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2026 Country Report - Malta

Accompanying the document

Recommendation for a COUNCIL RECOMMENDATION

on the economic, social, employment, structural and budgetary policies of Malta

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European Commission

Economic and Financial Affairs

Malta

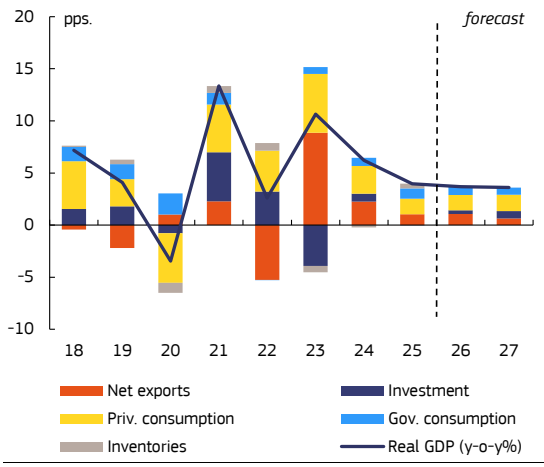
2026 Country Report

ECONOMIC DEVELOPMENTS AND KEY POLICY CHALLENGES

Economic growth remains robust, despite heightened economic uncertainty.

Malta's economy grows strongly, driven by robust domestic consumption and tourism. This growth is driven by private and public consumption and is further supported by a solid performance in key export sectors. Real GDP grew by 4.0% in 2025 and is forecast to grow by 3.7% in 2026 (see Graph 1.1) The contribution of net exports to growth is positive, resulting from large net positive services trade outweighing the negative balance of trade in goods. More pronounced effects of labour shortages, capacity constraints, such as in land-use, infrastructure bottlenecks, and expected slowdown in external demand are set weigh down on the growth momentum. Despite these factors and the current geopolitical uncertainty, real GDP growth is set to remain robust.

Graph 1.1: **Malta - Real GDP growth and contributions**



Source: European Commission, Eurostat.

Employment growth continues, but labour shortages are likely to persist. Employment growth is projected to remain strong. It is projected to have grown by 3.9% in 2025 and to increase by 3.2% in 2026. Job creation continues to rely heavily on foreign workers, although inflows are expected to moderate. This, however, did not lead to decreasing labour shortages, as vacancy rates continued to increase, particularly in tourism, healthcare, and other service sectors. The unemployment rate is expected to remain low at around 3.2% in 2026. Nominal wage growth per employee is projected to ease from 4.2% in 2025 to 3.5% in 2026 and 2.1% in 2027. Thus, real wage growth is expected to remain positive.

Inflation set to increase following the global trends. Headline inflation moderated to 2.4% in 2025 and is forecast to increase to 2.7% in 2026, as the increases in international energy prices indirectly drive up transport, food and services inflation. The direct effect on local energy inflation of global energy prices is neutralised by the measures of the Maltese authorities to keep retail energy prices unchanged.

Favourable economic conditions reduce headline deficit, but strong underlying expenditure growth persists

Government deficit fell to 2.2% of GDP in 2025 and is projected remain stable in 2026. In 2025, the deficit fell to 2.2% reflecting a strong revenue growth driven by favourable economic conditions and significant tax windfalls. This more than offsets increased expenditure, including from higher public sector wages. In 2026, the deficit is forecast

to remain stable at 2.2% of GDP, largely reflecting lower intakes from personal income taxes and higher expenditures as a result of the increased cost of energy subsidies. In 2027, the deficit is projected to fall marginally to 2.1% of GDP, as revenue continues to increase despite the moderation in economic growth. Fiscal commitments made by Malta under its medium-term fiscal structural plan (MTFSP) for 2025-2028 would imply an improvement of the structural primary balance of 1.4 pps, from -2.2% of GDP in 2025 to -0.8% in 2028. This would allow to maintain a broadly stable public debt ratio of around 46% of GDP. However, the projected future growth in health, long-term care and pension expenditure could put a strain on the long-term fiscal sustainability and adequacy of Malta's social protection system.

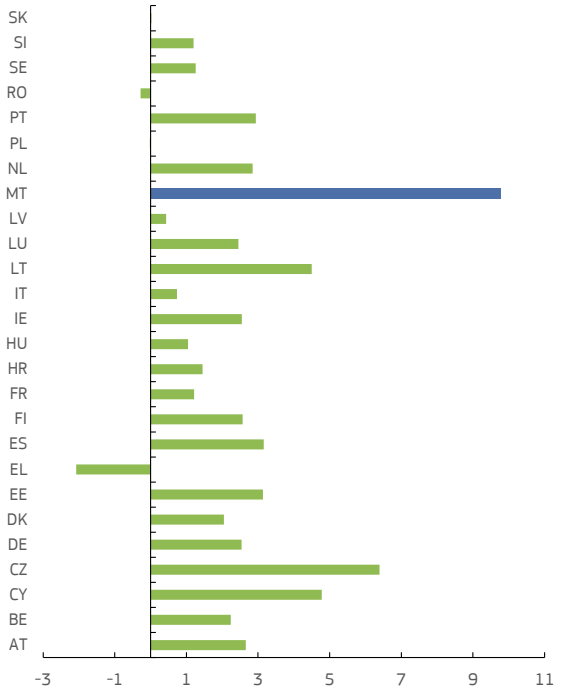
Malta's tax system continues to face structural challenges affecting its fairness, efficiency and transparency. In particular, addressing aggressive tax planning risks remains the key policy challenge in Malta's tax system, as highlighted in the 2025 CSR. Despite improvements, certain features of the corporate tax system continue to create risks of profit shifting and double non-taxation. Malta's refund tax system allows international companies to reduce their effective tax rate from 35% (nominal tax rate) to between 5% and 10% through tax credits and refunds. The implementation of the EU Minimum Tax Directive, ensuring a minimum 15% effective tax rate for large corporations, together with the recent introduction of the optional Final Income Tax Without Imputation regime, may lead to higher effective corporate taxation in Malta for companies falling within its scope or choosing to opt in. Still, the lack of systematic reporting on tax expenditures undermines fiscal transparency and makes it difficult to evaluate the effectiveness of tax policy measures.

Malta's supplementary pension sector has scope for growth to support the adequacy of retirement income and counter future fiscal pressures. While voluntary second and third pillar pension schemes are available, participation remains limited. To address this, the Maltese government considers introducing automatic enrolment in occupational pension schemes with an opt-out option. This could help expand participation, ease the pension adequacy gap and strengthen the role of retail and institutional investors.

Malta's defence expenditure is expected to remain at very low levels. Malta follows a policy of neutrality. Total government expenditure on defence amounted to only 0.5% GDP in 2024 and is forecast by the Commission to remain broadly unchanged at around that level for 2025-2027.

Malta faces challenges to its competitiveness, long-term growth and social cohesion

Graph 1.2: **Relative change in foreign born population 2020-2024 (%)**



Source: Eurostat.

Malta's economy expanded rapidly, accompanied by strong population growth. This expansion was powered by an influx of foreign workers in fast-growing volume-based sectors, such as tourism, construction, and retail. Malta's population has therefore grown at an unprecedented rate in

recent years (see Graph 1.2). While supporting robust economic performance, it has led to increased population density and has put strain on infrastructure, land use, natural resources, and public services, which highlights the difficulty of sustaining the current growth model (see Annex 18). Malta could benefit from a more balanced growth strategy by prioritising high-productivity and knowledge-intensive sectors, which would require greater efforts to develop, attract and retain high-skilled workers, as well as to strengthen the use of skills intelligence tools in economic development policy.

Malta's economic security is shaped by its small and highly open economy, the current pressure on its natural resources, and infrastructure, and its exposure to disruptions in external connectivity. Limited external transport connectivity and relatively high international transport costs impact its supply chain resilience and can constrain diversification of trade and economic activities. In this respect, the modernisation and expansion of its maritime infrastructure could improve Malta's economic resilience. Malta's energy mix is skewed towards imported fossil fuels, exposing it to energy supply shocks. Increasing the share of renewable energy sources and improving energy efficiency could boost the country's energy security. The country's tight labour market faces severe shortages of labour and skills, which is worsened by population ageing. Well targeted measures towards skills development and attracting foreign talent are needed to address these shortages without imposing additional strain on the country's scarce natural resources.

Malta's labour market is thriving, yet there are ongoing challenges. Significant disparities in employment remain between men and women as well as people with and without disabilities. Job quality, particularly for third country nationals, and in certain sectors, including workplace safety, is a concern, aggravated by limited capacity for labour inspections and gaps in social dialogue. Turnover rates are notably high. This makes skilled labour shortages systemic, arising from education and training-related challenges in the country, such as low participation in vocational education and training (VET), especially in science, technology, engineering, and mathematics (STEM) areas, and in adult learning for the low skilled.

Malta's social outcomes are uneven, with specific and persistent vulnerabilities. While overall poverty rates remained stable, third-country nationals, people with disabilities, people with a low education level and older people, especially women, remain particularly vulnerable. There is room for improvement in benefits adequacy, accessibility, and coverage. The effectiveness of social transfers in alleviating monetary poverty ranks among the lowest in the EU. While participation of children under three in early childhood education and care increased in recent years, there is a wide gap related to poverty risk in participation.

Strengthening research and innovation is essential for Malta to move towards a more productivity-driven growth model. Persistent low levels of investment continue to constrain innovation performance, with research and development (R&D) intensity remaining among the lowest in the EU (see Annex 4). Structural challenges such as limited uptake of support schemes, scientific and digital skills shortages, and weak links between academia and businesses, highlight the need to strengthen the innovation ecosystem, improve access to support, and encourage collaboration to unlock growth in high-potential sectors.

Access to external financing remains limited for Maltese businesses. Although institutions such as the Malta Development Bank provide instruments to address financing gaps, challenges related to accessibility, timing and administrative procedures continue to constrain the effective use of alternative funding sources. The underdeveloped venture capital and private equity ecosystem, characterised by very low investment levels, limits financing opportunities for high-growth firms. The limited uptake of public support schemes, such as the Malta Venture Capital Fund, points to structural weaknesses in the financing landscape and highlights the need to

Box 1: **UN Sustainable Development Goals (SDGs)**

Malta performs well (SDGs 4 and 8) or is improving (SDG 9) on SDGs related to productivity. However, it still needs to step up efforts to close the gap with the EU average on industry, innovation and infrastructure (SDG 9).

Skills shortages in Malta are at risk of rising due to worsening education outcomes, and a very low share of R&D workers. This further hampers economic growth and competitiveness. Out of the 17 indicators, 7 SDGs remain below the EU average. Besides SDG 9 highlighted above, the affected SDGs relate to environmental sustainability (SDGs 12, 13 and 15), macroeconomic sustainability (SDG 17) and fairness (SDGs 2 and 5) (see Annex 17).

strengthen access to risk capital and improve the effectiveness of existing initiatives.

Scope remains to improve the efficiency of Malta's justice system. Lengthy judicial proceedings continue to be made worse by structural constraints such as limited judicial resources, including a low number of judges per head resulting in a high caseload per judge, as well as staff shortages and limited court premises**.** While Malta took steps to improve performance through digitalisation and institutional reforms, including better online access to judgments and the implementation of a national digital justice strategy supported by the Recovery and Resilience Fund (RRF), challenges remain in areas such as the production of machine-readable decisions and broader system capacity.

Maltese firms face a relatively high administrative and regulatory burden. Barriers to business activity, trade and investment remain above the EU average and contribute to delays and a less favourable business environment, particularly for licensing and permitting procedures. While efforts are underway to streamline processes through digitalisation, including the introduction of eProcurement services based on the 'once-only principle', structural challenges persist, in particular, the absence of a centralised public procurement service capable of supporting comprehensive data analytics.

Sustained demand is accelerating price growth in Malta's property and rental markets. Residential property transactions reached new highs in 2025 (see Annex 16), continuing a long-term upward trend. This continues to drive nominal property prices, which have risen steadily since 2014 and consistently outpace EU average growth. However, with income growth exceeding these gains, the price-to-income ratio has actually declined, tempering the impact on overall affordability (see Annex 16). Meanwhile, rental prices continue to climb, boosted by high demand from foreign workers and tourists.

Vulnerable groups in Malta face housing-related pressures. While housing challenges affect the population at large, their impact is particularly acute for vulnerable households, including non-EU nationals, children, single-parent families and those at risk of poverty.

Over-crowding and energy poverty remain significant challenges for vulnerable groups. Housing support, delivered by the Housing Authority, covers the provision of social housing, affordability schemes, private rental regulation and property management. Although the government has launched credible initiatives and is expanding the social housing stock, current provisions appear insufficient to meet demand. Coverage and adequacy of housing support remain limited, despite ongoing efforts to strengthen existing schemes (see Annexes 12 and 16).

The green transition is progressing slowly

Malta's uptake of renewable energy sources is progressing slowly. In 2025,

renewables accounted for only 16.7% of Malta's electricity mix, which is considerably below the EU average of 45%. Malta saw a 3% year-on-year increase in renewable energy sources (RES) installed capacity in 2024. Most of this power is derived from solar photovoltaics and water heaters. Further expansions of small-scale RES installations are expected to come from solar energy, which are beneficial in the short term. Plans to develop large floating offshore wind and solar farms are a step in the right direction. However, fossil fuel subsidies are keeping retail energy prices well below the EU average, creating a disincentive to adopt energy-saving measures, invest in renewables, and decarbonise the transport sector.

Rising transport emissions and traffic congestion continue to undermine Malta's economic competitiveness and green transition. The transport sector remains the biggest source of Effort Sharing Regulation emissions in 2024 (48%), which are projected to be well above Malta's target in 2030. While the uptake of zero-emission vehicles has risen significantly above the EU average, these gains are being undermined by low fuel prices, which sustain a heavy reliance on private internal combustion engine vehicles (see Annex 8). Heavy reliance on private car use leads to persistent traffic congestion, diminishing the population's quality of life. Despite the introduction of free public transport, policy measures remain insufficient to discourage private car use in favour of an efficient public transport system facilitating multimodality. Major active mobility infrastructure investments are largely absent (see Annex 18).

Rapid economic growth, coupled with climate-related vulnerabilities, puts significant pressure on Malta's natural resources and infrastructure. High landfill rates and low recycling rates persist in Malta, despite recent reforms and investments in waste management (see Annex 8). Increasing water demand from the tourism sector, domestic and industrial sectors and, agriculture irrigation has left much of the island water stressed. Despite marginal gains in water quality, surface and groundwater quality remains precarious (see Annex 18). Malta is highly vulnerable to extreme weather events, including floods, heatwaves and drought events, even as climate resilience measures begin to improve.

EU funding instruments provide considerable resources to Malta. They support investments and structural reforms to increase competitiveness, environmental sustainability, skills, social fairness and security, while helping to address challenges identified in the CSRs. Key instruments include the Recovery and Resilience Facility (see Box 2) and Cohesion policy funds (see Box 3). In addition, the Common Agricultural Policy (CAP) provides Malta with an EU contribution of EUR 122 million under the CAP strategic plan for 2023-2027 ([1]). A further EUR 144 million are available under the Asylum, Migration and Integration Fund (AMIF), together with the Border Management and Visa Instrument (BMVI) and the Internal Security Fund (ISF). Other EU programmes also support competitiveness in Malta, for instance through open calls under Horizon Europe and the Connecting Europe Facility.

([1]) An overview of Malta's formally approved strategy to implement the EU's common agricultural policy nationally can be found at https://agriculture.ec.europa.eu/cap-my-country/cap-strategic-plans/malta_en

Box 2

Key achievements of the recovery and resilience plan

Malta's recovery and resilience plan (RRP) represents a total budget of **EUR 328 million**, corresponding to **1.60% of GDP**. The aim of the RRP is to support reforms and investments contributing to the green and digital transitions, strengthening economic resilience, and addressing long-standing structural challenges identified in the European Semester.

As of 27 May 2026, **EUR 234 million** (around **71%** of the total allocation) have been disbursed to Malta following the satisfactory fulfilment of **102 milestones and targets**. Implementation has progressed steadily, with a growing number of reforms and investments already fulfilled and delivering real results on the ground.

Highlights and impact of the plan

- **Digitalisation.** Malta's plan improves the digital experience for individuals and businesses by expanding online public services, strengthening government IT resilience and cybersecurity, and promoting digital inclusion through equipping over 1 000 low-income individuals with laptops and internet access.
- **Rule of Law.** The Attorney General's (AG) Office was reinforced under Malta's plan by doubling the number of officers and transferring the decision to prosecute 30 categories of offences from the police force, with more expected to be transferred in the coming year.
- **Waste management:** Malta's plan adopts new construction standards, implements a strategy for construction and demolition waste, and reorganises regional waste collection.
- **Strengthening of the energy distribution network:** Under the REPowerEU component, Malta is investing in four distribution centres, a new 132kV distribution feeder line and more than 15 km of cables to strengthen its electricity distribution network.
- **Grant scheme for the purchase of new electric vehicles:** Over 10 000 grants have been awarded for the private sector to purchase electric vehicles, contributing to the reduction of road transport sector emissions in Malta.
- **Neonatal hearing screening programme.** Close to 90% of babies born in 2023 were screened for hearing problems under Malta's plan.
- **The establishment of a Blood, Tissue and Cell Centre.** Aims to limit Malta's dependency on other countries for the provision of blood, tissue and cell therapies needed in medical interventions, and to support social well-being by offering services locally.
- **Literacy support programme.** At least 1 000 young students have benefited from the Reading Recovery Programme – a literacy support programme to enable children in need to reach age-expected levels in basic reading.

Box 3

Contribution of cohesion policy funds

EU cohesion policy funding supports Malta's efforts to increase competitiveness, environmental sustainability as well as skills and social fairness. In the 2021-2027 programming period, EU cohesion policy funds ([2]) are providing EUR 773 million (amounting to EUR 1 179 million with national co-financing), or 3.3% of 2024 GDP, to Malta. This makes cohesion policy one of the main sources of public investment in the country. The amount of selected projects corresponds to 80.6% of the total allocation as of March 2026, with additional calls in the pipeline.

- **Innovation, business environment and productivity.** Nearly EUR 74 million are allocated for research and innovation, digitalisation and SMEs competitiveness. By the end of 2025, around 190 firms have already seen their projects approved.

- **Decarbonisation, energy affordability and sustainability.** EUR 397 million are earmarked for clean transition projects, with more than EUR 85 million to drinking water and wastewater treatment projects. These projects are expected to provide 68 km of new or upgraded pipes for the distribution systems of public water supply and improve wastewater treatment facilities for 104 000 people. Another EUR 232 million will support energy interconnector and related infrastructure, energy storage solutions, energy efficiency and renewable energy interventions.

- **Skills, quality jobs and social fairness.** With a total European Social Fund (ESF+) budget of EUR 124.4 million, EUR 53.3 million supports education and training. Around 53 000 adult learning opportunities are to be created across nearly 700 SMEs. EUR 27.7 million targets labour market integration of young people and other vulnerable groups through the ALMA initiative, skills development and hiring services. More than EUR 30 million is earmarked for social inclusion, prioritising training and support services for vulnerable groups. EUR 5.5 million is earmarked for fighting child poverty while EUR 4.5 million provides material assistance, with over 12 500 people expected to benefit from food support.

The mid-term review ([3]) boosted the cohesion policy's contribution to emerging strategic priorities, reallocating nearly EUR 86 million. The mid-term review has strengthened Malta's energy transition, through further support to develop the second electricity interconnector with Italy, as well as energy interconnectivity and related supporting infrastructure with the island of Gozo. Additional investments in sustainable and affordable housing are also expected to ensure the delivery of 60 affordable and sustainable homes with improved energy performance. In addition to cohesion policy funding, to mitigate the social impact of climate change, Malta will allocate up to EUR 45 million under the Social Climate Fund for 2026-2032 to help mitigate the social impact of the new emissions trading system (ETS2), supporting vulnerable households and small businesses.

([2]) ERDF, ESF+, CF and JTF.

([3]) The mid-term review is carried out halfway through the 2021-2027 programming period. It is a formal process required under Article 18 of the Common Provisions Regulation that aims to assess the implementation of a programmes and, where necessary, propose adjustments to improve their performance, ensure their relevance in light of new and emerging needs and keep them aligned with other EU policies.

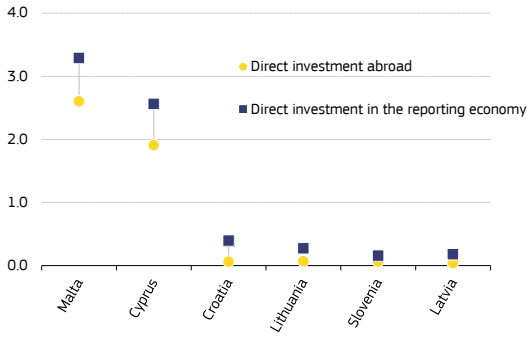
INNOVATION, BUSINESS ENVIRONMENT AND PRODUCTIVITY

In 2025, Malta received country-specific recommendations (CSRs) to address remaining aggressive tax planning risks, including the introduction of a withholding tax on outbound payments or equivalent defensive measures and amendments to the rules governing non-domiciled companies. Malta also received a CSR to promote public and private investment in research and innovation (R&I). On defensive tax measures, further action is needed to address the remaining aggressive tax planning risks that identified, including those related to targeting outbound payments as well as the tax treatment of non-domiciled companies. Limited progress has been observed in promoting research and innovation, particularly through the development of several government initiatives in this area. However, both public and private investments in R&D remain persistently low compared to the EU average, and existing policy instruments supporting private R&D investment appear insufficient to significantly strengthen innovation performance.

Aggressive tax planning risks persist

Addressing aggressive tax planning risks remain the key policy challenge in Malta's tax system, as highlighted in the 2025 CSR. Certain features of the Maltese tax system, including the absence of withholding taxes on outbound interests, royalties and dividend payments, can create opportunities for double non-taxation and profit shifting. Indicators on the inward and outward foreign direct investment (FDI) held through special purpose entities (SPEs) suggest that companies use Malta for aggressive tax planning strategies (see Graph 2.1 and Annex 3). Malta's recovery and resilience plan (RRP) provides for a reform targeting the risks of double non-taxation linked to inbound and outbound payments. However, no legislative measures have been adopted yet.

Graph 2.1: **Outward and inward FDI positions for Malta and comparable EU economies (% EU total)**



Source: 2024 Eurostat

The design of Malta's corporate tax system results in a large gap between statutory and effective corporate tax rates. Malta's refunds scheme can significantly reduce the effective tax burden for companies. Malta has recently introduced the Final Income Tax Without Imputation (FITWI) regime, which could increase the effective corporate tax rate to 15% for companies that choose to opt in. Reducing the current large difference between statutory and effective taxation could promote tax simplification and possibly mitigate potential top-up taxation in other jurisdictions, also increasing the overall fairness of the Maltese tax system.

Malta's tax system relies heavily on corporate taxation while the overall tax revenues remain relatively low. Malta's total tax-to-GDP ratio amounted to 28.9% of GDP in 2024, well below the EU average of

39.4%, with corporate income tax accounting for a large share of revenues (see Annex 3). The tax mix diversification remains limited. Environmental tax revenues are among the lowest in the EU (1.4% of GDP compared with 2.1% in the EU-27). Currently, Malta levies neither recurrent immovable property taxes nor wealth, inheritance, or gift taxes.

The absence of reporting on tax expenditures reduces fiscal transparency and government accountability. Under the EU budgetary framework, EU Member States are expected to regularly report on tax expenditures to boost transparency. Malta remains the only EU Member State that does not publish such reporting (see Annex 3).

Malta's move towards a productivity-driven economy requires better and more targeted R&I support

Boosting R&I is essential to support Malta's transition towards a higher-productivity growth model. Pressures arising from Malta's current economic growth model indicate the need to shift from volume-based growth towards a productivity-driven economy by increasing and re-focusing R&I efforts to higher value-added activities. This also includes improving efficiency in Malta's services sectors, where investment in R&I can support the modernisation of processes. Targeted reforms and investments in high value-added sectors of the Maltese economy could encourage innovation and improve productivity, including through the development of digital platforms, data-driven decision-making and adoption of artificial intelligence (AI). For example, the information and communication sector has emerged as a productivity leader, recording strong productivity gains, partly reflecting the sector's rapid digital transformation and increased technological investment (see Annex 5).

Persistently low investment in R&I continues to constrain Malta's innovation performance. A 2025 CSR called on Malta to promote both public and private investment in R&I. Nevertheless, Malta's overall R&D intensity remains among the lowest in the EU (at 0.54% of GDP in 2024 vs the EU average of 2.24%), reflecting limited investment by both the public and the private sector (see Annex 4). Malta has announced new tax incentives aimed at stimulating private investment in innovation, including a tax deduction of 175% for eligible spending in R&I (see Annex 4). Ensuring that companies can effectively benefit from public support schemes requires a well-functioning innovation ecosystem, including targeted support instruments which may combine both direct support (such as grants and subsidies) and indirect measures (such as tax incentives). It is also important to facilitate the uptake of R&I support that is available through administrative simplification, stronger outreach, better advisory services, and the development of entrepreneurial culture in general.

Low levels of public R&D investment continue to limit Malta's scientific excellence. Public R&D spending remains particularly low, reaching 0.16% of GDP in 2024 compared with an EU average of 0.72% of GDP (see Annex 4). This limits the capacity of research institutions to develop strong scientific capabilities. Malta has taken steps to strengthen the governance of its R&I system, notably through the establishment of Science Malta (*Xjenza Malta*). However, despite the progress made in R&I governance, Malta continues to face a shortage of graduates and professionals in science, technology, engineering, and mathematics (STEM) fields. ([4]) This challenge is amplified by digital and ICT skills shortages, alongside limited investment in digital upskilling. Addressing these shortages will be important to support Malta's ambitions in the digital sector and strengthen the country's scientific excellence.

Business investment in R&I remains limited, impacting innovation output and technology diffusion. Private investment in

([4]) OECD's results from TALIS 2024 report training needs for Maltese teachers remain high in the use of digital technologies and AI.

R&D remains well below the EU average and remains stable, reaching 0.38% of GDP in 2024 against the EU average of 1.49%. Rapidly expanding sectors such as semiconductors show potential for growth, supported notably by public investment in a Competence Centre for Semiconductors and broader initiatives aimed at accelerating the adoption of AI by Maltese companies. Boosting better cooperation between academia and businesses would contribute to encouraging stronger private sector innovation efforts (see Annex 18).

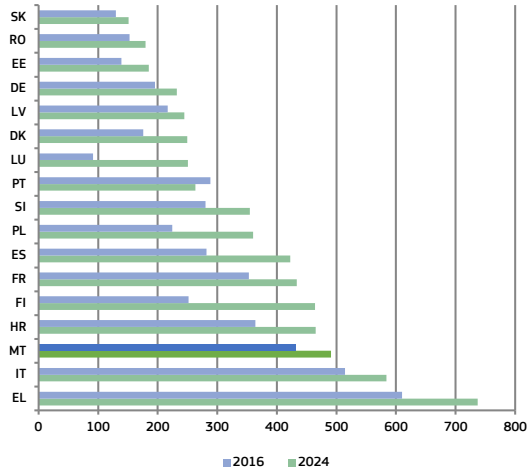
Limited access to financing holds back innovative businesses' scale-up

Access to external financing for businesses remains limited in Malta, particularly for small innovative businesses. Maltese businesses make less use of external funding compared with their EU peers, reflecting a landscape dominated by SMEs and microenterprises that tend to rely more on internal funds. External funding is often more costly and less accessible for smaller businesses, which can constrain their investment capacity and growth potential. This is particularly the case for small businesses, which often have limited collateral and face difficulties accessing credit in a financial system that is predominantly bank-based (see Annex 6). The Malta Development Bank (MDB) aims to address financing gaps for Maltese businesses through several financing instruments. However, additional challenges related to timing and administrative processes continue to affect businesses when seeking alternative sources of financing.

Venture capital and private equity ecosystem remains underdeveloped, limiting the access to capital for innovative and high-growth businesses. Between 2022 and 2024, venture capital investments averaged around 0.005% of GDP while private equity investments averaged 0.008% (see Annex 6). Public initiatives aim to support the development of the ecosystem, including funding schemes provided by Malta Enterprise and Malta Venture Capital Fund. However, the initial EUR 10 million funding budget of the Malta Venture Capital Fund was not fully used in 2025, raising questions over the limited uptake of the schemes designed to support Maltese start-ups ([5]).

Delays in judicial proceedings continue to affect the efficiency of Malta's justice system

Graph 2.2: **Estimated days needed to resolve civil and commercial cases at first instance in EU Member States between 2016 and 2024**



Source: 2026 EU Justice Scoreboard, forthcoming

Concerns persist over the efficiency of Malta's justice system. The time required to reach judicial decisions in civil and commercial cases remains one of the highest compared with other EU Member States (see Graph 2.2). From 2016 to 2024, the average duration of litigious civil and commercial cases increased from 432 to 491 days. In addition to lengthy proceedings, structural limits continue to affect its efficiency. Notably, the judiciary faces limits on resources, including a low number of judges per head (third lowest in the EU) and a high caseload per judge for civil,

([5]) According to MDB, financing gaps for start-ups are primarily related to limited availability of private equity and venture capital rather than loan financing.

commercial, and administrative cases, ([6]) as well as shortages of court staff and limited court premises. On top of increased resources, reforms to expedite court procedures could also help reduce delays. Malta's legal system could also benefit from promoting alternative dispute resolution, such as mediation and arbitration, to alleviate the burden on the judiciary (see Annex 7). The length of court proceedings has a negative impact on Malta's business environment([7]).

Malta has taken some steps to improve the functioning of the justice system, including through digitalisation and institutional reforms. However, the impact of these reforms and investments remains to be demonstrated. The country performs well in the availability of digital tools to monitor civil and commercial proceedings and in providing online access to published judgments. However, challenges remain in other aspects of digital justice, such as producing machine-readable judicial decisions. Though delayed, the implementation of Malta's national digital justice strategy for 2022-2027, partly funded by the Recovery and Resilience Facility (RRF), aims to address many of these shortcomings. At the same time, institutional reforms under the RRP aim to address certain inefficiencies in the justice system, including boosting the role and capacity of Malta's prosecution service.

Further efforts may be needed to strengthen the independence of the justice system. While the procedure for the nomination of the Chief Justice has been improved under the RRP to require a two-third majority vote of the national parliament, difficulties experienced in the appointment of a candidate for the post highlights the need for further reforms to involve the judiciary more directly in this decision. Reforms to increase the independence of specialised tribunals will be closely monitored under the RRP later this year.

([6]) In 2023, Malta recorded 2 500 first-instance non-criminal cases and 9.1 judges per 100 000 inhabitants, according to the 2025 EU Justice Scoreboard (Figures 1 and 37), corresponding to an estimated 275 non-criminal cases per judge.

([7]) IMF Malta Staff Report, pages 19-20 (2026); IMF 'The Role of the Justice System in Debt Enforcement and Insolvency, Malta', pages 4-5 (2026); Chemin, M, "Judicial efficiency and firm productivity: Evidence from a world database of judicial reforms", Review of Economics and Statistics, 102(1), pages 49–64 (2020); Palumbo, G. et al, "Judicial Performance and its Determinants: A Cross-Country Perspective", OECD Economic Policy Papers, No. 5 (2013).

Regulatory and administrative burdens continue to affect Malta's business environment

Maltese businesses continue to face a relatively high administrative and regulatory burden, which affects the business environment. Indicators suggest that regulatory barriers remain above the EU average (see Annex 5). In particular, Malta ranks among the weakest performers in the EU for the subcomponents related to administrative and regulatory burdens for businesses and barriers to trade and investment. Obtaining licences and permits remains a significant obstacle for businesses, creating delays and increasing compliance costs for businesses operating in Malta. Survey data also points to broader concerns related to lack of good governance and perceived levels of corruption as key issues affecting the business environment ([8]).

Efforts are being made to streamline administrative procedures and reduce regulatory barriers, notably through digitalisation initiatives. The Maltese authorities are developing a Business Portal, a single digital gateway for businesses based on the 'once-only' principle for streamlined government interactions. Also, Malta's centralised eProcurement service provides businesses with a single point of access to all national public procurement processes. However, structural challenges remain as Malta currently lacks a dedicated service for public procurement that can serve as a centralised source for government data

([8]) SME Barometer (Malta Chamber of SMEs, Business Performance Survey 2025, page 23).

analytics (see Annexes 5 and 7). Besides strengthening internal controls and improving tender regulations, additional integrity measures for politicians and officials, including publicly available asset declarations, and comprehensive lobbying legislation, including disclosure requirements, would be key to ensure fair and transparent public procurement supporting a predictable environment for investments (see Annex 7).

DECARBONISATION, ENERGY AFFORDABILITY AND SUSTAINABILITY

In 2025, Malta received country-specific recommendations (CSRs) to phase out fossil fuel subsidies, accelerate the deployment of renewable energy, improve energy efficiency in buildings, reduce emissions from road transport and address traffic congestion. Malta has taken no steps to phase out fossil fuel subsidies. There are plans in the right direction to increase the uptake of renewables, including floating offshore wind energy, and measures are being implemented to improve buildings' energy efficiency, but meeting EU-level targets calls for further action. With only limited improvements in the efficiency of public transport and investments in active mobility, emissions from road transport continue to rise. The number of passenger cars hit a record high in 2025.

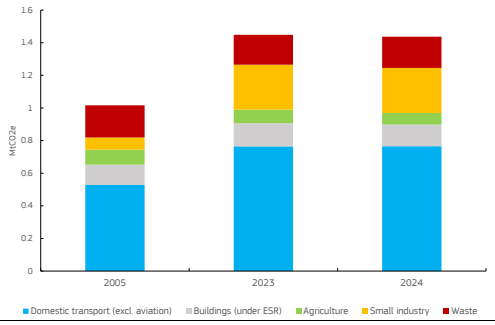
Phasing out fossil fuel subsidies to promote decarbonisation

Without any phasing out plan in place, fossil fuel subsidies continue to discourage the uptake of renewables, investment in energy efficiency and the electrification of transport. In 2025, Malta received recommendations to phase out fossil fuel subsidies and to wind down emergency energy support measures. No progress has been made in addressing these CSRs. In 2024, fossil fuel subsidies accounted for 1% of Malta's GDP, well above the EU average (see Annex 9). Keeping the retail price of energy generated by non-renewable sources low discourages people and businesses from investing in renewable energy systems, adopting more energy-efficient behaviours and electrifying the vehicles' fleet, while at the same time creating significant fiscal risks. Subsidies and measures that do not address energy poverty in a targeted way, do not respond to genuine energy security concerns, hinder electrification and are not crucial for industrial competitiveness should be considered for priority phase out.

Excessive car use stifles efficient public transport and increases emissions

Transport continues to be the most polluting sector in Malta, and its share in total emissions is significantly higher than the EU average. In terms of Malta's effort sharing emissions, transport had a share of 48% in 2024, with emissions up by 45% since 2005 (see Graph 3.1 and Annex 8). One factor contributing to this is the high proportion of old vehicles circulating on Maltese roads, with 20-year-old cars making up more than a quarter of the fleet.

Graph 3.1: **Greenhouse gas emissions in the effort sharing sectors, 2005, 2023, and 2024**



Source: European Environment Agency.

Traffic congestion continues to be a severe problem in Malta. In this regard, the 2025 CSR to reduce emissions from road transport and address traffic congestion has not been addressed in a meaningful way. The economic cost of traffic congestion is

substantial. Passenger cars still account for 82% of passenger transport in Malta (see Annex 8). The economic cost of traffic congestion ([9]) is projected to reach EUR 917 million per year by 2030, up from EUR 770 million in 2025, unless effective measures are put in place ([10]) (see Annexes 4 and 8). Malta has made some progress in decarbonising its vehicle fleet. Support schemes have driven a sharp increase in zero-emission vehicle (ZEV) uptake. In 2024, 37.7% of new passenger car registrations were ZEVs. However, the overall vehicle fleet continues to grow at a net average rate of 35 motor vehicles per day ([11]).

The quality of public transport could be improved, together with more effective measures to discourage private car use. In 2024, 58% of people in Malta reported not using any public transport - the eighth highest share among EU countries - despite Malta having made its bus service effectively free in October 2022 for Tallinja card holders (see Annex 8). Moreover, policy actions have only provided limited disincentives for private car use. Measures such as higher fuel duties, reduced access to congested areas, reduced parking, or on-street parking charges are in the most part missing. While public transport has benefited from fleet modernisation and digitisation, challenges remain in reliability, journey times, user perception, as well as in the absence of dedicated bus lanes with strict enforcement (see Annex 18). There is potential for greater use of passenger ferries on certain routes, which should be supported by closer coordination of ferry and bus timetables.

Active mobility is often unsafe or inconvenient, with walking and cycling routes largely absent. Initiatives in this area, such as Connections for Safer Active Mobility, and the National Strategy for Cyclists, have so far had a limited impact (see Annex 8). More systemic change is needed to make active mobility a viable alternative, and to bring the associated quality of life improvements. The recently launched National Transport Master Plan 2030 sets out some proposals in this regard (see Annex 8).

([9]) Driven by longer journey times for passengers and freight, higher vehicle operating costs (fuel, maintenance, drivers), and related impacts.

([10]) National Transport Master Plan 2030: https://infrastructure.gov.mt/wp-content/uploads/2026/01/NATIONAL-TRANSPORT-MASTERPLAN-2030.pdf

([11]) NSO Malta 2026. Motor Vehicles: Q4/2025: https://nso.gov.mt/motor-vehicles-q4-2025/.

Promoting renewables and increasing energy efficiency gains to reach climate goals and ensure security of supply

The uptake of renewable energy sources in Malta remains one of the lowest in the EU, but plans are moving in the right direction. In 2025, Malta received a CSR to accelerate the deployment of renewable energy. Positive steps have been taken but progress remains slow. In 2024, the share of renewable energy sources (RES) in gross final energy consumption was 17.2%, (below the EU average of 25.2%) while in 2025 the share of RES in the electricity mix was 16.7% (compared with 45% in the EU). The government announced that a new floating offshore wind farm with a generation capacity of 280 to 320 MW should be operational by 2033 and that it is assessing the technology readiness to develop a floating solar farm with a 50 MW capacity. If successfully implemented, these strategically important projects could more than double installed RES capacity (see Annex 9). Malta also has some schemes in place to support the uptake of photovoltaic systems and of solar water heaters, and under its RRP has introduced new requirements for renewable energy generation in buildings (see Annex 9). Beyond this, the second 225 MW electricity sub-sea link with Italy (to be commissioned in 2026 and supported under cohesion policy funds) should allow for further integration of renewables and is also an important step to ensure security of supply. Investments in grid flexibility (like promoting energy sharing) could further support Malta in the uptake of renewables and in ensuring security of supply (see Annex 9).

Energy consumption is rising, highlighting the need for increased energy efficiency gains. Final energy consumption has risen further between 2023 and 2024, adding to a growing trend in most sectors since 2019 (see Annex 9)**.** In 2025, Malta received a CSR to reduce energy demand by improving energy efficiency in buildings, where the increase was most pronounced in recent years, fuelled by population growth and an increase in the number of dwellings ([12]) (see Annex 9). Since then, Malta has introduced a 'Renovate your Home' scheme to support energy efficiency renovations, and a 'Buy Sustainable Property' scheme. Both are a step in the right direction but the former covers too few dwellings to have a meaningful impact, while the latter has no expected impact in making the existent building stock more energy efficient (see Annex 9). The upcoming Social Climate Plan, currently under discussion, represents an opportunity to retrofit the social housing stock and reduce the energy bill for vulnerable groups. Shifting from fossil fuel subsidies to providing further support to households and businesses to make the building stock more energy efficient would also be beneficial and lower energy costs for the broader population.

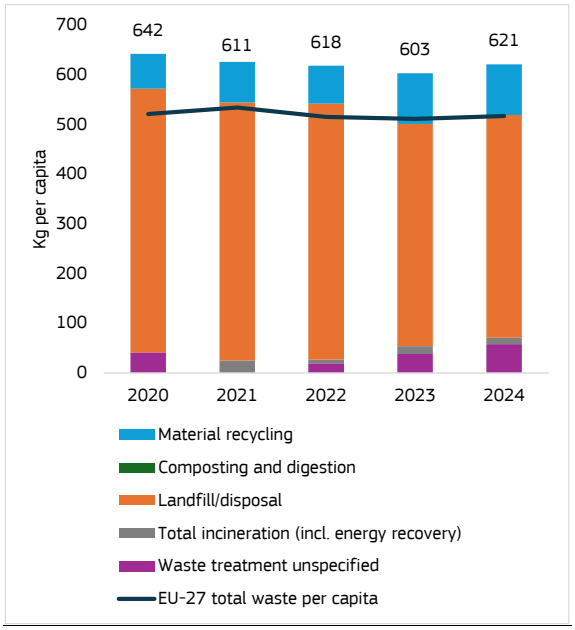
Adopting circular practices and improving waste management

Malta continues to show persistent weaknesses in waste reduction and is falling short of recycling targets. Malta generates large amounts of waste. In 2024, municipal waste generation stood at 621 kg per capita, one of the highest levels in the EU and significantly above the EU average of 517 kg per capita (see Graph 3.2 and Annex 8). In addition, the recycling rate of municipal waste remains low at 16.7% in 2024. This is far below the EU average of 48% (see Annex 8). Malta is also on course to miss the 2025 target to prepare 55% of its municipal solid waste for reuse and recycling (see Annex 8).

([12]) NSO Malta 2026. Residential Building Permits: Q4 2025: https://nso.gov.mt/residential-building-permits-q4-2025/.

As part of Malta's Recovery and Resilience Plan, (RRP) several key reforms have been enacted to boost recycling rates. These include the adoption of new construction standards, the implementation of a strategy for construction and demolition waste, and the reorganisation of regional waste collection systems. Additionally, the 2021–2030 Long-Term Waste Management Plan has introduced further measures such as the "Bring Your Own Container" initiative, aimed at promoting reuse and recycling, along with the expansion of reuse infrastructure (see Annex 8). While these measures illustrate progress, their impact remains limited. Stricter enforcement of the regulatory framework and better compliance with its obligations would achieve a sustainable increase in recycling rates.

