

Shaping Malta's Future 2021

Malta and the Great Reset: sectors and skills that will drive growth

Grant Thornton | Malta

2021



Contents

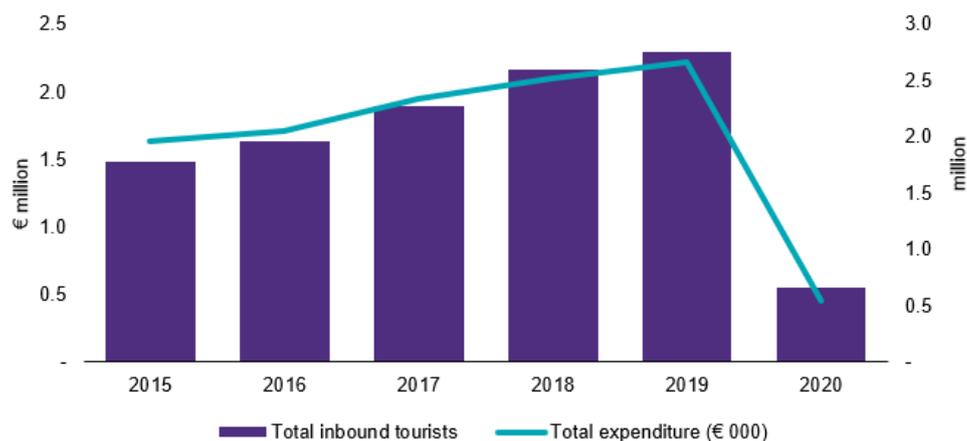
Section	Page
Local industries which have struggled during the Covid-19 pandemic	4
Local industries which have flourished during the Covid-19 pandemic	5
Governmental schemes in response to the Covid-19 pandemic	6
Grant Thornton International	7
Grant Thornton Malta	8
Our service lines	9
Contacts	10



Local industries which have struggled during the Covid-19 pandemic

Malta's GDP decreased from €12.5 million in 2019 to €11.5 million in 2020, reflecting a decrease of 7.8% from the previous year.

As expected, the tourism industry was one of the main industries which struggled during the global pandemic, both locally and internationally. As illustrated in the chart below, the total inbound tourists which arrived in 2020, fell by 76%, whilst the total expenditure spent by tourists, declined by 79.5%, in comparison to the previous year.

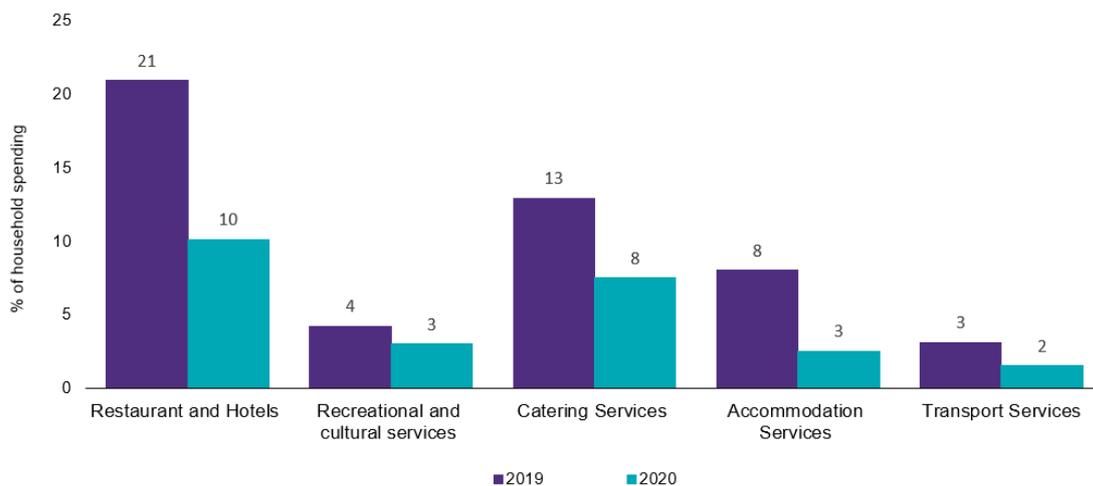


The above negative impact was also mirrored on the accommodation industry. In fact, the total number of guests within accommodations, decreased from 2 million in 2019 (1.8 million non-residents), to 0.7 million (0.5 million non-residents) in 2020, signalling a decline of 65%. Additionally, the net use of beds in accommodations also declined severely, from 65.7% of occupancy in 2019, to 25.4% of occupancy in 2020.

