

## Malta

This annex refers to the release of monitoring note of 15 October 2021

Annex I: Summary of core variable scorecard, reserve currency adjustment and qualitative scorecard<sup>1</sup>

<b>Implied rating of core variable scorecard (CVS)</b>		<b>a+</b>
<b>Reserve currency adjustment</b>		<b>1</b>
<b>Weight</b>	<b>Qualitative scorecard (QS) for long-term local currency ratings</b>	
20%	Growth potential of the economy	Strong
	Monetary policy framework	Neutral
	Macro-economic stability and sustainability	Weak
20%	Fiscal policy framework	Neutral
	Debt sustainability	Neutral
	Debt profile and market access	Neutral
20%	Current account resilience	Weak
	External debt structure	Neutral
	Resilience to short-term shocks	Neutral
20%	Banking sector performance	Neutral
	Banking sector oversight	Weak
	Financial imbalances	Weak
20%	Environmental risks	Neutral
	Social risks	Neutral
	Institutional and political risks	Weak
<b>QS adjustment (notches)</b>		<b>-1</b>
<b>Additional considerations (notches)</b>		<b>0</b>
<b>Final rating</b>		<b>A+ STA</b>

## Annex II: Selected indicators

Source: Macrobond, IMF, Central Bank of Malta, Scope Ratings GmbH

	2017	2018	2019	2020E	2021F	2022F
GDP per capita (USD, '000s)	28.7	31.3	30.8	28.3	31.6	34.0
Real GDP, % change	8.1	5.2	5.5	-7.0	6.0	7.6
CPI, % change	1.3	1.7	1.5	0.8	1.1	1.4
General government balance, % of GDP	3.2	2.0	0.5	-9.0	-12.0	-5.9
General government debt, % of GDP	48.5	44.8	42.0	55.4	64.9	65.5
Current account balance, % of GDP	4.8	5.6	4.6	-0.6	0.2	1.2
Gross external debt, % of GDP	759.9	685.2	631.1	669.6	-	-

## Annex III: Economic development and default indicators

IMF Development Classification <sup>2</sup>	AE
5y USD CDS spread (bps) as of 12 October 2021	NA

<sup>1</sup> The weighting and explanation of all rating factors are described in Scope's 'Sovereign Ratings' methodology, available on [www.scooperatings.com](http://www.scooperatings.com)

<sup>2</sup> AE = advanced economy; EMDE = emerging market and developing economy

Annex IV: Analytical rationale for QS assessments

	October 2021	Assessment	Analytical rationale
Peers*	Czech Republic, Estonia, Lithuania, Slovenia,		
Domestic economic risk	Growth potential	Strong	High growth potential supported by structural reforms and strong employment dynamics.
	Monetary policy framework	Neutral	ECB is a credible and effective central bank.
	Macro-economic stability & sustainability	Weak	Economic structure exposed to volatility; reliance on foreign demand and investment, skill mismatches and labour shortages.
Public finance risk	Fiscal policy framework	Neutral	Countercyclical fiscal policies are appropriate in the context of the Covid-19 crisis.
	Debt sustainability	Neutral	Stabilisation of debt trajectory over the medium term; contingent liabilities and rising age-related costs pose fiscal risks.
	Debt profile & market access	Neutral	Low interest payment burden and favourable debt profile.
External economic risk	Current account resilience	Weak	Small open economy that is reliant on a few key service sectors underpins current account volatility.
	External debt structure	Neutral	Large external liabilities are offset by large external assets; debt structure has improved.
	Resilience to short-term shocks	Neutral	Euro area membership mitigates exposure to international markets.
Financial stability risk	Banking sector performance	Neutral	Profitable and adequately capitalized banking sector.
	Banking sector oversight	Weak	Some shortcomings in supervision although reforms to enhance oversight have been implemented.
	Financial imbalances	Weak	Elevated non-financial corporate debt levels; rising house prices underpinned by mortgage lending.
ESG risks	Environmental risks	Neutral	Resource-poor, service-based economy underpin high mitigation costs; low carbon emissions per capita.
	Social risks	Neutral	Adverse demographics and skills mismatches; stronger employment dynamics as well as social inclusion reflecting broad-based growth.
	Institutional and political risks	Weak	History of institutional challenges but positive reform momentum under the current administration.

\* Peers related to selected sovereigns with a similar indicative rating per Scope's Core Variable Scorecard.