

European Construction Sector Observatory

Country profile **Malta**

November 2021



In a nutshell

In 2020, GDP (gross domestic product) in Malta stood at EUR 11.6 billion, representing an increase of 51.2% compared to its 2010 level (EUR 7.7 billion). However, the country's GDP declined by 7.0% in 2020, due to the impact of the global COVID 19 pandemic.

The **number of enterprises** in the Maltese broad construction sector increased to 8,553 in 2020¹, representing an increase of 27.5% since 2010. In parallel, the **volume index of production**² in the broad construction sector³ increased by 98.8% over the 2015-2020 period.

Volume index of
production in the broad
construction sector
between 2015 and 2020

↑ 98.8%

At the same time, **total turnover** in the broad construction sector amounted to EUR 2.1 billion, representing a growth of 124.1% over the period 2010-2018. It further increased to EUR 2.4 billion in 2020⁴, representing an increase of 147.2% since 2010.

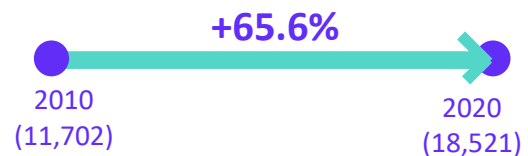
Total turnover in the
broad construction
sector between 2010
and 2020

↑ 147.2%

Likewise, the **gross operating rate** of the broad construction sector⁵, indicating the sector's profitability, stood at 31.8% in 2018 (exceeding the EU-27 average of 16.7%). This represents an increase of 7.6 percentage points (pp) since 2011⁶. This is also higher than the 2018⁷ EU-27 average (16.7%).

In 2020, 18,521 **persons were employed** in the Maltese broad construction sector, representing a 65.6% increase compared to the 2010 level (11,702 persons).

Number of persons employed in the Maltese
broad construction sector



With regards to the **housing market**, the Housing Authority Renting to Help Out (*Nikru biex nassistu*) scheme, which is aimed at encouraging private owners of vacant and finished residential property to offer a lease agreement, has granted homes to 330 Maltese families so far. In its budget, the Maltese government also announced the extension of the newly introduced **Affordable Housing Benefit Scheme**, driven by its success. The scheme aims to support people with a low income belonging to the category "at-risk-of-poverty rate". The indicator stood at 16.9 in 2020 and is expected to decline by 0.2 pp Year-on-Year (Y-o-Y).

With regards to the **civil engineering** market, the Maltese government is actively involved in upgrading the country's infrastructure. It is aiming to include **investment in roads** as part of potential investment under the Cohesion Policy for the 2020-2021 programming period. To address traffic congestion, the government has invested EUR 700.0 million in a **seven-year road transport infrastructure project** to upgrade and refurbish the road network, starting in 2019.

In its updated Stability Programme 2021-2024 report, Malta announced its plans to continue to invest in the country's infrastructure to meet both, current and future economic, social and environmental challenges. Examples of these initiatives include the continuation of arterial road construction projects, roads in residential and rural areas, the regeneration of ports and improvement of facilities for the maritime sector, industrial infrastructure, the modernisation of health facilities, investment in education institutions and social housing.

Under the Recovery and Resilience Facility (RRF) Malta has been allotted EUR 316.4 million in grants⁸.

Malta will invest 54.0% of the plan's total allocation in reforms and investments to support climate objectives. The country's key measures to secure its green transition include energy-efficiency renovations and the greening of private and public buildings, with an allocation of EUR 60.0 million for deep retrofitting and renewable energy installations. Moreover, around EUR 16.0 million has been allocated for shifting transport from road to sea and reducing emissions from the transport sector. In this regard, the country has planned to provide access to free public transport to selected groups of the population to address congestion and

make transport more sustainable⁹. Given its significant environmental impact as well as its ability to revive the overall economic recovery process, the Maltese construction sector could benefit from the unprecedented investments of the country's RRP.

Presently, there are two main issues hampering the development of the Maltese construction sector. Firstly, the construction sector is hindered by the **shortage of skilled workers**. This is partly explained by the high proportion of low-skilled adults and ageing population. To cope with this issue, the Maltese construction sector tends to rely on foreign workers to fill labour shortages.

Secondly, the persisting issue of **late payments** has had an unfavourable impact on the construction sector. This issue has been further exacerbated by the global COVID-19 pandemic. With respect to the construction sector, around 45.0% of enterprises reported that customers are opting for a longer payment cycle, which negatively impacted their cash flows during the COVID-19 crisis.

Overall, the Maltese construction sector has a positive outlook in the medium and long term. Public sector infrastructure and transport system upgrades, supported by EU funding, are expected to dominate the broad sector growth.

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Key figures

Construction market

The number of enterprises in the broad construction sector totalled 8,553 in 2020¹⁰, representing an increase of 27.5% since 2010.

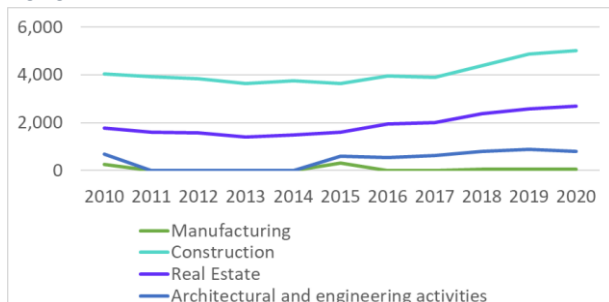
This was mostly driven by a 51.7% increase in the number of enterprises in the real estate activities sub-sector over the 2010-2020 period. It was followed by the sub-sectors “narrow construction” and “architectural and engineering activities”, increasing by 24.6% and 20.3% respectively over the same period. Conversely, the manufacturing sub-sector witnessed a decline of 84.1%.

In 2020, the narrow construction sub-sector accounted for 58.8% (i.e. 5,027) of the total number of enterprises in the broad construction sector, followed by the real estate activities sub-sector, which accounted for 31.4% (i.e. 2,684). Similarly, the architectural and engineering activities sub-sector accounted for 9.4% (i.e. 805) and the manufacturing sub-sector accounted for 0.4% (i.e. 38) of the total enterprises in 2020.

Number of enterprises in the broad construction sector between 2010 and 2020

↑ 27.5%

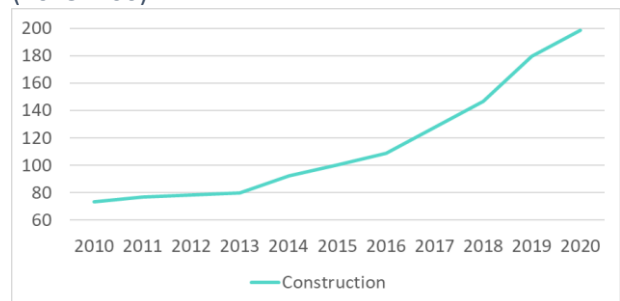
Figure 1: Number of enterprises in the Maltese broad construction sector between 2010 and 2020¹¹



Source: Eurostat, 2021.

In parallel, the **volume index of production**¹² in the broad construction sector¹³ rose by 98.8% between 2015 and 2020. While it stagnated between 2010 and 2013 (Figure 2), it has significantly increased since 2015.

Figure 2: Volume index of production in the Maltese construction sector between 2010 and 2020 (2015=100)



Source: Eurostat, 2021.

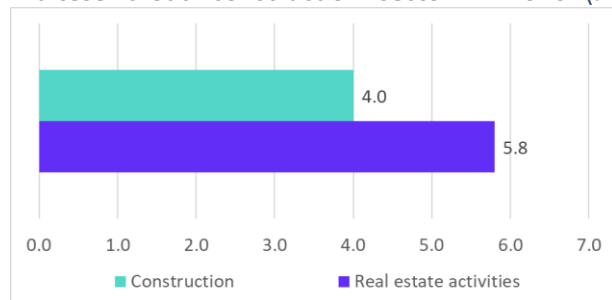
The total value added at factor cost¹⁴ of the broad construction sector amounted to EUR 1.0 billion in 2020¹⁵, representing an increase of 196.7% since 2010.

This was mainly driven by the real estate activities sub-sector, where value added increased to EUR 406.7 million in 2020, representing 240.0% growth since 2011¹⁶. It was followed by the architectural and engineering activities sub-sector, where value added increased to EUR 96.9 million in 2020, representing 99.9% growth since 2010. The value added of narrow construction sub-sector increased to EUR 471.5 million in 2020, representing 77.7% growth since 2010. Lastly, the value added of the manufacturing sub-sector increased to EUR 30.7 million in 2020, representing 22.2% growth from 2010 levels.

Overall, the narrow construction sub-sector accounted for 46.9% of the total value added at factor cost in the broad construction sector in 2020. It was followed by the real estate activities (40.4%), architectural and engineering activities (9.6%) and manufacturing (3.0%) sub-sectors.

The **share of gross value added** of the broad construction sector in the GDP was 10.1% in 2018¹⁷, below the EU-27 average (16.5%). In 2020, the share of gross value added in the narrow construction and real estate activities sub-sectors stood at 4.0% and 5.8% respectively (Figure 3).

Figure 3: Gross value added as a share of GDP in the Maltese broad construction sector in 2020 (%)



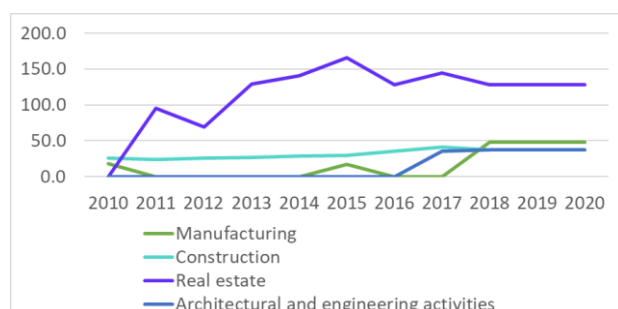
Source: Eurostat, 2021.

Productivity

The **apparent labour productivity**¹⁸ in the Maltese broad construction sector has increased from EUR 31,515 in 2011¹⁹ to EUR 51,949 in 2018²⁰ (+64.8%), being slightly below the EU-27 average of EUR 51,960.

Labour productivity in the manufacturing sub-sector grew by 161.1% over the 2010-2020 period, reaching EUR 47,526 in 2020. In the narrow construction sub-sector it grew by 43.4%, over the 2010-2018 period²¹, reaching EUR 36,858 in 2018²². In the real estate activities sub-sector, it reached EUR 127,827 in 2020, representing 34.1% growth since 2011²³. Lastly, in the architectural and engineering activities sub-sector, it stood at EUR 37,593 in 2020, representing a rise of 6.5% since 2017²⁴.

Figure 4: Labour productivity in the broad construction sector in Malta between 2010 and 2020 (EUR k)²⁵



Source: Eurostat, 2021.

According to the European Investment Bank Investment Survey (EIBIS) 2020 for Malta, the share of firms in the construction sector operating at or above full capacity stood at 78.0%, being the highest in comparison with other sectors – manufacturing (59.0%) and services (65.0%)²⁶.

Turnover and profitability

Total turnover of the broad construction sector in 2018 amounted to EUR 2.1 billion, representing a growth of 124.1% over the period 2010-2018. In 2020²⁷ it further increased to EUR 2.4 billion, representing an increment of 147.2% since 2010 and 10.3% since 2018. Overall growth for the 2010-2020 period was driven by increases in the narrow construction (+89.0%), the architectural and engineering activities (+78.9%) and the manufacturing (+15.0%) sub-sectors. The real estate activities sub-sector also increased by 150.8% over the 2011-2020²⁸ period.

