EY’s attractiveness survey
Malta 2014
50 years of FDI: looking forward
EY’s attractiveness surveys

EY’s attractiveness surveys are widely recognized by our clients, the media and major public stakeholders as a key source of insight on foreign direct investment (FDI). Examining the attractiveness of a particular region or country as an investment destination, the surveys are designed to help businesses to make investment decisions and governments to remove barriers to future growth. A two-step methodology analyzes both the reality and perception of FDI in the respective country or region. Findings are based on the views of representative panels of international and local opinion leaders and decision-makers.

For more information, please visit: www.ey.com/attractiveness

EY’s attractiveness survey: Malta 2014

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Acronyms

- BRIC: Brazil, Russia, India and China
- CEE: Central and Eastern Europe
- EAS: European attractiveness survey
- ECB: European Central Bank
- EIM: European Investment Monitor
- EMEIA: Europe, Middle East, India and Africa
- EU: European Union
- FDI: Foreign direct investment
- FM: FinanceMalta
- ICT: Information and communications technology
- IMF: International Monetary Fund
- ITG: ICT, telecommunications and iGaming
- LGA: Lotteries and Gaming Authority
- MAS: Malta attractiveness survey
- MCAST: Malta College of Arts, Science and Technology
- MCCEI: Malta Chamber of Commerce, Enterprise and Industry
- ME: Malta Enterprise
- MOU: Memorandum of Understanding
- MTA: Malta Tourism Authority
- NSO: National Statistics Office
- OFS: Other Financial services
- PPP: Public-private partnerships
- TEN-T: Trans European Transport Network
- UK PRA: United Kingdom Prudential Regulations Authority
- UNCTAD: United Nations Conference on Trade and Development
- UoM: University of Malta
- WTO: World Trade Organization
Ronald Attard
Country Managing Partner, EY Malta

In a nutshell

For Europe and the rest of the world, the last few years have been ones of great economic turmoil – recessions, austerity measures and uncertainty. Many countries are still struggling to get themselves out of these financial woods. Yet EY’s 2014 Malta attractiveness survey (MAS), carried out among already existing investors in the country, paints a very favorable picture of Malta as an FDI destination.

This report provides a detailed analysis of the views held by existing FDI investors in Malta. Over three-quarters (79%) believe that Malta is currently attractive for FDI, and more than half think that it will remain so in the next three years. In this light, the country’s foreign investment should be expected to thrive.

More than half (56%) of the foreign-owned companies surveyed indicate that they have plans to expand operations in Malta in the next 12 months. This is the highest expansion rate indicated in our surveys in the last three years; more than double the percentage indicated by respondents to EY’s 2014 UK attractiveness survey. Furthermore, an even larger percentage (59%) expects to remain in Malta in the next decade.

What makes Malta so successful in attracting and retaining such FDI in today’s rapidly changing market place? The data gathered highlighted the following key drivers of previous and ongoing performance.

Small and nimble
Even though sectors and types of operations have and will continue to change, Malta has remained attractive for FDI. The ability to act quickly and nimbly in reaction to developments and threats, both real and potential, is considered to be very important. So are the short “decision lines” and the ability to contact all levels of the Government in a very short time frame.

European Union (EU) Member, unique history and an attractive legislative backdrop
While having the benefits associated with EU membership, part of Malta’s attractiveness lies in its unique propositions in the EU context. The country’s rich cultural heritage, Mediterranean lifestyle, perfect climate and hospitable English-speaking population are frequently cited as reasons why Malta regularly places as one of the best places to live in international surveys. However, this is not all that potential investors find alluring. Over half of respondents (51%) indicated that Maltese legislation created a competitive advantage in European and global markets, and this is something that Malta should build upon.

Cost still key
Despite an increase in average labor rates, respondents continue to indicate that Malta’s workforce remains a relatively competitive one. Moreover, Maltese employees are renowned for their hardworking and flexible attitude as well as their skills and multilingual abilities.

“More than half (56%) of the foreign-owned companies surveyed indicate that they have plans to expand operations in Malta in the next 12 months.”

Conclusion
We believe that significant FDI opportunities continue to exist in Malta, for both existing and potential investors. Historically driven by manufacturing and industry, the nature of FDI in Malta is changing. Today, investors find service-based industries as the most attractive, with survey respondents indicating that they expect knowledge-based sectors, such as the digital and finance sectors, to be the ones driving Malta’s growth in the next five years. This view is reflected in business functions expected to draw the most investments in the same period, with back-office functions leading the way, followed by headquarters, and research and development.

We would like to thank all those who participated in this survey. The feedback they provide plays a vital role in helping to shape the future of FDI in Malta, on both national and sectoral levels. What they told us is a real eye-opener for Government, policy-makers and regulators. It is also an invaluable source of information to potential foreign investors, giving them genuine insight into current investors’ perceptions of what makes Malta attractive.

My gratitude also extends to the organizations that have cooperated with and supported EY in this initiative – the Malta Chamber of Commerce, Industry and Enterprise, Malta Enterprise (ME), FinanceMalta (FM), the Lotteries and Gaming Authority (LGA), Bank of Valletta, HSBC and Huawei.

It is with great pleasure that I present to you the Malta attractiveness survey 2014.
Turning challenges into opportunities: six priority actions for Malta

1. **Maintain a stable social, political, legal and regulatory climate**
   - Malta consistently scores high on the stability stakes, and its regulatory framework is also deemed to be particularly strong. Existing foreign investors believe that Malta offers attractive legislation. They also believe that ours is a safe harbor for their investment in a frequently turbulent geographical region. The strength and resilience of Malta’s banking industry during the financial crisis, from which the country emerged virtually intact, gave ample proof of this. Consequently, it is important to maintain Malta’s currently strong social, political, legal and regulatory competitiveness, as well as the high quality of life it offers to investors. Ongoing efforts to simplify and reduce bureaucracy as well as shorten decision-making time frames must also be maintained. Moreover, further efforts are needed to contain and possibly reduce certain operating costs as well improve institutional services, such as the law courts.

2. **Promote additional specialized education and training programs in “traditional” and emerging sectors**
   - One of Malta’s most attractive features remains its multilingual and flexible workforce. Over the years, significant resources have also been allocated to maintain and improve skill sets as well as cultivate new ones. Yet, as the survey shows, while FDI has significantly contributed in this regard, gaps still exist in certain sectors, including Information and communications technology (ICT), iGaming and certain specialized financial services. An increasingly sophisticated economy requires that educational and training programs are put in higher gear and synergized to continue bridging the gaps. This could include increasing cooperation in specialized skills training at all levels between businesses across all sectors and educational institutions, both locally and abroad. There also exists scope to pursue this end within the framework of EU co-financing assistance programs. Developing policies to increase female workforce participation rates should remain on the national agenda, as should those that stimulate higher-secondary and tertiary education completion rates.

3. **Incentivize more capital investments**
   - The local survey is telling us that more incentives may be needed to maintain current FDI investments and attract new ones, especially in the more traditional, capital-intensive manufacturing industries. Respondents to EY’s 2014 European attractiveness survey (EAS) expect manufacturing to be one of the key business functions driving growth in the next five years, ranking second of the listed seven business functions. By contrast, only 5% of respondents to the Malta survey thought that this would be the case locally, ranking it sixth out of the seven, just above the “other” function. Further capital incentives, or removal of any disincentives, may therefore be one way of continuing to support sectors, such as manufacturing, that have been committed to Malta for many years. Concurrently, ongoing incentives aimed at retaining and increasing investments in more recent technologies need to be adopted. While often linked to the previous Priority Action, we believe that increased FDI incentives in this area will also increase support for SMEs, which tend to form clusters around large manufacturers to whom they supply ancillary services and products. Alternatives to direct incentives from Government do exist. Better uptake and utilization of EU funds should also help in this regard. Facilitating access to credit, possibly through some sort of guarantee schemes, could be another avenue to be pursued, especially given the large amount of excess liquidity in the local banking market.

4. **Stimulate R&D and innovation**
   - The rate of innovation is seen as crucial to maintaining and improving Malta’s attractiveness. Measures to further stimulate R&D and innovation need to be adopted. While often linked to previous Priority Action, we believe that increased FDI incentives in this area will also increase support for SMEs, which tend to form clusters around large manufacturers to whom they supply ancillary services and products. Alternatives to direct incentives from Government do exist. Better uptake and utilization of EU funds should also help in this regard. Facilitating access to credit, possibly through some sort of guarantee schemes, could be another avenue to be pursued, especially given the large amount of excess liquidity in the local banking market.

5. **Enhance “Malta Inc” marketing efforts**
   - While respondents did commend current efforts to attract FDI, they also indicated that more needed to be done. The issues appear to be threefold. First, Malta lacks the financial resources to have the required brand presence in all of its target markets. A solution to this could be to replicate successful models such as the UK’s, and use investment delivery partners to drive reach and tap existing market knowledge. Secondly, respondents highlighted the valid, yet disjointed, current brand-building and marketing initiatives pursued by different national agencies promoting Malta abroad. Increased FDI incentives in this area will also increase support for SMEs, which tend to form clusters around large manufacturers to whom they supply ancillary services and products. Alternatives to direct incentives from Government do exist. Better uptake and utilization of EU funds should also help in this regard. Facilitating access to credit, possibly through some sort of guarantee schemes, could be another avenue to be pursued, especially given the large amount of excess liquidity in the local banking market.

6. **Reinforce position as a high-quality trading hub**
   - Historically, Malta’s position as a strategic trading post in the middle of the Mediterranean has driven its economic development. We therefore encourage any steps to promote Malta as a strategic gateway and hub for Europe, North Africa, the Middle East and perhaps beyond. Respondents often highlight transport and logistics infrastructure as one of the least attractive of Malta’s features. Their enhancement is therefore required to allow Malta to continue to capitalize on its location and improve its accessibility.
It is always encouraging to hear that foreign investors highly rate Malta’s attractiveness and recognize that we are working hard to keep ahead of the game in a competitive world.

We continue to welcome new investors, and I am delighted to hear that they are finding it easy to set up and succeed in Malta. They are creating jobs and contributing to our expanding economy.

Malta offers a stable political and regulatory environment with a favorable legislative framework. I believe that the flexibility and adaptability of both policy-makers and our workforce are important elements of our success. Certainly, this Government is determined not to stifle enterprise with excessive taxation, other government-induced costs or red tape.

We are only 18 months into our term in office, but economic indicators are pointing in the right direction. We have managed to boost consumer and business confidence. The economy has been registering growth and, in terms of GDP growth, is up there among the top-performing countries in the Eurozone and the EU. This success was the result of considerable increases in private consumption and investment.

At the same time, the Government reduced the deficit-to-GDP ratio from 3.3% in 2012 to 2.8% in 2013. And we are expecting it to decrease further this year and the next.

Data from Eurostat indicates that, in 2013, employment in Malta increased by 2.7%, the sharpest increase since 2007. Not only was Malta one of only 10 EU countries registering such a positive trend in employment last year, but, for the first time, it was the highest increase in employment among all EU countries. As a result, the gap between Malta’s employment rate and the EU average declined from 5.1 percentage points in 2012 to just 3.5 percentage points in 2013. And we are expecting it to decrease further this year and the next.

These statistics tally with the results of the Global Competitiveness Rankings of the World Economic Forum. According to the survey of 144 countries, Malta’s global competitiveness ranking remained in the top 50. We also scored significantly well in a number of sub-rankings of this report – particularly in the soundness of banks, quality of health and primary education, and the country’s credit ratings.

EY’s research complements all these findings. It helps us understand the real concerns of business away from the cut and thrust of everyday politics, and it provides a benchmark to judge our performance against those of other countries.

It is interesting that respondents believe that Malta will prove to be an attractive location for back-office operations in the coming years. This dovetails perfectly with our efforts to improve Malta’s potential as a maritime, logistics and distribution hub in the Mediterranean.

