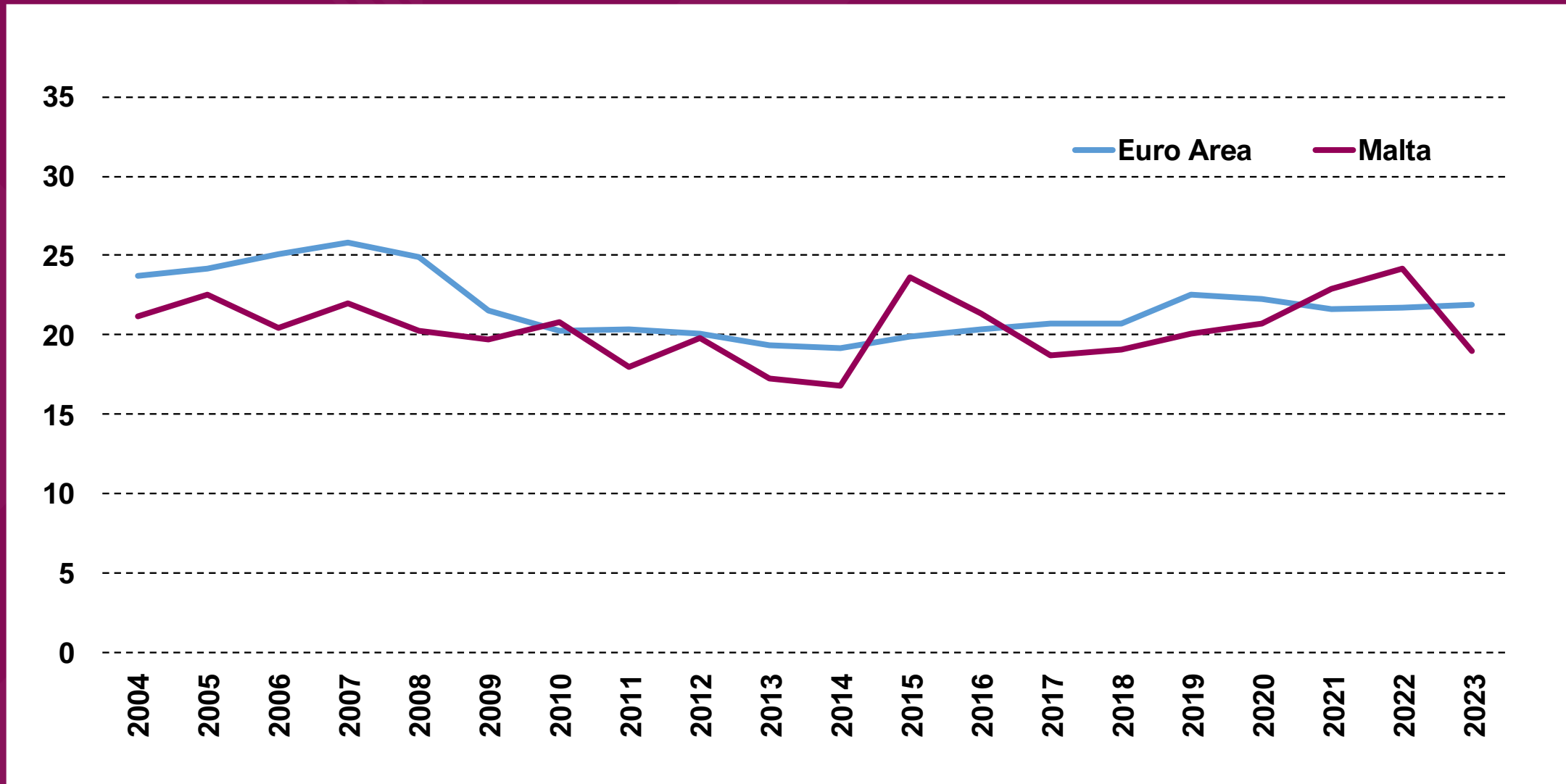
*Taxation of rental
income different
from wage income*

*Wage
assistance for
atypical jobs*

*used
mostly by
foreigners*

Investment

% of GDP



Note: Euro Area figures are calculated using simple average .

Source: Eurostat.