Overall, the narrow construction sub-sector accounted for 59.8% (i.e. EUR 1.4 billion) of total turnover in the broad construction sector in 2020. It was followed by the real estate activities (26.9%, i.e. EUR 635.7 million), the architectural and engineering activities (8.8%, i.e. EUR 207.2 million) and the manufacturing (4.5%, i.e. EUR 106.6 million) sub-sectors.

Turnover of the broad construction sector between 2010 and 2020 **↑ 147.2%**

The **gross operating surplus** of the broad construction sector amounted to EUR 679.6 million²⁹ in 2018³⁰, a 240.1% increase compared to the 2010 level. This was primarily driven by a 92.7% increase in the architectural and engineering activities sub-sector, followed by the narrow construction (+76.1%) and the manufacturing (+62.3%) sub-sectors, over the 2010-2018 period. The real estate activities sub-sector also increased by 208.2% over the 2011-2018³¹ period.

Overall, in 2018, the real estate activities sub-sector accounted for 47.8% (EUR 325.1 million) of the total gross operating surplus in the broad construction sector, being the highest among sub-sectors. It was followed by the narrow construction sub-sector which accounted for 42.1% (EUR 286.1 million) of the total in 2018. The architectural and engineering

activities and the manufacturing sub-sectors accounted for 7.3% (EUR 49.9 million) and 2.7% (EUR 18.5 million) of the total, respectively, in 2018.

Gross operating surplus in the broad construction sector between 2010 and 2018

↑ 240.1%

Likewise, the **gross operating rate** of the broad construction sector³², which gives an indication of the sector's profitability, stood at 31.8% in 2018. This represents an increase of 7.6 percentage points (pp) since 2011³³. This is also higher than the 2018³⁴ EU-27 average (16.7%). The real estate activities sub-sector enjoyed the largest profit margin on sales (58.0%) followed by the architectural and engineering activities (24.3%), the narrow construction (22.6%) and the manufacturing (16.8%) sub-sectors in 2018.

In parallel, **construction costs** have been continuously increasing since 2010. Between 2015 and 2020, the construction cost index rose by 7.6% (Figure 5) mainly due to an increase of 7.9% and 7.0% in the index of input prices for materials and labour costs, respectively, over the same period.

Figure 5: Construction cost index between 2010 and 2020 (2015=100)



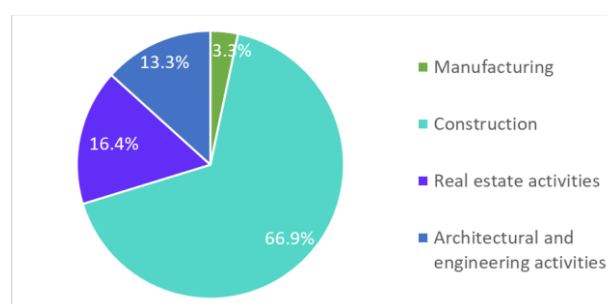
Source: Eurostat, 2021.

Employment

In 2020³⁵, 19,377 persons were employed in the Maltese broad construction sector, representing a 65.6% increase compared to 2010. The narrow construction sub-sector employed 66.9% of the total workforce (i.e. 12,972 persons), followed by the real estate activities sub-sector employing 16.4% of the total workforce (i.e. 3,181 persons) in 2020. The architectural and engineering activities and manufacturing sub-sectors accounted for 13.3% (i.e., 2,579 persons) and 3.3% (645 persons) of the total workforce in 2020, respectively.

Over the 2010-2020 period, the number persons employed in the manufacturing sub-sector decreased by 53.2%, while in the narrow construction sub-sector, it increased by 25.7%. The number persons employed in the real estate activities sub-sector reported an increase of 153.5% over the 2011-2020³⁶ period. Lastly, in the architectural and engineering activities sub-sector, the number of persons employed increased by 39.0%, over the 2015-2020³⁷ period.

Figure 6: Percentage of people employed per construction sub-sectors in Malta in 2020



Source: Eurostat, 2021.

Number of people employed in the broad construction sector between 2010 and 2020

↑ 65.6%

As for **employment by specific occupation**, in the manufacturing sub-sector, the number of people employed as professionals and managers increased by 130.8% and 57.9% respectively, over the 2010-2020 period. Conversely, the number of people employed for elementary occupations and plant and machine operators and assemblers witnessed declines of 25.9% and 16.4% respectively, over the same period.

Similarly, in the narrow construction sub-sector, demand for technicians and associate professionals and craft and related trades workers increased by 200.0% and 45.2% respectively, over the 2010-2020 period. Whereas the demand for elementary occupation workers and clerical support workers decreased by 54.5% and 14.3% respectively, over the same period. Lastly, in the real estate activities sub-sector, the number of technicians and associate professionals increased by 425.0% over the 2010-2020 period.

The number of **self-employed** workers in the narrow construction sub-sector increased by 40.0% over the 2010-2020 period. This represents 14.1%

of the self-employed in the general economy in 2020, above the EU-27 average of 11.7%. Over the same period, in the real estate activities sub-sector, the number of self-employed workers increased by 325.0%, which represents 4.3% of the self-employed in the overall economy in 2020, above the EU-27 average of 1.6%.

The number of **full-time employees** in the real estate activities, the narrow construction, and the

manufacturing sub-sectors increased by 211.1%, 32.7% and 16.9%, respectively, over the 2010-2020 period. With regards to number of **part-time employees**, the manufacturing sub-sector witnessed an increment of 40.0%, whereas the narrow construction sub-sector experienced a decline of 12.5%, over the same period. In the real estate activities sub-sector, number of part-time employees declined by 20.0%, over the 2015-2018³⁸ period.

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Macroeconomic indicators

Economic development

In 2020, Malta's GDP stood at 11.6 billion, exhibiting 51.2% growth since 2010. However, this represented a decrease of 7.0% compared to 2019.

The contraction in GDP in 2020 was mainly due to a decline in net exports, reflecting a sharp reduction in foreign demand, restrictions on travel-related activities, and disruptions to the global supply chain. Domestic demand is also estimated to have contributed negatively, as the containment measures against the COVID-19 curtailed activities during the year³⁹.

In 2020, the **potential GDP** of Malta reached EUR 12.3 billion, resulting in a negative **output gap** of 5.6%. This highlights the impact of the global COVID-19 pandemic on the Maltese economy⁴⁰. The annual **inflation rate** stood at 0.8% in 2020 (down from 1.5% in 2019), but remained above the 2020 EU-27 average of 0.7%.

Demography and employment

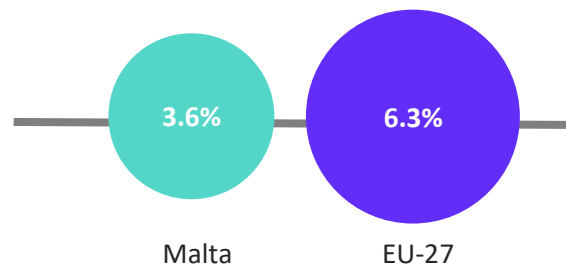
With respect to **unemployment** in Malta, the average unemployment rate increased to 3.6% in 2020, in comparison with 2019 (2.9%). However, this is lower than the 2010 level (5.7%) and the 2020 EU-27 average (6.3%). **Youth unemployment** also raised from 9.3% in 2019 to 10.7% in 2020, which is though below the 2010 level (13.2%) and the 2020 EU-27 average (16.8%). Moreover, the **net migration rate** increased sharply from 74 in 2010 to 20,343 in 2019, to then decrease to 1,206 in 2020.

In 2020, Malta's **total population** stood at 506,951 people. By 2030, the total population is expected to reach 588,691, representing a 16.1% increase compared to 2020. Projections show that it is expected to reach 668,373 by 2050, representing a 31.8% increase compared to 2020.

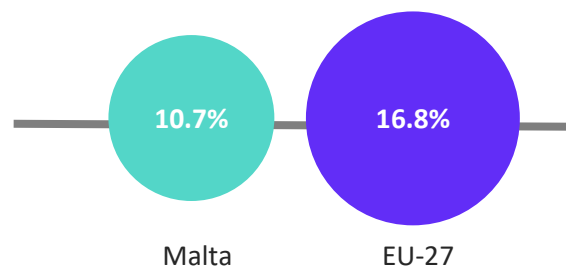
The **working age population** accounted for 67.5% of the total population in 2020, slightly higher than the

EU-27 average of 64.3%. It is expected to reduce to 65.7% and 63.0% of the total population by 2030 and 2050 respectively. In parallel, the proportion of **people over 65 years old** stood at 18.8% of the total population in 2020. This is expected to increase to 21.0% and 25.4% of the total population by 2030 and 2050 respectively. This clearly indicates a potential increase in demand for equipment, facilities and infrastructure for elderly care (hospitals, care homes, adapted public transport and easy access to infrastructure), which could in turn provide further opportunities for the Maltese construction sector.

Unemployment rate in 2020



Youth unemployment rate in 2020



Public finance

In 2020, **general government expenditure** in Malta accounted for 46.6% of GDP, which represents a significant increase from the previous year (36.8%) and from the 2010 level (39.8%). It is still below the EU-27 average (53.4%) in 2020. Malta's **general government deficit** in 2020 stood at -10.1% of GDP compared to the 0.4% surplus recorded the previous year and higher than the 2010 level (-2.3%). It was also higher than the 2020 EU-27

average (-6.9%). For the same year, the **general government gross debt** in Malta was 54.3% of the GDP, higher than the previous year (42.0%), but below the 2010 level (65.3%). It is also lower than the EU-27 average in 2020 (90.7%).

Entrepreneurship and access to finance



According to the World Bank Doing Business 2020 report, Malta ranked 86th out of 190 countries in ease of starting a business in 2019. This is an improvement in comparison with previous year's ranking (103rd)^{41,42}.

According to the report, starting a business in Malta requires five procedures, takes 20.5 days and needs about 6.7% of per capita income⁴³.

Malta has actively developed policies aimed at encouraging **entrepreneurship**. In 2019, the World Economic Forum (WEF) reported of Malta having a positive attitude towards entrepreneurial risk, ranking 27th out of 141 countries. The country has developed a number of measures supporting entrepreneurship through education, incubators, competitions, funding schemes and other financial instruments⁴⁴.

In 2013, the University of Malta set up the Centre for Entrepreneurship & Business Incubation. This was followed by the establishment of the TAKEOFF Business Incubator, as well as the launch of the TAKEOFF Seed Fund financed by the central government. The Malta College of Arts, Science and Technology also established its own entrepreneurship centre to provide incubation services to students interested in starting a business⁴⁵.

In the Recovery and Resilience Plan, Malta plans to set up an incubation centre that encourages entrepreneurship, and an R&D centre that stimulates innovative ideas⁴⁶.

This is part of the plan's 'Enhancing Quality Education and Fostering Socio-Economic Sustainability' component⁴⁷.



In terms of access to finance, Malta ranked 144th out of 190 countries for the ease of getting credit⁴⁸. This is a decline from previous year's ranking (134th)^{49,50}.

Despite the very positive attitude towards entrepreneurial risk in Malta, **access to finance** remains a fundamental problem within its business environment⁵¹. According to the EIB Investment Survey (EIBIS) 2020 report, 6.0% of firms in Malta are considered to be financially constrained, higher than the previous year (5.3%), and SMEs formed the highest share of financially constrained firms (10.0%). Moreover, the highest levels of dissatisfaction recorded among firms in Malta related to collateral requirements (12.0%) and cost of finance (11.0%)⁵².

In 2020, outstanding loans to non-financial corporations in Malta stood at EUR 4,004 billion, representing a 1.2% decline since 2010, but a 9.0% annual increment.

According to **Survey on the Access to Finance of Enterprises (SAFE) 2020 report**, rising macroeconomic uncertainty influenced the availability of external finance. Developments in the general economic outlook have in particular negatively affected access to finance. The financing need of SMEs reported in the report reflect the impact of the COVID-19 pandemic. Furthermore, 5.4% SMEs reported to face the problem of access to finance in the past six months (between April and September 2020), above the EU-27 average of 4.8%.