Graph 3.2: **Municipal waste treatment**



Source: Eurostat

Despite significant infrastructural investments to improve the circular economy, Malta remains heavily reliant on landfill. Since 2023, Malta constructed with the support of cohesion policy funds the Material and Multi-Material Recovery Facility and introduced an automated glass sorting line (see Annex 8). Still, the municipal waste landfill rate recorded only a marginal drop in the last decade and is still high at 74% in 2023 compared with an EU average of 22%, while the incineration rate remains low at 3% (see Annex 8). To achieve the target municipal

waste landfill rate of 10% by 2035, Malta would benefit from accelerating its current investment plans. These include the construction of a waste-to-energy facility, an organic waste processing plant, and a skip management facility.

Climate risks are undermining natural resource resilience

Malta continues to face significant challenges linked to climate risks, which negatively affect the country's society and economy. As one of the EU Member States most exposed to climate risks, such as heatwaves, droughts and floods, it falls within two of the three regions identified as hotspots for such risks – Southern Europe and low-lying coastal regions (see Annex 10). In this context, Malta has made progress in improving its climate adaptation strategy and policy. The low carbon development strategy (LCDS), which updates Malta's adaptation strategy, covers various sector-specific measures in water management, infrastructure and transport, land use and buildings, agriculture and fisheries. In addition, Malta concluded a vulnerability risk assessment and is now preparing a National Plan for Climate Resilience. It has also adopted the second cycle of flood risk management plans for 2021-2027. While Malta has advanced its adaptation policies, there remains a measurable gap between current implementation and long-term resilience goals. In particular, Malta's transport infrastructure remains highly vulnerable to climate-related risks. Its TEN-T network vulnerability index is among the highest in the EU (see Annex 10). Moreover, with insurance penetration below 50% for all key perils (see Annex 10), and fiscal instruments largely underused, the existing framework has yet to fully leverage available mechanisms for climate adaptation.

Malta faces structural water scarcity. Rising temperatures and prolonged droughts, interrupted by fewer but intense rainstorms, negatively impact the natural water cycle and weaken the availability of natural fresh water. While water productivity is above the EU average (see Annex 10), Malta faces growing water scarcity, due to high demand from the agriculture and tourism sectors, especially during the summer months. This is evidenced by the Seasonal Water Exploitation Index + (WEI+), which reached 66.7% in Q3 of 2023, second highest among EU Member States and much higher than the 20% generally considered as a sign of scarcity ([13]).

While some actions have been taken, there is room for further measures to expand the collection and reuse of water. High-density construction and urban sprawl reduce rainwater infiltration in the ground, and cause stormwater runoff (see Annex 10). Malta has made efforts to strengthen water resilience, including the upgrade of galleries to prevent saline infiltration and improved groundwater abstraction controls. However, room for further policy action include (i) improvement in wastewater treatment and reuse; (ii) further investments in rainwater harvesting; and (iii) integration of nature-based solutions in urban environments to reduce flood risks and improve groundwater recharge (see Annexes 8 and 10).

Nature degradation remains an environmental and economic concern. Malta's economy is closely linked to its natural capital, as it is among the EU Member States with the highest dependency on ecosystem services. An estimated 50% of the gross added value relies directly on ecosystem services, above the EU average of 44%. This dependency is pronounced in the tourism, agriculture, fisheries, construction and water utilities sectors (see Annex 10). Construction places additional pressure on soil and water quality and, if not well regulated, could contribute to further deterioration of natural habitats and ecosystems. Additionally, illegal hunting and trapping of protected species remain a serious threat to wildlife in Malta (see Annex 10).

([13]) European Environmental Agency 2025. Water scarcity conditions in Europe: https://www.eea.europa.eu/en/analysis/indicators/use-of-freshwater-resources-in-europe-1.

SKILLS, QUALITY JOBS AND SOCIAL FAIRNESS

Despite progress, Malta still has scope to further address its country-specific recommendation (CSR) on education and training. Malta received a 2025 CSR to strengthen the quality and labour-market relevance of education and training. The aim is to address low educational outcomes and the severe shortage and mismatch of skills, also in science, technology, engineering and mathematics (STEM) and the green transition. This could be achieved by improving both the basic skills of students and the initial and continuous training of teachers, promoting enrolment in vocational education and training (VET), and in adult learning for people with low-level skills. The 2025 CSR also recommended that Malta strengthen the inclusiveness of education and training. Since then, some measures have been implemented in all areas but there is still room for improvement in all of them, in particular on the inclusiveness of education and training (see Annex 13).

Skills shortages and specific social gaps could put the labour market's strong performance at risk. Malta records one of the highest employment rates in the EU, but is still affected by skills mismatches and shortages. The skills supplied by the Maltese education and training system do not keep up with the growth and structure of labour-market demand. Fragmented skills governance and forecasting capacity, along with adults' low participation in learning, especially amongst people with low-level skills, make it harder to adapt to evolving skills needs. Appropriately skilling the labour force of the future is hindered by weak basic skills, also as a result of teacher shortages and inequalities starting already in early childhood education and care. Finally, job quality is also an ongoing challenge, in particular for low skilled, third-country nationals (TCNs) and in some sectors. Despite narrowing, gender and disability employment gaps persist.

Human capital development needs further progress

Teacher shortages contribute to weak basic skills and undermine early skills development. Malta received a 2025 CSR to strengthen the quality of education and training, in particular by improving students' basic skills and strengthening the initial and continuous training of teachers. Some steps have been taken, yet their implementation remains partial. Malta has continued implementing the National Education Strategy 2024-2030 and related initiatives, including a peer learning cluster on basic skills, and targeted literacy and early-learning interventions. The introduction of a Secondary School Qualification and Profile framework (SSQ&P) integrated continuous assessment, broadened the skill offer and strengthened the connection between compulsory and post-secondary educational pathways ([14]). A sectorial agreement concluded in 2024 improved teachers' salaries, career progression and working conditions, while continuous professional development has been expanded, including training in inclusive teaching methods, digital skills and emerging technologies ([15]). Despite these efforts, evidence continues to point to persistently low basic and digital skills among students and recurrent shortages of qualified teachers, particularly in science-related subjects. Weaknesses in teacher supply, professional development and support for increasingly diverse classrooms risks limiting the

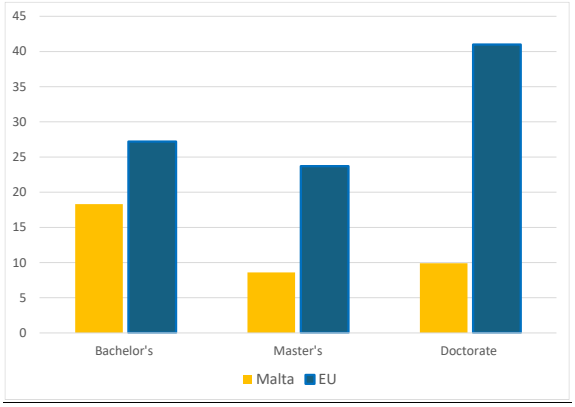
([14]) European Commission (2025). *Education and Training Monitor 2025: Malta*.

([15]) European Commission (forthcoming), Directorate-General for Education, Youth, Sport and Culture. *The* teaching profession in the EU: a comparative analysis building upon the TALIS 2024 results. Country profiles – Malta

effectiveness of ongoing reforms and the capacity of the education system to improve learning outcomes.

Weak vocational STEM pathways and uneven adult learning participation contribute to persistent skills mismatches. In the 2025 CSR, Malta was invited to strengthen the labour-market relevance of education and training, also in STEM and the green transition by promoting VET and adult learning for the people with low-level skills. STEM graduates represent only 13.8% of all post-secondary graduates, significantly below the EU average of 25.2%. This share is expected to drop further given that Malta had the lowest share of post-secondary students enrolled in STEM fields in the EU in 2023. Malta has taken several steps in this direction, including the implementation of the Digital Education Strategy 2025-2030, initiatives to strengthen STEM and digital competences, and actions to boost the role of the National Skills Council in identifying emerging skills needs. Measures have also been introduced to promote vocational pathways, including through new applied vocational certificates, expanded cooperation between education providers and industry, and initiatives supporting adult upskilling and reskilling under the National Lifelong Learning Strategy. Yet, work-based learning in VET remains limited as well as enrolment in STEM-related VET programmes, particularly among women. Participation of adults in learning is uneven, with significantly lower engagement among adults with low-level skills (16.3%) compared with the overall adult population (39.9%). These trends reflect the supply constraints of vocational and STEM-related skills, contributing to labour shortages in technical and digital occupations. The percentage of ICT specialists has stagnated throughout the last four years. ICT job vacancies reached 4.6%% in Q4-2025 while women's participation in ICT careers remained the second lowest in the EU. At the same time, persistent overqualification further weighs on productivity growth (see Annex 13).

Graph 4.1: **The share of students enrolled in tertiary STEM education, by level (%, 2024)**



Source: Eurostat [educ_uoe_entr03]

The limited inclusiveness of education and training hinders the potential of people in vulnerable situations. The 2025 CSR also called on Malta to boost inclusiveness in education and training. However, only limited progress has been observed so far. Malta has implemented several measures to support this objective, including the Early Leaving from Education and Training Strategy, targeted literacy initiatives and additional support for students at risk of dropping out. Efforts have also been made to improve the inclusion of students with disabilities in mainstream schools through expanded support services, recovery and resilience plan (RRP)-backed measures in inclusive learning environments and strengthened teacher training on diversity and special educational needs. Persistent gaps in learning and employment outcomes linked to socio-economic background and school type suggest that significant fairness challenges remain. Early school leaving remains particularly high among young people with disabilities, reaching 36.6% in 2024 (EU: 24.6%), while 45.2% were not in employment, education or training.

Strategic weaknesses in skills intelligence remain a barrier to reducing skills mismatches. In the 2025 CSR, Malta was invited to address the severe shortages and mismatch of skills. However, structural challenges remain. Initiatives were developed to assess and anticipate skills needs, including labour force and employer surveys and analyses of graduate outcomes. Yet, the

system remains fragmented and largely ad hoc, with limited sectoral analysis and limited integration across existing institutionalised mechanisms to regularly update and integrate skills intelligence (see Annex 13). Enhanced labour demand anticipation and skills intelligence tools and governance are still lacking. Due to this, skills governance and intelligence still cannot sufficiently contribute to tackling skills mismatches and labour shortages.

Quality of jobs is a key challenge

Third-country nationals continue to face multiple challenges affecting the quality of jobs. Labour migration is one of the main drivers of the recent demographic expansion of the country. Several sectors increasingly rely on TCN workers, such as healthcare. However, TCN workers in low-skilled jobs often face weaker labour conditions and low job quality in multiple dimensions: long working hours, higher turnover, restricted career progression prospects, limited rights in case of job loss and worse health and safety workplace conditions (see Annex 11). In-work poverty is also disproportionally impacting TCNs (17.3% vs 5.4% of native-born population). The introduction of the Labour Migration Policy in 2025 and the mandatory Skill Pass aim to tackle this segmentation of the labour market. However, their impact is yet to be assessed. The recently published Malta Vision 2050 aims to shift the country's growth model towards higher productivity and value creation, reducing reliance on volume-driven expansion and focusing instead on innovation, skills and higher-value economic activities. The transition towards a higher productivity economy could contribute to improved wages and work conditions, but it is also contingent on Malta's ability to attract and retain high skilled labour and making more effective use of existing skilled TCNs.

Uneven job quality hinders the retention of workers. The share of low-paid jobs has increased, with over 10% of workers remaining in low-paid jobs for the last four years, disproportionally affecting women and TCNs. Malta also records a relatively high share of atypical working hours. In-work poverty among single households is the highest in the EU. Labour inspection capacity increased but remains below International Labour Organization (ILO) standards and sanctions for breaches are still relatively low. High labour turnover, particularly among foreign workers (both TCNs and EU nationals), and in some sectors like healthcare, reflect limited job attractiveness (see Annex 11). Malta faces one of the highest job vacancy rates in the EU (3.3% vs EU: 2.1% in Q4-2025), with some sectors, such as services, construction, or ICT, particularly hit. Addressing quality job concerns and further boosting labour inspections could have a positive impact on labour turnover and high vacancy rates.

There is further scope for strengthening collective bargaining. In 2022, collective bargaining coverage was low at 31.0%, mostly taking place in the public sector. In the private sector, agreements were usually made at the company-level and typically covered only workers represented by unions. Trade union density was 36.5% in 2023, with low union membership among foreign workers. Inadequate resources for capacity building and training for social partners is a barrier to full and meaningful involvement of social partners, which Malta aims to address soon. Bipartite social dialogue faces challenges due to fragmented representation and poor inclusion of non-standard workers (see Annex 11). Malta could further promote a higher level of coverage of collective bargaining, enable effective collective bargaining at all levels, and further strengthen the capacities of social partners to represent all workers, including third-country nationals and those with non-standard contracts.

Despite improvements, wide employment gaps point to persistent challenges in equal opportunities. Despite a gradual downward trend over time and women's employment rate being above EU average, the gender employment gap remains one of the widest in the EU (12.4 pps vs EU: 9.6 pps), especially impacting older women (55-64). This is further reflected in a very high gender

pension gap (36.6% vs EU: 23.9%). The disability employment gap has increased in 2025 and is now further above the EU average, showing persistent barriers to the integration of persons with disabilities in the labour market. Closing these gaps through targeted policies could enable Malta to exploit its existing potential.

Promoting equal opportunities

Social outcomes showed improvements in Malta. The overall poverty rates remained stable, and severe material and social deprivation and income inequalities decreased. Nonetheless, in-work poverty remains on an increasing trend. Some groups remain particularly vulnerable, including third-country nationals, people with low-level education, persons with disabilities, and older people, especially women. In this context, energy poverty slightly decreased but disproportionately affects those at risk of poverty, despite being below EU levels. Malta adopted a National Poverty Strategy in 2025, whose impact is yet to be seen (see Annex 12).

While child poverty decreased, inequalities persist in access to early childhood education and care (ECEC). Nevertheless, some groups are more at risk, including single-parent households, and children whose parents have low-education levels. In this context, while participation of children under three in early childhood education and care (ECEC) increased in recent years, there is a wide gap related to poverty risk in participation. While 48.2% of children not at risk of poverty or social exclusion (AROPE) participated in more than 25 hours per week in ECEC, only 24.9% of those AROPE did. ECEC is still not universal, mainly accessible to parents in employment or education and relies partially on private and church provision. However, recent provisions expanded to some groups of unemployed parents. Concerns also remain over the quality of ECEC as more than one fifth of childcare staff lack relevant pedagogical qualifications, which may limit its potential to support early skills development and improve children's life chances, particularly for disadvantaged groups. Malta has published the Social Plan for the Family 2025-2030 and the Children's Policy Framework 2024-2030, which includes measures to support families in vulnerable situations. The country is also advancing in the implementation of the European Child Guarantee, also via ESF+ funding.

Despite a comprehensive system, gaps in the social protection system remain. The country offers a broad range of monetary and in-kind benefits. Nonetheless, in 2025, social transfers only managed to reduce the monetary poverty rate by 24.9%, significantly below the EU average of 33.2%. The impact of benefits remains limited due to limited coverage, insufficient adequacy, and other structural barriers such as, in some cases, restricted access and short durations. In this context, social protection expenditure remains below the EU average and is unevenly distributed. While Malta reports one of the lowest and decreasing levels of unmet needs for medical care in the EU, out-of-pocket healthcare payments are high in the context of population ageing and the prevalence of health risk factors.

KEY FINDINGS

In areas **covered by the existing country-specific recommendations (CSRs)**, Malta would benefit from:

- **improving fairness in corporate taxation** by curbing the scope for aggressive tax planning;
- **strengthening research and innovation (R&I)** by increasing public research and development (R&D) investment, encouraging its uptake, and stimulating private R&D investment to promote productivity through innovative products and processes;
- **phasing out fossil fuel subsidies**, which discourage investments in renewables, energy efficiency and electrification of transport;
- **tackling the growing costs of traffic congestion and rising transport emissions** by discouraging car use, improving the efficiency of public transport, facilitating multimodality and investing in active mobility infrastructure; and strengthening the climate resilience of transport infrastructure;
- **promoting the uptake of renewables**, including by advancing with the planned investment in offshore floating wind to enhance economic security;
- **improving energy efficiency gains** by curbing energy consumption in buildings;
- **promoting human capital development by boosting basic and STEM skills and addressing skills shortages and mismatches** by fostering the quality, inclusiveness and labour market relevance of education and training, including VET and adult learning for people with low-level skills.

In **other areas**, Malta would benefit from:

- **promoting the supplementary pension sector** through occupational pension schemes;
- **reducing administrative and regulatory complexity** to improve the business environment;
- **strengthening the efficiency of the justice system**, notably by addressing the length of proceedings and the backlog of cases;
- **stepping up waste management** by promoting recycling and circular economy practices as well as reducing reliance on landfill;
- **improving water management and quality** by expanding collection and reuse of water while tackling pollution of surface water and groundwater;
- **developing, attracting and retaining high-skilled labour**, including through skills intelligence tools;
- **addressing job quality concerns in low-skill jobs,** including for non-EU nationals, notably through strengthened labour inspections and social dialogue;
- **strengthening equal labour market participation**, particularly for women and for people with disabilities;

- **promoting equal opportunities** by improving access to and the quality of early childhood education and care (ECEC);

- **tackling poverty risks for vulnerable groups**, including children, non-EU nationals, people with disabilities and older people by promoting equal opportunities and addressing specific coverage and adequacy gaps in the social protection system.

ANNEXES

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ANNEX 1: CSR IMPLEMENTATION

Table A1.1:

Malta faces challenges in a wide range of policy areas, as identified in the country-specific recommendations (CSRs). Malta was recommended, among other things, to address remaining aggressive tax planning risks, promote public and private investment in research and innovation, phase out fossil fuel subsidies, accelerate the deployment of renewable energy, improve energy efficiency in buildings, reduce emissions from road transport and address traffic congestion, strengthen the quality, inclusiveness and labour-market relevance of education and training, address low educational outcomes and the severe shortage and mismatch of skills.

The Commission has assessed the degree of implementation of the 2025 CSRs considering the policy action taken by Malta to date*. To do so, the Commission has taken into account the information provided by Malta in its Annual Progress Report as well as other information sources. This annex provides summary information on the policy actions taken or planned by Malta for each CSR. More detailed information on these actions is included in the relevant chapters and other annexes of the report.

**CSR 2 is not assessed in CeSaR. RRP implementation is monitored through the assessment of RRP payment requests and analysis of the bi-annual reporting on the achievement of the milestones and targets, to be reflected in the country reports. Progress with the cohesion policy is monitored in the context of the Cohesion Policy of the European Union.*

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessm. of progress**
1.1 Reinforce overall defence and security spending and readiness while ensuring debt sustainability in line with the European Council conclusions of 6 March 2025.	Total general government defence expenditure in 2026 is projected at 0.6% of GDP, corresponding to an increase of 0.1 ppt. compared to 2024.	Total general government defence expenditure in 2027 is projected at 0.6% of GDP, corresponding to an increase of 0.1 ppt. compared to 2024.	Limited progress
1.2 Adhere to the maximum growth rates of net expenditure recommended by the Council on 21 January 2025, with a view to bringing an end to the situation of an excessive deficit.	Annual and cumulated deviations in 2025 amounted to -0.1% of GDP and 2.3% of GDP, respectively. Annual and cumulated deviations in 2026 projected at 0.1% of GDP and 2.2% of GDP, respectively. The Commission has proposed to abrogate the EDP.		Substantial progress
1.3 Wind down the emergency energy support measures.	No plans to wind down the emergency energy support measures. Since the start of the Middle East escalation, government has reaffirmed its commitment to maintaining stable energy prices for households and businesses and provide “unlimited energy subsidies” despite ongoing international uncertainty.	No plans to wind down the emergency energy support measures.	No progress
1.4 To address remaining aggressive tax planning risks, introduce a withholding tax on outbound payments or equivalent defensive measures, and amend rules on non-domiciled companies.	No progress made on the introduction of a withholding tax (or equivalent defensive measures) on outbound payments. No plans to change the rules on non-domiciled companies.	No measures announced by the authorities to address the CSR on ATP risks.	No progress
3.1 Promote investment in research and innovation,	Main measures fall under National R&I Strategic Plan 2023-2027. Implemented at this stage: - EUR 4 mn awarded via "Thematic Program Calls"; - Horizon Europe brought over EUR 9 mn in EU funding.	- Launch of Innovation for Industry programme; - Launch of EIT Regional Innovation Booster (by Q1 2026); - IPCEIs on semiconductors and heterogenous manufacturing.	Limited progress

(Continued on the next page)

Table (continued)

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessm. of progress**
3.2 including by increasing public R&D investment and stimulating private R&D investment, for example through R&D tax incentives.	- EUR 10 million of funding to be provided via Malta Venture Capital Fund; - Malta Enterprise assisted 7 beneficiaries for R&D, amounting to a total of EUR 2.7 million via tax credits and cash grants.	- Increasing budget of FUSION Research and Innovation Programme by 10% in 2026; - EUR 8mn investment in MT's Semiconductor Competence Centre; - Announcement of 175% tax reduction eligible expenditure in R&I; - 60% tax credit on eligible capital expenditures and 2-year tax reduction for tech and innovation investments.	Limited progress
4.1 Accelerate the deployment of renewable energy by promoting large-scale projects and small-scale investments in direct energy production and consumption.	- REWS grant scheme to support the installation of solar water heaters, heat pumps with water heaters and PVs with boilers (launched in December 2025); - REWS feed-in-tariff scheme for PV installations with capacity of 40kWp or lower (launched in January 2026).	- Commissioning of IC2 second Malta-Sicily interconnector (Q4 2026/Q1 2027); - Two utility-scale Battery Energy Storage Systems in Delimara and Marsa (ERDF funding) - in the tendering phase; - Offshore floating wind farm (280-320 MW capacity) - fully operational in 2033. - Offshore floating solar farm (50 MW capacity) - in the incipient phase, no clear timeline of completion.	Limited progress
4.2 Reduce energy demand through improved energy efficiency in buildings.	-The five-year Irrinova Derek ('Renovate your Home') grant scheme, providing a grant of up to EUR 15,000 to homeowners for EE renovations (new call for applications published in January 2026); -The Buy Sustainable Property grant scheme, providing a grant of up to EUR 9,000 to those who buy newly built, energy efficient properties (launched in May 2025).	- Re-allocated EUR 9.5 mn during the mid-term review of the 2021-2027 ERDF/CF/ESF+/NDICI/IPA programme for the delivery of energy-efficient dwellings (prices 25-40% below market rates) through an Affordable and Sustainable Housing financing model. The aim is to provide affordable and sustainable housing solutions for middle-income households.	Limited progress
4.3 Reduce emissions from road transport and address traffic congestion by promoting quality and efficient public transport, stepping up investments in active mobility infrastructure and discouraging car usage.	- Improvements to the public bus service introduced in April 2025 as part of the Reshaping Our Mobility' initiative (new bus routes, increased frequencies to existing ones, earlier bus departures, new P&R services); - RRP EV incentive scheme continued into 2025 with a further 3,000 grants made; - In January 2026, the first driving license surrender scheme was launched, which applies to persons under 30 years of age. It provides a EUR 25,000 grant for giving up a car licence for five years (given the EUR 5 million annual budget, 1000 driving licenses could be surrendered).	- New ferry landing site in Buġibba (operational in June 2026) and Marsascala (to be completed in Q1 2027). - First phase of the Connections for Safer Active Mobility initiative to be completed by end of Q3 2026. Investments worth EUR 7.4 mn in the first phase (new cycling paths, pedestrian pathways, etc.). - Measures addressing traffic congestions were announced in March 2025 (spanning an 18-month period of	Limited progress

(Continued on the next page)

Table (continued)

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessm. of progress**
		implementation from announcement). The measures include, among others, new P&R services; EUR 1,500 per year over four years for 17-year-olds who drive a scooter and give up their licence; EUR 6,000 grant for giving up a licence and using a scooter for four years; conclusion of the National Strategy for Cyclists.	
4.4 Phase out fossil fuel subsidies.	No plans to phase out fossil fuels subsidies. Since the start of the Middle East escalation, Malta has reaffirmed its commitment to maintaining stable energy prices for households and businesses and provide "unlimited energy subsidies" despite ongoing international uncertainty.	No plans to phase out fossil fuels subsidies.	No progress
5.1 Strengthen the quality and labour-market relevance of education and training to address low educational outcomes as well as the high shortage and mismatch of skills, also in the area of science, technology, engineering and mathematics (STEM) and the green transition,	- Work on a National Skills Strategy has started (OECD/TSI project); - MT government published in 2025 the Digital Education Strategy 2025-2030 which aims to improve education quality, reduce skills mismatches, promote inclusion, strengthen STEM and green skills, and to ensure that learners and workers are equipped for a digital and future-oriented labour market; - New Labour Migration Policy launched in 2025: proposes an array of recommendations to address challenges in labour migration in Malta including a skills-based approach to migration; - RRF-funded Data Warehouse project (2025) provides data that enhances decision-making policies based on evidence and assists in addressing early-school leavers through a general tracking system; - Skills Card requirement (2024): Requires non-EU workers in the tourism sector in Malta to obtain a Skills Card validating their skills and competencies.	National Skills Strategy (draft Q1 2026; final Q3 2026) to strengthen skills governance and adult learning pathways.	Some progress
5.2 in particular by fostering basic skills of students, the initial and continuous training of teachers.	- Preparatory work on a curriculum and assessment school reform started end-2025; - National Education Strategy 2024-2030 and early school leaving (ELET) Strategy 2023-2030 under implementation; completed actions include targeted funding by school/social context and literacy access measures for ELET-risk groups; - PISA 2022 Action Plan (with OECD) launched: curriculum reform (see above), combined with targeted literacy/numeracy	- TSI application for systemic basic-skills enhancement (2026-2029); - Continued participation in peer-counselling cluster for Basic Skills Support offered by DG EAC (2026-2027).	Some progress

(Continued on the next page)

Table (continued)

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessm. of progress**
	initiatives and improved support for at-risk learners (implementation ongoing); - Data Warehouse (RRP) milestone reached in 2025 to improve evidence-based policy and tracking of early school leaving (also see above); - Teacher profession measures: 2024 sectoral agreement improved pay/well-being/career progression and expanded CPD (inclusive pedagogy, digital skills/AI, transversal skills); mandatory sustainability training (roll-out to all primary educators over 4 years); - Teacher supply and shortages: approval of a new 3-year bachelor in Primary Education (increasing entrants).		
5.3 as well as promoting enrolment in vocational education and training, and in adult learning for the low-skilled.	- Work on a National Skills Strategy has started (OECD/TSI project); - Adult learning expansion under National Lifelong Learning Strategy 2023-2030: free basic skills programmes (literacy, numeracy, digital); circa half of deliverables completed by end-2024; - Jobsplus training offer (ongoing): free training courses pegged to the National Qualifications Framework (NQF); -Youth Guarantee 3.0 (2025, €10m) offers guidance, training, placements (including in emerging green/digital sectors); - VET attractiveness/quality actions: Applied Vocational Certificates (9 areas) as alternative pathways; career guidance strengthened via National Options Fair and 1-to-1 guidance; Bridge2Industry placements for educators; - Malta College of Arts, Science and Technology (MCAST) scale and flexibility: over 200 programmes (MQF 1-8); micro-credentials/modular learning; MQF 1-3 foundation provision; strong WBL/apprenticeships engagement; - Validation of non-formal/informal learning: VNFIL regulations amended (approved 2025).	National Skills Strategy (draft Q1 2026; final Q3 2026) to strengthen skills governance and adult learning pathways.	Some progress
5.4 Strengthen the inclusiveness of education and training.	The following measures have been implemented under the RRP: - Two multi-sensory learning rooms and two autism units have been set up in schools, supported by continuous training in inclusive pedagogy for teachers and learning support educators. - The revised Policy on Inclusive Education in Schools has been published. - The Individual Education Plans (IEP) Module has been acquired allowing for the digitalisation of the individual education plans (IEPs) of pupils with disabilities within	ECEC equity/quality reforms under preparation: update national standards (0-3), raising minimum qualification requirements for ECEC teachers; discussions on adjusting Free Childcare Scheme eligibility to reduce disadvantage gap are ongoing. International Early Learning and Child Well-being Study (IELS)-OECD results (expected	Limited progress

(Continued on the next page)

Table (continued)

Recommendation text	Main measures adopted or implemented *By 30 April 2026*	Preparatory steps/ credibly announced measures *By 30 April 2026*	Assessm. of progress
	the mainstream education system. - The obligation for State schools to organise events at least once every term that recognise and celebrate diversity has entered into force by means of a circular. - The obligation that State school mission statements include evidence of values of diversity and inclusion has entered into force by means of a circular. However, still early school leaving among 18–29-year-olds with disabilities is 42.1%, compared with 17.1% among those without disabilities; among 18–24-year-olds with activity limitations, the rate is 36.6% in Malta versus 24.6% in the EU. In 2024, 45.2% of young people aged 15–29 with some or severe activity limitation in Malta were neither in employment nor in education or training (NEET), compared with an EU average of 29.8%. This represents a sharp increase from 2022, when the rate stood at 33.0% in Malta and 28.5% at EU level, indicating a rapidly widening gap.	in 2026) to guide targeted early-years interventions and family support. The study assesses 5-year-olds in four key areas: emergent literacy, emergent numeracy, self-regulation, and social-emotional skills. The 'I Belong Programme' is expected to support inclusion of third-country nationals (TCNs) through language learning and cultural orientation, facilitating access to education, training, and community life in 2026.	

Source:

ANNEX 2: FISCAL DEVELOPMENTS AND DEBT SUSTAINABILITY

This annex discusses selected topics in public finance and developments in fiscal-structural country-specific recommendations (CSRs) addressed to Malta in July 2025. These CSRs include a call to strengthen defence spending and readiness while adhering to the maximum growth rates of net expenditure recommended by the Council on 21 January 2025, with a view to bringing an end to the excessive deficit. Malta also received a recommendation to wind down its emergency energy support measures and address remaining risks of aggressive tax planning by introducing a withholding tax on outbound payments or taking equivalent defensive measures.

On 8 July 2025, the Council adopted the Recommendation endorsing Malta's medium-term fiscal-structural plan ([16]). The plan includes a fiscal adjustment over four years. At the same time the Council also adopted a recommendation under Article 126(7) TFEU to correct the excessive deficit in Malta ([17])([18]).

Developments in the government balance debt and public expenditure ([19])

Malta's government balance was equivalent to 2.2% of GDP in 2025, and the government debt-to-GDP ratio amounted to 46.4% at the end of 2025. Based on the Commission Spring 2026 Forecast, Malta's government balance is projected to remain stable at 2.2% of GDP in 2026 and 2.1% of GDP in 2027. The debt ratio is set to stabilise at around 46.2% of GDP by 2027.

In 2025 Malta received a CSR to take action to wind down its emergency energy support measures. These emergency energy support measures were introduced in early 2022, following Russia's invasion of Ukraine, but were kept in place despite the significant fall in internal energy prices in the country in subsequent years. These measures thereby became permanent fossil-fuel subsidies that have reduced the incentives for investment in renewable energy and energy efficiency. The measures include cuts to indirect taxes on energy consumption and subsidies for fossil-fuel-based energy producers. Taken together, these measures have kept electricity and fuel prices in Malta fixed and among the lowest in the EU ([20]). Based on the European Commission Spring 2026 Forecast, the net budgetary cost of Malta's energy support measures is estimated at 0.9% of GDP in 2025 and projected to be 1.4% of GDP in 2026.

The type of expenditure that has a greater impact on GDP had remained broadly stable over three decades, although it was higher in 2024 than it was in 2019. Zooming in on the composition of spending between 2019 and 2024, social protection accounts for the largest share of total expenditure (at or above 20%, followed by economic affairs([21]), health, education and general public services (each of which are above 10% of total spending). Since 2019, public expenditure on other economic affairs, transport and culture has increased strongly (See Graph A2.3). Spending on public order has risen more modestly. By contrast, spending on education, health, defence and R&D has declined (although growth-friendly spending has overall increased since 2019, see Graph A2.1). This trend deserves attention, as these four categories are generally considered growth-friendly spending categories. In particular, the

([16]) OJ C, C/2025/649, ELI:EUR-Lex - 32025H00649 - EN - EUR-Lex.

([17]) Council Decision of 26 July 2024 on the existence of an excessive deficit in Malta (OJ L, 2024/2128, 1.8.2024, ELI: http://data.europa.eu/eli/C/2024/2128/oj).

([18]) Compliance by Malta with the maximum growth rates of net expenditure recommended by the Council is assessed in COM(2026)200.

([19]) Figures underpinning fiscal surveillance (net expenditure growth) are provided in the Fiscal Statistical Tables SWD(2026)200) providing background data relevant for the assessment of the budgetary policies of the Member States.

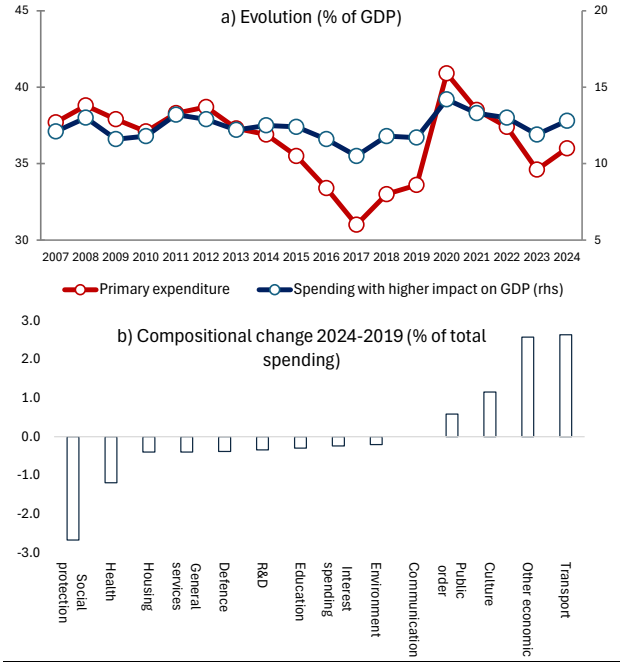
([20]) Eurostat [nrg_pc_204] Electricity prices for household consumers - bi-annual data (from 2007 onwards). Weekly Oil Bulletin.

([21]) This refers to the set of government activities, policies, and expenditures aimed at regulating, supporting, and developing economic activity across major sectors, including general economic and labour policies, agriculture and natural resources, energy, industry, construction, and other economic functions not elsewhere classified. Although transport and communication, as well as research and development activities, are normally considered part of this function, they are treated separately in the graph presented.

decline in education spending is especially concerning given that Malta's educational performance remains comparatively weak (See Annex 13 for further details).

Malta has relatively low tax revenues as a share of GDP and relies heavily on corporate income taxation. In 2025 Malta's total tax revenues as a percentage of GDP (including compulsory social contributions) amounted to 29.7%, compared with an EU average of 39.9%. Total tax revenues are projected to decrease to an average of 29.5% of GDP in 2026 and 2027 according to the Spring 2026 Forecast ([5]). The tax mix in Malta relies heavily on corporate income taxation (21% of tax revenue vs an EU average of 8%). The strong reliance on corporate income taxation, mainly originating from foreign-owned companies, poses risks for Malta's tax base in the medium term. In contrast, some tax types are largely absent in the Maltese tax mix, such as wealth, inheritance, estate or gift taxes (see Annex 3).

Graph A2.1: **Primary spending evolution and compositional change**



Note: Based on economic literature, the categories considered to have a greater growth impact include education, R&D, health, transport and communication (See Barbiero and Cournede (2013), Gemmel et al. (2016), Lupu et al. (2018), Cepparulo and Mourre (2020) and OECD (2025)).
Source: Eurostat

The costs of ageing

Total ageing-related spending in Malta is projected to fall by about 1 pp. of GDP between now and 2040, to around 16% of GDP, but rise thereafter, with an increase of 9 pps between 2025 and 2070 (see Table A1.1). The overall increase is the result of a projected rise in spending on pensions, healthcare and long-term care. Total spending on ageing-related items is projected to rise to the EU average by 2070.

Public pension spending as a share of GDP is projected to decline by about 1 pp. over the coming decades, but increase by 4.5 pps between 2040 and 2070. Nevertheless, at 10.5% of GDP in 2070, gross spending on public pension benefits is forecast to still be below the projected EU average of 12%.

Supplementary pension schemes can make the pension system more resilient by diversifying retirement income sources. In Malta, however, the uptake of these supplementary schemes remains limited. By the end of 2024, participation in supplementary schemes covered only around 2% of the working-age population ([22]). This coincides with rising pressures on public pension spending and a projected decrease in the replacement rate of 0.5 pps between 2025 and 2040 (Table A2.1 and A2.2) ([23]). In June 2025, the Maltese government published a consultation document proposing the creation of an auto-enrolment occupational pension system.

Public healthcare expenditure is projected to be 5.1% of GDP in 2025 (below the EU average of 6.6%) and is expected to increase by 0.4 pps between 2025 and 2040 and by a

([22]) Source: Government of Malta. Consultation Document - Proposal for an Auto-Enrolment Occupational Pension Regime (June 2025). Data on Malta on assets and participation in supplementary schemes are available from the OECD (Pension Market in Focus 2025). However, for Malta, they largely relate to non-residents and are, therefore, not taken into account.

([23]) The (gross) replacement rate refers, depending on data availability, to both public and private pensions. It is based on projections from the 2024 Ageing Report.

Table A2.1: **Projected change in ageing-related expenditure in 2025-2040 and 2025-2070**

	ageing-related expenditure	change in 2025-2040 (pps GDP) due to:					ageing-related expenditure	
		pensions	*healthcare*	*long-term care*	*education*	*total*		
MT	16.6	*-0.8*	*0.3*	*0.4*	*-0.4*	***##***	16.1	**MT**
EU	24.3	*0.5*	*0.3*	*0.4*	*-0.3*	***0.9***	25.2	EU

	ageing-related expenditure	change in 2025-2070 (pps GDP) due to:					ageing-related expenditure	
		pensions	*healthcare*	*long-term care*	*education*	*total*		
MT	16.6	*4.5*	*2.1*	*2.2*	*0.2*	***9.0***	25.6	**MT**
EU	24.3	*0.2*	*0.6*	*0.8*	*-0.3*	***1.3***	25.6	EU

Source: 2024 Ageing Report (EC/EPC).

Table A2.2: **Supplementary pension schemes – Scope for expansion**

	Assets in 2024 (% GDP)	**Gross replacement rate at retirement:** (pps change 2025-2040)	**Participation in 2024** (% working-age population)	
MT	n.a.	*-0.5*	n.a.	**MT**
EU	32.4	*-2.8*	55.9	EU

Source: European Commission.

further 1.8 pps between 2040 and 2070 ([24]). Public expenditure on long-term care in Malta is projected to be 1.2% of GDP in 2025 (below the EU average of 1.7%) and is expected to increase by 0.4 pps of GDP between 2025 and 2040 and by a further 1.8 pps of GDP between 2040 and 2070 ([25]). These increases in expenditure, due to an ageing population, pose a risk to fiscal sustainability in Malta in the long term.

National fiscal framework

The Malta Fiscal Advisory Council (MFAC) is a relatively small independent fiscal institution (IFI) with a narrow mandate. It focuses on endorsing the macroeconomic and budgetary forecasts of the government, and monitoring the government's compliance with fiscal rules. Members of the MFAC are appointed solely by the Minister of Finance (after consulting the opposition). The MFAC indicates that it needs more resources, as its budget has been frozen in real terms by law since 2015. On external communication, the MFAC recently set up social media accounts to reach a wider audience. Both the MFAC's policy dialogue with the government and the MFAC's relations with Malta's Parliament are not fully developed.

The practice of spending reviews is in its early stages in Malta. Technical support instrument projects for spending reviews have helped Malta to: (i) design a methodology for spending reviews; and (ii) identify relevant performance metrics. The governance infrastructure to improve the quality of public finances through spending reviews is limited.

Although the planning of public investment has recently improved in Malta, gaps remain in terms of project assessment/selection and multiannual capital budgeting. Malta's Vision 2050, published in February 2026, provides an integrated long-term strategic vision for public investment, and includes performance indicators to measure performance. This all helps to strengthen Malta's planning of public investment. However, details on the capital allocations required to achieve the vision are not available, while capital budgeting continues to follow an annual cycle, with little or no protection of capital availability beyond the budget year. Moreover, there is no widespread use in Malta of standardised assessment or selection methodologies for projects, although external quality reviews are carried out on ad hoc basis. *Ex*

([24]) Key performance characteristics, recent reforms and investments of the Maltese healthcare system are discussed in Annex 15.

([25]) The adequacy and quality of the Maltese long-term care system are covered in Annex 12.

Table A2.3: **Fiscal governance database indicators and public accounting maturity**

2024	Malta	EU Average
Country Fiscal Rule Strength Index (C-FRSI)	13.60	14.81
Medium-Term Budgetary Framework Index (MTBFI)	0.72	0.72
2025 Public accounting maturity of general government	34%	65%

(1) "The Country Fiscal Rule Strength Index (C-FRSI) shows the strength of national fiscal rules aggregated at the country level based on: i) the legal base; ii) how binding the rule is; iii) monitoring bodies; iv) correction mechanisms; and v) resilience to shocks. The Medium-Term Budgetary Framework Index (MTBFI) shows the strength of the national MTBF based on: i) coverage of the targets/ceilings included in the national medium-term fiscal plans; ii) connectedness between these targets/ceilings and the annual budgets; iii) involvement of the national parliament in the preparation of the plans; iv) involvement of independent fiscal institutions in their preparation; and v) their level of detail. A higher score is associated with higher rule and MTBF strength. The score for public accounting reflects the degree of maturity in relation to the International Public Sector Accounting Standards (IPSAS). Countries with an accounting maturity of 70% or more in relation to IPSAS are deemed to apply accrual accounting. For more information, see the report on public accounting in the EU (COM(2025)746 and accompanying Staff Working Document SWD(2025)396)."

Source: Fiscal Governance Database, European Commission

post reviews are carried out on a sampling basis, while asset registers are not maintained.

