



Malta's own euro experience – a testimonial

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Overview

- Economic context and timeline
- The Maltese economy since euro adoption
- Lessons learned



Economic context and timeline



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The Maltese economy is very small and open

Population	460,297
GDP (€ billion)	11.1
GDP (% of EU)	0.07
GDP per capita (PPS, EU28=100)	96
Total exports (% of GDP)	133
Total imports (% of GDP)	116
FDI stock (% of GDP)*	28.2

* excludes the financial sector.



The road to euro adoption

May 2004

Malta joins the EU with an obligation to adopt the euro

May 2005

Malta joins ERM II

July 2007

ECOFIN Council decides that Malta fulfils the convergence criteria and is eligible to adopt the euro

January 2008

Malta adopts the euro



The Maltese economy since euro adoption

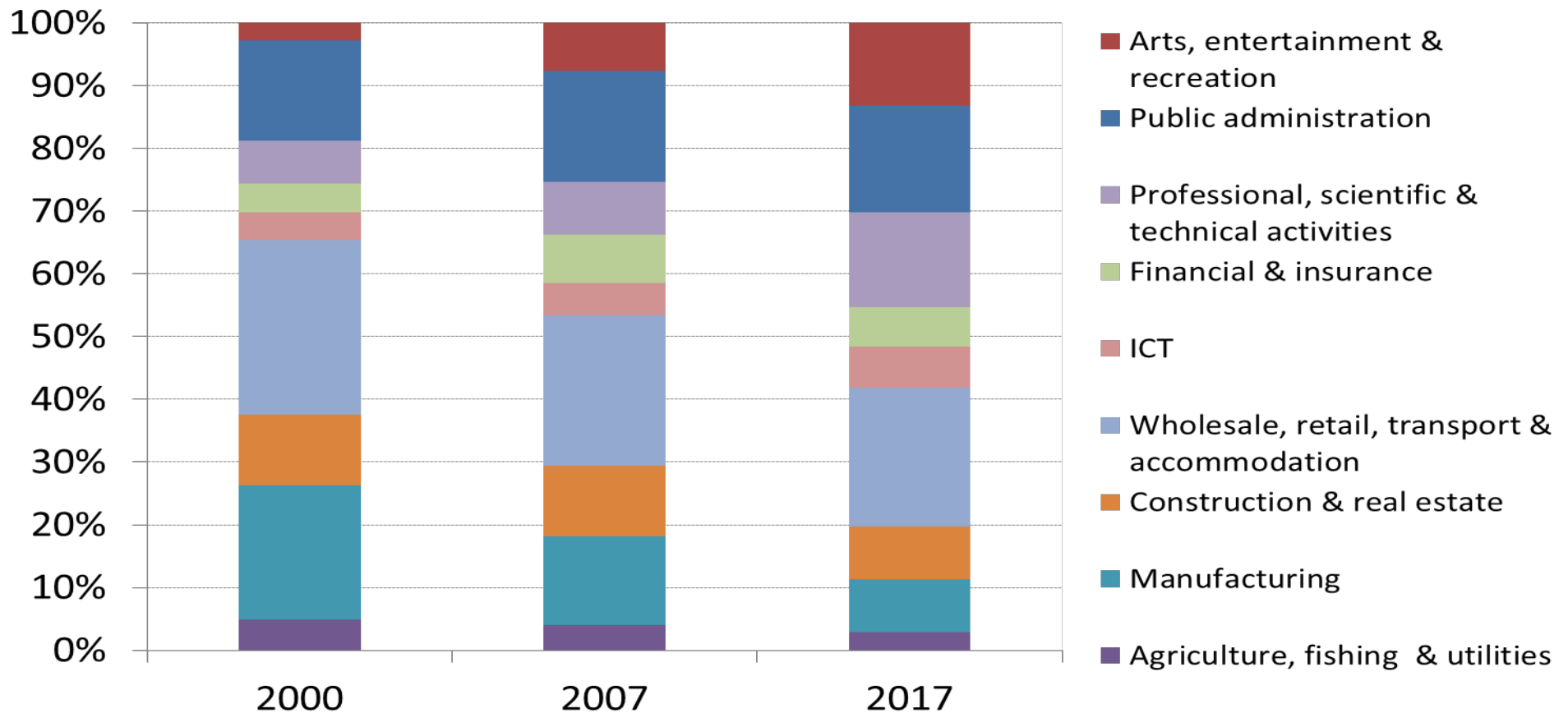


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The Maltese economy has become more diversified and service-oriented