Our workforce is skilled and eager to work, making it easier for investors to find the right people and gear their operations for optimal performance.

Let me be clear. None of these successes are a reason for complacency. We need to continue to invest in education and develop our skills base, and we must strengthen support structures for SMEs.

It is absolutely vital that we think long term. We have reached agreement to invest substantial investment from China, not just in the energy sector, but in many others as well. The energy investment will allow us to build the infrastructure that will benefit business and society for many years to come. We have a special bond with China, and I am thrilled that, whenever I meet our counterparts, they are fascinated by our potential.

We are also encouraged by strong signals from the US, the UK and other European countries of a renewed interest in investment in Malta. Medical and health care, the life sciences, aviation services, education and training services, and the creative industries, including innovative applications of information and communications technology, are the sectors where we need to press the right buttons.

This year in particular, as we reflect on 50 years of independence, we appreciate more than ever the need to build alliances and compete in global markets. We are proud to openly trade in a Europe of more than 500 million citizens. But we do not intend to stop there. We are building and maintaining close links to North Africa, the Mediterranean region, the Middle East and anywhere else where we can conduct business.

I am proud to lead a Government that is taking every opportunity to seize the future. The Maritime Hub will reinforce our blue economy. The White Rocks development will provide new standards of luxury. Our residency and citizenship scheme is bringing new talent and funds to our shores, and the Digital Malta Strategy has set out how we will embrace technological advance and use it to our advantage.

We know we have to earn our place in the world, and we are taking nothing for granted. Equally, however, we are determined to make Malta an economic and financial success story.

Hon Dr. Joseph Muscat
Prime Minister of Malta

“It is interesting that respondents believe that Malta will prove to be an attractive location for back-office operations in the coming years. This dovetails perfectly with our efforts to improve Malta’s potential as a maritime, logistics and distribution hub in the Mediterranean.”
Top executives from existing FDI investors in Malta were requested to respond to various national and company specific FDI related questions. Many of the areas considered are similar to other national and pan-European attractiveness surveys conducted by EY.

**Malta’s attractiveness for FDI**

The 2014 survey shows that 79% of current foreign investors in Malta find it attractive for FDI.

### Is Malta currently attractive for FDI?

- **79%** Yes
- **15%** Can’t say
- **6%** No

**Source:** EY’s 2014 Malta attractiveness survey (all respondents)

### Various attractive features

When considering Malta’s overall FDI attractiveness, respondents valued Malta’s stability of social climate, corporate taxation and the local political, legal and regulatory environment as the country’s most attractive features. The measures proposed to enhance Malta’s competitiveness further, in descending order of mentions, were developing education and skills, supporting SMEs, increasing FDI incentives and supporting high-tech industries and innovation.

#### Top five most attractive FDI features

1. Stability of social climate – 65%
2. Corporate Taxation – 64%
3. Stability and transparency of political, legal and regulatory environment – 77%
4. Local labor skills level – 68%
5. Labor costs – 65%

**Source:** EY’s 2014 Malta attractiveness survey (all respondents)

### Ranked FDI parameters for individual firms: MAS vs EAS

Like European attractiveness survey (EAS) respondents, foreign investors in Malta were asked to rank the factors that their company considers when deciding on a location in which to establish operations. Stability and transparency of the political, legal and regulatory environment ranks first in both surveys.

#### Top five most attractive FDI features

1. Stability and transparency of political, legal and regulatory environment
2. Corporate taxation
3. Labor costs
4. Local labor skills level
5. Telecommunications infrastructure

**Source:** EY’s 2014 Malta Attractiveness Survey (all respondents)

### Driving Malta’s growth in the future

Fifty-six percent indicated having some form of expansion plans. The most common preferences were for back-office work (36%), followed by R&D (16%) and sales and marketing offices.

#### Expansions

- **36%** Back office
- **16%** R&D
- **14%** Sales and marketing office
- **13%** Manufacturing
- **11%** Headquarters
- **8%** Other
- **5%** Logistics center
- **3%** Training center

**Source:** EY’s 2014 Malta attractiveness survey (all respondents)

### iGaming into the future

Over half of all respondents believe that the iGaming sector will be the business sector driving Malta’s growth in the next five years. The next most cited is fund administration, with 50% of respondents including it on their list (respondents were able to cite more than the business sector).

### Presence in 10 years’ time

Only 3% of the companies interviewed do not see themselves still in Malta in 10 years’ time. More than half of respondents (59%) plan on staying, while 39% were uncertain about their long-term plans.

In the EAS, up to 89% of respondents indicated they would still be manufacturing in Europe in 10 years’ time.

- **9%** Yes
- **39%** Uncertain
- **59%** No

**Source:** EY’s 2014 Malta attractiveness survey (all respondents)
Malta’s image abroad

Respondents confirmed their perception of Malta’s international image as a holiday destination, but increasingly also as a location from which to conduct business. Malta’s marketing efforts as an FDI destination are considered effective by 40% of respondents, with a similar number agreeing that Malta has the right brand image for foreign investments.

Does Malta have the right brand image as a destination for FDI?

- Yes: 40%
- No: 29%
- Can’t say: 31%

Source: EY’s 2014 Malta attractiveness survey (101 respondents)

Local labor market skills

The local labor market provided the specialized skills required by 57% of all investors surveyed. Certain sectoral respondents, such as those from the manufacturing and ICT, telecommunications and iGaming (ITG) sectors, find that the specialized skills they require harder to come by in the local labor market than other sectors.

Specialized skills within the local labor market

- Yes: 57%
- No: 43%

Source: EY’s 2014 Malta attractiveness survey (all respondents)

Improving local labor market’s skills

More than half of each sector’s respondents are willing to provide the training and education needed to create or develop their required skills. Internships and vocational training would be the preferred medium for 41% of respondents, whereas financial help or sponsorships to trainees were favored by 39%. Filling these skills gaps is a necessary prerequisite for around 60% of those considering expansion.

A competitive legislative framework

The majority (51%) of respondents think that the Maltese legislative framework creates a competitive advantage within European and global markets. Moreover, 78% of respondents believe that the current framework encourages players to set up in Malta.

Does the current legislative framework encourage key players within your sector to set up in Malta?

- Yes: 78%
- No: 15%
- Don’t know: 7%

Source: EY’s 2014 European attractiveness survey (all respondents)

Innovation

Respondents were also asked what reforms were required for their sectors to become leaders in innovation. Reducing bureaucracy and improving education and training in new technologies proved to be most popular.

Areas of action

Although Malta’s investment performance is relatively stable, especially when compared with a number of other European and Mediterranean countries, respondents highlighted various action points to change existing challenges into opportunities.

1. Maintain a stable social, political, legal and regulatory climate
2. Promote additional specialized education and training programs in “traditional” and emerging sectors
3. Incentivize more capital investments
4. Stimulate R&D and innovation
5. Enhance “Malta Inc.” marketing efforts
6. Reinforce position as a high-quality trading hub

Is your company willing to invest in the training or education needed to create or develop the required skills?

- Yes, through internships or vocational training: 41%
- Yes, through financial help or sponsorship: 39%
- No: 16%
- Other: 4%

60% considering expansion plans

Source: EY’s 2014 Malta attractiveness survey (74 respondents)
Increasing FDI flows to Europe

According to the United Nations Conference on Trade and Development (UNCTAD), in 2013, Europe attracted 20% of the €1.13 trillion global FDI inflows, compared with 18% in 2012. This went against the general trend, which had seen FDI moving away from developed economies toward emerging markets.

The makeup of FDI has changed considerably over the past 10 years. Whereas, in the past, manufacturing accounted for almost half of FDI projects in Europe, services now account for more than two-thirds. Nevertheless, although manufacturing today accounts for only 26% of FDI projects, it creates half the jobs on the continent. And 89% of respondents expect manufacturing to remain active in Europe in 10 years’ time.

FDI inflows by major region (in € billion)

<table>
<thead>
<tr>
<th>Region</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developing Asia</td>
<td>31%</td>
<td>28%</td>
</tr>
<tr>
<td>Europe</td>
<td>18%</td>
<td>20%</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>19%</td>
<td>20%</td>
</tr>
<tr>
<td>North America</td>
<td>16%</td>
<td>15%</td>
</tr>
<tr>
<td>Africa</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Transition economies</td>
<td>7%</td>
<td>9%</td>
</tr>
<tr>
<td>Others</td>
<td>9%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: UNCTAD.

Changing perceptions of world regions

One of the reasons for Europe’s success in attracting FDI is that developed markets were viewed as posing a lower risk, while developing markets, excluding China, witnessed a decline in their perceived attractiveness.

The result is that, for the first time since 2009, Western Europe (45%) overtook China (44%) to become the world’s most attractive region to establish operations.

This is the second successive year of improved perception, gaining 12 points after it hit a historic low in 2012. Overall, Europe has gained 9 points in its attractiveness quotient from last year and 20 points since 2012, when the financial crisis was at its peak. This confirms a new and sustainable confidence in the region among the business community.

Established vs potential investors opinions

Perceived investor optimism, however, is unevenly spread, and there is a noticeable difference between established and potential investors.

While 45% of established investors rank Europe as the most attractive region for FDI worldwide, only 31% of potential investors do. The rest consider North America (52%) and China (45%) as preferable.

The rise in the attractiveness of Europe is a direct result of the positive performances in Germany and the UK, as France and Italy witnessed declines. The former two countries were buoyed by their business-friendly attitude and relatively stable economic outlook, while the latter two suffered from lack of competitiveness, weak business confidence and a slow appetite for change.

Germany and the UK accounted for 38% of all the FDI projects in Europe, compared with 33% in 2011.

Most attractive countries to establish operations in Europe

<table>
<thead>
<tr>
<th>Region</th>
<th>2014</th>
<th>Change from 2013*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Europe</td>
<td>40%</td>
<td>+2 pts</td>
</tr>
<tr>
<td>Germany</td>
<td>40%</td>
<td>+2 pts</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>22%</td>
<td>+6 pts</td>
</tr>
<tr>
<td>France</td>
<td>11%</td>
<td>-6 pts</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>9%</td>
<td>-1 pt</td>
</tr>
<tr>
<td>Denmark</td>
<td>2%</td>
<td>+2 pts</td>
</tr>
<tr>
<td>Spain</td>
<td>2%</td>
<td>-1 pt</td>
</tr>
<tr>
<td>Ireland</td>
<td>2%</td>
<td>+1 pt</td>
</tr>
<tr>
<td>Sweden</td>
<td>2%</td>
<td>0 pt</td>
</tr>
<tr>
<td>Belgium</td>
<td>2%</td>
<td>-1 pt</td>
</tr>
<tr>
<td>Switzerland</td>
<td>2%</td>
<td>0 pt</td>
</tr>
<tr>
<td>Italy</td>
<td>1%</td>
<td>-2 pts</td>
</tr>
<tr>
<td>Central and Eastern Europe</td>
<td>31%</td>
<td>-6 pts</td>
</tr>
<tr>
<td>Poland</td>
<td>31%</td>
<td>-6 pts</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>11%</td>
<td>-4 pts</td>
</tr>
<tr>
<td>Romania</td>
<td>9%</td>
<td>+2 pts</td>
</tr>
<tr>
<td>Hungary</td>
<td>8%</td>
<td>+3 pts</td>
</tr>
<tr>
<td>Ukraine</td>
<td>7%</td>
<td>+2 pts</td>
</tr>
<tr>
<td>Turkey</td>
<td>6%</td>
<td>+4 pts</td>
</tr>
<tr>
<td>Latvia</td>
<td>3%</td>
<td>+1 pt</td>
</tr>
<tr>
<td>Slovakia</td>
<td>2%</td>
<td>-1 pt</td>
</tr>
</tbody>
</table>

* pts = % points.