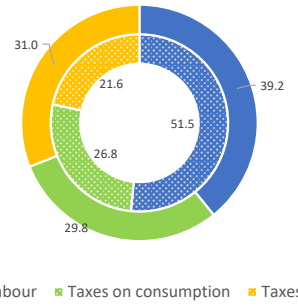
Accrual accounting improves transparency over a public body's financial position and performance. It can also support sustainability and intergenerational equity. Most (14) Member States have implemented accrual accounting across the general government sector and a further five, including Malta, are set to do so by 2030 ([26]). However, currently Malta still lags behind the EU average for the maturity of its public accounting system (see Table A2.3) ([27]).

([26]) Report on public accounting in the EU (COM(2025)746 and accompanying Staff Working Document SWD(2025)396). Countries with an accounting maturity of 70% or more in relation to International Public Accounting Standards are deemed to apply accrual accounting.

([27]) Annexes 3.1 and 3.4 of SWD(2025)396.

This annex provides an indicator-based overview of Malta's tax system. It includes information on the tax mix, on competitiveness and fairness aspects of the tax system, on tax collection and compliance, and on aggressive tax planning. In the area of taxation, the 2025 CSRs for Malta highlighted the need to address aggressive tax planning risks, by introducing a withholding tax on outbound payments or equivalent defensive measures and by amending rules on non-domiciled companies. They also suggested phasing out fossil fuel subsidies, including emergency energy support measures (see Annex 9).

Graph A3.1: **Tax revenue by economic function in 2024, MT (outer ring) and EU-27 (inner ring)**



Source: Taxation Trends Data, DG TAXUD

Malta's tax system features a relatively low tax burden, with a high reliance on corporate income taxation. Malta's total tax revenue in 2024 represented 28.9% of GDP. This was an increase of 2.7 percentage points (pps) from 2023, but broadly in line with the average figure for the last decade, compared with an EU average of 39.4% as shown in Table A3.1. The Maltese tax system continues to display a pronounced reliance on corporate taxation, which is linked to the features of its corporate tax system. Revenue from corporate income taxes constituted 6.2% of GDP (21.5% of total tax revenue) in 2024, up from 4% in the previous year. This figure is twice as large as the EU average, which stood at 3.1% in 2024 (7.8% of total tax revenue). Taxes on labour as a percentage of total tax revenue have significantly increased from 32.9% in 2015 to 39.2% in 2024 (versus respectively 51.9% and 51.4% in the EU), mirroring the strong labour expansion of the past decade. By contrast, consumption taxes as a percentage of total tax revenue have been declining (from 37% in 2015 to 29.8% in 2024). In fact, in 2024 the capital tax base surpassed the consumption tax base for the first time (see Graph A3.1).

Revenues from environmental taxes are below the EU average. In 2024 environmental tax revenue in Malta was equivalent to 1.4% of GDP, compared to 2.1% in the EU-27. In particular, Malta has the second lowest taxation on energy in the EU (0.68% of GDP compared with the EU average of 1.63%). This figure also reflects the decline of excise duty on fuel products (including gas oil) introduced by the Maltese government in 2021, to support the post-pandemic recovery. Moreover, Malta's effective carbon rate stood at EUR 75.9/tCO2e in 2023, below the EU average of EUR 84.8/tCO2e, indicating limited price signals to reduce carbon emissions.

The tax mix is characterised by the absence of certain tax types. The Maltese tax system does not impose wealth, inheritance, estate, or gift taxes (although stamp duty may be due on inheritance of certain assets). In addition, Malta does not levy a recurrent tax on immovable property, and does not currently have a single comprehensive national property register.

As highlighted in previous CSRs, tackling aggressive tax planning is a key challenge to improve the efficiency and fairness of Malta's tax system. The combined features of Malta's tax system can result in double non-taxation for certain income, creating scope for aggressive tax planning and profit shifting. In particular, Malta currently has no withholding tax on outbound interest, royalty and dividend payments to prevent firms from shifting profits to zero and low-tax jurisdictions. Furthermore, the treatment of resident non-domiciled companies may result in double non-taxation between Malta and most countries with which Malta has bilateral tax treaties.

Despite some recent progress, risks of aggressive tax planning remain a significant concern. The percentage of inward and outward FDI stock held through special purpose entities, at respectively 96% and 97% in 2024, is the highest in the EU ([28]). This indicator is strongly associated with higher risks of aggressive tax planning. Malta has taken steps to address aggressive tax

([28]) Eurostat: EU direct investment positions by country, ultimate and immediate counterpart and economic activity (BPM6).

Table A3.1: **Taxation Indicators**

		Malta					EU-27				
		2019	2022	2023	2024	2025	2019	2022	2023	2024	2025
Tax structure	Total taxes (including compulsory actual social contributions) (% of GDP)	30.1	28.1	26.2	28.9		39.9	39.7	39.0	39.4	
By tax base	Taxes on labour (% of GDP)	10.5	11.5	10.9	11.3		20.6	20.1	19.9	20.3	
	of which, social security contributions (SSC, % of GDP)	4.8	4.9	4.6	4.7		13.0	12.7	12.7	13.0	
	Taxes on consumption (% of GDP)	10.4	9.6	8.8	8.6		11.2	10.9	10.5	10.6	
	of which, value added taxes (VAT, % of GDP)	6.4	6.6	6.1	6.1		7.1	7.4	7.1	7.1	
	Taxes on capital (% of GDP)	9.2	7.0	6.6	8.9		8.1	8.7	8.5	8.5	
Some tax types	Personal income taxes (PIT, % of GDP)	6.7	7.7	7.3	7.7		9.6	9.4	9.3	9.6	
	Corporate income taxes (CIT, % of GDP)	5.5	4.5	4.0	6.2		2.6	3.2	3.2	3.1	
	Total property taxes (% of GDP)	1.1	0.8	0.8	0.8		2.2	2.1	1.9	1.8	
	Recurrent taxes on immovable property (% of GDP)	0.0	0.0	0.0	0.0		1.2	1.0	0.9	0.9	
	Environmental taxes (% of GDP)	2.4	1.6	1.5	1.4		2.6	2.1	2.1	2.1	
	Effective carbon rate in EUR per tonne of CO_2 equivalents	na	na	75.9	na		na	na	84.8	na	
Progressivity & fairness	Tax wedge at 50% of average wage (single person) (*)	21.6	22.5	23.0	24.3	21.8	32.4	31.6	31.5	31.5	31.6
	Tax wedge at 100% of average wage (single person) (*)	30.3	30.5	30.8	31.0	29.2	40.1	39.7	39.9	39.9	40.0
	Corporate income tax - effective average tax rates (1) (*)	28.1	26.2	25.1	25.1		20.0	19.2	19.0	19.3	
	Difference in Gini coefficient before and after taxes and cash social transfers (pensions excluded from social transfers) (2) (*)	6.0	6.3	5.5	5.9		7.8	8.0	7.9	7.8	
Tax administration & compliance	Outstanding tax arrears: total year-end tax debt (including debt considered not collectable) / total revenue (in %) (*)	113.0	131.3	119.8	na		31.8	32.6	30.7	na	
	VAT gap (% of VAT total tax liability, VTTL) (**)	26.0	23.7	24.2	22.9		10.5	7.3	8.2	na	

(1) Forward-looking effective tax rate (KPMG).
(2) A higher value indicates a stronger redistributive impact of taxation.
(*) EU-27 simple average.
(**) Forecast value for 2024. EU-27 refers to the median value. For more data on tax revenues as well as the methodology applied, see the Data on Taxation Trends webpage.
Source: European Commission, OECD, International Survey on Revenue Administration (ISORA).

planning practices. These steps include implementing previously agreed international and EU initiatives and fulfilling RRP commitments, such as the introduction of transfer pricing legislation (which became applicable as of January 2024). Malta's RRP also includes a milestone on the adoption of new legislation in the area of interest, royalty and dividend payments. However, Malta has not yet announced any such legislation or any other measure to prevent double non-taxation of business income.

The Maltese corporate tax system results in a potentially large gap between statutory and effective tax rates. The statutory corporate income tax (CIT) rate for domestic enterprises is 35% (a flat rate). However, Malta operates a full imputation system with a tax refund mechanism, which significantly reduces the effective tax burden. In particular, shareholders receiving dividends from a Maltese entity may be entitled to a tax refund of part of the tax paid in Malta (based on the nature of the income to be distributed). In practice, the design of Malta's refund system allows most shareholders to claim a refund of 6/7 of the corporate tax paid in Malta, reducing the effective tax rate from 35% to 5%. Business surveys point to corporate taxation as one of Malta's biggest attractiveness factor, while global tax reforms are seen as a relevant - albeit increasingly less important - risk factor ([29]).

A recently adopted reform is expected to raise the effective corporate tax rate on an elective basis. Malta has recently introduced a regulation on a Final Income Tax Without Imputation (FITWI). This provision allows qualifying entities to voluntarily elect to pay a 15% corporate tax rate on chargeable income, without the application of the imputation system. Electing to pay the FITWI requires a minimum commitment of five years. In addition, the FITWI liability must in no case be lower than the net effective tax liability the entity would have had under the standard system. The EU Global Minimum Tax Directive, expected to be applied in Malta by 31 December 2029, establishes an effective tax rate of minimum 15% for multi-national entities with a consolidated financial revenue of more than EUR 750 million a year ([30]).

Malta offers tax incentives aimed at encouraging investment. A new R&D tax incentive scheme has been recently announced to foster business innovation, in a context of persisting weakness of the innovation ecosystem

([29]) EY Attractiveness Survey Malta – October 2025.

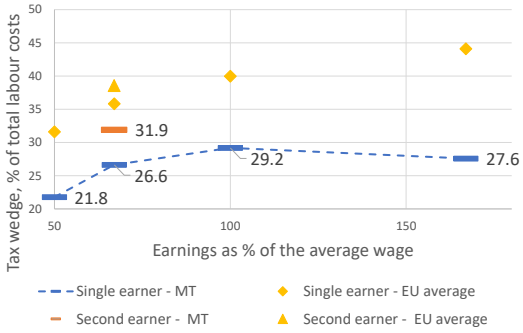
([30]) Council Directive (EU) 2022/2523 of 14 December 2022.

(see Annex 4). Malta's 2026 Budget speech also mentioned a 60% tax credit on eligible capital expenditures (machinery, tools, IT, cybersecurity) and two-year accelerated depreciation for investments related to AI, digitalisation, modernisation, automation, and cybersecurity. Malta Enterprise (the national economic development agency) administers several schemes to incentivise investment, including by providing tax credits to eligible undertakings. For example, the 'smart and sustainable investment grant scheme' supports industrial decarbonisation ([31]). Tax credits are also available to support skills development and micro entrepreneurship, and to help start-ups raise equity finance.

The labour tax wedge in Malta is consistently below the EU average across income levels. The labour tax wedge in Malta in 2025 was 26.6% for a low-wage single worker (67 % of average earnings), compared with the EU average of 35.8%, and is below average across most income levels and family types, including for second earners ([32]). Furthermore, the difference in tax wedge between lower- and higher-income earners is small, indicating limited progressivity in labour taxation. As Graph A3.2 shows, the tax wedge for single earners at 167% of the average wage is even lower than the one at 100% of the average wage. This is explained by the regressive impact of employer and employee social security contributions, due to their upper limit.

The limited progressivity of the personal income tax (PIT) reduces the redistributive impact of the tax and benefit system, which is low compared to the EU average. Given the relatively low level of taxation and the modest progressivity of Malta's tax structure, the contribution of Malta's tax and benefit system to ensuring income redistribution and inequality reduction is lower than the EU average. In 2024, the tax and benefit system reduced the Gini coefficient by 5.9 points on average, while the EU average reduction was 7.8 points ([33]).

Graph A3.2: **Tax wedge for single and second earners as a % of total labour costs, 2025**



Note: The second earner tax wedge shows a household's tax wedge resulting from the wage that a second earner taking up a job at 67% of the average wage receives. It does not show the total tax wedge of the household. The household is assumed to have a first earner at 100% of the average wage and no children. For the methodology of the tax wedge for second earners, see OECD (2024), Taxing Wages 2024.
Source: European Commission

In 2025, the government budget introduced some changes to PIT increasing its progressivity. These changes include increases in the tax-free income thresholds as well as increases in the lower bounds of the 15% and 25% tax brackets. EUROMOD and EUROLAB simulations([34]) indicate that this reform will result in an average decrease in tax liability that is fairly even across the income distribution, but with larger relative gains made by households in the lowest deciles ([35]). The simulations also show that

([31]) See Commission Recommendation C(2025) 4319 final of 2 July 2025 on tax incentives to support the Clean Industrial Deal and in light of the Clean Industrial Deal State aid Framework.

([32]) The tax wedge is an indicator of the tax burden on labour that can be assessed at various levels of earnings. It is calculated as the sum of personal income tax, employee social-security contributions, employer social-security contributions and other mandatory contributions, net of cash family benefits where relevant, expressed as a percentage of total labour costs (composed of the gross wage plus employer social-security contributions). In other words, the tax wedge measures the gap between the total cost of employing a worker and that worker's net earnings, as a share of total labour costs. Tax wedge data in the 2026 country reports are calculated by the Joint Research Centre of the European Commission and based on the EUROMOD model, while in the past country reports they were based on the OECD tax and benefit model. While the underlying methodology is very similar, differences in the assumptions can lead to different results between both models.

([33]) The Gini coefficient measures the extent to which the distribution of income within a country deviates from a perfectly equal distribution. A coefficient of 0 expresses perfect equality where everyone has the same income, while a coefficient of 100 expresses full inequality where only one person has all the income.

([34]) The simulation was performed by the European Commission, Joint Research Centre, based on the EUROMOD model, J2.0+

([35]) See also Abela, G. and I. Debattista (2025), The economic impact of Malta's 2025 Personal Income Tax reform, Policy note, Central Bank of Malta, Valletta.

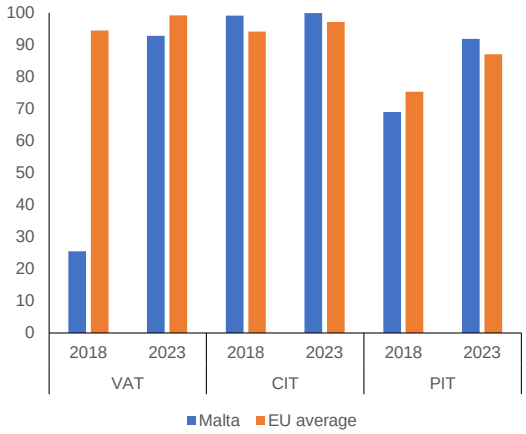
an increase in labour supply could offset around 6% of the revenue loss. Overall, the reform is expected to improve the redistributive capacity of the tax system. The 2026 Budget included the gradual introduction of new tax brackets (to be implemented over three years), aimed at providing tax relief to support families with children.

Malta is the only EU country that does not publish tax expenditure reporting. While the EU's budgetary framework includes an obligation to report on tax expenditures, currently the Maltese authorities have no dedicated tax expenditure reporting and no plan to introduce it. Tax expenditures are an indirect form of public spending and can have significant fiscal implications, particularly in a context of budget constraints ([36]).

Available evidence suggests that there is a large potential to reduce tax compliance gaps in Malta. Malta's VAT compliance gap remains large and is among the highest in the EU. For 2023, the VAT compliance gap was estimated at EUR 405 million ([37]), or 24.2% of the VAT total tax liability ([38]), well above the EU average of 9.5%. Apart from its involvement in the EU VAT gap estimation exercise, Malta does not produce and report tax gap estimation figures, for example on personal and corporate income taxation. The size of the shadow economy in Malta is also estimated to be above EU average ([39]), suggesting further scope to strengthen tax compliance.

Malta has a comparatively weak record on the recovery of tax arrears. Available indicators point to some challenges with collection efficiency. The closing stock of tax arrears as a percentage of total revenue collected at year-end in Malta has increased between 2018 and 2023, from 98.7% to 119.8%, compared to the EU average of 30.7% in 2023 ([40]). In 2025, to help tackle the high level of tax arrears, the government proposed new legislation that would allow taxpayers to avoid criminal prosecution by paying substantial fines up to EUR 1 million ([41]).

Graph A3.3: **E-filing rates for VAT, CIT and PIT returns in Malta and EU-27, 2018 and 2023**



Source: International Survey on Revenue Administration (ISORA)

Progresses on digitalisation of the tax administration are ongoing. The Malta Tax and Customs Administration (MTCA) has recently adopted a number of specific measures and IT tools to enhance its technological capacities for data management and analysis, and increase the efficiency of tax collection ([42]). In terms of front-end digitalisation, e-filing rates for CIT and PIT are slightly above the EU average, as shown in Figure A3.3. The MTCA also provides a variety of online tools and services, including pre-filing for PIT returns, and the level of taxpayers' satisfaction on the support for filing tax returns is among the highest in the EU ([43]).

([36]) See European Commission, Directorate-General for Taxation and Customs Union, (2025). *Mind the gap: challenges and opportunities for tax compliance and tax expenditures in the EU. Full report*. Publications Office of the European Union..

([37]) See European Commission, Syntesia, Poniatowski, G., Bonch-Osmolovsky, M., Śmietanka, A. et al., VAT gap in Europe – Report 2025, Publications Office of the European Union, Luxembourg, 2025.

([38]) The VAT total tax liability is the theoretical tax revenue that would be collected in a situation of perfect taxpayer compliance, assuming an unchanged net VAT base.

([39]) European Parliament (2022), Taxation of the informal economy in the EU.

([40]) Source: International Survey on Revenue Administration (ISORA), indicators: 'Closing stock of arrears at year end as percentage of total revenue collected' and 'Closing stock of collectable arrears as percentage of closing stock of arrears'.

([41]) Act No XXX of 2025 – An Act to amend Various Revenue Laws, *Government Gazette of Malta No. 21 485 of 11 August 2025*.

([42]) Malta Tax and Customs Administration, 'Delivery Transformation Strategic Plan 2023-2025'.

([43]) European Commission, Directorate-General for Taxation and Customs Union and Directorate-General for Communication, 2025: Citizens' attitudes towards taxation – Eurobarometer report.

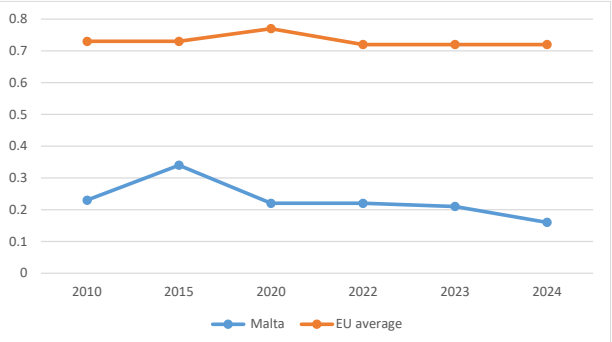
Malta's innovation potential is constrained by persistently low R&D investment in both the public and private sectors, which undermines its competitiveness. Total research and development (R&D) intensity is limited and continues to be on a declining trend (at 0.54% of GDP in 2024 vs the EU average of 2.24%). Malta remains a 'moderate innovator' according to the European Innovation Scoreboard([44]), performing at 95% of the EU average in 2025. For Malta, the 2025 country-specific recommendations (CSRs) highlighted challenges in boosting R&D investment and incentivising stronger business R&D efforts, challenges which remain acute today. In addition to very low R&D investments, innovation remains hampered by a lack of human resources for research and innovation (R&I) and difficulties in access to venture capital (VC) for companies. By announcing the launch of new R&D tax incentives, Malta has taken a first preparatory step towards improving public support to business R&D, but further efforts, such as expanding direct support through grants and subsidies, are needed. Moreover, while science-industry linkages are gradually improving, there is considerable scope to boost collaboration and knowledge transfer between academia and the businss sector. In the area of digitalisation, Malta performs well on the adoption of digital and advanced technologies by businesses.

Excellent science

Persistently low and declining public R&D investment remains a significant challenge for Malta, hindering advancements in scientific excellence. Public R&D spending decreased again, reaching the record low level of 0.16% of GDP in 2024 against an EU average of 0.72%. Such underinvestment undermines the possibilities to improve scientific excellence. The quality of Maltese scientific outputs, as reflected in the proportion of its publications ranked among the top 10% most-cited globally, continues to fall short of the EU benchmark (6.50% against an EU average of 9.44%). Additionally, the number of researchers per thousand active population employed by the public sector remains low (2 per thousand active individuals in 2024, vs the EU average of 4.30). Despite these key challenges, Malta's research landscape benefits from a robust international orientation, a critical factor given its geographic constraints. This is evident in the growing presence of foreign doctoral students and a high rate of international collaborative publications – 67.52% of all publications in 2024, exceeding the EU average of 57.24%.

The establishment of Science Malta represents an important step in reforming R&I governance, although its effects on the efficiency and functioning of the R&I system remain to be assessed. R&I governance was reformed in 2024 with the creation of a government agency**,** Science Malta (*Xjenza Malta*)**,** with the aim of ensuring stronger governance for R&I policy. The government agency brings together under its responsibility all activities related to research and innovation, including policy development and implementation, management of national, European and international financial programmes and space-related initiatives. Such reform has not translated yet into the additional public R&D investment urged by the 2025 CSRs, and its impact on the functioning and efficiency of the public research system will have to be closely monitored and assessed.

Graph A4.1: **Public R&D investment as a % of GDP**



Source: Eurostat

([44]) 2025 European Innovation Scoreboard (EIS), country profile: Malta. The EIS provides a comparative analysis of innovation performance in EU countries, including the relative strengths and weaknesses of their national innovation systems (also compared to the EU average).

Business innovation

Maltese companies do not invest enough in R&D and innovation output remains limited. However, the semiconductor sector shows potential for growth. Private investment in R&D remains well below the European average (reaching 0.38% in 2024 against the EU average of 1.49%) and Malta innovation activity remains modest in terms of product and business process innovation([45]). The level of intellectual assets is limited, with poor patenting activity and design applications, pointing to limited activity in high-tech and design-intensive sectors([46]). Yet there is a good number of trademark applications and high-tech exports are nevertheless growing([47]). A sector that is emerging and has the potential to expand its innovation activities is the semiconductor sector. Malta's semiconductor-related exports generate about EUR 1.2 billion and represented about one third of total good exports in 2024([48]). Moreover in 2025 the country attracted the largest foreign direct investment in its history in this field([49]). The government of Malta has demonstrated a commitment to strengthening the semiconductor sector as a key pillar of advanced manufacturing. This commitment is reflected in an investment of EUR 8 million in a competence centre for semiconductors([50]), cofinanced by the Chips Joint Undertakings and established in partnership with the University of Malta, the Malta College of Arts, Science and Technology (MCAST), Malta Digital Innovation Authority (MDIA) and Silicon Catalyst EU Ltd, an early-stage incubator programme for startups. If accompanied by proper public investment for research and incentives for businesses, the initiative has the potential to foster growth and innovation and create new opportunities for researchers.

Malta is well advanced in terms of digitalisation of businesses. In 2025, 83.50% of Maltese small and medium enterprises (SMEs) achieved a basic level of digital intensity, well above the EU average of 71.39%. Malta also performs above the EU average in relation to cloud and artificial intelligence (AI) In contrast, while the adoption of data analytics by Maltese businesses increased between 2023 and 2025, it remains around the EU average (39.01% vs 39.85%). The recent realignment of Malta's national AI strategy prioritises widespread AI adoption by businesses. Adoption efforts are concentrated in industries critical to Malta, such as financial services, where AI is used for predictive maintenance and real-time risk analysis. Furthermore, SMEs and startups have access to AI, high-performance computing, and cloud computing through Malta's first high-performance computer (HPCMT), which was launched in October 2025, via the Digital Innovation Hub. The purpose of HPCMT is to provide the advanced computational power necessary to accelerate digital transformation, by providing the infrastructure to SMEs to perform large-scale data analytics. Furthermore, in October 2025, the Maltese government announced EUR 100 million would be invested specifically in accelerating the adoption of emerging technologies, with a strong focus on AI for businesses([51]). This funding aims to help enterprises implement AI systems to remove manual processes and strengthen global competitiveness.

New R&D tax incentive schemes have been announced to boost business innovation but additional support, such as direct public support instruments, must be ensured. Public support for business R&D has declined over the last decade, from 0.09% of GDP in 2012 to 0.01% in 2023, one of the lowest percentages in the EU. To tackle this key challenge and in response to the 2025 country-specific recommendation on *incentivising stronger business R&D efforts*, the government announced a tax deduction of 175% for eligible expenditure in research and innovation([52]) in the 2026 budget speech. This

([45]) 2025 European Innovation Scoreboard, country profile: Malta. The EIS provides a comparative analysis of innovation performance in EU countries, including the relative strengths and weaknesses of their national innovation systems (also compared to the EU average).

([46]) EIS Country Profile Malta

([47]) Global Innovation Index 2025 – Malta

([48]) STMicroelectronics Malta facility officially recognised as the first advanced manufacturing backend plant in the EU - TVMnews.mt

([49]) Budget-Speech-2026.pdf

([50]) PRESS RELEASE BY THE MINISTRY FOR THE ECONOMY, ENTERPRISE, AND STRATEGIC PROJECTS Ekonomija b'Saħħitha – Futur għal Uliedna: Malta's role within Europe's Semiconductor Ecosystem is growing

([51]) Budget-Speech-2026.pdf

([52]) Budget-Speech-2026.pdf

initiative aims to encourage companies to invest in technology, knowledge and innovative development. Moreover, a two-year tax reduction will be introduced for investments related to AI, digitalisation, modernisation, automation and cybersecurity. While these announcements are first steps in the right direction, appropriate public support through grants and loans, currently limited, need to be strengthened to ensure an efficient and well-balanced policy mix capable of fostering stronger business R&D efforts.

There is a positive trend in academia-business cooperation, although further progress is needed. There have been some positive results in terms of public-private collaboration, as reflected in the steadily increasing proportion of public-private scientific co-publications, which reached 10.75% of the total number of publications in 2024, above the EU average of 7.62%. Moreover, the post-doctoral fellowship scheme, allowing PhD graduates to join local businesses to conduct research, has been renewed for the third time in 2025, indicating a positive uptake of the previous two editions([53]). In addition, the launch of a transdisciplinary research programme([54]) has been announced for 2026, with the aim of further fostering connections between academia, industry, public services and civil society. Despite these positive developments, the proportion of public R&D funded by businesses as a percentage of GDP remains well below EU average (2.62% in 2023, compared to 7.51% for the EU average), pointing to a low propensity of businesses to contract with public research labs and highlighting a key area where policy attention is still needed.

Entrepreneurial dynamism

The Maltese business ecosystem is quite dynamic with a good birth rate and different public initiatives in place to support startups. Malta scores quite well in the speed of startup creation([55]). The startup sector is supported by different government initiatives such as 'Start in Malta', aimed at enhancing the Maltese startup ecosystem. It focuses on attracting innovative business investments and providing support for startups through different schemes, including the Malta startup residence programme, startup finance for reimbursable loans or business start for seed capital. The residence programme grants a three-year residence permit, extendable for an additional five-year period, during which beneficiaries are able to reside in Malta while launching their startup([56]). Moreover, the University of Malta offers support to spin-offs that originate from research and innovation carried out at the university, through the TAKEOFF([57]) business incubator and the Malta University Innovation Portfolio Ltd.([58]), a private limited liability company wholly owned by the University of Malta that provides support through equity. In total, five unicorn companies have been created in Malta.([59])

The availability of venture capital remains a challenge. VC has been declining over the last decade (0.01% of GDP in 2024, down from 0.03% in 2014 and well below the EU average of 0.06%). In 2024, Malta set up Malta Venture Capital; a fund aimed at providing equity investment in startup companies focused on innovative technologies. The initial funding has been EUR 10 million. The first investments were in startups active in the health, technology, gaming and financial software sectors. Moving forward, it will be important to assess the uptake and impact of such a scheme on Maltese businesses.

There is significant room for improvement in public procurement for innovation. According to the 2024 EU Innovation Procurement Observatory report, Malta ranks 24th out of 30 European countries, with an overall score of 18.35%, well below the European average of 33.05%. While the legal framework allows for innovation procurement, there is no official definition for it. Horizontal policies such as the national research and innovation strategic plan 2023–2027 and the smart specialisation strategy 2021–2027 recognise innovation procurement as a tool but lack actionable plans or sector-specific strategies. Challenges include the absence of an

([53]) Post-Doctoral Fellowship Scheme Relaunched for the Third Time - Newspoint

([54]) Budget-Speech-2026.pdf

([55]) sns-report-2024-5.pdf

([56]) Schemes - Start in Malta

([57]) Start your own Enterprise - TAKEOFF The Enterprise Campus

([58]) University of Malta's Annual Report

([59]) Unicorns | Dealroom.co

action plan, spending targets, monitoring systems and incentives for public procurers([60]).

The availability of human resources with the right skills remains a key concern for the Maltese economy, which faces severe shortages. The number of new graduates in science and engineering per thousand population remains critically low, at 4.87 in 2024, which is well below the EU average of 16.82. The number of graduates in the field of computing are closer to the EU average but on a declining trend, (5.87 in 2014 while it decreased to 2.56 in 2024, against an EU average of 3.84). New graduates in scientific fields and computing are vital to achieving Malta's ambitions in the digital sector (see Annex 13). Some scholarships schemes are in place to incentives postgraduate studies, such as the ENDEAVOUR II scholarships scheme([61]) or Reach High II([62]), which provides post-doctoral research grants. Moreover, a dedicated tax-credit scheme, called Get Qualified([63]), is available to support the professional development of individuals seeking to obtain industry-relevant qualifications and certifications. The incentive aims to strengthen the national workforce by encouraging the pursuit of higher education and the acquisition of in-demand skills, offering financial support of up to 70% reimbursement through tax credits. In future, it will remain essential to promote science and engineering studies, through targeted grants and incentives, to ensure an adequate supply of skilled talent for innovation.

Entrepreneurship education is present across different levels of Malta's education system, but its contribution to innovation and business creation remains constrained by fragmentation and limited evidence on outcomes. Entrepreneurship competences are treated as transversal skills within compulsory education, in line with the European key competence framework. Recent policy developments have reinforced this focus: Malta's national education strategy 2024–2030 promotes an entrepreneurial mindset under its growth and empowerment pillar, while the national research and innovation strategic plan 2023–2027 emphasises the role of entrepreneurship education in fostering an innovation culture among youth. However, Malta still lacks a comprehensive strategy covering entrepreneurship education across educational levels, including clear learning outcomes, progression pathways and systematic monitoring of students' competences. European comparative evidence suggests that limited assessment tools, teacher training requirements, and evaluation mechanisms may reduce the effectiveness of entrepreneurship education in translating skills development into innovation and entrepreneurial activity. Strengthening coordination and improving data collection on learning outcomes would help strengthen the role of entrepreneurship education in Malta's innovation-to-business ecosystem.

([60]) COUNTRY PROFILE – Benchmarking of national policy, Malta.

([61]) Endeavour II - The Department

([62]) Reach High II - The Department

([63]) Get Qualified 2017-2025 (Students Form)

Table A4.1: **Key innovation indicators**

Malta	2010	2015	2020	2022	2023	2024	2025	EU average (1)	US
Headline indicator									
R&D intensity (gross domestic expenditure on R&D as % of GDP)	0.58	0.70	0.60	0.58	0.58	0.54	:	2.24	3.44
Science and innovative ecosystems									
Public expenditure on R&D as % of GDP	0.23	0.34	0.22	0.22	0.21	0.16	:	0.72	0.64
Scientific publications of the country within the top 10% most-cited publications worldwide as % of total publications of the country	5.62	7.58	8.11	6.50	:	:	:	9.44	12.31
Researchers (FTEs) employed by public sector (Gov+HEI) per thousand active population	1.40	1.70	1.8	2.00	2.00	2.00	:	4.3	:
International co-publications as % of total number of publications	46.89	56.34	58.39	63.85	68.84	67.52	:	57.24	:
R&D investment & researchers employed in businesses									
Business enterprise expenditure on R&D (BERD) as % of GDP	0.36	0.36	0.38	0.36	0.37	0.38	:	1.49	2.69
Business enterprise expenditure on R&D (BERD) performed by SMEs as % of GDP	0.26	0.29	0.34	0.29	0.31	:	:	0.47	0.30
Researchers employed by business per thousand active population	2.00	2.30	2.00	2.20	2.00	2.40	:	5.9	:
Innovation outputs									
Patent applications filed under the Patent Cooperation Treaty per billion GDP (in PPS €)	1.02	1.13	2.09	1.15	:	:	:	2.81	2.20
Employment share of high-growth enterprises measured in employment (%)	:	:	:	:	1.50	1.17	:	0.87	:
Digitalisation of businesses									
SMEs with at least a basic level of digital intensity % SMEs (EU Digital Decade target by 2030: 90%)	:	:	:	:	76.49	:	83.50	71.39	:
Data analytics adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	35.59	:	39.01	39.85	:
Cloud adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	58.19	:	64.93	46.69	:
Artificial intelligence adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	13.17	17.30	21.56	19.95	:
Academia-business collaboration									
Public-private scientific co-publications as % of total number of publications	5.25	5.11	6.18	7.92	8.43	10.75	:	7.62	:
Public expenditure on R&D financed by business enterprises (national) as % of GDP	0.00	0.00	0.00	0.01	0.01	:	:	0.06	0.02
Public support for business innovation									
Total public sector support for BERD as % of GDP	0.04	0.05	0.01	0.01	0.01	:	:	0.21	:
R&D tax incentives: foregone revenues as % of GDP	0.03	0.02	0.00	0.00	0.00	:	:	0.10	:
BERD financed by the public sector (national and abroad) as % of GDP	0.01	0.03	0.01	0.01	0.01	:	:	0.11	:
Financing innovation									
Venture capital (market statistics) as % of GDP (calculated as a 3-year moving average)	0.01	0.01	0.01	0.01	0.00	0.01	:	0.06	:
Seed stage funding share (% of GDP)	0.00	0.00	0.00	0.00	0.00	0.00	:	0.01	:
Start-up stage funding share (% of GDP)	0.01	0.01	0.00	0.01	0.00	0.00	:	0.03	:
Later stage funding share (as % of GDP)	0.00	0.00	0.00	0.00	0.00	0.01	:	0.03	:
Innovative talent									
New graduates in science & engineering per thousand population aged 25-34	:	9.61	5.43	5.78	5.3	4.87	:	16.82	:
Graduates in the field of computing per thousand population aged 25-34	:	4.99	3.29	3.44	3.04	2.56	:	3.84	:

(1) EU average for the last available year or the year with the highest number of country data.

Source: Eurostat, OECD, DG JRC, Science-Metrix (Scopus database), Invest Europe, European Innovation Scoreboard.

Malta's business environment is characterised by strong entrepreneurial dynamics and broadly favourable conditions, but it continues to face structural constraints that weigh on productivity, investment and business growth. For Malta, the 2025 Country Specific Recommendations (CSRs) in the business environment highlighted challenges in local mobility (CSR 4) as well as in available skills and enrolment in vocational education and training (VET) (CSR 5). While business creation and churn rates are above the EU average, the country's small size also results in relatively volatile business dynamics. Constraints in internal and external connectivity weigh on local businesses but also on the attractiveness of the island for foreign investors. Under its Recovery and Resilience plan (RRP), with the support of Cohesion Policy funds and additional policy measures, Malta is continuing to take some steps to address traffic congestion and improved mobility. However, cars remain the preferred means of transport, resulting in bottlenecks and impacting the attractiveness of the island and its long-term business investment. Skill mismatches and shortage of skilled labour are further investment constraints. The government aims to address these with VET programmes and other measures, while businesses invest in automation and attracting workers from outside the EU. Additionally, despite a high degree of digitalisation in public services, the still missing integration of these services creates administrative burden for businesses.

Business dynamics

The business sector in Malta is relatively dynamic but also volatile. In 2023, the enterprise birth rate (17.1%) was much higher than the EU average (10.5%), while the death rate (6.6%) was lower than the EU average (8.5%), resulting in a higher business churn rate of 23.7% against 19% in the EU ([64]). This overall rate is declining during last years. However, business registrations and bankruptcies show no clear pattern. While business registrations are rather subdued, the development of bankruptcies is very volatile. The sectors with the highest birth rates were among services related to tourism, film production, gaming and education. By contrast, the utilities sectors (electricity and water) had the lowest enterprise birth rates in 2024. Changes in Malta's insolvency legislation in 2022 came into force in 2024. These were aimed at improving long-standing shortcomings in the Maltese insolvency and restructuring procedures. Besides revising the bankruptcy procedure, an early warning mechanism was introduced, and the supporting role of 'insolvency practitioner' was defined.

SMEs are developing strongly in terms of value added and employment. SMEs in Malta represent 72.8% of total gross value added (GVA) and 76.1% of employment, against the EU average of 53.6% and 65.1%, respectively ([65]). Micro firms are the largest group of businesses among SMEs. In 2024, real GVA and employment continued to increase strongly by 8.6% and 5.8% respectively. Concerning 2025, SMEs are expected to continue thriving, with employment projected to increase by 4.9% and inflation-adjusted value added anticipated to rise by 7.3%. However, large firms are predicted to outpace SMEs, showing growth rates of 9.5% in employment and 10.3% in value added.

Employment and GVA growth of SMEs at branch level show mixed results and projections ([66]). Retail demonstrated the most substantial employment growth in 2024, increasing by 9.6%. In contrast, textile was the only sector to decline, dropping by 3.5%. Four ecosystems recorded double-digit growth in real value added: tourism at 15.4%, aerospace and defence at 13.8%, proximity, social economy and civil security at 11.8%, and mobility - transport – automotive at 11.7%. Meanwhile, digital, cultural and creative industries and energy-renewables declined slightly. In 2025, the digital ecosystem is expected to perform exceptionally in both employment and value-added indicators. SME employment and value added are forecast to grow strongly by 7.3% and 8.6% respectively.

Labour productivity in Malta, measured by real productivity per hour, exhibits significant sectoral variations, reflecting

([64]) Eurostat, bd_size.

([65]) European Commission, Annual report on European SMEs, Malta, 05/2025.

([66]) European Commission, Annual report on European SMEs, Malta, 05/2025.

diverse recovery and growth trends across industries. The manufacturing sector (excluding construction) has shown remarkable resilience with a steady improvement in productivity, most likely reflecting increased efficiency in industrial processes. Conversely, the construction sector has faced persistent productivity declines, dropping from an index (2015=100) of 102 in 2021 to 88. in 2024, which highlights potential weaknesses and reduced output relative to inputs within the sector. Conversely, the wholesale, retail, transport, and accommodation sector, which was heavily impacted by the COVID-19 pandemic disruptions, rebounded significantly post-2020. The sector peaked at 102 in 2022 (2015=100) and experienced a pronounced decline in 2023 and 2024 by about -7% annually. This suggests that demand stabilisation and normalisation are underway, solidifying its recovery trajectory. The information and communication sector emerged as a productivity leader with sharp productivity gains, exhibiting productivity growth rates of 17% and 4.5% in 2023 and 2024. ([67]) This growth can be attributed to the sector's substantial digital transformation and increased technological investment([68]).

Public investment and business investment are relatively low, yet the outlook is positive. Public investment as a share of Malta's GDP has reached its lowest level in five years, 3.2% in 2024, below the EU average of 3.7%. Business investment stood at 11.4% of GDP in 2024 (vs 17.4% in 2022 – the highest share in the last five years), also below the EU average of 12.6%. Investment in intellectual property products and construction display the highest investment growth rates since 2020, while investment in machinery and equipment as well as ICT equipment increased more modestly ([69]). Generally, the investment outlook is strongly positive with, on balance, 37% of firms, specifically medium/large firms in manufacturing, expected to increase investment, far above the EU average of 4%. Firms prioritise future investment in the areas of capacity expansion (52%) and innovation (23%). Most of the investment, 68%, will go towards tangible assets, while also, to a lesser extent, to intangibles such as R&D, software and training to support growth and development. ([70])

Lack of skilled staff, energy costs and uncertainty are highlighted by firms as main investment obstacles. Maltese companies share similar investment concerns with their EU counterparts, with skills shortages being the most reported issue, affecting 93% of firms (up from 90% in 2024), and a significant 76% considering it a major barrier, compared to 52% in the EU. Other significant barriers to investment in Malta include high energy costs, cited by 84% of firms, and uncertainty about the future, mentioned by 77%, highlighting key challenges to business growth ([71]). Regarding energy cost, despite the increase in its overall importance, for only 12% of firms this is a major concern compared to 41% of firms on average in the EU. This can be explained by the current government energy subsidies, which keep the energy prices stable.

Business environment

Maltese businesses face administrative pressure and regulatory burdens. In 2025, the proportion of firms that cite business regulations as an obstacle to investment was close to the EU average (67% vs 69%) ([72]). Especially the construction sector sees business regulation as a long-term barrier. However, 17% of all firms deem them a major obstacle, well below the EU average 34%. Additionally, while the majority of firms in Malta cite labour market regulations to be an issue (62% vs. 64% in the EU), it is a major issue for only 15% (vs. 27% in the EU), specifically for micro- and small firms. The share of firms employing more than 10% of staff to handle regulatory requirements is, at around 15%, above the EU average (11%), specifically in the manufacturing sector and for micro/small firms.([73]) Despite an improvement between 2018 and 2023, compared to other OECD countries, the regulatory and administrative burden is higher in Malta than

([67]) Eurostat, nama_10_lp_a.

([68]) Productivity report 2024.

([69]) Eurostat.

([70]) European Investment Bank, EIB Investment Survey 2025..

([71]) European Investment Bank, EIB Investment Survey 2025.

([72]) European Investment Bank, EIB Investment Survey data dashboard.

([73]) European Investment Bank, EIB Investment Survey, Malta, 12/2025.

the average (1.81 vs 1.74) ([74]). The country ranks lowest for the PMR subcomponents 'administrative and regulatory burden' (for businesses) and 'barriers to trade and investment'. Obtaining licences and permits represent a major barrier for businesses according to the survey. In order to simplify obtaining licenses, Malta's government is streamlining the current requirements and simplifying business starting procedures. ([75]) Additionally, the Maltese authorities are currently establishing a Business Portal, which will integrate the 'once-only principle' (also see the Single Market section).

