



ECONOMIC AND FINANCIAL REVIEW

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**Ministry for Finance
8 April 2013**

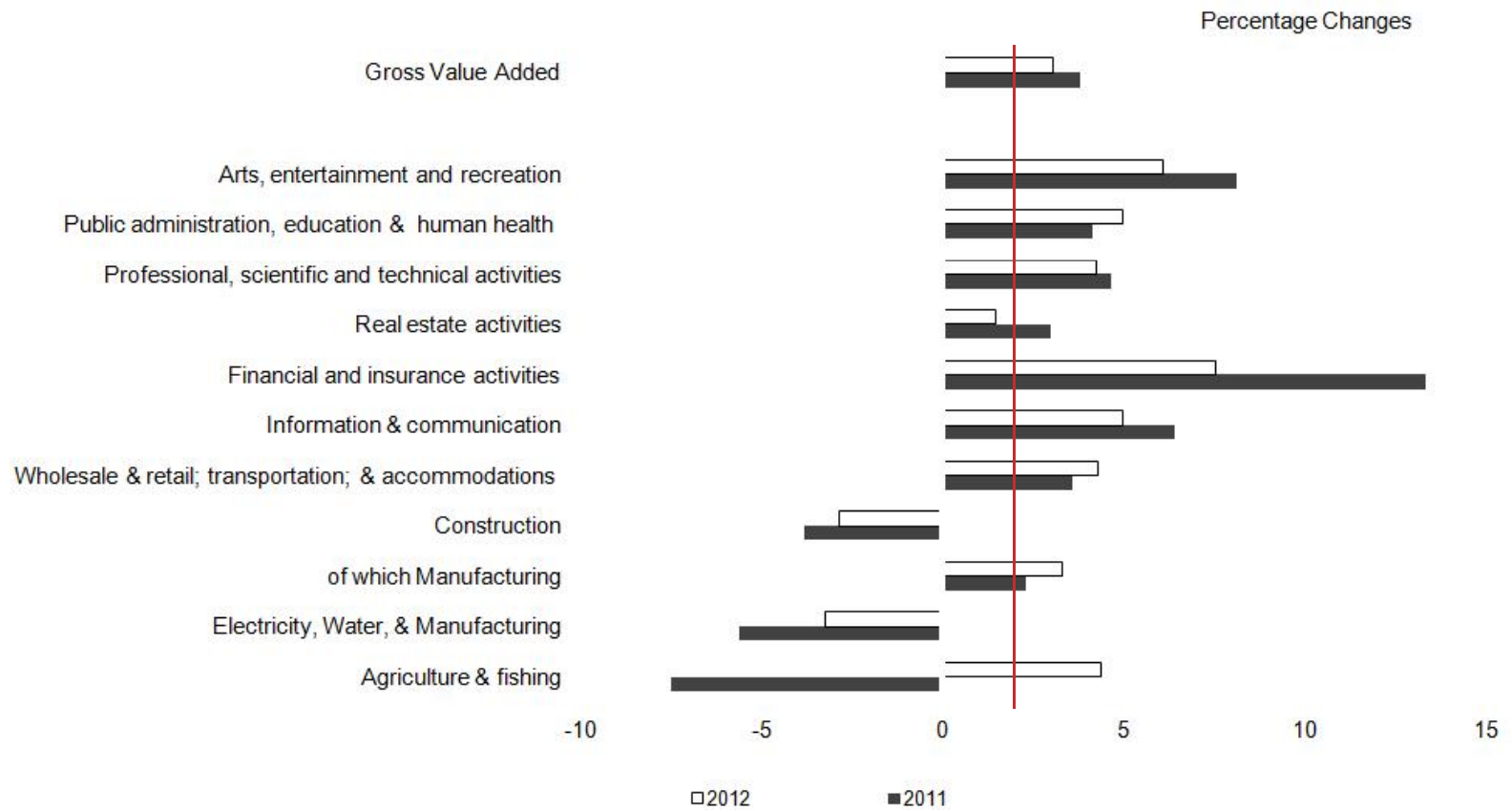
The economic recovery of 2010 has not been sustained...

