

October / November / Dec 2018

Credit Rating Agency *Scope* Has Affirmed Malta's A+ Ratings with a Positive Outlook

For the first time Malta has been given an A+ rating with a positive outlook by credit rating agency *Scope Ratings GmbH*. According to the agency, this rating reflects the country's euro area membership, high economic growth, prudent fiscal management and strong external position.

Malta has shown strong growth rates during the last 10 years with an average expansion of 4.3% since 2007, outperforming the EU average behind only Ireland. The main drivers of Malta's economic growth are high service exports (tourism, transport and gaming), and robust private consumption.

Scope Ratings GmbH are anticipating an annual growth of 5.4% and 5% respectively for 2018 and 2019, on the back of record – low unemployment of 4%, strong employment growth due to migration and recovering investment, especially on the housing market. Growth is expected to continue to be driven by private consumption and higher investment.

The A+ rating is further underpinned by Malta's strengthened fiscal framework, together with a combination of faster fiscal consolidation, low interest payment and stronger GDP growth. The government has achieved consistent fiscal surpluses, supported by a broadening tax base, reflecting better monitoring compliance and increasing female labour.

Strengthening of AML supervision

The Malta Financial Services Authority (MFSA) continues to strengthen its anti-money laundering procedures with the publication of 'Guidance on Politically Exposed Persons (PEPs)', in the effort to tackle international challenges posed by money laundering in line with international best practice and commitments with international counterparts and supervisory bodies.

The MFSA expects all persons and licenced entities to comply with their anti-money laundering and combating financing of terrorism obligations, including the requirement to apply a risk based approach to identify PEPs and to apply

appropriate Enhanced Due Diligence (EDD) measures when dealing with PEPs.

Subject persons are required to carry out customer due diligence measures which are proportionate to the risks posed by the customer. This applies also to PEPs and family members and members known to be close associates of PEPs. Not all PEPs pose the same level of risk and the EDD measures to be applied should be proportionate to the risk attributed to a particular PEP. Finally, the guidance notes outline and provide information on the application of Enhanced Due Diligence measures to be taken by subject persons in the case of PEPs, family members and close associates. These consist of obtaining senior management approval prior to providing a service to a PEP, family member or close associate; taking adequate measures to establish the source of wealth and funds involved; and conducting enhanced ongoing monitoring.

Malta – First in Macroeconomic Stability

The World Economic Forum has released a report in which Malta has been ranked first in macroeconomic stability.

In the Global Competitiveness Index 2017-2018, Malta has once again achieved a highly positive performance in its ranking of competitiveness. Malta now ranks 36th out of 140 countries included in this publication, improving its ranking by more than 10 places in 5 years.

The Forum said in a statement that about 60% of the indicators used in the new index, 'are brand new, as we increasingly believe factors such as workforce diversity, labour-rights, e-government and disruptive businesses are driving competitiveness'.

The report assesses each country on twelve main pillars that express the extent and complexity of the drivers of the productivity and the competitiveness ecosystem. Malta excelled particularly well in the quality of its enabling environment, with business operating under stable macroeconomic stability (1st), having a strong institutional environment (33rd). Malta's financial system has also ranked in the 29th place worldwide.