Overpopulation and infrastructure constraints impact business activities and investment to a greater extent than in the rest of the EU. Shortcomings in local infrastructure and traffic congestion have a major impact on business activities. A significant majority of businesses in Malta (71% vs the EU average of 45%) see transport infrastructure as an obstacle to investment; for 40% this is a major issue (15% of EU firms). This share is one of the highest in Europe, together with Greece and Cyprus ([76]). Especially for firms in the services sector, constraints in the transport infrastructure have a negative impact. According to the "National Transport Master Plan 2030" the economic cost of traffic congestion is estimated to EUR 770 million (in 2025). Without effective measures, this cost is projected to reach EUR 917 million in 2030 ([77]). The rapidly increasing population and continuous reliance on private cars for travel lead to recurrent traffic congestion, which requires political action such as urban planning initiatives, investment in sustainable transport infrastructure and enforceable measures. As part of its recovery and resilience plan (RRP), Malta has been improving the sustainability of transport through measures such as providing free public transport and increasing the number of electric private vehicles (see Annex 8). Cohesion policy funds support Malta by investing in sustainable, multimodal urban mobility, with the aim of facilitating a shift towards cleaner, greener and active modes of transport (see Annex 19).

Malta is well advanced in terms of digital connectivity infrastructure. In Malta, fibre-to-the-premises (FTTP) coverage reached 86.2% in 2024, increasing from 69.6% in 2023, and well above the EU average in 2024 (69.2%). Regarding the coverage of very high-capacity networks (VHCN) and 5G, Malta is at 100% for VHCN and 5G, thus already reaching the Digital Decade targets. However, in terms of coverage in the 3.4-3.8 GHz band, especially relevant for industrial applications, Malta remains below the EU average of 67.7% with 40.0%, even though it has increased from 24.7% in 2023. In October 2025, the government published for public consultation a draft bill to implement the EU's Gigabit Infrastructure Act (GIA), which aims to facilitate and stimulate the rollout of very high-capacity networks. Furthermore, private sector investment is ongoing to increase the fibre coverage.

Access to finance constraints have slightly relaxed, although the extent of the easing differs by sector. According to the Eurobarometer survey 557 ([78]) 61% of firms are stating that access to finance, including credits, is the biggest problem when doing business in Malta. Moreover, 54% of firms see the non-availability of finance as a long-term barrier to investment, which is above the EU average of 45%. However, the share of finance-constrained firms has decreased from 15.2% in 2023 to 3.7% in 2025, below the EU average of 6.1% ([79]). The firms facing such constraints are all micro or small firms and businesses within the services sector (see Annex 6).

Late payments represent a challenge for firms, in particular SMEs, although to a declining extent. In 2024, 68% of companies in Malta (52% EU average) reported experiencing issues related to late payments, which is an 8 percentage points decrease from 2023 when 76% of companies faced such problems. However, due to data challenges related to the limited size and representativeness of the sample, the results should be interpreted with caution ([80]). According

([74]) OECD, Product Market Regulation indicators, Medium level indicator: administrative and regulatory burden.

([75]) Part of the barriers highlighted in the 2025 Single Market Strategy ("Terrible 10"), COM(2025) 500, 21/05/2025.

([76]) EIB Investment survey, 2025.

([77]) Ministry of Transport, Malta, 2025, National Transport Master Plan 2030, Consultation Document,

([78]) https://europa.eu/eurobarometer/surveys/detail/3382

([79]) European Investment Bank, EIB Investment Survey, Malta, 12/2025.

([80]) EU Payment Observatory, Annual Report 2025, p.100.

to the Malta Association of Credit Management, the average payment period in Malta has decreased to 79 days in 2024, although remaining above pre-2020 levels. Despite this improvement, 39% of companies in Malta (31% within the EU) reported that delayed payments affected their payments to suppliers, highlighting the trickle-down effect on the supply chain. But there are positive trends, with decreasing spillover effects on production, financing and investment, at 21%, 12% and 12% respectively, in line with EU trends. The latest SME barometer for Q3 2025 shows a steady decline in the issue's significance over the past four quarters (15% in Q3 2025 vs. 22% in Q4 2024).([81]) For SMEs in sectors with small profit margins, late payments are a leading cause of business failure. By disrupting firms' cash flows, late payments may also impact firms' ability to undertake new investment or recruit staff, thus harming their growth potential.

Single Market and barriers

Malta is relatively well integrated in the Single Market, especially in services trade. Malta's trade integration in services amounts to 51.4% of GDP in 2025, well above the weighted EU average of 7.6%, while goods trade activities are structurally low with 12.6% (EU average of 18.7%). Tourism-related services represented 48% of services exports in 2025, followed by transport services (20.4%) and 'other business services' such as management and consulting services (15.6%). The island has strong economic ties in trade and investment to Italy and Germany but also to the United Kingdom and Asian countries such as Japan([82]). **However, challenges in transport links, transport costs and administrative barriers weigh on trade opportunities.** According to the 'international trade' component of the World Bank B-READY Report ([83]), Malta scores higher than peer countries (e.g. Greece, Italy, and Cyprus) in the 2nd pillar "Quality of public services" and the 3rd pillar "Operational efficiency". However, in the 1st pillar "Quality of regulations for international trade" Malta remains behind, specifically regarding trade in services and digital trade. Additionally, business associations emphasise the potential of simplification of formal procedures and providing transparent information to improve the efficiency of border activities. This seems especially needed for procedures within the customs department, where an updated system could lead to substantial savings for both, economic operators and public administration ([84]). An RRP measure is underway to implement such a system by 2026. Additionally, via an international logistics hub integrating air, sea and land transport, administrative processes could be efficiently combined and adjusted.

Malta performs well on Single Market indicators. In 2025, the share of Single Market directives not transposed by Malta (the 'transposition deficit' ([85])) is with 0.6% (slightly up from 0.5% in 2024) below the EU average of 1.1% [86]). The country transposed only 0.7% of the Single Market directives incorrectly ([87]), better than the EU average of 1.1%. It has 17 open infringements, against an EU average of 25. In 2024, Malta ranked second among Member States for the shortest average duration to solve Single Market infringement proceedings at 28.2 months, well below the EU average at 45.8 months. In 2025, Malta resolved 88.9% of the SOLVIT cases it handled as lead centre (EU average of 84.6%).

Compliance of products circulating in the Single Market([88]) is key to ensuring a level-playing field for law-abiding companies and the safety of consumers. In Malta, the number of market surveillance investigations has increased compared with 2019. In 2025, national authorities reported in the EU system for market surveillance (ICSMS) a total of 628.6 investigations per one million inhabitants, which is higher than the EU median of 136.2. The number of notifications remains limited in absolute terms, which may also be the result of

([81]) Malta Chamber of SMEs.

([82]) https://wits.worldbank.org/

([83]) B-READY, 2026, Malta Economy Profile.

([84]) Malta Chamber.

([85]) Part of the barriers highlighted in the 2025 Single Market Strategy ("Terrible 10"), COM(2025) 500, 21/05/2025.

([86]) European Commission, Single Market and Competitiveness Scoreboard.

([87]) Part of the barriers highlighted in the 2025 Single Market Strategy ("Terrible 10"), COM(2025) 500, 21/05/2025.

([88]) Part of the barriers highlighted in the Single market strategy ('Terrible Ten') and the 2026 Annual Single Market and Competitiveness Report.

insufficient IT national interoperability to the ICSMS system. The upcoming revision of the Market Surveillance Regulation will upgrade ICSMS to a fully interoperable EU digital platform.

An efficient standardisation system is a prerequisite for ensuring Malta's industry benefit from easy access to the Single Market and foster their competitiveness. To this end, *L-Awtorita' ta' Malta għall-Kompetizzjoni u għall-Affarijiet tal-Konsumatur* would benefit from strengthened support to ensure its transitioning toward a digitalised standardisation authority. This would allow for faster, more efficient and more inclusive standardisation. Moreover, with additional resources and capacity Maltese experts could effectively participate in the European Standardisation System, notably in new critical sectors such as AI and quantum.

In 2025, competition in Malta's public procurement functions relatively well as evidenced by several indicators, but the process could be improved. The rate of negotiated procedures without publication stood at 7.8% in 2025, which is similar to the EU median of 6%; and the share of single bids([89]) with 18.6% was the third lowest after Finland and Germany (EU median: 27%). Authorities are encouraged to use the so called "Best Price Quality Ratio" (BPQR). Especially for SMEs, there are barriers to participating in public procurement procedures, such as initial payment requests or large tender projects. Dividing tenders into lots would help SMEs to participate in public procurement. "Malta Chambers" provides additional ten reform proposals for a more efficient and attractive public procurement system such as publication of a forward planning of tenders, allow for a certain price flexibility, introduce criteria based whitelisting and blacklisting systems for transparency ([90]). Additionally, in a national survey among SMEs, unfair competition was mentioned by 24% of respondents as the second most common concern businesses face. Businesses also raised concerns about good governance issues and corruption ([91]).

Businesses' views on corruption risks in public procurement are above the EU average. In Malta, 65% of companies (EU average: 51%) consider collusive bidding in public procurement procedures, and 63% (EU average: 53%) conflicts of interest in the evaluation of bids, 'very' or 'fairly widespread' practice. Among companies that have experience in and participated in a public procurement procedure, 38% think that corruption has prevented them from winning a public tender or a public procurement contract in practice (EU average: 25%)([92]) 70% of businesses perceive the level of independence of the public procurement review body (Public Contracts Review Board) as 'very' or 'fairly good' when it is reviewing public procurement cases.([93]) The National Audit Office indicated weaknesses in the use of public funds, also by municipal authorities, including instances of bypassing public procurement regulations.([94])

Malta's eProcurement landscape and data quality issues highlight the need for interoperable systems, common standards, and stronger data governance. Malta's centralised eProcurement service allows economic operators to use a single system to access all national public procurement procedures. However, concerning cross-border procurement, issues remain, creating complexity and barriers to participation for firms from other Member States. This is specifically relevant for the high rate of foreign economic operators registered in the country's eSubmission service([95]). This fragmentation underscores the need to introduce interoperability and common standards. The once-only principle is only partially implemented at national level (see Annex 7), and buyers across the EU still lack digital access to relevant evidence, such as tax registration or criminal records. Malta does not have a dedicated service for public procurement data to serve as a centralised source for government data analytics. Therefore, the Maltese system would benefit from a dedicated public procurement data collection and analysis

([89]) This represents the share of procedures where the contract was awarded to the sole bidder.

([90]) Malta Chamber.

([91]) Chamber of SMEs.

([92]) Flash Eurobarometer 557, p.133.

([93]) Justice Scoreboard (2025), p. 53; Flash Eurobarometer 555.

([94]) Rule of Law Report- Country Chapter Malta (2025), p. 10.

([95]) 38%, as reported in the eProcurement matrix.

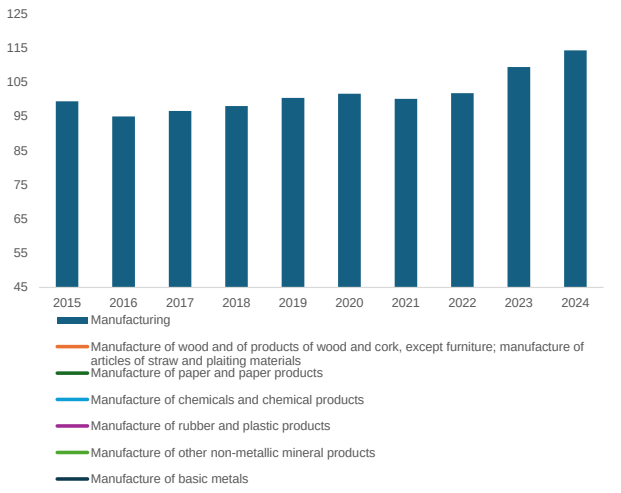
service within the government to support data-driven oversight of the procurement lifecycle([96]).

Malta is providing digital public services and e-government, which is beneficial for doing cross-border business. According to the eGovernment Benchmark analysis([97]) Malta scores high on the availability of services to both national and cross-national users, with a maximum 100 points (EU 86 points for national and 76 points for cross-national users). This implies that online information about a service for national/cross-national users is available and that this service can be completed (see also the Effective Framework Conditions Annex). Despite this, business associations point to the missing and uneven integration of digital public services. This creates unpredictable procedures, long waiting times and duplication of efforts. Further improving digital government services by advancing the creation of a single government interface would reduce the administrative burden for businesses.

Industry and economic security

Malta is making progress in electrification and sustainable energy generation. The country's economic structure is largely dominated by services. Manufacturing generates just 6.6% of total gross value added (GVA), largely related to the island's size and location. In 2024, Malta's energy-intensive industries represented only 0.8% of total GVA, with a decreasing trend. The most significant industry is the manufacturing of other non-metallic mineral products as well as rubber and plastic products, with both 0.3% of total GVA. Due to this economic structure, at 66.5% the electrification rate in the industry sector ([98]) was the highest among EU Member States (32.7% in 2023) ([99]). (see also Annex 9)

Graph A5.1: **Manufacturing output: total and selected sector, index (2021=100), 2015-2024**



(1) Detailed data on energy-intensive industry branches is not publicly available for Malta.
Source: Eurostat

Net-Zero manufacturing is not developed. There is currently no identifiable net-zero manufacturing output in Malta([100]). General permitting for new industrial production facilities ranges from six to eleven months. Malta has some potential to develop high-quality production of electronic components required for net-zero industries, thanks to the presence of the STMicroelectronics assembly and testing plant for semiconductors. Additionally, planned offshore wind and floating solar projects could stimulate local manufacturing and maintenance capacity in this area([101]).

Malta is currently implementing the Net-Zero Industry Act (NZIA). It has designated a single point of contact and established a national contact point for net-zero strategic project applications. While it has engaged stakeholders to raise awareness of NZIA opportunities, no applications have yet been received.

Production depends on imports of (critical raw) materials. Reflecting the small size of the island and its lack of natural resources, Malta's material import dependency is among the highest in the EU (73.6% in 2024, against an EU average

([96]) European Court of Auditors, Special Report 28/2023: *Public* Procurement in the EU. Less competition for contracts awarded for works, goods and services in the 10 years up to 2021, 2023, Special report 28/2023: Public procurement in the EU

([97]) European Commission, 2025, eGovernment Benchmark.

([98]) Measured with electricity as a share of final energy consumption.

([99]) Eurostat.

([100])European Commission, The net-zero manufacturing industry landscape across the Member States. Annex 2, Country fiches,.

([101])ibd.

of 22.4%)([102]). This dependency ranges across all areas: biomass, metal ores, non-metallic minerals and fossil energy materials. In 2023, the main critical raw material imported from non-EU countries was helium ([103]) (mainly from Algeria and Qatar)([104]). Key non-food, non-fuel raw material imports are construction materials (mainly Portland cement from Tunisia) and wood (primarily from China, Turkey and the USA). Imports from some countries might be affected by geopolitical instability. Since 2018, circularity has improved considerably, and its circular material use rate was above the EU average in 2024 (18.6% vs 12.2%) ([105]).

([102])Eurostat, env_ac_mid.

([103])This is used e.g. in the food and beverage industry, metal fabrication, ship building and semiconductor manufacturing.

([104])European Commission, Raw material information system. Malta.

([105])Eurostat, env_ac_cur.

Table A5.1: **Single Market and Industry**

Malta								
POLICY AREA	**INDICATOR NAME**		**2021**	**2022**	**2023**	**2024**	**2025**	**EU-27 average**
Business environment and investment								
Productivity and investment	Labour productivity (GDP per hour worked in PPP terms), % of EU27[1]		83.7	79.3	82.0	82.3	80.2	100.0
	Business investment (share of GDP)[1]		12.7	17.4	11.7	11.4	-	12.6
	Public investment (share of GDP)[1]		3.7	3.3	3.5	3.2	-	3.9
Business environment and simplification	Impact of regulation on long-term investment, % of firms reporting business regulation as a major obstacle[2]		15.7	14.2	14.9	16.9	17.0	34.0
SME liquidity	EIF Access to Finance for SMEs index - loans[3]		0.45	0.77	0.18	0.59	-	0.43
	EIF Access to Finance for SMEs index - equity[3]		0.05	0.07	0.11	0.07	-	0.19
Late payments	Payment gap - corporates B2B, difference in days between offered and actual payment[4]		-	-	-	-	-	17.4
	Payment gap - public sector, difference in days between offered and actual payment[4]		-	-	-	-	-	13.6
	Share of SMEs experiencing late payments, %[5]	from private entities in the previous or current quarter	-	-	-	63.1	82.0	47.1
		from public entities in the previous or current quarter	-	-	-	22.3	38.1	15.9
Single Market								
Integration	EU trade integration, average(intra-EU imports + intra EU exports)/GDP, %[1]		59.8	70.1	66.8	63.9	64.0	40.7
	EEA Services Trade Restrictiveness index[6]		-	-	-	-	-	0.050
Public procurement	Single bids, % of total contractors[7*]		10	14	17	-	19	27
	Direct awards, % of negotiated procedures[7*]		1	9	12	5	8	6
Compliance	Transposition deficit, % of all directives not transposed[8]		1.1	0.4	0.6	0.5	0.6	1
	Conformity deficit, % of all directives transposed incorrectly[8]		1	0.6	0.4	0.6	0.7	1.1
	SOLVIT, resolution rate per country, %[8]		93.75	86.7	90	77.8	88.9	84.6
	Number of pending infringement proceedings[8]		19	15	13	15	17	25
Industry and economic security								
Energy-intensive industries	Electricity prices for non-household consumers[1]		-	-	-	-	-	0.1462
	Electrification (electricity as a share of total energy consumption in industry)[1]		60.2	58.5	66.5	-	-	32.7
	Share of energy from renewable sources (renewable energy generation as a share of overall energy consumption)[1]		12.6	14.0	15.4	17.2	-	25.2
Critical raw materials	Material import dependency, %[1]		72.5	72.5	67.7	73.6	-	22.4
	Circular material use rate[1]		18.4	20.4	19.5	18.6	-	12.2
Operational cleantech manufacturing capacity in 2025[9]	- Solar PV (c: cell, w: wafer, M:module), GW		-		- Electrolyzer, GW		-	
	- Heat pump assembly		-		- Battery, GW		-	

Source: (1) Eurostat, (2) EIB Investment Survey, (3) EIF SME Access to Finance Index, (4) Intrum Payment Report, (5) SAFE survey, (6) OECD, (7) data up to 2024: Single Market and Competitiveness Scoreboard, 2025: Commission calculation based on TED data, accessible at the Public Procurement Data Space (PPDS) (*) the value represented here under EU average is the median, (8) Single Market and Competitiveness Scoreboard, (9) European Commission calculations.

Table A6.1: **Savings and Investments Union summary diagnostic**

Topic	*Main features*	*Relative EU positioning*
Asset-backed pension schemes	Assets at 38.2% of GDP (32.3% in the EU) 10-year real return of 1.3 (1.4% in the EU)	High level of pension assets.
Households' financial assets	EUR 78 761 per capita (EUR 85 090 in the EU) o/w 16.2% in listed shares and bonds (7.6% in the EU) o/w 4.7% in investment funds (11.0% in the EU) o/w 6.8% in life insurance (13.4% in the EU) o/w 0.1% in pension claims (13.6% in the EU)	Household wealth close to the EU average. Half of wealth held in currency and deposits and significant allocation to bonds, suggesting a conservative approach to managing wealth. Almost no allocation to pension funds. Malta has no dedicated savings & investment account.
Venture capital (VC) **Private equity (PE)**	VC at 0.005% of GDP (0.064% in the EU) PE at 0.008% of GDP (0.487% in the EU)	Very low venture capital and very low private equity investments.
Capital taxation	Capital gains tax for individuals of 35% but exemptions exist on certain transfers of shares listed on the Malta Stock Exchange and selected foreign stock exchanges. No CGT tax is levied on investments that yield a fixed rate of return. Dividends are taxed at the standard progressive rates of tax applicable to individuals but deductions apply for Maltese based companies. A 2% stamp duty tax is chargeable on the transfer of marketable securities, but with many exemptions, including shares listed on Malta Stock Exchange.	Very favorable capital gains tax framework when exemptions are taken into account.
1-3 **4-10** **11-17** **18-24** **25-27**	Colours indicate the country's relative ranking based on five groups, ranging from the three best to the three worst performers. The relative ranking as regards an SIU diagnostic topic derives from a consistent cross-country comparison, the starting point of which is the average of the underlying main features.	

Source: OECD (pensions), Eurostat (households' financial wealth), FISMA CMU dashboard (VC and PE), national sources (capital taxation). End-2024.

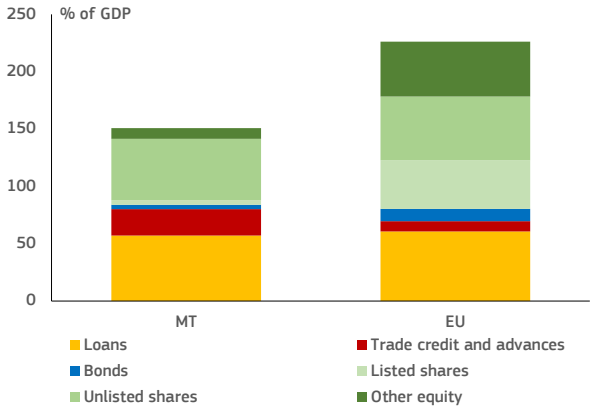
Malta ranks in the mid-range of EU Member States as measured by the main indicators on meeting the policy goals of the Savings and Investment Union (see Table A6.1*). Companies in Malta rely primarily on internal funds to finance investments, while bank funding remains the main source of external financing. The financial sector is predominantly bank-driven. There is scope for capital markets and institutional investors to play a larger role in providing finance to the economy, as well as for retail investors to increase their participation in financial markets. Malta's banking sector remains robust and resilient, supported by strong capital and liquidity buffers. The supplementary pension sector remains under-developed, as do domestic venture capital and private equity ecosystem.*

Business landscape and company funding

Companies in Malta make less use of external funding than their EU peers. Total non-financial corporation (NFC) financing stood at 150.9% of GDP, well below the EU average of 226.2% (Graph A6.1). This reflect a business landscape dominated by SMEs and microenterprises, which tend to rely more heavily on internal funds, as external financing is generally more costly and less accessible for smaller firms (see Annex 5 for more details). This persisted in Malta in 2025, with 75% of companies' investment needs being financed internally, compared with an EU average of 66% ([106]). For companies that did use external funding, bank loans were the main source, reaching 57.2% of GDP in 2024, broadly in line with the EU average of 60.8%. The biggest divergence from the average EU structure is the limited use of listed equity, which reached the equivalent of just 4.0% of GDP in Malta in 2024, compared with the EU average of 42.5%. In line with limited presence of large companies, funding via bond issues is very limited in Malta.

([106]) EIB Investment Survey 2025: Malta overview.

Graph A6.1: **Composition of non-financial corporations funding**



Source: Eurostat. End-2024.

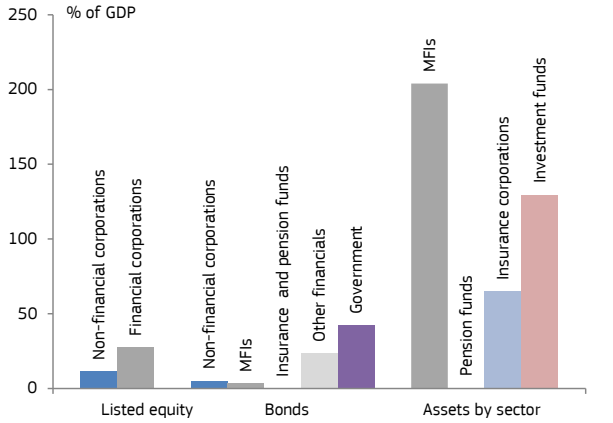
While the proportion of Maltese NFC funding from unlisted equity is similar to their euro area peers (53.7% vs 55.5% of GDP), there is a sizeable difference in the proportion of funding from listed equity. This suggests that a large portion of corporate ownership remains private and that many businesses do not need or want to access capital by going public.

Size and structure of the financial sector

Banks continue to dominate Malta's financial sector. In September 2025, banks' total assets stood at of 186.6% of GDP, below the EU average of 246.1% (Graph A6.2). The core domestic relevant banking sector is highly concentrated, with the bulk of assets held by few banks. While non-bank financial intermediaries have significant size, most are only registered in Malta and conduct limited or no business domestically. For instance, investment funds had total assets equivalent to 135.1% of GDP in 2024, yet domestically relevant investment funds were equivalent to just 7.0% of GDP in June 2025([107]). Similarly, in the insurance sector, domestically relevant insurers held assets equal to 16.5% of GDP in June 2025, compared with 64.2% for the sector as a whole.

Malta's capital markets remain shallow and play a limited role in financing domestic firms. Stock market capitalisation declined to 35.9% of GDP in September 2025, well below the EU average of 70%, with banks dominating as the largest segment. The Malta Stock Exchange (MSE) is the country's only regulated exchange, facilitating equity and bond trading and providing clearing, settlement, depository and other security-related services. Trading volumes on the MSE are modest, amounting to EUR 393 million in 2025, with government bonds accounting for more than half of total turnover and corporate bonds for additional 28%.

Graph A6.2: **Capital markets and financial intermediaries**



Source: ECB, EIOPA, EMACO. End-2024.

Households' participation in capital markets

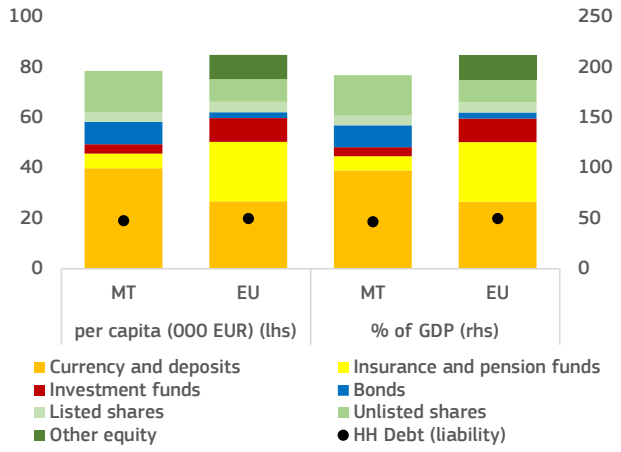
Maltese households tend to favour conservative financial asset allocations, with a preference for deposits and bonds. Compared with the EU average, they hold a significantly larger share of their assets in currency and deposits (40% of GDP vs 26.9%) and in bonds (8.9% vs 2.4%) (Graph A6.3). This composition suggests a cautious approach to wealth management. The second-largest exposure is to unlisted shares (16.4% of GDP), reflecting the presence of private and family-owned businesses. By contrast, Maltese households allocate a smaller share of their financial assets to insurance and pension funds than the average EU households.

There is significant scope to expand direct and indirect retail investment in Malta. Household financial assets are concentrated in

([107])CBM Interim Financial Stability Report 2025.

deposits, with cash and deposits per capita exceeding the EU average both in absolute and relative terms. This creates an opportunity to shift part of household savings towards alternative investment vehicles that may offer higher returns. Maltese households have already shown some engagement in this direction through investments in bonds, and there is a relatively well-developed domestic bond market in which primary issuances frequently target retail investors. The tax environment is generally favourable to retail investment, as numerous exemptions mean that capital gains from equity investment on regulated markets are effectively tax-free. Malta currently does not have a targeted savings and investment account comparable to the instrument recommended by the European Commission ([108]).

Graph A6.3: **Composition of households' financial assets**



Source: Eurostat. End-2024.

Financial literacy in Malta is above the EU average, and the government has put in place actions to strengthen it further. In 2024, Malta's overall financial-literacy indicator stood at 48.5, three percentage points above the EU average ([109]). The authorities have adopted a strategy to promote financial literacy through ĠEMMA platform ([110]) in collaboration with the Malta Financial Services Authority (MFSA). Key focus areas include budgeting, managing debt, savings and retirement planning, with tailored initiatives for youth, seniors and the general public aimed at enhancing overall economic resilience.

The banking sector: resilience and financing of the economy

The Maltese banking sector remains robust and resilient, supported by strong capital and liquidity buffers, and is thus not constrained in its role of providing funding for the economy. The Common Equity Tier 1 (CET1) ratio remained high at 20.7% ([111]) in September 2025, well above the EU average of 16.8%. The liquidity coverage ratio remained at a very high level, amounting to 367% in September 2025. Asset quality continued to improve, as the non-performing loan (NPL) ratio declined to 1.7% in September 2025, slightly below the EU average of 1.9%. The sector's return-on-equity ratio of 8.2% in September 2025 remained below corresponding EU average (Table A6.2). Stress tests conducted by the Central Bank of Malta indicate that core domestic banks hold sufficient capital and liquidity to withstand even severe shocks. The main systemic vulnerability remains the large exposure to real estate. International banks (that do not operate locally) have significantly reduced their presence in Malta over the years, from holding 58% of total bank assets in 2017 to 22% as of June 2025.

Credit growth remained robust in 2025, driven by stronger expansion in the household sector. Lending to households continued to grow at high rates, reaching 8.9% in June 2025, compared with 2.2% in the EU, while loans to NFCs increased by 2.8% (EU average: 2.1%). While the banks have abundant liquidity and are well positioned to provide funding to the economy, credit demand comes primarily from households. As a result, outstanding loans to households are roughly twice the size of loans to companies.

([108])Tax-advantaged 'Savings and Investment Account' as proposed in Commission's SWD on increasing the availability of Savings and Investment Accounts with simplified and advantageous tax treatment.

([109])See Indicator 27(c) Average Score of Commission staff working document: Monitoring progress towards a capital markets union: a toolkit of indicators - 2024.

([110])Financial Capability Strategy 2022-2025.

([111])Sources: ECB Consolidated banking data and EBA.

Role of non-bank financial intermediaries

The relatively small asset base of domestically relevant institutional investors limits their capacity to finance the economy. The combined assets of domestically relevant insurance companies and investment funds stood at 23.5% of GDP in June 2025. In the insurance sector, only 10 companies insure risks located in Malta (out of 69 insurance undertakings), holding assets of EUR 3.9 billion, equivalent to 16.5% of GDP. The bulk of these assets (EUR 3.2 bn) are held by life insurers. Assets of the overall domestically relevant insurers were mainly in investment fund units (35.9%), bond holdings (34.8%) and equity (14.2%). In the investment fund sector, 37 domestically relevant sub-funds managed assets totalling EUR 1.7 bn, equivalent to 7.0% of GDP in June 2025. Fund assets were predominantly placed in bond holdings (63.4%) and equity and participations in investment funds (32.8%), pointing to a conservative investment profile, suggesting a limited role in funding domestic NFCs. Significant links exist between investment funds and the broader financial system. Many domestically relevant investment funds are owned by core domestic banks while 11.5% of the funds' total assets are exposed to bonds and equities issued by key domestic financial institutions.

Malta's supplementary pension sector remains under-developed. While voluntary second- and third-pillar pension schemes are available, participation remains limited. At end-2024, voluntary occupational pension schemes had an estimated 4 667 members, which represents around 2% of the population aged 18-60. Third-pillar pension funds are more developed, although around 85% of their members were non-residents (2023 data). The Maltese government is considering the introduction of auto-enrolment in occupational pension schemes ([112]), with an opt-out option ([113]). Total pension funds amounted to 36.8% of GDP at end-2024, exceeding the EU average of 32.3% but more than four fifths of these are held by non-residents. According to ECB data for June 2025, around 40% of assets were held as technical reserves, 33% were placed in investment funds and 21% in equities.

Venture capital ecosystem

The domestic VC and PE ecosystem remains under-developed. Over 2022–2024, VC (venture capital) investments in Malta averaged just 0.005% of GDP, while PE (private equity) investments averaged 0.008% of GDP, both the lowest levels in the EU ([114]). On the public side, there is sufficient support. Malta Enterprise, the national economic development agency, provides a range of support programmes (including grants), from early seed funding for small start-ups to larger support schemes for business development. The government has also established the Malta Venture Capital Fund to support high-potential innovative start-ups; however, the initial EUR 10 million funding envelope (which authorities are ready to expand) has not been fully utilised during 2025. The persistent absence of private VC and PE investors cannot be offset by existing public initiatives (see Annex 4).

([112])Auto-Enrolment Principal Document.

([113])Budget-Speech-2026.pdf.

([114])Differences in VC/PE indicators across annexes reflect the use of distinct data sources. This Annex uses CMU Dashboard data for consistency across CMU indicators, while Annex 4 uses InvestEurope data, which is disaggregated by investment stage. Variations in reported figures are therefore due to underlying source definitions.

Table A6.2: **Financial sector indicators**

		2018	2019	2020	2021	2022	2023	2024	2025-Q3	EU
Banking sector	Total assets of MFIs, % of GDP	324.7	283.8	281.1	255.2	233.4	205.1	204.1	186.6	246.1
	Common equity Tier 1 ratio	18.9	20.2	21.3	20.6	19.7	20.7	20.8	20.7	16.8
	Total capital adequacy ratio	22.3	23.4	25.1	24.5	23.9	24.9	25.5	26.5	20.2
	Overall NPL ratio, % of all loans	3.1	3.2	3.6	3.0	2.3	2.0	1.9	1.7	1.9
	NPL ratio, loans to NFCs	5.6	5.9	7.1	6.5	4.5	3.7	3.3	2.9	3.5
	NPL ratio, loans to HHs	3.9	3.3	3.5	3.0	2.3	1.9	2.0	1.9	2.1
	Return on equity ratio[1]	5.2	6.0	0.3	3.5	4.3	10.6	8.4	8.2	9.6
	Loans to NFCs, % of GDP	25.8	25.1	27.9	24.1	24.1	22.6	20.9	21.0	29.3
	Loans to HHs, % of GDP	42.4	43.4	46.4	43.5	44.3	41.1	40.5	40.6	43.6
	NFC credit growth rate, %	4.8	5.1	8.9	0.3	7.3	10.2	1.7	4.5	2.5
	HH credit growth rate, %	7.1	8.2	5.2	9.2	8.8	8.1	8.8	9.0	2.6
Non-banking sector	Stock market capitalisation, % of GDP	51.8	47.4	53.7	50.3	45.7	40.5	39.7	35.9	69.9
	Initial public offerings, % of GDP	0.64	0.77	0.00	1.06	0.32	0.02	0.00	-	0.06
	Market funding ratio	30.7	32.4	29.8	31.9	29.7	28.5	27.6	-	49.7
	Private equity, % of GDP	0.729	0.371	0.006	0.006	0.008	0.008	0.008	-	0.487
	Venture capital, % of GDP	0.005	0.006	0.006	0.006	0.005	0.005	0.005	-	0.064
	Financial literacy, composite index	-	-	-	-	-	48.5	-	-	45.5
	Bonds, % of HHs' financial assets	11.1	10.3	9.1	8.0	8.0	10.5	11.3	-	2.8
	Listed shares, % of HHs' financial assets	5.0	4.8	4.4	4.6	4.9	5.1	4.9	-	4.8
	Investment funds, % of HHs' financial assets	7.2	7.0	6.2	6.2	4.6	4.6	4.7	-	11.0
	Insurance/pension funds, % of HHs' financial assets	9.8	10.8	10.6	10.3	8.5	7.6	7.3	-	27.8
	Total assets of insurers, % of GDP	68.9	87.4	91.4	82.8	68.0	71.9	65.0	55.8	53.9
	Pension assets, bn EUR	-	-	-	7.9	6.7	8.1	8.8	-	5813.8
	Pension assets, % of GDP	-	-	-	47.2	37.5	38.7	38.2	-	32.3
	10y real return average of pension assets, %	-	-	-	-	-	0.7	1.3	-	1.4
	Pension funds assets, ECB (% of GDP)	-	47.2	49.4	52.6	43.9	37.2	36.9	34.7	23.0

1-3 | 4-10 | 11-17 | 18-24 | 25-27 — Colours indicate performance ranking among the 27 EU Member States.

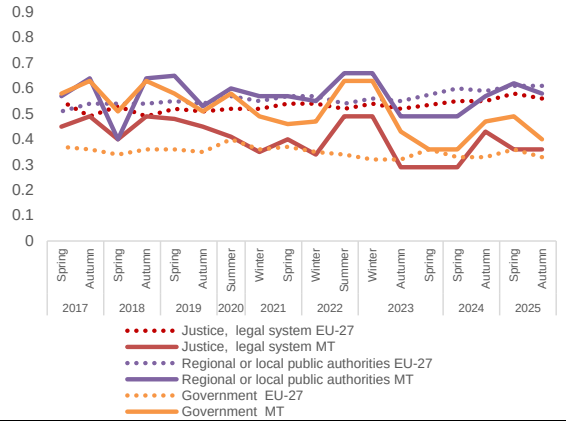
(1) Annualised data. EU data for credit growth and pension funds refer to the EA average.

Source: ECB, Eurostat, European Insurance and Occupational Pensions Authority, DG FISMA CMU dashboard, AMECO.

An effective institutional framework is essential for competitiveness. This requires public trust built on integrity, quality legislation, regulatory simplification and efficient services for people and businesses.

Public trust

Graph A7.1: **Trust in justice, regional / local authorities and in government**



(1) EU-27 since 2019; EU-28 before
Source: European Commission, Standard Eurobarometer surveys

Public trust in government and regional authorities in Malta is above the EU average (Graph A7.1). Businesses and the general public's confidence in the public administration's ability to handle their data securely and responsibility is above the EU average([115]). However, trust in the judiciary has decreased in recent years and is now far below the EU average, due to slow judicial procedures.

Quality of lawmaking and implementation

Malta's rules for lawmaking could be better aligned with best practice to reduce regulatory burdens and ensure effective implementation (Table A7.1)**.** Malta improved its approach to regulatory impact assessment of primary legislation in 2021. This included assessing a range of aspects, such as the effects on competition, small businesses or regions. However, legislators are not required to assess non-regulatory options that could help reduce the number of unnecessary new regulations without compromising policy objectives. There is no explicit requirement for periodic *ex post* evaluation. People and businesses can raise issues with existing regulation through the *servizz.gov.mt* online portal. The Office of the Principal Permanent Secretary provides central co-ordination and guidance on better regulation and is responsible for administrative simplification. Within the Office of the Prime Minister, the Parliamentary Secretariat for Social Dialogue is responsible for quality control of stakeholder engagement. The Cabinet Office provides central oversight of the quality of regulatory impact assessments. However, there is no independent body to review the quality of *ex post* evaluations, and assessments of the effectiveness of regulatory impact assessments and improvements to the existing regulatory stock are not published. There is scope to further improve the mechanisms to simplify regulation (see Annex 5).

Stakeholders are demanding regular consultations on legislative proposals. There is still no to be structured and predictable, as they are seen to lack coherent structure and not always capture stakeholders' feedback. A formal framework for public participation in the legislative process, despite recent efforts such as the creation of a Department of Public Consultation within the Office of the Prime Minister. Stakeholders raised the issue of approval of legislation that was tabled by the government and quickly adopted in Parliament without any previous public consultation, such as the reform of magisterial inquiries (Bill 125) and the constitutional reform package (Bill 134).

Public service delivery and digitalisation

Malta has advanced with the digitalisation of its public services but can improve further their user friendliness. Overall satisfaction with public administration is higher than the EU average (Malta: 56%; EU 45% for people and Malta: 62%; EU 42% for businesses)([116]). At the same time, 39% of citizens, indicated that the

([115])European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

([116]) European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

Table A7.1: **Malta. Selected indicators on better regulation practices for primary legislation**

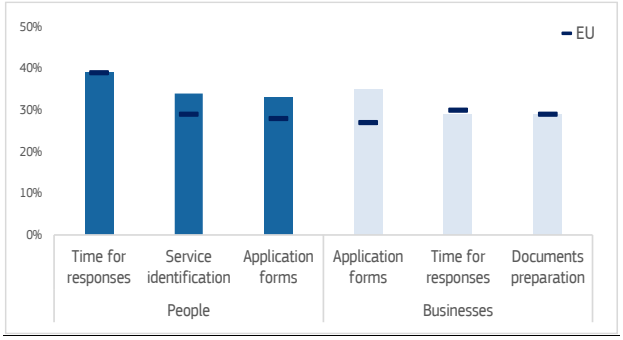
Tools for smart legislation:	
Share of possible impacts assessed for all primary laws when developing legislation	●
Regulators are required to identify and quantify the benefits of a new primary law	●
Regulators are required to identify and assess the impacts of alternative non-regulatory options	●
Tools for effective implementation: when developing laws, regulators are required to:	
Assess the level of compliance	●
Identify and assess potential enforcement mechanisms	●
Specify the methodology of measuring progress in achieving the law's goals	●
Oversight of better regulation:	
There is an external body responsible for reviewing the quality of RIAs and of ex post evacuations	●
There are publicly available assessments of the effectiveness of RIA in modifying regulatory proposals	●
There are reports on the level of compliance by government department with the requirements of RIA	●
There are indicators on the percentage of ex post evaluations that comply with guidelines	●
The effectiveness of ex post evaluations in improving the regulatory stock has been assessed in the last five years	●

● High / yes / for all primary laws ● Medium / in part / for major primary laws ● Low / for some primary laws ● Very low / no / never

Source: OECD (2025), Regulatory Policy Outlook 2025 and Better Regulation across the European Union 2025

time and effort to obtain a service should be reduced. For citizens, the most time-consuming task is the waiting time for responses (40%), while for businesses, the use of application forms (35%) (Graph A7.2). 42% of citizens say that more user-friendly digital services would improve their interaction with the public administration overall. Potential areas for improvement are simplified service design, more interactive help and mobile access. 53% of citizens want clearer information about procedures and services.

Graph A7.2: **Most time-consuming aspects of service delivery**



Source: European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

All digital public services for people and businesses are available online (Table A7.2). Malta is also among the frontrunners in ensuring access to electronic health records. (See Annex 15). Both people (Malta: 75%; EU 67%;) and companies (Malta: 80%; EU73%) find that digital services save time and effort ([117]). The proportion of pre-filled forms for key life events under the Digital Decade is very high (Malta: 93; EU 71)([118]) .

In 2025, Malta moved company registration fully online, through its Business Automation Registry Online System. Malta's Planning Authority operates one of the EU's longest-running fully digital permit systems, which provides end-to-end digital services([119]). Environmental permits are also managed through a central platform([120]). In both areas, however, services experience delays due to limited resources, suggesting that digitalisation alone cannot address existing constraints. The permit landscape for renewables involves multiple authorities for energy licensing, development permits and environmental screening, with no formal one-stop shop. In addition, Malta failed to transpose permit permissions under the Renewable Energy Directive.