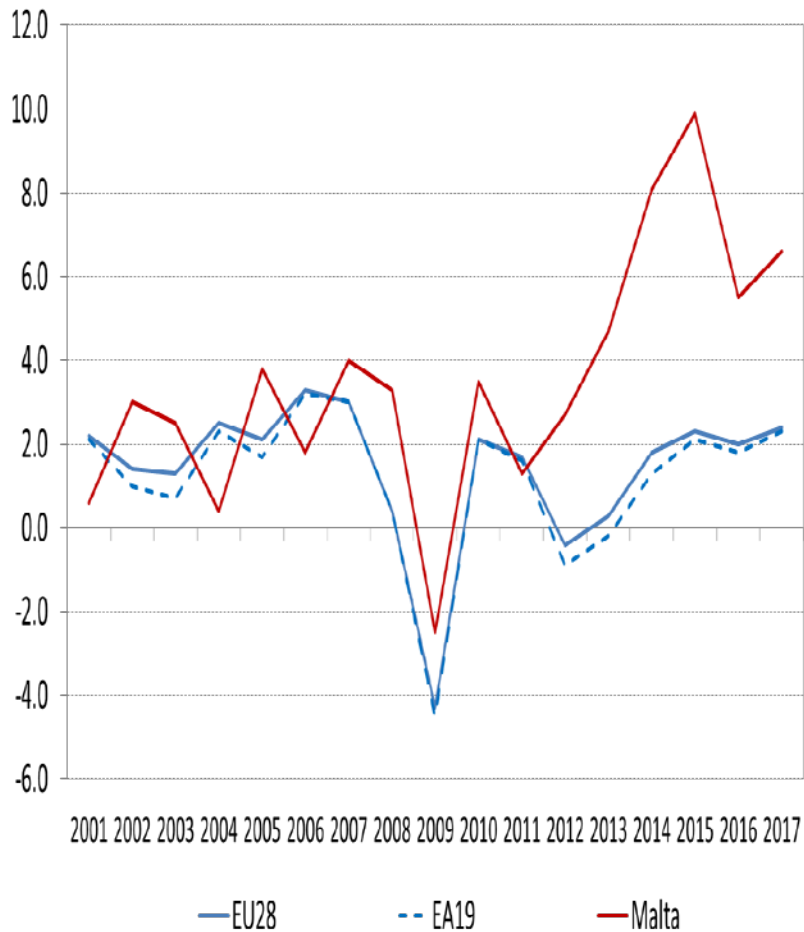
Sector share in Gross Value Added (%)



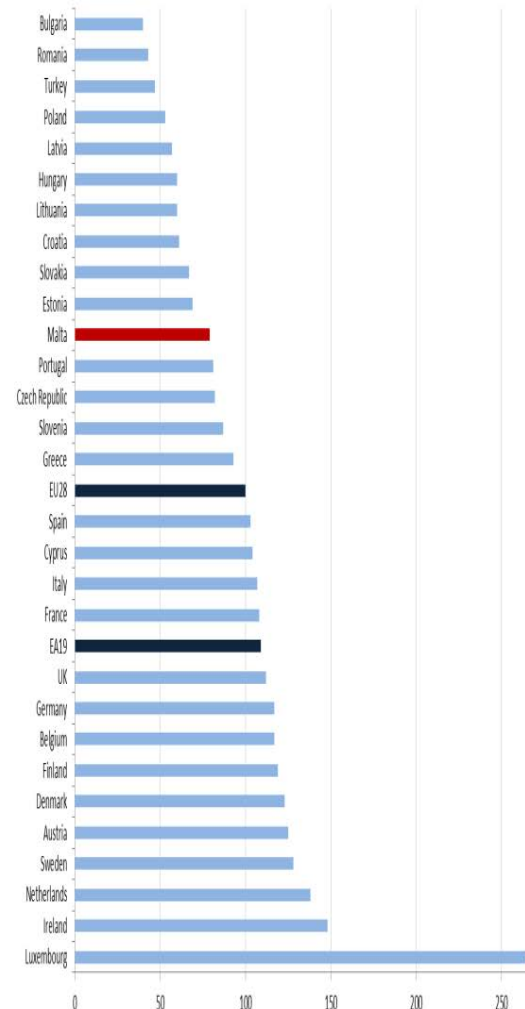
Source: National Statistics Office.