The Maltese government has taken several steps to improve access to finance for all entrepreneurs and small businesses, including measures to boost the provision of equity financing and venture capital. **Malta Enterprise**, the country's economic development agency, offers several support measures including:

- **The Micro Invest** scheme encourages undertakings (including Start-ups, family businesses and self-employed) to invest in their businesses to innovate, expand and develop their operations.

- **The Loan Guarantees for Initial Investment** measure supports SMEs with a guarantee to be used against a bank loan required for the setting up of a new establishment, or for extending the capacity of an existing establishment. The measure is applicable until 31st December 2021
- **Business Start 2021** offers seed and growth funding for small start-ups. The businesses may receive initial grants of up to EUR 10,000 to develop their business proposal. This incentive is from 1 January 2021 until the 31 December 2023⁵³.

In total, 7,000 self-employed and small businesses are eligible to apply to Micro Invest. Since January 2019, EUR 84.0 million has been provided to businesses through this scheme⁵⁴.

To cushion the economic impact of the pandemic, fiscal policy measures were put in place by the Maltese government and other authorities. In April 2020, the Malta Development Bank introduced the

COVID-19 Guarantee Scheme. It aimed at providing guarantees to commercial banks to enhance access to bank financing for the working capital requirements of businesses facing a liquidity shortage as a result of the COVID-19 outbreak. Through this measure the Malta Development Bank earmarked EUR 350.0 million to enable commercial banks to allocate an estimated EUR 778.0 million in new working capital loans to support businesses in Malta. These loans could be used to finance expenses such as salaries, rent, energy and water bills, fuel costs, unpaid invoices, purchase of material and stock and maintenance costs⁵⁵.

The Malta Enterprise Corporation also introduced **Start-up Finance 2020** in January 2020, which aimed to support small start-ups that demonstrate a viable business concept and are interested in expanding the scale of their operations. The scheme provided a repayable cash advance for innovation. The value was capped at EUR 400,000, which could be increased to EUR 800,000 if the start-up qualified as an innovative enterprise⁵⁶.

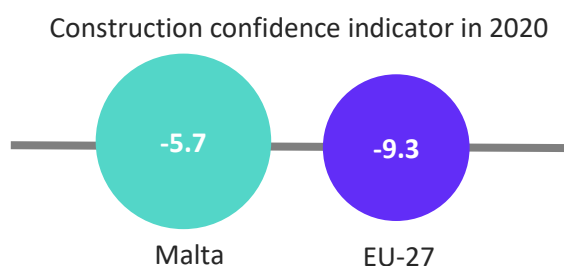
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Key economic drivers of the construction sector

Business confidence

Over the 2010-2020 period, Malta's consumer confidence and construction confidence indicators improved, whereas the industry confidence indicator deteriorated. However, all three indicators declined in 2020, in comparison with the previous year. This gives a clear indication of the impact of COVID-19 on confidence indicators in Malta.

Malta's **consumer confidence indicator** stood at -5.6 in 2020, higher than the 2010 level (-25.2), but below the 2019 level (4.5). This is however above the 2020 EU-27 average (-14.6). Likewise, the **industry confidence indicator** reached -25.0 in 2020, lower than both the 2010 level (1.2) and the 2019 level (-6.7). This also stood below the 2020 EU-27 average (-14.4). The **construction confidence indicator**, however, increased to -5.7 in 2020, higher than the 2010 level (-30.2) and the 2020 EU-27 average (-9.3). However, it was below the 2019 level (26.1).



By the first quarter 2021, thanks to the vaccination campaign and the easing of the containment measures, the economic activity rebounded.. As such, consumer and business confidence improved⁵⁷.

In parallel, Malta's **investment ratio** increased to 23.3% in 2020, slightly higher than the 2010 level (20.2%) and also higher than 2020 EU-27 average (21.8%).

Investment per worker in the broad construction sector reached EUR 74,098 in 2018, representing a 94.3% growth since 2010.

Amongst the sub-sectors, **investment per person employed** increased to EUR 8,000 in 2018⁵⁸ in the narrow construction sub-sector, representing a 50.9% increment since 2010. In the real estate activities sub-sector, it reached EUR 17,000 in 2018⁵⁹, a 40.8% decline from 2010. Lastly⁶⁰, in the architectural and engineering activities sub-sector, it reached EUR 2,600 in 2018⁶¹.

Domestic sales

The ranking of the **most domestically sold construction products** in Malta has changed since 2010.

Namely, "Marble, travertine, alabaster, etc." (group 237011) ranking second in 2010, shifted down to fourth rank in 2020, and "Mortars" (group 236410) ranking fourth in 2010, shifted down to fifth rank in 2020. However, "Portland cement, aluminous cement, etc." (group 235112) ranked first both in 2010 and 2020. The five most domestically sold construction products are presented in Table 1, including a comparison with the most sold in the EU-27. These represented 71.7% of total domestic construction product sales in 2020.

Table 1: Five most domestically sold construction products in Malta and in the EU in 2020

Malta				EU-27
	Product	Value (EUR m)	Share in construction product domestic sales (%)	Product
1	Portland cement, aluminous cement, etc. (group 235112)	27.6	32.7	Other structures (group 251123)
2	Ceramic tiles and flags (group 233110)	21.7	25.7	Ready-mixed concrete (group 236310)
3	Other structures (group 251123)	5.0	5.8	Doors, windows and their frames (group 251210)
4	Marble, travertine, alabaster, etc. (group 237011)	3.4	4.1	Prefabricated buildings of metal (group 251110)
5	Mortars (group 236410)	2.8	3.4	Prefabricated structural components for building, etc. (group 236112)

Source: PRODCOM, 2021.

Export of construction-related products and services

The ranking of **most exported construction products** in Malta has changed since 2010. Specifically, “Pallets, box pallets, etc.” (group 162411) ranking second in 2010, ranked fifth in 2020. As for other product groups, they did not hold any rankings in 2010. The top five most exported construction products from Malta are summarised in Table 2. Together, these made up 95.7% of all construction product exports in 2020.

Table 2: Five most exported construction products in Malta and in the EU in 2020

Malta				EU-27
	Product	Value (EUR 000s)	Share in construction product export sales (%)	Product
1	Prefabricated buildings of metal (group 251110)	641.7	71.4	Ceramic tiles and flags (group 233110)
2	Wooden frames	133.3	14.8	Other

Malta				EU-27
	Product	Value (EUR 000s)	Share in construction product export sales (%)	Product
	for paintings (group 162914)			structures and parts (group 251123)
3	Articles of asbestos-cement (group 236512)	38.1	4.2	Fibreboard of wood, etc. (group 162115)
4	Ceramic tiles and flags (group 233110)	25.9	2.9	Doors, windows and their frames (group 251210)
5	Pallets, box pallets (group 162411)	21.8	2.4	Builders' joinery and carpentry (group 162319)

Source: PRODCOM, 2021.

In terms of the **cross-border provision of construction services**⁶², Malta exported EUR 3.6 million of construction services worldwide in 2020 marking a 157.1% increase compared to the 2015 amount⁶³ (EUR 1.4 million). In parallel, Malta imported a total of EUR 5.0 million in construction services from around the world in 2020. This represented a 16.7% decline from the 2011⁶⁴ level. Overall, Malta reported a **trade deficit** of EUR 1.4 million in 2020.

Access to finance in the construction sector

According to the **SAFE Report 2020**, access to finance is one of the greatest concerns for Maltese SMEs, increasing significantly in 2019 compared to previous year. In 2020, it decreased compared to 2019, but still remains higher than 2018 levels. With regards to the availability of financing for Maltese SMEs, there has been a significant increase in the availability of bank loans, credit lines and leasing.

In terms of sources of financing in Malta, bank loans were relevant for 58.0% of SMEs (and used by 12.0% of them), while credit lines were relevant for 71.0% (used by 41.0%). Similarly, grants were relevant for 54.0% of SMEs (used by 20.0%) and other loans were relevant for 37.0% of SMEs (used by 13.0%). Lastly, leasing and equity was relevant for 30.0% and 22% of SMEs respectively.

Between April and September 2020, 20.0% of SMEs in Malta actually applied for a bank loan, below the EU-27 average (35.0%). Around 1.0% of them did not apply because of fear of rejection, below the EU-27 average (4.0%). In the same period, 26.0% of SMEs in Malta actually applied for credit lines, below the EU-27 average (31.0%), whereas 3.0% of them did not apply because of fear of rejection, below the EU-27 average (4.0%).



Credit extended to firms in the Maltese narrow construction sub-sector reached EUR 627.0 billion in 2020, representing a 43.7% decline from the 2010 level. However, this also represents an annual increment of 6.1%.

According to the 2020 EIBIS report for Malta, 58.0% of construction firms reported the availability of finance as a long-term barrier. This is comparatively higher than the firms in other sectors (manufacturing: 54.0% and services: 55.0%). Moreover, the share of firms in Malta categorised as financially constrained (such as firms that got rejected when applied for financing, firms which received a lesser amount when applying for financing, firms which considered financing too expensive and firms which were discouraged to apply) were the highest in the construction sector, followed by the services and manufacturing sectors⁶⁵.

In the context of the conditions of access to finance, the share of Maltese firms most dissatisfied with collateral requirements was the highest in the construction sector (17.0%), in comparison with other sectors (services: 13.0% and manufacturing: 3.0%). 13.0% of firms in the construction sector were also dissatisfied with cost of financing⁶⁶.

Access to housing

The **number of households** in Malta increased from 137,200 in 2010 to 212,500 in 2020 (+54.9%). At the same time, the **share of the total population living in cities** reached 49.0% in 2018⁶⁷, slightly higher than 2017 with 48.8%.

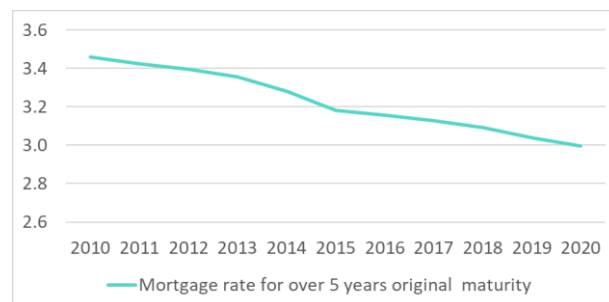
This indicates mounting pressure in the urban areas. The share of the population living in densely populated areas also increased to 89.6% in 2019⁶⁸, from 89.1% in 2010. Malta's urbanisation rate increased from 94.1% in 2010 to 94.7% in 2020⁶⁹. In parallel, the **mean equivalised net income** has also increased to EUR 17,246 in 2019⁷⁰, representing a 46.2% growth compared to EUR 11,794 in 2010.

Number of households in Malta



Lending to households for home purchases picked up, with total **outstanding residential loans** growing by 127.7%, from EUR 2.7 billion in 2010 to EUR 6.1 billion in 2019. This increase in residential loans is partly supported by the declining rates on mortgages. In fact, **interest rates on mortgages (above five years' maturity)** declined from 3.5% in 2010 to 3.0% in 2020 (Figure 7).

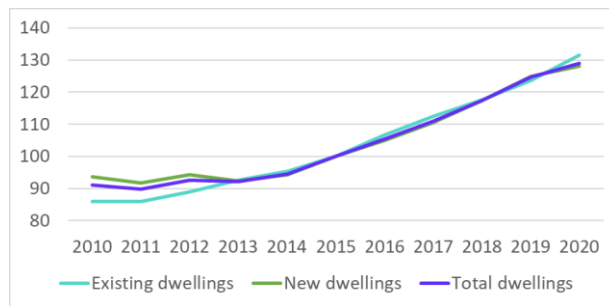
Figure 7: Mortgage rates for loans for over five-year original maturity (%) between 2010 and 2020



Source: Hypostat - European Mortgage Federation, 2021.