Similarly, the aviation industry was also negatively affected by the pandemic. As per Eurostat figures, the number of passengers travelling by air services declined from 7.3 million passengers in 2019 to 1.8 million passengers in 2020, a fall of 76.1%.

Additionally, industries based on the aviation, tourism and accommodation sectors suffered similar declines. Travel agencies, tour operators, reservation services and related activities, also faced a severe fall in revenues, whereby in line with data provided by Eurostat, the turnover index of such services, was only 36.5 in 2020, which is a decrease of 75.89% when compared to the 151.4 turnover index, registered in 2019.

Furthermore, as per data provided by Eurostat, the following industries were also identified to have faced severe declines in 2020. The wholesale and retail trade sector, as well as the education sector suffered declines during the past year, where the average number of part-timers within such sectors went down by 466 and 240 employees, respectively.



Local industries which have flourished during the Covid-19 pandemic

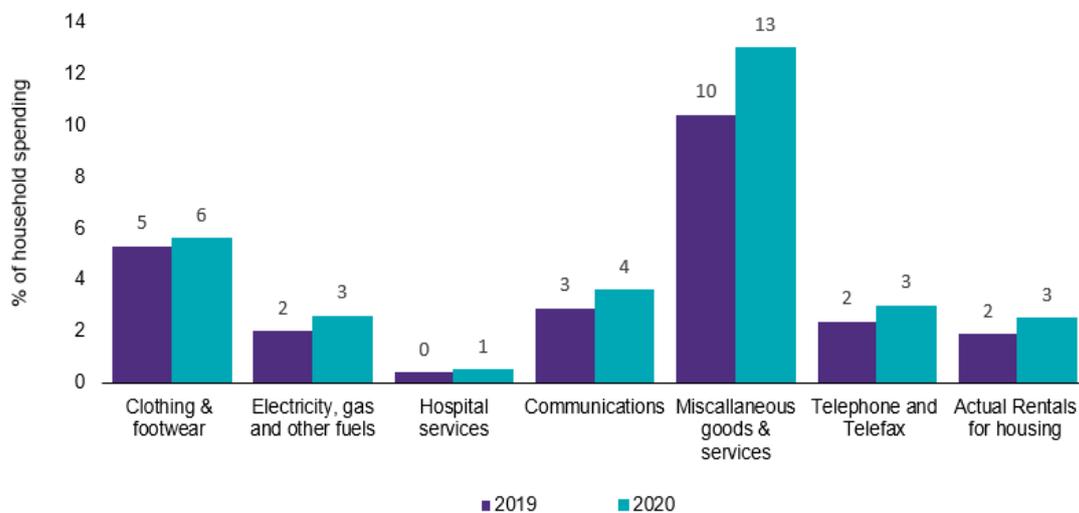
Despite the financial burdens that Malta faced during this pandemic, the IMF anticipated that Malta’s GDP growth rate shall be 4.7% in 2021 and 5.6% in 2022. This is supposed to outweigh the anticipated growth of GDP within the eurozone, which stands at 4.4% in 2021 and at 3.8% in 2022.

Furthermore, according to Eurostat, certain local industries have raised their contribution to GDP in 2020, when comparing their contribution to GDP in 2019. In fact, the contribution to GDP attributable to the information and communications sector, increased by 1.42 percentage points, whilst the financial and insurance sector’s contribution, increased by 1.16 percentage points. Furthermore, the average number of full-time employees within the information and communications sector increased by 286 from 2019 to 2020, whilst the average number of part-time employees increased by 93.

An article posted by MaltaToday highlighted that the construction and real-estate industry, remained one of the main contributors within Malta’s economy. Indeed, according to a survey which was carried in January 2021, only 26% of the respondents stated that they had no interest in conducting any real-estate transactions. Moreover, as per NSO data, the Property Price Index, increased from 125.06 in the first quarter of 2020, to 133.02 in the fourth quarter of the same year, an increase of 6.3%.