Diversification in the context of economic and financial stability facilitated income convergence

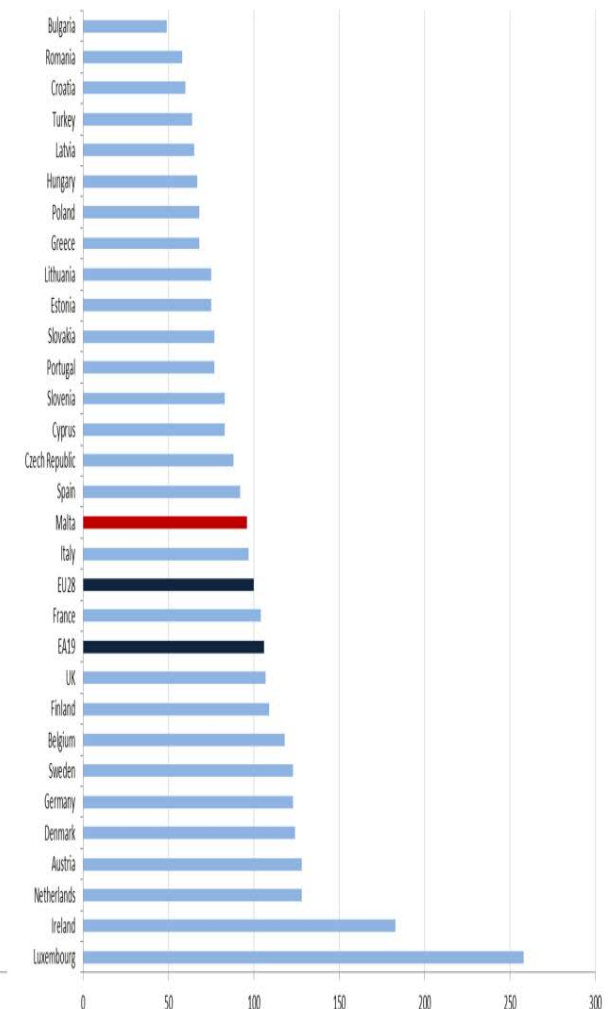
Real GDP growth
(annual % change)



GDP per capita in PPS (2007, EU28=100)



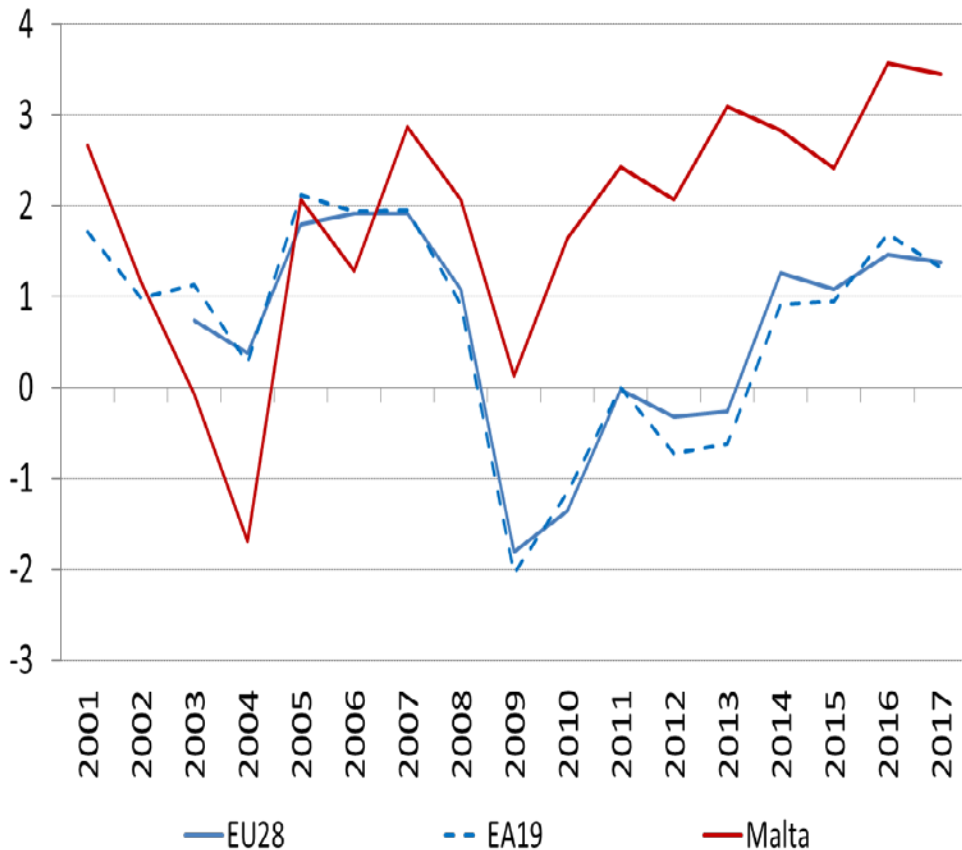
GDP per capita in PPS (2016, EU28=100)