(Percentage Changes)

	2009	2010	2011	2012
GDP at constant prices	-2.6	2.9	1.7	0.8
Private Consumption	0.7	-0.7	3.3	-0.6
Public Consumption	-2.7	1.7	3.8	5.5
Gross Fixed Capital Formation	-13.4	0.9	-14.1	-2.5
Exports of Goods and Services	-8.4	18.1	0.8	5.2
Imports of Goods and Services	-8.2	12.7	-2.0	4.4
Contributions to growth (in p.p)				
Domestic demand	-2.5	0.0	0.6	0.4
Inventories	-0.3	-1.5	-1.7	-0.5
Net Exports	0.1	4.4	2.8	1.0
Nominal GDP	0.1	5.8	3.8	3.0

Sectors contributing to GVA growth

Sectoral Growth in Gross Value Added

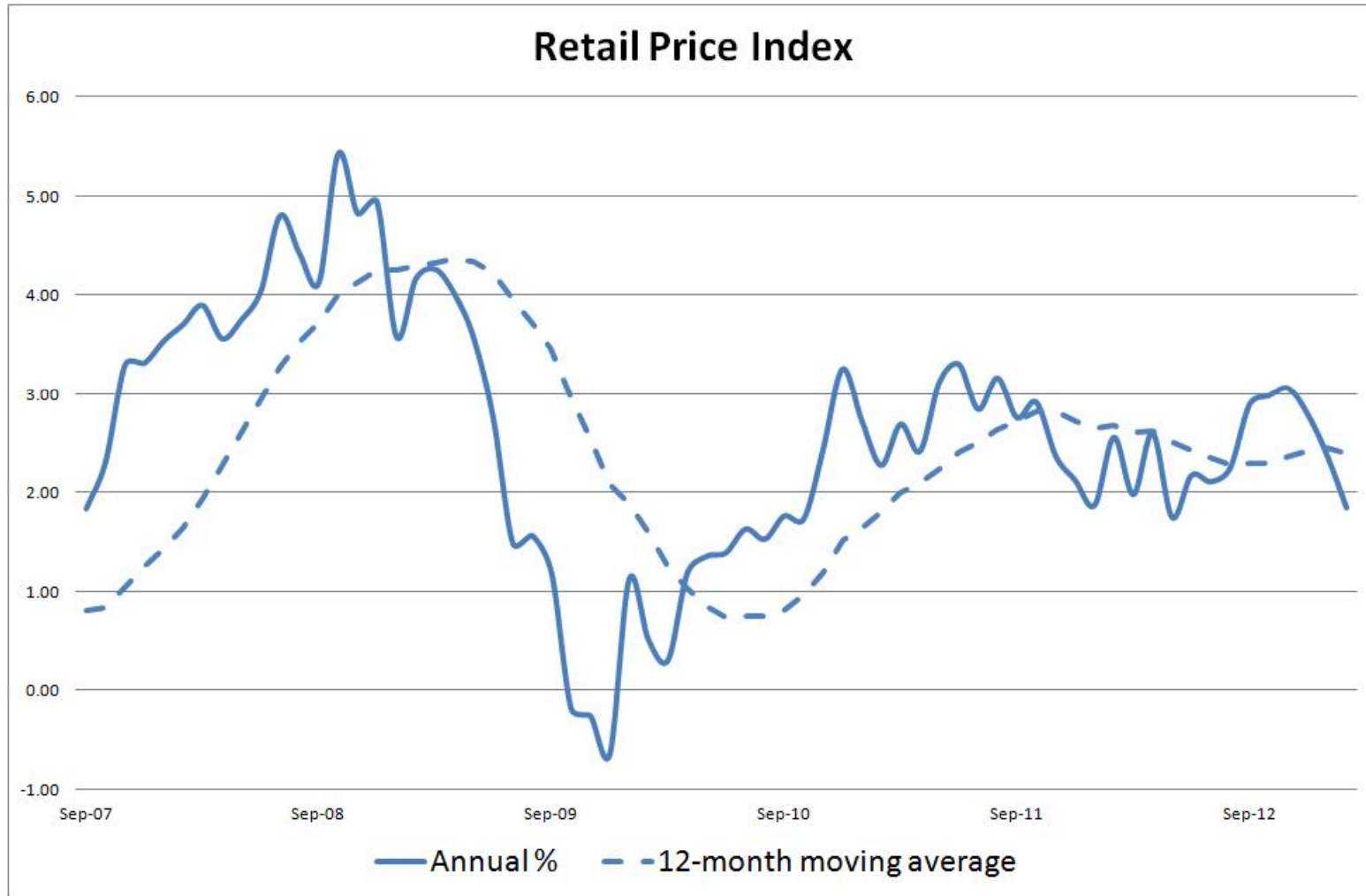


Employment growth is being driven by female participation

Labour Force Survey Indicators	Percent		
	2010 Oct-Dec	2011 Oct-Dec	2012 Oct-Dec
Activity Rate	60.5	61.4	63.6
Male	77.5	77.9	77.7
Female	42.8	44.4	49.0
Employment Growth	2.4	1.9	3.4
Male	1.6	1.5	-0.1
Female	3.9	2.6	10.0
Unemployment Rate	6.8	6.6	6.5
15-24	13.7	13.6	12.8
25+	5.5	5.2	5.3

Source: National Statistics Office

At 2.46% headline Inflation stabilised since the last quarter of 2011 close to its long term average



The current account gradually turned into a surplus indicating a sustained correction of macroeconomic imbalances...

Current Account	% of GDP				
	2008	2009	2010	2011	2012
Balance on Current Account	-4.9	-8.6	-4.7	-0.2	0.4
GOODS AND SERVICES	-1.8	-2.2	1.4	5.1	6.3
Exports of Goods and Services	91.8	81.8	95.6	100.2	102.4
Imports of Goods and Services	-93.6	-84.0	-94.2	-95.0	-96.1
INCOME	-2.9	-7.1	-6.6	-5.8	-6.8
Income Received	37.1	27.6	25.8	25.1	27.3
Income Paid	-40.0	-34.7	-32.4	-30.9	-34.1
CURRENT TRANSFERS (Net)	-0.1	0.7	0.4	0.5	0.8
General Government Transfers	0.2	0.8	0.4	0.7	1.0
Private Transfers	-0.3	-0.1	0.0	-0.2	-0.2

