

2.18. MALTA

Malta's economy maintained a strong growth trajectory in 2018, with a particularly brisk expansion in the third quarter. Real GDP growth is estimated to have reached 6.2% in 2018, making Malta one of the most dynamic economies in the EU.

Starting from the second quarter of 2018, domestic demand replaced net exports as the main driver of growth. Private consumption has been buoyant, reflecting strong employment growth, increasing disposable income and a large accumulation of savings in recent years. Investment remained subdued in the first three quarters of 2018, especially in non-residential construction and transport. Export growth slowed down from the high rates registered in recent years due to a weaker external environment and a drop in goods exports, while imports have started to recover, supported by strong domestic demand.

Growth is expected to continue over the forecast horizon, albeit at a slower pace. In 2019 and 2020, real GDP growth is set to ease to 5.2% and 4.6%, respectively. As global demand moderates, economic growth is expected to continue relying on domestic demand, underpinned by high private and public consumption. Investment growth is expected to pick up on the back of large-scale infrastructure projects in the health, tourism and real estate sectors. The current account surplus is projected to remain large, reflecting the significant trade surplus of the internationally-oriented services sector.

Consumer price inflation began to accelerate in the second quarter of 2018 and reached 1.7% by the end of the year. In part, the acceleration reflects the statistical impact of the increase in the weight of accommodation services in the price index basket for 2018. Despite tighter labour market conditions, wage pressures have yet to fully materialise. As wage growth starts gaining pace, inflation should gradually rise to 1.9% in 2020.

