The Economy of a Small Island State
Malta, 1960–1993

Lino BRIGUGLIO

I. Introduction

Malta is a small independent state located in the Middle of the Mediterranean Sea. In 1993, the Maltese GNP was approximately US$25,000 million and the Maltese population was approximately 360 thousand, occupying a land area of around 320 square kilometres. Malt’s GNP per capita, however, is not one of the smallest when comparing it across countries. Although usually classified as a developing country, its average 1993 per capita GNP amounted to approximately US$8000, which is higher than most third world countries. The World Bank, in its World Development Report classifies the Maltese economy as an upper middle income one.

As is well known, GNP per capita has a number of shortcomings as an indicator of development, and sometimes other indicators are utilised for development comparisons across nations. One such indicator is the percentage contributed by the manufacturing sector to GDP. In Malta this amounts to just under 30%, which compares well with the manufacturing percentage pertaining to developed countries.

Some social and educational indicators would seem to suggest that Malta is more akin to Industrial Market Economies than to Third World countries. Literacy rates, school enrolment rates, average life expectancy, the number of hospital beds and the number of physicians per head of population are very similar to the rates found in Western European Countries. (Briguglio 1988) After considering these factors, the UNDP Human Development Report places Malta with the High Human Development Index countries and with the High Income Industrial countries.

This paper gives a very brief overview of the structure and performance of the Maltese Economy during the period 1960–1993. Following this introduction, a brief account of Malta’s development planning, and its results, is given. Sections Three and Four give some details on cyclical and structural changes over time. The fifth Section discusses changes in expenditure patterns, while Section Six deals with changes pertaining to the Maltese balance of payments. Section Seven describes the most Section Eight concludes the paper.
II. Maltese Development Planning

The most important change that occurred in the Maltese economy during the 1960-1973 period was related to the expansion of the manufacturing sector and the phasing out of the British forces bases in Malta.

Before the sixties.—Up to the fifties, the Maltese economy relied heavily on British military expenditure (up to 1964 Malta was a British colony). Exports of merchandise were minimal, and very little regard was given to international competitiveness. Every year, the Maltese government drew up a budget, asking for funds from Britain to balance its administrative accounts and to create employment in British military establishments in Malta.

During the second half of the fifties, it became manifestly obvious that changes in the British defence policies were going to result in massive rundowns of employment with the British services in Malta, and the need was felt to implement a co-ordinated development plan to diversify Malta’s economy [see Balogh and Seers (1955), Stolper (1964) and British Government (1957) and (1963)].

The development plans.—Between 1959 and 1986, six development plans were launched (see Maltese Government (1967) and (1972) and Development Plans). Although during this time Malta had governments of different ideologies, the basic objective of successive plans was essentially the same, namely that of making Malta a viable economic unit, which by its own efforts would provide jobs for those who sought them.

To achieve this aim, measures were taken to increase the share of manufacturing, tourism and agriculture in the domestic product. Since Malta’s internal market is very small, industrial expansion had to be sustained through increased reliance on the export market, and therefore the importance of competitiveness for attaining economic objectives was stressed in all development plans. The plans and strategies were based on the need for adapting attitudes and methods of production to the changing structure of the Maltese economy.

The major differences between the planning and strategic approaches under different governments were related to the role of the state in directly productive activities. The Nationalist governments (1962–71) believed that state organs should only take a backing role in such activities, leaving the private sector to take business initiatives according to market forces. The Labour governments (1971–87) on the other hand, tended to base their economic policies on the tenet that the state should participate directly, especially where the private sector failed to take the initiative.

Recent years.—Since 1987, the year the Nationalist party (conservative with liberal economic orientation) was elected in government, no economic plan was published as such, but the market oriented strategy of the government was clearly expressed.

Malta is at present seeking to join the European Community, and reliance on international competitiveness has been emphasised more than ever due to the fact that at full EU member Malta would eventually have to remove all import barriers on goods, services, capital and labour coming from and going to the other members of the EU.
Problems of development.—The development process in Malta was beset by a series of difficulties, which were not all of Malta’s own making. These included the successive and sometimes unexpected decreases in the British defence expenditures during the sixties, the international energy crisis and unprecedented inflationary pressures during the seventies and the international recession during the first half of the eighties and early nineties.

A satisfactory measure of success has however been achieved, and this is evidenced by the expansion of the manufacturing and the market services sectors, the phasing out of dependence on British military service, the growth in the number of the gainfully occupied persons and the rise in real per capita national income.