Source: EY’s 2014 European attractiveness survey (808 respondents)
What makes Europe attractive?

Investors’ criteria have evolved over the last few years. Today, they look more closely at the health of the prospective location’s rule of law to ensure the security of their investments. In fact, 43% of respondents said that the stability and transparency of a market’s political, legal and regulatory environment is their main concern when deciding where to invest. Interestingly, these same investors also ranked stability and a predictable business environment (44%) as Europe’s most attractive feature.

In 2011, the top priority was the logistics and telecoms infrastructure - which has now dropped to fifth place in the rankings.

The second most important factor was the size of the domestic market, with potential productivity moving up to become the third-ranked factor.

Looking ahead, according to 54% of respondents, Europe’s attractiveness as an investment destination will improve in the next three years. A third think it will stay the same, and only 12% said it would decrease.

Key location factors

The factors influencing this were the modernization of the labor markets, further economic integration and cuts in regulation. Success requires adequate talent that is mobile and international, with fast-track access to work permits for highly skilled non-EU nationals emerging as a key concern.

Improving the business environment for SMEs was also deemed to be very important to respondents.

Factors that companies take into account when deciding on a location to establish operations are outlined below.

<table>
<thead>
<tr>
<th>Factor</th>
<th>2014</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stability and transparency of political, legal and regulatory environment</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>The country or region’s domestic market</td>
<td>2</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>Potential productivity increase for their company</td>
<td>3</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Labor costs</td>
<td>4</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Transport and logistics infrastructure</td>
<td>5</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Local labor skill level</td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Stability of social climate</td>
<td>7</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Corporate taxation</td>
<td>8</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Telecommunications infrastructure</td>
<td>9</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>Flexibility of labor legislation</td>
<td>10</td>
<td>9</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: EY’s 2014 European attractiveness survey (808 respondents)

Investors are confident and more demanding

According to 54% of respondents, Europe’s attractiveness as an investment destination will improve in the next three years. But modernization of the labor markets, further economic integration and cuts in regulation remain the top priorities for investors.

Europe’s attractiveness

Factors that companies take into account when deciding on a location to establish operations are outlined below.

<table>
<thead>
<tr>
<th>Factor</th>
<th>2014</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stability and transparency of political, legal and regulatory environment</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>The country or region’s domestic market</td>
<td>2</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>Potential productivity increase for their company</td>
<td>3</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Labor costs</td>
<td>4</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Transport and logistics infrastructure</td>
<td>5</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Local labor skill level</td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Stability of social climate</td>
<td>7</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Corporate taxation</td>
<td>8</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Telecommunications infrastructure</td>
<td>9</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>Flexibility of labor legislation</td>
<td>10</td>
<td>9</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: EY’s 2014 European attractiveness survey (808 respondents)

Driving future FDI growth

Just under half of the respondents (45%) think that the main driver will be R&D, while, sectorally, digital and life sciences are seen as the key drivers of future attractiveness, with green growth still a distant reality.
Malta in context
Malta in context

The Maltese Archipelago, made up of Malta, Gozo and Comino, covers an area of 316 km² for the three islands. The Maltese islands are located 93 km of the southern coast of Sicily and 290 km north of the shores of North Africa. With a shoreline of 200 km, Malta is the largest island and has a population of 425,484 inhabitants. The sister island, Gozo, is home to approximately 31,000 inhabitants. Comino is largely uninhabited and it has a permanent population of only four residents.

Although the national language is Maltese, Malta also has English as an official language, and most educated Maltese people can speak fluent Maltese, English and Italian. Given Malta’s membership in the EU, its legislation is reflective of EU legislation and directives. Therefore, further to having a legislative structure that facilitates the conduct of business in or from Malta, it provides foreign investors in Malta with the assurance of the quality and consistency synonymous with the EU. The adoption of the euro has made Malta more attractive for investment purposes through reductions in transaction costs and international trade barriers. Malta became an EU Member State in 2004, joined the Schengen Area in 2007 and adopted the euro in 2008.

Investing in Malta

The island offers international investors a highly advanced telecommunications network, skilled professionals and a strategic location to the Euro-med region (in the middle of the Mediterranean Sea, between large European and North African markets). Malta boasts a multilingual labor force. Malta can provide strong tourist spending and lower utility prices (which were cut earlier this year).

As part of the EU Energy 2020 program, Malta is committed to reducing its dependence on fossil fuels and lowering its energy costs. A new power plant, due to open in 2015, will provide Malta with 200 megawatts of energy capacity and liquified natural gas (LNG). Earlier this year, the sale of a 33% stake in the main provider of energy generation and distribution will help substantially reduce the debt held by state-owned enterprises.

The EY Malta Forecast also highlights that the service sector will continue to outgrow industry, led by tourism and financial services. Also, exports of services have strong momentum, and this is expected to drive a modest current account surplus over the forecast period. Tourist arrivals rose by close to 10% in the first half of 2014, reflecting recent efforts by the authorities to attract tourists all year round and from a wider range of countries. Banking, alternative investment funds and online gaming are projected to continue to be important contributors to growth in Malta.

The report highlights that ultimately Malta’s competitiveness is a key factor that needs to be further strengthened over the longer term, to ensure the key tourism and financial sectors are able to sustain strong growth. Having peaked in 2010, the working age population is already falling, although steady longer-term growth should underpin stable pension spending. Though it has picked up this year, fixed investment remains around a third below its 2007 peak. These are both factors that are likely to constrain output in the medium term, preventing the economy from growing by more than 2%.

Malta today and tomorrow

According to the September 2014 issue of EY Malta Forecast, published on a quarterly basis and based on forecasts produced by Oxford Economics, Malta’s growth forecast for 2014 has been raised to 2.2% from 1.8% in the June report. It indicates that domestic activity is building stronger momentum and fixed investment picked up sharply in the first half of 2014. Also, continued robust domestic activity, combined with strong exports of services, should support growth of close to 2% a year over the medium term. Unemployment fell to 5.7% in July 2014, the third-lowest rate in the Eurozone behind Austria and Germany, and around half the average for the region. Furthermore, the report highlights that the firm labor market should help to support solid growth in private spending over the medium term. Additionally, other favorable factors supporting consumer demand include strong tourist spending and lower utility prices (which were cut earlier this year).

Source: Oxford Economics

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Source: Oxford Economics
Words of FDI wisdom

This year Malta celebrates four national anniversaries - the 50 years of independence, 40 years since becoming a republic, 35 years since the closure of the last military base, and 10 years of EU membership. This year also marks half a century of foreign direct investment to the Island. The Malta Chamber of Commerce, Enterprise and Industry, FinanceMalta and some of Malta’s foremost and seasoned entrepreneurs were asked to provide their thoughts, both on the past and the future.

David G. Curmi
President, Malta Chamber of Commerce, Enterprise and Industry

“Malta is, this year, commemorating a number of historical landmarks, not least 50 years of independence. In fact, since 1964, our economy has shifted from a ‘fortress economy’ to a dynamic and diversified one that combines traditional sectors such as manufacturing, tourism and general trade with new emerging ones such as digital gaming, ICT and specialized financial services. No one has owed us a living for the past 50 years, and we have had to rely on our competitiveness. The Malta Chamber of Commerce, Enterprise and Industry (MCCEI) champions the promotion of competitiveness and shall continue to do so as we stand at the crossroads of our country’s renewed success over the next 50 years. To this end, we are actively promoting continued productive investment, innovation and the importance of embracing quality and excellence in all that the country offers.”

Kenneth Farrugia
Chairman, FinanceMalta

“Malta’s increasing popularity as an EU based Financial Center is gaining strong traction and is today well positioned as a financial center with inviting possibilities as evidenced by the presence of a diverse range of international financial services providers that have already established their operation in Malta. The sustained growth of the financial services industry is driven by the diversity of the financial services portfolio of operations in Malta, comprising clusters in insurance, wealth management, investment funds, trusts and foundations, as well as credit and financial institutions. It is evidently clear that the presence of a sound legal and regulatory framework, the ongoing investment in human capital and as the industry’s strong operational infrastructure are all contributing to the development of a sound financial ecosystem offering a compelling value proposition for international services providers.”

Albert Mizzi
Chairman, MIDI plc

“Analyze the project, see that it is viable, ensure that you have a good business plan and find partners from overseas to help you develop a product.”

Challenges we face today

Louis A Farrugia
Chairman, Simonds Farsons Cisk plc

“Today, the business challenge is to stay relevant by looking for ventures overseas.”

Advice to entrepreneurs

Joseph A. Gasan
Chairman, Gasan Group

Believe in Malta, believe in yourself. If you have a good idea, sell it, and sell the attributes of Malta. You will get foreign investment. Learn from your mistakes and don’t be afraid to make them.”

Chev. Maurice F. Mizzi
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“If something doesn’t go right, the entrepreneur should get up, dust himself off and carry on as before. He should never give up.”

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Advice to entrepreneurs
Reality

2014 Malta attractiveness survey

36
greenfield project applications approved for assistance in 2013

EU is the main source of FDI

Significant Chinese investment in 2014 in electricity company
Projects approved in 2013

Malta Enterprise\(^1\) (ME) approved 36 greenfield FDI projects in 2013. These applications cover a three-year period, with a projected investment of €65.6 million and the creation of up to 1,279 jobs.

The UK was the main source of FDI applications with 12 projects, followed by Germany and Italy with 8 projects each and Spain with 7 projects. These countries reflect traditional sources of FDI in Malta, with investments from EU Member States as a whole being the largest over the whole span of Malta’s industrial development in the last half a century.

ME’s current strategy is to focus primarily on micro-targeting and focused promotions aimed at specific sectors and companies. Through these efforts, companies are identified through detailed preparatory research and are subsequently approached with tailor-made proposals.\(^2\)

Sectors falling within the remit of ME include manufacturing, health care, pharmaceuticals, ICT development activities, call centers and biotechnology (but currently exclude financial services and real estate).\(^3\) A number of FDI companies have been in Malta since the 1970s and 1980s, reflecting a continued and consistent belief in what Malta has to offer as an investment location and from which to do business.

In the first six months of 2014, just before this report was finalized, ME approved an additional 17 applications for investment projects that are expected to generate over 600 jobs over the next three years. The projects in various sectors, including manufacturing, are activities such as pharmaceutical products and equipment, ICT, back-office operations and digital games.

However, these figures do not paint the whole picture of FDI flows to Malta. They only represent foreign companies that have utilized any of the ME-driven incentives available to both potential and existing investors. In fact, the Malta National Statistics Office (NSO) reports that the total FDI stock or position (as opposed to FDI flows) in Malta as of December 2013 stood at €9.6 billion. Moreover, 70.6% of this originated from financial and insurance activities rather than from the “manufacturing and related” industries that ME traditionally represents.

The category comprising transport, real estate and accommodation represented the second-highest FDI at 11.8% of the total, with manufacturing not far behind in third place at 9.17%.

Additionally, Oxford Economics is predicting sustained positive FDI inflows (made up of equity capital, reinvested earnings or intracompany loans) in its projections for Malta up to 2020. These net FDI flows are estimated to increase to US$59.5 million next year and up to around US$117.2 million in 2016 (an increase of 57.7% over the previous year), with amounts reaching up USD 202 million in 2020.\(^4\)

Predictably, the EU remains the main source of FDI for Malta, accounting for 66.22% of the total stock position. Outside the EU, Australia is the highest source of FDI for Malta, with 17.51% of the global total.

This geographical spread is envisaged to change considerably as a result of the €320 million investment made in mid-2014 by the Chinese company Shanghai Electric in the sole Maltese electricity-generating utility Enemalta. This investment is expected to have a positive impact on the short- to medium-term financial sustainability of the utility corporation. Moreover, Shanghai Electric is also expected to tap additional opportunities through Malta’s EU membership and have access to the Single Market with its inherent freedom of movement, as the company intends to use Malta as a base to tap the solar energy market in Europe. This in itself is also expected to generate additional investment and employment opportunities for the local workforce.

