

INVEST IN MALTA



MALTA ENTERPRISE

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Swift return to normality

Malta's swift return to normality

By the first week of June, all retail and business outlets in Malta were operational again, with reasonable health protocols to ensure the safety of staff and customers alike. Malta's International Airport has re-opened on 1st July, with Malta granting access safe corridors for flights to nineteen countries or regions, a number which is expected to increase further in the coming days.

Malta's growth rate stays in positive

Despite the economic and social restrictions required as from March to limit the spreading of the pandemic, the stronger starting situation of the Maltese economy meant that the Maltese real economic growth and its employment rate remained in positive territory throughout the first quarter of the year.

Malta's economic regeneration package – A Better Tomorrow

As part of Malta's unprecedented economic regeneration plan, Government has announced a flurry of initiatives intended to support businesses not only to recover from the current challenges but to future-proof their operations and prepare for the next wave of growth.

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Malta was one of only ten EU states to register an increase in employment in the first quarter of 2020 compared with the previous quarter - Eurostat



Malta's economic growth was fuelled by diverse sectors, including financial services, manufacturing, construction, real estate, professional services as well as increased government investment.



Despite the re-opening of business activities, the number of new coronavirus cases in Malta continued to decline, as more than 90% of infected patients had recovered.



Substantial funding is being made available for firms to carry out business re-engineering and to undertake on-the-job training for their employees with the aim of reskilling staff in view of new realities.



Malta's swift return to normality

The effective management and mitigation measures of the health challenges caused by the coronavirus pandemic ensured that Malta was one of the last countries to have to revert to a number of social restrictions and one of the first to ease itself out of this situation.

Indeed, by the first week of June, most economic activities, including hotels, restaurants and retail outlets, were allowed to continue with their operations, while following detailed but reasonable health protocols to ensure the safety of staff and clients.

Other entities such as manufacturing concerns, and essential outlets providing foodstuffs,

pharmaceuticals, stationeries among others, continued to operate normally throughout the past months, always within respect of the necessary social distancing protocols.

During the pandemic, the Maltese health authorities focused their actions on three pillars. These were the maximum safeguarding of the elderly and vulnerable persons, social distancing requirements for the rest of the population and a high rate of testing policy. This approach received the plaudits of a number of international institutions, including the Commonwealth. Its Secretary General, Patricia Scotland, had this to say about Malta's efforts in the midst of the crisis:

They've done the best in the whole of Europe. They've really protected the people of Malta. They've galvanized the energy that is quintessentially Maltese, but its kept people safe

"They've done the best in the whole of Europe. They've really protected the people of Malta. They've galvanized the energy that is quintessentially Maltese, but its kept people safe".

An important contributor to the health success was also the

observance and respect by the general public of the measures announced by the authorities.

Not only did the absolute majority observe all guidelines issued by the State, but many went an extra mile to respect those who were most at risk. Among these, it was reported that a

number of frontliners, including care workers employed at nursing homes, locked themselves up for weeks on end with the elderly to protect them even further, thereby avoiding outbreaks in homes for the elderly which unfortunately proved catastrophic in other countries.

Despite the re-opening of business activities, the number of new coronavirus cases in Malta continued to decline, with less than 30 active cases on the islands by the first week of June.

Malta's International Airport has re-opened on 1st July.





Malta's growth rate stays in positive territory during first quarter

Despite the economic and social restrictions required as from March to limit the spreading of the coronavirus pandemic, the stronger starting situation of the Maltese economy meant that the Maltese economic growth managed to remain in positive territory with a rate of 0.5%. Nominally, GDP grew by 1.9 per cent.

Malta's performance during these challenging months is further highlighted when compared to its European peers. According to data published by Eurostat, during the correspondent period the EU economy shrank by 2.6 per cent while the Euro Area recorded a drop in growth of 3.2%. Large EU economies recorded significant drops in their GDP.

A positive consideration of this growth was that it was not concentrated to one economic niche. Rather, it was fuelled by diverse sectors, including financial services, manufacturing, construction, real estate, professional services as well as increased government investment. These compensated losses experienced by the retail, accommodation and food sectors, three areas which suffered the biggest hit in March.

During the first quarter of 2020, total final consumption expenditure increased by 2.4 per cent in nominal terms and 0.6 per cent in volume terms as the government increased expenditure to support businesses and mitigate the economic impact of COVID-19 on families. External demand also had a positive impact on GDP growth as the decrease in imports was higher than that in exports.

Throughout the peak of business closures, Government improved business liquidity by deferring the payment of taxes and through offering guaranteed and low interest loans. The state also directly intervened to preserve human capital and resources, as well as by cushioning off the direct effect of Covid-19 related changes. This was done by refunding quarantine leave. Employers who offered telework incentives to their employees were assisted in the purchase or leasing of laptops and other equipment, thus reducing their financial outlay.

Even through the impact of the economic and social restrictions will affect Malta's performance, it is still expected to perform better than its peers on a European level. German credit rating agency Creditreform has confirmed Malta's A+ rating in an in-depth review purchased over the past few weeks.