Furthermore, the administrative and support service activities also expanded, and the number of full-time employees increased by more than 2,000 employees in 2020. The human health and social work sector experienced similar growth in terms of full-time employment, whereby an increase of 1,802 employees were registered in 2020, over the previous year.

Other sectors which have flourished are illustrated in the chart below.



Governmental schemes in response to the Covid-19 pandemic

Following the financial burdens brought about by the global pandemic, the Maltese Government introduced several schemes to boost Malta's economy.

The wage supplement scheme was a major incentive, where according to an economic survey utilised for the 2020 Government budget, by the end of July 2020, over 69,000 full-time and over 10,000 part-time employees, had benefited from such a scheme. Government also issued two lots of €100 vouchers to everyone aged 16 years or over.

Other local schemes included the tax deferral scheme, a temporary moratorium on loan repayments and a one-time grant of €1,000, for businesses that remained closed beyond May 10th, 2021. There was also the MDB Covid-19 Guarantee Scheme; whereby working capital loans were extended to those businesses which were facing liquidity declines. Moreover, there was also the one-time grant of up to €2,500 to aid rental costs, together with a 50% refund of the businesses' electricity bills.

Another government incentive was the quarantine leave scheme, whereby a one-off lump sum grant of €350 was given to those employers or employees who had to go on mandatory quarantine. The Government also introduced a €3 million scheme to cover travel operators who market Malta as a travel destination and are successful in bringing tourists to visiting the country. Another government scheme was introduced by the Ministry for Gozo, in relation to teleworking for Gozitan employees who are based in Malta within the private sector.

All such incentives were beneficial and supreme, indeed, a study carried out by the Colombia University in the US, placed Malta in first place with regards to the most effective Covid-19 governmental incentives. This was cemented by the fact that governmental spending on Covid-19 incentives amounted to 22% of Malta's GDP in 2020.

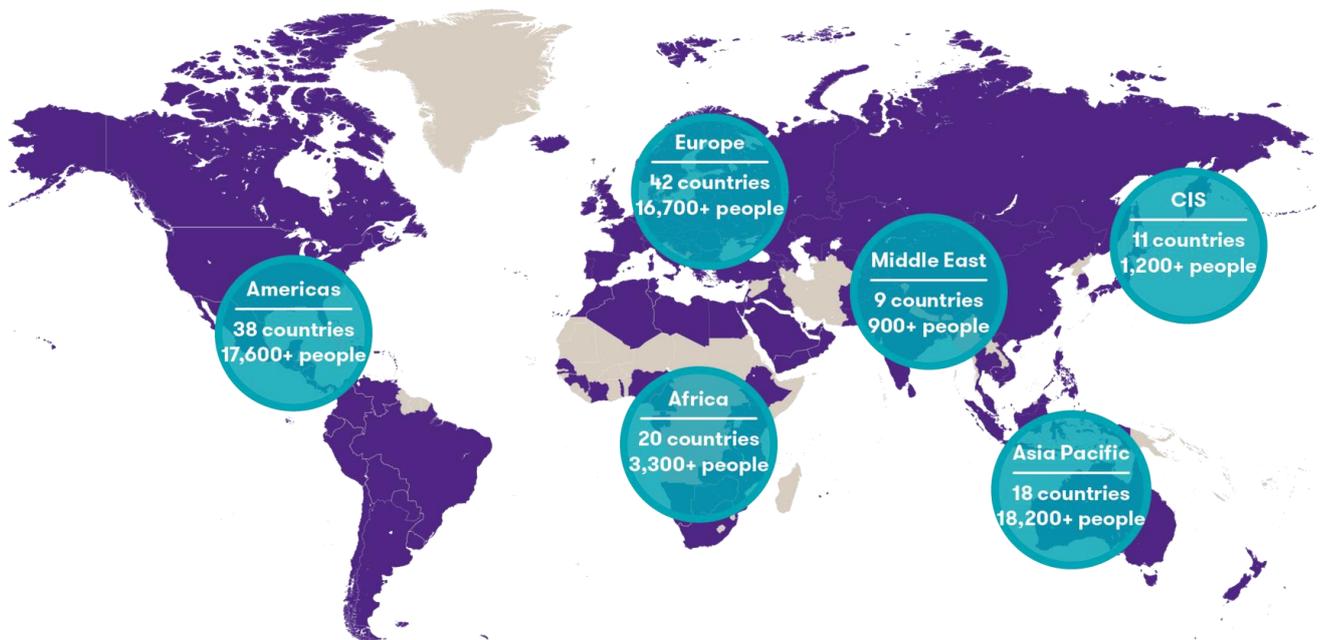
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(2020 revenue)