FDI project applications approved by Malta Enterprise (2006–13)

<table>
<thead>
<tr>
<th>Year</th>
<th>Projects Approved</th>
<th>New FDI Investment per Application (€m)</th>
<th>Average Employment per Application</th>
<th>Foreign Expenditions</th>
<th>Manufacturing Investment per Application (€m)</th>
<th>Average Employment per Employee</th>
<th>Financial and Insurance Investment per Application (€m)</th>
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<th>Total</th>
<th>Average Employment per Application</th>
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</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>24</td>
<td>€1.19</td>
<td>51</td>
<td>17</td>
<td>€2.23</td>
<td>43</td>
<td>€56,653</td>
<td></td>
<td></td>
<td>5,704,024</td>
<td>628,352</td>
</tr>
<tr>
<td>2007</td>
<td>25</td>
<td>€1.84</td>
<td>39</td>
<td>11</td>
<td>€1.00</td>
<td>31</td>
<td>€32,544</td>
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<td></td>
<td>6,283,352</td>
<td>574,414</td>
</tr>
<tr>
<td>2008</td>
<td>13</td>
<td>€1.67</td>
<td>40</td>
<td>9</td>
<td>€0.83</td>
<td>16</td>
<td>€53,571</td>
<td></td>
<td></td>
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<td>1,090,342</td>
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<tr>
<td>2009</td>
<td>12</td>
<td>€4.79</td>
<td>54</td>
<td>6</td>
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<td>2010</td>
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<td>11,333,933</td>
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\(^1\) Malta Enterprise (ME) is the national development agency responsible for promoting and facilitating international investment in the Maltese Islands by offering investors excellent business opportunities and tailored services.

\(^2\) Dr. Mario Vella, Chairman of Malta Enterprise, quoted in the Business Observer, May 22, 2014

\(^3\) Dr. Mario Vella, Chairman of Malta Enterprise, quoted in the Business Observer, May 22, 2014

\(^4\) Source: Oxford Economics, based on the International Monetary Fund (IMF) and Haver Analytics.

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Foreign Direct Investment is critical to ME’s mission. More importantly, FDI is critical to this country’s economic success; indeed, its very economic survival.

This is not a recent discovery. We have known this for well over 60 years and, for almost as long, we have been consistently and successfully promoting incoming FDI. The Industrial Development Board (even before Independence), Malta Development Corporation (1967—03) and ME are a clear expression of a consensus across political divides that FDI is a must.

ME’s performance in the second, third and fourth quarters of 2013 and the first half of 2014 are proof that, if we take FDI seriously, potential foreign direct investors will take us seriously.

This year will witness a vigorous and rigorous debate about the measurement of FDI. We believe that the public needs to be better informed about FDI.

Whereas engineering (mechanical, electrical and electronic, and chemical) continues to be the backbone of the export industry in Malta – which is predominantly an FDI industry – we are spurred forward by our results in various other sectors and niches. We are moving enthusiastically forward in aviation services, an activity with a long tradition in Malta, and the creative industries, including the digital ones (not iGaming, but the production of digital games). We are also venturing into the brave new world of innovative life sciences. We are about to complete the Life Sciences Park, which is strategically located a few meters from the general hospital and close to the new oncology hospital. We hope that the first customers, the first foreign direct investors, will be coming in toward the end of 2014.

ME is also responsible to promote Maltese investment. Traditionally, the largest exporters in this country were the foreign-owned industrial companies.

We are optimistic about our prospects in attracting FDI and in diversifying our market base.

Dr. Mario Vella
Chairman, Malta Enterprise
Viewpoint

Investing in manufacturing in Malta: from past to present

“Playmobil now has a state-of-the-art factory with mainly high-technology and high-end processes, sustained by continuous investment in training as well as in new tools and machinery.”

Matthias Fauser
CEO, Playmobil

Brandstätter – now nearly 150 years old – has been operating in Malta since 1971, while Playmobil began toy production in 1974.

To date, 2.7 billion Playmobil figures have been produced in nearly 4,000 different variations.

Malta was able to offer skilled technical labor at a time when this was in short supply in many other countries. There were many other advantages: the wages were competitive and the workforce was English-speaking and flexible. The enthusiasm to learn was also a major attraction.

The workable distance between the Bavaria-based mother company and the production site, as well the attractive incentive package offered by the Maltese Government, made Malta an even more interesting proposition.

Over the years, there was an evolution from a mostly manual and labor-intensive operation to a high-tech, highly automated one. Playmobil now has a state-of-the-art factory with mainly high-technology and high-end processes, sustained by continuous investment in training as well as in new tools and machinery.

In 2014, the company is planning to invest €15 million, mostly in new moulds and production machinery. The continuous investment by our head office is perceived as a very positive factor by Government and employees alike.

Playmobil imports almost 4,000 tons of raw material a year and spends some €2.2 million on transport every year. We are also one of the heaviest industrial consumers on the island of energy for heating and cooling.

Remaining competitive is more important than ever as other countries in southern Europe are re-emerging from the financial crisis leaner than before.
Perception

2014 Malta attractiveness survey

79% consider Malta attractive for FDI

4% think Malta will not be attractive for FDI in three years’ time

Banking and insurance respondents think that Malta is attractive for FDI

Consistently, most foreign investors rate Malta’s political and social stability highest in determining attractiveness for FDI
Malta: still attractive for FDI

Malta has been given a fairly unequivocal stamp of approval by existing FDI firms. Respondents were given five options to choose from (ranging from “yes, definitely” to “no, definitely not.”) A significant 79% consider Malta as attractive for FDI.

There are a number of factors that may have contributed toward this positive response, not the least of which being the relative continuity in various areas of government policy over the past few years. This continuity is significant, given that there was a change in Government in early 2013 that followed almost a quarter of a century of practically uninterrupted administration by the previous one. Policy developments (if any) were considered by survey respondents to be, on the whole, pragmatic.

Many respondents expressed optimism about Malta’s current attractiveness for FDI, and highlighted that the administration remains a business-friendly one with continuity in a number of policy areas. Over the years, stability of the political and social climate has consistently been the criteria highlighted by most respondents as highly attractive from a Malta FDI parameter point of view. Policy consistency hence features highly among respondents’ positive assessments of Malta’s FDI attractiveness.

It would, however, be misleading to stop at the 79% that have a positive outlook on Malta without pointing out that the corresponding figure was 91% in 2011.

This shift has resulted primarily in a movement in responses from a positive outlook to “don’t know” replies, rather than a movement into the “not attractive” bracket. In fact, the level of uncertainty grew from 3% to 9% between 2012 and 2013, and then again from 9% to 15% between 2013 and 2014. This shows that there is certainly no room for complacency if the country wants to ensure that the shift from positive to uncertain does not go from uncertain to negative.

### Malta’s attractiveness for FDI

<table>
<thead>
<tr>
<th>Sector</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>All sectors</td>
<td>79%</td>
<td>15%</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Banking</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OFS</td>
<td>76%</td>
<td>24%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>58%</td>
<td>21%</td>
<td>19%</td>
<td></td>
</tr>
<tr>
<td>ICT, Telecoms and iGaming</td>
<td>85%</td>
<td>10%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Other</td>
<td>84%</td>
<td>16%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: EY’s 2014 Malta attractiveness survey (all respondents)

### Is Malta attractive as an FDI destination? (2011–14)

<table>
<thead>
<tr>
<th>Year</th>
<th>Yes</th>
<th>Don’t know</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>89%</td>
<td>3%</td>
<td>8%</td>
</tr>
<tr>
<td>2012</td>
<td>88%</td>
<td>4%</td>
<td>8%</td>
</tr>
<tr>
<td>2013</td>
<td>88%</td>
<td>5%</td>
<td>7%</td>
</tr>
<tr>
<td>2014</td>
<td>88%</td>
<td>7%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: EY’s 2014 Malta attractiveness survey (all respondents)

### And from a sectoral point of view

From a sectoral perspective, the banks and insurance sector were unanimous in their positive responses to Malta’s attractiveness for FDI. Nearly half the banking respondents believe that Malta was “definitely” attractive, with just over half considering it as attractive. Among insurance respondents, 31% thought it was definitely attractive and the remaining 69% indicated that it was attractive.

The replies from the manufacturing sector were less positive. Only 8% said that Malta was definitely attractive and 50% said that it was attractive. This has declined since last year, when 82% of manufacturing respondents believed that it was attractive or definitely attractive. And while nearly one in four manufacturing respondents (23%) chose the “do not know” option, a further 19% said that it was not attractive.

For the ICT+tel+iGaming sector, there were 10% who did not know and 5% who said it was not. The remaining 85% of this sector believed Malta to be currently attractive for FDI.

### Malta to remain attractive in the near term

Over half (52%) of existing foreign investors believe that Malta would be attractive for FDI in the next three years. So far, the number of negative respondents is fairly minimal – with just 4% in 2014 believing that Malta would not be attractive in three years’ time. But nearly half of the respondents (44%) were not able to provide a reply to this question, almost double the number in 2011 (23%). Clearly, policy decision-makers should analyze this carefully to ensure that this ambivalence is nudged in the right direction.

There are interesting sectoral indicators. The highest attractiveness rating “in three years’ time” is given by the financial services sector, with all banking and insurance respondents believing so. On the other end of the scale, the manufacturing sector seemed less optimistic about Malta’s attractiveness over the same period, with nearly 1 in 10 believing that it would not be.
A variety of reasons for Malta’s attractiveness

Respondents provided various additional comments on Malta’s current and projected three-year attractiveness for FDI. The feedback provided covers most of the general points outlined elsewhere, but some tone in on a number of other factors that should also prove useful to policy-makers.

The most common themes put forward include the economic, financial and social stability enjoyed by investors in Malta, with EU membership offering various opportunities and a strong background against which to develop their business. Inevitably, Malta’s continued low cost, compared with most EU and other nations at comparable levels of development, the relative ease of doing business and the well-known accessibility of Government, as well as of regulators, were also recurrent themes. Malta’s attraction as an island with a high quality of life is also given importance by many respondents.

There was also mention of China using Malta as a hub, saying that it was an “opportunity” for the country. At the time of the surveying process, this comment would probably have reflected Shanghai Electric’s €320m investment in Enemalta, the power-generating utility. Since then, a cooperation agreement was signed between the Maltese and Chinese Governments, and it will be interesting to see the impact of this important step in the future from a Malta FDI attractiveness point of view.

Favorable taxation and fiscal incentives offered to investors also repeatedly emerge in responses. Many believed that Malta should not rest on its laurels, as these policies were under increased scrutiny by other jurisdictions hoping to mirror their success. One respondent stated that Malta should be on the lookout for “stiff opposition” from “big EU countries.” The same comment was a response to the question about whether Malta would remain attractive for FDI in three years’ time.

Over the past few decades, Malta has evolved from being a low-cost manufacturing destination attracting investment in low value-added industries such as textiles. Now, most textile companies have moved to lower-cost jurisdictions and have been replaced by higher added-value manufacturing operations, while financial services and iGaming have also concurrently flourished.

Respondents highlighted that destinations such as North Africa and the Far East are also moving up the value chain and being increasingly competitive in wider and more specialized areas. Many believe that this increased competition requires action to make Malta more competitive. These include taking measures to tackle the current high transportation costs and the development of certain missing infrastructural services.

The three-year forecast generated a number of comments by respondents, tying the future to government policy and its ability to deliver on its promises. The majority of the survey comments were positive about its performance so far.

Remaining ahead of the game

The increasing uncertainty and competition makes it important to gauge what existing investors in Malta believe needs to be done for Malta to remain competitive. Hence respondents were asked to choose from a number of (predetermined) actions needed for Malta to remain attractive in the face of global competition. For comparative purposes, these prompted actions were the same as those used in EY’s EAS.