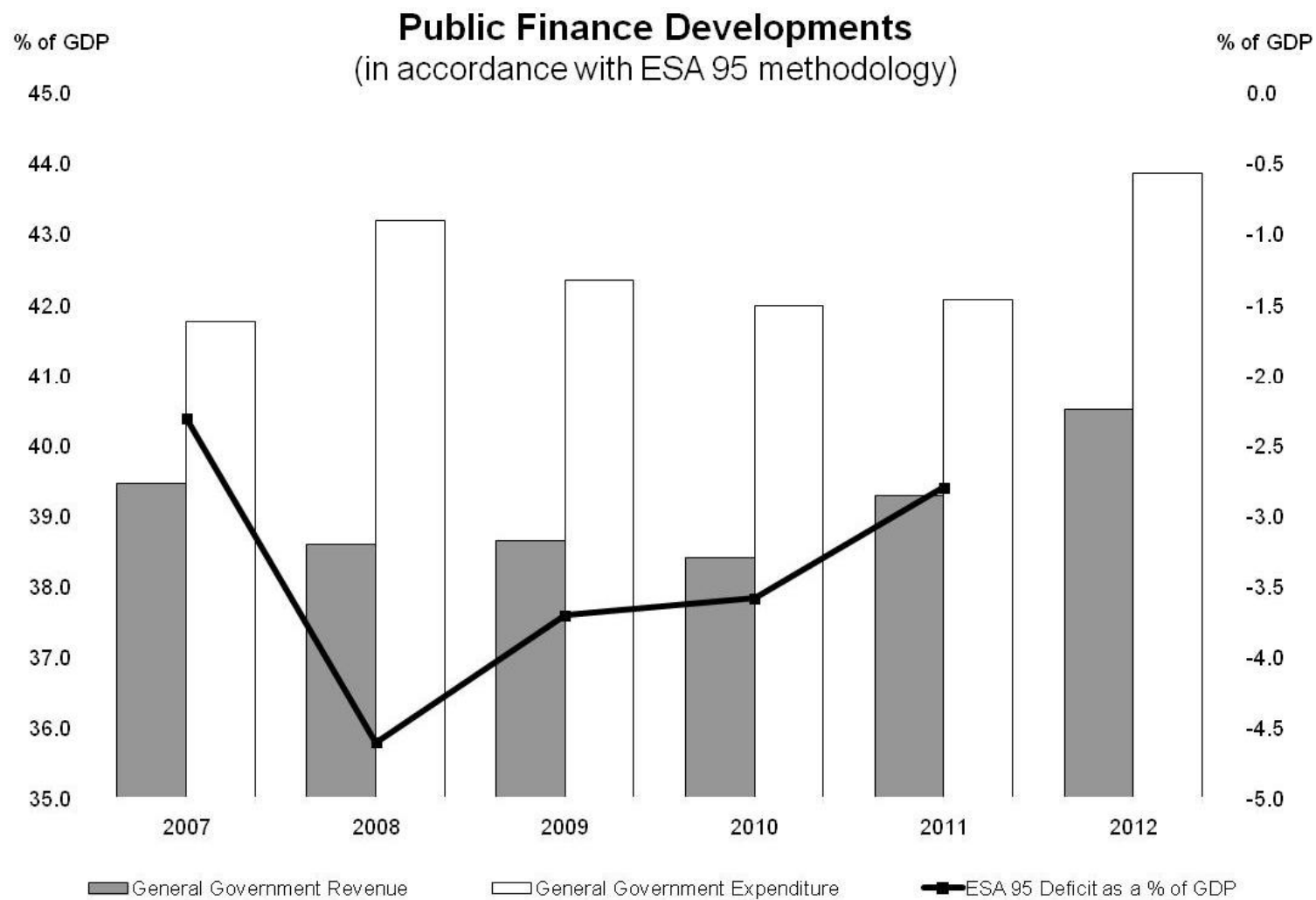
Source: National Statistics Office

Fiscal position 2011 - 2012

000 euro

	2011	2012	2012
	Actual	Approved	Actual
Consolidated fund deficit	-218.6	-145.2	-342.3
General Government deficit	-183.0	-153.9	-225.9
Gross Domestic Product	6,556,327	6,776,000	6,755,851
Deficit as % of GDP	-2.8	-2.3	-3.3

..... however, public deficit worsens



Fiscal position 2011 - 2015

000 euro

	2011	2012	2013	2014	2015
Consolidated fund deficit	-218.6	-342.3	-163.8	-152.0	-95.0
General Government deficit	-183.0	-225.9	-191.3	-155.0	-124.0
Gross Domestic Product	6,556,327	6,755,851	6,978,794	7,243,988	7,548,236
Deficit as % of GDP	-2.8	-3.3	-2.7	-2.1	-1.6