Concluding remarks

Near term

Uncertainty

Cautious optimism

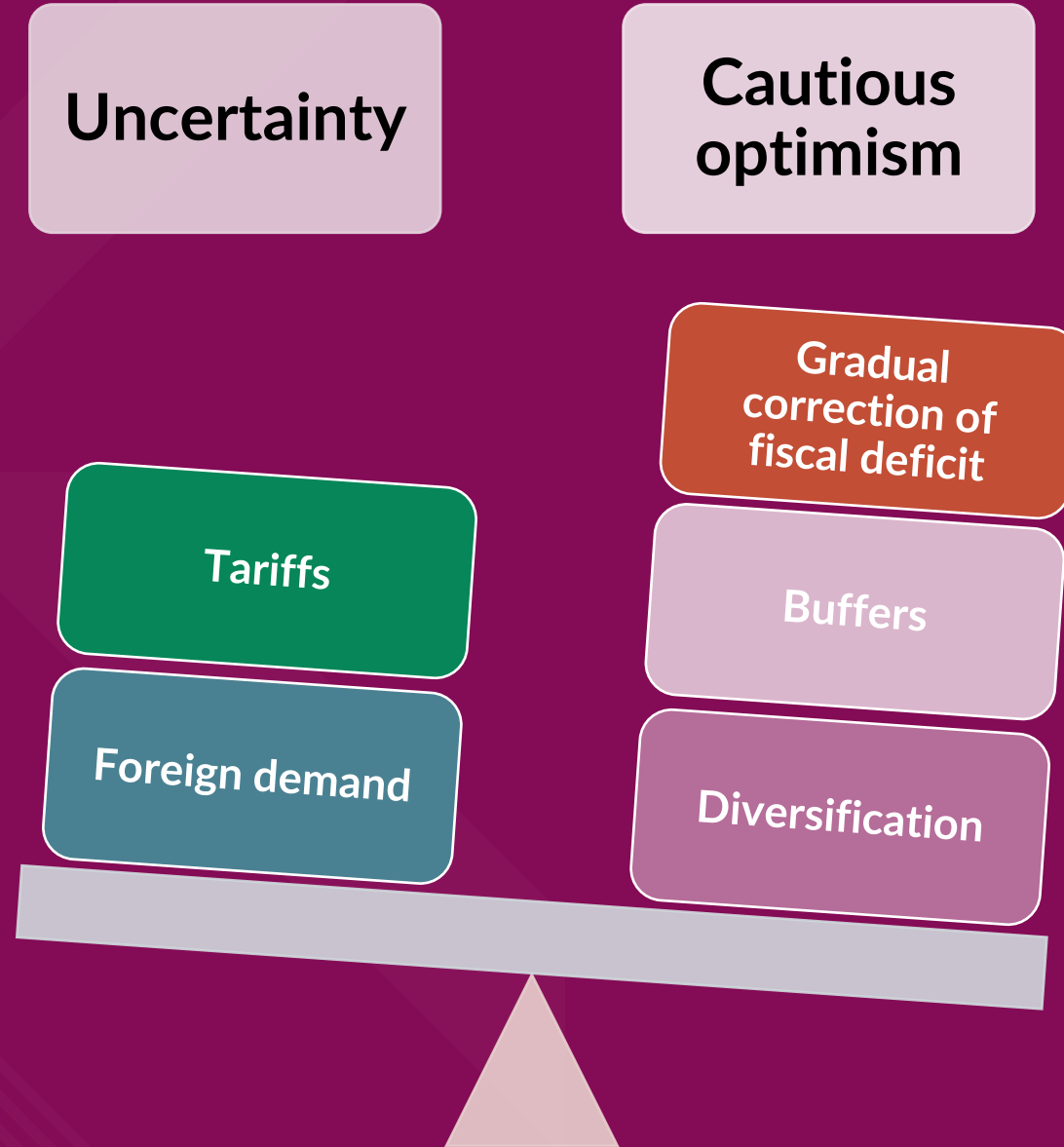
Tariffs

Foreign demand

Gradual correction of fiscal deficit

Buffers

Diversification



Long run forces

- Higher life expectancy
- Shifts in global power
- Technology improvements
- Climate change