Where should Malta or Europe concentrate its efforts to remain attractive in the global competition?

<table>
<thead>
<tr>
<th>Action</th>
<th>% Malta respondents</th>
<th>% Europe respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop education and skills</td>
<td>50%</td>
<td>34%</td>
</tr>
<tr>
<td>Support small and medium-sized enterprises</td>
<td>38%</td>
<td>61%</td>
</tr>
<tr>
<td>Support high-tech industries and innovation (clean-tech, logistics,</td>
<td>32%</td>
<td>38%</td>
</tr>
<tr>
<td>creative sector, life sciences, smart electricity grids, etc.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase incentives for FDI investors</td>
<td>28%</td>
<td>19%</td>
</tr>
<tr>
<td>Invest in major infrastructure and urban projects</td>
<td>15%</td>
<td>5%</td>
</tr>
<tr>
<td>Reduce taxation</td>
<td>15%</td>
<td>5%</td>
</tr>
<tr>
<td>Facilitate access to credit</td>
<td>15%</td>
<td>5%</td>
</tr>
<tr>
<td>Improve the quality of its products and the value-added of its services</td>
<td>15%</td>
<td>5%</td>
</tr>
<tr>
<td>Encourage environmental policies and attitudes</td>
<td>15%</td>
<td>5%</td>
</tr>
<tr>
<td>Reduce labor costs</td>
<td>15%</td>
<td>5%</td>
</tr>
<tr>
<td>Level of protection of intellectual property rights</td>
<td>15%</td>
<td>5%</td>
</tr>
<tr>
<td>Relax competition rules</td>
<td>15%</td>
<td>5%</td>
</tr>
<tr>
<td>Support struggling industries</td>
<td>15%</td>
<td>5%</td>
</tr>
</tbody>
</table>

When comparing the results of the EAS and the MAS surveys, it is important to highlight that the methodology used to gauge responses to this question differed slightly. Whereas, in the case of the EAS, a maximum of three choices could be selected, the respondents to the MAS were not limited in the number of prompted actions they could select. European respondents’ top three actions were support high-tech industries (38%), reduce taxation (32%) and, in joint third (30%), to develop education and skills (30%) and reduce labor costs required for Europe to remain competitive. The top three for MAS respondents for Malta to remain competitive were to develop education and skills (63%), support SMEs (54%) and, in joint third, increase incentives (50%) and support high-tech industries and innovation.
Increasing the pool of skilled personnel

Developing education and skills emerged as the top item on the respondents’ wish list for Malta to remain globally competitive. Different sectors seem to prioritize different actions. One clear message on this point emerged from respondents operating in the insurance sector, 94% of whom said that Malta needed to focus on this aspect if it wanted to remain competitive.

In other sections of this survey, information is sought on current and projected skills gaps facing respondents. While 57% of existing investors say that they are able to find the required skills in the local labor market, the remaining 43% continue to face challenges to source all their human resources needs from the local labor market.

The range and breadth of the skills gap in different parts of the economy is also markedly diverse, reflecting both the nature and the required skills of a particular sector. Inevitably, the challenges of mature industries that have been present in Malta for many years are significantly different from those of more recent investors. Significantly, while a number of investors have expansion plans for Malta, up to 60% of them link such plans to their ability to fill these skills gaps. These results are also highlighted in the part of this report analyzing respondents’ future plans.

Supporting SMEs to become competitive

However, there were other factors that were given nearly as much prominence by respondents as existing skills gaps. The continued need to support SMEs (in second place and as expressed by 54% of respondents) reflects the fundamental role that these continue to play in an economy like Malta’s. Many investors rely on a myriad number of specialized local products, service suppliers and subcontractors. These local service providers also make foreign investor’s operations in Malta increasingly flexible and competitive due to the former’s quick “can do” mentality highlighted by many respondents.

Malta’s increasing flexibility and competitiveness are giving logistics more prominence in policy-making. To give a practical example of this, Malta Industrial Parks (which operates Malta’s Government-owned industrial estates) will now be able to allocate space in the various industrial estates in Malta and Gozo for “non productive” operations such as warehousing. Previously, space could only be given to enterprises operating an industrial process that saw some form of transformation. The need to support high-tech industries received the backing of 50% (joint third-highest response) of respondents, clearly showing that these sectors require continued support for the future in order to remain attractive investment propositions in Malta.

These internal factors also have to be seen in the context of increased global competition for FDI. Indeed, half of the respondents believe that incentives for FDI investors should increase if Malta is to remain competitive. This opinion was held slightly higher by banking (67%) and manufacturing (62%) respondents than it was for the ICT+telecoms+iGaming (55%) and OFS (41%) ones.

In fifth place, 41% of respondents cited the need to invest in, and maintain, major infrastructural and urban projects – no mean feat for governments in the best of circumstances. This will be a challenge for the Government since it also has to ensure that its deficit and debt levels, which are set and scrutinized internationally, remain sustainable.

Malta still enjoys the additional financial assistance offered by the EU to its Member States. However, Malta’s relative improvement in average GDP per capita over the last decade (when compared with the EU-28 average) will see a change in the amount (and applicable eligibility) of such assistance in the future. To facilitate investment within these parameters, Government is seeking to ensure that its deficit and debt levels, which are set and scrutinized internationally, remain sustainable.

When analyzed by sector, the banks gave the need to invest in major infrastructure and urban projects much more weight than other sectors. In fact, up to 78% of banking respondents believe that Malta should concentrate on such infrastructural and urban projects.

Competitive cost of labor

A number of respondents, especially in sectors such as manufacturing, also highlighted the need to ensure that labor costs remain low for Malta to remain competitive.

Movements in unit labor costs have also been on the national agenda, as these crept up by 1.4% in the final quarter of 2013 compared with a year earlier, following a 2.3% rise in the third quarter of the year. It is no wonder that 20% of respondents included in their list of prompted actions steps to reduce them. A deeper analysis of sectoral figures shows certain trends. Whereas 10%-13% of high value-added sectors such as financial services and gaming included the reduction of labor costs among the measures that would help Malta be more competitive, half the respondents from the manufacturing sector followed suit. Here, the competitive pressures on manufacturing have emerged clearly again.

<table>
<thead>
<tr>
<th>Country</th>
<th>Average wage per hour (2010—13)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norway</td>
<td>45.78</td>
</tr>
<tr>
<td>Denmark</td>
<td>37.60</td>
</tr>
<tr>
<td>Belgium</td>
<td>36.70</td>
</tr>
<tr>
<td>France</td>
<td>33.70</td>
</tr>
<tr>
<td>Finland</td>
<td>30.13</td>
</tr>
<tr>
<td>Germany</td>
<td>30.05</td>
</tr>
<tr>
<td>Austria</td>
<td>29.73</td>
</tr>
<tr>
<td>Ireland</td>
<td>28.90</td>
</tr>
<tr>
<td>Italy</td>
<td>27.43</td>
</tr>
<tr>
<td>Spain</td>
<td>21.00</td>
</tr>
<tr>
<td>UK</td>
<td>20.65</td>
</tr>
<tr>
<td>Malta</td>
<td>12.35</td>
</tr>
<tr>
<td>Portugal</td>
<td>12.10</td>
</tr>
<tr>
<td>EU-28</td>
<td>23.10</td>
</tr>
<tr>
<td>EA-18</td>
<td>27.50</td>
</tr>
<tr>
<td>EA-18</td>
<td>27.50</td>
</tr>
<tr>
<td>EA-18</td>
<td>27.50</td>
</tr>
<tr>
<td>EA-18</td>
<td>27.50</td>
</tr>
</tbody>
</table>

This notwithstanding, Malta’s continued wage cost competitiveness, when compared with other industrialized nations, is still standing. Between 2010 and 2013, hourly labor costs in the whole economy expressed in euros have risen by 5.48% in the EU-28 and by 5.32% in the EU-18. Malta is ranked just above Portugal and below the UK, with an average wage between 2010 and 2013 of €12.35 per hour. This wage is less than the EU-28 and EU-18 average, which is €23.20 and €27.50 respectively. Even with recent increases in average hourly labor costs, Malta’s continued relative wage cost competitiveness is still apparent.

This could be why MAS respondents ranked the reduction in labor costs in 10th place among measures to keep Malta attractive in the face of global competition, compared with third placing by EAS respondents.
**Becoming innovation leaders**

Innovation is constantly pushed by policy-makers across the globe as the way forward to keep and improve their economies’ competitive edge.

Three measures (from the prompted list) were very clearly cited by respondents as ways to get there. These were the reduction of bureaucracy (66%), improvements in education and training (51%) and to develop a culture of innovation and creativity (44%).

The responses were fairly equally represented across all sectors represented, with the exception of the ICT+Tel+iGaming sectors. In this case, this cohort gave more weighting to the reduction of bureaucracy (80%) than the average (66%), and on the need to improve education and training (90%) compared with the survey average of 51%.

Another outlier was to improve tax incentives for innovative companies. This amounted to 58% of the manufacturing sector respondents, compared with the average of 33%.

Making Malta a leader in innovation has been highlighted in government policy documents, including Vision 2015 and Malta’s National Research and Innovation Strategy 2020. However, with 66% of respondents including reduction in bureaucracy on their list, the highest across all prompted parameters, it is clear that the Government has an important role to play in making this happen more and faster. The reduction of bureaucracy through a number of initiatives such as the creation of one-stop shops and ongoing efforts to simplify administration, even within EU-related initiatives, have been on the local policy agenda for a number of years.

The need to improve education and training in new technologies was ranked in second place. Much has been done in this area over the years, including the rapid expansion of the Malta College of Arts, Science and Technology (MCAST), the development of new faculties and courses at the University of Malta (UoM) and the opening of new colleges and satellite campuses for international institutes across the country. The respondents’ belief that what is needed is a change in culture is perhaps more difficult to pin down in terms of identifiable and tangible targets, but it has also been cited in various policy documents.

On the other hand, up to 7% of respondents believe that it is not reasonable for Malta to expect to become a leader in innovation in their particular sector. A more detailed look at these responses received showed that this was indicated by respondents primarily coming from the financial services and manufacturing sectors.

**Reforms needed to make Malta a leader of innovation in respondent’s sector**

<table>
<thead>
<tr>
<th>Reforms needed to make Malta a leader of innovation in respondent’s sector</th>
<th>All sectors</th>
<th>Banking</th>
<th>Insurance</th>
<th>OFS</th>
<th>Manufacturing</th>
<th>ICT, telecoms and iGaming</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce bureaucracy</td>
<td>66%</td>
<td>78%</td>
<td>78%</td>
<td>85%</td>
<td>46%</td>
<td>91%</td>
<td>83%</td>
</tr>
<tr>
<td>Improve education and training in new technologies</td>
<td>51%</td>
<td>11%</td>
<td>11%</td>
<td>12%</td>
<td>19%</td>
<td>35%</td>
<td>17%</td>
</tr>
<tr>
<td>Develop a culture of innovation and creativity</td>
<td>44%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Increase tax incentives for innovative companies</td>
<td>33%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Support SMEs</td>
<td>32%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Develop venture capital and other financial tools</td>
<td>29%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Reduce taxes</td>
<td>23%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Develop entrepreneurship</td>
<td>23%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Develop joint research programs at European level</td>
<td>18%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Develop Incubator and accelerator programs</td>
<td>18%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Reform labor laws</td>
<td>15%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Focus investment on sector-based “hub and cluster” concepts</td>
<td>15%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Not possible or reasonable for Malta to become a leader in innovation in my sector</td>
<td>7%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Can’t say</td>
<td>3%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Other</td>
<td>3%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: EY’s 2014 Malta attractiveness survey (all respondents)

**A business-friendly legislative framework**

What about the existing legislative framework? A total of 78% said it encouraged key players to set up in Malta, with only 7% saying they did not know and 15% saying it did not. In 2013, the positive responses amounted to 85%, with 15% saying that the framework was not conducive to attracting FDI.