As a result of rising urbanisation, demand in the housing market has increased. Increasing household income coupled with declining interest rates has boosted affordability, which has resulted in an increase in housing loans. Collectively these factors have led to an increase in the housing prices. The **house price index** for total dwellings has seen a continuous rise since 2013. In 2020, it increased by 28.9% compared to 2015, driven by a 31.6% and 28.0% rise in the price index for existing and new dwellings respectively.

Figure 8: House price index in Malta between 2010 and 2020 (2015=100)



Source: Eurostat, 2021.

Malta's housing market slowed down in the first half of 2020 due to the COVID-19 pandemic. However, it then regained momentum which was marked by a rise in the property price index by 5.0% in 2020, compared with a 2.5% rise the previous year⁷¹.

Apartment prices in Malta rose by 6.5% on average and terraced houses by 1.6% during 2020. This price rise was due to an increase in demand, which also resulted in a rise in the number of housing transactions. The number of residential transactions rose by 8.7% Y-o-Y in the first quarter 2021 to 32,123 units, after falling by 21.2% in 2020 compared to 2019⁷². In addition, 1,157 real estate reservation contracts were concluded in January 2021, marking a 27.0% annual increment⁷³. Likewise, the value of transactions grew at an annual rate by 15.2% in the first quarter 2021⁷⁴. This is partly due to the Maltese government's temporary COVID-19 measures (came in force in June 2020) providing for reduced tax and duty rates of 5.0% and 1.5%, respectively, on the first EUR 400,000 of property transferred inter vivos⁷⁵. In August 2021, these temporary measures were extended by five months, until the end of December 2021 (formerly July 2021)^{76,77}.

The year 2020 witnessed a significant drop in housing supply. The indexed values of **residential building permits**, which increased by 216.3% over the 2015-2019 period, plunged by 117.7 index points (ip) Y-o-Y in 2020. As a result, the indexed values of residential building permits increased by 98.6% over the 2015-2020 period.

Similarly, building permits for one-dwelling buildings and two and more dwelling buildings

increased by 97.4% and 251.0% respectively over the 2015-2019 period. In 2020, permits for one-dwelling buildings and two and more dwelling buildings decreased by 73.7 ip and 130.6 ip respectively.

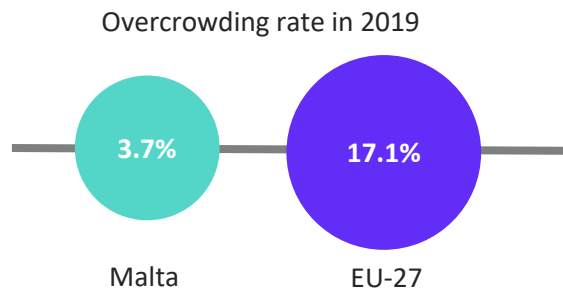
In real terms, in 2020, the approval of permits to develop new dwelling units fell by more than 37% Y-o-Y to just 7,837 units. This was mainly due to pandemic-related restrictions. The permits for apartments plunged by 37.2% to 6,735 units in 2020 compared to 2019, followed by terraced houses permits, which dropped by 25.6% to 299 units over the same period⁷⁸.

With regards to rentals, the indexed values for **actual rentals for housing** in Malta increased by 115.6% over the 2015-2020 period. It also experienced an annual increment of 4.5 ip in 2020. Only 10.0% of rental properties in Malta are rented at market prices, and the rest falls under the subsidised sector. In 2020, free market residential rents fell by double-digits over the previous year, due to decline in tourist arrivals and foreign expat workers amidst the COVID-19 pandemic. In the first quarter 2021, rents increased by 1.0% compared to the same quarter the previous year⁷⁹.

Home ownership rates in Malta fluctuated over the 2010-2020 period. In 2010, the home ownership rate stood at 79.5%. It increased to 81.4% in 2016, and further to 81.6% in 2018. In 2019⁸⁰ it dropped slightly to 79.8%. The tenancy rate, however, has remained stable, reaching 20.2% in 2019, in comparison with 20.5% in 2010.

In 2019⁸¹, 82.5% of people earning **above 60.0% of the median equivalised income** were homeowners. For people earning **below 60.0% of the median equivalised income** the percentage was 66.2%

Malta's **housing cost overburden rate**⁸² stood at 2.8% in 2020, below the EU-27 average of 9.9%⁸³ and the 2010 level of 3.7%, indicating issues around affordability⁸⁴. Likewise, the **overcrowding rate**⁸⁵ in Malta stood at 3.7% in 2019, below the EU-27 average of 17.1%⁸⁶ and the 2010 level of 4.0%, increasing to 4.2% in 2020⁸⁷. Lastly, the **severe housing deprivation rate**⁸⁸ in Malta stood at 1.3% in 2019⁸⁹, below the EU-27 average of 4.0%⁹⁰ and the 2010 level of 1.4%. It then reduced to 1.0% in 2020⁹¹.



Infrastructure

As per the 2019 Global Competitiveness Report, Malta ranked 47th out of 141 economies in terms of its infrastructure^{92,93}.

It ranked 22nd in terms of efficiency of air transport services and 27th in efficiency of seaport services. However, with regards to quality of road infrastructure and road connectivity it ranked 106th and 115th respectively⁹⁴.

The government is actively involved in upgrading the infrastructure in Malta. Using funds allocated in the **2021 Budget**, the Maltese government continues to invest in infrastructure aiming to meet, both current and future economic, social and environmental challenges. Initiatives and projects in this respect include the continuation of arterial road construction projects, as well as projects for roads in residential and rural areas, the regeneration of ports and improvement of facilities for the maritime sector, industrial infrastructure, the modernisation of health facilities, investment in higher education institutions and schools, sports facilities, and social housing⁹⁵.

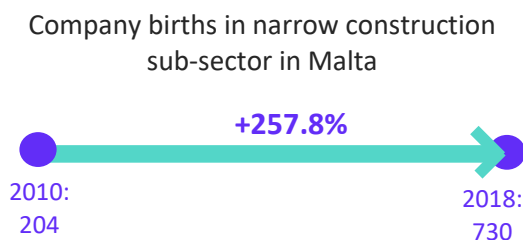
Furthermore, as per the 2021 budget, in the medium-term, the government will carry out several capital and infrastructure projects in industrial areas, including the extension of the Life Sciences Park, the upgrade of the Kordin Business Incubation Centre, investment at the Marsa ex-landfill and a new logistics hub⁹⁶

4

Key issues and barriers in the construction sector

Company failure

In Malta, the number of **company births** in the narrow construction sub-sector grew from 204 in 2010 to 730 in 2018⁹⁷ (+257.8%), and **company deaths** increased from 143 to 393 (+174.8%) in the same period. Similarly, company births in the real estate activities sub-sector increased from 63 to 547 (+768.3%), and company deaths increased from 50 to 204 (+308.0%) over the same period. As for the architectural and engineering activities sub-sector, company births increased from 74 in 2010 to 88 in 2015⁹⁸ (+18.9%) and company deaths increased from 12 in 2010 to 60 in 2013⁹⁹ (+400%).



As per the World Bank Doing Business 2020 report¹⁰⁰, Malta ranked 121st out of 190 economies in terms of resolving insolvency and was among the lowest performers among all EU member states^{101,102}.

While the number of company insolvencies in the Maltese construction sector is not available, it was expected to grow in 2020 following the COVID-19 pandemic.

Interferences with supply chains, shortages of skilled personnel, closure of sites, prolonged suspensions and terminations of contracts are foreseen as causing potential disruptions and impacts on the construction sector¹⁰³. Therefore, in July 2020, the European Commission approved an aid package of EUR 67.5 million for Malta, which aims to support SMEs affected by the global COVID-19 pandemic. The package provides access to working capital to those SMEs that are facing sudden liquidity shortages due to the pandemic¹⁰⁴.

Trade credit



According to the 2020 Survey on the Access to Finance of Enterprises (SAFE) Report, 63.4% of Maltese SMEs respondents reported trade credit to be relevant, well above the EU-27 average of 27.7%^{105, 106}.

As per the report, trade credit is the second most important source of finance for SMEs in Malta, after credit lines. 31.5% of Maltese SMEs reported using it recently (April 2020 to September 2020), whereas the EU-27 average stood at 13.6%. Only 1.0% of SMEs did not apply due to possibility of rejection, below the EU-27 average of 4.4%, while 44.2% of SMEs did not apply because of sufficient internal funds, above the EU-27 average of 33.1%¹⁰⁷.

Regarding the availability of trade credit, 14.5% of Maltese SMEs reported that the availability of trade credit had deteriorated, slightly below the EU-27 average of 14.7%, whereas 78.4% of SMEs reported that it had remained unchanged (April 2020 to September 2020¹⁰⁸).

Late payment

Payment delays are a frequent issue in Malta, which has a negative impact on the development of SMEs. According to the SAFE report 2020, 34.6% of SMEs in Malta reported experiencing regular problems due to late payments, more than the double of the EU-27 average (13.2%). 25.6% of SMEs reported not having any issues with late payment, which is much lower than the EU-27 average (55.0%)¹⁰⁹.

Late payments affect Maltese enterprises in several ways. In 2020, 49.7% of SMEs reported that late payment affected payments to suppliers, against a 35.5% EU-27 average. 34.2% reported that it affected investments or new hirings in comparison with 25.9% of SMEs in the EU-27. Daily production and operations have also been hampered for around 18.6% of Maltese SMEs, lower than that of the EU-27 average (24.9%). 22.6% of SMEs reported that late payment had caused delays in repayments of loans and that they had to use additional financing, higher than the EU-27 average of 22.2%¹¹⁰.

In order to control the incidents of late payments, the government is taking several initiatives.

Adopting the Late Payment Directive¹¹¹, the Maltese Finance Ministry has imposed a legal interest rate of 8.0% (as prescribed by the Directive, i.e. 8% above the European Central Bank's reference rate, which is currently 0.00%) for commercial transactions in the event of late payment with effect from 1 July 2021¹¹².

Payment delays in B2B transactions in Malta have deteriorated amid the global COVID-19 pandemic and adverse impacts are visible in the broader economy with regards to late payments¹¹³.



As per a survey conducted by the Malta Association of Credit Management (MACM) in May 2020, 45.0% of enterprises in the construction sector reported that payments from customers were taking longer than usual during the current crisis, which has resulted in a negative impact on cash flow¹¹⁴.

64.0% of enterprises in construction sector reported a "business as usual" attitude to payments among their customers. In terms of government aid for

COVID-19, 36.0% of enterprises applied for financial assistance to help with cash flow and working capital management¹¹⁵. With regard to non-collected cash, 60.0% of enterprises in the construction sector reported that the amount due was not collected¹¹⁶.

Time and cost of obtaining building permits and licenses

As per the World Bank Doing Business 2020 report, Malta ranked 57th with regard to "Dealing with construction permits"^{117,118}.

Malta scores worse than the OECD high income average on all metrics related to dealing with construction permits. In particular, the number of clerical procedures (16) and the number of days required to complete the formalities to build a warehouse¹¹⁹ (179) are higher than the OECD high income average of 12.7 procedures and 152.3 days respectively (Table 3). Moreover, the cost of completing the formalities to build a warehouse represented 2.3% of the value of the warehouse, higher than the OECD high income average of 1.5%¹²⁰.

