



## AUTUMN 2010 ECONOMIC OUTLOOK FOR MALTA: ANSWERS FROM MFOI

Replacement Extension Rationalisation Innovation  Driving force behind investment decisions in the next 6 months  Industry: past 6 months months months months months months months	MAIN FORECAST						
Real GDP growth 1.2 1.8 Unemployment rate Finding (% of GDP) 3.9 3.9 3.4 government net lending (% of GDP) 3.9 3.9 3.4 government net lending (% of GDP) 70.7 70.3 current account balance (% of GDP) 3.8 2.2  Components of aggregate demand - in real terms Annual % change Phote consumption 1.0 1.5 Public consumption 0.5 0.5 Interestment (Ges Fixed Capital Formation) 3.0 1.5 Phote in on-residential investment 2.5 0.5 Imports 1.2 2.0 4.0 Imports 1.2 2.0 6.0  ECONOMIC SENTIMENT  Positive Negative Unchanged Industry  Frend in profitability over the next 6 months	Annual % change		2010	2011			
Unemployment rate Employment growth 1.1 0.8 Employment growth (% of GDP) 3.8 2.2    Components of aggregate demand - in real terms			3.5	2.8			
Employment growth growth growth growth grower method (% of GDP) 3.9 3.4 years public debt (% of GDP) 70.7 70.3 buttered account balance (% of GDP) 3.8 2.2	Consumer price inflation		1.2	1.8			
government net lending (% of GDP) 3.9 Surrent account balance (% of GDP) 3.8 2.2  Components of aggregate demand - in real terms Annual % change Photic consumption 1.0 1.5 Public consumption 0.5 0.5 Phote to non-residential investment 1.0 1.0 1.5 Phote consumption 0.5 0.5 Phote on on-residential investment 1.0 1.0 1.5 Public consumption 1.0 1.0 1.5 Phote on on-residential investment 1.0 1.0 1.5 1.5 Phote on on-residential investment 1.0 1.0 1.5 1.0 1.5 1.0 1.5 1.0 1.5 1.0 1.5 1.0 1.5 1.0 1.5 1.0 1.5 1.0 1.0 1.5 1.0 1.0 1.5 1.0 1.0 1.5 1.0 1.0 1.5 1.0 1.0 1.5 1.0 1.0 1.5 1.0 1.0 1.5 1.0 1.0 1.5 1.0 1.0 1.5 1.0 1.0 1.5 1.0 1.0 1.5 1.0 1.0 1.5 1.0 1.0 1.5 1.0 1.0 1.5 1.0 1.0 1.5 1.0 1.0 1.0 1.5 1.0 1.0 1.0 1.0 1.0 1.0 1.0 1.0 1.0 1.0	Unemployment rate		7.0	6.8			
government net lending (% of GDP) 3.9 3.4 gross public delk (% of GDP) 70.7 70.3 current account balance (% of GDP) 3.8 2.2    Components of aggregate demand - in real terms	Employment growth		1.1	0.8			
gross public delt (% of GDP) 70.7 70.3 current account balance (% of GDP) 3.8 2.2  Components of aggregate demand - in real terms Annual % change Private consumption 0.5 0.5 0.5 0.5 0.5 0.5 0.5 0.5 0.5 0.5			3.9	3.4			
Components of aggregate demand - in real terms Annual % change Phote consumption 1.0 1.5 Phote tonor-exidential investment (consumption) 3.0 1.5 Phote tonor-exidential investment (consumption) 1.0 1.5 Phote tonor-exidential formation (consumption) 1.0 1.0 1.0 1.5 1			70.7	70.3			
Annual % change Phate consumption 1.0 1.5 Public consumption 1.0 0.5 0.5 Investment (Gross Fixed Capital Formation) 3.0 1.5 Private non-residential investment 1.0 1.0 Private non-residential investment 1.0 1.0 Private non-residential investment 1.0 1.5 Private non-residential investment 1.0 1.0 Private non-residential investment 1.0 1.5 Private non-residential investment 1.0 1.0 Private non-residential invest	· ,						
Annual % change Photale consumption 1.0 1.5 Public consumption 3.0 1.5 Private non-residential investment 1.0 1.0 Positive Negative Unchanged Industry Services  Unchanged Industry Services  Unchanged Industry Services  Unchanged Industry Services  Increase (Isower pace) Industry Services  Influence on companies' investment 1.0 1.5 Private non-residential investment 1.0 1.0 1.0 Private non-residential investment 1.0	Components of aggregate demand	l - in real terms					
Public consumption							
Investment (Gross Fixed Capital Formation) Private non-residential investment Exports 25.0 4.0 ECONOMIC SENTIMENT  Positive Negative Industry Formation profitability over the next 6 months  Increase (faster pace) Increase (faster pace) Industry Services  Increase (faster pace) Industry Services  Industry Services  Increase (faster pace) Industry Services  Industry Services Services: past 6 Serv	Private consumption		1.0	1.5			
