MALTA

Business Conditions Snapshot

- Malta – a small archipelago strategically located between Europe and North Africa – is the most densely populated country in the European Union (EU), which it joined 2004.

- Before the pandemic, it had strong GDP growth and full employment, with government finances in surplus in 2019. Malta’s focus on sector diversification (for example i-gaming, blockchain, AI, and fintech) has helped build its economy.

- Opportunities may exist in Malta’s infrastructure development (especially roads) and in technologies to help it meet the environmental standards of the EU. There may be opportunities for businesses to act as niche near-shoring hubs for Western Europe, as well as to contribute to growth in digital technology sectors such as health, education and logistics, as well as eco-tourism.

- The COVID-19 pandemic has had substantial negative effects on the economy in 2020, especially given Malta’s high dependence on international tourism. The government forecasts that GDP for 2020 will shrink by 6 per cent.

- To alleviate this, it has introduced a range of support measures including a wage supplement until March 2021, a voucher system for all residents for retail spending, tax concessions, and retraining opportunities for the unemployed, particularly in the tourism sector.

- Malta has been allocated post-pandemic recovery funding from the EU totalling €2.25 billion, which will help it to recover its former economic position. A German credit agency Creditreform Rating has confirmed Malta’s A+ sovereign credit rating, saying that the country’s outlook remains stable.

- In 2020 the Government has undertaken significant governance reforms to meet the Council of Europe’s Venice Commission recommendations on rule of law and anti-money laundering.

- Malta’s population has a median age of 42.3. The country produces only about 20 per cent of its food needs, has limited fresh water supplies and is dependent on imported fuel for energy.

- The online gambling ‘iGaming’ and IT sectors account for 12 per cent of GDP (2018), with cryptocurrency and blockchain a major focus. Malta’s financial sector also accounts for 12 per cent of GDP (2018), while tourism accounts for 27.1 per

Key facts and figures

- Population: 476,000 (2018)
- GDP growth: 5.1 per cent (2019)
- Political system: Parliamentary republic
cent of GDP and 27.8 per cent of jobs (2018). Agriculture, fishing and forestry account for 1.1 per cent of GDP (2018).

- Legislation to provide a regulatory environment for digital technologies and encourage innovation was enacted in 2018, as were amendments to the Drug Dependence Act to allow legal production of medicinal marijuana.

- The country’s inflation rate is 1.64 per cent (2019).

- Malta has a large foreign population that makes up 14 per cent of the labour force. The largest communities are Italian, British and Libyan. Despite this, employers often refer to a skills shortage in the labour market.

Trade and Investment Opportunities

- Malta Enterprise, the national economic development agency, is tasked with attracting new Foreign Direct Investment and has links with over 60 other European countries. Despite the general downturn, it reports that it had attracted 35 new companies to Malta at November 2020. The sectors involved include manufacturing, digital games, AI and blockchain technologies.

- In June 2020, Malta established the National Foreign Direct Investment Screening Office (NFDISO) to conform with EU regulations to protect essential interests.
  - The NFDISO lists a range of critical infrastructure, technologies and dual use items, and inputs such as energy, raw materials and food security which will be subject to screening.

- In 2018–19 Australian exports to Malta totalled $5.39 million and imports totalled $20.7 million.

- Trade between Australia and Malta is modest due to distance and the small size of the Maltese market:
  - Major Australian exports include cheese and curd, margarine, ships and boats, and electrical machinery and parts
  - A limited amount of Australian produce is sold in supermarkets, notably cheese, meat and wine.
  - Major Australian imports include medical and veterinary instruments, medicaments, ships and boats and salts of inorganic acids and metals.
  - Australia’s presence in the market includes small businesses such as cafes, shops and restaurants (97 per cent of all registered enterprises in Malta are SMEs)

- Services provide the best economic opportunity for exporters, particularly where Australia has extensive expertise that could be beneficial to Malta. This includes medical and environmental research, including on water resources.

- There are also opportunities for Australian financial services and iGaming companies.
• Malta is interested in life sciences research and there may be opportunities for collaborative partnerships in genome sequencing, biosciences, DNA testing, diabetes and oncology.

• There may also be opportunities for Australian exporters and investors in areas such as EU-funded infrastructure projects and joint ventures.
  – Maltese partners can access third country markets in the resources and services sectors, for example sensory data gathering for road traffic monitoring.

• Opportunities for agricultural exports may grow under an FTA.

• The investment relationship between Malta and Australia was worth $122 million in 2018.

• Malta is focused on ensuring its attractiveness for FDI, especially in the wake of Brexit.

• It offers investors practical assistance from Malta Enterprise and attractive corporate taxation rates.

### Trade Policy Focus

• The Australia–EU FTA negotiations commenced in June 2018 and are ongoing. Nine rounds of negotiations for a comprehensive and ambitious Australia–EU FTA will be completed in 2020. Malta, as an EU Member state, has been supportive throughout. The final agreement will need approval from the European Parliament.

• Extensive lobbying has resulted in the Malta’s prime minister, foreign minister, and ministers for finance and economics reiterating Malta’s strong support for an ambitious Australia–EU FTA. Since the May 2019 elections for the European Parliament, work has continued with business groups, Members of the European Parliament, and other stakeholders to promote the benefits for Malta and Australia.

• Bilateral agreements between Australia and Malta are in place covering:
  – immigration (1970)
  – double taxation (1985)
  – health services (1988)
  – working holidays (1996)
  – air services (1996).

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