Malta has enabled the cross-border exchange of data and documents between authorities through the EU once-only technical system([121]). When services([122]) become

([117])European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

([118])European Commission, 2025, Digital Decade: eGovernment Benchmark.

([119])https://eapps.pa.org.mt.

([120])https://era.org.mt/era-topic-categories/environmental-permitting/.

([121])European Commission, Once-Only Technical System Acceleratormeter, Ec.europa.eu.

Table A7.2: **Digital Decade key performance indicators: availability of digital public services**

	Malta			EU-27
	2023	2024	2025	2025
Digital public services for citizens (0 to 100)	100	100	100	82
Digital public services for businesses (0 to 100)	97	100	100	86
Access to electronic health records (0 to 100)	78	88	94	83

(1) Digital Decade target by 2030: 100. (2) Publishing year, data were collected in the previous year
Source: European Commission, State of the Digital Decade report 2025

accessible, people and businesses will no longer have to search for their data, download and upload documents manually across e-government portals in different Member States. Malta still has to identify the types of documents and data to exchange through the system and explore ways to shift from submitting documents to exchanging structured data.

Civil service

The Maltese government is taking steps to boost the skills and diversity of its civil service employees. Malta's civil service has one of the youngest age profiles (73% of staff are below the age of 50)([123]). Their participation in adult learning has continued to rise above the EU average([124]). However, the proportion of employees with post-secondary education is still below the EU average for public administration (38.2% for Malta, compared to 55% for the EU)([125]). Malta is working to develop a competency framework under the Technical Support Instrument. This will support the selection, recruitment, retention and professional development of civil servants. The proportion of women in senior civil service positions has risen over the last years([126]).

Integrity

Although the perception of corruption when doing business in Malta remains very high, the reported level of experienced corruption is below the EU average. 69% of companies say corruption is widespread (EU: 63%) and 51% see it as a problem when doing business (EU: 35%)([127]). Yet the percentage believing that overly close links between business and politics lead to corruption is below the EU average (Malta: 64%; EU: 76%), suggesting broader integrity and enforcement issues. Public procurement risks are mostly due to weak internal oversight, a lack of standard operating procedures, and bypassing public procurement regulations([128]). ([129]) (see also Annex 5). Despite relatively few firms reporting direct requests for gifts or extra payments in dealings with permits, services or procurement (Malta: 8%; EU: 10%), confidence in accountability is low, with only 27% believing those caught bribing senior officials are appropriately punished (EU: 33%)([130]), suggesting concerns over effective enforcement.

Malta has taken some steps to improve prevention and detection of corruption, but

([122])Procedure types under Annex II of the SDGR (2018/1724/EU) and directives 2005/36/EC, 2006/123/EC, 2014/24/EU and 2014/25/EU.

([123])European Commission, Eurostat, 2026, European Union Labour Force Survey, Employed persons by economic activity (NACE Rev. 2) (2008-2026).

([124])European Commission, Eurostat, 2026, European Union Labour Force Survey, Employees by educational attainment level and NACE Rev. 2 activity (2008-2026).

([125])European Commission, Eurostat, 2026, European Union Labour Force Survey, Participation rate of employees in education and training (last 4 weeks) by NACE Rev. 2 activity (2008-2026).

([126])European Institute for Gender Equality, 2025, Indicator: National administrations: top two tiers of administrators by function of government.

([127])European Commission, 2025, Flash Eurobarometer survey 557 on Businesses' attitudes towards corruption in the EU

([128])2024 Report of the National Audit Office of Malta, p 22.

([129])European Commission, 2025 Rule of Law Report, p. 10.

([130])European Commission, 2025, Flash Eurobarometer survey 557 on Businesses' attitudes towards corruption in the EU

challenges in legislation and enforcement remain. It has continued to implement its national anti-fraud and corruption strategy as its strategic framework for corruption prevention. Improvements have been reported across four categories of risk: unlawful use of resources; public procurement; conflicts of interest; and other fraud([131]). In 2024 and 2025, no whistleblower reports concerning corruption were registered by public authorities, and new tools for whistleblowing continue to be developed. Despite ongoing efforts, the integrity framework remains incomplete, given that key safeguards are still missing from the law – such as comprehensive rules on lobbying, codes of ethics (in particular on post-employment restrictions) and robust asset declaration requirements. Ministers stopped publicly declaring their family income after 2023([132]). This decision and the lack of disclosure requirements for lobbying activities risks further reducing levels of transparency and accountability and making it more difficult to detect conflicts of interest in public decision-making, including public procurement([133]). The Permanent Commission Against Corruption's ability to achieve tangible results has not yet been demonstrated([134]).

Malta has made some efforts to improve prosecution of corruption, but results are yet to be demonstrated. While the prosecution services have increased their human resources and developed new tools to facilitate investigations and prosecutions, stakeholders continue to criticise the capacity of public authorities to speedily and effectively investigate corruption cases, accentuating concerns over the recent reform, which in their view limits the scope for magisterial inquiries prompted by the general public. In 2024, there were 57 new cases on financial crimes (including corruption), 20 investigations (2023: 24), and 18 prosecutions. In two cases adjudicated (2023: two), the sentences were suspended, while one case is under appeal([135]). In 2025, of 20 initiated investigations for corruption, 15 are pending; two led to prosecution. Meanwhile, 12 ongoing prosecutions for corruption are pending([136]). The number of final judgments in corruption cases remains very low (two judgments in 2023, three in 2024, two in 2025).

Justice

Serious concerns persist over the efficiency of the justice system. The time taken to reach a decision in civil and commercial court cases at first instance increased from 454 days in 2023 to 491 in 2024. The estimated time taken to resolve administrative cases at first instance increased from 1 350 days in 2023 to 1 681 days in 2024, which remains the longest in the EU. Concerns remain about resources for the judiciary, particularly the low number of judges per capita (the third lowest in the EU), the shortage of court staff and available premises. Malta is performing moderately well on digitalising its justice system. Improvements include introducing electronic case management for all cases, and the courts and the prosecution service adopting secure electronic communication. Malta performs well in digital solutions to initiate and follow proceedings in civil/commercial and administrative cases, as well as in the general public's online access to published judgments. However, it significantly lags behind on arrangements for producing machine-readable judicial decisions. The Recovery and Resilience Facility is partly funding the national digital justice strategy for 2022-2027, which is partly delayed. Malta can also benefit from reforms to expedite court proceedings in order to address delays, such as by reforming the compilation of evidence (committal proceedings) and other court procedures. As part of the commitments under its recovery and resilience plan, Malta is also undertaking reforms such as increasing the prosecutorial role and capacity of the Attorney General's office. To alleviate the burden on the judiciary, Malta should promote the

([131])European Commission, 2025 Rule of Law Report, p. 6-7.

([132])The Commissioner for Standards in Public Life deemed it 'a setback for transparency' and 'a very negative message.' https://standardscommissioner.mt/commissioner-writes-to-prime-minister-regarding-asset-declarations-by-ministers.

([133])European standards on asset declarations and lobbying include minimum transparency requirements and enforcement in case of breaches, in particular for high-level officials, and Malta continues to fall short of these standards. See OECD (2023): Public Integrity in Malta.

([134])European Commission, 2025 Rule of Law Report, p. 8.

([135])Attorney General office (2025), written input, p. 9., quoted in the 2025 Rule of Law Report, p.7.

([136])Maltese government, contribution for the 2026 Rule of Law Report, p. 42.

use of alternative dispute resolution, such as arbitration and mediation. Malta currently ranks the third lowest in the EU regarding efforts to promote the use of alternative dispute resolution.([137]) While the procedure to appoint the Chief Justice had improved [in 2020] by including Parliament as required by Malta's recovery and resilience plan, difficulties in the appointment of a candidate highlights the need for further reforms to involve the judiciary in the appointment. Regarding the independence of specialised tribunals, the Commission will closely monitor implementation of this key reform in the final payment request of the Recovery and Resilience Facility (RRF) later this year ([138]).

([137])EU Justice Scoreboard 2025, Fig. 26.

([138])For a more detailed analysis of the performance of the justice system in Malta, see the upcoming 2026 EU Justice Scoreboard and the 2025 Rule of Law Report.

Malta faces significant challenges in achieving the clean industry transition and in mitigating climate change. Slow progress on renewable energy systems and the high degree of dependency on critical raw material imports reflect strategic vulnerabilities. Although Malta has made progress on circular economy practices, it lags behind on recycling rates. There is a significant gap between planned climate policy measures and its 2030 climate target, with transport emissions a particular challenge. For Malta, the 2025 CSRs highlighted the need to reduce emissions from road transport and to tackle traffic congestion by promoting quality and efficient public transport. This would require greater investment in active mobility infrastructure and discouraging car use.

Industry decarbonisation

Greenhouse gas emissions from industry

Malta's industry is limited in scale, but it is taking action to reduce its greenhouse gas emissions. Manufacturing generates a minor share of Malta's overall greenhouse gas (GHG) emissions: about 1%, the lowest share in the EU ([139]). In 2024, manufacturing emitted 70 g CO_2eq of greenhouse gases per unit of gross value added (GVA), the second lowest intensity in the EU and less than a third of the EU average. Since 2019, the GHG intensity of manufacturing in Malta has fallen by 15%. 24% of Malta's industrial greenhouse emissions are generated by energy use and 76% are non-energy-related emissions related to industry processes and product use. Its share is the highest in the EU. Energy-intensive manufacturing sectors only have a minor presence in Malta, and their overall GHG emission intensity is low. The processing of non-metallic minerals has a more pronounced impact, generating some 7% of manufacturing GVA in 2022.

Malta takes an indirect approach to industry decarbonisation. Malta's Climate Action Act commits to achieving climate neutrality by 2050, but lacks specific sectoral targets, including targets for industry. Malta's 'indirect' industrial decarbonisation strategy is based on action to electrify most energy-consuming processes and end-uses, while exploring biofuels and green hydrogen as sustainable sources of energy for hard-to-abate processes and sectors. It includes support for technological innovation and research to develop new solutions tailored to Malta's unique context, such as offshore wind, solar power and battery storage. Malta is also investing in the infrastructure needed to convert energy consuming processes to electricity.

Policies to promote industry decarbonisation

Malta's net-zero manufacturing activities are at an early stage, and the installation of renewable systems is advancing slowly. Through its recovery and resilience plan and cohesion funds, Malta is investing in its electricity distribution network. There is currently no net-zero manufacturing output. Malta has some potential to develop high-quality production of electronic components required for net-zero industries thanks to the presence of the STMicroelectronics assembly and testing plant for semiconductors. The envisaged offshore wind and floating solar projects (see Annex 9) could also stimulate local manufacturing and maintenance capacity in this area. Malta is also implementing the Net-Zero Industry Act, although no applications for net-zero strategic projects have been submitted to date (see Annex 5).

Reduction of effort sharing emissions

Compliance with effort sharing limits with domestic measures

Malta's effort sharing emissions are projected to be above its target in 2030; earlier years' unused emission allocations are not sufficient to cover the gap and achieve compliance with the Effort Sharing

([139]) Data on the manufacturing sector exclude the NACE division C19 – manufacture of coke and refined petroleum products, for better match of the sectoral data from Eurostat (gross value added) with those from the UNFCCC under the Common Reporting Format. Also see further indicators on industry decarbonisation, as well as the annotation for further information, in table A8.1 at the end of this Annex.

Regulation ([140]). In 2024, greenhouse gas (GHG) emissions from Malta's effort sharing sectors are expected to have been 40.8% above 2005 levels. By 2030, current and planned policies and measures are expected to lead to a 29.7% increase, leaving a gap of 48.7 percentage points to the 2030 target, a 19% reduction. Malta could bridge part of this gap with own unused annual emission allocations from earlier years but would also need transfers of allocations from other Member States to achieve compliance with the Effort Sharing Regulation. Progressing towards climate neutrality will require swift implementation of the additional measures planned and new measures identified.

Sustainable transport

Transport is the dominant source of Malta's effort sharing emissions. It has generated 48% of these emissions in 2024 ([141]), up by 45% since 2005. For Malta, the 2025 CSRs highlighted challenges on emissions from road transport and traffic congestion, notably recommending action on promoting quality and efficient public transport, stepping up investments in active mobility infrastructure and discouraging car usage.

Malta has made progress in decarbonising its vehicle fleet, though the charging infrastructure needed to support this shift is still largely underdeveloped. Grant and tax credit schemes have driven a sharp increase in zero-emission vehicle (ZEV) uptake. In 2024, Malta recorded 7 700 new passenger car registrations, of which 37.7% were ZEVs - a 17.4 percentage point increase since 2023 (20.3%) and well above the EU average of 13.6%. For light commercial vehicles, ZEVs accounted for 16.6% of new registrations, also significantly above the EU average of 6.1% ([142]). In the public sector, 250 electric vehicles were purchased for the government fleet, with an equivalent number of vehicles scrapped: a measure provided by the Maltese RRP. However, by the end of 2025, Malta had only installed around 25% of the electric charging infrastructure needed to meet its 2030 targets. Significant investments in truck infrastructure are still required as the charging infrastructure is largely lacking. The absence of sufficient recharging infrastructure for light-duty and heavy-duty vehicles risks becoming a significant bottleneck for the uptake of zero-emission vehicles in the country. The remaining investment needs between 2025 and 2030 to achieve the Alternative Fuels Infrastructure Regulation targets are estimated at EUR 34 million for light-duty vehicle infrastructure, EUR 3 million for heavy-duty vehicle infrastructure and EUR 100 million for onshore power supply in maritime ports.

Traffic congestion remains a key challenge, with measures so far focusing predominantly on incentives rather than demand management was the second most congested country in TomTom's worldwide Annual Traffic Index in 2025. Private cars accounted for 82% of inland passenger transport in 2023, with buses and coaches transporting the remaining 18%. Inland freight is transported by road, exacerbating pressure on the limited road network. Malta's National Transport Master Plan estimates the economic cost of traffic congestion (excluding environmental impacts) could reach EUR €917 million per year by 2030, up from EUR €770 million in 2025, unless effective measures are put in place. Proposals to tackle traffic congestion mainly focus on investments in car parks and junctions, although measures to increase parking for motorcycles, EVs and scooters would be welcome. While the plan does not include pricing-based demand management measures such as road pricing or reduced parking, it does include demand management measures like traffic management and modal shift initiatives. However, these have yet to produce observable effects on congestion levels or private car use.

([140])The national GHG emission reduction target is set out in Regulation (EU) 2018/842 (the Effort Sharing Regulation). It applies jointly to buildings (heating and cooling), road transport, agriculture, waste and small industry (known as the effort sharing sectors). The emissions from effort sharing sectors for 2024 are based on approximated inventory data. The final data will be established in 2027 after a comprehensive review. Projections about the impact of current policies ('with existing measures', WEM) and additional policies ('with additional measures', WAM) as per Malta's 2025 reporting under Article 17 of Regulation (EU) 2018/1999 (the Governance Regulation). Also see European Commission (2025), Climate Action Progress Report 2025 – Technical Information, Commission staff working document, Brussels, Chapter 9 (pp. 111ff.), and in particular Tables 25 and 26.

([141])See Table A8.1 at the end of this Annex.

([142])Eurostat 2026. Passenger cars in the EU. https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Passenger_cars_in_the_EU

Malta's diesel prices reflect both a lower pre-tax price and relatively lighter taxes on diesel than the EU average, which may contribute to the high level of private car use. As of 23 February 2026, Malta's pre-tax diesel price was EUR 553.02 per 1 000 litres, around 29% below the EU weighted average of EUR 781.38 and the euro-area average of EUR ([143]). Diesel prices for consumers including taxes were EUR 1 210.00 per 1 000 litres, approximately 24% below the EU average of EUR 1 594.42 ([144]). The implied tax burden (i.e. the difference between the consumer price and the pre-tax price) was EUR 657 per 1 000 litres in Malta, below the EU average of roughly EUR 813.

Steps have been taken to encourage the use of public transport, multimodal connectivity and active mobility, though so far this has had a limited overall impact on reducing reliance on private cars. Malta has expanded free access to public transport for all holders of the Tallinja card (C2-R2), it has invested in transport apps and increased the number of public bus routes as part of the 'Reshaping Our Mobility' initiative. Park and ride services were launched from various localities to encourage the use of public transport. However, the effectiveness of these measures has been limited. In 2024, 58% of people in Malta reported never using public transport, below the EU average of 50.6% ([145]). Malta also has a limited number of dedicated bus lanes, so buses face the same congestion as private cars. Malta has one urban node defined under the TEN-T Regulation and the obligation to develop at least one multimodal passenger hub until 2030, equipped with charging infrastructure for buses and coaches. However, a study conducted in 2025 found that the one identified facility requires further development to improve multimodal connection and passenger services ([146]) indicating that meaningful progress on this front has yet to be made.

Alternatives to car transport between densely populated coastal areas remain limited. The finalisation of the project for the new ferry landing site in Bugibba and the proposal to increase ferry connections are welcome steps, however. As Malta seeks to reduce road congestion, the maritime sector is becoming increasingly important as a complement to road transport. The supply of sustainable maritime fuels will be needed to ensure emissions are not merely shifted from road to sea. In 2023, domestic maritime navigation (excluding international bunkers), contributed around 0.1 million tonnes of CO2, representing 0.9% of Malta's total CO2 from transport, compared with the EU total of around 16.2 million tonnes, and an average share of 1.6% in total EU CO2 ([147]). In terms of energy consumption, 23 765 tonnes of oil equivalent (gas and diesel oil) ([148]), compared with the EU ([149]). Malta has scope to use part of its EU ETS proceeds and Fuel EU Maritime penalties to fund the roll-out of commercial-scale sustainable maritime fuels (SMF). Full implementation of the European Maritime Single Window environment is also pending. The Grand Harbour Regeneration project and the envisaged expansion of the Malta Freeport are welcome steps to improve the resilience, environmental sustainability and competitiveness of the port. Further progress on multimodal integration with ITS – such as synchronising bus schedules with ferry arrivals, especially to reach key destinations like the Mater Dei Hospital and University of Malta - would improve accessibility and reduce reliance on private cars for coastal commutes. Walking and cycling paths are either lacking or unsafe in practice, despite completion of the first phase of the Connections for Safer Active Mobility project and the National Strategy for Cyclists. Cohesion funds support investment in pavements and cycling lanes, though more systemic change is needed to make active mobility a viable alternative.

([143])European Commission, Weekly Oil Bulletin, 'Prices without taxes - latest prices', 26 February 2026.

([144])European Commission, Weekly Oil Bulletin, 'Prices with taxes - latest prices', 26 February 2026.

([145])Eurostat, News articles, '51% of people didn't use public transport in 2024', 11 March 2026.

([146])Multimodal Passenger Hubs concept note.

([147])Statistical Pocketbook 2025.

([148])Note: Domestic navigation covers the quantities delivered to vessels of all flags not engaged in international navigation (see International marine bunkers). The domestic/international split is determined by port of departure and port of arrival, not by the flag or nationality of the ship.

([149])Eurostat (nrg_bal_c). https://ec.europa.eu/eurostat/databrowser/view/nrg_bal_c__custom_20372408/default/table.

Sustainable industry

Circular economy

Some of Malta's circular economy indicators show strong results. However, urgent reforms and investments in waste management are needed to reduce Malta's heavy use of landfills for waste disposal. Malta is currently working on a national strategy for the environment for 2050, which will set out the framework for a longer-term transition to increased sustainability. Action on the circular economy includes more upstream measures on the sustainable design of products and initiatives empowering consumers, reflecting the measures set out in the EU's 2020 CEAP. Since 2022, Malta has opened four product reuse centres to reduce waste. However, in 2024 the country continues to rank low on recycling rates, with only 16.7% of municipal waste recycled against the EU average of 48.1% ([150]), and 35.6% of plastic packaging in 2023 ([151]) below the EU average of 42%. By contrast, the rate of recovery of construction and demolition waste is 100 ([152]), above the EU average of 89%. Malta has not filed any patents related to recycling and secondary raw materials.

With a 9% decrease in the number of persons employed in the circular economy sector ([153]), the circular economy accounted for 2.7% of all employment in 2023, **down from 3.3% in 2014 but still above the EU average of 2%.** However, skills shortages are particularly acute in emerging areas related to the green transition (see Annex 12). Although per capita material consumption has decreased ([154]) over the past five years (above the EU average decrease of 7.7%); resource productivity has increased by 45% in 2024 (compared with the EU average of 37%) and use of secondary materials has increased from 4.2% to 18.6% over the past ([155]) years (against the EU average of 12.2%). Waste generation is still high with 621 kg per person generated in 2024 (compared with the EU average of 517 kg per person) ([156]), underscoring persistent reliance on primary resources ([157]).

Malta has scope to develop its fiscal tools to encourage circular practices, raise revenue and reduce waste. Total environmental tax revenue is lower than the EU average (1.4% of GDP in 2024 against the EU average of 2.1%) (see Annex 3). In 2023, revenues were primarily derived from energy and transport taxes (around 49% and 41%, respectively), with taxes on pollution and resources at 0.18 % (EU average: 0.08 %)

Landfill rates remain high, while recycling rates are way below the EU average. Over the last 10 years, Malta has brought its landfill rate down from 82% to 74%. However, this is still one of the highest in the EU, and well above the EU average of 22% (2023). The incineration rate is low at 3% in 2023 ([158]). Malta has taken some steps to treat waste and avoid landfilling (e.g. the Material and the Multi-Material Recovery Facility). However, urgent reforms and investments in waste management and the circular economy are needed to significantly reduce Malta's reliance on landfills for waste disposal (448 kg per person in 2024 versus 110 kg per person, average in the EU) ([159]). Also, Malta needs to step up efforts to meet the 2025 municipal waste recycling target, (after failing to meet the 2020 50% recycling target); and the 2025 65% packaging waste recycling target ([160]). There are three extended producer responsibility (EPR) schemes in operation in Malta covering packaging, batteries and electrical and electronic equipment ([161]). A LIFE project is ascertaining EPR challenges, best practices and enforcement gaps in Member States, including Malta ([162]).

Bioeconomy industry

([150])Eurostat, Recycling rate of municipal waste, Link.

([151])Eurostat, Plastic packaging recycling rate, Link.

([152])Techno-economic and environmental assessment of CDW management, JRC, 2024, Link.

([153])Eurostat, Persons employed in circular economy sectors, Link.

([154])Eurostat, Material footprints, Link.

([155])Eurostat, Circular material use rate. Link.

([156])Eurostat, Municipal Waste by waste management operations, Link.

([157])Eurostat, circular material use rate, Link.

([158])[env_wasmun] Municipal waste by waste management operations

([159])See footnote 144.

([160])Waste Early Warning Reports 2023 - country-specific factsheets - Environment.

([161])Extended Producer Responsibility - ERA.

([162])LIFE4EPR mapping tool, Link.

In Malta, value added by the bioeconomy as a whole decreased from 2018-2023 by 0.8%. However, among the bioeconomy sub-sectors, value added has grown in food and beverages, wood products and furniture, and bio-based chemicals and plastics (by an average of 3.7%, 11.2% and 1.0% between 2018 and 2023 respectively) ([163]). Overall employment in the bioeconomy has risen by 2.4%. Labour productivity in the bioeconomy – measured as value added per person employed – was 41.9% of the national average and has been decreasing from 63.6% in 2018([164]). Research and development (R&D) business expenditure on bioeconomy-relevant sub-sectors has grown by less than the level of overall R&D business expenditure in Malta (5.4% compared to 8.7% on average between 2018 and 2023) ([165]). By participating in the CleanAlgae2Value project, Malta is exploring potential ways to use microalgae in the European bioeconomy.

Zero-pollution industry

While air quality in Malta has improved over the past ten years, additional action is still needed to curb some specific pollutants, namely NOx and PM10. Malta has significantly reduced emissions of several air pollutants since 2005, while GDP growth has continued. According to the inventories submitted under Article 10(2) of the National Emission Reduction Commitments Directive (NECD) in 2024, Malta has met its emission reduction commitments for 2020–2029 for the air pollutants nitrogen oxides (NOx), non-methane volatile organic compounds (NMVOC), sulphur dioxide (SO_2), ammonia (NH_3) and PM2.5. According to the latest projections submitted under Article 10(2) of the NECD, Malta is also projected to meet its emission reduction commitments for 2030 onwards for NMVOC, SO_2 and PM2.5, but not for NOx or NH_3.

The EEA estimates that 360 years of life are lost per 100 000 inhabitants attributable to air pollution due to PM2.5 concentrations that exceed WHO air quality guideline levels ([166]). In 2022, annual damages from pollutant levels that exceed the air quality standards in Malta are estimated to cost EUR 0.32 million per year ([167]). Although the share of pollution and resources taxes in total environmental taxes was above the EU average, there appears to be scope to step up implementation of the polluter pays principle for air pollution, e.g. taxing NO_x emissions ([168]).

Water pollution from industry also remains a challenge. Malta has one of the lowest levels of emissions of heavy metals to water in the EU (weighted by human toxicity factors) but ranks eighth on emission intensity (above the EU average intensity of 0.864 kg/EUR 1 billion GVA). The main industrial contributors to emissions to water in Malta are the energy sector for heavy metals, and livestock for nitrogen, total organic carbon and phosphorous. Malta is also facing water scarcity, as evidenced by the Seasonal Water Exploitation Index + ([169]). In 2023, in the third quarter of the year, this index reached 66.7%, far above the 20% generally considered as a sign of water scarcity. Levels over 40% are a sign of severe scarcity. Water pollution by industry imposes direct and indirect costs of EUR 83 million annually ([170]), not yet sufficiently borne by the polluters.

The current level of investment falls short to meet current needs. To meet national and EU targets for pollution prevention and control, Malta would need to spend an additional EUR 32 million every year (about 0.19% of GDP) ([171]) largely on

([163]) Bioeconomy subsectors: food and beverages; bio-based textiles; wood products and furniture; bio-based chemicals and plastics.

([164]) Joint Research Centre, Developments of Economic Growth and Employment in Bioeconomy Sectors across the EU, Link.

([165]) Joint Research Centre, Business expenditure in Research and Development (R&D) in the EU bioeconomy, Link,.

([166]) EEA, 2025, Harm to human health from air pollution in Europe: burden of disease status, 2025, Link.

([167]) Update of the costs of not implementing EU environmental law - Publications Office of the EU

([168]) European Commission: Directorate-General for Environment, RPA Europe, Conduct in-depth assessments on environmental priorities to support the greening of the European Semester and integration of environmental priorities into the EU's economic governance framework, 2025.

([169]) https://www.eea.europa.eu/en/analysis/indicators/use-of-freshwater-resources-in-europe-1.

([170]) European Commission: Directorate-General for Environment, IEEP, Green taxation and other economic instruments – Internalising environmental costs to make the polluter pay (p.48, Table 5), 2021, Link.

([171]) European Commission, Environmental Implementation Review (2025), Malta *country report*. Link.

improving air quality, particularly in industrial regions and urban transport corridors ([172]).

([172])European Commission: Directorate-General for Environment, EMRC, Logika Group and RPA Europe; Update of the costs of not implementing EU environmental law, 2025, Link.

Table A8.1: **Key clean industry and climate mitigation indicators: Malta**

Climate mitigation	Malta							Trend	EU	
Industry decarbonisation	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**		**2018**	**2023**
GHG emissions intensity of manufacturing production, g/€ (1)	90	90	90	80	86	75	71	↘	330	-
Share of energy-related emissions in industrial GHG emissions (2)	19.8	23.1	27.6	28.4	30.8	23.7	-	↗	55.5	57.9
Energy-related GHG emissions intensity of manufacturing and construction, g/€ (3)	53.4	62.6	86.3	85.7	91.5	60.5	-	↘	203.9	163.0
Share of electricity and renewables in final energy consumption in manufacturing, % (4)	70.2	66.8	60.6	60.8	58.2	76.4	76.3	↗	42.8	43.9
Energy intensity of manufacturing, GWh/€ (4)	0.60	0.60	0.63	0.62	0.60	0.53	0.50	↘	1.27	1.05
Share of energy-intensive industries in manufacturing production, % in GVA (5)	0.00	0.00	0.00	0.00	9.56	9.14	8.09	↗	-	-
GHG emissions intensity of production in sector [..], g/€ (6)										
- paper and paper products (NACE C17)	95	81	-	158	229	233	216	↗	722	619
- chemicals and chemical products (NACE C20)	-	160	185	164	146	145	144	↘	-	-
- other non-metallic mineral products (NACE C23)	-	-	368	296	523	439	500	↗	2,495	2,352
- basic metals (NACE C24)	20	8	7	6	5	5	5	↘	2,842	3,099
Reduction of effort sharing emissions	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**		**2018**	**2023**
GHG emission reductions relative to base year, %				29.8	43.0	41.6	40.8			
- domestic road transport	25.1	32.8	9.8	17.7	37.1	44.8	45.0	↗	-1.4	-5.6
- buildings	10.1	20.2	6.0	8.5	30.3	13.5	6.2	↗	-20.3	-33.5
	2005			**2021**	**2022**	**2023**	**2024**	**Target**	**WEM**	**WAM**
Effort sharing: GHG emissions, Mt; target, gap, %	1.0			1.3	1.5	1.4	1.4	-19.0%	42.1%	29.7%
Sustainable road transport	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**		**2018**	**2021**
New zero-emission vehicles, electricity motor, % (7)	3.49	3.65	3.87	7.92	15.40	20.31	37.66		↗	1.03	8.96
Number of publicly accessible AC/DC charging points (8)	-	-	97	95	12	101	120	113	↗	446956	n/a
Share of electrified railways, % of total (9)	-	-	-	-	-	-	-			55.47	56.49

Sustainable industry	Malta							Trend	EU-27	
Circular economy transition	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**		**2018**	**latest data**
Material footprint, tonnes per person	10.9	12.1	11.6	11.6	11.9	11.4	10.7	↘	14.8	13.7
Circular material use rate, %	8.3	12.5	16.2	18.4	20.4	19.5	18.6	↘	11.6	12.2
Resource productivity, €/kg	2.2	2.4	2.1	2.7	3.2	3.7	3.4	↗	2.1	3.0
Employees in circular economy	3.1	3.1	3.1	3.5	2.7	2.7	-		2.1	2.0
Patents in circular economy	0	-	-	-					12.3	12.0
Recycling rate	10.4	9.1	10.9	13.6	12.5	17.4	16.7		46.40	48.1
Plastic recyling	11%	15%	10%	17%	16%	36%	-		41%	42%
Construction and demolition waste (CDW) recovery	100	-	100						88	89
Bioeconomy industry	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**CAGR 2018-2023**	**2018**	**2023**
Value added, million EUR	288	283	328	341	376	274	-	-0.8%	642,438	863,436
Employment, total number of people employed	9,065	9,467	9,513	9,537	9,873	10,428	-	2.4%	17,649,040	17,085,642
Productivity										
Valued added per worker, thousand EUR	31.7	29.9	34.5	35.7	38.1	26.3	-	-3.1%	36.4	50.5
Valued added per worker, % of national average	63.6	59.2	70.4	64.2	66.3	41.9	-	-	62.2	70.7
R&D business expenditure										
Total bioeconomy (biomass producing and converting sectors)	2	2	3	4	4	3		5.4%	15,672	23,335
Total R&D business expenditure	47	50	55	64	65	78	-	8.7%	196,587	259,525
Zero pollution industry	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**		**2018**	**2021**
Damage cost for industrial pollution	0.0	0.1	-	-	-	-	-		414.9	352.7
Water industrial pollutants releases	Cd, Hg, Ni, Pb		nitrogen		TOC		Phosporus			
	2021	change (2010)	2021	change (2010)	2021	change (2010)	2021	change (2010)		
	-	no data	-	no data	-	no data	-	no data		
Water chemical status	Good		9	Good (%)	0.5		Poor	10.0	Poor (%)	50%

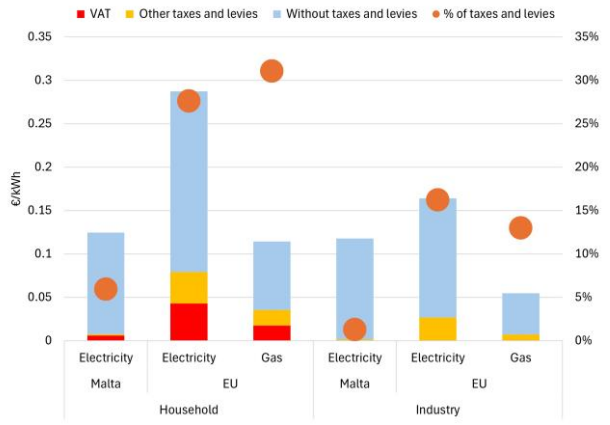
Sources and notes: **Industry decarbonisation:** All data are from Eurostat; data following the UNFCCC Common Reporting Format (CRF) are from the European Environment Agency (EEA), republished by Eurostat. (1) Sectors covered: all divisions of section C - Manufacturing - of the NACE Rev. 2 statistical classification of economic activities, except C19 (manufacture of coke and refined petroleum products). (2) GHG emissions as per UNFCCC Common Reporting Framework (CRF) categories 1.A.2 - fuel combustion in manufacturing in industries and construction (that broadly correspond to the broadly correspond to the NACE sections C - Manufacturing and E - Construction, excluding C-19), and CRF2 - industrial processes and product use. The figures shows the emissions in the 1.A.2 category as a share of the sum of CRF1.A.2. and CRF2 emissions. (3) Sectors covered: CRF 1.A.2 as described above. Gross value added (GVA) data in the denominator aligned in sectoral coverage, in 2020 prices. (4) Sectors covered: NACE section C excluding C19. (5) Nominator: NACE divisions C17, 20, 23, 24; denominator: NACE section C excluding C19 (see above). (6) GVA (denominator) in 2020 prices. **Reduction of effort sharing emissions:** Data source: European Environment Agency, greenhouse gas data viewer; European Commission, Climate Action Progress Report, 2025. For details, see the footnote in the "Reduction of effort sharing emissions" section. **Sustainable road transport:** (7) Source: Eurostat; (8) Source: European Alternative Fuels Observatory; (9) Source: Eurostat. For all climate mitigation indicators, the trend arrows compare the latest available data (year t) with the data four years earlier (t-4). **Sustainable industry**: Bioeconomy value added, employment and productivity: JRC, Developments of Economic Growth and Employment in Bioeconomy Sectors across the EU. Bioeconomy R&D business expenditure: JRC, Business expenditure in Research and Development (R&D) in the EU bioeconomy. Damage cost for industrial pollution: EEA, The costs to health and the environment from industrial air pollution in Europe, 2024. Water industrial pollutants releases: EEA, Industrial releases of pollutants to water and economic activity in the EU-27, 2024. Water chemical status: WISE, Surface water bodies: Chemical status, 2024 and WISE Groundwater bodies: chemical status, 2024. Other indicators: Eurostat. For circular economy indicators, the trend arrows compare the latest available data (year t) with the data two years earlier (t-2).

In 2025, Malta took some steps to improve its interconnection and to support the deployment of renewable energy, but progress remained limited. On the other hand, its final energy consumption increased, and there were no steps aimed at phasing out fossil fuel subsidies.

For Malta, the 2025 country-specific recommendations highlighted the need to accelerate the deployment of renewable energy by promoting large-scale projects and small-scale investments in direct energy production and consumption. They also highlighted the need to reduce energy demand by increasing energy efficiency in buildings. They further encouraged Malta to phase out fossil fuel subsidies, including by winding down emergency energy support measures.

Energy prices and costs

Graph A9.1: **Electricity and gas prices for household and non-household consumers, first half of 2025**



(i) For household consumers, the consumption band is DC for electricity and D2 for gas.
(ii) For non-household consumers, the consumption band is ID for electricity and I4 for gas. VAT and recoverable charges are not displayed for non-household consumers as these are typically recovered by businesses. This also applies to the '% of taxes and levies', which is shown excluding VAT and recoverable charges for non-household consumers.
(iii) 'Without taxes and levies' indicates the retail price excluding all taxes and levies. It includes the energy/supply and network cost components, which are not disaggregated in Eurostat's six-monthly price dataset.
Source: Eurostat

In the first half of 2025 Malta's retail energy prices followed last year's trend and decreased slightly, remaining significantly below the EU average. Household electricity prices in first half of the year averaged EUR 0.1244/kWh (the second lowest in the EU), while industrial prices averaged EUR 0.1176/kWh. For large businesses, taxes and levies (excluding VAT) for non-household consumers accounted on average for only 1% of electricity bills, whereas for household consumers all taxes and levies made up 4.7% of the total bill (the fourth lowest in the EU) ([173]).

Flexibility and electricity grids

The electricity supply market in Malta remains closed, with Enemalta being the only electricity supplier on the island and few opportunities for consumer empowerment. Given this market set-up, all consumers pay regulated tariffs and customer switching cannot be implemented in Malta. In terms of consumer empowerment, 93% of final household consumers had smart meters installed by 2024 ([174]).

The absence of a liquid wholesale market hindered the liberalisation of the electricity market, the development of demand-side response mechanisms and other aggregation opportunities. About 10% of households in Malta produce their own energy, which is considerably higher than the proportion of prosumers in most of the EU Member States ([175]). Energy communities have not yet found their place in the Maltese energy system, with no such communities registered in Malta so far.

The flexibility of the electricity system is limited. The concentration of the renewable energy on one technology (solar), combined with the lack of demand-side measures that could allow to adjust consumption, puts pressure on the grid and creates congestion. Rising summer

([173])Analysis based on Eurostat data from the first half of 2025.

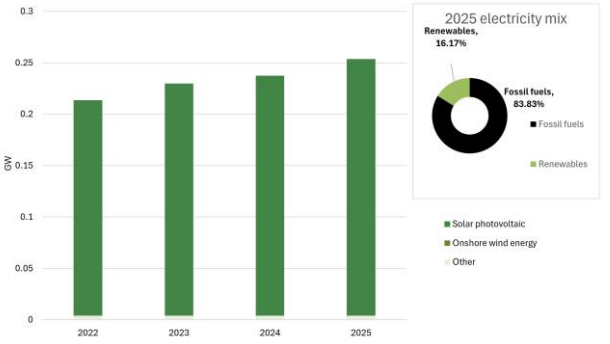
([174])Source: ACER – Electricity country sheets – 2025 monitoring report.

([175])Source: ACER – Electricity country sheets – 2025 monitoring report.

temperatures driving extreme peaks create cooling demand that further strain the Maltese power system.

In 2024, electricity accounted for 40.9% of Malta's final energy consumption, above the EU average of 23.4%, and this percentage has increased slightly in the past decade ([176]). When it comes to households, electricity accounts for 76.8% of final energy consumption, while in industry it represents 75.9% (see also Annex 8). For the transport sector, this share remains negligible, at 0.7%. Further progress in electrification across sectors is required in order to cost-effectively decarbonise the economy and bring the benefits of affordable renewable generation to consumers.

Graph A9.2: **Malta's installed renewable capacity vs electricity generation mix**



Electricity mix is given as net electricity generation (gross electricity production minus consumption of power stations' auxiliary services). Electricity produced in pumped hydro plants is excluded from total net electricity production, as it was previously counted as electricity produced from another source.
"Other" includes renewable municipal waste, solid biofuels, liquid biofuels, and biogas.
Source: IRENA, Eurostat

Renewables and long-term contracts

Malta has taken some steps to support the deployment of renewable energy, but progress remains very slow. Renewable installed electricity production capacity in Malta in 2025 (254 MW) increased by 5% compared to 2024 (242 MW). An overwhelming share of this total installed capacity is solar, which accounted for 250 MW in 2025. There was still no wind capacity in 2025. The share of renewable energy sources (RESs) in Malta's electricity mix in 2025 was 16.17% ([177]), far below the EU overall RES share (45%) and one of the lowest rates in the EU.

Malta's contribution towards its target renewable energy share in 2030, 24.5%, is below the 28% objective calculated using the formula set out in Annex II to the Governance Regulation. Malta plans to develop a large floating offshore wind farm by 2033 with installed capacity of 280 to 320 MW, which would more than double its installed RES capacity ([178]). A large offshore solar project is also being planned, but its implementation has not yet started. Furthermore, 2024 was the last year in which Malta released a forecast for the allocation of support for renewables on the Union Renewables Development Platform.

Renewable energy sources in Malta accounted for 16.2% of electricity generation in 2025, an increase of 0.5 percentage points compared to the previous year (15.7% in 2024). The active renewable generation sources were solar (15.7% of total electricity generation) and biomass/combustible renewable fuels (0.4%), with no wind or hydropower generation recorded.

([176])CAGR (compound annual growth rate) of 0.44% between 2015 and 2024 and minimum/maximum share of 39.0% and 40.9% respectively (source: Eurostat).

([177])Yearly electricity data, Ember.

([178])Following the publication of the preliminary qualification questionnaire (PQQ) in December 2024, three offers were submitted by the deadline in July 2025. The evaluation has started and will include a due diligence check, which is expected to continue in 2026.

Under a reform supported by its recovery and resilience plan (RRP), Malta has introduced new mandatory requirements for on-site renewable energy generation in residential and non-residential buildings, including through the installation of photovoltaic (PV) systems (demonstrating increased efforts to utilise available rooftop space). The introduction of these requirements in the updated version of Technical Document F (containing minimum energy performance and building envelope requirements) is a step in the right direction.

The government has introduced a scheme aimed at promoting the voluntary adoption of renewable energy by organisations. Eligible entities were given the opportunity to receive a fully funded PV system for their facilities.

The solar water heater grant scheme has been renewed, giving applicants the opportunity to claim up to 75% of the total eligible cost, up to a maximum of EUR 1 400. An additional grant of EUR 500 is provided after five years to cover maintenance costs. The heat pump water heater scheme aims to provide an alternative technology to solar water heaters, especially for households which do not have an available roof area. As well as increasing its support for these investments, the government has also simplified the application process.

The permitting framework has been reviewed, partly through the reform included in Malta's RRP. A system of fast-track permitting, in the form of a notification process, was adopted by the regulator (REWS) for PV systems of less than or equal to 16 amps per phase, or 20 amps per phase if system is equipped with enabled volt-var inverters, to facilitate the installation of such systems and their connection to the grid. Malta has also adopted a simplified procedure for repowered systems.