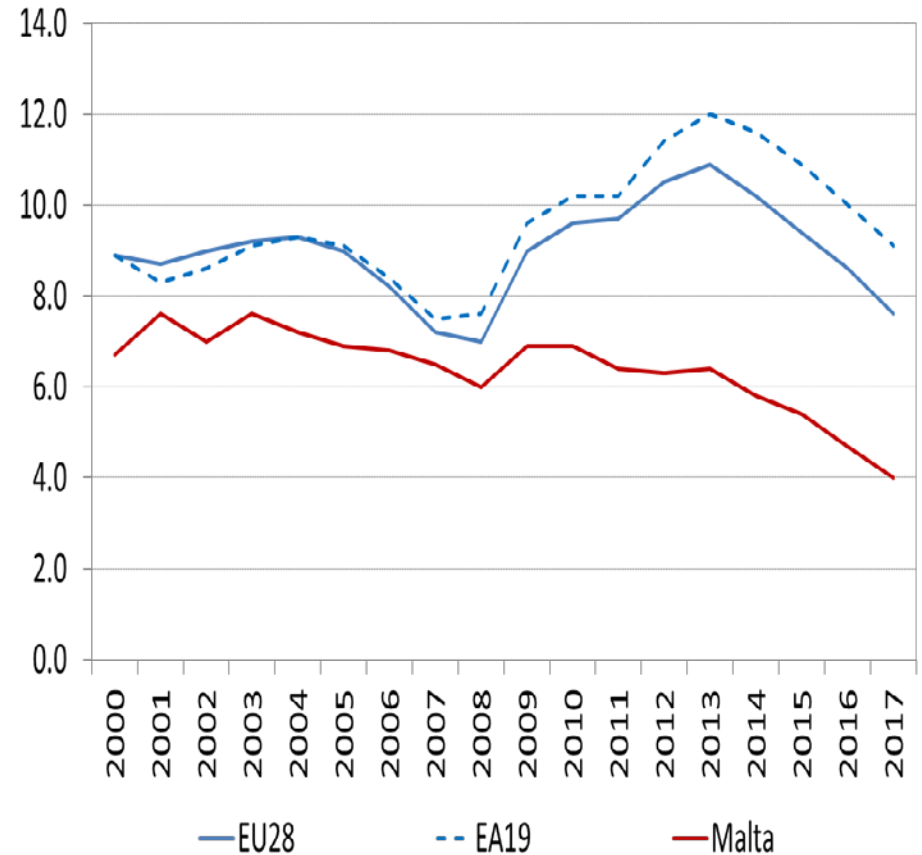


Robust economic growth supported job creation and lower unemployment

Employment growth
(15-64 years, annual percentage change)



Unemployment rate
(% of active population)



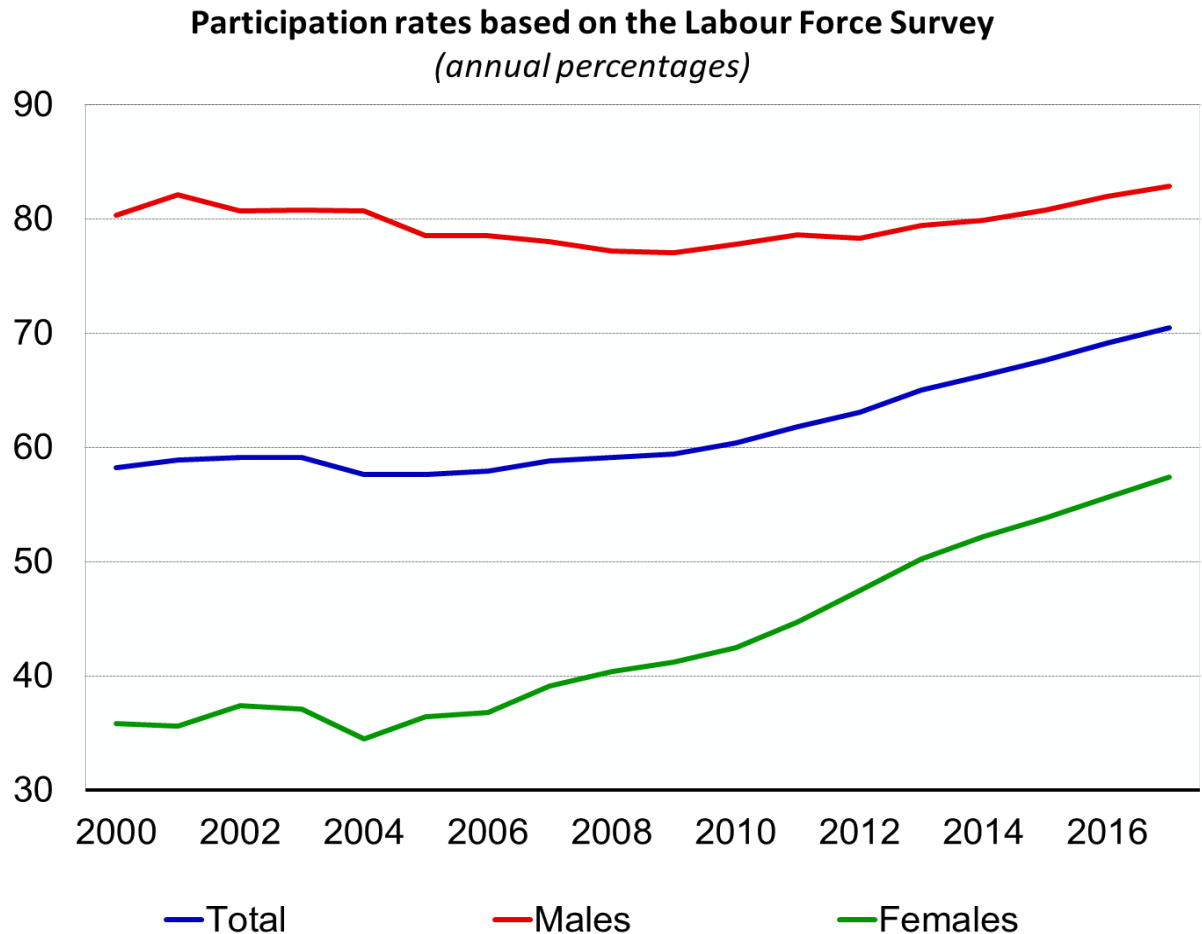
Source: Eurostat, ECB Statistical Data Warehouse.

