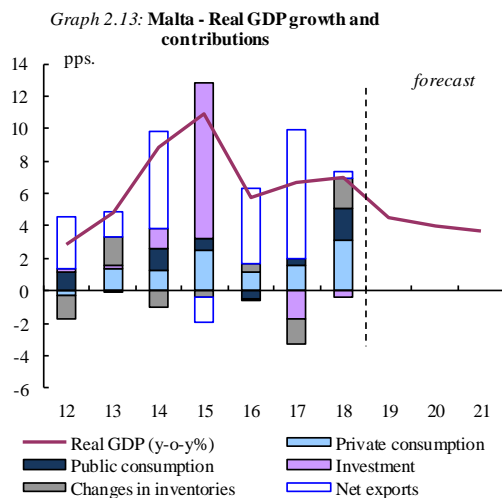


2.13. MALTA

Following a strong increase of 7.0% in 2018, real GDP growth is estimated to have eased to 4.5% in 2019, mostly due to a moderation in private consumption and a weaker external environment. Domestic demand remained the main growth driver in 2019, with private consumption supported by a strong labour market. Public consumption and investment remained solid. Nevertheless, confidence indicators have been easing since autumn, in particular in the services and construction sectors.

While Malta's economic performance is expected to remain buoyant, GDP growth is forecast to moderate further to 4.0% in 2020 and 3.7% in 2021. Private consumption is also set to gradually moderate, reflecting a slowdown in job creation. The pace of investment growth is set to remain strong as existing projects are expected to mature. In turn, public expenditure growth is projected to ease. Expected gradual improvements in the external environment will likely support some rebound in exports, while the steady increase in imports implies a broadly neutral contribution to growth from net exports.



Despite a significant rise in food prices in the first half of 2019, HICP inflation declined to 1.5% in 2019. Headline inflation is set to remain at this level in both 2020 and 2021.