

Assessing structural change in the Maltese economy via the application of hypothetical extraction analysis

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This paper assesses the extent of change in the production structure of the Maltese Economy on the basis of three symmetric input-output tables, covering the time period from the year 2000 to 2010, via the application of hypothetical extraction analysis. Two methods were applied; the first method allowed for the estimation of the total effects resulting from a sector's hypothetical extraction in terms of the percentage loss in total gross value added, total labour income and total employment. The second hypothetical extraction method was applied to generate backward and forward linkage indicators that were subsequently utilized for the identification of the key sectors. The results obtained indicate that the production structure of the Maltese economy has passed through a number of important structural changes over this period. The manufacturing sector has experienced a decline in its overall relative importance, which is nonetheless still highly significant, whilst a number of service sectors such as the professional, scientific and technical activities and administrative and support service activities sectors as well as the arts, entertainment and recreation activities sector have on the other hand experienced a substantial increase in their overall relative importance. The results generated also illustrate the increased relevance of foreign nationals to the production activities of the Maltese economy. Another key finding of this paper pertains to an increase in the number of sectors which were classified as key sectors, over the specified time period, indicating a higher degree of sectoral interdependence implying greater sectoral diversification.