

# Macroeconomic Imbalances

## Malta 2014

On 13 November 2013, the European Commission presented its third Alert Mechanism Report (AMR) in accordance with the Regulation (EU) [No. 1176/2011](#) on the prevention and correction of macroeconomic imbalances. The AMR serves as an initial screening device to identify Member States that warrant further in depth analysis into whether imbalances exist or risk emerging. According to Article 5 of Regulation No. 1176/2011, these country-specific “in-depth reviews” should examine the nature, origin and severity of macroeconomic developments in the Member State concerned, which constitute, or could lead to, imbalances. On the basis of this analysis, presented on 5 March 2014, the Commission will conclude whether it considers that an imbalance exists or not, and if so whether it is excessive or not, and what type of follow-up it will recommend to the Council to address to the Member State.

The 2014 in-depth reviews (for Belgium, Bulgaria, Germany, Denmark, Ireland, Spain, France, Croatia, Italy, Luxembourg, Hungary, Malta, Netherlands, Slovenia, Sweden, Finland and the United Kingdom) were published on 5 March 2014 together with a Commission communication summarising the results. On the basis of the analysis in the In-depth review the Commission concluded that:

The macroeconomic challenges in **Malta** *no longer constitute substantial macroeconomic risks and are no longer identified as imbalances in the sense of the MIP*. Although indebtedness remains high, risks to the sustainability of private and public sector debt and the stability of the financial sector appear contained, even if they deserve continued monitoring.

More specifically, the analysis in the IDR finds that financial stability indicators remain sound. Still, in light of the structural nature of the risks in the sector, a continuation of the current prudent supervisory and risk-taking practices is key. The housing market has stabilised and thus risks arising from over-exposure to property are limited. Private debt is on the decrease; the corporate deleveraging is taking place in an orderly manner and credit market pressures are limited. As regards public finances, Malta is expected to meet its nominal deficit targets in 2013 and 2014. As regards external sustainability, trade performance has been positive, thanks to product and geographical market orientation and non-cost competitiveness factors; the current account balance is in surplus. Still, external competitiveness could benefit from active policy response to cost-adjustments in competitor countries.