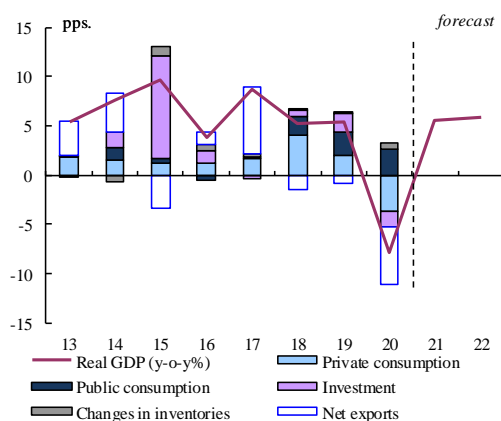


2.13. MALTA

Malta's economy grew at a solid quarter-on-quarter rate of 1.9% in the first quarter of this year, driven mainly by service exports. After a considerable decline (-7.8%) in 2020, real GDP is forecast to rebound to 5.6% in 2021. This is more than the 4.6% projected in the spring. The better growth outlook is driven by the strong performance in the first quarter, which has a strong carry-over effect, and the positive picture painted by recent confidence indicators. It also adjusts the recovery path for the downward revision to 2020 GDP growth. The forecast for 2022 is similarly strong, at 5.8%, which means that Malta's economy is expected to reach pre-pandemic levels of activity around mid-2022.

The high pace of vaccinations in Malta and the improvement in the public health situation allowed for a significant relaxation of restriction measures in the second quarter. Continued strong improvement in business and consumer sentiment up until May, including in the hard-hit food and accommodation services sectors, suggest that economic activity is on a path to a solid recovery. A strong uptake of government-paid consumption vouchers is also supporting a rebound in consumption. Going forward, growth is expected to remain strong on the back of a gradual recovery in the tourism sector, favourable prospects for external demand for other services, and a recovery in private and public investment, supported also by the implementation of the Recovery and Resilience Plan. A limited downside risk is related to possible consequences of the decision of the Financial Action Task Force (an inter-governmental body against money laundering) to add Malta to the list of jurisdictions under increased monitoring.

Graph 2.13: Malta - Real GDP growth and contributions



HICP inflation has increased moderately since January, but the increase in energy and imported goods prices and a recovery in the tourism and hospitality sectors are set to increase price pressures in 2021. After picking up to 1.1% in 2021, inflation (HICP) is expected to reach 1.6% in 2022.