



# I focus

michael briguglio

Dr Michael Briguglio  
is a Sociologist and  
Senior Lecturer at the  
University of Malta.

www.michaelbriguglio.com

## Inflation and the economic treadmill info6

Latest Eurostat data, covering up till April 2023, shows that Malta's annual inflation rate, as at 6.5%, was slightly lower than the 7% for the Euro area.

they had increased the least in Italy, Malta, and Finland (+2.3% each). The yearly increase for the EU as a whole was that of 4.4%. Some may point out that workers in Malta benefit from various forms of social assistance, but this is the case in other countries too, which have their own respective social welfare models.

At the same time, it is important to consider the Maltese context and factors which are likely to influence the prices of goods and services. As a small-island state, Malta is highly dependent on imports and external inflation, as apart from added costs such as transport. Besides, global society is experiencing various crises, ranging from the war in Ukraine to climate change, as well as the impacts of the post-pandemic process.

There are also internal factors which one needs to consider with regard to Malta's inflation. To begin with, our inflation rate is higher on basic needs, with the exception of utility bills, which are being subsidised. Whether such subsidies are sustainable or equitable, is another matter which deserves attention.

Latest Eurostat data, covering up till April 2023, show that Malta's annual inflation rate, as at 6.5%, was slightly lower than the 7% for the Euro area. Furthermore, the latest Harmonized Index of Consumer Prices published by the National Statistics Office, shows that Malta's inflation for the previous month was 7.1%, whereas in April 2022 it read 5.4%, and in April 2021 it read 0.1%. The data shows that the largest upward impact on annual inflation was recorded as at March 2023, when Malta's inflation rate was 7.1%, which was measured in the food and non-alcoholic beverages Index (+2.30 percentage points), whilst the highest annual inflation rates in March 2023 were recorded in food and non-alcoholic beverages (12.9%), as well as housing, water, electricity, gas, and other fuels (9.5%). The lowest annual inflation rates were registered in communication (1.3%) and transport (2.7%), and there were no downward impacts on annual inflation registered for the month of March.

Other significant Eurostat data, which were surprisingly not given much importance in Malta's public sphere, show that even though wages and salaries had increased amongst all members (+4%) of the Euro area,

Malta's demography has also experienced a massive change in the past decade, which as according to the National Census, comprises a 20% increase in population, up to 519,000 individuals, mostly due to the 'importation' of foreign workers, whilst Malta has one of the lowest fertility rates in Europe. One of five persons living in Malta is foreign. Here I cannot but remind readers of this newspaper that when then leader of the opposition, Adrian Delia, had warned about the economic effects of such population growth, various members of the commentariat had resorted to cheap and hostile criticism towards him, possibly telling us more about their own agendas and prejudices than about the substance of Delia's argument. Some years later, and now even some of his most vicious critics are reiterating what he had said back then.

Why is the increase of foreign workers important in the analysis of inflation? This is because of impacts which may seem contradictory. On the one hand, there is a downward pressure on various wages due to cheap labour in various sectors, and on the other hand there is an increased demand for goods, services, and housing in the country in absolute terms.



This increase in demand may have different social class impacts, for example in people's consumption patterns and housing. Low-income earners, pensioners and persons experiencing poverty see that basic needs eat up a greater percentage of income. To put it simply, if both a low-income earner and a high-income earner consume bread and milk daily, in the former case, it takes up a higher percentage of their income.

As regards housing costs, this too is characterised by class contradiction. This is reflected not only in terms of prices when compared to one's income, but also to one's living aspirations and needs, and to ownership of property. Malta has a relatively high percentage of homeownership, at around 80%, and this also includes many persons from more modest backgrounds who are benefitting from the rent of their property. On the other hand, non-owners are facing tougher times in obtaining loans or affording rent. This may result in a higher percentage of non-owners in the years to come. Imagine being a pensioner living on rented property in a free market.

Needless to say, workers in

low-paying, non-unionised, and precarious employment are likely to face an even more difficult situation. Not to mention the impacts of inflation on different social groups with specific needs and limited means.

Hence, it is no surprise that recent surveys, such as those by the Times of Malta (31 March) and Eurobarometer (March) show that the cost of living has moved upwards to become the major concern in Maltese society.

At the same time, Eurobarometer had expressed a high degree of optimism and satisfaction amongst respondents. Hence, I would advise against depicting Malta in apocalyptic terms, something which is done quite often in the public sphere. Politicians, activists, commentators and policymakers should listen to people's concerns and aspirations, and to what they make up of social problems such as inflation, rather than trying to ram narratives down people's throats and instrumentalise them for respective agendas.

On the other hand, it is important that social policies try to reduce the impacts of inflation as much as possible. Only a few

days ago, Central Bank Governor Edward Scicluna said that tough decisions are needed. What this means in real terms may be seen in the political arena during the months to come. If the May Day speeches by the leaders of the main political parties are indicators of this, we were presented with two opposite interpretations of Malta today. Surely, there is more to policymaking than painting the world in black or white.

For example, Malta needs to have meaningful discussions on wage policy and its implementation. Social impact assessments can be mainstreamed across different sectors, so as to provide evidence-based and deliberative processed policymaking.

And perhaps we need to look beyond our current economic model, which, like a treadmill, is dependent on high population growth, as through importation of workers, in a spiral which raises questions on sustainability. Perhaps this is why Prime Minister Abela had recently mentioned land reclamation, so that this economic bubble, which in turn requires endless construction, can keep growing. But at what cost?