**Business-friendly legislative framework**

When asked whether it was local or European legislative frameworks that made the difference in competitiveness terms, the majority (56%) indicated that it was both. This should not come as a surprise given the close correlation between the two, particularly on cross-border issues.

Of course, not all legislation is as yet harmonized at European level. In fact, 51% of respondents believe that Maltese legislation still gives a competitive advantage within European and global markets. It is interesting to note that this rises to 90% among iGaming respondents, who indicated that the current Maltese legislative framework provides them with a competitive advantage within European and global markets. Malta enjoyed the first-mover advantage in this sector when, in 2004, it revamped the Remote Gaming Regulations, thus becoming the first EU Member State to regulate this industry. This legislation was subsequently refined and developed over the years.

Source: EY’s 2014 Malta attractiveness survey (all respondents)
Stability makes Malta attractive for investment

Respondents were asked about Malta’s attractiveness in terms of a number of predetermined FDI parameters.

The social climate’s stability has once again emerged as the top criterion (85%), making Malta attractive as an investment destination. In 2013, this figure was 89%. This factor is increasingly being sought after by investors who had to face economic turmoil in places that were previously considered stable.

In fact, in the EAS, stability and a predictable business environment ranked as Europe’s most sought-after feature (44%) of FDI attractiveness.

Last year, stability and transparency of the political, legal and regulatory environment was in second place (86%) as a feature of Malta’s attractiveness for FDI. This year, this rating slipped to third place (77%).

This year, this feature was overtaken by corporate taxation, with 84% considering this parameter to be attractive in Malta. A number of respondents felt that this advantage could quickly be rivaled by other jurisdictions – making this question a particularly important one.

On the downside, transport and the logistics infrastructure clearly emerged as the least attractive factor for the third year running. Here, 27% of respondents rated them as not attractive, with a further 25% rating it as their most important factor.

and banking, as well as those coming from the ICT, telecommunications and iGaming sectors, which do not depend on the transport and logistics infrastructure in the same way that manufacturing respondents typically do. In fact, for manufacturing respondents, this factor was crucial, and up to 65% of them do not consider it to be attractive for FDI.

The size of the domestic or regional market was also deemed to be irrelevant by 24% of respondents. This is not surprising given both the small size of Malta’s domestic market and the traditional destination markets of Maltese FDI products and services to areas outside Malta’s immediate regional location. In fact, 38% of insurance respondents and 38% of manufacturing respondents said these markets are not considered to be relevant to them. This contrasts sharply with the responses to the EAS, which found the size of the domestic and regional market to be the second most important FDI parameter to them.

Location parameters for establishing own operations

Whereas respondents were initially asked to rate the attractiveness of all the individual parameters, they were subsequently asked to rank them in order of importance to their own company when considering Malta as a location to invest in.

The rankings given only partially mirrored those given in response to the same questions on Malta’s overall FDI attractiveness. Stabilty and transparency of the political, legal and regulatory environment ranked at the top (26%), with another 24% considering it to be their second most important factor.

Corporate taxation came in as a close overall second, with 25% rating it as the most important factor. Different emphasis was clearly given by different sectors.

On the other hand, the stability of social climate, the parameter that most respondents deemed to be attractive for FDI in Malta, was seen as being the topmost factor for respondents’ own operations by only 4% of them.

Most sectors ranked the same two factors as most important to their own companies. Those that did not follow this trend merit some additional attention. For instance, in relative terms, banking sector respondents viewed stability and transparency of the political, legal and regulatory environment as far more important (67%) than corporate taxation.

Sectors that are dependent on data – ICT, telecommunications and iGaming – gave similar rankings to these two factors. Additionally, in line with sector-specific requirements, they gave the telecommunications infrastructure an overall high ranking, with a further 25% rating it as their most important factor.
Malta’s development as a center of excellence in trade and logistics: the way forward

‘Malta clearly has inherent advantages and opportunities to become a regional logistics hub.’

Michel Cordina
Head of Commercial Banking, HSBC Malta
Importance of FDI parameters for respondents: top ranking per parameter (MAS vs EAS)

<table>
<thead>
<tr>
<th>Parameter</th>
<th>MAS (%)</th>
<th>EAS (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stability of transparency of political, legal and regulatory environment</td>
<td>25%</td>
<td>22%</td>
</tr>
<tr>
<td>Corporate taxation</td>
<td>11%</td>
<td>14%</td>
</tr>
<tr>
<td>Labor costs</td>
<td>31%</td>
<td>30%</td>
</tr>
<tr>
<td>Local labor skills level</td>
<td>14%</td>
<td>15%</td>
</tr>
<tr>
<td>Telecommunications infrastructure</td>
<td>10%</td>
<td>8%</td>
</tr>
<tr>
<td>Potential productivity increase for their company</td>
<td>10%</td>
<td>11%</td>
</tr>
<tr>
<td>Stability of social climate</td>
<td>11%</td>
<td>9%</td>
</tr>
<tr>
<td>Transport and logistics infrastructure</td>
<td>12%</td>
<td>13%</td>
</tr>
<tr>
<td>Domestic and regional market</td>
<td>8%</td>
<td>9%</td>
</tr>
<tr>
<td>R&amp;D and innovation environment</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Flexibility or labor legislation</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Level of protection for intellectual property rights</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Source: EY’s 2014 Malta attractiveness survey (111 respondents)

In the manufacturing sector, stability and the transparency of the political, legal and regulatory environment received only 8% of the mentions, while corporate taxation was identified as a top priority by an additional 15%.

Labor costs (31%) and labor skills (15%) continue to remain a higher priority for these respondents compared with other sectors. Possibly, these results are a reflection of different business models in the manufacturing industry. Some respondents operate in a more labor-intensive, price-sensitive and cost-competitive market, while others operate in higher value-added ones that rely more heavily on skills-based operations. It is interesting to note that, although this sector generally wished for an improved transport and logistics infrastructure, only 8% of them ranked it as a first-place priority.

Branding Malta

What is the message being sent out there?

Is Malta shouting loud enough about its unique selling points? Is it leveraging the overlapping of tourism, residency and now citizenship to its full investment potential? One important aspect of attracting interest in a destination is the image it portrays to potential investors. In its bid to attract FDI, Malta needs to have the right image for its targets.

When asked about the first two things that characterize Malta’s image in Europe and beyond, even non-FDI related, Malta’s reputation as a hospitable Mediterranean resort emerged as a key element. Respondents from all the economic sectors mentioned its sun and weather, the quality of life and the work-life balance as key elements of Malta’s international image.

A number of respondents felt that Malta was still unknown, particularly outside the EU. The majority listed a range of positive attributes – the can do attitude, the strong work ethic and the multilingual work force (English being singled out quite often). The stability and sense of safety was also mentioned several times.

Image as a destination for FDI

With this in mind, 41% of existing investors felt that Malta had the right brand image as a destination for FDI, with another 31% unable to say. Although it is true that only 29% said that it did not have the right brand image, this is a figure that a small island with limited resources for marketing should take heed of. A number of respondents highlighted their belief that a strong and recognized brand would partially make up for the lack of actual “physical” presence in advertising, conferences and other promotional events. They acknowledge that such continuous and significant media and event presence is only possible for countries and entities with much larger budgets than can ever be reasonably expected to be at the disposal of the Government and local agencies. Others highlighted the point that private service providers also play a very important role in image building and promotional efforts; efforts such as the existing public-private sector cooperation adopted by FM could also be creatively developed further. Others pointed out that the various positive testimonials of investors already present in Malta were also a useful marketing tool.

Does Malta have the right brand image as a destination for FDI?

<table>
<thead>
<tr>
<th>Response</th>
<th>MAS (%)</th>
<th>EAS (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>41%</td>
<td>35%</td>
</tr>
<tr>
<td>No</td>
<td>29%</td>
<td>29%</td>
</tr>
<tr>
<td>Can’t say</td>
<td>31%</td>
<td>36%</td>
</tr>
</tbody>
</table>

Source: EY’s 2014 Malta attractiveness survey (111 respondents)

Is Malta marketing itself enough?

Similarly to the previous question, the responses as to whether Malta is doing enough to market itself as a destination for FDI were fairly evenly split in most of the sectors, with 40% overall saying that it did and 32% saying that it didn’t. The remaining 28% had no opinion. Responses varied, with differing opinions on the success or otherwise of Malta’s branding and marketing efforts both within and across different sectors.

Promoting Malta’s FDI attractiveness internationally

Responses on whether Malta was doing enough to promote itself internationally as an FDI destination featured prominently. Malta is a small island with limited financial resources. Nevertheless, respondents felt that it was still not doing enough with what it has. The role that the diplomatic corps can play in this respect was mentioned several times. The presence of world-renowned companies on the island was also seen as an effective way to promote Malta’s image. Testimonials of real life experiences of what can be effectively done in Malta could be augmented further.

Branding could be improved further if a single coherent national brand is created. The benefits and synergies of bringing together the currently commendable but independent efforts of entities such as ME, FM, and the Malta Tourism Authority (MTA) were repeatedly highlighted.
**Establishing Malta as a hub and a center of excellence in financial services**

‘Solid regulatory and supervisory regime based on EU and UK PRA legislation.’

Charles Borg
CEO, Bank of Valletta

The long-term indirect impact of FDI on the rest of the economy is dramatically illustrated by the skills sets it injected in the local market: 83% of respondents said that FDI had helped to either acquire new skills or to develop existing ones, with only 5% saying it had not.

This has worked in two ways. The educational system has increasingly been forging closer ties with industry and commerce. This has been translated into the introduction of courses aimed at both present and future requirements and opportunities in, for instance, the pharmaceutical and digital gaming industries. At the same time, multinational companies invest in knowledge transfer through experience, training or both.

Through the various applicable national and EU-funded initiatives, opportunities for training, work placements and specialization abroad have also increased.

Moreover, the role of the UoM, MCAST and that of private higher-educational institutes was highlighted by respondents, with nearly two-thirds of them saying that they required graduates for their businesses.

The sectoral replies to this question were equally optimistic, with 100% of banking respondents, 88% of insurance, and 92% from manufacturing believing that FDI in Malta has contributed to the acquisition of new or the development of existent skills sets in the local labor market.

When asked to indicate whether FDI had helped them acquire new skills or develop existing ones, the lowest response (71%) came from the “other financial services” category (comprising asset management, fund administration, trustees and other specialized financial services). Companies in this sector require more specialized skills and experienced personnel. Both are harder to find locally, since this sector has been in existence for around a decade.

It is positively noteworthy that the companies were, on the whole, willing to invest in creating or developing these skills, with 80% saying they would do so through internships, vocational training, financial help and sponsorships. Only 3% felt that this was the Government’s role, while another 8% did not feel it was their role. When the skills requirements indicated by respondents are broken down by sector, tertiary level requirements are generally lower in the ICT and manufacturing sectors than in the banking and insurance sectors. In fact, vocational training as a way of developing human resources is more popular among manufacturing and ICT, telecommunications and iGaming sectors’ respondents than with the others.

Nevertheless, there are clear indications that the local human resource market cannot provide all the skills required. This may be attributable to the recent rapid growth of certain sectors such as iGaming and asset management, and the development of new sectors, such as digital games. It is therefore probably unrealistic to expect that the local labor market would be able to supply all the specialized skills required.

Less than half (43%) of respondents said that they could not find specialized skills in the local market. This deficiency was felt most in the ICT, telecommunications and iGaming sector (60%), followed closely by manufacturing (58%). Only the banking sector seems satisfied with the current state of affairs, with only 11% saying they could not source local talent to meet their needs. One might expect a high level of poaching in this scenario – accompanied by the inflationary wage pressure that encourages – but only 13% of respondents complained that they were not able to retain their specialized personnel.