A one-stop shop could facilitate procedures and reduce the number of authorities involved. Malta has already developed two functioning electronic portals for that purpose.

Energy efficiency

Malta made no progress in terms of reducing its energy consumption, despite some measures aimed at increasing energy efficiency. In 2024 final energy consumption (FEC) increased slightly compared to 2023, to 0.742 Mtoe, continuing the increasing trend since 2019 ([179]). Malta's FEC in 2024 was in line with the trajectory to its expected contribution in 2030. While in industry FEC has decreased since 2019 (– 7.8%), there was an increase in energy consumption over the same period for services (+ 4.9%), transport (+ 7.9%) and the residential sector (+ 15.0%). At the same time, the energy intensity of the Maltese economy reduced by 19.6% between 2019 and 2024 ([180]), and the FEC per capita also decreased by 7.3%.

Malta's significant increase in final energy consumption in the residential sector between 2019 and 2024 contrasts with its long-term renovation strategy (LTRS), which indicates a reduction of 18% by 2030. The observed increase has been driven by a rise in the number of dwellings, among other factors ([181]). The 'Renovate your Home' support scheme is a step in the right direction, but that relatively few dwellings have benefited from it (800 dwellings in 2025) Malta has not yet submitted its draft national building renovation plan pursuant to the recast Energy Performance of Buildings Directive (EPBD) or provided a clear and predictable pathway towards an energy-efficient and decarbonised building stock.

In Malta 31.2% of the energy consumed is used in buildings. Heating and cooling account for 57% of the country's residential final energy consumption, with renewables supplying 59% of the total energy used for heating and cooling in all sectors. Approximately 60 000 aerothermal heat pumps were sold in 2023, taking the total stock of installed heat pumps to around 600 000. Financial

([179])This is in contrast to the general trend in the EU: final energy consumption in the EU-27 decreased by 7.6% between 2019 and 2024.

([180])While FEC increased by 6%, GDP increased by 31.9% in real terms.

([181])Source: https://www.indicators.odyssee-mure.eu/decomposition.html.

subsidies are available for up to 50% of the cost of heat pumps, capped at EUR 1 000.

Security of supply and diversification

Malta is currently interconnected with the European electricity grid through a single submarine power cable link with Italy, providing an interconnection rate of 35.86%. The total dependence on the single subsea interconnector with Sicily for external supply is a vulnerability of Malta's power system. To further increase the security of electricity supply in the country, a decision was taken to invest, with support from the European Regional Development Fund, in a second 225 MW electricity subsea link with Italy (Sicily). This second cable link connecting the existing Magħtab terminal station and Ragusa terminal station is expected to be commissioned in 2026. It will contribute to long-term security of supply and allow for the integration of a higher share of renewable energy sources.

Malta is considering a new hydrogen-ready gas interconnector with Italy, which would be capable of transmitting 100% hydrogen from its commissioning date. Malta is benefitting from an exemption under Article 24 of the TEN-E Regulation and this continues to be a project of common interest in the second Union list under the revised Regulation.

Malta is taking some steps to strengthen its national grid. Through its RRP, Malta is investing in its electricity distribution network, through investments in cables and distribution services.

In 2025, Malta did not depend on Russia for its imports of natural gas. Malta is the only Member State whose natural gas demand increased between August 2022 and July 2024, by 7%, compared to the average gas demand between 2017 and 2021, mainly due to the shifting of demand from the interconnector to local electricity generation. However, between April and July 2024, Malta's gas consumption decreased by 3.75%.

Malta's energy mix ([182]) shifted slightly towards natural gas and renewables in 2024. The share of natural gas was 35.6% in that year, while renewables and biofuels rose to 8.3%. Oil and petroleum products remained the dominant source increasing slightly, to 56.2%.

In response to rising energy prices following the regional crisis in the Middle East, Malta has retained existing energy subsidies as part of its commitment to shelter households and firms from price surges.

Fossil fuel subsidies

Malta has taken no measure to address the 2025 CSR on *phasing out fossil fuel subsidies.* In 2024, environmentally harmful ([183]) fossil fuel subsidies without a planned phaseout before 2030 represented 1.2% ([184]) of Malta's GDP ([185]), remaining the highest rate in the EU (above the EU weighted average of 0.32%). Subsidies to electricity, petrol and diesel remain in place as fossil fuel subsidies without a planned phaseout date, which do not specifically address, in a targeted way, energy poverty or genuine energy security concerns. Additionally, Malta's 2023 effective carbon rate ([186]) averaged EUR 75.9 per tonne of CO_2 – below the EU weighted mean of EUR 84.80.

([182])Gross inland consumption (Eurostat). Electricity and heat are excluded in order to avoid double-counting. The focus is on primary energy sources.

([183])Explicit fossil fuel subsidies (e.g. direct transfers) and implicit fossil fuel subsidies (i.e. tax expenditures linked to forgone tax revenues that have an identifiable fiscal impact for the central budget) that support fossil fuel energy production, transmission and/or consumption.

([184])European Commission calculation based on underlying data from the Study on energy subsidies and other government interventions in the EU – 2025 edition, Enerdata.

([185])2024 gross domestic product at market prices, Eurostat.

([186])The effective carbon rate is the sum of carbon taxes, ETS permit prices and fuel excise taxes, representing the aggregate effective carbon rate paid on emissions.

Considerable work remains to be done in the area of climate adaptation. Malta is one of the EU Member States most exposed to climate risks. While Malta has made some progress, namely by setting up a dedicated institutional framework, and there are some promising ongoing projects, concrete implementation of the adaptation related measures is still far from being achieved, especially as concerns sustainable water management and transport vulnerability. Malta continues to face serious environmental challenges related to water scarcity and water quality, due primarily to diffuse pollution from unsustainable agriculture practices; untreated urban wastewater; a high level of landfilling of waste; increasing sealed, artificially modified and/or degraded soil due to excessive construction resulting in habitat degradation; and illegal trapping and hunting of protected bird species

Climate adaptation and preparedness

Malta is one of the EU Member States most exposed to climate risks. as it becomes increasingly subject to heatwaves, droughts, floods and wildfires, which have a direct impact on its society and economy. Malta is included in two of the three regions identified as hotspots for climate risks, meaning that they are most affected by climate change – Southern Europe and low-lying coastal regions. Malta faces multiple climate-related challenges as it is exposed to extreme weather events. As an example, Storm Harry in mid-January 2026 caused widespread damage to infrastructure and economic activities, in addition to threatening public safety. If current levels of coastal protection are not increased, direct economic damages and social impacts from coastal flooding in Malta are projected to rise sharply.

Although adaptation strategies have been drawn up recently, much clearly remains to be done. A recent study commissioned by the Commission's Directorate-General for Climate Action ([187]) estimates that Malta will need to invest almost EUR 56 million per year (0.2% of annual GDP, significantly lower than the EU average, 0.5%): first and foremost in infrastructure retrofitting and reinforcement (more than 60% of the total), followed by health (around 25% of the total), while investments in the resilience of ecosystems, restorations and agriculture play a smaller role compared to other Member States. Malta makes use of several EU funds to improve its preparedness, such as the European Regional Development Fund (ERDF) and the common agricultural policy (CAP) strategic plan.

Malta's institutional framework for climate change adaptation involves multiple stakeholders at both central and local levels, including a dedicated body, the Climate Action Authority (CAA). Malta aims to increase mitigation and adaptive capacity by understanding the available climate data and working to bridge existing gaps**.** This is currently being achieved through multiple ongoing projects, such as the Common Coast project, launched in March 2024 and funded by the EU's Technical Support Instrument. Looking at the subnational level, although some mayors have signed the 2020 commitment to join the framework of the EU Covenant of Mayors, none of them has committed to work on adaptation to date.

Several national policy measures related to adaptation and preparedness have been implemented over recent years. Malta's recent national energy and climate plan (NECP) developed its pathway towards 2050, looking into climate change mitigation and adaptation aspects. The vulnerability risk assessment (VRA) has been concluded, and the Climate Action Authority (CAA) is preparing a national plan for climate resilience (NRP) for the government's approval, which will focus on: agriculture and fisheries, arts and entertainment, construction, energy, human health, tourism, transport, manufacturing, water services, waste, and wholesale and retail trade. In the third quarter of 2025, the CAA conducted a preliminary market consultation (PMC) to gather market intelligence, understand industry capacity and assess the availability of specialised expertise needed for the NRP's development. A tender will

([187]) European Commission (2026), Assessment of EU and Member States adaptation investment needs, Table 25, Link. The study provides detailed estimates of adaptation investment needs at the level of the EU and individual Member States per type of measure. It relies on a common methodology that makes estimates comparable across the EU. Four accompanying methodological reports provide a detailed description of how the results were estimated to ensure full transparency.

be issued to the purpose, which will follow the United Nations Framework Convention on Climate Change (UNFCCC) guidelines. Despite recent progress, significant work remains to be done to bring Malta's adaptation frameworks, policies, planning and implementation up to the required level of maturity.

The insurance penetration in Malta is below 50% for climate-related perils (coastal flood, earthquake, wildfire, windstorm and floods). Based on the most recent data from the EIOPA Dashboard for the insurance protection gap ([188]) the climate risk in the Islands, although scoring 1.5 on a scale from 1 to 4, is judged relevant. Malta Financial Services Authority is pushing financial institutions to manage climate-related risks by incorporating them into risk registers, assessing physical risks ([189]) and strengthening resilience strategies.

The Maltese transport infrastructure is highly vulnerable to climate-related risks. The transport vulnerability index of the TEN-T network to climate change for Malta has been assessed to be one of the highest in the EU, scoring 0.42. This is mainly driven by the lack of general preparedness to adaptation of the transport sector, the quality of the transport infrastructure, and inadequate economic and institutional capacity ([190]). The highest costs are expected for adaptation to coastal floods and heatwaves. Estimates show that in total EUR 418 million will need to be invested by the middle of the century in TEN-T mostly in maritime ports (EUR 340 million), followed by roads and airports. There are no railways in Malta.

There is scope to tap into nature-based solutions more widely and systematically. Nature-based solutions and prevention play a key role in increasing resilience, but so far, they have not been deployed at large scale and widely across sectors in Malta. However, two EU-funded projects 'Renature' ([191]) and the Life Integrated Project ([192]), are advancing Nature-based Solutions (NbS) in Malta to restore ecosystems and improve water management.

Water resilience

Malta's natural water supplies are not sufficient, even if used sustainably. Malta is facing water scarcity, as evidenced by the Seasonal Water Exploitation Index +. In 2023, this index reached 66.7% which is above the 20% generally considered as a sign of scarcity in the third quarter of the year. Above 40%, it would be a sign of severe scarcity ([193]) (see Annex 19). Despite this concerning situation, water productivity in Malta stands well above the EU-27 average, suggesting that the economy has already adapted significantly to sustained water scarcity ([194]).

Malta's population, agriculture, tourism, the energy sector and therefore the overall economy rely heavily on the availability of freshwater. Malta's semi-arid Mediterranean climate, high (and increasing) population density, and limited land area combine to make the development of economically viable surface water resources particularly challenging. According to Malta's third River Basin Management Plan (RBMP), only 58% of the number of surface water bodies achieve good ecological status. Main pressures are discharges not connected to the sewerage network, as well as agricultural activities. Good chemical status of the number of surface water bodies has fallen from 52.6% to 45% between the second and third river basin management plan (RBMP). Concerning the area of Malta's groundwater bodies, all 100% is in poor chemical status, and 82% is failing to achieve a good quantitative status.

The natural water cycle is increasingly unable to match freshwater demand. The resulting water scarcity affects water users across

([188]) Dashboard on insurance protection gap for natural catastrophes - European Insurance and Occupational Pensions Authority.

([189]) https://www.mfsa.mt/news-item/mfsa-urges-banks-to-strengthen-climate-related-and-environmental-risk-management/.

([190]) Support study on the climate adaptation and cross-border investment needs to realise the TEN-T network. Publications Office of the European Union, 2024, Link.

([191]) ReNature: https://www.renature-project.eu/.

([192]) Life Integrated Project: https://www.rbmplife.org.mt/.

([193]) https://www.eea.europa.eu/en/analysis/indicators/use-of-freshwater-resources-in-europe-1.

([194]) [env_wat_abs] Annual freshwater abstraction by source and sector.

the economy. Rising temperatures, low annual rainfall precipitation and an increase in high-intensity rainfall events have weakened Malta's natural water supplies. Furthermore, the fall in household rainwater reservoirs in use and the increase in impermeable surfaces (roads, roofs) has reduced rainwater infiltration for groundwater recharge and has increased stormwater runoff to the sea. To address this challenge, Malta needs to increase rainwater retention, preferably with NbS. Some measures are planned in the 2022-2027 RBMP cycle, co-financed by EU LIFE. Furthermore, the diffuse pollution both from urban areas and from agriculture (nitrates and pesticides) as well as the saline intrusion in groundwater due to over-abstraction, further reducing this water source's availability. Desalination of seawater is a significant source of water supply (see Annex 19).

Wastewater treatment remains a pressing issue. Malta has three agglomerations covered by the Urban Wastewater Treatment Directive, two of which still have compliance issues, concerning the low proportion of households connected to at least secondary urban wastewater treatment plants. To address the situation, Malta plans to increase the capacity of its wastewater treatment plants and disconnect farmyard wastewater by 2026 ([195]). These efforts are partly supported by EU funds.

Malta's third River Basin management Plan (RBMP) shows that the most significant water challenge is water scarcity. For groundwater resources, abstractions for public water supply occur in 27% of the groundwater bodies. All groundwater bodies are utilised, to varying extents, for agricultural water supply. As a result of these pressures, 13% of groundwater bodies exhibit a lowering of the water table, while 80% are impacted by saline intrusion. For the implementation of the Floods Directive (FD), Malta has updated the Flood Risk Management Plan (FRMP), that includes NbS like green infrastructure and sustainable drainage systems, as well as a national Flood Hazard and Risk Map (FHRM) and also maps with higher resolution for each area of potential significant flood risk. In the FRMP, there is room for improvement of the links to climate change, explanation of objectives and estimation of costs. Concerning the FHRM there is room for improvement of the information and accessibility for the public.

The annual water investment needs reach an estimated EUR 61 million (in 2022 prices) in Malta. This comprises investment needs both for the water industry and for the protection and the management of water. Of the total annual need, EUR 13 million relates to the management of wastewater. A further EUR 25 million is necessary for drinking-water-related investments and around EUR 23 million for the protection and management of water ([196]). In the programming period 2021-2027, EUR 85 million from cohesion policy funds have been allocated to supporting sustainable water and wastewater management in Malta ([197]).

Nature restoration

Malta's economy is structurally exposed to nature loss because it is among the EU Member States with the highest dependency on ecosystem services ([198]). Half of gross value added (GVA) relies directly on ecosystem (50%) – above the EU average of 44%. This vulnerability is particularly acute in the agriculture, fisheries, aquaculture, construction and water utilities sectors, which depend directly on healthy terrestrial and marine ecosystems ([199]).

Despite Malta's rich biodiversity, reflected in the 28.7% ([200]) of its territory designated as protected areas, habitat degradation is increasingly widespread. The quality of the biodiversity with shared fish stocks in the Central Mediterranean remain overfished ([201]). Enhanced

([195]) MINISTRY FOR THE ENVIRONMENT, ENERGY AND PUBLIC CLEANLINESS AND THE MINISTRY FOR EUROPEAN FUNDS AND IMPLEMENTATION OF THE ELECTORAL PROGRAMME €86 million EU funding granted to upgrade Malta's water and wastewater infrastructure.

([196]) Environmental Implementation Review - Environment - European Commission.

([197]) cohesiondata.ec.europa.eu.

([198]) Hirschbuehl et al. (JRC), *The EU economy`s dependency on nature*, VASILAKOPOULOS, P. editor(s), European Commission, (2025).

([199]) Hirschbuehl et al. (JRC), *The EU economy`s dependency on nature*, VASILAKOPOULOS, P. editor(s), European Commission, (2025).

([200]) Protected areas and birds - Environment - Eurostat.

([201]) European Commission, 2025, Common Fisheries Policy Monitoring, STECF-Adhoc-25-01, Link.

data collection, monitoring and fisheries control, combined with ecosystem-based management, are essential to safeguard long-term fisheries viability. The long-standing situation regarding illegal trapping and killing of protected species remains one of the main challenges in Malta and a matter of concern.

Nature degradation is further amplified by invasive alien species. 9 recorded invasive alien species in Malta in 2024 ([202]), have inflicted estimated damages of EUR 80 million up to 2020, primarily affecting agriculture and public health ([203]). At the same time, eutrophication, a threat to biodiversity and ecosystem integrity, stalled at 99% since 2005 ([204]). Nitrogen deposition from agriculture remains a critical driver of this degradation. Furthermore, Malta continues to face an estimated EUR 5 million shortfall in funding designed to address conservation priorities. Over EUR 30 million from cohesion policy funds in 2021-2027 (disregarding ESF+) are specifically earmarked to support biodiversity actions ([205]).

Sustainable agriculture and land use

Malta's carbon removals fall slightly short of the level of ambition needed to meet its 2030 target for land use, land-use change and forestry (LULUCF). To meet it, additional carbon removals of –0, 002 million tonnes of CO_2 equivalent (CO2eq) are needed ([206]). The latest available projections show a slight gap to 2030 ([207]). Additional measures are therefore needed in the land sector to reach the 2030 target. In addition to increasing LULUCF net removals, further investment in healthy forests and soils is key to building resilient, biobased product value chains and enabling a growing, competitive EU bioeconomy. In particular, continued improvements in the monitoring system of net removal data and projections will play a crucial role in supporting timely and effective action in the sector.

In 2024, only 0.77% of Malta's land area was under organic farming, which is the worst result in the EU ([208]). Malta's action plan for organic food 2023–2030 specifies a national target of 5 % of utilised agricultural area being converted to organic production by 2030 and aims to increase organic aquaculture by the same year ([209]) The plan also encourages farmers to adopt a more sustainable approach to pest control to enhance and restore biodiversity and to recover soil health and quality. Given Malta's water scarcity, the plan is intended to support investments in water capture, storage and distribution systems. On the other hand, sealed, artificially modified and/or degraded soil continues to increase in Malta due to excessive construction. This, together with the environmental pressures on the relatively small number of forested areas on the islands – only 17% have a favourable conservation status – makes the situation of nature in Malta unsustainable.

Water quality pressures are intensifying, ranking among the worst in the EU. In relation to the EU Nitrates Directive, more than 95% of Malta's groundwater monitoring stations recorded average nitrate concentrations exceeding 25 mg/l (and 63.6% above 50 mg/l, the EU threshold for safe drinking water) between 2016 and 2019 ([210]). This trend underscores systemic agricultural pressures due to Malta's high livestock density– 3.27 livestock units per hectare in 2023 ([211]), compared to the EU average of 0.75. A 14% increase in agricultural ammonia emissions between 2018 and 2023 ([212]) underscores regression in emission control in Malta ([213]) to

([202])European Commission, 2025, *Environmental Implementation Review, Malta Country Report*, Link.

([203])Neobiota, Economic Cost of invasive alien species across Europe (2021). European Commission: Directorate-General for Environment, EMRC, Logika Group and RPA Europe; Update of the costs of not implementing EU environmental law (2025).

([204])EEA, Eutrophication caused by atmospheric nitrogen deposition in Europe 2024.

([205])See footnote 185.

([206])National LULUCF targets of the Member States in line with Regulation (EU) 2023/839 Link.

([207])Climate action progress report 2025. Link.

([208])[sdg_02_40] Area under organic farming.

([209])Environmental Implementation Review - Environment - European Commission.

([210])EEA, Nitrate in groundwater in Europe, 2025. Link.

([211])Eurostat, Livestock density index. Link.

([212])EEA, Air pollutant emissions data viewer (Gothenburg Protocol, Air Convention) 1990-2023.

([213])EEA, Magnitude of emission reductions (percentage) required by EU Member States to meet their emission reduction commitments for 2030 onwards, based on 2023 data, 2025.

meet its reduction commitments to be achieved by 2030. However, nitrate pollution persists, indicating gaps in nutrient management strategies.

Pesticide contamination in soil is not an issue in Malta. However, contamination in surface water and groundwater, especially by nitrates stemming from agriculture activities remains a challenge. According to the Commission recommendations for Malta's CAP strategic plan, the share of ammonia emissions from agriculture in the country is still relatively high, and Malta has been found to be at high risk of non-compliance with its commitments to reduce ammonia emissions. Malta had a high surplus for nitrogen and phosphorus from 2000 to 2015 and is one of the Member States facing the greatest challenges in tackling nutrient pollution from agriculture. Malta has not provided information to the Commission about the contribution of its agriculture to nitrogen discharges in the aquatic environment for the 2016-2019 reporting period. Based on the data available, the greatest contributor to Malta's unhealthy soils is unsustainable soil erosion by water, wind, tillage and harvest, which affects 97% of cropland area. 18% of the country experiences soil sealing above 50% imperviousness ([214]).

([214]) European Commission, 2023, *Staff Working Document: Impact assessment report accompanying the proposal for a Directive of the European Parliament and of the Council on Soil Monitoring and Resilience (Soil Monitoring Law),* Link.

Table A10.1:**Key Adaptation Indicators**

Climate adaptation and preparedness:							EU-27
	2019	2020	2021	2022	2023	2024	latest data
Drought impact on ecosystems *[area impacted by drought as % of total]*	0	0	0.32	0	0	-	2.76
Forest fires burned area [1] *[burned area in ha. per year]*	-	34	-	-	-	-	354 510
Economic losses from extreme events *[EUR million at constant 2022 prices]*	28	-	-	-	2	-	40 452
Insurance protection gap [2] *[composite score between 0 and 4]*	-	-	-	1	1	1	-
Sub-national climate adaptation action *[% of population covered by the EU Covenant of Mayors for Climate & Energy]*	-	-	-	-	-	-	34

Water resilience:							EU-27
	2019	2020	2021	2022	2023	2024	latest data
Water Exploitation Index Plus, WEI+ [3] *[total water consumption as % of renewable freshwater resources]*	27.14	38.04	28.86	36.73	30.08	-	4.53
Water productivity *[EUR per m^3]*	291	277	328	364	398	-	151
Water abstraction							
Water abstraction by source (% from surface water)	7.25%	7.17%	7.47%	8.08%	7.99%		-
Water abstraction by sector	Agriculture	Electricity cooling	Manufactu-ring	Public water supply	Mining and Quarrying	Constru-ction	
	47.70%	16.71%	2.42%	33.17%	0.00%	0.00%	
Status of water bodies [4] *[% of water bodies in a good status]*							
Surface water bodies (ecological)	-	-	-	-	-	58%	38%
Groundwater bodies (quantitative)	-	-	-	-	-	73%	93%

Nature restoration:							EU-27
	2019	2020	2021	2022	2023	2024	latest data
Ecosystem dependency *[% of direct dependency]*	-	-	-	50%	-	-	44%
Protected area *[% of terrestrial protected areas]*	29	29	29	29	28.7		26.4
Invasive alien species (IAS) *[number of IAS of Union concern]*	-	-	-	-	-	9	29.2
Damage cost of IAS *[EUR billion]*	-	-	-	-	0.08		1.69
Eutrophication *[AAE of area at risk of euthrophication]*				581	581		295

Sustainable agriculture and land use:							EU-27
			2012-2018		2018-2021		latest data
Yearly net land taken by Member State *[ppm of total urban surface per Member State]*			604		554		670
Land conversion in functional urban area *[% of total land taken from 2018-2021]*							
Arable land					47%		
Complex and mixed cultivation					0%		
Forests					0%		
Herbaceous vegetation associations					27%		
Open spaces with little or no vegetation					11%		
Pastures					15%		
Permanent crops					0%		
Water					0%		
Wetlands					0%		
	2019	2020	2021	2022	2023	2024	latest data
Nitrates in groundwater [5] *[mgNO_3/l]*	:	:	:	:			
Livestock density *(number of livestock units per hectare of utilised agricultural area)*		3.27			3.27		0.75
Ammonia emissions *[% of total utilised agricultural area]*	93%	93%	92%	93%	91%	-	94%
Pesticide contamination on rivers and lakes water bodies				rivers	0%		27%
[% of monitoring sites with pesticides exceeding thresholds, 2018-2023]				lakes	n.d.		18%
Pesticide contamination in soil *[% of samples with a concentration over 0.5 mg/Kg^{-1}]*					0%		57%
Net greenhouse gas removals from LULUCF [6] *[ktCO_2-eq]*	6.1	8.6	0.6	0.8	1.0	-	-198 421

(1) EFFIS (European Forest Fire Information System). Link.
(2) The climate protection gap refers to the share of non-insured economic losses caused by climate-related disasters, based on modelling of the risk from floods, wildfires and windstorms and on the insurance penetration rate. Scale: 0 (no protection gap) – 4 (very high gap). EIOPA, 2025, Dashboard on insurance protection gap for natural catastrophes.
(3) This measures total water consumption as a percentage of the renewable freshwater resources available for a given territory and period. Values above 20% are generally considered to be a sign of water scarcity, while values equal to or greater than 40% indicate severe water scarcity.
(4) European Commission, 2024, Seventh Implementation Report from the Commission to the Council and the European Parliament on the implementation of the Water Framework Directive (2000/60/EC) and the Floods Directive (2007/60/EC) (Third River Basin Management Plans and Second Flood Risk Management Plans).
(5) Indicator refers to concentrations of nitrate (NO3) in groundwater, measured as milligrams per litre (mgNO3/L). Nitrate can persist in groundwater for a long time and accumulate at a high level through inputs from anthropogenic sources (mainly agriculture). The EU drinking water standard is limited to 50 mgNO3/L to avoid threats to human health.
(6) Net removals are expressed in negative figures, net emissions in positive figures. Reported data are from the 2025 greenhouse gas inventory submission. 2030 value of net greenhouse gas removals as in Regulation (EU) 2023/839 – Annex IIa.

Source: Eurostat, EEA and JRC.

ANNEX 11: LABOUR MARKET

Malta's labour market continues to perform strongly, but challenges persist. Labour demand remains high, but labour shortages are rising. Shortages are increasingly met through reliance on third-country nationals (TCNs) to meet demand, and staff turnover is elevated. Job quality, including workplace safety, remains a concern, exacerbated by limited labour inspection capacity and gaps in social dialogue. Significant gender and disability employment gaps also remain. While efforts are needed to respond to these challenges, Malta is on track to reach its 2030 national employment rate target.

The labour market showcases high employment and low unemployment. Employment remains robust across key sectors, including tourism and hospitality, financial services, iGaming, as well as electronics, pharmaceuticals and ICT ([215]). In 2025, the employment rate reached 83.6%, among the highest in the EU (vs EU: 76.1%), reflecting steady progress towards the 2030 national target of 84.6%. Youth employment rates (15-29), however, decreased sharply by 2.2 pps to 68.4% (vs EU: 49.1%). Overall labour market participation (15-64) continued its increase from 76.0% in 2020 to 82.6% in 2025, driven by rising employment among native workers and continued immigration. At the same time, labour market participation of young people fell, just as their employment rate, by 2.2 pps, to 72.8% in 2025. There is also a small increase in the proportion of young people neither in employment nor in education and training (NEETs), by 1.3 pps to 8.5%, while remaining below the EU average of 11.0% The unemployment rate (15-74) fell to 3.1% in 2025, with long-term unemployment at 0.6%, both among the lowest in the EU (vs EU 6.0% and 1.9%, respectively). Labour market slack declined further to 4.9% in 2025, well below the EU average of 11.7%. This decrease was mainly due to the reduction in the share of those underemployed working part-time. The overall positive labour market outcomes have also been sustained by increased participation of third-country nationals.

Recent demographic expansion has been largely driven by labour-related migration, particularly of third-country nationals. Between 2015 and 2025, Malta recorded the largest relative population increase in the EU, with the population growing by 34% to 574 250 inhabitants. This growth has been largely driven by a sharp rise in the foreign-resident population, from 6% in 2013 to 28% in 2024 ([216]). In 2024, TCNs represented 20% of the population, while EU mobile workers accounted for 8%.

Third-country nationals (TCNs) face significant and multidimensional employment challenges. TCNs often experience poorer labour conditions, including weak job security, long working hours, restricted career progression, lower health and safety standards, and limited rights in case of loss of employment. Their in-work at risk of poverty rate is also high at 17.3% compared to Maltese nationals (5.4%). TCNs also present lower wages and limited trade union representation. TCNs frequently depend on employers or employment agencies for their residence status. Their participation is further constrained by language barriers, limited recognition of qualifications and discrimination ([217]). The regulatory framework has evolved with the 2025 Labour Migration Policy, introducing, amongst others, longer grace periods, mandatory salary payments through licensed institutions and workforce application limits (where employers are eligible to apply for additional TCNs based on a fixed percentage of their workforce). The Skills Pass, currently mandatory and available to TCNs for a fee, serves as a monitoring and compliance tool but adds an administrative barrier. Together with the 2023 legislation on employment agencies, these measures seek to improve oversight and curb exploitation practices, although their effectiveness remains to be assessed.

Despite progress, Malta still records a wide gender employment gap. Over the past decade, the gap narrowed by 14.4 pps, one of the largest

([215])Government of Malta, Economic Survey, 2025.

([216])Central Bank of Malta, Understanding Recent Labour Supply Dynamics in Malta, and The native Maltese population: projections and implications on the labour supply, 2025.

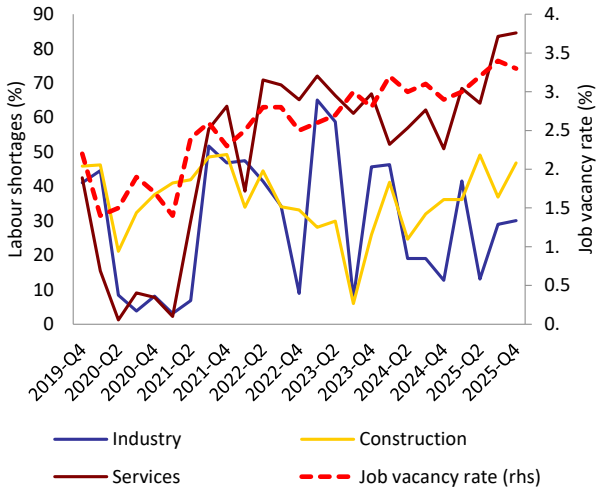
([217])Debono, M. (2021). Migrants and the challenge of decent work in Malta. e-Revista Internacional de la Protección Social (e-RIPS), Vol. VI, Nº 2, pp. 272 – 293 ; Justice and Peace Commission, Beyond GDP II: Third Country National in Malta, 2024, JRS, Forced to Hide: The Human cost of legal precarity and labour exploitation in Malta, 2025; ETUI, Worker participation, 2024

reductions in the EU, but was at 12.4 pps in 2025, 2.8 pps above the EU average and still among the widest in the EU. While younger cohorts (20-29) now show narrower gaps than the EU average and employment among older women (55-64) has increased, the gap widens with age, which contributes to one of the widest pension gaps in the EU (36.6% vs EU: 23.9%). Women remain underrepresented in construction and ICT and overrepresented in services (e.g. education, health, social work, retail and wholesale). Barriers are particularly pronounced for older (50-64), lower-skilled and migrant women as well as those with children, including the non-universality of early childhood education and care. Taken together, the combination of a high employment gap and a below-average gender pay gap (4.9% vs EU: 11.1% in 2024) indicates that gender inequality on the labour market in Malta is driven mainly by lower female labour market participation rather than pay disparities.

Persons with disabilities continue to face challenges. The employment gap between persons with and without disabilities widened in 2025, well above the EU average (30.1 pps vs EU: 24.2 pps and 24.0 pps in 2024). It is now more pronounced for men (30.7 pps vs 27.6 pps for women). The labour force participation rate for persons with disabilities is slightly below the EU average (52% vs 55.5% in 2024), while their NEET rates in 2024 remained moderate at 45.2% but still above the EU average (29.8%). A relatively large proportion of persons with disabilities are low-skilled, facing strong competition in a labour market with a high share of low-skilled workers (see Annex 13). In this context, limited inclusiveness in sectors such as tourism, construction and ICT further restricts their employment opportunities.

Labour shortages are intensifying across sectors. The job vacancy rate reached 3.3% in Q4-2025, one of the highest in the EU and well above the EU average (2.1%). Shortages are most visible in services – notably professional, scientific and technical activities – (5.0%), construction (4.6%) and ICT (4.6%). Employers' surveys confirm these pressures, with a high share of firms in services (85% vs 23.1% in the EU) and construction (46.8% vs 27.5%) reporting labour shortages as a constraint on production ([218]). Demand is strongest for personal service workers, sales workers, office associate professionals, as well as drivers and vehicles operators ([219]). In 2025, ICT specialists comprised 48% of total employment, in comparison to 5.0% of the EU average, marking a decrease of 0.5 percentage points from 2024. The demand for ICT specialists remains significantly high across all sectors, whereas the supply continues to fall short. Concurrently, in 2025, 66.80% of individuals aged 16–74 possessed at least basic digital skills, surpassing the EU average of 60.40%.

Graph A11.1: **Labour shortages (%) and the job vacancy rate (%) in Malta**



Seasonally adjusted data, not calendar adjusted, provisional data for the job vacancy rate.
Source: ECFIN business and consumer survey data and Eurostat [jvs_q_nace2].

Wages have rebounded. Wage growth reached 7.6% in 2024 and is projected at 4.2% in 2025 and 3.5% in 2026. Following a marked drop in 2023 (-2.9%), real wages increased by 5.2% in 2024 but are expected to decelerate to 1.9% in 2025 and further to 0.8% in 2026. This recovery reflects easing inflation and nominal wage growth, although with significant heterogeneity in wage increases across sectors, such as sizeable increases in the public administration sector and below-average increases for workers in the sector including retail trade and accommodation and food services. The recovery in real wages is expected to continue offsetting earlier losses in purchasing power by 2025. The statutory minimum wage increased by 21.3% between January 2022 and December 2025 but

([218])DG ECFIN, European Business and Consumer Surveys.

([219])From 1 July 2024 to 30 June 2025.

corresponded to a modest real increase of 0.8%. Unit labour costs rose by 6.3% in 2024 and 4.1% in 2025; in 2026, growth is forecast to slow down to 3.9% but to remain above the EU average.

Job quality remains uneven, with low wages, atypical work and high labour turnover in some sectors. The share of low-paid jobs has increased, with over 10% of workers remaining in low-paid jobs for the last four years (15.9% vs EU: 14.7% in 2022) ([220]), disproportionally affecting women and TCNs. Wage disparities persist across sectors and skills levels, which contributes to uneven job quality and income inequality. Malta also records a relatively high share of atypical working hours (39.1% of workers vs EU: 32.6%). The in-work poverty rate among single households is the highest in the EU (28.8% vs EU: 11.8%). High labour turnover, particularly among foreign workers (both TCNs and EU nationals), reflects limited job attractiveness amid demanding working conditions, high living costs and restricted career progression ([221]).

Malta has strengthened labour inspection and OSH oversight, but challenges persist. Labour inspection capacity increased to 19 officers in 2024, up from 10 in 2023, raising the inspector-to-worker ratio from 0.3 to 0.6 per 10 000 workers. Despite this progress, inspection coverage remains below ILO standards and sanctions for breaches are still relatively low ([222]). The Occupational Health and Safety Authority (OHSA) has expanded both staffing and inspection activity, yet enforcement challenges persist. Recent regulatory changes aim to address these weaknesses, with legislative amendments adopted in 2024 and 2025 strengthening penalties, enhancing compliance with labour and OSH regulations and promoting a safer workplace.

Social dialogue presents some weaknesses. While employer organisation density was at 69.6% in 2010, trade union density stood at 36.5% (2023), but with a low trade-union membership of foreign workers, who represent an increasing share of the labour force. Collective bargaining coverage remained low at 31.0% in 2022, reflecting the concentration of bargaining in the public sector and the predominance of firm-level agreements in the private sector, which typically apply only to union-represented workers (below the 80% benchmark) ([223]) ([224]). In Malta, tripartite social dialogue takes place primarily within the Malta Council for Economic and Social Development (MCESD), which brings together representatives of government, employers and trade unions and should serve to discuss and provide advice on economic and social policy matters in a regular and systematic way. Other examples of shortcomings include insufficient dedicated resources for capacity building and training for social partners, which Malta plans to address in the coming period. Bipartite social dialogue is also constrained by fragmented representation, and weak inclusion of non-standard workers ([225]).

Public sector employment is high and continues to expand. The public sector employed 554 195 full-time workers in October 2025, 18.3% of total full-time employment, an increase of 4.3% compared with October 2024 ([226]). This persistent expansion may raise concerns about efficiency, productivity performance and potential crowding-out effects on the private sector. Social partners have underlined the urgent need to further strengthen reskilling and upskilling of the public sector workforce to improve efficiency and enhance the quality of public services.

([220])European Commission, Labour Market and Wage Developments in Europe, 2025.

([221])Of all terminations, 29% is for TCNs who have been in the terminated employment for less than three months. See: Central Bank of Malta, Estimating labour turnover in the Maltese economy using administrative data, 2023 and Jobsplus, Other Labour Market Trends, 2024.

([222])ILOSTAT, Number of Labour inspectors by sex, Inspectors per 10'000 employed persons 2024.

([223])OECD/AIAS ICTWSS database, Malta: Main indicators and characteristics of collective bargaining, 2025.

([224])Directive (EU) 2022/2041 of the European Parliament and of the Council of 19 October 2022 on adequate minimum wages in the European Union.

([225])Zammit, E. L. (2019). Social dialogue and competence development: the role of Malta's social partners. Centre for Labour Studies: Biennial Report: 2017-2018; and Servizzi Ewropej f'Malta (SEM) (2021). Promoting Improved Social Dialogue in Malta. Misco; MCESD, Provision of Evidence based research and Delivery of Training, Final Research report, 2021; Manwel Debono, An Analysis of Trade Union Membership in Malta, 2018; Godfrey Baldacchino, The state of industrial relations in Malta: A critical commentary, 2023-2024.

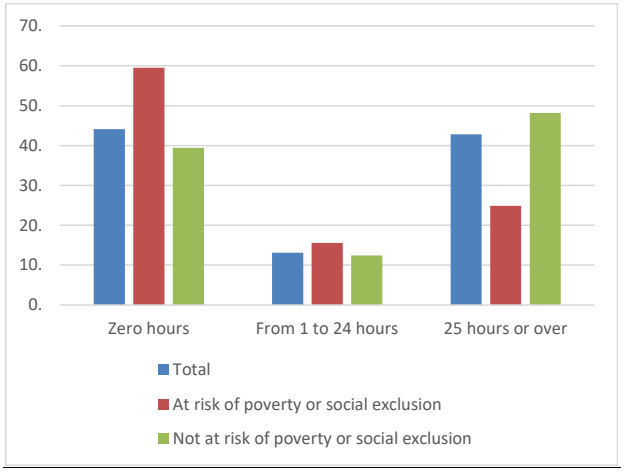
([226])NSO Malta. Registered Employment, May 2025.

Malta's social outcomes showed improvement in 2025. Malta presents an overall favourable social situation, with several indicators showing progress, including poverty. In particular, child poverty was high in 2024 and decreased significantly in 2025. Nonetheless, the social protection system keeps presenting gaps, and vulnerabilities persist among certain groups. Shortcomings in benefit adequacy, accessibility and coverage continue to affect the most vulnerable households. Third-country nationals and persons with disabilities also experience poorer social outcomes than the rest of the population. These dynamics highlight the need to strengthen social protection, expand access to essential services and provide more targeted support alongside continued economic growth. Addressing these challenges will contribute to fostering Malta's inclusive growth and competitiveness.

Overall poverty rates remain stable, while in-work poverty is intensifying. Malta's at-risk-of-poverty or social exclusion (AROPE) rate stood at 19.4% in 2025, which is below the EU average of 20.8, on a positive downward trend over the past three years. The country should keep up efforts to achieve Malta's 2030 target of reducing the AROPE rate by 3.1 percentage points (pps) for the overall population and by 6.1 pps for children from 2019 levels (20.7% and 23.7%). It should be noted that, in a context of population growth, the absolute number of people affected continues to rise. Severe material and social deprivation remains low in Malta and continues to decline, standing at 4.1% compared with 6.3% in the EU in 2025. By contrast, in-work poverty has continued to rise, affecting 9.2% of workers in 2025, now above the EU average of 8.3%, it has followed a steady upward trend over the past decade. Malta adopted the National Strategy for Poverty Reduction and Social Inclusion in 2025, whose success will depend on effective implementation. To address the multiple dimensions of poverty, the implementation of a comprehensive approach, as set out in the EU Anti-Poverty Strategy, can support progress towards achieving the national anti-poverty target.

Child poverty decreased, while some groups remain vulnerable. After an increase between 2022 and 2025, the AROPE rate among children decreased to 23.3% in 2023, now below the EU average of 24.3%. In absolute terms, around 21 000 children were affected in both 2023 and 2024, putting Malta at risk of missing its national child poverty-reduction target. The risk of severe poverty for children (defined as living below the threshold of 40% of the median equivalised income) also decreased in 2025, reaching 5.8%, below the EU average of 6.4%. However, children in vulnerable households are particularly affected. In 2025, 46.1% of single parents with dependent children were at-risk-of-poverty, and 39.7% of children with parents with a low level of education were AROPE, remaining below the EU average. Children of Maltese nationals faced slightly higher poverty rates (20.8%) than those of non-Maltese nationals (19.3%) in 2025. With the support of European Social Fund Plus (ESF+) funding, Malta is implementing the European Child Guarantee. While progress has been made in health promotion and disease prevention for children in need, gaps remain in addressing non-financial barriers to participation in early childhood education and care and in ensuring inclusive education. Malta has also published the Social Plan for the Family 2025-2030 and the Children's Policy Framework 2024-2030, which includes measures to support families in vulnerable situations ([227]).

Graph A12.1: **Children (0-3) participating in early childhood education and care by duration and risk of poverty or social exclusion (%)**



Source: Eurostat [ilc_caindform25b].