Table 3: Construction procedures timing and costs in Malta¹²¹

Procedure	Time to complete	Associated costs
Obtain fire and safety report for the plans of the building	7 days	EUR 450
Apply for building permit and await estimation of fees	15 days	EUR 50
Obtain a Permit Application Report (DPAR), attend hearing in front of the Environmental Planning Commission (EPC) and receive building permit	60 days	EUR 19,695
Obtain approval from Building Regulation Office prior to starting construction	7 days	no charge
Submit commencement of works notice and request for official alignment	1 day	no charge
Request and receive initial inspection by Planning Authority for road alignments and levels	10 days	no charge
Hire an agency specialised in safety	1 day	EUR 1,500
Request and receive inspection from OHSa during construction works	1 day	no charge
Request and receive inspection by the local council to release bank guarantee on roads	1 day	no charge
Receive final inspection for road alignments and levels from Planning Authority	1 day	no charge
Apply for a compliance certificate from Planning Authority	1 day	EUR 60

Procedure	Time to complete	Associated costs
Request and receive inspection by Planning Authority for the compliance certificate	14 days	no charge
Obtain compliance certificate	7 days	no charge
Request and obtain water connection	20 days	EUR 4090
Apply and receive a sewage connection inspection	4 days	no charge
Hire a certified contractor to carry out the connection works and obtain connection to sewage	30 days	EUR 424

Source: Doing Business overview for Malta, World Bank, 2020.

Skills shortage

Labour shortages in the Maltese economy is a persisting challenge¹²². The issue of labour shortage is exacerbated by the ageing population and a relatively high share of low-skilled workers in Malta (more information below)¹²³. The country, therefore, relies heavily on foreign workers from within and outside the EU to mitigate the issue. Despite companies reporting difficulties in employing and retaining skilled workers, the country has not yet put in place a strategy to keep foreign workers in Malta for longer periods¹²⁴.

The number of **job vacancies** in the narrow construction sub-sector experience a Y-o-Y decline of 57.4%, reaching 124 in 2020, whereas in the real estate activities sub-sector, it increased by 35.1% Y-o-Y reaching 75 in 2020. Similarly, the **job vacancy rate** in the narrow construction sub-sector reduced by 1.7 pp between 2019 and 2020, reaching 1.3% in 2020, whereas in the real estate activities sub-sector, it increased by 0.4 pp, reaching 2.6% in 2020.

Number of job vacancies in the narrow construction sub-sector between 2010 and 2020

↓ 57.4%

Furthermore, the number of **tertiary students in engineering, manufacturing and construction** in Malta reached 350 in 2019¹²⁵, representing an increase of 68.3% over the 2010-2019 period. This increase was driven by the growth in students from engineering and engineering trades (+49.7%) and from architecture and building (+98.5%) over the same period.

The onset of the global COVID-19 pandemic has further exacerbated the existing skills shortage in Malta. The workforce in the construction sector mostly comprises foreign workers, and most of

them have either been quarantined or repatriated. As a result, the skills shortage has widened in the sector¹²⁶.

The Maltese government has announced several employment-related measures as part of a financial package to help the economy amid the pandemic. For instance, as per the measure, **Wage Supplement March-June 2020**, the government announced that it will finance full-time employees in business, or self-employed persons working in the sectors hit hardest by the COVID-19 outbreak, with EUR 800.0 per month from March 2020 to June 2020. This was measure extended until the end of September 2020. Another measure, the **Quarantine Leave Supplement**, awards EUR 350.0 as a grant to employers for each employee required to be on mandatory quarantine leave¹²⁷.

In June 2021, the Malta Chamber of Construction Management (MCCM) and IDEA Academy, a private higher education institution, signed an MoU (memorandum of understanding) focused on promoting the upskilling of construction project managers.

The agreement establishes mutually beneficial activities which aim to address the skills gap and lack of specialised training and education courses within the local construction sector¹²⁸.

The Maltese government's upcoming budget will focus on addressing labour market shortages in the country's key sectors¹²⁹.

Sector and sub-sector-specific issues

Material efficiency and waste management

In Malta, mineral waste from excavation, construction and demolition amounts to approximately 74.0% of all construction and demolition waste (CDW) generated annually. In fact, over the 2010-2018¹³⁰ period, mineral waste from construction and demolition activities in Malta grew by 134.3%, reaching 1,866,732 tonnes in 2018 (796,626 tonnes in 2010)¹³¹. This is driven by a considerable increase in activities in the Maltese construction sector over recent years¹³².

In 2017¹³³, 56.0% of waste was backfilled and 19.0% was disposed of in the sea. In addition, Malta recorded an increase in the recycling rate of CDW by

fostering the reuse of materials and preventing them from entering the waste stream¹³⁴.

In October 2021, the Environment Minister, along with the Environment and Resources Authority (ERA), introduced the Construction and Demolition Waste Strategy 2021-2030¹³⁵.

The strategy proposes 15 measures focusing on improving the standards of the construction sector, improving waste classification and setting re-use and recycling targets. The strategy, which targets the nine years stretching to 2030, also proposes introducing incentives to restore abandoned houses and suggests that from 2028, high-density residential construction should be given targets to recycle at least 40.0% of all excavated material. It will also serve as a framework to a cultural change for the sector as well as minimise construction waste and focus on a more circular economy¹³⁶.

With regards to the legal instruments regulating CDW at national level, Waste Management (Management of Waste from Extractive Industries and Backfilling) Regulations deal with waste coming from the extraction and processing of mineral resources (i.e. limestone from quarries). It follows

the provisions of Directive 2006/21/EC of the European Parliament and the European Council on the management of waste from extractive industries¹³⁷.

In cases where CDW is disposed of in a landfill, the established criteria and procedures for the acceptance of waste at landfills pursuant to Council Decision 2003/33/EC creating criteria and procedures for the acceptance of waste at landfills pursuant to Article 16 of and Annex II to Directive 1999/31/EC is applied¹³⁸.

Climate and energy

The residential construction sector is a major contributor to greenhouse gas emissions, originating from energy consumption, fluorinated gases for cooling and waste disposal (including construction waste)¹³⁹. In 2020, greenhouse gas emissions were projected to be 32.0% above the 2005 level. As greenhouse gas emissions are increasing and reduction measures insufficient, Malta is expected to miss its 2030 emission targets.

5

Innovation in the construction sector

Innovation performance



According to the European Innovation Scoreboard 2021, Malta is classified as a moderate innovator¹⁴⁰.

According to the report, Malta's main strengths lie in environmental sustainability, use of information technologies and intellectual assets. It has shown strong improvement in broadband penetration, foreign doctorate students and innovative collaboration of SMEs. The top three indicators include trademark applications, environment-related technologies and employment in knowledge-intensive activities. However, in-house product innovators without market novelties and business process innovators are amongst the country's weakest innovation dimensions. It also scores close to average on the climate change related indicators¹⁴¹.

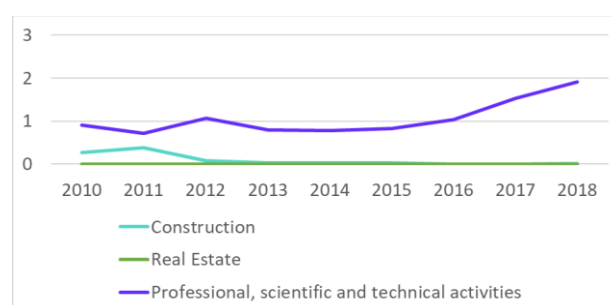
Malta's **public research and development (R&D) investment** has also been on a declining trend since 2015, reaching the bottom of the EU-28¹⁴² ranking in 2018¹⁴³. According to Maltese authorities, the country will miss its 2020 R&D intensity target of 2.0% of GDP¹⁴⁴.

In the broad construction sector, **business enterprise R&D expenditure (BERD)**¹⁴⁵ has seen differing trends across the sub-sectors (Figure 9). BERD expenditure in the professional, scientific and technical activities sub-sector reached EUR 1.9 million in 2018¹⁴⁶, representing an increase of 109.2% since 2010. Conversely, BERD in the narrow construction sub-sector declined from EUR 300,000 in 2010 to EUR 10,000 in 2018¹⁴⁷.

BERD in the professional, scientific and technical activities sub-sector between 2010 and 2018

↑ 109.2%

Figure 9: Business enterprise R&D expenditure (BERD) per construction sub-sector in Malta between 2010 and 2018¹⁴⁸ (EUR million)



Source: Eurostat, 2021.

Similarly, total **R&D personnel**¹⁴⁹ (full-time equivalents – FTE)¹⁵⁰ in the broad construction sector has seen differing trends across the sub-sectors. The professional, scientific, and technical activities sub-sector reported the highest levels of R&D FTEs, increasing from 17 in 2010 to 47 in 2018¹⁵¹. However, R&D personnel in the narrow construction sub-sector declined from seven in 2010 to one in 2018¹⁵².

According to the 2020 EU Industrial R&D Investment Scoreboard, Malta has not filed any construction related patent applications since 2010 and no Maltese construction and materials firms rank within the top 1,000 EU companies by R&D (industrial sector ICB-3D)¹⁵³.

As per the 2019 Small Business Act for Europe (SBA) Fact Sheet, Malta's performance in innovation has fallen below the EU-28¹⁵⁴ average in the current reference period (2018 and the first quarter of 2019). Therefore, to enhance the country's performance in this area the **Business Enhance RD&I Grant Scheme** was launched in 2018. With a total budget of EUR 20.0 million, it provides grants for a variety of research and innovation (R&I) activities including feasibility studies, R&D projects, research infrastructure and process innovation¹⁵⁵. The scheme was ended in December 2020¹⁵⁶. However, the trend in uptake of such R&I schemes

is low in Malta as most innovative companies are foreign owned¹⁵⁷.

Eco-innovation and digitalisation

According to the 2019 Eco-innovation Scoreboard, Malta is ranked in 21st position with a score of 73, below the EU-28¹⁵⁸ average score of 100¹⁵⁹.

Except on resource efficiency outcomes, Malta scored below the EU-28¹⁶⁰ average on four out of five indicators including eco-innovation activities, outputs, inputs and socio-economic outcomes¹⁶¹.

According to the **European Commission Digital Economy and Society Index (DESI) 2020**, Malta ranks 5th, with a 62.7 score, higher than the EU-28¹⁶² average score (52.5). Compared to the previous year, Malta has improved its rank and increased its score in connectivity, human capital, use of internet services and integration of the digital technology. However, Malta's rank in digital public services remained more or less the same in comparison with the previous year¹⁶³.

Despite a considerable gap between larger companies and SMEs, the levels of digitalisation in Maltese enterprises are high. Malta performs above the EU-28¹⁶⁴ average for the digitalisation of enterprises. The government has also been supporting the development of a digital economy through dedicated policy measures over recent years. It is prioritising measures for increase capacity in digital technologies. A new body, Tech.mt, was set up in March 2019 to promote Malta as a 'tech centre for innovative technologies'¹⁶⁵.

In October 2019, an artificial intelligence (AI) strategy (A Strategy and Vision for Artificial Intelligence in Malta 2030) was adopted which is governed by the Malta Digital Innovation Authority (MDIA). It aims to put Malta amongst the top 10 nations with the highest-impact national AI programme. The strategy proposes to increase

investment and economic activity from local and foreign businesses, increase expenditure on research and development and help create new start-up enterprises¹⁶⁶.

The **Malta Council for Science and Technology (MCST)** plays a crucial role in innovation policy. It is the public body advising government on science and technology policy and is responsible for the National Research and Innovation Strategy 2020. It also formulates policy recommendations in science and technology, representing the Maltese government in EU forums and manages national and EU research and innovation funding programmes¹⁶⁷. With reference to the construction sector, MCST aids in formulating innovation policies in projects. The **Ministry for the Economy, Investment and Small Business (MEIB)** is responsible for the implementation of a Digital Economy for Malta. It has the overall governance of the e-government vision, strategy and associated programmes¹⁶⁸.

