


NOVEMBER 2011 ECONOMIC OUTLOOK FOR MALTA: ANSWERS FROM MFOI
MAIN FORECAST

<i>Annual % change</i>	2011	2012
Real GDP growth	2,4	2,2
Consumer price inflation	2,7	2,5
Unemployment rate	6,7	6,8
Employment growth	2,2	1,5
government net lending (% of GDP)	-3,0	-3,4
gross public debt (% of GDP)	68,0	68,5
current account balance (% of GDP)	-3,8	-4,0

Components of aggregate demand - in real terms

<i>Annual % change</i>		
Private consumption	1,2	1,6
Public consumption	0,9	1,3
Investment (Gross Fixed Capital Formation)	1,5	5,0
Private non-residential investment	1,7	5,5
Exports	6,0	4,0
Imports	3,5	5,5

ECONOMIC SENTIMENT

	<i>Positive</i>	<i>Negative</i>	<i>Unchanged</i>			
Trend in business climate over the next 6 months			Industry		Services	
Trend in profitability over the next 6 months	<i>Positive</i>	<i>Negative</i>	<i>Unchanged</i>			
	Industry					
	Services					
Investment intentions over the next 6 months	<i>Increase (faster pace)</i>	<i>Increase (slower pace)</i>	<i>Unchanged</i>	<i>Decrease (slower pace)</i>	<i>Decrease (faster pace)</i>	
		Industry				
		Services				
Influence on companies' investment decisions	<i>Global demand</i>	<i>Domestic demand</i>	<i>Cost of finance</i>	<i>Availability of finance</i>	<i>Company Profitability</i>	<i>Capacity Utilisation</i>
	neutral	negative	neutral	positive	positive	neutral
Driving force behind investment decisions in the next 6 months	<i>Replacement</i>	<i>Extension</i>	<i>Rationalisation</i>	<i>Innovation</i>		
	neutral	negative	positive	positive		
Overall trend in employment	<i>Industry: past 6 months</i>	<i>Industry: next 6 months</i>	<i>Services: past 6 months</i>	<i>Services: next 6 months</i>		
	Up	Same	Up	Up		

ACCESS TO FINANCE AND IMPACT OF THE CRISIS ON POTENTIAL GROWTH

<i>Compared to 6 months ago, cost/access to finance has been... for SMEs</i>	sharply up / restrained	up / more difficult	same Cost Access	down / easier
<i>for larger companies (>250 employees)</i>			Cost Access	
Over the next 6 months, cost /access to finance will be... <i>for SMEs</i>	sharply up / restrained	up / more difficult Cost	same Access	down / easier
<i>for larger companies (>250 employees)</i>		Cost	Access	

	Consolidation of banking sector balance sheets	Access to capital markets	Engcouraging equity financing through tax reforms	Better use of existing EU instruments (including EIB)	Greater potential for Public-Private- Partnerships
Measures to alleviate current financial difficulties for SMEs	Very limited effect	Moderate effect	Very limited effect	Very important effect	
Measures to alleviate current financial difficulties for midsize and large companies	Very limited effect	Very limited effect	Very limited effect	Very important effect	


POLICY MIX

	<i>Tight, appropriate for the euro area</i>	<i>Tight</i> yes	<i>Appropriate</i>	<i>Loose</i>	<i>Loose, appropriate for the euro area</i>
<i>Monetary policy is...</i>	<i>adequate</i>	<i>inadequate</i>			
<i>Consistency between fiscal and monetary policies</i>	yes				
<i>Regarding the sustainability of public</i>	excellent committment	satisfactory committment	neither satisfactory nor unsatisfactory	unsatisfactory committment yes	no clear committment creating an extremely
<i>Exit Strategies</i>	excessive focus	sufficient focus	satisfactory nor unsufficie	unsufficient focus	so far ignored
<i>Tight fiscal rules and more effective institutions</i>				yes	
<i>Greater efficiency of public</i>			yes		
<i>Credible cost-cutting measures</i>				yes	
<i>Increased scope of public-private</i>			yes		
<i>Reform of pension systems</i>			yes		
<i>Improved efficiency of healthcare sector</i>					yes
<i>Entry Strategies</i>	excessive focus	sufficient focus	satisfactory nor unsufficie	unsufficient focus	so far ignored
<i>More and better-targeted education and training</i>		yes			
<i>More and better targeted R&D and Prioritisation of infrastructure investments</i>				yes	
<i>Growth enhancing tax reforms</i>			yes	yes	
<i>In 2015, the government deficit will...</i>	respect the 3% limit yes	be in balance no			