III. Cyclical Changes

During the period under consideration, the Maltese economy experienced a cyclical pattern of change.

The ups and downs between 1960 and 1980.—The economy grew at a very slow rate during the first half of the sixties. During this sub-period, emigration and unemployment reached very high rates. The trend was however reversed during the second half of the sixties, an sub-period characterised by very fast growth rates in GDP and employment.

The economy slowed down again during the first half of the seventies. Although between 1970 and 1974, GDP tended to grow, the number of persons employed did not grow significantly, and had employment not been created in government labour corps, the number of persons employed would have actually decreased. Again, this sub-period of unsatisfactory economic performance was second half of the seventies.

Figure 1  Growth path of real GDP compared to a 33-year trend
1982–1985: Difficult period.—The performance of the Maltese economy between 1982 and 1985 was perhaps the worst during the past thirty years. The rate of growth of GDP was a very slow one. Employment decreased at a very rapid rate—the fastest decline when all sub-periods are considered. Unemployment, on the other hand, increased and reached very high rates. Had the labour force (i.e. the number of people willing to work) not decreased, the official unemployment figures would have been much higher.

1987–1993: Rapid growth.—The economy picked up again after 1985. Between 1989 and 1993, GDP in real terms grew at a rate of about 6% per annum and unemployment averaged around 4%.

The cyclical pattern of change of the Maltese economy are reflected in the pattern of GDP growth, compared to a thirty year trend, shown in Figure 1 and in the ups and downs of the rate of unemployment and emigration, shown in Figure 2. The figures confirm that the economy performed at its best, in terms of rates of growth of GDP and employment during the second half of each decade.

![Figure 2 Unemployment (U.R.) and emigration rates (E.R.): 1960–1992](image)

Reasons for rapid growth.—Probably the most important factors which accounted for the satisfactory performance of the Maltese economy during the second half of the sixties and of the seventies were the so-called construction boom during the sixties, and the rapid increase in tourism during the seventies. These two types of expenditures have relatively low import contents and therefore high multiplier effects on domestic value added and employment.

The rapid rate of economic growth during the second half of the eighties and early nineties could be attributed to process of liberalisation introduced by the Nationalist gov-
ernment since 1987. There is considerable debate in Malta as to whether or not economic liberalisation is beneficial to the Maltese economy, but it appears that it has so far given good results in terms of growth of GDP and employment.

IV. Structural Changes

The patterns of change just described have been accompanied by changes in the composition of GDP. The major changes related to the expansion of the manufacturing sector, the phasing out of the British military establishment and the restructuring of the services sector.

The manufacturing sector.—During the period under consideration, the fastest growing sector in the Maltese economy was manufacturing, which accounted for just 17% in the early sixties and increased to about 33% during the late seventies.

There was a decline in the percentage share of this sector during the eighties and the nineties. This sector is however still relatively large, contributing around 27% of GDP.

A further breakdown of the manufacturing sector would indicate that it changed structurally during the past thirty years, with export oriented industries expanding their share at the expense of domestic oriented industries. The textile, clothing and machinery industries became the most important export oriented industries during the seventies and remaining so during the eighties.

The market services sector.—This sector was always a relatively large one in Malta, contributing around 33% of GDP during the period under consideration. However, there was a major restructuring within this sector. During the sixties, domestically oriented activities, such as retail and wholesale trades and personal services dominated this sector. In more recent years, with the expansion of the tourist trade, export oriented services, associated with travel and transportation grew very rapidly. Another important structural change was the growing importance of financial services within the services sector.

The British military bases.—The British military establishments reduced their share of GDP from an average of 15% in the early sixties to zero during the eighties. As already explained, this was in line with the development strategy adopted in the Maltese development plans.

The public sector.—The public sector in Malta is relatively large. With the phasing out of the British military presence, the public sector tended to grow somewhat.

This sector is involved in two main forms of production, namely public administration and public enterprise. The latter mostly represents the economic activities of public corporations, engaged in the production of public utilities. The share of the public sector comprising these two forms of activities amounted to 23% in recent years.

The Maltese government is also directly involved in the production of goods and services through majority shareholding in limited liability companies, such as banks and the national airline. In GDP statistics, however, these types of activities are classified with the private sector. If we were to include government corporate majority shareholding
with the public sector, the share of this sector in recent years would have amounted to around 30%, compared to around 20% in the early sixties.