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people



750+
offices



138
countries

Grant Thornton Malta

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- financial statement compilations
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- IFRS
- audit quality monitoring
- global audit technology
- systems and risk assurance

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- governance and risk management
- regulatory services
- risk modelling services
- forensic and investigation

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- change and program management
- business intelligence and analytics
- business valuation and litigation support
- business process outsourcing and consulting

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- project financing
- due diligence
- valuations
- foreign direct investment

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- recovery

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- technology implementation
- blockchain technology
- fintech consultancy
- cyber security consultancy

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- global mobility services
- indirect tax advisory
- transfer pricing
- estate planning
- wealth advisory
- FATCA/CRS advisory and compliance
- IRS qualified intermediary advisory and compliance
- regulatory and legal
- corporate services
- ship and aircraft registration
- company formation
- financial regulatory services
- trust and fiduciary services

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- payroll and personnel administration
- direct and indirect tax compliance
- human resources
- compilation of financial statements
- business process outsourcing including back office and secretarial
- consulting and processing engagements
- family business consulting

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- economic impact assessments
- cost-benefit analyses
- cost effectiveness analyses
- value for money analyses
- public private partnership advisory
- public procurement advisory
- advocacy reporting
- evaluations of projects, policies and programmes
- strategy development
- product development costing and determination of pricing strategies
- market research
- survey design, collection and analyses
- ad-hoc engagements

Quantitative risk advisory

- ICAAP & ILAAP
- capital requirements
- ALM & Actuarial ALM
- stress testing (BASEL III / SOLVENCY II)
- independence reviews
- credit risk
- interest rate risk
- price risk (hedging)
- foreign exchange risk
- data mining
- data science
- Tableau dashboard
- data management
- statistics and data analytics
- remediation and anti-money laundering
- tool kit using research techniques

Other services

- assistance with EU and local funding
- marketing and communications consultancy
- brand development
- human resource consultancy

Contacts



Mark Bugeja
Managing partner
Partner | Assurance
T +356 9943 7890
E mark.bugeja@mt.gt.com



Sharon Causon
Partner
Audit and assurance
T +356 9985 2619
E sharon.causon@mt.gt.com



Austin Demajo
Partner
Tax
T +356 9943 7891
E austin.demajo@mt.gt.com



Chris Farrugia
Partner
Information technology
T +356 9982 9636
E chris.farrugia@mt.gt.com



Wayne Pisani
Partner
Tax and regulatory
T +356 9942 3253
E wayne.pisani@mt.gt.com



Alex Brincat
Director
Audit and assurance
T +356 7925 3947
E alex.brincat@mt.gt.com



Joseph Pullicino
Partner | IT, business risk
& Outsourcing
T +356 9949 9660
E joe.pullicino@mt.gt.com



Michael Agius
Associate Director
Tax services
T +356 9999 7891
E michael.agius@mt.gt.com



George Vella
Partner
Advisory
T +356 9982 3402
E george.vella@mt.gt.com



Russell Camilleri
Associate Director
Accounts and tax
T +356 7990 2975
E russell.camilleri@mt.gt.com



Oriana Abela
Partner
Capital markets
T +356 7961 7141
E oriana.abela@mt.gt.com



Michael Mifsud
Associate Director
People and culture
T +356 9999 0055
E michael.mifsud@mt.gt.com

Grant Thornton
Fort Business Centre, Level 2
Triq l-Intornjatur, Zone 1
Central Business District
Birkirkara CBD1050,
Malta

T +356 2093 1000
E grantthornton@gt.mt.com



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