Source: Eurostat.

Unemployment fell despite increased labour market participation

Supporting factors

- Income tax reforms
- Make work pay initiatives
- Free child care facilities
- Enhanced training & re-skilling programmes
- Life-long learning
- Pension reform



Source: Eurostat.

The economy has also benefited from the growing presence of foreign workers

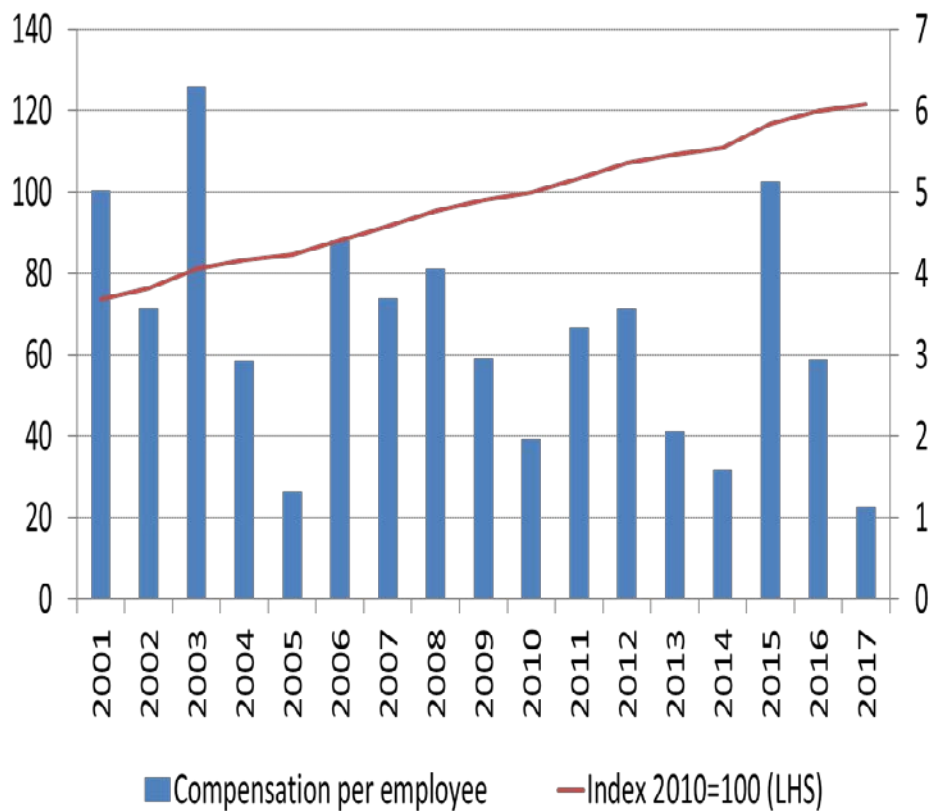
Foreigners by Economic Sector

	Persons			% of foreigners			% of employment		
	2005	2010	2016	2005	2010	2016	2005	2010	2016
Accommodation and food service activities	859	1,766	5,838	16.1%	16.5%	16.2%	6.2%	11.8%	32.6%
Agriculture, Forestry & Fishing	35	52	171	0.7%	0.5%	0.5%	0.9%	1.8%	5.3%
Arts, entertainment and recreation	286	1,411	4,948	5.4%	13.2%	13.7%	13.0%	33.7%	56.6%
Construction	976	962	2,278	18.3%	9.0%	6.3%	8.2%	7.2%	19.7%
Financial & insurance activities; Real Estate activities	151	405	1,516	2.8%	3.8%	4.2%	2.2%	4.7%	13.1%