According to EIB Investment Survey 2020 report, the percentage of firms adopting digital technologies (Internet of Things (IoT), drones and virtual reality) in the Maltese broad construction sector in 2020 was above the EU-28¹⁶⁹ average, except for 3D printing¹⁷⁰.

As per the survey, firms within the construction and infrastructure sectors accounted for the highest share (58.0%) in terms of increased use of digital technologies as a long-term impact of COVID-19¹⁷¹.

Malta's RRP includes measures to support digitalisation. 26.0% of the plan's total allocation is dedicated for investment in digital objectives¹⁷².

The plan will deepen digital transformation in Malta through policy reform, with a focus on minimising the digital divide and promoting digital skills. As per the plan, EUR 15.0 million will be used for supporting the digitalisation of at least 360 companies, notably SMEs in different sectors¹⁷³.

6

National and regional regulatory framework

Policy schemes

Maltese housing policies are particularly focused on home ownership through several initiatives and planned reforms. To promote the home ownership as well as improve the housing conditions in Malta, the Housing Authority was established in 1976 by the Maltese government¹⁷⁴.

The Housing Authority develops, promotes, and finances the development of housing estates, social housing, and other residential and commercial accommodation. It falls under the Ministry for Social Accommodation of Malta¹⁷⁵.

The **Private Rent Housing Benefit Scheme** launched by the authority provides a housing benefit to tenants on rent paid for premises leased as the ordinary residence of the applicants and their family, thus rendering the rent more affordable. The government has introduced new rental laws to the Maltese property market¹⁷⁶.

The budget for Private Rent Housing Benefit Scheme is EUR 5.0 million and it is aimed at helping up to 1,800 families with low incomes in finding residential properties¹⁷⁷.

In order to avail of the benefit of this scheme, the applicant / individual must have already signed a contract of lease with the landlord, covering a minimum of six months, or a temporary lease not exceeding 21 years. Also, there are other obligations in relation to citizenship, tenure of residency and use of premises which need to be fulfilled. The rent benefit will be based on the annual income as well as the rent paid by the applicants¹⁷⁸.

To regulate private residential leases¹⁷⁹ in Malta, **the Private Residential Act 2019** was enacted in November 2019. It is aimed protecting both the tenant and landlords when entering into a rental agreement. The law covers deposit returns, lease duration and notice terms¹⁸⁰. As per the law, all private residential lease contracts entered into, including renewals, must be in writing, should include specific provisions, and should be registered with the Housing Authority¹⁸¹.

Another scheme includes the **Subsidy on Adaptation Works in Residences occupied by Owners or Tenants** which was launched in January 2020 by the Maltese Housing Authority in relation to adaptation works in residences (owner occupied, privately rented or government rented residences). Owners renting-out private dwellings can apply for assistance to eliminate dangerous structures. They can only make this application for one property. This will aid in bringing the premises up to a habitable and acceptable standard¹⁸².

The maximum amount of assistance under the Subsidy on Adaptation Works in Residences occupied by Owners or Tenants scheme is EUR 14,000.0 for owner occupied premises, EUR 10,000.0 for tenants and EUR 4,000.0 for landlords of rented properties¹⁸³.

This scheme is valid for works to be carried out on properties built 15 years ago where the assets of applicants during the year preceding the date of application do not exceed EUR 60,000 and where income is below EUR 26,091¹⁸⁴.

In the 2020 budget, the Maltese government announced the extension of the Affordable Housing Benefit Scheme, still in its first year of its operation, driven by its success. The scheme is expected to make a positive impact on the overall population 'at risk of poverty rate', which is expected to decline by an annual rate of 0.2 pp¹⁸⁵.

In order to increase the availability of social housing whilst reducing the number of vacant dwellings, the Housing Authority introduced **Renting to help out (Nikru biex nassistu)** in December 2019. This scheme aims at encouraging private owners of vacant and finished residential property with one, two or three bedrooms to enter into a lease agreement with the Housing Authority for ten years¹⁸⁶.



So far, 330 Maltese families have been granted homes with the help of the **Nikru biex nassistu** scheme. This is expected to include 773 families by 2022 and 884 families by 2023¹⁸⁷.

This scheme has been instrumental in reducing the number of people in need of alternative housing, from 3,288 in 2017, to 1,900, before the allocation of new social accommodation starting later 2021¹⁸⁸.

In June 2021, Minister for Social Accommodation, Roderick Galdes, announced that by the end of 2021, around 581 families that have sought help from the Housing Authority will be allocated a home through the '**Nikru biex Nassistu**' scheme¹⁸⁹.

In the wake of COVID-19, the Maltese government introduced a social measure to increase rent subsidies for individuals who have lost their job due to the global pandemic. In this way, the Housing Authority aims to make rent more affordable by lowering the burden that households face in relation to rental costs by raising the benefit cap¹⁹⁰.

In June 2020, the Maltese government announced the reduction of property stamp duty (property tax). This measure aims at incentivising buyers and sellers and encouraging private individuals to invest for themselves and the economy, thereby ensuring the continued stability of the private property market¹⁹¹.

Building regulations

As a part of the ongoing reform of the Maltese construction sector, the Building and Construction Authority (BCA) was officially established in August 2021 by the Maltese government¹⁹².

The **BCA** is the main body responsible for the design, implementation and distribution of policies, together with the consolidation and review of laws and regulations, in the form of a national building code¹⁹³.

These collectively aim to manage the building and the construction sector in Malta efficiently. The Authority is authorised to collaborate with corporations, authorities, governmental and non-governmental entities and individuals in the execution of its role¹⁹⁴.

The primary piece of legislation regulating construction activities is the **Building Regulation Act** (Act XII of 2011). The scope of the act includes the issuing licences and the registration of masons, building contractors and tradespersons; monitoring the application of building regulations; endorsing certificates of compliance; enforcing building control regulations; and providing technical assistance to the Building Regulation to prepare technical guidance documents¹⁹⁵.

The **Energy Performance of Buildings Regulation**, Subsidiary Legislation (SL) 513.01 under Legal Notice (LN) 47 of 2018, as amended by LN 134 of 2020, promotes the improvement of the energy performance of buildings within the territory of Malta. It considers outdoor climatic and local conditions, as well as indoor climatic requirements and cost-effectiveness¹⁹⁶.

The regulation **Avoidance Of Damage To Third Party Property**, SL 513.06 under LN 136 of 2019, as amended by LN 180 of 2019, ensures that before starting any type of work comprising demolition, excavation or construction, methodologies that are technically secure are prepared to minimise the risk of damages to third-party property or injury to persons that may result through the proposed works¹⁹⁷.

In June 2019, the Maltese Ministry for Transport, Infrastructure and Capital Projects passed a draft law, which requires a **Geotechnical Design Report**.

The developer must prove that an appropriate structural investigation of the zone to be excavated is carried out through the submission of such a report. Moreover, the Avoidance of Damage to Third Party Property Act introduces stricter fines for contraveners¹⁹⁸.

According to the new construction regulations approved by the Maltese government in June 2019, it has become mandatory for construction site managers to be architects. Site works can resume only after fulfilment of the conditions in the new regulation¹⁹⁹.

In the National Post-Pandemic Strategy document published in June 2021, the Maltese government announced its plans to develop robust and measurable building and construction standards to safeguard quality in construction, protect residents' and workers' health and safety, attain energy and resource efficiency, and address related pollution²⁰⁰. This has also been integrated in the RRP²⁰¹.

The government will also introduce licences and specialised warrants for construction activities, audits and inspections to confirm that works align to permit conditions, safety, employment and other regulations contained within the National Building Code. The code is currently being established by country's new BCA²⁰².

Insurance and liability-related regulations

Due to the increase in the number of construction accidents, the Maltese government issued the **Avoidance of Damage to Third Party Property Regulations** in June 2019, by means of **Legal Notice 136**. These regulations replace **Legal Notice 513.02 of 2013** previously in force. The new regulations aim to minimise the risk of damage or injury to third parties during the execution of construction works. They are applicable for excavation and demolition works affecting third-party property, works involving in the building of additional storeys above property occupied by third parties, and the construction of new buildings or storeys next to the third-party property²⁰³.

The developer applying for a permit is obliged to provide an insurance cover of not less than EUR 750,000, whereas the previous minimum amount was EUR 500,000. The insurance cover must be renewed until the work is completed²⁰⁴.

Liability principles for architects, engineers and contractors are defined by **article 1638 of the Civil Code**, under which they are responsible for any defects in the final construction for up to 15 years from the day on which the construction was completed. Action against any damages must be taken within two years from the day on which the defects occurred. The Civil Code also sets the obligation for the employer to examine the final delivered construction²⁰⁵.

Current status and national strategies to meet Construction 2020 objectives

TO 1 – Investment conditions and volumes

Total investment by the broad construction sector²⁰⁶ grew between 2010 and 2020 (Figure 10). Investment by the narrow construction sub-sector increased from EUR 54.3 million in 2010 to EUR 57.8 million in 2020 (+6.6%). Similarly, investment by the real estate activities sub-sector significantly increased from EUR 247.6 million in 2010 to EUR 529.0 million in 2020 (+113.7%).

Total investment by the real estate activities sub-sector between 2010 and 2020 **↑ 113.7%**

Figure 10: Investment by the Maltese construction sector between 2010 and 2020 (EUR million)



Source: Eurostat, 2021.

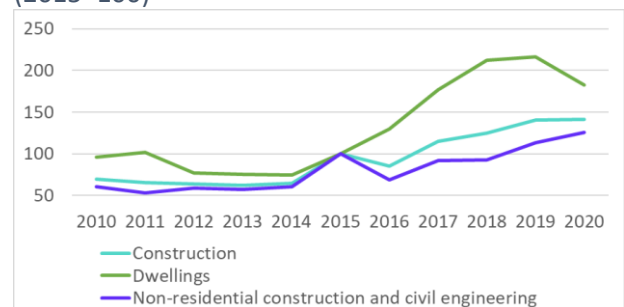
Following the same trends, investment in intellectual property by the narrow construction sub-sector increased from EUR 2.3 million in 2010 to EUR 3.0 million in 2020 (+30.4%). Similarly, investment in machinery and equipment by the narrow construction sub-sector rose from EUR 12.9 million in 2010 to EUR 22.7 million in 2020 (+76.0%).

Investment in intellectual property by the narrow construction sub-sector between 2010 and 2020

↑ 30.4%

The investment index in the broad construction sector²⁰⁷ has experienced moderate growth since 2015, rising by 41.2% over 2015-2020 (Figure 11). This growth was mainly driven by investment in dwellings by the whole economy and non-residential construction and civil engineering, which increased by 82.3% and 26.0% respectively, over the 2015-2020 period.

Figure 11: Investment index in the Malta construction sector between 2010 and 2020 (2015=100)



Source: AMECO, 2021.

Investment index in dwellings by the whole economy between 2015 and 2020

↑ 82.3%

In absolute terms, investment in the broad construction sector amounted to EUR 1.6 billion in 2020, out of which EUR 508.0 million was invested in dwellings and EUR 1.1 billion was spent on non-residential construction and civil engineering²⁰⁸.

Total **household renovation spending** in Malta has been consistently increasing since 2010, except for a slight drop in 2015. In 2020, it reached to EUR 20.3 million, increasing by 37.2% compared to 2010.

The Maltese government has also prioritised reducing traffic congestion in urban areas. In this regard, the government aims to include **investment in roads** as part of potential investment under the Cohesion Policy for the 2020-2021 period. To address traffic congestion, the government invested EUR 700.0 million in a **seven-year road transport infrastructure project** to upgrade and refurbish the road network, starting in 2019²⁰⁹.

In September 2021, the Transport, Infrastructure and Capital Projects ministry of Malta announced that more than 700 roads have been rebuilt across Malta and Gozo in the past three years as part of the EUR 100.0 million investment a year²¹⁰.

