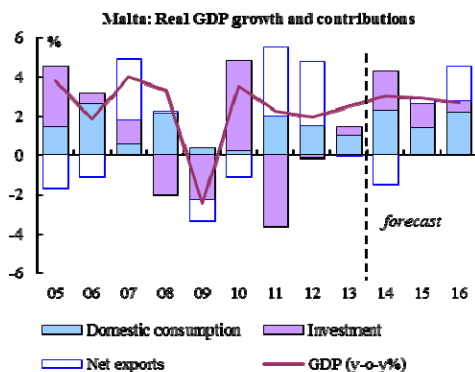


INVESTMENT IN MALTA

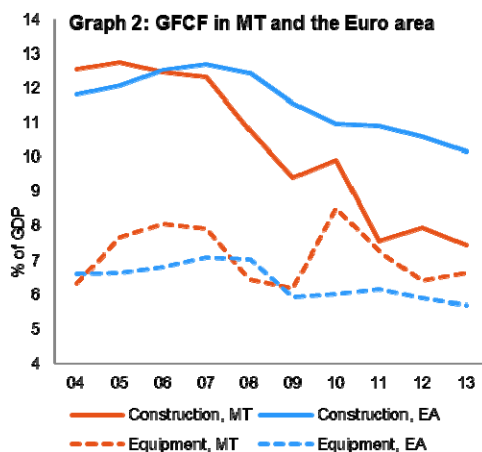
What is the situation in Malta?



Source: European Commission 2014 Autumn Forecast

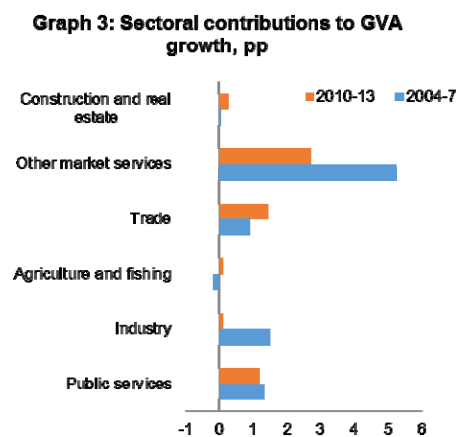
While the Maltese economy has outperformed the euro area since 2007, investment declined notably after 2007 to 17.5% of GDP in 2013, largely reflecting the decline in residential construction. While investment in equipment has been largely in line with the euro-area average, investment in construction declined more significantly as bank lending tightened due to overexposure to this sector. Its impact on growth, however, was limited due to the relatively small contribution of construction to economic growth. As the Maltese economy has been shifting towards less capital-intensive market services over the past decade, investment needs in the future are likely linked to improving human capital, infrastructure and the quality of buildings rather than to machinery and equipment.

What is the main challenge?



High private sector debt and leverage makes access to bank credit relatively more difficult and expensive, holding back private investment. The corporate sector has been shedding its debts over the past few years. While this has brought down its leverage, it still remains above the euro area average. In the past, cutting public investment has been used to achieve fiscal consolidation. Public-private-partnerships have been recently explored, most notably in the expensive energy sector reforms. High public sector debt and the low use of EU funds, however, prevents more large-scale public investment.

Opportunities for Investment



The main engine of growth in the pre-crisis years of 2004-2008 was the emergence of the remote gaming sector. As this sector approached maturity, its contribution to growth has moderated. Growth over the past few years has therefore been broad-based and driven by a number of new activities in the services sector, such as IT, financial, insurance, scientific, technical, legal and accounting services. The further expansion of these sectors and the ability of the economy to continue to attract high-end business services requires investment into skilled labour. Moreover, insufficient supply of high-quality office and transport infrastructure is also holding back growth.

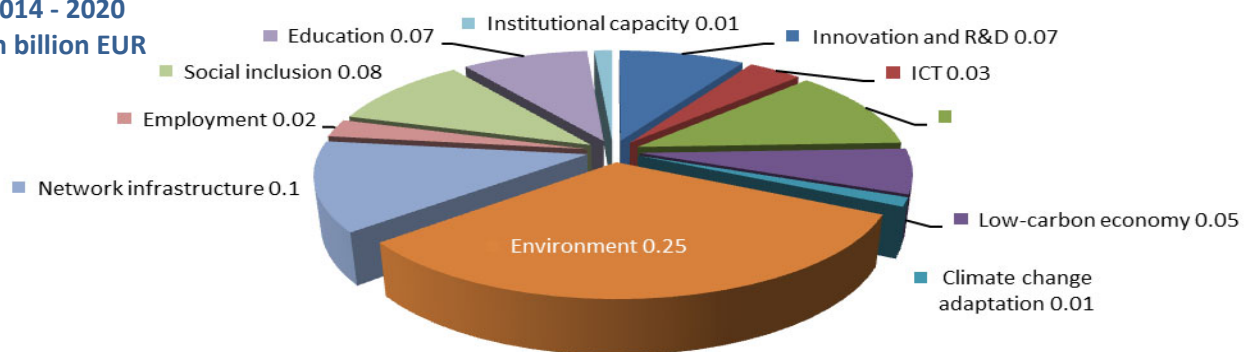
Reforms for investment

In the Country Specific Recommendations for Malta, the European Union recommended:

- Correct the excessive deficit in a sustainable manner and significantly strengthen the budgetary strategy to ensure the required structural adjustment towards the MTO. Continue to fight tax evasion and ensure tax compliance.
- Labour-market relevance of education and training and the labour-market participation of women, as well as reducing early school leaving.
- Continue the ongoing pension and public health reforms
- Diversify the energy mix in the economy, including by increasing the share of energy produced from renewable sources
- Increase the efficiency of the judicial system
- Encourage alternatives to debt-financing of companies through facilitating access to capital markets and developing venture capital funds

EU funding for investment

2014 - 2020
in billion EUR



Source: Partnership Agreement

http://ec.europa.eu/contracts_grants/agreements/index_mt.htm

Past or ongoing projects for investment

Transport interconnections

Connecting Europe Facility:
"Scandinavian - Mediterranean"
core network corridor

**(Finland,
Sweden,
Denmark,
Austria,
Germany,
Italy,
Malta)**