Early childhood education and care faces similar challenges, with non-universal access and reliance on private and church providers. Participation among children under three increased from 19.1% in 2015 to 55.9% in 2025. However, participation gaps between children who are at risk

([227])Government of Malta, A Social Plan for the Family 2025-2030, 2025 and Children's Policy Framework 2024-2030, 2024.

of poverty or social exclusion and children who are not are wide. In 2025, 59.5% of children at risk did not participate in ECEC, compared with 39.4% of other children. Only 24.9% of children at risk of poverty or social exclusion participated for more than 25 hours per week, compared with 48.2% of their peers not at risk.

Despite positive improvements, poverty and social exclusion affect vulnerable groups disproportionately. In 2025, 29.7% of third-country nationals were at risk of poverty or social exclusion, compared with 15.8% of Maltese nationals. Adults with low educational attainment faced an AROPE rate of 26.1% (EU: 34.2%), which is above the rate of 11.7% (EU: 10.3%) recorded among highly educated adults. Persons with disabilities were also exposed to substantially higher and increasing risks (35.9% vs 16.6% for persons without disabilities, EU: 28.7% vs 17.7%); this is linked to barriers and limited employment and educational opportunities for persons with disabilities, as illustrated by a wide disability employment gap (see Annex 11). Energy poverty in Malta is below EU levels (7.6% vs EU: 8.8%) and slightly decreasing, including for vulnerable groups. In 2025, 10.9% of people at risk of poverty or social exclusion struggle to keep their homes adequately warm, decreasing from 17.1% in 2024. Geographical disparities also persist, with higher poverty rates in Gozo, Comino and northern and western areas of Malta.

People aged 65 and over remain vulnerable. Among them, 30.3% were at risk of poverty or social exclusion in 2025 (vs EU: 18.8%). The monetary poverty rate is also much higher for older people in Malta than for the working-age population, almost the double in 2025. Risks are higher still for older women, but decreasing (31.4%, compared with 29.0% for men). This disparity partly reflects Malta's persistently wide gender pension gap – the widest in the EU at 36.6% in 2025 (vs EU: 23.9%) – despite recent reductions. Pension adequacy remains limited, particularly for low-income groups. This is reflected in the median relative income of older people (60+), which is below the EU average for both men (0.80 vs EU: 0.97) and women (0.74 vs EU: 0.91). Self-employed farmers and primary producers are particularly exposed to pension inadequacy, as most qualify only for the minimum pension. As a result, many continue working beyond retirement age, which delays generational renewal and the entry of younger farmers into the sector.

Income inequality in Malta has been decreasing in a context of strong economic performance. In 2025, the income of the richest 20% of the population was 4.49 times higher than that of the poorest 20%, slightly above the EU average of 4.62. Although the gap narrowed in 2025 it is not yet as the pre-pandemic low level of 2019. The gross disposable household income index (GDHI, 2008=100) remains well above the EU average (171.74 vs EU: 114.40 in 2024), and high employment levels have helped keep overall poverty levels close to the EU average. Malta applies an automatic cost-of-living adjustment (COLA) to wages and pensions. As in previous years, this mechanism was complemented by an 'additional COLA', a separate targeted payment aimed at supporting low- and middle-income households and pensioners facing higher-than-average increases in costs of living ([228]).

Malta's social protection system has limited effectiveness in reducing monetary poverty. In 2025, social transfers reduced the monetary poverty rate by only 24.89%, which is well below the EU average of 33.20%. Benefit coverage is also comparatively low: only 77.1% of adults (18–64) who were both at risk of poverty and living in (quasi-)jobless households received social benefits, compared with 83.6% at EU level in 2025. This points to weaknesses in the system's ability to reach those most in need. Malta relies on a broad mix of cash and in-kind benefits covering pensions, unemployment, housing, disability, and family and child support. A study conducted by the Joint Research Centre indicates that coverage varies among different social benefits. Some benefits, such as the additional COLA mechanism and family and child benefits, effectively reach their intended recipients. Others, such as housing and unemployment support, leave scope for improvement in coverage. Some groups, such as migrants, have lower coverage rates. The additional COLA mechanism has the potential to reduce poverty among several vulnerable groups, while social assistance and child allowances help to alleviate poverty within specific target demographics. Nonetheless, there remains scope to improve the adequacy of these benefits, particularly the additional COLA. Although they are

([228])Social Security, Additional Cost of Living Benefit 2025.

efficient in helping narrow the poverty gap, they do not lift a sufficient number of people out of poverty ([229]).

Formal social protection coverage is comprehensive, but some challenges persist in effective access, adequacy and system coordination. The governance of the social protection system is fragmented across several ministries and agencies, contributing to overlaps, coordination gaps and uneven access. Moreover, the benefits system is highly fragmented ([230]). Some groups face barriers to accessing social protection. Eligibility conditions restrict coverage under certain schemes, resulting, for instance, in limited access for third country nationals and self-employed workers to sickness and unemployment benefits. Unemployment benefits remain short in duration, low in amount and linked to contribution history. This is in a context of a legal reform in 2024 increased the adequacy, duration and accessibility of unemployment benefits, supported by a new monitoring mechanism. Furthermore, despite recent reforms addressing certain formal coverage gaps (e.g. granting paternity leave to self-employed fathers from 2025 onwards, which was previously available only to employees), effective access to social protection remains limited for some groups. In 2025, only 5.2% of temporary workers at risk of poverty received any social benefit (vs EU: 39.8%), and just 27.9% of unemployed individuals did so (vs EU: 54.8%). Additional reforms are under preparation, including studies on sickness, maternity, paternity and invalidity benefits, which aim to strengthen the overall coherence and effectiveness of the system.

Social protection spending remains relatively low and unevenly distributed. In 2023, total expenditure amounted to 13.1% of GDP, continuing a downward trend and falling well below the EU average of 27.8%. In 2023, purchasing power standard terms, social protection spending stood at EUR 5 426 per inhabitant, which is almost half the EU average of EUR 10 707. In 2024, spending was heavily concentrated on old-age pensions (43.4%) and sickness and healthcare (33.3%), which together accounted for three quarters of social spending. By contrast, allocations to family and child (6.9%), disability (4.2%), housing (1.4%) and unemployment (0.8%) benefits remain comparatively limited. To support families, the 2026 budget speech announced new tax deductions for families with children and an increase in child allowances ([231]).

Care services across the life cycle in Malta display some structural weaknesses. Long-term care is characterised by fragmentation and capacity constraints. Provision is largely dominated by private and church-based operators, and public funding rose in 2023 above the EU average (1.86% of GDP vs EU: 1.7%). The regulatory and quality frameworks are still incomplete. The system continues to prioritise residential care (89.5% of public spending vs EU: 46.2% in 2022) over home- and community-based services. Working conditions in the sector are often poor, characterised by low pay (in 2022, gross hourly wages stood at 67.7% of the average for the whole economy, vs EU: 89.2%); a high reliance on third country nationals and women; overqualified workers; and limited collective bargaining coverage (65.8% vs EU: 82.4% in 2022) ([232]). Together, these factors constrain access to services, undermine quality and raise concerns about the long-term sustainability of long-term care provision.

([229])The simulation was performed by the European Commission, Joint Research Centre, based on the EUROMOD model, J2.0+.

([230])Caritas, A minimum essential budget for a decent living 2024, 2024.

([231])Government of Malta, Budget Speech 2026, 2025.

([232])NSO, Paid Care Work in Malta, 2023.

Despite continued efforts, Malta still faces challenges in the education and skills fields. Malta has continued to expand participation across education levels and reduce early leaving from education and training. However, persistent weaknesses in learning outcomes, equity and the limited supply of qualified teachers continue to constrain the development of human capital. These, along with low participation in vocational education and training (VET), including in science, technology, engineering and mathematics (STEM) subjects, and the fragmentation of the training offer, also due to weak skills intelligence, continue to contribute to skills mismatches – as highlighted by the 2025 country-specific recommendation on education and skills.

Early childhood education and care (ECEC) is less accessible for disadvantaged children and faces quality issues. Participation in ECEC in Malta is high for children from age three to the starting age of compulsory education, reaching 94.5% in 2024 (vs EU: 95.0%), but access and quality challenges persist in the early years, particularly for disadvantaged children. Participation among children under age three increased to 55.9% in 2025, above the EU average (40.5%) and more than double its 2015 level. Yet, among children at risk of poverty or social exclusion, it remains very low at 40.5%, compared with 60.6% among their peers not at risk ([233]). Workforce qualification gaps persist: recent estimates suggest that more than one fifth of childcare staff lack relevant pedagogical qualifications, and minimum qualification requirements remain below bachelor's level. Policy initiatives under the National Education Strategy 2024–2030 aim to strengthen quality assurance, revise standards for provision for children aged 0-3 and improve training and professional development of ECEC staff. Discussions are ongoing on potential adjustments to eligibility for the Free Childcare Scheme, which could help address participation gaps among disadvantaged families. Clearer timelines, dedicated resources and robust monitoring will be important to ensure that these reforms translate into more equitable access and higher quality provision.

Low levels of basic skills remain a major structural challenge, raising concerns about Malta's future productivity and innovation capacity. According to PISA 2022, around one third of Maltese 15-year-olds do not reach minimum proficiency levels in reading, mathematics and science. Underachievement is particularly prevalent among students from disadvantaged socio-economic backgrounds: 51.5% underperform in reading, 47.7% in mathematics and 46.0% in science. The share of top performers has declined substantially since 2015, with strong disparities across school types, reflecting a stratified education system. At the same time, early leaving from education and training has declined markedly over the past decade, from over 15.6% in 2016 to 8.6% in 2025, now below the EU average (9.1%). However, it remains high for specific groups, notably young men and young persons with disabilities, among whom early leaving reached 36.6% in 2024 (EU average: 24.6%). These challenges extend beyond early leaving: in 2024, 45.2% of young people with disabilities were not in employment, education or training (EU average: 29.8%) ([234]). To address persistent weaknesses in basic skills, Malta has launched, in cooperation with the OECD, an action plan responding to the PISA 2022 results ([235]). The plan envisages curriculum reforms, targeted literacy and numeracy initiatives and additional support for students at risk ([236]). These measures are aligned with the National Education Strategy 2024-2030, which places a strong emphasis on basic skills, equity and inclusion. Moreover, Malta will receive Technical Support Instrument funding to develop a revised framework on basic skills, focusing on teacher education, curriculum and assessment, and student support. This will be achieved through tailored recommendations, pilot interventions in schools, and targeted capacity-building measures. At this stage, however, evidence on implementation progress and impact of these initiatives remains limited.

Digital and STEM competences remain a challenge for Maltese students, despite recent efforts. International assessments indicate persistent gaps: according to ICILS 2023, only 48% of eighth graders achieved at least a basic level of computer and information literacy

([233])Eurostat [ilcaindform25b], non-zero hours. Low reliability data for children at risk of poverty or social exclusion.

([234])Eurostat [edat_lfse_39], [edat_lfse_40]. Low reliability data.

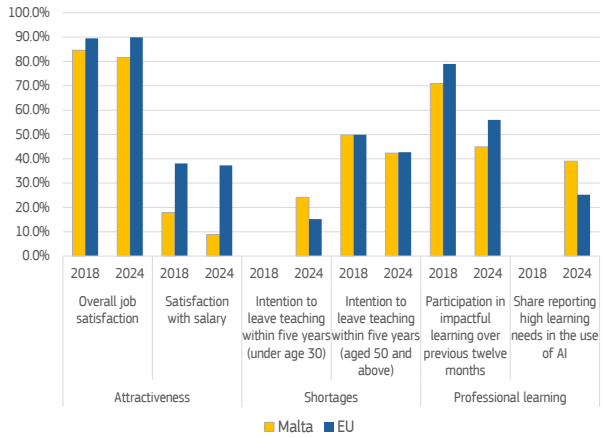
([235])CSR 2025.5.2: 'in particular by fostering basic skills of students, the initial and continuous training of teachers'.

([236])CSR 2025.5.4: 'Strengthen the inclusiveness of education and training.'

(vs EU: 57%), and more than half underachieved in computational thinking. Participation in advanced mathematics and science subjects at upper secondary level remains limited, constraining progression into post-secondary STEM education and contributing to skills shortages. Gender disparities persist, with women under-represented in several STEM fields. Recent initiatives, including curriculum updates, awareness raising activities, school-industry cooperation and financial incentives, seek to broaden participation and challenge stereotypes, but their impact will need to be assessed over time ([237]). The Education Strategy 2024-2030 aims to strengthen digital literacy, integrate information and communications technology (ICT) and emerging technologies (including artificial intelligence (AI)) into curricula, and enhance teachers' digital competences.

Notwithstanding increasing policy attention, Malta continues to face challenges in attracting and retaining qualified staff, particularly in STEM subjects. According to TALIS 2024, Malta's lower secondary teaching workforce remains comparatively young, with only 15.3% aged 50 or over (vs EU: 39.9%). However, retention risks are pronounced among younger teachers: 24.1% of those under 30 intend to leave the profession within the next five years (vs EU: 15.2%). Although no systematic data on vacancies are reported at the national level, this could exacerbate recurrent teacher shortages, especially in scientific subjects. Professional learning opportunities are widely available, yet teachers increasingly question the impact of continuous professional development on their classroom practice: only 44.9% report that recent training had a positive impact, down sharply from 70.9% in 2018 and below the EU average (56.0%). Unmet training needs are particularly high in the use of digital technologies and AI (39.0% vs EU: 25.2%), as well as in teaching diverse classrooms. Overall, while Malta has taken major steps to improve teachers' pay, career structures and training pathways, the TALIS results suggest that further progress could help to make the profession more attractive and to ensure a stable supply of qualified teachers, in line with the EU human capital agenda ([238]).

Graph A13.1: **Attractiveness of the teaching profession, Malta vs EU (2018, 2024)**



Source: OECD, TALIS 2024

VET delivers strong labour market outcomes, but its impact is constrained by low enrolment and limited work-based learning. In 2024, employability among recent VET graduates was high but decreasing in Malta, with rates reaching 80.7% in 2025 (vs EU: 80.2%). At the same time, in 2024, only 29.8% of medium-level pupils were enrolled in VET (vs EU: 52.9%). In 2025, only 50.6% of recent graduates reported having work-based learning experience (vs EU: 66%). Participation in STEM-related subjects within VET remains limited: 32.1% of medium-level VET students were enrolled in STEM programmes in 2024 (vs EU: 36.6%) ([239]), while women accounted for just 14.6% (vs EU: 15.9%). Fragmented governance and capacity constraints in skills planning and training provision undermine the attractiveness of VET and its ability to cater to labour market needs. This may create a growing gap at a time when nearly half of projected job openings in Malta up to 2035 are expected to require medium-level qualifications ([240]). Malta has taken positive steps, for example by establishing a National Career Guidance Network, strengthening the role of the National Skills Council in aligning training with labour market needs, and fostering agreements with Malta College of Arts, Science and Technology as well as the Institute of Tourism

([237])CSR 2025.5.1: 'Strengthen the quality and labour-market relevance of education and training to address low educational outcomes as well as the severe shortage and mismatch of skills, also in the area of science, technology, engineering and mathematics (STEM) and the green transition'.

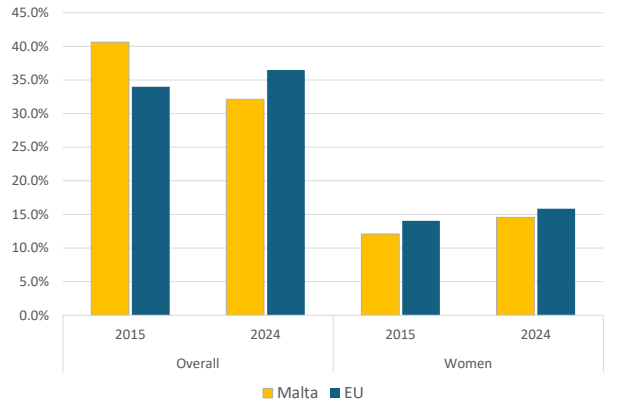
([238])CSR 2025.5.2: 'in particular by fostering basic skills of students, the initial and continuous training of teachers'.

([239])European Commission, The Union of Skills, COM(2025) 90.

([240])Cedefop, Skills Forecast Malta, 2025.

Studies ([241]). However, further implementation and better coordination could help boost enrolment, expand work-based learning and improve the attractiveness and inclusiveness of VET. Malta could also further explore the potential of the Centres of Vocational Excellence.

Graph A13.2: **Enrolment in STEM fields in initial medium-level VET (%)**



Source: Eurostat [educ_uoe_enra03]

Underdeveloped STEM education pipelines constrain the supply of technical specialists needed for the digital and green transitions. In 2023, STEM graduates accounted for 13.8% of all tertiary graduates in Malta, well below the EU average (25.2%) – despite a rapidly increasing and above-EU average overall tertiary educational attainment rate (in 2025, 47.7% vs EU: 44.8%). Yet, the share is expected to decline further in the future as Malta had the lowest share of tertiary students enrolled in STEM fields in the EU at 13.9% in 2023 (vs EU: 26.9%), down significantly from 21.5% in 2015. This is due to early structural bottlenecks, as few school students complete advanced courses in mathematics, physics and chemistry, narrowing access to STEM-related faculties. Gender imbalances also remain marked, with women representing only 17.4% of ICT students and 27.1% of engineering students, both below EU averages. These developments pose challenges for Malta in meeting the projected employment growth for professionals and technicians and associate professionals, which is expected to further increase demand for advanced technical and STEM-related skills ([242]). Several policy initiatives are in place, including the National Education Strategy 2024-2030, the Digital Education Strategy 2025-2030, targeted stipends and scholarships in STEM and green skills, and outreach initiatives such as Girls4STEM, but their impact on STEM enrolment and graduate outcomes has yet to become evident ([243]). Malta benefits from European Social Fund Plus support to provide scholarships for advanced studies, including master's and PhDs, particularly in priority areas such as STEM, to help address skills needs and support future labour market demand.

Malta's efforts to further boost participation in adult learning are hindered by persistent barriers for vulnerable groups. Adult participation in education and training during the previous 12 months reached 39.9% in 2022 (vs EU: 39.5%) but remains well below the national 2030 target of 57.6% ([244]). Participation shows a decline from 2022 to 2024 (according to labour force survey data) and varies significantly by education level, labour status and age. The participation rate of low skilled people reached only 16.3% in 2022 (vs EU 18.4%) and is particularly concerning. While initiatives such as the National Strategy for Lifelong Learning 2023–2030 and the e-College platform, funded by the Recovery and Resilience Facility, signal a strong policy commitment to increasing uptake, the decline in participation and pronounced inequalities indicate that current measures have yet to sufficiently overcome barriers, particularly for low-qualified, economically inactive and older adults ([245]). Malta has started exploring the introduction of individual learning accounts, which could tackle the scattered provision of learning courses for adults.

Skills shortages and mismatches pose significant challenges to productivity growth

([241])CSR 2025.5.3: 'as well as promoting enrolment in vocational education and training, and in adult learning for the low-skilled'.

([242])Cedefop, Skills Forecast Malta, 2025.

([243])CSR 2025.5.1: 'Strengthen the quality and labour-market relevance of education and training to address low educational outcomes as well as the severe shortage and mismatch of skills, also in the area of science, technology, engineering and mathematics (STEM) and the green transition'.

([244])Adults' participation in education and training is monitored using the adult education survey (AES). The AES indicator excluding guided on-the-job training is used to track progress towards the 2030 target of 60%.

([245])CSR 2025.5.3: 'as well as promoting enrolment in vocational education and training, and in adult learning for the low-skilled'.

and competitiveness. Labour and skills shortages are closely linked to skills mismatches, which, despite some recent improvement, remain elevated (see Annex 11). In 2024, the macroeconomic skills mismatch stood at 18.7%, practically unchanged from the previous year and broadly in line with the EU average (19.24%) ([246]). Malta has taken various skills assessment and anticipation initiatives, including labour force and skills surveys, employer surveys on hard-to-fill vacancies and graduate outcome analyses. However, the system remains fragmented and largely ad hoc, with limited sectoral analysis and no institutionalised mechanism for regularly updating or integrating skills intelligence ([247]). Skills shortages also remain a major constraint on investment in Malta: around 90% of firms report the availability of skilled staff as an obstacle to investment, well above the EU average (77%) ([248]). These challenges coexist with structural overqualification: 21.5% of tertiary-educated workers are employed in jobs not requiring such education, with particularly high rates in wholesale and retail trade (56.1%), other services (42.4%), construction (42.3%). accommodation and food services (41.6%), and administrative and support services (33.4%). Skills shortages are particularly acute in emerging areas linked to the green transition, as 43% of firms report having no employees in green roles and around two thirds consider the workforce insufficiently prepared ([249]).

Digital and ICT skills shortages remain particularly acute, constraining innovation and productivity. In 2025, 66.8% of individuals had at least basic digital skills (vs EU: 60.40%) and in 2025 ICT specialists accounted for 4.8% of total employment. Yet, roughly two out of three companies report difficulties in filling ICT vacancies, well above the EU average (57.5%). At the same time, investment in digital upskilling remains limited: only 31.1% of firms provided ICT training in 2024, while 65.9% reported no training related to AI ([250]). In response, Malta has initiated a series of targeted measures to strengthen its digital skills pipeline. It launched the DiHubMT in 2025 to address industry-relevant skills gaps in areas such as AI and cybersecurity. It expanded postgraduate scholarships in advanced digital fields and launched early digital skills initiatives for children. Longer-term reforms are initiated under the Malta Vision 2050 Project, which places greater emphasis on future-proof STEM skills and integrated learning pathways.

Despite various skills assessment and anticipation initiatives, persistent skills mismatches highlight weaknesses in Malta's skills system. Skills intelligence is not sufficiently embedded in policy design and implementation, limiting alignment between education and labour market needs ([251]). Career guidance remains largely concentrated in initial education, with limited outreach to adults: only 23.3% of working-age adults seek learning or career-related information (vs EU: 26.9%). These challenges are compounded by fragmented skills governance. While several national strategies exist, their implementation remains dispersed across institutions, with limited coordination and insufficiently clear targets and timelines. Recent coordination efforts involving the National Skills Council and key labour market and education stakeholders, including Jobsplus, remain at an early stage and have yet to translate into a coherent skills governance framework. Strengthening skills governance, supported by more systematic use of skills intelligence and comprehensive career guidance, would help address persistent mismatches and support Malta's adaptation to technological and demographic change, as well as the effective use of domestic and foreign talent. To address some of these challenges, Malta benefits from the support of the EU's Technical Support Instrument to strengthen its capacity to design and implement a comprehensive skills strategy, and ensure that the country can withstand future challenges (digital, green, demographic trends), in line with the Union of Skills. A particular focus will be placed on the maritime industry, which suffers from a growing shortage of European seafarers, potentially hampering the green transition.

([246])The macroeconomic skills mismatch indicator measures the dispersion of employment rates across skill groups (proxied by qualification levels, with ISCED 0-2 low; 3-4 medium and 5-7 high).

([247])OECD Shaping Malta's Future Through a National Skills Strategy and Targeted Maritime Sector Measures: Analysis Report (Output 2), 2025.

([248])European Investment Bank (2024), EIB Investment Survey 2024: European Union Overview.

([249])Central Bank of Malta (2024). 'The impact of mitigating climate change on Maltese firms' employment plans'. Article published in the Quarterly Review 2024:4.

([250])Malta Chamber of SMEs (2025). SME Barometer Q1 2025.

([251])OECD 2025 ibid.

Table A14.1:**Social Scoreboard for Malta**

Equal opportunities and access to the labour market	Adult participation in learning (during the last 12 months, excl. guided on the job training, % of the population aged 25-64, 2022)	39.9
	Early leavers from education and training (% of the population aged 18-24, 2025)	8.6
	Share of individuals who have basic or above basic overall digital skills (% of the population aged 16-74, 2025)	66.8
	Young people not in employment, education or training (% of the population aged 15-29, 2025)	8.5
	Gender employment gap (percentage points, population aged 20-64, 2025)	12.4
	Income quintile ratio (S80/S20, 2025)	4.49
Dynamic labour markets and fair working conditions	Employment rate (% of the population aged 20-64, 2025)	83.6
	Unemployment rate (% of the active population aged 15-74, 2025)	3.1
	Long term unemployment (% of the active population aged 15-74, 2025)	0.6
	Gross disposable household income (GDHI) per capita growth (index, 2008=100, 2024)	171.7
Social protection and inclusion	At risk of poverty or social exclusion (AROPE) rate (% of the total population, 2025)	19.4
	At risk of poverty or social exclusion (AROPE) rate for children (% of the population aged 0-17, 2025)	23.3
	Impact of social transfers (other than pensions) on poverty reduction (% reduction of AROP, 2025)	24.9
	Disability employment gap (percentage points, population aged 20-64, 2025)	30.1
	Housing cost overburden (% of the total population, 2025)	6.0
	Children aged less than 3 years in formal childcare (% of the under 3-years-old population, 2025)	55.9
	Self-reported unmet need for medical care (% of the population aged 16+, 2025)	0.1

Critical situation	To watch	Weak but improving	Good but to monitor	On average	Better than average	Best performers

Update of 4 May 2026. Members States are categorised based on the Social Scoreboard according to a methodology agreed with the EMCO and SPC Committees. Please consult the Annex of the Joint Employment Report 2026 for details on the methodology (https://employment-social-affairs.ec.europa.eu/joint-employment-report-2026_en).

Source: Eurostat

Malta's health system faces challenges that negatively affect the health of its population, social fairness, competitiveness and productivity. The main challenges include increasing demand for services due to population growth, high out-of-pocket (OOP) payments for healthcare and a high prevalence of overweight and obesity. These challenges are mainly due to: (i) insufficient funding; (ii) health workforce shortages; (iii) limited spending on prevention; and (iv) shortcomings in the effectiveness of current preventive measures.

Life expectancy at birth in Malta was one of the highest in the EU in 2024. Women tend to live longer than men (3.6 years in 2024) but spend fewer years in good health (0.6 years in 2023). Income disparities are pronounced: 89% of high-income respondents reported good health in 2024 compared with 68% in the lowest group ([252]). Treatable mortality is slightly below the EU average, suggesting that the health system is relatively effective. Cardiovascular diseases (CVDs) and cancer dominate mortality, albeit at rates lower than EU averages. Ischaemic heart disease was the leading cause of preventable and treatable deaths in 2022. Cancer mortality has declined rapidly, but cancer incidence is projected to rise by 44% by 2040 (compared with 18% at EU level) ([253]). Managing cancer will therefore remain a key policy concern, including assessing the shortages in public funding for cancer medicines. The Maltese government has launched a new non-communicable disease prevention framework to address the high share of mortality attributable to chronic conditions.

Mental health outcomes in Malta present a mixed picture. Suicide rates in Malta have remained stable over the last decade. Standardised mortality rates due to mental disorders in persons 65 years and over show standardised death rates twice the EU average, mainly due to increased dementia mortality. At the same time, perceived unmet needs for mental healthcare affected 8% of adults in 2024 ([254]) (similar to the EU average). Mental health is prioritised in Malta's National Health Strategy Framework (2020-2030), targeting social determinants, service transformation, individual/network support, and integration via investment/innovation. The National Mental Health Strategy advances community services, telehealth and home-based care, which are included in the National Health Systems Strategy (2023-33). The February 2024 National Dementia Strategy, under the restructured Ministry of Health and Active Ageing, addresses ageing-related needs, building on the 2023-2030 National Strategic Policy for Active Ageing. Malta participates in EU4Health joint actions targeting mental health burdens, CVDs, cancer, diabetes and respiratory diseases.

Preventable mortality in Malta is among the lowest in the EU despite very modest spending on prevention. In 2023, spending on prevention in Malta accounted for just 0.9% of total health spending, much lower than the EU average of 3.7% (see Table A15.1) ([255]). This share has been falling over the last decade, contrary to the EU-wide trend. Key initiatives target obesity, diabetes and cancer through enhanced services, physical activity programmes, remote monitoring and community screening. These include the 2025-35 Non-Communicable Disease Prevention Framework, National Cancer Plan, Strategy for Health-Enhancing Physical Activity (2025-30), the 2025 Obesity Research Programme and the National Health Systems Strategy (2023-33). Their impact is still to be seen. The recovery and resilience plan (RRP) also supports prevention via a strategic framework, blood/tissue centre, diagnostic upgrades, radiotherapy procurement and newborn hearing screening. A report on obesity prevalence among 4-5-year-olds has also been published (in 2022).

Behavioural and environmental risk factors remain major determinants of mortality. Unhealthy diets, physical inactivity and smoking are the main challenges. Low vegetable intake and limited leisure-time physical activity contribute to widespread overweight and obesity, increasing deaths from diabetes and ischaemic heart disease (19% of preventable deaths in 2022). Adult physical activity was slightly above the EU average, but daily activity among 15-year-olds

([252]) OECD/European Observatory on Health Systems and Policies (2025), Country Health Profile 2025: Malta. State of Health in the EU.

([253]) Country Health Profile 2025: Malta – see earlier footnote.

([254]) Country Health Profile 2025: Malta – see earlier footnote.

([255]) Ambiguities in the boundary of prevention spending have been reported by Malta, which may underestimate the level of spending on disease prevention.

Table A15.1:**Key health indicators**

	2020	2021	2022	2023	2024	10-year change**	EU average* (latest year)
Cancer mortality per 100 000 population	212.5	198.3	209.5	192.7	n.a.	0.83	233.1 (2023)
Mortality due to circulatory diseases per 100 000 population	286.0	271.8	273.8	254.4	n.a.	0.68	313.0 (2023)
Current expenditure on health, purchasing power standards, per capita	3 026	3 322	3 363	3 563	n.a.	1.63	3834.9 (2023)
Public share of health expenditure, % of current health expenditure	66.7	67.4	67.0	66.0	n.a.	1.08	80.6 (2023)
Spending on prevention, % of current health expenditure	1.5	1.2	1.2	0.9	n.a.	0.58	3.7 (2023)
Available hospital beds per 100 000 population***	349	343	335	329	n.a.	1.14	440 (2023)
Doctors per 1 000 population*	4.2	4.3	4.5	4.6	n.a.	1.43	4.3 (2023)*
Nurses per 1 000 population*	8.0	8.0	7.8	7.5	n.a.	1.08	7.6 (2023)*
Mortality at working age (20-64 years), % of total mortality	14.1	13.8	13.4	12.2	12.2	0.80	14.3 (2023)
Consumption of antibiotics in the community and hospital sectors, defined daily doses per 1 000 inhabitants	16.6	15.8	24.0	22.9	24.8	1.17	20.3 (2024)

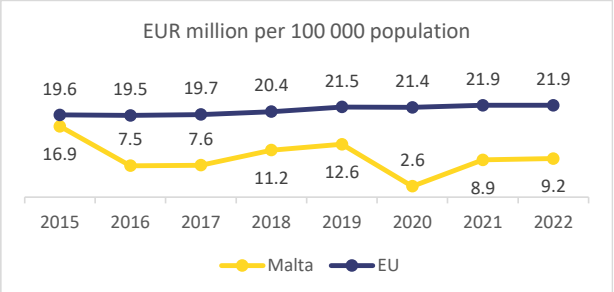
*The EU average is weighted for all indicators except for doctors and nurses per 1 000 population, for which the EU simple average is used based on 2023 data (or latest available). Doctors' density data refer to practising doctors in all countries except Greece, Portugal (licensed to practise) and Slovakia (professionally active). Density of nurses: data refer to practising nurses (EU recognised qualification) in most countries except Portugal (licensed to practice) and Slovakia (professionally active). Latest data update on nurses for Belgium and Sweden: 2022; for France: 2021; for Luxembourg: 2017.
** latest available 10-year trend: ratio 2023/2014 or 2024/2013; a factor of 2.00 means that it has doubled in 10 years.
***'Available hospital beds' covers somatic care, not psychiatric care.
Source: Eurostat

remains among the lowest in the EU (2022) ([256]). Smoking can be linked with high preventable mortality from lung cancer (18% in 2022) ([257]). In 2022, cigarette smoking among Maltese 15-year-olds fell to 10% from 18% in 2014 and remains below the EU average of 17%. However, e-cigarette use rose in popularity, with 19% of 15-year-olds reporting past-month usage, only slightly below the EU's 21%. Behavioural risk factors in Malta are more prevalent among groups with lower levels of education than in most EU countries. Obesity among adults with a lower level of education in 2022 was twice the rate among adults with a higher level of education, while daily smoking was nearly double ([258]). In addition, mortality linked to air pollution is high (see Annex 8).

Malta's immunisation outcomes show some variations across vaccines. Malta's immunisation rates for measles dropped slightly in 2024, after exceeding the EU average in 2022-2023 and influenza uptake recovered from post-COVID-19 disruptions and is close to the EU average. Human papillomavirus (HPV) vaccination for girls outperforms the EU, with a recent extension to boys via catch-up programmes showing a positive response. National schedule vaccinations are freely available through primary care. Malta's Immunisation Schedule has been progressively expanded, particularly with the addition of several diseases during the last 6 years. Additional initiatives to improve immunisation are being implemented: Malta is upgrading the vaccination IT system by end-2026 for real-time monitoring and communication. A vaccination strategy draft also awaits public consultation, with a new missed-appointment tracker for catch-up programmes. These are complemented by public awareness campaigns.

In 2023, the largest share of health spending went on outpatient care, although health spending per inhabitant (adjusted for differences in purchasing power) was lower than the EU average. Per capita health spending in 2023 was slightly below the EU average and just 66% of health spending was publicly funded.

Graph A15.1: **Healthcare infrastructure investment by year**



Source: Country Health Profiles - Dashboard

Population ageing raises fiscal sustainability concerns. The share of people aged 65+ rose from

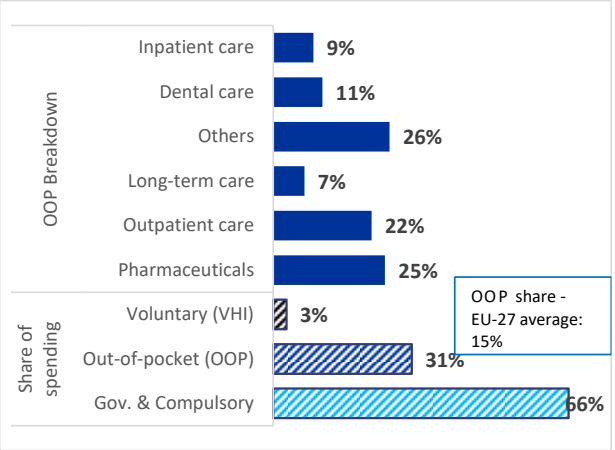
([256])Country Health Profile 2025: Malta – see earlier footnote.

([257])Country Health Profile 2025: Malta – see earlier footnote.

([258])Country Health Profile 2025: Malta – see earlier footnote.

12% in 2000 to 18% in 2024 and is projected to reach 25% by 2050, driving higher care demand and expenditure (see Annex 2). The largest share of health expenditure, above the EU average, was allocated to outpatient care, followed by retail medical goods, and inpatient and dental care. In 2024, investments in health capital formation as a share of total health expenditure were among the lowest in the EU. This may be reflected in the scarcity of key diagnostic technologies (medical imaging). However, the situation is improving in this respect – also with the use of RRP and cohesion policy funds.

Graph A15.2: **Out-of-pocket payments: share in healthcare spending and categories, 2023**



Household out-of-pocket payment: direct payment for healthcare goods and services from the household primary income or savings, where the payment is made by the user at the time of the purchase of goods or the use of the services (Eurostat). VHI: voluntary health insurance.
(1) Others: eyeglasses, hearing aids, lab tests...
Source: Eurostat and Country Health Profiles - Dashboard

OOP payments are particularly high in Malta, but reported unmet needs for medical care remain low. The level of OOP payments for healthcare in Malta was 31% in 2023 – more than twice the EU average (see Graph A15.2). This is driven by pharmaceutical spending (25%), outpatient care (22%), dental care (11%), inpatient care (9 %) and long-term care (7%). All categories are close to the EU averages, except for long-term care, which is considerably lower than the EU average of 24 %. Free outpatient medicine coverage is limited to people with selected chronic conditions (yellow card – 'Kartuna s-safra') and for those means-tested and identified as having low income (pink card – 'Kartuna r-Roza)'. Remaining residents pay the full price for outpatient prescriptions. High OOP spending is reinforced by the role of private providers, who complement primary and secondary care by offering faster access to treatments which may not be available in the public sector (e.g. cosmetic and specific dental procedures). Patients may also seek private providers for medicinal products that are not included in the government formulary list (which is decided on the basis of health technology assessments). Despite high OOP payments, Malta reports low levels of self-reported unmet needs for medical care: just 0.1% of the population in 2025 (compared with an EU average of 2.4%).

Malta maintains fewer hospital beds and discharges than EU averages but with higher bed occupancy and avoidable admissions. In recent years, Malta has consistently had a smaller number of hospital beds per 1 000 population and hospital discharges per 100 000 population than the EU averages, and the occupancy rate for curative care beds was higher than the EU average in 2023 reflecting partially the rapid expansion of the Maltese resident population over the last decade. In 2022, Malta had higher avoidable hospitalisation rates for diabetes, asthma and chronic obstructive pulmonary disease, and congestive heart failure. This may indicate shortcomings in primary healthcare as these conditions can be managed effectively within outpatient settings. Malta makes efforts to ensure continuity between primary and outpatient care, but persistent public-private fragmentation and the absence of a patient registration system contribute to the challenge. In January 2025, a new agreement to outsource non-complicated emergency services to three private hospitals was announced to ease pressures on public hospitals and increase capacity. Malta also outsources elective surgical procedures in this regard. Such agreements are periodically renewed to reflect better the needs of the health system.

Malta faces significant challenges in addressing antimicrobial resistance, with antibiotic consumption among the highest in the EU. Antimicrobial resistance (AMR) is a major public health threat in Europe, and reducing excessive antibiotic use is central to tackling it. The Maltese rank among the highest antibiotic consumers in the EU. In 2024, antibiotic consumption exceeded pre-pandemic levels.

Continued efforts are needed to keep track with the 2030 recommended national target of 17 ([259]).

Malta's health workforce has expanded in recent years through targeted recruitment and retention efforts, yet persistent gaps remain. In 2023, the country had 4.6 doctors per 1 000 population – slightly above the EU average of 4.3 – while nurses stood at 7.9 per 1 000, just below the EU average of 8.5. General practitioners accounted for just 18% of all doctors in 2022, reflecting a decade-long decline, even as the number of medical graduates surged to 30.6 per 100 000 population (more than double the EU average of 15.2 in 2023). The number of nursing graduates, however, has fallen since the pandemic and lags further behind, at 16.5 per 100 000 (versus the EU's 31). These imbalances stem from Malta's unique challenges as a small nation: a brain drain of specialised staff to larger EU and UK markets offering better pay and conditions; heavy reliance on foreign nurses, particularly in hospitals; and heightened demographic pressures from faster-than-average ageing.

Malta faces challenges in health workforce retention and distribution, driven by high workloads and demographic pressures. Health workforce retention is undermined by high workloads, poor work–life balance for junior doctors and limited career progression in some specialisations. High living costs, restrictive policies on family reunification, limited awareness of rights among foreign staff, and uncertainty over access to social benefits contribute to the short tenure of foreign health workers, further straining staffing capacity. To address health workforce challenges, Malta launched its first National Health Workforce Strategy in 2022, aiming to attract, develop and retain health workers through improved remuneration for specialists, enhanced training pathways, better family-medicine career prospects, multidisciplinary primary care teams and a new human resource planning tool for sustainability. The RRP supports the development of a policy framework emphasising recruitment, retention and planning as part of broader system resilience and sustainability reforms. Moreover, Malta participates in the EU4Health-funded joint action HEROES ([260]), through which EU countries share best practices and expertise on health workforce planning.

Malta's pharmaceutical sector is of modest economic significance. Employment in pharmaceutical manufacturing stands at 0.71%, above the EU average. Clinical trial activity was just 1.77 per million population in 2024 (EU average 18.3), with just three trials in total since 2015 ([261]). On trade, extra-EU exports increased steadily, but remain below the EU 2025 average (10 % versus the EU's 13.9%), reflecting its most-improved status over recent years. As a small island nation, Malta leverages international cooperation – including the Valletta Declaration on joint procurement, the WHO's Small Countries Initiative and a 2025 memorandum of understanding with Italy – to strengthen innovation and access to medicines, complementing its generics-focused domestic industry.

Malta aims to scale up the digitalisation of its health system, with support from EU programmes. The share of people accessing their personal health records online in Malta is higher than the EU average (41.6 in 2024 vs 27.6). This is driven by the myHealth portal, which enables the viewing of records, symptom tracking and parental access (see Annex 7). However, the use of online health services (excluding phone) instead of in-person consultations was comparatively low. Recent advances include: establishing a telemedicine centre; remote monitoring (e.g. diabetes) and shared records; and developing a the Digital Health Strategic Roadmap supporting the National Health Systems Strategy with improved interoperability, a digital clinical platform and expanded telemedicine. In addition, investments under the RRP and cohesion policy aim to boost the digital transformation of the healthcare sector in Malta. Measures focus on building and improving digital health tools, e-health services and applications. Malta also participates in joint actions and receives direct grants under EU4Health, aimed at improving the semantic interoperability of health data and facilitating the implementation of the European Health Data Space.

([259]) National target set by the Council Recommendation on stepping up EU actions to combat antimicrobial resistance in a One Health approach, 2023/C 220/01.

([260]) The project – JA HEROES | Health Workforce Planning Project.

([261]) US National Library of Medicine, https://clinicaltrials.gov.

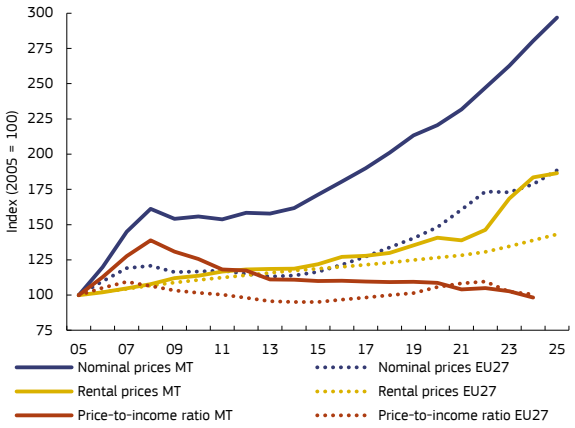
Vulnerable groups in Malta face significant challenges due to rising rents and house prices. Rising house prices and rents impact not only the overall population but also, in particular, vulnerable households (including non-EU nationals, children, single-parent households, and those at risk of poverty), thereby deepening poverty and social exclusion. The construction sector, critical to addressing housing supply, struggles with labour shortages and poor job conditions, relying heavily on non-EU nationals who endure precarious safety standards. Although the government has launched substantial social housing initiatives and is expanding the housing stock, it seems that provision remains insufficient. Efforts are also ongoing to strengthen existing housing support schemes. High rental rates and limited access to accessible social housing make it difficult for people with disabilities in Malta to live independently.