**Other economic sectors.**—The change in the shares of other economic sectors were not very dramatic. During the period under consideration, construction and quarrying contributed an average of 4.2%. The share of agriculture and fishing averaged 6.1% but tended to decrease during the period under consideration.

**Gainful employment.**—The changing pattern of the distribution of employment in different sector, in general, reflected the changes in the shares of GDP. For example, the increasing share of the manufacturing output has increased employment in manufacturing from just over 18% of the gainfully occupied in the first half of the sixties to about 30% in the eighties. It has tended to decline somewhat in recent years.

**Female employment.**—Another important change is that female employment as percentage of total employment increased from just over 18% in the first half of the sixties to about 26% in the second half of the seventies. The percentage has decreased slightly during the first half of the eighties, and has tended to increase again since 1987. It now accounts for around 27% of total employment, which is still somewhat lower when compared to the rest of Western Europe.

The bulk of the increases in female employment occurred in the manufacturing sector, mostly in the clothing, textile, and electrical machinery industries.

![Pie charts showing composition of Maltese gainful employment between 1960-1964 and 1985-1992](image)

**Figure 3** Changing structure of Maltese gainful employment

The changing structure of the Maltese gainful employment is shown graphically in Figure 3, where the sectoral distribution in the early sixties is compared with that of recent years. The growing share of the manufacturing sector and the disappearance of the British military sector in the eighties are clearly shown in the pie-charts.

**V. Changes in Total Final Expenditure**

Total Final Expenditure is composed of consumption, investment, exports and government current expenditure. These represent sales of goods and services sold by domestic firms. These expenditures are composed of an imported content and a domestic value-added content. As is well known, the latter is called the Gross Domestic Product.
 Aggregate expenditures in Malta have also tended to follow a cyclical pattern of change as described below.

*Consumption expenditure.*—Private Consumption expenditure in Malta accounted for around 40% of total final expenditure between 1960 and 1993. Although this type of expenditure grew consistently during this period, it tended to increase rapidly during the second half of the sixties, seventies, and eighties and to increase slowly during the other sub-periods.

Public sector consumption expenditure, which represents government current expenditure, amounted to around 8% of total final expenditure. Again, the pattern of growth of public sector consumption was cyclical.

*Investment expenditure.*—Investment expenditure amounted to around 12% of Total Final Expenditure. As expected, this type of expenditure fluctuated considerably. There was a marked increase in investment expenditure up to the seventies, but after that date no consistent upward and downward trend could be detected.

*Exports.*—Expenditure by non-residents on Maltese exports of goods and services accounted for around 40% of total final expenditure since 1960. This form of expenditure also tended to fluctuate widely around the annual trend, with rapid growth rates during the second half of the sixties, seventies and eighties. This expenditure has tended to decrease during the early sixties and the first half of the eighties.

*Imports.*—Imports accounted for around 45% of Total Final Expenditure since 1960. Imports tended to grow at a slower rate than total final expenditure during the seventies and the first half of the eighties, indicating that import content of total final expenditure tended to decrease and the domestic value added content tended to increase during these two decades.

![Graph showing total final expenditure and its GDP and imports components](image)

**Figure 4** Total final expenditure and its GDP and imports components
This tendency has been brought about by the policy of import substitution and import controls which have been resorted to with increased intensity since the seventies and up to 1987.

After 1987, imports increased rapidly as a result of trade liberalisation, increasing their share of total final expenditure (see Figure 4).

**VI. The Maltese Balance of Payments**

The balance of payments gives a picture of a country's transactions with the rest of the world. It is usually divided into three parts, namely the Current Account, the Capital Account and Official Financing Account.

*Trade.*—Briefly, during the period under consideration, Malta has experienced a relatively large deficit in its merchandise trade, and a positive but smaller surplus in its services trade. Thus the balance between exports and imports of goods and services taken together (the resource balance) was negative during the same period.

The bulk of merchandise exports consisted of clothing and textiles, and in recent years electrical machinery has had a major share also. As regards services, the most important exports were connected with the British forces bases during the sixties. However, since the seventies, with the development of the tourist industry, foreign travel and transportation have accounted for a large proportion of foreign exchange inflows from exported services.

*Investment income from abroad.*—The Maltese monetary authorities and the Maltese private individuals hold large balances out of the country. Investment income from abroad yielded by these balances in many years offset the deficits which Malta experienced on trade in goods and services.