Manufacturing, quarrying & Utilities	605	1,139	2,315	11.3%	10.7%	6.4%	2.1%	4.5%	9.5%
Other Services	185	368	903	3.5%	3.4%	2.5%	4.0%	8.5%	14.9%
Professional, scientific, technical, administration & support services	841	2,046	8,854	15.7%	19.1%	24.5%	7.2%	11.6%	27.2%
Public admin; education; health & social work activities	602	1,081	3,338	11.3%	10.1%	9.2%	1.6%	2.7%	6.5%
Wholesale & retail trade; transportation & storage; ICT	803	1,457	5,977	15.0%	13.6%	16.5%	2.1%	3.4%	11.5%
	5,343	10,687	36,138	100.0%	100.0%	100.0%	3.3%	6.1%	16.5%

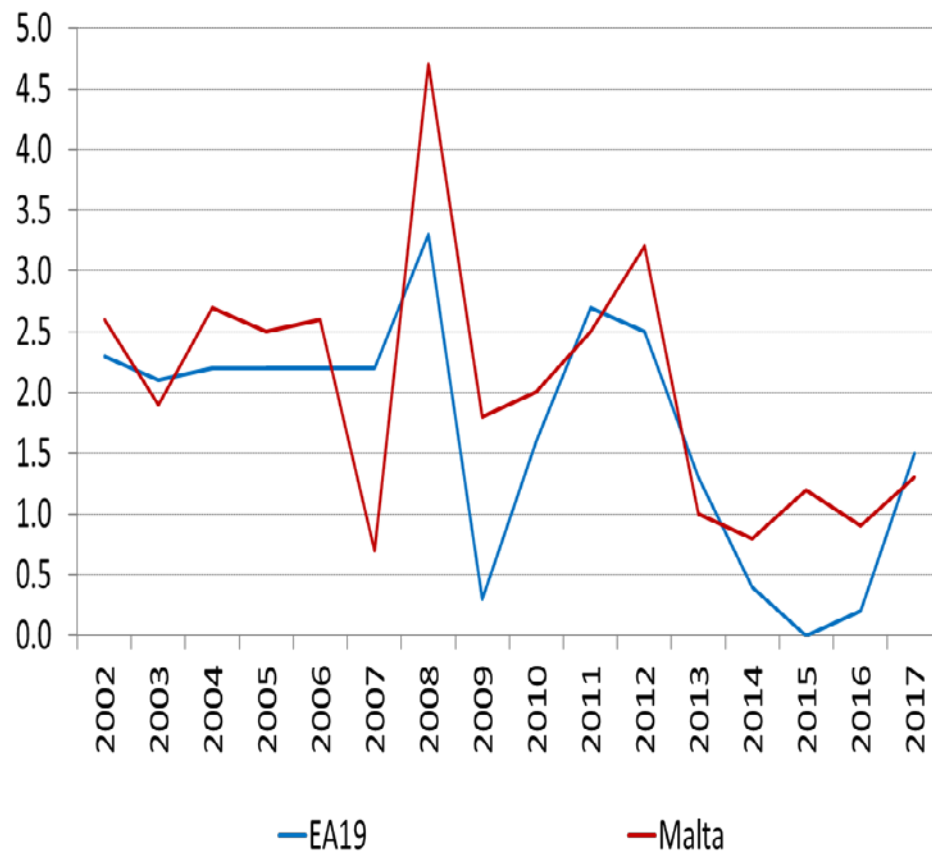
Source: JobsPlus, CBM calculations

Enhanced competition and trade linkages, and a labour supply growth helped keep a lid on wage growth and inflation

Compensation per employee
(Index 2010=100, annual % change)



HICP inflation in Malta and in the euro area
(%)