Out of the 700, 123 were residential roads and 71 were roads connecting rural communities. Capital projects such as the Marsa junction and the Central Link are expected to be completed by October 2021²¹¹.

To support the development of the transport infrastructure, the country's long-term **National Transport Strategy 2050** and the **Transport Master Plan 2025** have already been launched by the government. These strategies aim to achieve more sustainable mobility by improving the road network and reducing traffic bottlenecks, as well as bring about more sustainability in modes of travel²¹².

Infrastructure Malta has also opened the first new road of the **Central Link Project** (launched in January 2020), a two-lane westbound carriageway bypassing three traffic light junctions. The EUR 55.0 million project aims to establish a quicker and safer route with reduced traveling time and improved air quality along the principal arterial road corridor in Central Malta. As part of this project, Infrastructure Malta is presently also building Malta's longest bi-directional track for cyclists and pedestrians. The Central Link Project is part-financed by the European Regional Development Fund (ERDF) and the Cohesion Fund of the European Union^{213,214}.

In November 2020, the Maltese government introduced a EUR 470.0 million infrastructure investment programme, to be spread out over 8 years²¹⁵.

With this investment, the government is aiming to solve the problem of industrial space by providing more space for new businesses that will operate in a sustainable environment. The programme includes the extension of the Life Sciences Park, rebuilding of the Kordin Business Centre, rehabilitation of former Luqa Dump and the development of the new industrial facilities in Hal Far. The creation of 600,000 sqm of new industrial and environment-friendly space is expected to accommodate new foreign direct investment (FDI) and create thousands of quality new jobs²¹⁶.

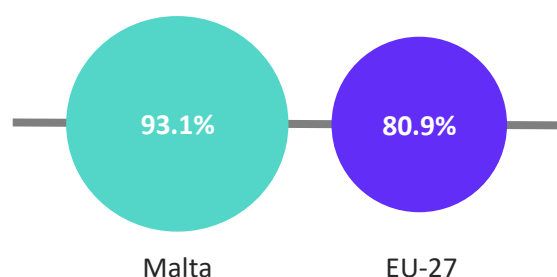
In its Recovery and Resilience Plan, the Maltese government has allocated around EUR 16.0 million for shifting transport from road to sea and reducing emissions from the transport sector²¹⁷.

It will provide access to free public transport to selected groups of the population to address congestion and make transport more sustainable.

TO 2 – Skills

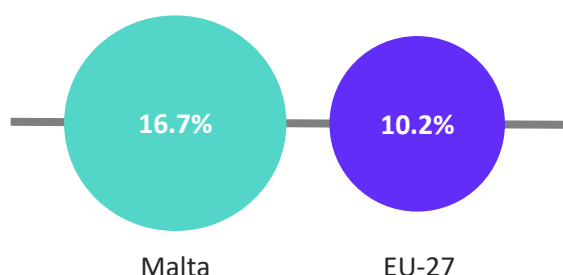
The overall responsibility for **vocational education and training (VET)** in Malta, lies with the Ministry for Education and Employment²¹⁸. The uptake of VET in Malta has grown over the years. The **proportion of VET learners at upper secondary level enrolled in programmes** involving work-based learning increased to 35.0% in 2018²¹⁹ from 32.0% a year earlier, continuing the upward trend recorded in the past five years²²⁰. Similarly, **enrolments in upper secondary VET** rose from 27.1% in 2017 to 28.5% in 2018²²¹. Moreover, the **employment rate of recent VET graduates** in Malta stood at 93.1% in 2019²²², above the EU-27 average of 80.9%. However, **adult participation in learning** in 2019²²³ stood at 12.0%, slightly higher than the EU-27 average (10.8%)²²⁴.

Employment rate of recent graduates in 2019



Malta's **public expenditure on education as a percentage of GDP** stood at 5.2% in 2019²²⁵, slightly higher than the EU-27 average (4.6%). However, the proportion of **early leavers from education and training** (aged 18-24) in 2019²²⁶ in Malta stood at 16.7%, well above the EU-27 average (10.2%). Hence, tackling education related issues remains a key priority for Malta. **Tertiary educational attainment** in Malta reached 37.8% in 2019²²⁷, below the EU-27 average (40.3%)²²⁸.

Proportion of early leavers from education and training in 2019



In the Recovery and Resilience Plan, the Maltese government announced plans to enhance the quality and inclusiveness of education and training in the country. It has allocated around EUR 41.4 million to strengthen early school leaving prevention measures, expanding guidance and opportunities for upskilling and reskilling for all adults and in particular for the low-skilled. Additionally, it will focus on reinforcing quality inclusive education for pupils with special needs and on improving the education policy monitoring system²²⁹.

The Maltese government with the support of EU is taking several initiatives to improve the condition of VET in the country. In June 2021, the Directorate for Research, Lifelong Learning and Employability (DRILLE) introduced the public consultation on the National Strategy for Lifelong Learning 2020-2030²³⁰.

The National Strategy for Lifelong Learning 2020 – 2030 includes the entire range of formal, non-formal and informal learning activities, both general and vocational, undertaken by students (aged 15+) after leaving initial education and training. It is focused on increasing adult participation in learning, in line with EU targets²³¹.

Despite the positive results in the rate of early leavers education and training and increases in tertiary education attainment from previous years, the educational outcomes and attainment rates in Malta are generally lower compared to the EU-28 average. This highlights the challenges in the quality of investment in education²³².

The European Structural Fund project **Achieving Vocational Excellence through Enhanced Work-based Learning** is aimed at building on Malta's College of Arts, Science and Technology (MCAST) work-based learning to make VET more attractive to students. The project will involve developing and delivering a mentoring training programme for MCAST lecturers. It is estimated that around 600 students from MCAST following an apprenticeship programme will benefit from the project. Project implementation began in 2019 and is expected to be accomplished by 2022²³³.

In August 2021, the Chartered Institute of Building (CIOB) signed a memorandum of understanding (MoU) with the Malta Chamber of Construction Management (MCCM) to support the professionalisation of construction in Malta²³⁴.

The MoU between the parties for the next three years is focused on professionalising construction in Malta, through education and training. It also aims to raise the profile and recognition of professional management in construction²³⁵. The CIOB is the world's largest professional body for construction management and leadership with more than 45,000 members worldwide²³⁶.

In 2021, MCAST introduced a full-time Bachelor's degree in Vocational Education and Training 4.0²³⁷.

The course is focused on those who are willing to specialise, particularly in teaching and learning of VET²³⁸.

In October 2021, IDEA Academy, in collaboration with the MCCM, launched two Construction Management Courses which focus on management applications and techniques within the construction sector²³⁹.

The courses are customised to cover the whole spectrum of construction management, from the newly introduced Level 5 Certificate in Site

Management (a course that will enable prospective members of the MCCM to achieve Tier 2 status) to the MSc in Construction Management level²⁴⁰.

As part of its artificial intelligence strategy launched in October 2019, Malta aims to promote training, including a specific re-skilling programme to help vulnerable workers acquire digital skills²⁴¹.

In line with this strategy, the **E-Construct programme** was launched in October 2019 with reference to Malta's construction sector. It is a 30-hour pre-skilled card preparatory course which aims to teach the necessary skills to manage, promote and work in the construction sector. The training programme will focus on basic maths, safety at work, better use of information and communications technology (ICT) and several other training workshops²⁴². It also includes a skills plan for the sector to support and emphasise the skill card system (introduced in 2016) and to retain existing human resources, while attracting new generations of talent in the sector. As of May 2020, this programme reached over 232 workers²⁴³.

TO 3 – Resource efficiency / Sustainable construction

At the end of 2019, Malta submitted its final draft National Energy and Climate Plan (NECP), for the period 2021-2030, to the European Commission, in line with the requirements of the Governance Regulation. The NECP serves as a strategic planning framework and policy document that will guide Malta's contribution to achieving the Energy Union's 2030 objectives and targets, whilst identifying those measures necessary for their achievement during the period until 2030, with an outlook until 2040²⁴⁴.

Malta's NECP follows the scope of the Energy Union and covers its five dimensions including decarbonisation, energy efficiency, energy security, internal energy market, and research, innovation and competitiveness²⁴⁵.

Malta has the highest share of energy used for lighting and appliances in the EU. In Malta, there is no gas distribution network or district heating/cooling networks. Construction of such networks has so far been deemed not feasible, mainly due to the limited demand for heating and widespread use of alternative cooling heat-pump

technology. Malta has one of the lowest energy intensity figures for households within the EU²⁴⁶.

In the NECP draft, Malta plans to focus on vulnerable and energy poor households. Energy efficiency schemes and grants will specifically address vulnerable households including the elderly and will also address the shift to technologies which require significant capital outlay, or which result in relatively long payback periods. Malta already has an annual budget of approximately EUR 200,000 to support a scheme for households in a condition of energy poverty²⁴⁷ under which old appliances are replaced by new efficient units²⁴⁸.

Malta has introduced the **Energy Performance of Buildings Regulations** (LN 47 of 2018 that replaced LN 376 of 2012) to transpose and implement the EU Directive 2010/31/EU on the energy performance of buildings. The regulations promote improvement of the energy performance of buildings within the territory of Malta, considering outdoor climatic and local conditions, along with indoor climatic requirements and cost effectiveness. The regulation also makes the Energy Performance Certificate (EPC) compulsory for any building to be constructed, sold or rented out²⁴⁹.

Currently, there are more than 50,000 buildings granted an EPC in Malta²⁵⁰. Better use of these certificates and a long-term renovation strategy for addressing both social housing infrastructure and the worst-performing buildings in the building stock would support the uptake of energy renovation in Malta. This could also help in boosting energy efficiency substantially²⁵¹.

Currently only 0.6% of residential buildings and 2.1% of non-residential buildings in Malta are renovated yearly. Energy-related 'deep' renovations are carried out on 0.1% of residential buildings and 0.4% of non-residential buildings each year. Consequently, these renovations result in only 10.0% energy savings for the residential sector on average and 15.0% for the non-residential sector. The country's low renovation rates have resulted in low energy savings²⁵².

Low-income households in Malta are provided with financial support to make their dwellings more energy efficient. Despite this effort, Malta has made limited progress in focusing investment-related economic policies on resource and energy efficiency²⁵³.

As per Malta's National Reform Programme 2020, supporting the renovation of existing buildings stock coupled with targeted training schemes will help in improving the energy performance of buildings²⁵⁴.

With respect to the design of buildings, the Malta Planning Authority is promoting energy efficiency through several policies and guidelines. For instance, all developments under way are expected to make optimum use of space and are to avoid making longer and dark corridors. The developments and construction are to be designed in a way that light easily permeates through the spaces. Specific energy conservation measures have also been considered like the use of renewable sources of energy²⁵⁵.

Residential buildings in Malta account for 84.0% of building stock, but only around 0.6% are renovated each year. Investments in energy renovations could help achieve the national energy and climate targets. Progress is hampered by skills shortages, low enforcement of minimum requirements and insufficient use of efficient materials and technologies. Additional efforts are needed to target energy efficiency renovations and promote renewable energy in residential buildings, which use the largest share of energy. The policies introduced in the renovation strategy could lead to savings of over 60,000 GWh of primary energy in buildings by 2050, leading to emission reductions of 4.4 million tonnes CO₂ (a reduction of 150,000 tonnes per year in 2030). In order to reach the targeted savings, the renovation rate will have to increase by 2.5 pps up to 2050. This is expected to generate between 1,200 and 4,300 jobs per year²⁵⁶.

Malta's Recovery and Resilience Plan includes EUR 60.0 million investment in energy-efficiency renovations and greening of private and public buildings including schools and hospitals. This also includes the financing of deep retrofitting and renewable energy installations²⁵⁷.