*Transfers.*—Another source of foreign exchange on Current Account are transfers which consist of remittances and pensions to households and foreign exchange grants to the Maltese government.

Considering all these inflows and outflows of foreign exchange, the overall balance on Current Account was generally a surplus up to 1987. In recent years, however, with the rapid surge in imports, there was a tendency for current account deficits.

*Capital account.*—With the exception of the first half of the sixties and the post 1987 sub-period, the capital account has tended to be in surplus, indicating that, on average, capital inflows from abroad offset capital outflows to foreign countries. The capital account includes borrowing from abroad by the government. Of interest in this regard is that Malta's external debt as a proportion of GNP is rather low by international standards.

If we add the net surpluses (or deficits) of foreign exchange from the current account to the net surplus (or deficits) in the capital account we obtain the total net surplus (or deficit) in the balance of payments above "the line". This residual is computed after taking into account all foreign exchange transactions, with the exception of official financing.

*External reserves of foreign exchange.*—During any one year, this residual broadly approximates the net additions (or reductions) of foreign exchange holdings of the monetary authorities. Theses official external reserves have tended to grow rapidly during the seventies and early eighties, as a result of the foreign exchange net inflows just described. There was
a marked slow-down in the accumulation for external reserves after 1987, due mostly to rapid increase in imports.

As at 1993, the Maltese monetary authorities still hold large amount of reserves invested abroad, in spite of the recent deficits in the balance of payments. The amount of official external reserves is very high by international standard, using indices of reserves in terms of monthly imports. It is much higher than the amount requested by law to serve as backing for the domestic currency.

VII. Major Problems of the Maltese Economy

Although the Maltese economy has grown at a relatively fast rate since 1960, it faced, and still faces, a number of weaknesses. These will be briefly discussed in this section. A more detailed analysis is given in Briguglio (1988).

Small Size

An obvious feature of the Maltese economy is its very small size, measured by its total GNP, land area and population. Smallness does not necessarily render a country under-developed, since there are small countries, such as Luxembourg, Iceland, and Cyprus that have done rather well in terms of economic development. However there are a number of drawbacks associated with small size.

Limited of economies of scale possibilities.—Malta’s small land area, coupled with its small domestic market, renders it difficult to reap the benefits of large scale production in domestically oriented industries. This tends to push up unit costs and inhibits the use of mass-production technology in such industries.

Limited diversification options.—Small size also reduces the possibilities for diversification in the economy, mostly as a result of limited natural resources and non-viability of certain types of production on a small scale.

High dependence on the rest of the world.—Because of its small domestic market, a large proportion of Malta’s output has to be exported, giving rise to a very high degree of dependence on conditions in the rest of the world. Like other small countries, Malta also depends heavily on imports, due to the lack of natural resources and limited variety of domestic production.

Dependence on Imports

Malta’s dependence on imports has, during the seventies and the first half of the eighties, led the government to embark on a policy of strict import controls. This policy brought about a marked reduction in the import content of total final expenditure, but it has in many instances encouraged inefficient production and markedly reduced consumer choice.

There is an ongoing debate in Malta as to whether or not it is to Malta’s benefit to abolish import controls. Since 1987, the government has adopted a more liberal policy as regards imports, and this has had the advantage of giving rise to a wider variety of consumer products, but has aggravated Malta’s balance of trade problems. It has also resulted in a loss
of jobs in domestically oriented industries which were no longer protected.

Unfortunately, a sizeable proportion of the manufacturing sector still depends on import controls for survival. A considerable amount of employment would disappear if import controls are totally dismantled. This question is of utmost importance at present because Malta is aspiring to join the European Community as full member and this would necessitate the eventual complete liberalization of imports from the Community.

However, it appears that a more liberalised economic environment has, on balance, generated enough employment to absorb the loss of jobs in domestically oriented industries and others which were not able to withstand competition. As has been stated above, the number of gainfully occupied persons between 1987 and 1992 reached unprecedented levels, and this occurred during a period of drastic reductions in imports.

**Exports**

To finance a large import bill, Malta has to export a large proportion of its output. Moreover, given that its domestic market is very small, certain types of production are only feasible on a relatively large scale, and this necessitates exports. About 45% of Malta's total final expenditure consists of exports, which is a very high percentage by international standards.

An area of concern is that Malta's range of export is too narrow, with a very high percentage consisting of clothing and electronic components. In this regard, the advantages of specialisation arising from concentration on a few products has to be weighed against the disadvantages of having too many eggs in one basket.