The need to recruit foreign workers represents an additional cost for companies. It could also be a limiting factor for their operations – 60% of the companies linked their expansion plans to their ability to fill these gaps, with only the insurance sector (38%) as an outlier, and the manufacturing sector more equally split between those that said this was a deciding factor (53%) and those who did not (47%).

The strategic location of the Maltese archipelago, at the heart of the Mediterranean, has been a recurrent protagonist in the history of the Islands. Today, the smallest member of the EU is establishing itself as a regional financial services hub.

With its stable macroeconomic environment and Eurozone membership, Malta offers credit and financial institutions new avenues for growth. Banks in Malta are highly capitalized and liquid. Boasting a loan-to-deposit ratio in the region of 70%, compared with 110% in the Eurozone, the local banking industry is financed primarily by local deposits, making it a highly robust system. The resilience of the Maltese economy was apparent in the manner it weathered the financial and credit crisis and the resultant global downturn.

Transforming itself from an offshore to an onshore jurisdiction, the portfolio of financial services offered to and from Malta has continued to grow and, today, includes retail and private banking, trust business, investment banking, trade finance and treasury operations.

A key factor that has stood Malta well, particularly during the recent economic turmoil that left the Maltese economy practically unscathed, is the solid regulatory and supervisory regime based on EU and United Kingdom Prudential Regulations Authority (UK PRA) legislation. Meanwhile, the Maltese regulatory structures are fully compliant with the EU’s new regulatory structures.

Malta is also participating actively in the European Banking Authority, the European Securities and Market Authority and the European Insurance and Occupational Pensions Authority.

A cursory look at the financial services scene reveals that Malta has proved itself, and is today home to over 50 leading the way, many having re- domiciled from other jurisdictions. More operators, such as investment firms and payment institutions, are setting up in Malta, effectively using it as a base for servicing clients by exercising their passport rights under harmonized EU financial services law.

The EU has been and continues to be a major trading partner for Malta. But, in the wake of economic developments, the country is now seeking further opportunities by opening up to countries such as China, the US and the Gulf States.

This will obviously present Malta with increased opportunities for growth.
Future

2014 Malta attractiveness survey

56% have expansion plans
59% plan to be in Malta in 10 years’ time

Back-office operations - most commonly cited expansion option
iGaming to drive Malta’s growth in the next five years
Over half of respondents have expansion plans

An inherent concern about FDI is a company’s commitment to the country hosting it. With locally owned companies, retaining business operations in one’s own country can weigh as much as profitability. On the other hand, for international investors, the calculations are far more likely to be based exclusively on the bottom line. Being profitable is not enough — investors may move elsewhere if they can get a better return or operate with reduced risk levels. As we have seen, these factors were manifest in Malta’s industrial development over the last half a century. The low value-added textile industry had been attracted to Malta a few decades ago as a result of Malta’s low cost base and constant social stability. Over the past 15 years or so, the advantages of the former were eroded due to the relatively lower manufacturing costs in Africa and Southeast Asia. Almost all international textile industry investors moved their production lines to these locations. In comparison, local investors might have considerably higher inertia, tolerating more negative factors before downsizing or relocating.

There are other operational factors that condition an investor’s decision to move to another country. This varies by sector, with manufacturing at one end of the scale and iGaming at the other. The former relies on a capital-intensive production facilities and distribution channels, while the latter tend to have flexible operations that can be relocated relatively rapidly and seamlessly.

Taken together, these considerations have the determining impact on companies’ decisions to remain in a country and whether to expand, retrench or downsize. A foreign-owned company’s intention to expand is indicative of its satisfaction with the current situation as well as its conviction that it will remain competitive. It is therefore encouraging that the number of firms planning to expand in Malta has risen to 56% this year, up from 53% in 2013. Over the same period, those who replied negatively decreased from 32% to 26%.

Whether companies expand in the next year possibly reflects their current revenue and profitability performance rather than structural trends. An analysis of survey responses received over three years on expansion plans could provide a clearer picture of investors’ moods and plans, as well as highlight sectoral trends.

Intended expansions in manufacturing in Malta dipped from 55% in 2012 to 41% in 2013 and are back up to 50% this year. Banking, insurance and other financial services (OFS) followed the same pattern – from 48% in 2012, 45% in 2013 and bouncing back to 59% in 2014.

Back office most popular type of expansion

Respondents were asked to indicate what types of investment projects they would embark upon if their company considered expansion. Just over a third of them included back-office operations in their list of choices. This figure is boosted by the responses of two sectors, as 69% of insurance and 59% of other financial services respondents indicated this option among their list of choices (respondents could choose more than one option). It is interesting to note that, in the EAS, only a minority selected back-office operations.

Areas of expansion

<table>
<thead>
<tr>
<th>Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Back office</td>
<td>36%</td>
</tr>
<tr>
<td>Research and development</td>
<td>16%</td>
</tr>
<tr>
<td>Sales and marketing office</td>
<td>14%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>13%</td>
</tr>
<tr>
<td>Headquarters</td>
<td>11%</td>
</tr>
<tr>
<td>Other</td>
<td>8%</td>
</tr>
<tr>
<td>Logistics center</td>
<td>5%</td>
</tr>
<tr>
<td>Training center</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: EY’s 2014 Malta attractiveness survey (all respondents)

A further 16% of respondents included R&D in their list, the figures being boosted by 27% in the manufacturing sector and 35% in the ICT, telecommunications and iGaming sector. These figures show a clear correlation between the nature of the expansion projects being envisaged and the sector within which respondents operate.

It is also pertinent to compare the responses to the questions on whether Malta would be attractive in the next three years and whether they plan to expand next year. Only 23% of manufacturing companies and 35% from ICT, telecommunications and iGaming were convinced that Malta would be attractive in the next three years, as 65% and 60% of sectoral respondents respectively answered “don’t know.”
Malta has a strong history for favorable views toward gambling; it is notably the only European country to allow gambling during wartime and the first country in the EU to create a regulated, efficient and transparent mechanism for the industry.

Following EU accession in 2004, Malta’s strategy has ultimately been to develop and maintain a high reputation as a leading remote gaming jurisdiction. Sitting within the Eurozone, which provides a stable political atmosphere as a basis to attract responsible gaming operators, it’s in-depth and forward-leaning regulation prevented abuse and exploitation, cementing the island as a leading hub for iGaming operations in Europe. We are happy to see that the LGA is updating the licensing processes to facilitate things for established companies with multiple licenses.

In 2014, the years of hard work by the Maltese Government are paying off handsomely. Many gaming operators have taken advantage of the attractive fiscal regimes and financial incentives, with some of the largest players in the iGaming world having a footprint of some sort on the island.

Betsson was one of the first large internet companies to have committed to relocating the lion’s share of their operations to Malta, and proudly remains one of the most dynamic, fastest-growing and also biggest on the island to this day. Betsson serves over 9 million customers worldwide and employs over 600 employees at its recently inaugurated head office in Ta’Xbiex. The company’s mission statement is to provide the best customer experience in the industry and, with competition for customers being at its most ruthless in the online world, this is no mean feat.

Back-office functions account for the largest part of the company’s workforce, with focus on payments and transaction processing, customer support, marketing and tech operations in addition to various other supporting functions.

From a recruitment point of view, certain technological expertise and a range of specialist internet functions are crucial to the successful running of the businesses. It is a concern that we are sometimes not able to find employees locally with the required skills and experiences to work with our company. Betsson is a large company operating on a global scene and needs world-class internet professionals. This leads us to recruit people from outside Malta, or even set up satellite offices where such skills are widely available.

Malta is relatively attractive as an expat location, with the cost of living remaining low in comparison with the rest of Western Europe. It boasts one of the warmest climates in Europe, and its population is generally fluent in English. Companies engaging in FDI therefore have fewer problems attracting key employees to the island. Since the upgrading of Malta’s internet cable links, there is a solid infrastructure capable of supporting continued growth in the foreseeable future.

Summed up, Malta should remain at the fore of countries attracting strong FDI with regard to online gambling operations. However, like any normal business, the Maltese authorities need to keep up with the requirements of foreign companies and their employee needs in order to remain competitive.

All in all, the future looks very bright for Malta, and Betsson plans to continue to be the largest internet company on the island and a responsible corporate citizen, providing its 600+ people with world-class working conditions.

Ulrik Bengtsson
CEO, Betsson
59% plan to be here in 10 years’ time

Where do the companies see themselves in 10 years’ time? For policy-makers, this is one of the most meaningful and satisfying results of the survey. More than half (59%) said that they would still be here – half of these saying they were definite about it, and only 2% saying they definitely would not be – and these were spread across the various sectors.

Driving economic growth

Respondents were asked to indicate which business sectors will drive Malta’s growth in the next five years.

Around 58% of the respondents, the highest rating, opted for the iGaming sector. iGaming respondents themselves were even more optimistic, with 70% of them believing that their sector would drive growth. An additional 60% of the sector’s respondents also identified digital media and games in their list of business sectors.

Overall, fund administration and asset management emerged in second (50%) and third place (42%) respectively. Again, the financial services sector itself was very enthusiastic about these two spheres, as they received 61% and 63% of sectoral mentions respectively.

The prevalence of choices for iGaming is consistent among respondents from practically all sectors.

From a sectoral point of view, up to 75% of ICT, telecommunications and iGaming sector respondents were unable to say whether they would be here in 10 years’ time. This response possibly reflects the changing landscape resulting from increased regulatory and competitive pressures. The sector’s inherent fast pace of technological change also played a major part in these replies.

Moreover, 42% and 22% of manufacturing and banking respondents respectively were unable to reply to this question with certainty, either positively or negatively. As a whole, 54% of manufacturing respondents and 68% of all financial services ones indicated that their company would be in Malta in 10 years’ time.

Top 10 sectors that will drive Malta’s growth in the next five years

<table>
<thead>
<tr>
<th>Sector</th>
<th>Malta mentions</th>
<th>European mentions</th>
</tr>
</thead>
<tbody>
<tr>
<td>iGaming</td>
<td>58%</td>
<td>12%</td>
</tr>
<tr>
<td>Fund administration</td>
<td>50%</td>
<td>10%</td>
</tr>
<tr>
<td>Asset management</td>
<td>42%</td>
<td>9%</td>
</tr>
<tr>
<td>Banking</td>
<td>38%</td>
<td>8%</td>
</tr>
<tr>
<td>Other financial services</td>
<td>37%</td>
<td>7%</td>
</tr>
<tr>
<td>ICT and telecoms</td>
<td>37%</td>
<td>6%</td>
</tr>
<tr>
<td>Digital media and games</td>
<td>36%</td>
<td>5%</td>
</tr>
<tr>
<td>Insurance</td>
<td>28%</td>
<td>4%</td>
</tr>
<tr>
<td>Aviation</td>
<td>27%</td>
<td>2%</td>
</tr>
<tr>
<td>Trust administration</td>
<td>26%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: EY’s 2014 Malta attractiveness survey (all respondents)

Note: Multiple responses possible

Business functions attracting most investment in the next five years

When respondents were asked which functions were likely to draw most investments in Malta over the next five years, two-thirds of the respondents included back-office and support operations on their list. There were two sectors in particular that spiked up the average – 74% of the other financial services category and 81% of the insurance sector respondents felt that these operations would entice most investments in the coming half a decade. Headquarters (38%) and R&D (34%) were two other functions that respondents believed would draw a high level of investment.