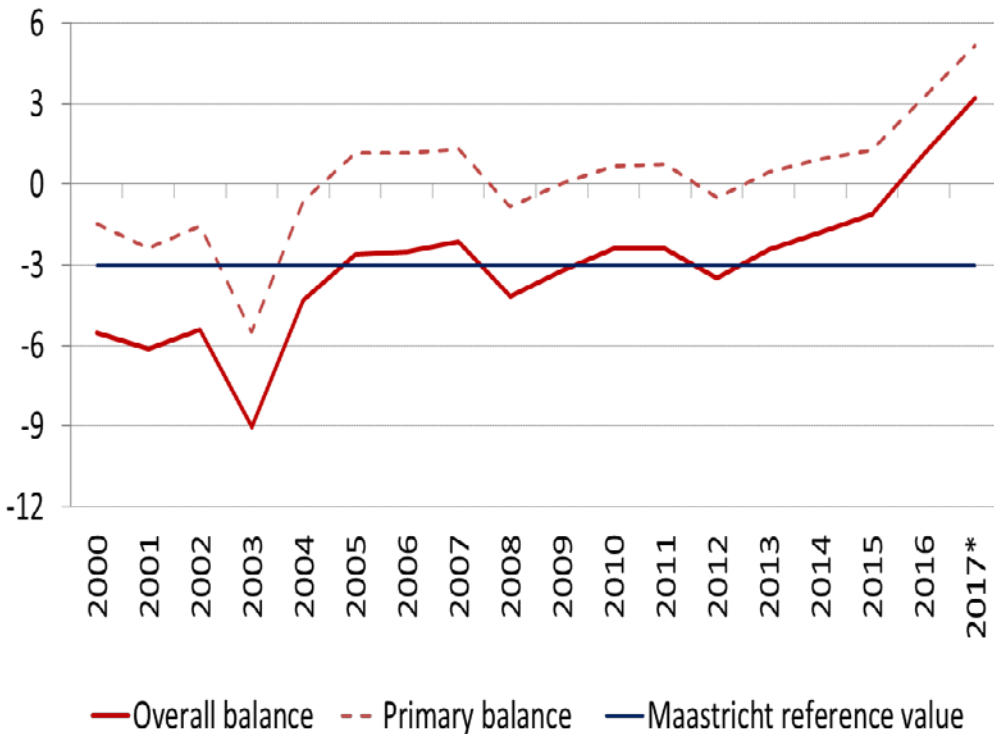


Source: National Statistics Office.

Source: Eurostat.

Fiscal imbalances have narrowed

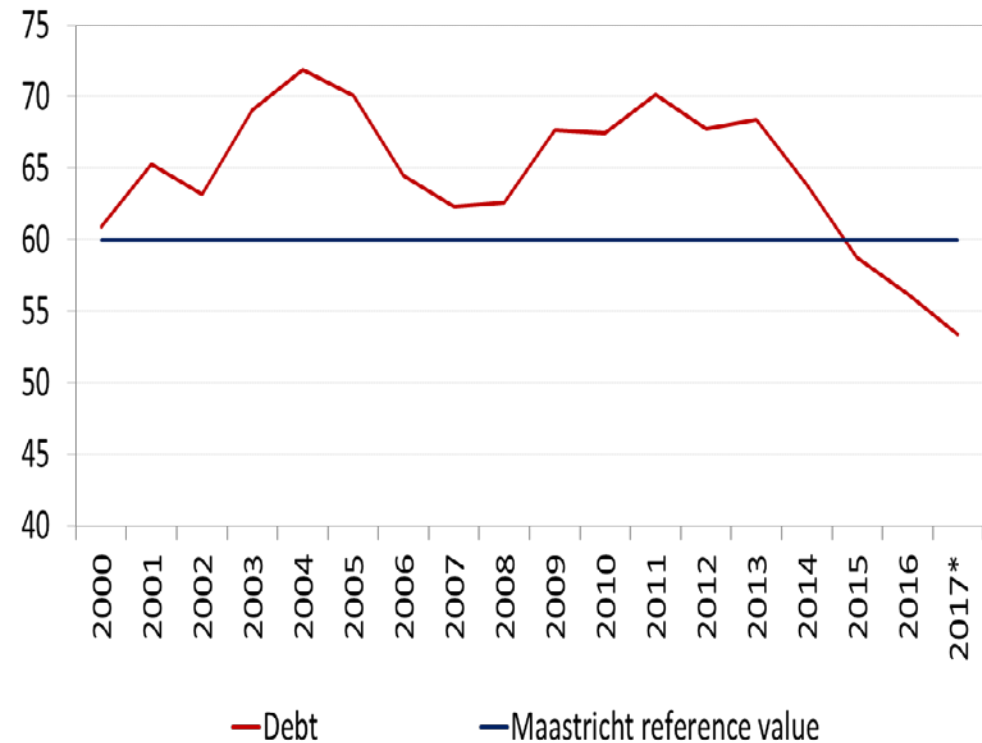
General government balance
(% of GDP)



*2017 data are based on four-quarter moving sums up to Q3 2017.

Source: Eurostat, National Statistics Office.