A related problem is that a very large percentage of exported services are connected with tourism. Tourism has had an important beneficial effect on the Maltese economy, in terms of foreign exchange earnings and employment. However, past experience has shown that excessive reliance on this type of service presents a danger in that the tourist industry tends to be quite volatile.

As regards exports in general, the major recurrent problem is the need to maintain competitiveness vis-a-vis foreign countries. This touches upon the question of exchange rate policy, which will be dealt with below.

**Terms of Trade**

Another problem, which Malta used to face during the seventies, and which has emerged again during the late eighties (and will probably persist during the coming years) is a deterioration in the terms of trade. This means that the prices of Maltese imports rise faster than the prices of Maltese exports, so that every year the country has to export more to pay for the same quantity of imports of the previous year.

A look at the Maltese balance of payments statistics would indicate that between 1970 and 1983 Malta has had a consistent deficit in its resource balance. This deficit would have been turned into a surplus in most years had the prices of imports not risen faster than the prices of exports, everything else remaining constant.

One possible reason for the deteriorating terms of trade is that Malta tends to export goods and services in competition with developing countries, and the prices of exports are
therefore influenced to a high degree by prices in low income countries. On the other hand, a large proportion of Malta’s imports originate from developed countries, where prices are relatively high, and the prices of imports therefore reflect this reality (see Briguglio 1993).

The Manufacturing Sector

The Maltese manufacturing sector faces two distinct problems. The first is that many firms in the export oriented sub-sector, so far enjoy a competitive edge in terms of wage rates, but still depend to a large extent on relatively old technology. The wage advantage is continually being eroded by new competitors from the developing world. In all probability, competing on the bases of cheap labour will no longer be an option for Maltese exporters within a few years, given that wage rates in Malta are rising much faster than those in many of its competitor countries. The alternatives include competing on the basis of technological advance, or specialising in up-market or niche products. In both cases, the objective would be to avoid dependence on low wage rates for attaining competitiveness.

The second problem is that the domestically oriented sub-sector is still heavily protected, despite the process of liberalisation that was ushered in after 1987. This situation cannot continue to exist if Malta joins the ECU. It can be anticipated that the gradual liberalisation of imports, in preparation for Malta’s ECU membership, would result in the closing down of a number of firms, which at present (1991) employ around 6% of the Maltese gainfully employed population, and around 20% of employment in manufacturing.

Although the two problems just described are distinct, they have a common solution, namely the attainment of competitiveness, through the upgrading of the manufacturing capital stock to allow for technologically advanced production processes and the seeking of niche markets, which can be serviced without resort to large scale production (Briguglio 1994).

Monetary Aspects

On the monetary side, the Maltese economy is characterised by;
(a) a very high proportion of currency in circulation to GNP,
(b) a very high propensity to invest funds abroad, and
(c) excessive degree of control by the monetary authorities.

Currency in circulation.—In Malta, currency in circulation, in relation to the formal GNP is extremely high, amounting to around 50%. This is probably due to the tendency to settle certain transactions in cash to evade taxation. The high Currency/GNP ratio suggests that the underground economy is relatively large in Malta. The most important factors giving rise to this tendency are (i) tax rates in Malta rise very progressively, even though the maximum rate is 35% and (ii) the post tax rate of interest on fixed deposits, which is related to the opportunity cost of holding currency, is relatively low.

Investment outside the country.—In Malta the personal sector, as well as the banking sector, tend to have a very high propensity to invest funds abroad. One reason for private sector outflows could be, again, that post tax interest rates in Malta are relatively low. In the case of banking sector outflows, it appears that the main reason is that lending money in
Malta to the manufacturing sector may be too risky compared to the cushy investment in foreign banks, which carries with it a low risk with a high interest yield. It is ironical that while Malta craves for investment, the Maltese people and their financial institutions look elsewhere to invest their money.

A related problem is that the financial sector lacks a properly developed mechanism to channel funds into productive investments in Malta. In this regard, the basic problem in Malta would not seem to be lack of funds, but the utilization of funds for Malta's own economic development.

Fortunately, recent institutional developments, in particular, the establishment of the Stock Exchange, appear to be having a positive effect in channelling funds for investment towards Maltese enterprises.