The Construction Industry Scheme, launched by the Malta Enterprise in December 2020, seeks to encourage operators in the construction sector to scrap and replace old machinery and equipment with new equipment that generates less environmentally harmful emissions.

The scheme has a budget of EUR 4.0 million. Financial assistance of up to EUR 200,000 per beneficiary (subject to state aid rules) will be awarded to eligible undertakings in the form of a cash grant, varying from 25.0% to 40.0% of the investment required, if it is proven that a reduction of at least 20.0% in CO₂ emissions is achievable through the envisaged investment. Since the amount of aid requested has exceeded the budget allocated to the Construction Industry Scheme, Malta Enterprise stopped receiving applications for support through the scheme in January 2021²⁵⁸.

In December 2020, Malta introduced a new guarantee instrument combined with an interest rate subsidy program which was funded by the European Regional Development Fund through EUR 15.0 million and managed by the European Investment Fund (EIF)²⁵⁹.

As per the scheme, the EIF reached an agreement with APS Bank and with Bank of Valletta (BoV) to deploy EUR 54.0 million of loans and provide a EUR 2.8 million interest rate subsidy, over a 3-years period, in relation to the projects carried out by the corporates and households in Malta. It aims at financing projects in the sector of renewable energy as well as promote energy efficiency in buildings. Between 2,000 and 3,000 projects are expected to be funded across the country²⁶⁰.

TO 4 – Single Market

According to the EU Single Market Scoreboard in 2020, Malta has performed satisfactorily with respect to internal market information systems²⁶¹ in 2019, with two out of four indicators improved from the year before.

Malta's score regarding the **transposition deficit** stood at 0.3% in 2019 below the EU-28²⁶² average (0.6%) and the proposed 0.5 % target. The **conformity deficit** stood at 0.6% in 2019, higher than last year (0.4%), but lower than the EU-28 average (1.2%)²⁶³. At the same time, the country's performance in terms of the **average delay for overdue directives** stood at 18.1 months in 2019, higher than last year (10.3 months) as well as the EU-28 average (11.5 months).

The number of pending cases under infringement in 2019 stood at 20, higher than the 16 pending cases in the previous year, but below the EU-28²⁶⁴ average (29 cases). Malta's trade integration in the single market for goods and services is above the EU-28 average²⁶⁵.

Some indicators on compliance with single market rules in the area of goods highlight room for improvement. With a low level of notifications of technical regulations under the Transparency Directive, Malta is making limited use of this tool to allow dialogue with other member states for improving the free movement of goods²⁶⁶.

As per the Malta Corruption Report²⁶⁷, published in August 2020, land administration is characterised by moderate corruption risk and over 50.0% of citizens believe that bribery and abuse are common among officials issuing building permits. The country's public procurement sector also carries a high corruption risk. On awarding public contracts, enterprises have reported that favouritism on the part of public officials affect fair competition²⁶⁸.

However, Malta is actively pursuing effective and efficient public procurement in the understanding that it will support government's broad strategic goals and contribute to the fast-growing economy. The country has made significant progress in updating its public procurement process with several strategic initiatives either ongoing or accomplished. The e-procurement system has also played a positive role in improving transparency and communication amongst bidders²⁶⁹.

Public procurement in Malta has also been affected the COVID-19 pandemic. The Legal Notice 61 of 2020, to be read in conjunction with Legal Notice 65 of 2020, has also suspended all legal and judicial times and any other time limits including peremptory periods applicable to procurement proceedings²⁷⁰.

Regarding the implementation of **Eurocodes**, all EN Parts are published as National Standards, with EN 1990 and EN 1991-1-1 being translated in the national language.

The use of the Eurocodes is voluntary in Malta. National Annexes have not yet been published officially. The regulatory framework for their use in public procurement is not yet agreed upon by the Building Regulations Office (BRO). Hence, Eurocodes cannot yet be used for structural design²⁷¹.

TO 5 – International competitiveness

As per World Bank Doing Business 2020 report, the Malta ranked 48th out of 190 economies in the ease of trading across border, achieving score of 88.9²⁷².

As per the report, in Malta it takes 24 hours to be documentary compliant and the same amount of time to be border compliant. In terms of costs, businesses need to spend USD 370.0 (EUR 318.2) and USD 25.0 (EUR 21.5) to be border and documentary compliant, respectively²⁷³.

With regards to the **internationalisation of construction products** in the Maltese construction sector has shown signs of decline in the past few years. The export values of all construction-related products decreased from EUR 2.4 million in 2010 to EUR 0.9 million in 2020, exhibiting a decline of 62.0% during the period.

Exports value of all construction-related products between 2010 and 2020

↓ 62.0%

In the context of **inward FATS (Foreign Affiliates Statistics)**²⁷⁴, value added at factor cost in the manufacturing²⁷⁵ sub-sector increased by 2.2%; while gross premiums written declined by 4.3% between 2010 and 2018²⁷⁶.

Malta has developed several policies and initiatives to support the internationalisation of its SMEs in recent years, addressing most of the SBA principles.

In 2017, it launched the **SME e-Commerce Grant** with an annual budget of EUR 1.0 million. It offers grants to companies for setting up online sales and booking systems and for helping them access overseas markets. As of May 2019, a total of 48 beneficiaries had received grants totalling EUR 223,000²⁷⁷.

Similarly, the **Cooperate for Growth** scheme launched in 2018 and the first quarter of 2019 aims to support private companies that are willing to enter new markets or introduce a new service or product in an existing international market^{278,279}. Although these programmes are not specifically

tailored to construction companies, the Malta Developers Association explained that it sometimes participates in missions as a delegation together with Maltese construction enterprises.

The International Trade Promotion Incentive Scheme (ITPIS), administered by the government body TradeMalta Limited, aims to support businesses that want to internationalise or are already exporting and wish to promote a product or service in a new or existing international market²⁸⁰.

8

Outlook

After witnessing an annual decline of 7.0% in GDP in 2020 due to the COVID-19 pandemic, the Maltese economy is expected to recover and grow post 2021.

Malta's GDP is expected to grow by 4.6% in 2021, reaching EUR 12.1 billion and then by 6.1% in 2022, reaching EUR 12.9 billion.

Mirroring the overall economy, the **volume index of production**²⁸¹ in the Maltese broad construction sector is expected to grow by 19.8 ip in 2021 and then by 21.9 ip in 2022. Similarly, the **turnover of the broad construction sector** is also projected to increase by 7.1% in 2021 compared to 2020, reaching EUR 2.5 billion. At the same time, the **total value added** of the broad construction sector is expected to reach EUR 1.1 billion in 2021, increasing by 8.3% over 2020.

The **number of persons employed** in the broad construction sector is also expected to increase by 6.5% to 20,645 persons in 2021. The majority of this growth is expected to come from the real estate activities (+13.1%) and the architectural and engineering activities (+8.0%) sub-sectors.

With regard to the **housing market**, it is gaining momentum after slowing in the first half of 2020 due to the COVID-19 pandemic. It is expected to improve further in the coming years, mainly driven by government measures. In particular, the grants provided by the government under the **Renting to help out (Nikru biex nassistu)** scheme is expected to benefit 773 families by 2022 and 884 families by 2023.

As for **infrastructure**, the Maltese government will continue with its upgrading programme by

investing in roads and ensuring sustainable development and mobility in the coming years. The country's long-term **National Transport Strategy 2050** and the **Transport Master Plan 2025** have already been launched by the government. These strategies aim to achieve more sustainable mobility by improving the road network and reducing traffic bottlenecks, as well as bring about more sustainability in modes of travel²⁸².

The Maltese government, under the EUR 316.4 million Recovery and Resilience Plan (RRP), has allocated around EUR 60.0 million for energy-efficiency renovations and greening of private and public buildings²⁸³.

The country has planned to invest around EUR 55.0 million for the digital transformation through policy reform, aimed at reducing the digital divide and promoting digital skills. It also includes the finalisation and implementation of Malta's Smart Specialisation Strategy, with a focus on fostering business R&I and strengthening public-private cooperation. Additionally, the country has allocated around EUR 111.0 million for addressing carbon-neutrality by decarbonising transport. This is planned to be achieved by granting access to free public transport to selected groups of the population to address congestion and make transport more sustainable²⁸⁴.

Overall, the Maltese construction sector is forecast to recover from 2021 onwards, driven by digitalisation and large infrastructure projects and plans including the National Transport Strategy 2050 and the Transport Master Plan 2025.

References

- 1 Please note that this 2020 data is a nowcast - please refer to the methodology notes for further details.
- 2 Data unavailable for construction of buildings and construction of civil engineering.
- 3 The data breakdown for construction of buildings and civil engineering is not available.
- 4 Please note that this 2020 data is a nowcast - please refer to the methodology notes for further details.
- 5 The gross operating rate is the ratio of Gross Operating Surplus to Turnover, and is an indicator of profitability.
- 6 Data unavailable for 2010
- 7 Data unavailable for subsequent years
- 8 European Commission, Malta's recovery and resilience plan, September 2021. https://ec.europa.eu/info/sites/default/files/factsheet-malta_en_0.pdf
- 9 Ibidem.
- 10 Please note that this 2020 data is a nowcast - please refer to the methodology notes for further details.
- 11 Data unavailable for the manufacturing sub-sector between 2011 and 2017 and the architectural and engineering activities sub-sector between 2011-2015 and 2018 and 2019 respectively. Data for narrow construction sub-sector is available only till 2018 and the data real estate activities sub-sector available only till 2017
- 12 Data unavailable for construction of buildings and construction of civil engineering.
- 13 The data breakdown for construction of buildings and civil engineering is not available.
- 14 Please note that the share of each sub-sector in the value added of the broad construction sector should not be compared to the shares of the Gross Value Added in the GDP, since the GDP also includes taxes and excludes subsidies
- 15 Please note that this 2020 data is a nowcast - please refer to the methodology notes for further details.
- 16 Data not available for 2010.
- 17 Data unavailable for subsequent years
- 18 Apparent labour productivity refers to the Gross Value Added per person employed
- 19 Data not available for 2010.
- 20 Data unavailable for subsequent years
- 21 Data unavailable for subsequent years
- 22 Data unavailable for subsequent years
- 23 Data not available for 2010.
- 24 Data not available before 2017.
- 25 No data available for Manufacturing (2011, 2012, 2013, 2014, 2016 and 2017) and Architectural and engineering activities (2010, 2011, 2012, 2013, 2014, 2015 and 2016).
- 26 EIB Investment Survey 2020: Finland Overview, <https://op.europa.eu/en/publication-detail/-/publication/259f07ac-433c-11eb-b27b-01aa75ed71a1>
- 27 Please note that this 2020 data is a nowcast - please refer to the methodology notes for further details.
- 28 Data not available for 2010.
- 29 The total does not include buying and selling of own real estate, renting and operating of own or leased real estate, and real estate activities on a fee or contract basis, since no data is available for this specific activity within the real estate sub-sector.
- 30 More recent data is not available.
- 31 Data not available for 2010.
- 32 The gross operating rate is the ratio of Gross Operating Surplus to Turnover, and is an indicator of profitability.
- 33 Data unavailable for 2010
- 34 More recent data is not available.
- 35 Please note that this 2020 data is a nowcast - please refer to the methodology notes for further details.
- 36 Data not available for 2010.
- 37 Data not available before 2015.
- 38 Data not available before 2015 and after 2018.
- 39 Central Bank of Malta, Outlook for the Maltese Economy 2020-2023, February 2021. <https://www.centralbankmalta.org/en/news/88/2021/8910>
- 40 Update of Stability Programme 2021 – 2024, Malta, https://ec.europa.eu/info/sites/default/files/2021-malta-stability-programme_en.pdf
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