Housing market developments

Malta's housing market has experienced a strong and sustained increase in nominal house prices over the past decade, clearly outpacing developments in the EU. After a period of relative stability in the early 2010s, house prices in Malta rose significantly from around 2014 onwards (see Graph A16.1). Over the past decade, the increase in house prices significantly outpaced that of rental prices (including existing and new rental contracts), although the latter have increased noticeably in recent years. The proportion of tenants in Malta also increased rapidly over the last decade, with a 12 percentage point rise, driven by strong rental demand from foreign workers and tourists.

Affordability pressures remain comparatively contained overall. The price-to-income ratio in Malta has declined since 2007. Slightly higher overall income growth has offset the increase in house prices, limiting affordability pressures as measured by the price-to-income ratio. House prices and rents increased by 5.9% and 1.7% respectively between 2024 and 2025. In recent years the proportion of homeownership in Malta has declined, falling to 68.1% in 2024 compared with an average of 79.7% in 2020-2024. This reflects the emergence of a buoyant rental market as a result of strong population and labour force growth through immigration.

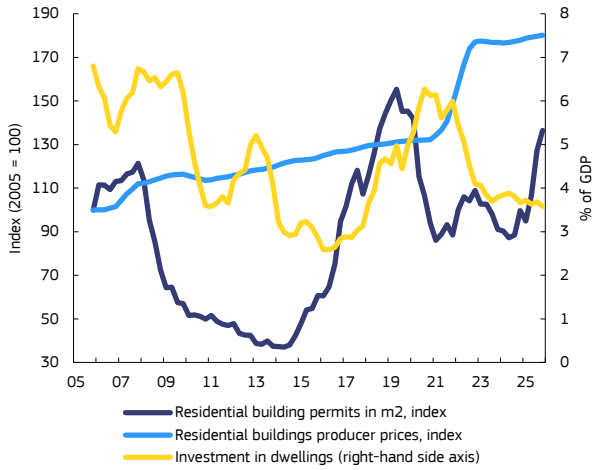
Graph A16.1: **House prices, rents and price-to-income evolution in MT and EU27 since 2005s**



Source: Eurostat

Malta's housing supply indicators point to a volatile and structurally constrained construction cycle. Residential building permits, measured in square metres, were very volatile between 2014 and 2023, recovering partially in 2025 (see Graph A16.2). Over the same period, residential building producer prices continued to rise, accelerating particularly after 2020. They have reached historically high levels in recent years, reflecting the impact of rising construction costs and capacity pressures in the sector. Investment in dwellings, expressed as a percentage of GDP, fluctuated as well, growing strongly and peaking around 2020, while easing in recent years.

Graph A16.2: **House supply indicators in MT since 2005**



(1) 4-quarters moving sums (averages for prices)
Source: Eurostat

Demand for housing in Malta remains strong. The number of residential property transactions as measured by registered final deeds of sale and registered promise-of-sale agreements stayed flat in 2023 and 2024 and increased in 2025 by 6.0% and 7.3% respectively ([262]). Furthermore, Malta has had particularly stable and low mortgage interest rates ([263]) compared with other Member States. As a result, the house price growth in the country did not exceed the change in the borrowing capacity of the population.

The construction sector in Malta is grappling with significant labour shortages and job quality concerns. The job vacancy rate within the construction industry has been increasing since early 2021, reaching 4.6% by Q4 2025, which is average. By Q4 2025, 46.8% of employers in the higher than pre-pandemic levels and the EU construction sector anticipated that labour shortages would constrain production vs the EU average of 27.5%. Additionally, non-EU nationals make up an increasingly high proportion of the workforce (up to 25%) in the construction sector, highlighting their significant role in addressing labour demands. Despite recent reforms, the sector still faces poor working conditions, with low wages and a high incidence of workplace accidents (see Annex 11) ([264]).

Structural policies

Recent initiatives aim to address the rapid growth in housing demand. Labour migration and the expansion of the tourism sector have increased the demand for housing, putting pressure on affordability. The government has initiated a sizeable social housing construction programme in recent years, the largest since the 1980s. The initiative seeks to strengthen the role of public housing and to partly offset demand pressures by expanding the stock of social and affordable dwellings ([265]). Malta is also working more closely with the private sector to lease properties to the Housing Authority for a period of 10 years (known as the *Nikru biex Nassistu* scheme) for use as social housing. At present, there are more than 1 300 private properties in this scheme that are used for social housing ([266]).

Caps are in place but have not prevented rents from rising. Since the entry into force of the Private Residential Leases Act in January 2020, Malta has applied a 5% cap on annual rent increases. The cap applies only when an existing lease is renewed but not when a tenancy ends and a new contract is signed. In practice, this allows landlords to terminate leases and re-let the same property at significantly higher rents, effectively circumventing the cap. In 2025, a parliamentary petition was submitted arguing that this loophole undermines tenant protection and contributes to rent inflation. The petition called for: (i) the rent cap to be linked to the registered rent of the dwelling, irrespective of tenant turnover; and (ii) stronger safeguards against leases being terminated solely to increase rents ([267]). At the

([262])NSO Malta 2026. 'Residential Property Transactions: March 2026', News Release 061/2026.

([263])European Commission 2025. 'Housing in the European Union: Market Developments, Underlying Drivers, and Policies'. European Economy Discussion Paper 228.

([264])Justice and Peace Commission, Beyond GDP II: Third Country Nationals in Malta, 2024, and Construction Malta, Malta's construction sector under fire, 2025.

([265])Housing Europe, The State of Housing in Europa: Malta, 2025, and Times of Malta, Beyond Walls – A book on the evolution of social housing in post-war Malta, 2025.

([266])Housing Authority, Nikru biex Nassistu and Malta Independent, Scheme whereby landlords lease vacant properties to Housing Authority for social housing extended, 2025.

([267])Times of Malta, 1 November 2025 and Parliament of Malta, Petition No.: 76, 2025.

same time, measures need to consider that rent-control measures tend to reduce supply and renovations ([268]).

Vulnerable groups

Housing affordability in Malta continues to be a pressing issue, especially for vulnerable households. In 20254, 7.7% of those at risk of poverty or social exclusion had mortgage or rent arrears. Moreover, although people face a lower overall housing cost overburden rate than the EU average (6% vs 7.9% in 2025) ([269]),([270]). A notable 21.2% of non-EU nationals face housing cost overburden in 2025. Moreover, the issue profoundly affects 23% of people at risk of poverty or social exclusion and a striking 35.4% of young people at risk of poverty or social exclusion, as well as 21.5% in the lowest income quintile.

Housing costs are a significant driver of poverty, affecting children in particular. Evidence by the JRC shows that rental and housing costs cause living standards to deteriorate, while housing subsidies only partially improve them ([271]). This points to housing affordability as a structural rather than transitory factor shaping poverty risks. The analysis reveals a significant tenure divide, with tenant households, especially those paying market rents, experiencing the largest increases in poverty and poverty gaps. Housing costs substantially deepen poverty among the poorest households. They also push a non-negligible proportion of households in the lower-middle income range into poverty, and affect children more deeply. Vulnerable households, particularly those consisting of single parents, non-EU nationals and families with low educational attainment, are deeply affected.

Overcrowding and energy poverty are significant issues for vulnerable groups. While the general overcrowding rate remains low at 4.7%, well below the EU average of 16.8%, it impacts 9.7% of non-EU nationals and only 3.2% of Maltese nationals. This issue is particularly prevalent among families with dependent elderly and/or children. Similarly, energy poverty affects vulnerable groups more deeply (see Annex 12).

Housing support is delivered through a single public framework managed by the Housing Authority. Housing support includes the allocation of social housing, housing affordability schemes, regulation of the private rental market and property management. Social housing is provided to eligible low-income households. In parallel, a range of benefit-based schemes provides financial support to households, including: (i) grants and subsidies to promote access to homeownership; (ii) rent support to improve rental affordability; (iii) measures to increase owner-occupiers' purchasing power; and (iii) assistance for property refurbishment to improve housing quality. In the 2026 Budget Speech, several existing housing schemes were boosted and extended ([272]). While accessibility in public buildings has been largely satisfactorily addressed in legislation, a comprehensive set of standards is needed to address accessibility in private dwellings ([273]).

Nonetheless, there does not appear to be enough social housing and it is difficult to access it. In Malta, there is no specific comprehensive standalone policy for social housing. Despite some recent improvements, supply remains limited and partially reliant on public–private partnerships, resulting in long waiting lists. Only 8.1% of the population lives in housing rented at reduced prices or free of charge, which is below the EU average of 10.2%. At the same time, eligibility is narrowly defined on the basis of income, assets, family composition and residency criteria ([274]). The Ministry for Social and

([268])Kholodilin, 'Rent control effects through the lens of empirical research: An almost complete review of the literature', 2024.

([269])This indicator should be read together with the tenure structure (homeowners, tenants), that may differ across countries and regions.

([270])The overburden rate should be read together with the tenure structure (homeowner, tenants), that may differ across country and regions.

([271])The simulation was performed by the European Commission, Joint Research Centre, based on the EUROMOD model, J2.0+.

([272])Government of Malta, Budget Speech 2026, 2025.

([273])Accessible and sustainable housing for persons with disabilities, Bezzina Lara, Callus Anne-Marie, Camilleri Zahra Amy, Gauci Vickie, European Disability Experts, to be published.

([274])Housing Authority, Annual Report, 2024 and Social Housing website; Government of Malta, Affordable and Social Housing: Working Paper to the National Strategy for Poverty Reduction and Social Inclusion: 2025-2035, 2024.

Graph A16.3: **Housing affordability selected indicators**

		EU27				MT							
	unit	2000-25 avg.	2023	2024	2025	2000-25 avg.	2023	2024	2025	unit	2023	2024	2025
House price to income ratio	*2000-25 avg = 100*	100.0	102.0	100.2		100.0	96.9	92.7		YoY%	-2.2	-4.3	
Rent to income ratio	*2000-25 avg = 100*	100.0	85.1	83.5	84.5	100.0	83.0	81.0	79.4	YoY%	6.1	-2.4	-2.0
Overburden rate, total	%	9.9	8.8	8.2		2.7	6.0	5.8		PPS/y	3.1	-0.2	
Overburden rate, tenant with market rent	%	23.8	20.3	19.2		19.9	25.5	19.7		PPS/y	6.7	-5.8	
Overvaluation gap	%					0.2	-2.1	-4.4	-2.7				
Deflated construction production price	*2010 = 100*	102.2	112.2	111.8	110.5	104.1	119.0	116.9	115.7	YoY%	-6.8	-2.2	-1.2
Building permits	*m^2 per ths persons*	483.5	376.9	362.9	379.9	2538.2	2167.7	2283.7	3087.6	YoY%	-23.1	5.4	35.2
Residential construction investment	*% GDP*	5.5	5.8	5.1	5.0	5.0	3.8	3.7	3.6	YoY%	-7.3	-2.6	-2.7
Share of ownership	%	70.0	69.1	68.4		79.7	74.7	68.1		PPS/y	-9.6	-8.8	
Share of people living in overcrowded homes	%	17.7	16.8	16.9		3.7	2.4	4.4		PPS/y	-0.4	2.0	

Source: European Commission. The overburden rate should be read together with the tenure structure (homeowner, tenants), that may differ across country and regions.

Affordable Accommodation announced at the end of 2025 that the social housing stock had been substantially increased ([275]). The 2025–2035 national strategy for poverty reduction and social inclusion also features a number of policy measures related to social housing.

Homelessness in Malta remains an under-addressed issue. In the absence of an official definition or a national strategy, support is largely provided by charities and the third sector. In 2024, 150 people were living rough (ETHOS 1), 399 in emergency accommodation (ETHOS 2) and 551 in accommodation for the homeless (ETHOS 3). Evidence indicates capacity constraints, with shelters operating close to full occupancy, accommodating both adults and children, while cases of rooflessness persist. Financial difficulties are the most commonly reported trigger, alongside mental health issues, domestic violence and job loss, with notable gender differences in the underlying causes ([276]).

([275])Housing Authority, Social Housing Impact: Over 900 Families Assisted in 22 Months, 2025.

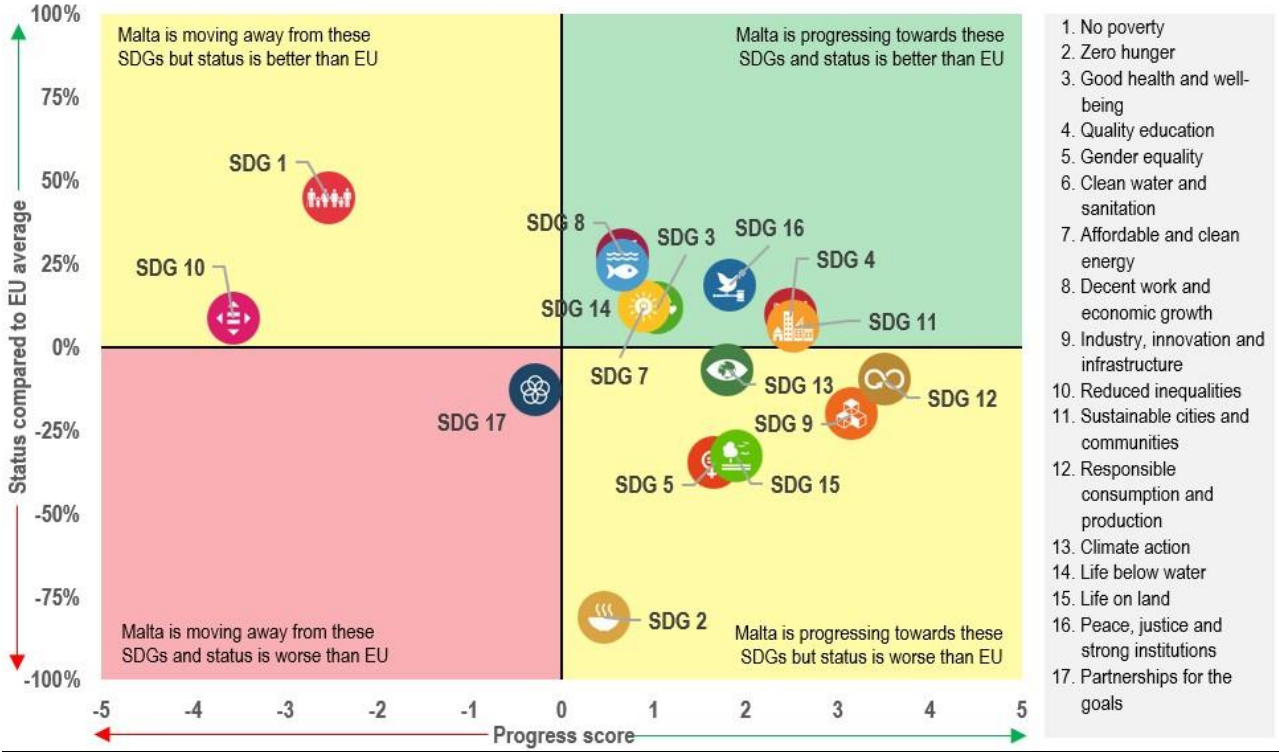
([276])ESPAN, The fight against homelessness and its links with anti-poverty policies across the European Union, 2025, YMCA Malta and Marketing Advisory Services, Contemporary homelessness in Malta: qualitative research, 2022 and ESN, European Social Services Index, 2025.

ANNEX 17: SUSTAINABLE DEVELOPMENT GOALS

This annex assesses Malta's progress on the sustainable development goals (SDGs) along the dimensions of competitiveness, sustainability, social fairness and macroeconomic stability. The 17 SDGs and their related indicators provide a policy framework under the UN's 2030 Agenda for Sustainable Development. The aim is to end all forms of poverty, fight inequalities and tackle climate change and the environmental crisis, while ensuring that no one is left behind. The EU and its Member States are committed to this historic global framework agreement and to playing an active role in maximising progress on the SDGs. The graph below is based on the EU SDG indicator set developed to monitor progress on the SDGs in the EU.

On SDGs related to *competitiveness,* Malta performs well on decent work and economic growth (SDG 8) and education (SDG 4). However, though improving, it needs to catch up with the EU average on SDG 9 (Industry, innovation and infrastructure). Malta increased its tertiary education rate from 41% in 2019 to 47.7% in 2025 against 44.8% for the EU (SDG 4). Further, both adult participation in learning in the past four weeks (19.7%) and the percentage of adults with at least basic digital skills (66.8%) are above the EU average (13.7% and 60.4%, respectively). However, regarding innovation (SDG 9), the Maltese research and innovation system suffers from underinvestment as shown by the indicator on gross domestic expenditure on R&D (0.54% of GDP in 2024 against the EU average of 2.24%). The percentage of R&D personnel (0.76% of the active population in 2024) is less than half the EU average (1.59%). Complementing the Cohesion Funds, the recovery and resilience plan (RRP) targets digitalisation bottlenecks. Cohesion Policy also supports R&I infrastructure and equipment, and the development of a business incubation centre.

Graph A17.1: **Progress towards the SDGs in Malta**



For a detailed progress assessment towards the various SDGs, see the annual Eurostat report 'Sustainable development in the European Union'; for extensive data on the short-term SDG progress of EU countries, see Key findings – Sustainable development indicators; for an interactive visualization of SDG progress of EU countries, see SDG country overview. A high status does not mean that a country is close to reaching a specific SDG, but signals that it is doing better than the EU on average. The progress score is an absolute measure based on the indicator trends over the past five or six years. The calculation does not take into account any target values, as most EU policy targets are only valid for the aggregate EU level. Depending on data availability for each goal, not all 17 SDGs are shown for each country.

Source: Eurostat, latest update of 29 April 2026. Data refer mainly to the period 2019-2024 or 2019-2025. Data on SDGs may vary across the report and its annexes due to different cut-off dates.

While Malta is improving on several SDGs related to *sustainability* (SDGs 9, 12, 13, 15), their status remains below the EU average. It performs well on SDG 7 (Affordable and clean energy), SDG 11 (Sustainable cities and communities) and SDG 14 (Life below water), but needs to catch up with the EU average on SDG 2 (Zero Hunger). Although Malta's energy consumption per capita is below the EU average (SDG 7), the 17.2% share of renewable energy in gross final energy consumption, though improving, remains far below the EU average of 25.2% in 2024 (SDG 13). As for affordable energy, the percentage of the Maltese population unable to keep their homes adequately warm (7.8% in 2024) is below the EU average (9.2%). Waste generation per capita was higher than the EU average in 2022 (5 008 kg against 4 981 kg) (SDG 12), and municipal waste was recycled (SDG 11) at a rate around a third of the EU average (17.4% against 47.9% in 2023). Only 7.1% of the Maltese population were connected to at least secondary wastewater treatment in 2023 compared to 80.7% at EU level (SDG 11). Various measures in Malta's RRP aim to contribute to better energy efficiency, clean energy, sustainable transport, and a circular economy. Examples include energy-efficiency renovations of private and public buildings, investments and reforms to increase renewable energy capacity, promotion of sustainable transport, and measures to improve waste management and recycling, including in the construction and demolition industries. Alongside the RRF, Cohesion Policy also supports multimodal solutions to improve mobility (e.g. pedestrian pathways, cycling lanes) and investment in an organic processing plant to reduce the amount of organic waste that goes to landfill.

On SDGs related to *social fairness*, Malta performs well on decent work and economic growth (SDG 8), affordable and clean energy (SDG 7), health (SDG 3) and education (SDG 4). Though still below the EU average, it is improving on gender equality (SDG 5). However, though still above the EU average, it is moving away from SDGs addressing poverty and inequalities (SDGs 1, 10). Malta has very low self-reported unmet medical needs (0.3% in 2024 against 2.5% for the EU), but the obesity rate is above the EU average and increasing (SDG 3). On SDG 4 (Quality education), Malta has significantly decreased its rate of early leavers from education and training, which fell from 14.2% (2019) to 8.6% in 2025, and is now below the EU average (9.1%). However, there is significant room for improvement in increasing basic skills levels (32.6% of low-achieving 15-year-olds in mathematics against 29.5% for the EU in the OECD Programme for International Student Assessment (PISA) 2022). The percentage of children over three in early childhood education stood at 94.5% in 2024, slightly below the EU average (95%). The gender employment gap (SDG 5), though improving, remains wide in Malta (12.4 percentage points (pps) against 9.6 pps for the EU in 2025). Further, women hold far fewer senior management positions in Malta than the EU average (18% vs 33.6% in 2025). Although the percentage of people at risk of poverty or social exclusion (SDG 1) remains below the EU average (19.7% vs 21% in 2024), there is a significant urban-rural gap (SDG 10). Reforms and investments in the Maltese RRP are helping to strengthen the health system, provide quality inclusive education and training, and promote female labour market participation.

Malta performs well on most SDGs related to *macroeconomic stability (SDG 8 and SDG 16),* however, it is moving away and needs to catch up with partnership for the goals (SDG 17). Regarding decent work and economic growth (SDG 8), Malta further increased its employment rate from 75.6% in 2019 to 83.6% in 2025, which is very high compared to the EU average (76.1% in 2025). At 8.5% in 2025, the percentage of young people not in employment, education or training is below the EU average (11%) and long-term unemployment is very low (0.6% against 1.9% for the EU in 2025). While general government gross debt, at 46.4% of GDP, was far below the EU average of 81.7% of GDP in 2025, the share of environmental taxes in total tax revenues remained below the EU average (SDG 17). Although overall Malta performs above the EU average on SDG 16 (Peace, justice, and strong institutions), it scores worse than the EU average in the Corruption Perceptions Index (46 against 62 in 2025, with 0 being highly corrupt and 100 very clean). The RRP includes reforms to address several long-standing institutional challenges relating to justice and to the fight against corruption and money laundering.

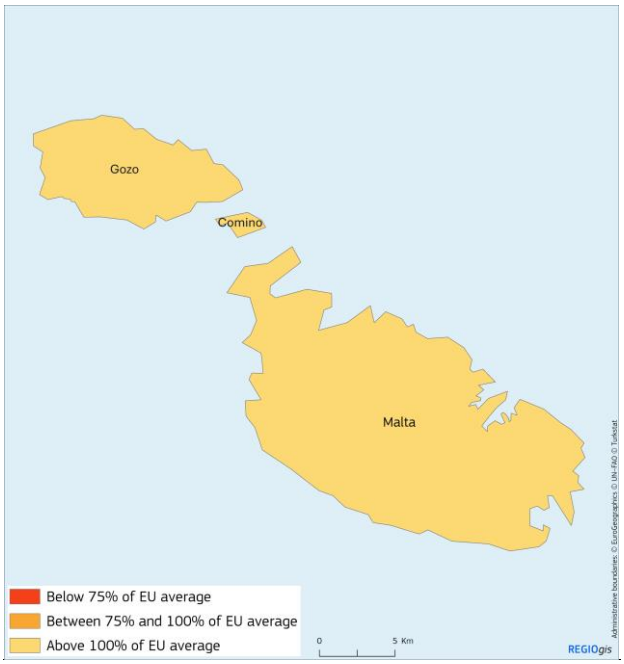
As the SDGs form an overarching framework, any links to relevant SDGs are either explained or depicted with icons in the other annexes.

Regional development trends

Malta's economy continues to grow, with the islands of Gozo and Comino catching up with the mainland. In 1995, Malta's GDP per head (in purchasing power standard, PPS) was 78% of the EU average. Over the following 20 years, it grew consistently, reaching the EU average in 2016. Between 2005 and 2024, Malta had the highest growth among EU countries, with an average annual GDP growth of 5.2% ([277]). In 2024, Malta's GDP per head (in PPS) was above the EU average at 110%. Despite disparities in GDP per head between the mainland and Gozo and Comino, between 2014 and 2024, Gozo and Comino outpaced the mainland's growth (see Table A18.2). They recorded average annual GDP growth per head of 4.3% and 3.8%, respectively (compared with the EU average of 1.4%).

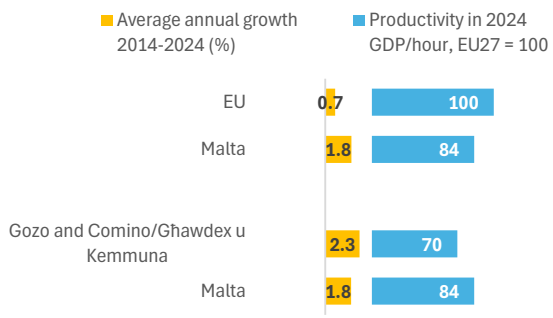
Disparities in GDP per head continue to mirror significant productivity gaps. Malta mainland serves as the economic hub of the country. In 2024, GDP (in PPS) per hour worked on the mainland was 84% of the EU average, while, in Gozo and Comino, it reached 70% (Graph A18.1). In particular, in 2024, Malta mainland's productivity level in public services and trade and transport was well above the EU average, with a PPS index of 120% and 108%, respectively. Meanwhile, Gozo and Comino's productivity levels fell below the EU average in all sectors. Only in construction did Gozo and Comino surpass Malta mainland with a PPS index of 88% of the EU average. Nonetheless, the country's productivity in industry demands particular attention as it stood at a PPS index of 81% in Malta mainland compared with the EU average, and 60% in Gozo and Comino.

Map A18.1: **GDP per head compared with the EU average**



2021-2023 average GDP per head in purchasing power standard compared with the EU average
Source: Commission calculations based on Eurostat 16 July 2025 data.

Graph A18.1: **Productivity per hour worked in Malta (NUTS 3 level): average annual growth 2014-2024 and productivity level in 2024**



Source: ARDECO (JRC)

([277])Source: Eurostat - https://ec.europa.eu/eurostat/statistics-explained/index.php?title=National_accounts_and_GDP.

Table A18.1:**Main development trends, challenges and the concentration of resources**

	Main development trends
More developed region (population 574,250)	Malta has experienced a robust growth in GDP per capita (in PPS), exceeding the EU average. However, territorial imbalances between mainland Malta and Gozo and Comino are relevant, with mainland Malta serving as the main economic hub of the country. The rapid population growth and high density pose challenges to the sustainability of infrastructure and the delivery of public services, highlighting the need for strategic land management. The country's connectivity relies heavily on road transport and private vehicle use, leading to traffic congestion and indicating the urgent need for 'soft mobility' solutions and alternative collective modes of transport. To ensure long-term competitiveness and the quality of life of citizens, increased investments are crucial in the decarbonisation of the economy and in research and development activities to foster innovation-driven growth. Furthermore, water scarcity remains a pressing issue amid growing population demands, requiring more sustainable and innovative solutions to seawater desalination and efficient

Source: European Commission based on Eurostat data; categories of regions based on Map A18.1.

Key challenges for regional competitiveness

A favourable environment for research and development is crucial for Maltese territories to flourish. Total research and development (R&D) intensity is limited and continues to be on a declining trend (at 0.54% of GDP in 2024 vs the EU average of 2.24%) (see Annex 4). As the Maltese ecosystem is characterised by a majority of micro-enterprises operating in a small market, the administrative burden, together with the limited availability of funding and investment for R&D, can be a significant barrier for companies to innovate and scale up. In 2024, R&D expenditure in the business enterprise sector (BERD) only accounted for 0.38% of GDP (EU average: 1.49%). Efforts to strengthen investments in R&D, together with the effective implementation of Malta's Smart Specialisation Strategy and better academia-business collaboration, could help foster innovation-driven growth (see Annex 4).

A critical shortage in science, technology, engineering and mathematics (STEM) graduates threatens future research and innovation capacity. Despite a high number of individuals with a tertiary education, the number of new STEM doctorate graduates in Malta is well below the EU average ([278]). This restricts the talent pool of workers needed to nurture the local innovation ecosystem and raises questions about the quality of educational spending (see Annex 2). Similarly, participation in STEM-related subjects within vocational education and training (VET) is also limited. (see Annex 13).

Demographic trends have a major impact on the country, putting significant pressure on resources, the sustainability of infrastructure and the delivery of public services. Between 2015 and 2024, Malta's population grew at an average annual rate of 27 per 1 000 residents. All parts of the country grew at a faster pace compared with the EU average (EU: 1.8). Malta's population density was 1 766 people per km² in 2023 (EU: 109 per km²), recording the largest growth in the EU between January 2003 and January 2023 ([279]).

Malta's rapid population growth and high density put sustained pressure on transport infrastructure, impacting competitiveness and people's quality of life. In the Regional Competitiveness Index 2022, Malta achieved a score of 90 (vs EU: 100), with infrastructure quality identified as a factor adversely impacting the country's competitiveness. Private cars continue to dominate as the preferred mode of transport, with the stock of licensed motor vehicles continuing to rise. The motorisation rate in Malta (passenger cars per 1 000 inhabitants) grew by 0.17% ([280]). Gozo and Comino had the highest motor vehicle density, with 1 126 vehicles per

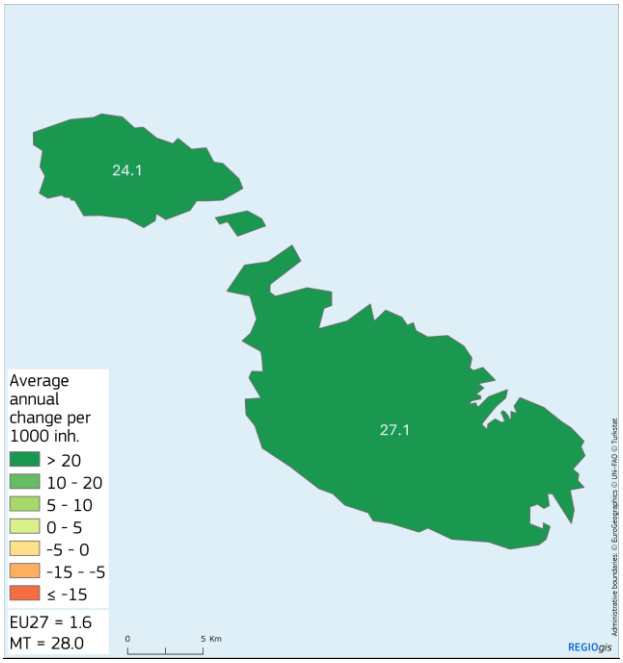
([278])Source: European Innovation Scoreboard 2025 – country profile Malta.

([279])Source: Eurostat – Demography of Europe 2025 edition.

([280])Source: Eurostat (demo_pjan, road_eqs_carage).

1000 residents in ([281]). Effective traffic management is essential, particularly in urban areas. Further investment in 'soft mobility' infrastructure and sustainable alternative collective modes of transport could facilitate multimodality and encourage a cultural shift away from relying on private cars.

Map A18.2: **Average annual population change at NUTS 3 level (2015-2024)**

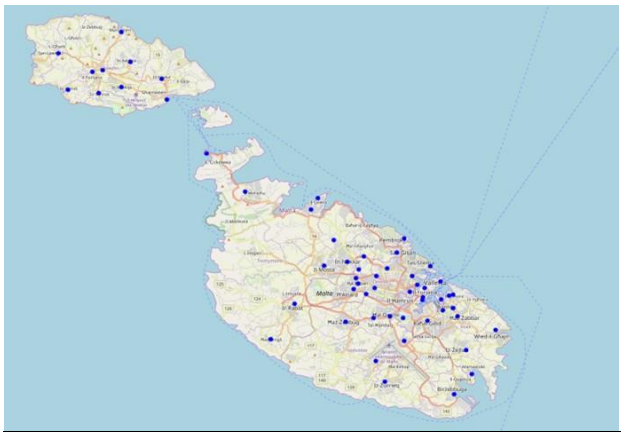


Source: Eurostat and JRC

The country's greenhouse gas emissions per head are below the EU average, with energy and transport remaining as pivotal levers for decarbonisation. In 2024, the share of energy from renewable sources in gross final energy consumption was still limited in Malta, accounting for 17.2% (EU average: 25.2%) ([282]). There is significant untapped potential to increase renewable energy generation, including from wind and solar sources. As of 2025, there is still no wind power production. Solar power is the main source: solar photovoltaic (PV) production in the country stands at 0.38 MWh/year/capita, below the EU average of 0.56 MWh/year/capita. While Malta's towns and suburbs exceed the EU average for solar PV production, cities and rural areas are below it ([283]). The technical potential for solar PV in Malta (2.23 MWh/year/capita) is well above the current output, pointing to major scope to scale up solar rooftop production, especially outside city cores.

Domestic transport in Malta significantly contributes to greenhouse gas emissions. In 2023, emissions from domestic transport accounted for 34.1% of Malta's total net greenhouse emissions. Access to electric vehicle charging infrastructure in Malta is well below the EU average, with pronounced territorial disparities. In 2022, in Gozo and Comino, there were 14 electric vehicle charging points within 10 km, compared with 51 on the mainland (EU average: 287). Gaps in public charging infrastructure, which is particularly underdeveloped in certain areas, slows the transition to decarbonised transport and sustainable mobility (see Annex 8).

Map A18.3: **Electric vehicle recharging points, 2025**



Source: European Commission, TENtec Geographic Information System, https://link.europa.eu/CMDyTH

Malta's territories would benefit from stronger measures to improve air quality. In 2024, PM2.5 annual average concentration in Malta was above the EU levels across all settlement types (cities: 10.88 µg/m³, towns/suburbs: 9.96 µg/m³, rural: 9.24 µg/m³, total: 10.12 µg/m³, EU average: 7.74 µg/m³) ([284]). In addition to accelerating investment in renewable energy and prioritising lower urban emissions through cleaner mobility solutions, it would be beneficial to create more urban green infrastructure and promote afforestation,

([281])Source: Malta National Statistics Office – Transport – Road Transport.

([282])Source: Eurostat – Renewable energy statistics.

([283])Source: European Commission and JRC – Rural Observatory.

([284])Source: European Environment Agency – European air quality.

Table A18.2:**Selection of key regional indicators (at NUTS 3 level) for Malta**

	GDP per head (PPS, index)	Real GDP per head growth	Population growth	Productivity: GDP (PPS) per hour worked (index)	Productivity in industry (PPS, index)	Productivity in construction (PPS, index)	R&D expenditure	R&D expenditure in business enterprise sector (BERD)	Access to alternative fuel infrastructure
	EU27=100	Average annual % change	Average annual change per 1000 residents	EU27=100	EU27=100	EU27=100	% of GDP	% of GDP	Electric vehicles charging points within 10 km
	2024	2014-2024	2015-2024	2024	2024	2024	2024	2024	2022
EU	100	1.4	1.8	100	100	100	2.2	1.5	288
Malta	110	3.8	26.9	84	71	72	0.54	0.38	48
Malta (mainland)	113	3.8	27.1	84	71	71			51
Gozo and Comino/Għawdex u Kemmuna	66	4.3	24.1	70	53	88			14

Dark green - the indicator is at least 120% of the EU average.
Light green - the indicator is at least 100% but less than 120% of the EU average.
Yellow - the indicator is at least 90% but less than 100% of the EU average.
Light red - the indicator is at least 75% but less than 90% of the EU average.
Dark red - the indicator is less than 75% of the EU average.
This colour scale applies to 'positive' indicators where higher values are favourable.
For 'negative' indicators (where higher values are unfavourable), the colours are reversed.
Source: Eurostat and JRC

especially given soil sealing from over-construction. This would give the population access to green open spaces while helping filter the air and reduce particulate matter.

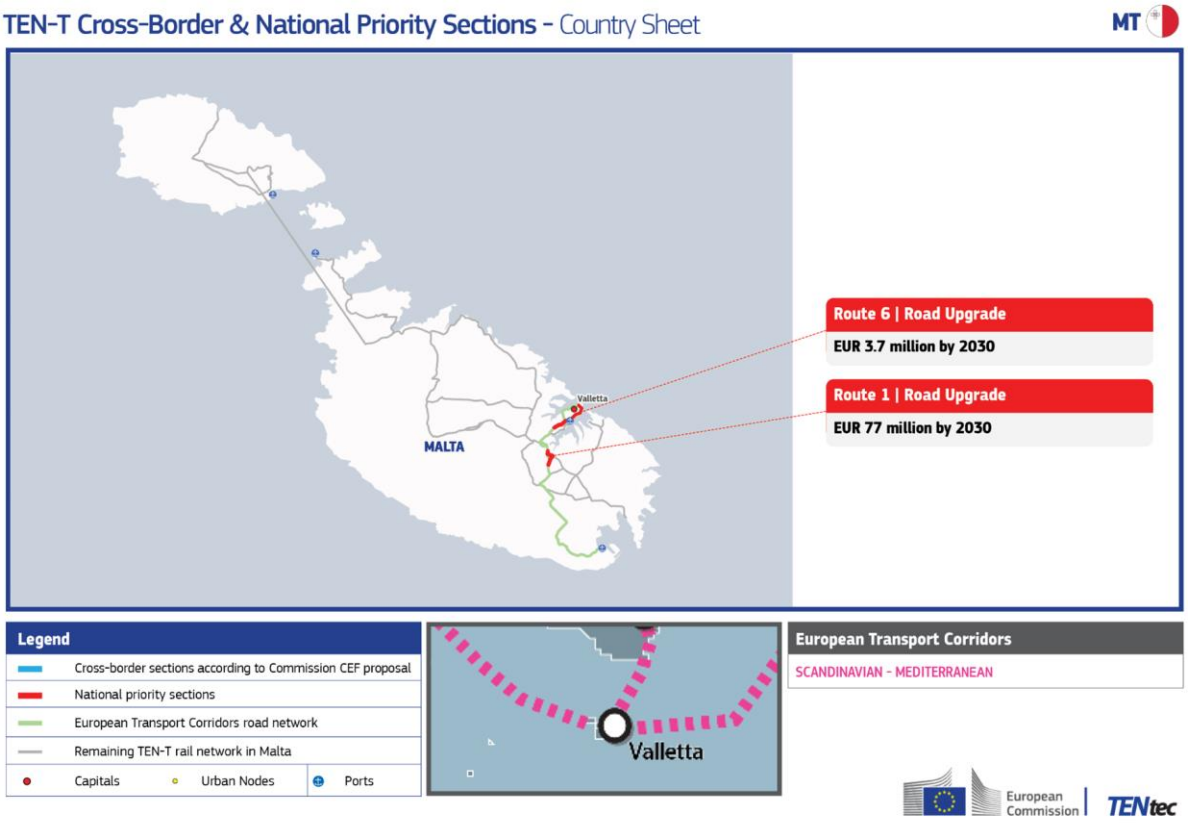
Malta faces distinct climate change vulnerabilities, particularly its access to safe and high-quality water resources. The country is affected by severe water scarcity, which is exacerbated by the over-extraction of fresh water and the significant growth in the population and the number of tourists (see Annex 10). Since 2024, approximately 66% of Malta's water supply has been sourced from reverse osmosis desalination plants, while the remaining 34% has come from fresh groundwater and surface water abstraction ([285]). Malta has four reverse osmosis plants, including one in Gozo that received cohesion policy funding in the 2014-2020 programming period. Ensuring secure access to water underscores the need to support innovation in existing seawater desalination as part of an integrated water management approach with a view to (i) limit energy consumption and reduce greenhouse gas emissions by promoting the use of renewable energies; and (ii) mitigate the environmental impact of brine disposal.

Malta and Gozo's sustainable blue economy contributes significantly to tackling island-specific challenges through resilience-building investments. In 2022, the blue economy accounted for 4.2% of the national economy and generated 6.2% of national employment (compared with the EU average of 1.7% and 2.4%, respectively). However, Malta has the lowest female employment rate in the EU's tourism sector ([286]). Climate change adaptation and resilience are critical for Malta's blue economy, particularly for fisheries and coastal tourism, which are vulnerable to extreme weather events and the rise in sea levels (see Annex 10). A lack of investment delays further digitalisation and data management capabilities in fisheries control. Furthermore, the intense use of coastal and marine areas exacerbates environmental pressures and creates conflict among users of Malta's waters. Investments in climate-resilient infrastructure, skills training, and sustainable aquaculture could enhance the sector's long-term viability.

([285])Source: Water services corporation, available at: WSC - Annual Report 2024.

([286])Most value added and employment is generated from coastal tourism (the largest sector), port activities and living resources (fisheries and aquaculture).

Map A19.1: **TEN-T cross-border & national priority sections in Malta.**



This Transport Annex presents the state of play and the challenges Malta is facing with the implementation of the trans-European transport network (TEN-T).

Malta is connected to the trans-European transport network through the Scandinavian – Mediterranean European transport corridor. The corridor plays a crucial role in facilitating the exchange of goods and passengers between the EU and its external borders to the north and to the south. Being an island, the country's connection to the TEN-T network is primarily via air and sea, rendering the upgrading of ports and the development of alternative fuel infrastructure essential for the greening and development of intra-EU transport. In this context, projects to enhance the competitiveness and sustainability of the maritime sector, such as upgrading the basic infrastructure of ports and the deployment of alternative fuel technologies, are of major importance.

The TEN-T in Malta comprises 126 km of road (16 of which are on the core network). Malta has no inland waterways or rail network. It has one airport, which is a core airport, as well as four ports (including two core ports) and one urban node on the TEN-T ([287]).

In the absence of a rail network, and in addition to the general priorities highlighted above, priority projects include the upgrade and grade separation of two critical road sections in the south of Valletta. The projects will strengthen hinterland connectivity to key ports and logistics hubs and support their integration into the transport network, while also alleviating congestion issues and improving road safety along the southern axis. These interventions will not only increase the overall efficiency and reliability of the transport network, but also support the achievement of key EU objectives, such as reducing greenhouse gas emissions and increasing road safety. The improved connectivity and reduced travel times resulting from these projects will have a positive impact on the island's economic competitiveness, social cohesion, and overall quality of life.

([287])TENtec Information System, according to Reg. 2024/1679.

Transport infrastructure projects are usually well developed and mature when submitted for financing, with realistic timelines and appropriate mitigation measures. However, procurement irregularities have been detected in EU-funded projects.