Excessive control.—The Maltese monetary sector is very heavily regulated, and until recently interest rates were established directly by the Minister of Finance. This has given rise to serious distortion in the monetary market, some of which have already been described (see Azzopardi and Briguglio, 1993). If and when Malta joins the EU, it will have to liberalise the market, and changes have already been put in place towards this end (see Galdes, 1990 and Vassallo, 1994). The problem in this regard is that there are a number of unknowns as to the outcome of liberalisation. At the moment, the Maltese lack experience in this regard, and this will pose a serious challenge requiring adequate preparation and skill acquisition by Central Bankers and other practitioners in the monetary sector, and a properly phased out transitional phase (see Briguglio and Azzopardi, 1993).

Exchange Rate Policy

The Maltese lira has, since 1972, been valued on the basis of a basket of currency. The form of valuation, called multiple peg, is established by the Central Bank, and may change according to government policies. In recent years the basket broadly corresponded to the ECU basket, giving the Maltese lira a high degree of stability relative the currencies of Malta's trading partners, which are mostly EU members.

A government heavily involved in imports may succumb to the temptation of forcing the Central Bank to overvalue the currency to reduce the prices of imports in domestic currency. This is what probably happened during the first half of the eighties when the Maltese monetary authorities adopted a policy of tying the Maltese lira to relatively strong foreign currencies, at a time when the government of the time was directly involved in importing oil and a variety of food products. This policy has had beneficial as well as adverse effects on Malta's economy. It has helped to contain the disadvantages associated with imported inflation. But at the same time, it has adversely affected export competitiveness.

If and when Malta joins the EU, the international value of the Maltese lira will no longer be solely established by the Maltese monetary authorities, since market forces will play a major role in exchange rate determination. Again the problem here is that the Maltese lack experience in this regard, and adequate preparation is called for to ensure a properly worked out transitional phase.
The Labour Market

There are also a number of problem directly associated with the labour market. The major problem in this respect appears to be that of skill mismatches, causing a considerable amount of frictional unemployment. The solution is of course training and retraining schemes to develop and upgrade skills in line with the development needs of the Maltese economy.

Another problem is that a large proportion of the gainfully occupied (around 30% public administration and excluding government enterprise and around 40% including public corporations and companies with majority government shareholding) are employed in the public sector. This sector tends to be characterised by low labour productivity in the lower grades, and a shortage of efficient and motivated personnel in the higher grades. The relatively large size of this sector in the Maltese economy is probably giving rise to inefficient use of resources, and creating artificial labour shortages in the private sector. Many economic analysts are of the opinion that the Maltese public sector needs trimming down.

Integrating with Europe

In 1990, Malta applied to join the European Union. At present there are two major problems associated with this application. The first relates to difficulties related to Malta’s accession (Redmond 1993), not least of which is Malta’s small size.

The second problem is that the Maltese economy might be worse off if Malta joins the EU. The arguments for and against joining the EU have been aired in a number of publications in Malta (see for example EU Directorate, 1990 and Pommret, 1989, Frendo and Bonnici, 1990 and Malta Labour Party, 1990). It appears that the most important issue in this regard relates to the trade-off between protection and efficiency.

Those in favour of EU membership stress the need of competition and efficiency, and those against emphasise the inability of small enterprises to survive with the dismantling of import controls. Those who argue against joining the EU fear that a considerable amount of employment would disappear under an unprotected system, since, as already stated, a sizeable proportion of the manufacturing sector still depends on import controls for survival.

However, as indicated in many other parts of this paper, recent developments in Malta have shown that under a more liberalised structure, growth in the non-protected sectors of the economy—particularly services—has more than made up for the losses in the protected sector, the end result being historically high rates of employment, low rates of unemployment and relatively high growth rates in GDP in recent years.

While it may be true that the existence of such inefficient enterprises may be prolonged via protectionism, it is also true that the well-being of the economy cannot be fostered in a protective set-up. On a macroeconomic level, there is overwhelming evidence to suggest that countries who have embarked on a policy of protection, tend to end up using their resources inefficiently, and therefore have a much lower standard of living than other countries who utilise their resources efficiently to meet international competitiveness.
VIII. Conclusions

This paper has given a brief overview of the patterns of change in the Maltese economy during the past thirty years and described some weaknesses inherent in the economy at present. During the period under consideration, incomes have risen substantially in real terms, and the Maltese population has enjoyed substantial improvements in the standard of living. The economy has been restructured from one depending of expenditures related to British defence needs to one based on marketed exports of goods and services. It is now being again restructured to meet the challenge that will emerge from full-EU membership.

