



THE MALTA CHAMBER

## PRESS RELEASE

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### **Geo-political tensions persist, but low public debt and high bank liquidity help**

The Malta Chamber of Commerce, Enterprise and Industry organised a conference in collaboration with Bank of Valletta to explore the recent and expected economic developments and trends, in the context of the baseline trajectory for the Maltese economy, and the upside and downside risks surrounding this outlook.

In his opening speech, Nick Xuereb, Deputy President of The Malta Chamber, highlighted the key challenges and economic realities that businesses will face in 2024. “We should help and support businesses in improving their efficiency and productivity. As inflation shows signs of decreasing, it is crucial to implement the right measures proactively, positioning ourselves ahead of the curve rather than lagging behind. Since human capital will remain a persistent challenge in 2024, the overarching goal should be to steer our country towards emphasizing quality over quantity. Given that our businesses operate in a broader competitive landscape, we cannot afford to ignore external developments. With this being said, critical investment in digitalisation is imperative for both the private and public sectors and should be actively encouraged,” stated Xuereb.

“Malta’s economic growth remained strong in 2023, in contrast with the sharp deceleration recorded abroad. The current consensus suggests that over the next years, Malta’s economic momentum will continue to exceed that in the euro area. This benign outlook reflects the transformation undertaken over the years, which has made the economy more diversified and thus more resilient. Geo-political tensions continue to create uncertainty, but this is compensated for by the fact that the low public debt ratio and the high bank liquidity made it possible to dampen the international energy and interest rate shocks which occurred post-pandemic,” noted Malcolm Bray, Senior Manager (Economics) at Bank of Valletta.

During a panel discussion on the resiliency of Malta’s economic landscape, The Malta Chamber CEO, Dr Marthese Portelli emphasised on the concept of imported inflation which is manifesting in various facets within Malta's economic landscape. “The Malta Chamber has highlighted several factors contributing to inflationary pressures, including increased air freight and sea transport costs, reliance on imported raw materials, imported labour, and regulatory burdens from the European Commission. Additionally, deficiencies in water and energy infrastructure and traffic congestion exacerbate these pressures. The Malta Chamber has been very vocal on the importance of addressing these multifaceted challenges while providing tangible examples on how to mitigate such challenges,” she noted. Dr Portelli emphasised the substantial growth opportunities in current sectors, particularly tourism and manufacturing, which have shown remarkable resilience. A key strategy for enhancing productivity in these sectors is to optimize efficiency by accomplishing more with fewer resources. This approach not only fosters sustainable growth but also enhances competitiveness and overall economic performance.

In his closing address Mr. Kenneth Farrugia, Chief Executive Officer of Bank of Valletta, stated that “We do hope that you have found this event to be insightful and relevant to your own operation and do trust that this will inspire meaningful action and drive positive change. As Malta’s leading Bank, we are delighted to have co-organised this event with The Malta Chamber as this has enabled us to share our views and thoughts on the national economy and in the process stimulate an interesting exchange with key economic actors”.

Mr Farrugia also stated that over the past decades, the country’s economy has gone through significant positive developments, this despite the challenges that emerged in the process, which in truth have tested our resilience. He went on to state that at this juncture, the future strategic thrusts supporting our economic development need to be driven by the critical principle of sustainability within an overarching ESG context. This focus will in turn undoubtedly bring about social wellness and stronger governance. Finally, Mr Farrugia said that “We all need to play an active role in shaping the future of our economy and where we constantly need to ask ourselves whether we are doing anything, or enough, in the process. Bank of Valletta intends to remain an important catalyst in this regard to foster greater engagement and collaboration between the key stakeholders for the benefit of generations to come.”

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