Economic mindset

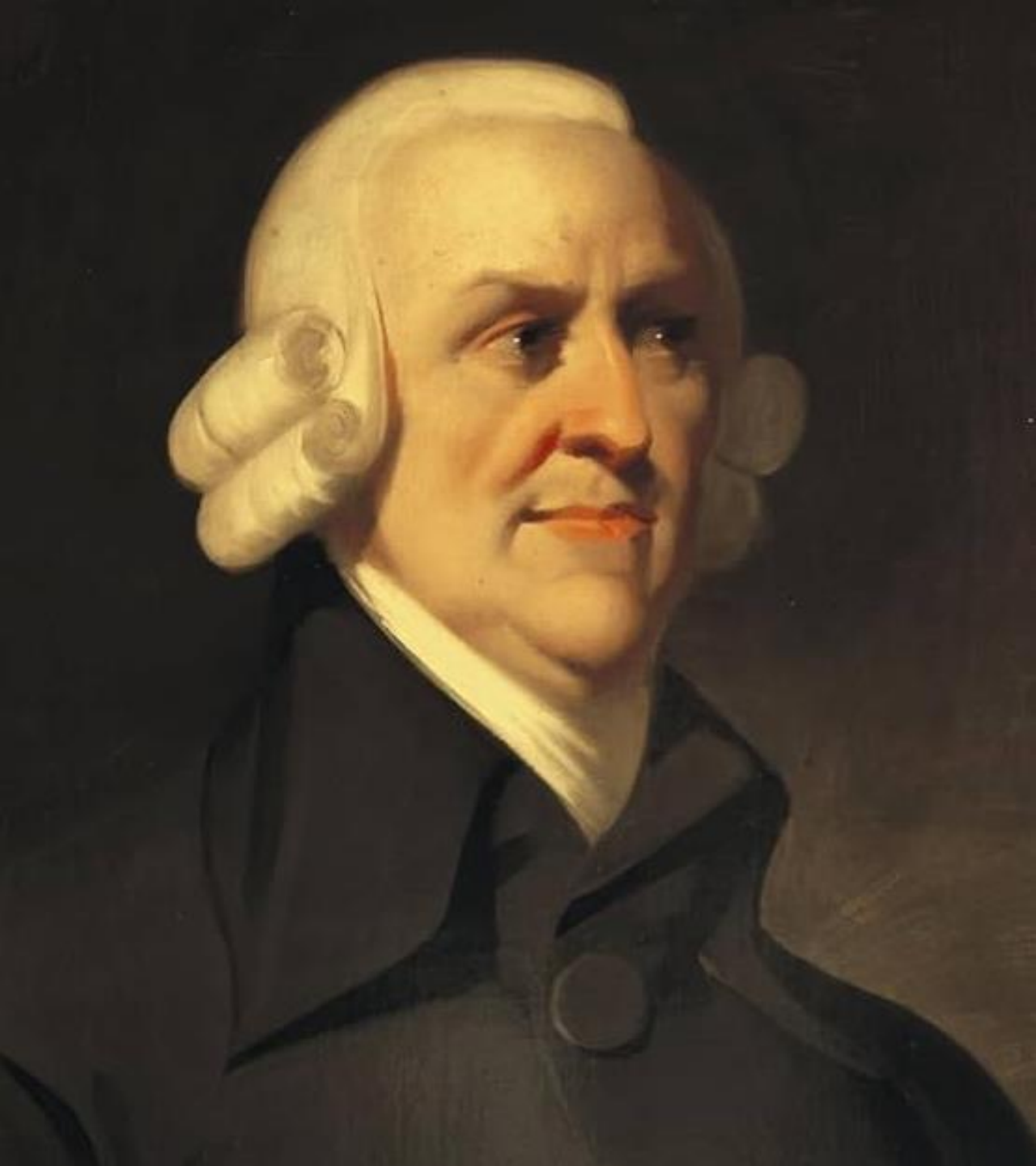
*Focus on opportunity cost
Shift from good choices to
better options from a
society perspective*

*Consider all timeframes
Increase attention to the
medium and long term*

It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest.

Adam Smith

1723 - 1790



The difficulty lies not so much in developing new ideas as in escaping from old ones.

John Maynard Keynes
1883 - 1946





Productivity is not everything, but in the long run, it's almost everything.

Paul Krugman
1953 -

Thank you

BOV

Bank of Valletta