WORLD RANK: **27**

REGIONAL RANK: **19**

ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

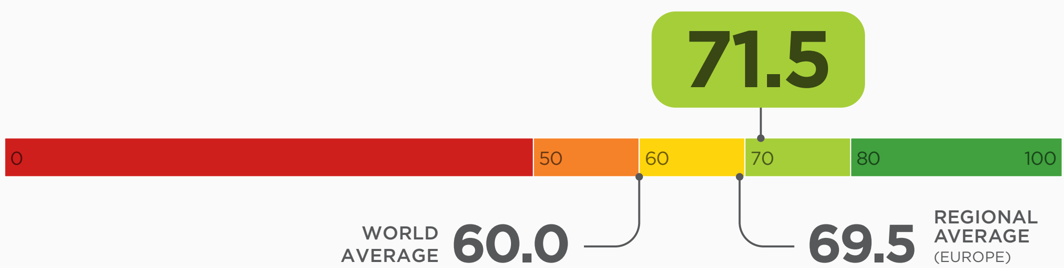
MALTA

Malta's economic freedom score is 71.5, making its economy the 27th freest in the 2022 *Index*. Malta is ranked 19th among 45 countries in the Europe region, and its overall score is above the regional and world averages.

Economic growth in Malta accelerated from 2017 through 2019, turned negative in 2020, and resumed in 2021. Economic freedom has expanded steadily in the past half-decade. With improved scores for rule of law and **business freedom**, Malta has registered an overall 3.8-point gain of economic freedom since 2017 and remains in the "Mostly Free" category for the second year in a row. Fiscal health is sturdy, but **financial freedom** remains relatively low.

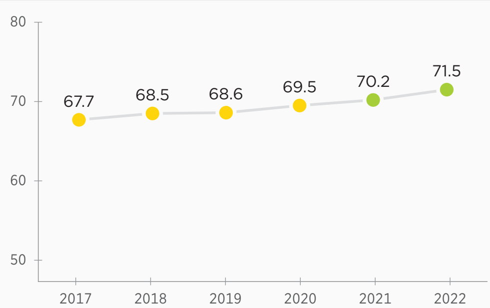
IMPACT OF COVID-19: As of December 1, 2021, 468 deaths had been attributed to the pandemic in Malta, and the government's response to the crisis ranked 83rd among the countries included in this *Index* in terms of its stringency. The economy contracted by 7.0 percent in 2020.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +15.2

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
0.5 million

GDP (PPP):
$22.1 billion
–7.0% growth in 2020
5-year compound annual growth 3.2%
$42,856 per capita

UNEMPLOYMENT:
4.1%

INFLATION (CPI):
0.8%

FDI INFLOW:
$3.9 billion

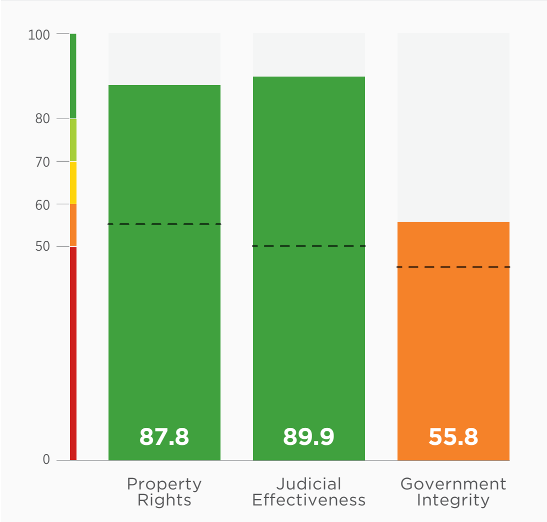
PUBLIC DEBT:
55.4% of GDP

2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: Malta joined the European Union in 2004 and the eurozone in 2008. Prime Minister Robert Abela of the center-left Labour Party took office in 2020 following the resignation of his predecessor, Joseph Muscat, after months of protests occasioned by Muscat's handling of questions generated by the murder of an investigative journalist. With few natural resources, the tiny island nation imports most of its food, most of its fresh water, and all of its energy. The government maintains a sprawling bureaucracy that oversees heavy entitlement spending. The economy depends on tourism, trade, and manufacturing. Malta's recent inclusion on a money-laundering "Greylist" could have a negative effect on investment. Challenges include (among others) substantial immigration from politically unstable North African neighbors.

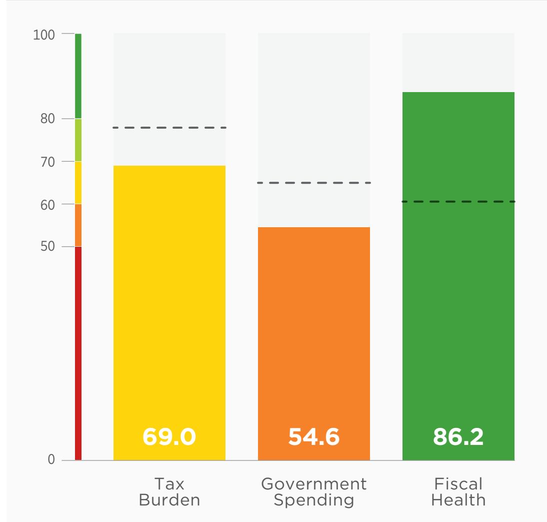
12 ECONOMIC FREEDOMS | MALTA

RULE OF LAW



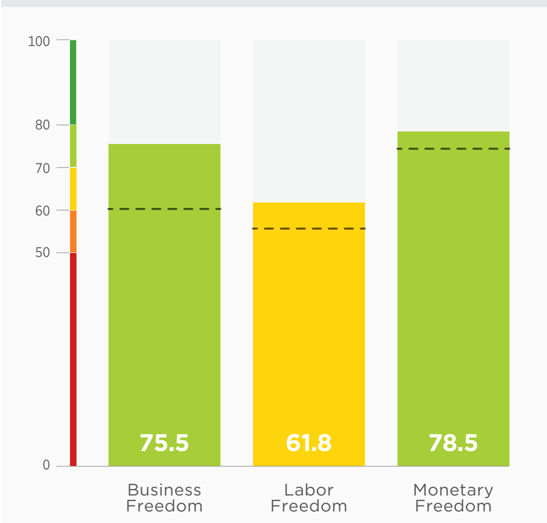
Property, secured interests, and contractual rights over immovable property are enforced after they are registered publicly. There is a property transfer tax of 12 percent of value. The judiciary is independent, but the courts are slow to process cases. Although low-level public-sector corruption, including bribery, is not a significant problem, a journalist investigating high-level corruption was murdered in 2017.

GOVERNMENT SIZE



The top individual income and corporate tax rates are 35 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 25.5 percent of total domestic income. Government spending has amounted to 38.9 percent of total output (GDP) over the past three years, and budget deficits have averaged 2.2 percent of GDP. Public debt is equivalent to 55.4 percent of GDP.

REGULATORY EFFICIENCY



The principle of private business ownership is firmly ingrained. A one-stop shop (Business First) facilitates the processing of services and information necessary to start a company. Labor regulations are somewhat rigid. Labor unrest is little known. In recent years, the government has privatized several state-controlled firms including the country's largest bank, the postal service, shipyards, energy generation plants, and the wireless telecommunications industry.

OPEN MARKETS

As a member of the EU, Malta has 46 preferential trade agreements in force. The trade-weighted average tariff rate (common among EU members) is 2.9 percent with 640 EU-mandated nontariff measures in force. Foreign investment is welcome, and investment regulations are generally transparent. The financial sector has undergone gradual restructuring and expansion, and the banking sector has become more open to foreign banks.