MALTAS

Malta’s economic freedom score is 67.5, making its economy the 41st freest in the 2023 Index. Its score is 4.0 points lower than last year. Malta ranks 24th out of 44 countries in the Europe region, and its overall score is above the world average.

Malta’s openness to international trade and investment has enhanced its competitiveness. Despite relatively good performance in many areas of economic freedom, some institutional foundations remain weak, undermining prospects for more dramatic growth. The court system is transparent and relatively free of corruption, but it is also inefficient. Bureaucracy continues to discourage dynamic entrepreneurial activity.

BACKGROUND: Malta joined the European Union in 2004 and the eurozone in 2008. Prime Minister Robert Abela’s center-left Labour Party won an absolute majority in March 2022 elections. His predecessor, Joseph Muscat, resigned in 2020 after months of protests. With few natural resources, the island nation imports most of its food, most of its fresh water, and all of its energy. A sprawling bureaucracy oversees heavy entitlement spending. The economy depends on tourism, trade, and manufacturing. Malta’s recent appearance on a money-laundering “Greylist” could have a negative effect on investment. The arrival of migrants from North Africa remains a substantial challenge.
The overall rule of law is well respected in Malta. The country's property rights score is above the world average; its judicial effectiveness score is above the world average; and its government integrity score is above the world average.

Malta has adopted transparent and effective regulations to foster competition, but the pace of reform has slowed. Business regulations are relatively straightforward. The labor market remains relatively rigid. The government mandates a minimum wage. The most recent available inflation rate is 0.7 percent.

The top individual and corporate tax rates are 35 percent. The tax burden equals 23.6 percent of GDP. Three-year government spending and budget balance averages are, respectively, 42.5 percent and -5.6 percent of GDP. Public debt equals 56.4 percent of GDP.

The trade-weighted average tariff rate (common among EU members) is 3.2 percent, and over 600 EU-mandated nontariff measures are in force. Foreign investment is welcome, and investment regulations are generally transparent. The financial sector has undergone gradual restructuring, and openness to foreign banks has increased.