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Creditreform noted that Malta's government had acted quickly to introduce a "significant" packet of measures to safeguard public health and also implemented a "substantial policy package" of financial support. In this context, it is forecasting that by 2021 Malta will be returning to healthy figures of growth, approaching 5%. The report also highlighted Malta's stability, based on Malta's favourable initial fiscal position, together with the fiscal prudence demonstrated in the recent past.

The agency based its stable outlook for the Maltese economy on five key criteria, these being strong GDP growth, a low level of public debt, a strong services surplus, low unemployment and high public consumption.





Robust regeneration package for Malta's restart

With most business activity re-opening, Government announced a significant regeneration plan, to the tune of over €900 million, equivalent to some 7% of the country's GDP. This plan is based on a vision to lead the country's recovery and attract new niches of growth during the coming months.

The plan is based on three principles, including the reduction of business costs and provision of liquidity; the support of domestic consumption and finally the provision of direct support to industry while incentivising work. Such a wide

financial package was made possible by the financial caution witnessed during the previous years, with Malta registering four years of budgetary surpluses while national debt levels had gone down to around 40% of GDP, well below the European average.

This plan consists of a wide range of initiatives targeted at businesses and families alike. These include:

An extension of the **wage supplement** paid by Government to hard-hit businesses until September, subsidies for rental costs, significant reductions in energy tariffs and an extension of tax deferrals. Economists have estimated the support measures to amount to roughly €16,000 business on the island, with firms on Malta's sister island, Gozo, as well as women-led businesses, standing to receive additional layers of support.

In its bid to enhance the purchasing power of the Maltese population, Government will also be **refunding parts of the income tax** paid so far while distributing vouchers to families to spend in the country's retail and hospitality sector in a bid to revive the activity of these economic sector. This will also safeguard employment in the country, despite the job market remaining strong even throughout the first quarter of the year.

Taxes on property have been **reduced**. Stamp duty on acquisition of property to decrease from 5% to 1.5% on the first €400,000, while property transfer tax on sale of property was lowered from 8% to 5%

€100 vouchers will be issued to every Malta resident person over 16 years of age, €80 to be used in hotels, restaurants and bars with the remaining €20 to be used in outlets which were closed during the pandemic.

An important element of Government's regeneration plan is that these initiatives are not merely intended to support business and families through the next, challenging months, but to prepare the Maltese economy for its next level of development.

This special budget developed a raft of measures intended at embracing the opportunities presented by the Covid-19 crisis such as **the acceleration towards digitalization of business processes** and a strong direction towards a cleaner environment.

Substantial **funding** is being made available for firms to carry out **business re-engineering** and to undertake **on-the-job training for their employees** with the aim of reskilling staff in view of new realities.

These initiatives are also in line with the recent Country Specific Recommendations provided to

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Malta by the European Commission. The latter welcomed the support measures taken so far and called for further investment to support the country's green and digital transition.

Malta will also be **investing substantially in new industrial infrastructure** with the declared intention of attracting new investment in both existing and emerging industry.

At the same time, additional funds have been directed to support locally-based enterprises in **developing their export markets**. Businesses which had been set to participate in international trade fairs to be given an 80% refund.

€10 million grant on exports to be given to companies at risk of not being paid for goods which they had exported

A wide range of trade and business organisations have welcomed the proposed initiatives, arguing that several of the incentives are expected to help businesses turn the COVID crisis into an opportunity of growth through a re-engineered economy.



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Malta pushes to become high-profile jurisdiction for aircraft leasing

Transport Malta has announced a major push to transform the country as the next high-profile European jurisdiction for aircraft leasing. This is already an important part of Malta's aviation cluster. The country's aircraft register numbers almost 500 planes. Malta aims to join the three leading countries for aircraft leasing services, namely Ireland, Singapore and Hong Kong, therefore effectively becoming the second EU jurisdiction of note for such services.



Upskilling and reskilling seen as crucial to recovery

Upskilling and reskilling of the labour force are crucial for a more competitive and resilient economy. In this context Government has launched The Skills Development Scheme, which will see an investment of €5m for in-house training of employees. It will also provide a €5,000 grant for companies to re-engineer their business models. These initiatives are intended to instill necessary skills in Malta's workforce to further boost economic growth.



Leading AI authentication company to invest in Malta

Trust Stamp, an award-winning, AI company dual-headquartered in the US and UK has established a subsidiary in Malta which will become home for the company's largest R&D team as well as the back-office for AiID, its public-benefit subsidiary focused upon humanitarian & development services in Africa. The project is financially supported by Malta Enterprise in addition to capital from public markets and investors such as Mastercard International, FIS Global, Second Century Ventures, and FSH Capital.



Creditreform forecasts strong economic turnaround

Creditreform, a German creditrating agency is forecasting a strong turnaround of Malta's economic activity by 2021, at close to 5%. In its report, it highlighted how Malta's government had acted quickly to introduce a "significant" packet of measures to safeguard public health and also introduced a "substantial policy package" of financial support.



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