

COUNTRY PROFILE:**REPUBLIC OF MALTA****DATED:****JANUARY 2012****CREDIT GUARANTEE:**

IES/02: ATTACHMENT A

Export Department Comment/Opinion	Rating 2B. Cover considered on an open basis. Fair exposure and low commitments. Not a claims free market. (Euler Hermes: AA; Atradius: 3/7; Coface: A2/A2) Sanctions: None
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Recent Political Highlights

- The prime minister has reversed the €500 salary increases that ministers surreptitiously awarded themselves in 2008.
- The country is currently experiencing political instability. This is not related to the economy but rather from infighting between members of the ruling. This instability is affecting an already struggling property market. The Malta Developers Association (MDA) has called for solutions on this matter - solutions such as resignation of politicians and early elections.

Recent Economic Highlights

- The country has a population of 408,333 and a literacy rate of 92.8%. 15% of the populace lives in monetary “at-risk-of-poverty” while 20.6% live “at-risk-of-poverty or social exclusion”.
- Situated between the EU and Africa makes it a target for illegal immigration which has strained its political and economic resources. Vulnerable illegal immigrants become victim to human trafficking, making Malta a source and destination for sex trafficking.
- The total unemployment rate is 14.3% for the 15-24 age bracket and 4.9% for the 25-75 age bracket. The largest employers are wholesale and retail trade, repair of motor vehicles and household goods, hospitality, transport and communication. The majority of women are employed in the services sector.
- The average gross annual salary of employees is estimated at €15,036 (R155, 135). In 2010, 27% of households (109,943 persons) could not afford to pay unexpected financial expenses, 55,608 could not afford to keep their houses warm in winter, 41,219 could not afford to eat meat and vegetables often, 29,676 could not pay mortgage and housing utilities on time and 245,918 could not afford a week’s holiday away from home. The situation has not changed much since and the €40m budget cut is likely to worsen matters.
- Malta produces 20% of its food needs and imports the rest to meet demand. It has limited fresh water supplies and few domestic energy sources.
- The economy is dependent on foreign trade, manufacturing specialising in electronics and pharmaceuticals, and tourism.
- The annual inflation rate for 2011 was 1.3%, unchanged from a year earlier.
- Credit agency S&P cut the credit rating by one notch to A-with the reason being the deepening political, financial and monetary problems within the euro zone with which Malta is closely correlated.
- Malta’s interdependence with the performance of the European economy promises even greater challenges in 2012 with the lack of stability and bleak outlook threatening investment and job creation.

Latest Trade Developments

- Export commodities include: electrical machinery, mechanical appliances, fish and crustaceans, pharmaceutical products, printed material.
- Import commodities include: mineral fuels and oils, electrical and non-electrical machinery, aircraft and other transport equipment, food, drink.
- Main trading partners: Germany, France, Italy, UK, Libya, US.
- SA’s exports to Malta totaled R109m in 2009, R76.4m in 2010 and R16.7m YTD October 2011.
- SA’s imports from Malta totaled R146m in 2009, R146.1m in 2010 and R133.3m YTD October 2011.