There is no reason why Maltese economy should not continue to grow and prosper, given that the right policy mix is adopted. The weakness described in this paper are formidable, but not insurmountable. Perhaps the most difficult ones to solve are those associated with the dismantling of import and monetary controls. Suitable policies are called for to improve import and export competitiveness and to reverse the tendency of looking abroad for a good return in investment.

References


Development Plans

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Malta Labour Party, (1990), Malta and the EEC: Economic and Social Aspects, Malta Labour Party, Senglea.
Maltese Government (1972), Agreement between the Government of Malta and the Government of the United Kingdom, Malta: Department of Information.
Robens Report (See Maltese Government (1967))
Schuster Report (See British Government (1950)).

Literature on the Maltese Economy

The book The Maltese Economy—A Macroeconomic Analysis, by the present author, and published by D. Moore Publishing, Malta (1988, reprinted 1989) contains an extensive list of literature on the Maltese economy, classified by subject. Some of the authors referred to in the book are, E.P. Delia on topics related to fiscal policy, E.S. Scicluna on topics related to exchange rates, Lino Briguglio on topics related to labour economics and the multiplier process, and Central Bank Research Personnel on topics related to monetary policy.

As for statistical data, the most important sources are The National Accounts of the Maltese Islands, and Annual Abstract of Statistics, both published by the Central Office of Statistics, Malta. The Economic Planning Division of the Office of the Prime Minister also publishes an Economic Survey in September of each year.

A number of journals on topical issues are published in Malta. Two useful publications of this type are The Central Bank Quarterly Review and Bank of Valletta Review. The former is a good source of monetary data and contains articles on monetary issues and the latter contains articles on a wide variety of topics related to the Maltese economy.

The Maltese Business Professional Bodies also publish material with information about the Maltese economy. Two publications of this nature are the Industry Trends Survey, published by the Malta Federation of Industry and The Commercial Courrier published by the Malta Chamber of Commerce.
### Statistical Appendix

#### Employment and Population in Malta
September 1993

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<th>Total</th>
<th>Males</th>
<th>Females</th>
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<tr>
<td>Labour Force</td>
<td>139,868</td>
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<tr>
<td>Employment</td>
<td>134,052</td>
<td>97,856</td>
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<tr>
<td>Unemployment</td>
<td>5,816</td>
<td>4,947</td>
<td>869</td>
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<tr>
<td>Population</td>
<td>3,656,000</td>
<td>1,807,000</td>
<td>1,849,000</td>
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#### Number of Persons Employed by Sector

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<tr>
<th>Sector</th>
<th>Total</th>
<th>%</th>
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<tr>
<td><strong>Private Direct Production</strong></td>
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<td>Agriculture and Fishing</td>
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<tr>
<td>Quarrying and Construction</td>
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<td>29,248</td>
<td></td>
</tr>
<tr>
<td><strong>Private Market Services</strong></td>
<td>38,856</td>
<td>29.0%</td>
</tr>
<tr>
<td>Wholesale and Retail</td>
<td>13,977</td>
<td></td>
</tr>
<tr>
<td>Insurance and Real Estate</td>
<td>1,545</td>
<td></td>
</tr>
<tr>
<td>Transport and Communication</td>
<td>5,816</td>
<td></td>
</tr>
<tr>
<td>Hotel and Catering</td>
<td>8,049</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>9,469</td>
<td></td>
</tr>
<tr>
<td><strong>Public Sector</strong></td>
<td>51,053</td>
<td>38.1%</td>
</tr>
<tr>
<td>Government Departments</td>
<td>30,606</td>
<td></td>
</tr>
<tr>
<td>Armed Forces and Airport</td>
<td>1,787</td>
<td></td>
</tr>
<tr>
<td>Public Corporations</td>
<td>9,072</td>
<td></td>
</tr>
<tr>
<td>Govt/MDC Controlled Coys(^1)</td>
<td>9,588</td>
<td></td>
</tr>
<tr>
<td><strong>Temporary Employment(^2)</strong></td>
<td>6,510</td>
<td>4.9%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>134,052</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: The Maltese Economy in Figures (1993)

1. Employment in Government/MDC controlled companies includes direct production employment (2851 persons) and market services employment (6737 persons). In some official publications, such employment is included with the private sector.

2. Temporary employment includes apprentices and trainees, pupil and student workers, and auxiliary workers. It is therefore essentially public sector employment.