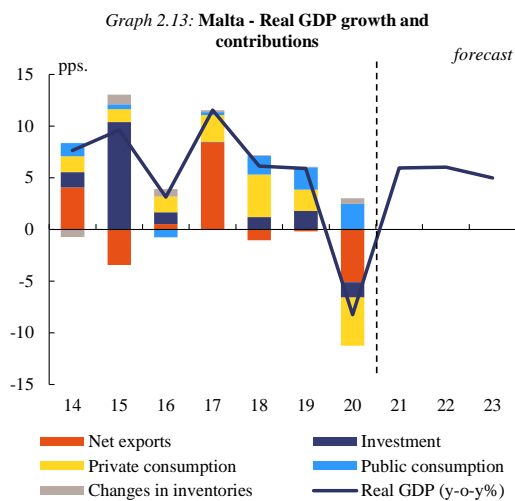


2.13. MALTA

After a considerable decline (-8.2%) in 2020, real GDP growth is estimated to have rebounded strongly to 5.9% in 2021. Growth is driven by the strong performance in the first three quarters of the year, when the improvement of the public health situation in Malta allowed for a significant relaxation of restriction measures. Improved business and consumer sentiment, as well as a recovery in tourism supported the economy. Growth is estimated to have been negative in the last quarter of 2021 and to remain muted in the first quarter of 2022, affected by the surge in infections in late 2021, the tightening of restrictions, low tourist numbers, continued disruptions in global value chains and negative effects of price increases in shipping and transport.

In the course of 2022, growth is expected to pick up again as domestic demand recovers, supported also by the implementation of the Recovery and Resilience Plan. Real GDP is forecast to grow by 6.0% in 2022 and 5.0% in 2023. Malta is expected to reach pre-pandemic levels of economic activity around mid-2022.

A limited downside risk remains related to possible consequences of the June 2021 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.



Relative to the EU average, inflation in Malta increased only moderately in 2021. The authorities have also expressed a commitment to continue to limit energy prices growth in 2022. Nonetheless, the increase in food, transport and imported goods prices and a gradual recovery in the tourism and hospitality sectors are set to drive up price pressures in 2022. After increasing to 2.1% in 2022, inflation is expected to be at 1.9% in 2023.