Debt dynamics 2011 - 2015

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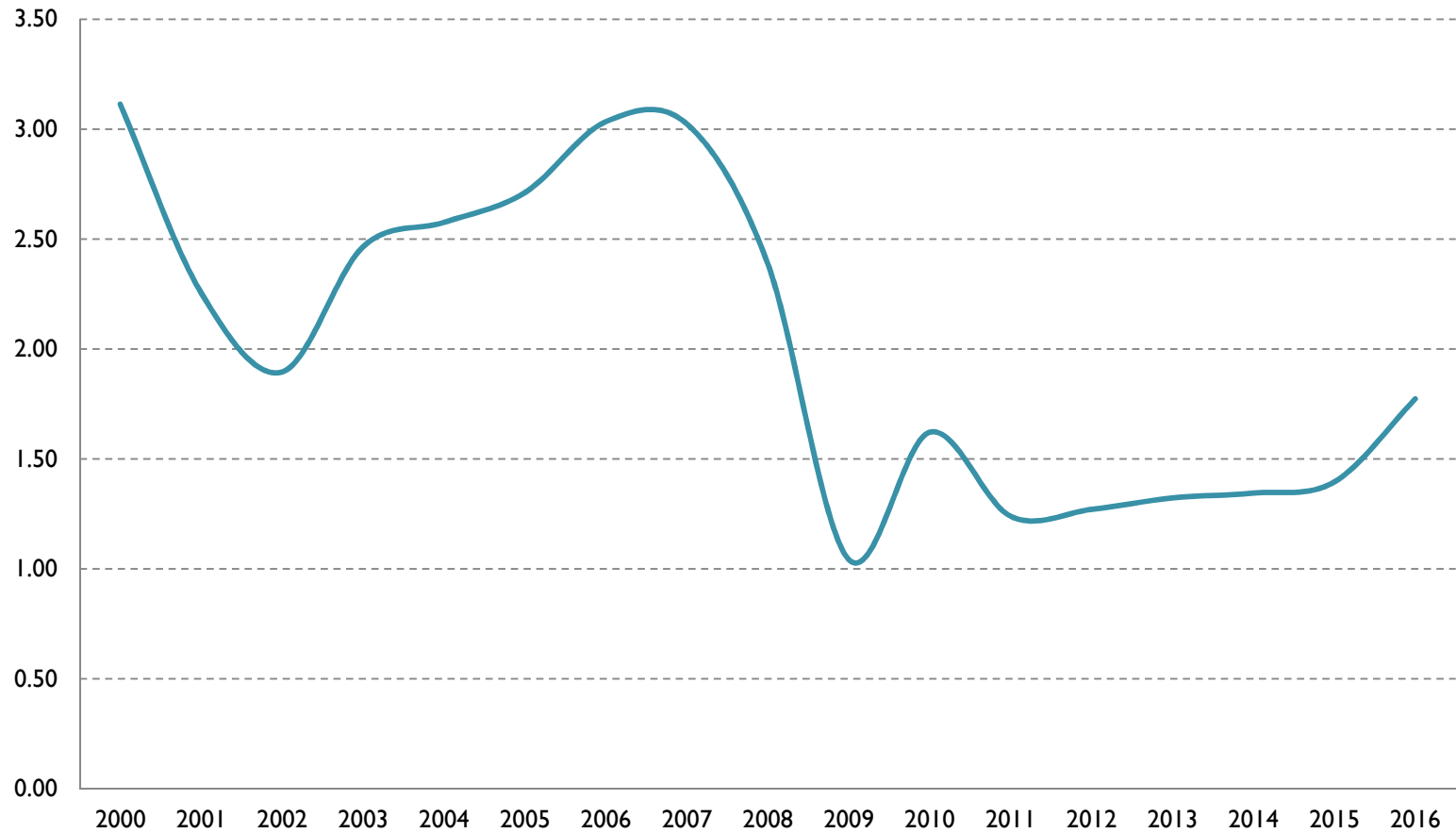
Year	2011	2012	2013	2014	2015
Public debt	4,607,353	4,900,083	5,181,175	5,367,782	5,525,488
Gross Domestic Product	6,556,327	6,755,851	6,978,794	7,243,988	7,548,236
Debt as % of GDP	70.27	72.53	74.24	74.10	73.20

Amid persistent uncertainty on international markets, economy to grow over the short-medium term led by domestic growth

Macroeconomic Projections	Percentage Changes						
	2012	2013		2014		2015	2016
	actual data	MFIN	ECFIN	MFIN	ECFIN	MFIN	MFIN
GDP at constant prices	0.8	1.4	1.5	1.6	2	1.9	1.9
Private Consumption	-0.6	0.9	0.6	1.0	1.2	1.5	1.7
Public Consumption	5.5	0.6	1.2	0.5	1.3	1.1	1.6
Gross Fixed Capital Formation	-2.5	0.5	4	3.2	5	3	2.8
Exports of Goods and Services	5.2	2.1	4	1.6	4.8	1	0.7
Imports of Goods and Services	4.4	1.6	3.9	1.2	4.9	0.7	0.6
Contributions to growth (in p.p)							
Domestic demand	0.4	0.8	1.2	1.1	1.7	1.5	1.8
Inventories	-0.5	0.0	0	0.0	0	0	0
Net Exports	1.0	0.6	0.4	0.5	0.3	0.3	0.2
Nominal GDP	3	3.3	4.1	3.8	4.4	4.2	4.3
Unemployment	6.4	6.6	6.4	6.4	6.2	6.1	5.7
Employment	2.4	0.7	1.7	0.9	1.9	0.7	0.9
HICP	3.2	2.0	2.2	1.6	2.2	1.7	1.8

Potential rate of growth declined to around 1.5% primarily due to low capital investment

Economic Growth Potential





Growth friendly fiscal consolidation will be a priority target

- We aim to reduce the deficit by 0.6 percentage points per annum (in structural terms)
- We aim to maintain a primary surplus so that debt dynamics are kept under control
- We aim to pursue fiscal consolidation mainly from expenditure control
- We plan to boost public investment and try to reach maximum absorption of EU funds



Main Challenges

- Increasing Malta's output growth potential
- Sustaining competitiveness
- Sustainable public finances through institutional reforms
- Further strengthening of financial stability