Investment (Gross Fixed Capital Formation) Private non-residential investment Positive Positive Negative Industry Industry Increase (faster pace) Increase (faster pace) Industry Indus	Public consumption		0.5	0.5			
Phote non-residential investment Extension Regative Unchanged Industry  Positive Negative Unchanged Industry  Positive Negative Unchanged Industry  Positive Negative Unchanged Industry  Positive Negative Unchanged Industry  Services  Positive Negative Unchanged Industry  Services  Increase Increase (slower pace) Industry  Services  Increase Increase (slower pace) Industry  Services  Industry  Services  Increase Increase (slower pace) Industry  Services  Industry  Services  Increase Increase (slower pace) Industry  Services  Industry  Services  Increase (slower pace) Industry  Services  Increase (slower pace) Industry  Services  Increase (slower pace) Industry  Services  Industry  Services Pace (slower pace) Industry  Industry: pact of finance Incurtal positive positive positive positive Positive Positive Incurts I							
Exports Imports  25.0 4.0 20.0 6.0  ECONOMIC SENTIMENT  Positive Negative Unchanged Industry 6 months  Positive Negative Unchanged Industry 6 months  Increase (faster pace) Increase (faster pace) Increase (faster pace) Industry Services  Increase (slower pace) Industry Services  Industry: past 6 Industry: next 6 Services: past 6 Services: next 6 months							
ECONOMIC SENTIMENT  Positive Negative Unchanged Industry 6 months  Positive Negative Unchanged Industry 6 months  Positive Negative Unchanged Industry 6 months  Increase (faster pace) (slower pace) Unchanged (slower pace) (faster pace) (faster pace) Investment intentions over the next 6 months  Global demand Domestic demand Cost of finance Availability of finance Company Profitability Capacity Unchanged (slower pace) (positive Negative Unchanged (slower pace) (faster pace) (faster pace) Investment intentions over the next 6 months  Global demand Domestic demand Cost of finance Availability of finance Company Profitability Capacity Unchanged (slower pace) (faster pac							
Trend in business climate over the next 6 months  Positive Negative Unchanged Industry  Services  Positive Negative Unchanged Industry  Services  Increase (Industry Services  Increase (Increase (Industry Services)  Increase (Increase (Increase (Industry Services)  Increase (Increase (Increase (Increase (Industry Services)  Industry Services  Increase (Increase (In	·						
Trend in business climate over the next 6 months  Positive Negative Industry  Positive Negative Unchanged Industry Services  Increase (faster pace) Increase (faster pace) Investment intentions over the next 6 months  Global demand Domestic demand Cost of finance Increase Increase Increase Industry Services  Global demand Domestic de		Positive	Negative	Unchanged			
Fositive Negative Unchanged Industry Services  Increase (faster pace) (slower pace) Unchanged (slower pace) (slower pace) (faster pace) Industry Services  Global demand Domestic demand Cost of finance Availability of finance Company Profitability Capacity Capacity of the cost of finance on companies' investment decisions  Replacement Extension Rationalisation Innovation  Driving force behind investment decisions in the next 6 months neutral negative positive positive  Industry: past 6 Industry: next 6 Services: past 6 Services: next 6 months months months		Positive	Negative	_			
Positive Negative Unchanged Industry Services  Increase (faster pace) Increase (slower pace) Unchanged (slower pace) Unchanged (slower pace) Industry Services  Increase (faster pace) (slower pace) Unchanged (slower pace) (faster pace) (fast				industry			
Trend in profitability over the next 6 months    Increase (faster pace)   Increase (slower pace)   Increase (slower pace)   Increase (slower pace)   Industry (services)	6 months	Services					
Increase (faster pace)		Positive	Negative	Unchanged			
