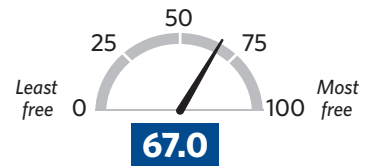


MALTA

Economic Freedom Score



World Rank: **50** Regional Rank: **23**

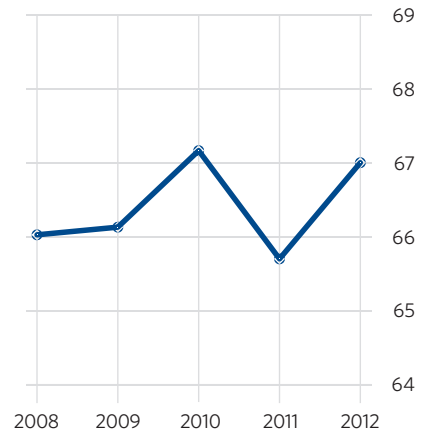
Malta's economic freedom score is 67.0, making its economy the 50th freest in the 2012 *Index*. Its overall score is 1.3 points higher than last year, with significant improvements in freedom from corruption, fiscal freedom, and the control of government spending. Malta ranks 23rd out of 43 countries in the Europe region, and its overall score is above the regional average.

Malta's openness to international trade and investment has helped to restore economic growth to a healthy level, and the country has taken steps to enhance the competitiveness of its financial institutions. The banking sector is one of the soundest in Europe and has weathered the European sovereign debt turmoil relatively well with no need for capital injections.

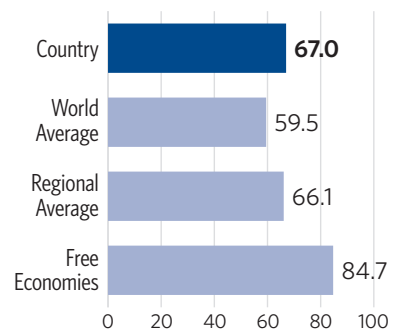
Despite recent overall progress, some of the foundations of economic freedom remain weak, undermining prospects for more dramatic growth. The court system, while transparent and relatively free of corruption, remains inefficient. Measures designed to enhance the effectiveness of government have yielded uneven results, and bureaucracy continues to discourage dynamic entrepreneurial activity. Privatization has slowed. The government continues to intrude excessively into economic activity, imposing significant tax burdens and maintaining high levels of spending. Public debt, at almost 70 percent of GDP, has crept into potentially dangerous territory.

BACKGROUND: Malta's two main political parties enjoy almost equal levels of support, and elections are closely fought and often narrowly won. The government of Prime Minister Lawrence Gonzi, whose Nationalist Party holds a one-vote majority in parliament, has had to deal with soaring numbers of immigrants fleeing the 2011 uprisings in North Africa. The economy depends on tourism, trade, and manufacturing. Well-trained workers, low labor costs, and membership in the European Union attract foreign investment, but the government also maintains a sprawling socialist bureaucracy, and the majority of spending is allocated to housing, education, and health care.

Freedom Trend



Country Comparisons



Quick Facts

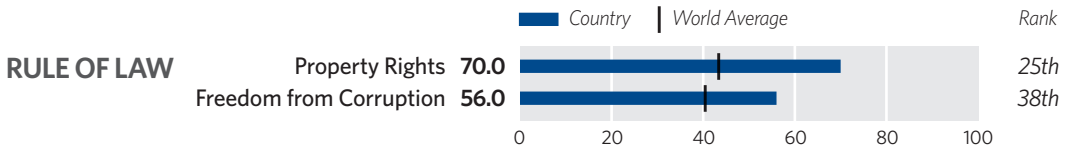
Population: 0.4 million
GDP (PPP): \$10.4 billion
 3.7% growth in 2010
 5-year compound annual growth 2.4%
 \$24,792 per capita
Unemployment: 6.9%
Inflation (CPI): 2.0%
FDI Inflow: \$1.0 billion
Public Debt: 67.1% of GDP

How Do We Measure Economic Freedom?

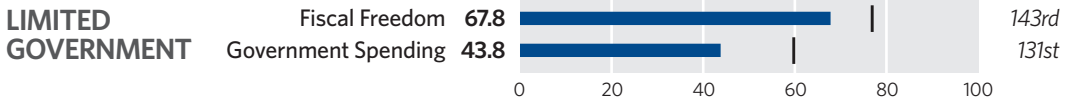
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2010 data unless otherwise noted.
 Data compiled as of September 2011.

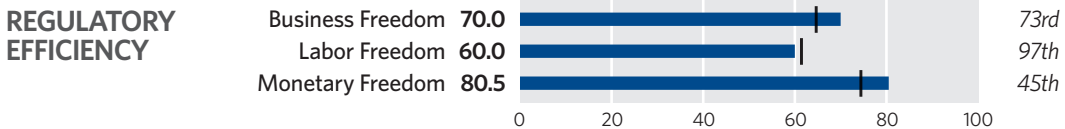
THE TEN ECONOMIC FREEDOMS



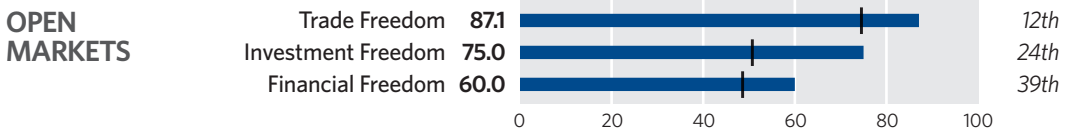
Malta’s judiciary is independent, both constitutionally and in practice. Property rights are protected, and expropriation is unlikely. Foreigners do not have full rights to buy property in Malta unless they obtain Maltese nationality. Malta still lacks a comprehensive strategy for rooting out corruption as well as appropriate institutions to implement and monitor anti-corruption activities.



The top income and corporate tax rates are 35 percent. Other taxes include a value-added tax (VAT) and a capital gains tax, with the overall tax burden amounting to 27.8 percent of total domestic income. Despite some reduction in spending, government expenditures remain high at a level equivalent to 43 percent of total domestic output. The budget balance has been in chronic deficit, and public debt has reached 67 percent of GDP.



Malta has adopted transparent and effective regulations to foster competition, although the pace of reform has slowed. Business regulations are relatively straightforward and applied uniformly most of the time. The labor market remains relatively rigid. The government mandates a minimum wage, and labor relations can be confrontational. With inflation under control, monetary stability has been maintained.



The trade regime is the same as that of other members of the European Union, with the common EU trade weighted average tariff rate standing at 1.4 percent, but layers of non-tariff barriers raise the cost of trade. 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.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+5.3	Business Freedom	0	Trade Freedom	-0.5
Freedom from Corruption	+4.0	Government Spending	+4.0	Labor Freedom	0	Investment Freedom	0
				Monetary Freedom	+0.4	Financial Freedom	0