Functions drawing most investments in the next five years (% respondents)

<table>
<thead>
<tr>
<th>Function</th>
<th>Malta mentions</th>
<th>European mentions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Back office</td>
<td>66%</td>
<td>12%</td>
</tr>
<tr>
<td>Headquarters</td>
<td>38%</td>
<td>8%</td>
</tr>
<tr>
<td>Research and development</td>
<td>34%</td>
<td>6%</td>
</tr>
<tr>
<td>Logistics center</td>
<td>19%</td>
<td>2%</td>
</tr>
<tr>
<td>Sales and marketing office</td>
<td>13%</td>
<td>2%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>5%</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>3%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: EY’s 2014 Malta attractiveness survey (all respondents)

It is interesting to note how the results compare with those of the EAS. While back office functions received the highest percentage of mentions in Malta, they received the lowest in the EAS. Compared with their EAS counterparts, more MAS respondents believe that headquarters was a function that would attract significantly more investment. This trend is reversed when it came to manufacturing, with this function ranking second in the EAS (15% of total mentions) and last in the MAS (3%). R&D was the clear leader in the EAS, drawing 45% of all mentions. In Malta, it ranked third (19%) among all the business functions that would draw the most investments in the next five years.

Respondents’ qualitative input on how to improve Malta’s attractiveness for FDI offered further insights. Some common themes came out quite strongly, especially on a sectoral level.

There was a consensus on the positive assistance given by Malta’s investment promotion agencies and regulatory authorities, both prior to and following actual investment in Malta. This notwithstanding, a number of respondents highlighted the need to reduce existing levels of government bureaucracy as well as to improve public administration systems, including the law courts, by reducing the turnaround time of processes and overall infrastructure. They also believe that even certain private sector-led services should be quicker and more efficient in their provision of services. Respondents seem to think that, once investors are convinced to set up in Malta, certain required services are only available through the private sector.

As already highlighted, many respondents also felt that Malta needed to increase its marketing efforts to raise more awareness of what Malta has to offer. One respondent pointed out that trade missions and overseas delegation visits had no measurable objective. Another said that there was a “dire need to identify the key strategic markets, ensuring in the process that the promotional drive through the various bodies ... is mobilized toward these markets,” with another adding that these markets should be identified through appropriate research.

One respondent proposed a National Promotional Council whose remit will be to identify the key strategic markets relevant to Malta’s key economic sectors, adding that the council would create a “unique national masterbrand.”

Continued investment in education, and training in industries where specialized skills are required, was another area highlighted by many respondents. As outlined earlier, 43% of respondents were unable to find the required specialized skills in the local labor market, and 60% outlined that any expansion plans were dependent upon them.
The remote gaming industry is one of the most dynamic economic sectors in the world, generating billions in revenue for the operators, and a multiplier effect for other sectors servicing this industry.

In 2004, Malta was the first country in Europe to identify the potential of this industry and enact the appropriate legislative framework to position the country as a leading global player in remote gaming regulation. With the regulatory and financial incentives in place, the portfolio of companies setting up their operations in Malta started to grow at a fast pace. Today, the LGA hosts a remote gaming industry that directly contributes 8% of GDP, employs more than 8,000 people and has direct and indirect economic benefits that have created a multiplier effect impacting many business sectors, including property, hospitality and corporate services. Over 250 remote gaming companies and 400 licenses are currently on the LGA’s books, and the numbers keep growing steadily.

Malta’s huge success is underpinned by a package of incentives and other factors that make Malta a unique gaming jurisdiction of international repute. Our package includes corporate and personal tax incentives, a robust ICT infrastructure, an English-speaking population, a strong educational system and a regulatory framework that focuses on consumer protection, fairness of games, strict compliance and the prevention of money laundering and other crimes. In fact, other European jurisdictions have been looking at Malta as a role model to develop their national legal frameworks for remote gaming.

But what got us here won’t get us where we want to go. Past successes are not a guarantee for the future. For Malta to remain in the top game, so to speak, we need to innovate and rethink our strategy in a much more challenging and competitive environment. The LGA is currently undergoing a broad reform exercise targeting the way it operates, its organizational structures, processes and IT infrastructure. It is also recalibrating its long-term strategy so that Malta’s position as a gaming jurisdiction is consolidated and the sector keeps growing.

Our current legislative framework is in the process of undergoing a major overhaul in order to implement to make it more innovative, cutting edge and growth-focused, and which raises the bar in consumer protection, innovation and technology. The LGA is also evaluating entry into new markets, such as the Asia and Latin America, where Malta could be positioned as the gaming jurisdiction of choice. The regulatory scope of gaming will be widened to include other forms of remote gaming licensing, such as social and digital games of skill with prizes. This will ensure that Malta taps this growing market globally.

Another key initiative in the pipeline is Gaming Malta, an independent entity tasked with promoting Malta as a gaming jurisdiction internationally. This move will separate the promotional activities from the regulatory function of the LGA. In the area of human resource development, we are working on the setting up of a new Gaming Academy aimed at building the necessary skills sets required for the gaming industry, both land-based and remote. This institution will have the necessary educational accreditation and partnerships to become a center of excellence in training and development for the gaming industry worldwide.

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Our management ethos is based on ongoing engagement with all stakeholders so that our decisions and strategic initiatives are securely grounded in evidence, performance, research and quality information.

Our ultimate objective is to make Malta the most respected jurisdiction for the global gaming industry. This can only be achieved through the creation of a unique ecosystem that differentiates Malta from the rest, whereby all the players in the industry can develop, grow and sustain their businesses in a serious and transparent regulatory environment.

The entire LGA team and I are very excited about the future. We have the drive and resolve to make a difference and future-proof Malta’s gaming industry for the next decade.
The analysis of the results is based on both the totality of the responses received (i.e., the 111 replies) as well as a sectorial analysis broken down into the sectors outlined below:

### Size: revenue

- More than €35 million: 19%
- Between €12 and €35 million: 15%
- Between €2 and €12 million: 23%
- Between €1 and €2 million: 11%
- Less than €1 million: 32%

Source: EY’s 2014 Malta attractiveness survey (all respondents)

### Percentage of revenue exported

- 76%–100%: 53%
- 51%–75%: 9%
- 26%–50%: 7%
- 11%–25%: 3%
- 1%–10%: 8%
- 0%: 20%

Source: EY’s 2014 Malta attractiveness survey (all respondents)

### Full-time employees: global

- More than 100: 58%
- Between 50 and 100: 8%
- Between 10 and 50: 20%
- Less than 10: 14%

Source: EY’s 2014 Malta attractiveness survey (all respondents)

### Full-time employees: Malta

- More than 100: 23%
- Between 50 and 100: 8%
- Between 10 and 50: 36%
- Less than 10: 33%

Source: EY’s 2014 Malta attractiveness survey (all respondents)

### Location of parent company

- Western Europe: 52%
- Malta: 30%
- North America: 9%
- Northern Europe: 2%
- Middle East: 2%
- Asia: 1%
- CEE: 1%
- Eastern Europe: 1%

Source: EY’s 2014 Malta attractiveness survey (all respondents)

Western Europe excludes Malta but includes the UK, Guernsey, Jersey, France, the Netherlands, Italy and Spain. North America includes the USA and Bermuda. Northern Europe includes Denmark and Sweden. Middle East includes the UAE. Asia includes China. CEE includes the Sovereign group and Eastern Europe includes Greece.

### Job title

- Managing director or CEO: 43%
- Executive director: 14%
- Financial director or CFO: 15%
- Founder or shareholder: 4%
- Chairman: 2%
- Operations director or COO: 2%

Source: EY’s 2014 Malta attractiveness survey (all respondents)

*“Other” includes general managers, company secretary, head of office, senior marketing manager, financial controller, local representatives, money laundering reporting officer, administration managers and risk managers.*
About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY in Malta

EY Malta forms part of Europe, Middle East, India and Africa (EMEIA) Area combining 98 country practices into a single operating unit, which now embraces over 84,000 people and over 3,700 partners, working across 12 Regions. This structure enables us to move quickly and bring together the best teams to serve our clients wherever they are.

EY has been operating in Malta since the late 1990s. The firm has been growing rapidly and now employs over 200 people locally. We provide assistance to a wide range of clients that range from private individuals and entrepreneurial businesses to major public companies and large multinationals. We help them to anticipate, define and deal with issues that are critical to their success.

Effectively, EY Malta has four services lines - Assurance, Tax, Transaction Advisory Services and Advisory, comprising 17 business units, each with their own head who supports the local partners. These business units encompass:

- Assurance
  - Asset Management
  - Banking
  - Industrial and Commercial
  - Insurance
- Tax
  - International Tax Services
  - Accounting, Compliance and Reporting
  - Business Tax Compliance
- Transaction Advisory Services
  - Mergers and Acquisitions
  - Project Finance
  - Transaction Support Services
  - Valuation, Business Modeling and Economic Advisory
- Advisory
  - Asset Management Advisory
  - Banking Advisory
  - EU Advisory
  - Financial Crime Advisory
  - Insurance Advisory
  - Internal Audit
  - IT Risk and Assurance
  - Risk Advisory

We work closely with our clients in a collaborative style, gaining a clear understanding of your organization and striving to identify issues before they become problems. And with our global focus on 14 global industry sectors, backed up by leading practices, our clients benefit a market-leading response to their specific needs.

Publications

Doing Business in Malta 2014

In order to succeed in today’s economy, you need to stay ahead of the competition. Explore new opportunities. Match them with your goals. Develop and succeed. Wherever you do business, we do business – and that includes Malta. There are many reasons why investing in Malta makes good business sense. This publication is intended to be simply an introduction to the Maltese business environment, regulation and legislative and tax frameworks. It aims to answer many of the questions we most frequently hear from potential investors.

EY Eurozone Forecast: outlook for financial services

The EY Eurozone Forecast: outlook for financial services uses this macroeconomic overview to provide a comprehensive forecast for the region’s banks, asset managers and insurers. Both forecasts are produced in cooperation with Oxford Economics, a leading independent forecasting and research institute. The forecasts track developments across the Eurozone in order to help high-level executives make informed business decisions.

UK attractiveness survey 2014: winning the race for inward investment

There can be no doubt that the UK put in an outstanding performance in 2013, attracting and securing FDI projects from across the world. The statistics speak for themselves. UK projects rose by almost 15% to 799, the highest number ever, against the background of an overall European market that grew just 4%. As a result, the UK’s market share rose to one-fifth of all European projects, close to its record high over the last decade. The UK is now the most attractive European location for global investors, up from eighth place to fifth in the worldwide ranking of countries that investors see as attractive for FDI over the next three years.
EY European attractiveness survey: back in the game

The Eurozone’s recession finally came to an end in the second quarter of 2013, businesses have begun to see growth and profits again, and boards are approving investment proposals. In 2013, foreign investment decisions in the continent reached an all-time high of 3,955 projects, up 4% from the previous year and 17% from the pre-crisis average. Investors are more optimistic than last year, but realistic at the same time. They emphasize that recovery is not an invitation to be complacent and that competitiveness remains the key to sustainable growth and a more attractive Europe. They stress the importance of an ecosystem-related approach to innovation and entrepreneurship as the first step.

EY Rapid-Growth Markets Forecast – July 2014

Explore trends, opportunities and the latest market conditions in the world’s fastest-growing economies. Read the latest EY Rapid-Growth Markets Forecast and find out how surging middle classes in rapid-growth markets are changing the global economy and offering more.

2014 Germany attractiveness survey: stay ahead

Despite the European debt crisis and weak economic growth in Europe, Germany is in high demand among foreign investors. Germany is particularly appreciated for the stability and transparency of the political and legal environment – considered to be the most important location factor by investors. The infrastructure and the skills of the workforce are also highly regarded by foreign investors. And foreign companies not only praise Germany, they also invested it. The number of foreign investment projects in Germany rose in 2013 significantly – by 12% – to a record 701 projects.

2014 Netherlands attractiveness survey: stable and strong

The Netherlands continues to be regarded as a safe investment haven. The number of foreign direct investment projects remained unchanged from the previous year at 161 projects. Primarily head offices, internet data centers and R&D facilities are locating in the Netherlands in growing numbers, at the expense of sales and marketing, logistics and production facilities.
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