Increase (faster pace)	Trend in profitability over the next 6			Industry			
Increase (faster pace)	•			•			
Investment intentions over the next 6				Octvices			
Industry months  Global demand Domestic demand Cost of finance Neutral				Unchanged			
Global demand Domestic demand Cost of finance Availability of finance Company Profitability Capacity C	Investment intentions over the next 6	(india, pass)	(a.c.i.e. pace)	Industry	(a.c.iici pace)	(india, pass)	
Global demand   Domestic demand   Cost of finance   Availability of finance   Company Profitability   Capacity   Capaci				•			
Influence on companies' investment decisions  Replacement Extension Rationalisation Innovation  Driving force behind investment decisions in the next 6 months  Industry: past 6 Industry: next 6 Services: past 6 Services: next 6 months months months months	monuis			Services			
Replacement Extension Rationalisation Innovation  Driving force behind investment decisions in the next 6 months  Industry: past 6 Industry: next 6 Services: past 6 Services: next 6 months months months months months		Global demand	Domestic demand	Cost of finance	Availability of finance	Company Profitability	Capacity Utilisation
Driving force behind investment decisions in the next 6 months  Industry: past 6 Industry: next 6 Services: past 6 Services: next 6 months months months months months		neutral	negative	neutral	positive	negative	neutral
Industry: past 6 Industry: next 6 Services: past 6 Services: next 6 months months months months months		Replacement	Extension	Rationalisation	Innovation		
months months months months		neutral	negative	positive	positive		
		Industry: past 6	Industry: next 6	Services: past 6	Services: next 6		
		months	months	months	months		
Overall trend in employment Same Same Up Up	Overall trend in employment	Same	Same	Up	Up		





ACCESS TO FINANCE AND IMPA				
Compared to 6 months ago, cost/access to finance has been for SMEs	sharply up / restrained	up / more difficult	<b>same</b> Cost Access	down / easier
for larger companies (>250 employees)			Cost Access	
Over the next 6 months, cost /access to finance will be for SMEs	restrained	up / more difficult	same Cost Access	down / easier
for larger companies (>250 employees)			Cost Access	
	Measures to improve bank lending capacity	Facilitating access to capital markets (croporate bonds and stock markets)	Improving conditions for equity financing	
Measures to alleviate current financial difficulties for SMEs	Very limited effect	Moderate effect	Very limited effect	





	Tight, appropriate for				Loose, appropriate t
	the euro area	Tight	Appropriate	Loose	the euro area
Monetary policy is			yes		
			·		
	adequate	inadequate			
Consistency between fiscal and	yes				
monetary policies					
	excellent	satisfactory	neither satisfactory	unsatisfactory	no clear committme
	committment	committment	nor unsatisfactory	committment	creating an extreme
	communicati	communent	committment	communent	worrying situation
Regarding the sustainability of public			yes		
finances, government shows			yes		
			neither satisfactory		6 1
Exit Strategies	excessive focus	sufficient focus	nor unsufficient focus	unsufficient focus	so far ignored
Tight fiscal rules and more effective					
institutions			yes		
Greater efficiency of public			,		
administrations .				yes	
Credible cost-cutting measures				yes	
Increased scope of public-private					
partnerships				yes	
Reform of pension systems			yes		
Improved efficiency of healthcare					
sector					yes
			neither satisfactory		
Entry Strategies	excessive focus	sufficient focus	nor unsufficient focus	unsufficient focus	so far ignored
Entry Strategres More and better-targeted education and					
training		yes			
More and better targeted R&D and		•			
innovation efforts				yes	
Prioritisation of infrastructure				•	
investments				yes	
Growth enhancing tax reforms					yes
	respect the 3% limit	be in balance			
In 2015, the government deficit will	yes	no			