General government debt
(% of GDP)

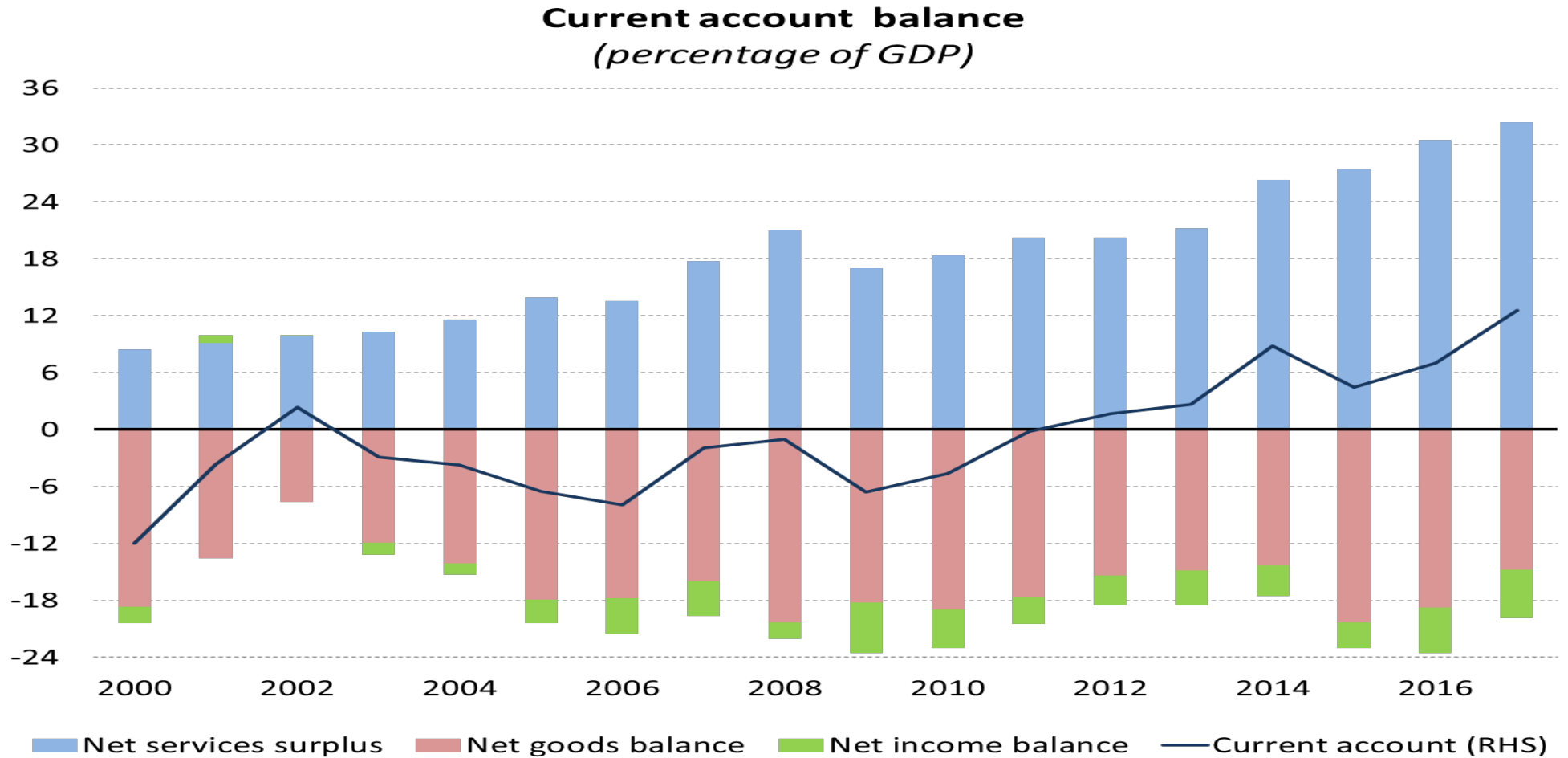


*2017 data are based on four-quarter moving sums up to Q3 2017.

Source: Eurostat, National Statistics Office.



The current account balance has swung from a deficit to a surplus



Source: National Statistics Office.



Lessons learned



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Lessons learned

- The road to the euro benefited from clear target dates and a shared vision between the government and the monetary authorities.
- A track record with a fixed exchange rate and a high degree of real economic convergence enabled a smooth transition.
- The single currency carries with it reform and growth opportunities (integration in a larger market, transfer of capital and knowledge, enhanced economic surveillance, stronger institutions).
- However, economic performance is largely shaped by a properly-paced policy effort.
- Deeper external linkages increase interdependence, but can also be growth-enabling.



THANK YOU



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