

Republic of Malta

Rating report

Rating rationale

A robust economic momentum and strong growth potential relative to European peers. Malta's robust economic growth is driven by private consumption, benefiting from a strong labour market, rising real incomes, declining inflation, and broad energy subsidies. The economy also benefits from net exports, particularly in tourism and other services, and a favourable tax regime that attracts foreign corporates. GDP growth is projected to decline but remain significantly above the peer average. A key challenge will be to rebalance the Maltese economy from domestic consumption towards net exports, and the transition from lower to higher value-added sectors.

A record of fiscal prudence and moderate government debt. Robust economic performance and strong tax receipts underpin the projected reduction of fiscal deficits, despite pressures on current spending. Malta has a solid track record of prudent fiscal management and is committed to exit the EU's excessive deficit procedure. The gradual implementation of the EU's Minimum Tax Directive by 2029 is not expected to materially weaken corporate tax income. General government debt is projected to remain below 50% of GDP by 2030, supported by a favourable debt structure.

A strong external position enhancing resilience to external shocks. Malta benefits from a robust external performance anchored by export-oriented sectors and a sustained current account surplus. The Maltese economy displays limited direct exposure to ongoing international trade tensions. External risks linked to Malta's small, open economy are further mitigated by Euro area membership and a large external creditor position.

Rating challenges include: i) an externally dependent and resource-constrained economy, which presents risks to the stability and sustainability of the growth model; ii) contingent fiscal risks in the form of age-related cost pressures, public sector guarantees, and relatively concentrated tax revenues; and iii) lingering, albeit improving, institutional challenges related to the financial oversight and supervision frameworks, as well as governance metrics.

Figure 1: Malta's sovereign-rating drivers

Risk pillars		Quantitative		Reserve currency*	Political risk**	Qualitative****	Final rating
		Weight	Indicative rating	Notches	Notches	Notches	
Domestic economic risk		35%	aa-	EUR	Malta	0	A+
Public finance risk		20%	a+			0	
External economic risk		10%	aaa			0	
Financial stability risk		10%	aaa			0	
ESG risk	Environmental factors	5%	bbb+	[+1]	[-0]	- 1/3	
	Social factors	7.5%	bb-			0	
	Governance factors	12.5%	a-			- 1/3	
Sovereign Quantitative Model***		aa-				-1	
Additional considerations						0	

*The reserve-currency quantitative adjustment applies to currencies in the IMF's Special Drawing Rights (SDR) basket.

**The political-risk quantitative adjustment is based on the World Bank's Political Stability & Absence of Violence/Terrorism index.

***The Rating Committee approved an indicative credit rating of 'aa-'.

****The qualitative scorecard analyst adjustments, capped at one notch per rating pillar, are weighted equally with an aggregate adjustment rounded to the nearest integer. For details, please see Scope's [Sovereign Rating Methodology](#).

Foreign currency

Long-term issuer rating/Outlook

A+/Stable

Senior unsecured debt

A+/Stable

Short-term issuer rating/Outlook

S-1+/Stable

Local currency

Long-term issuer rating/Outlook

A+/Stable

Senior unsecured debt

A+/Stable

Short-term issuer rating/Outlook

S-1+/Stable

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Credit strengths and challenges

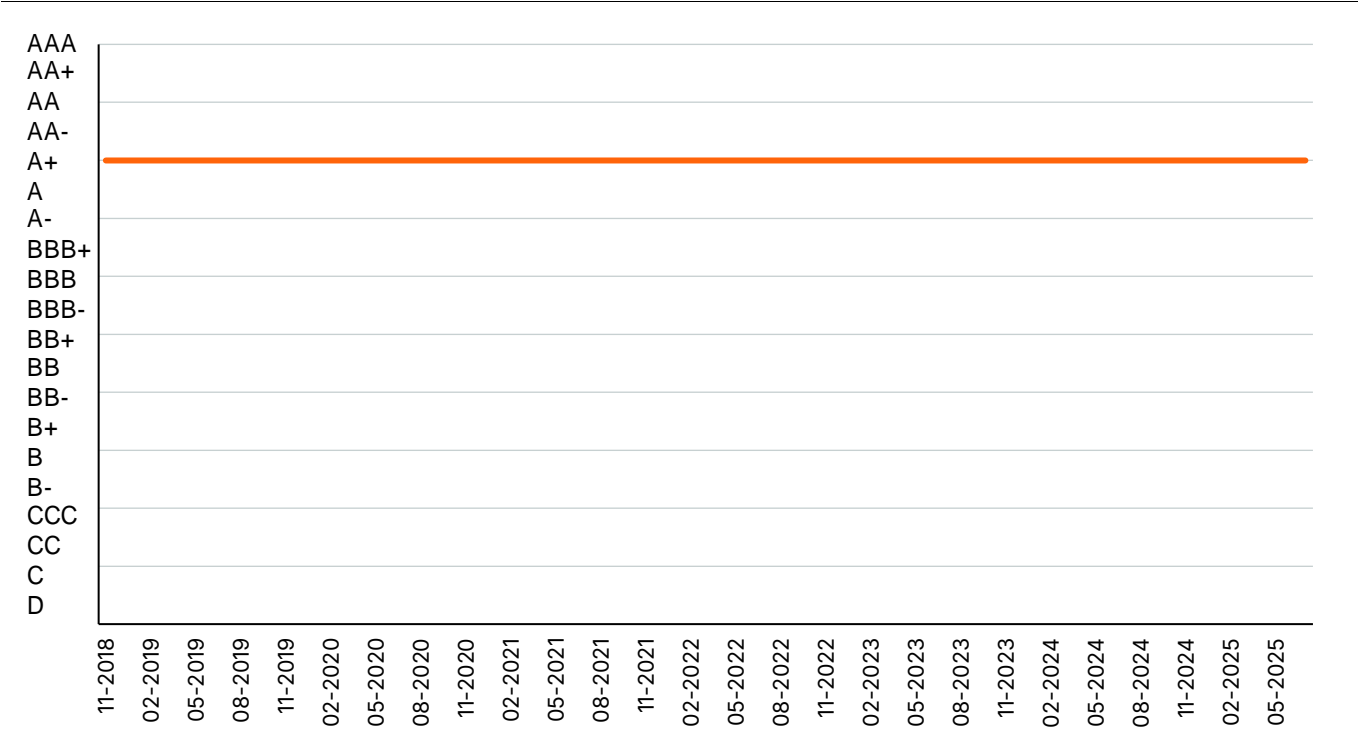
Credit strengths	Credit challenges
<ul style="list-style-type: none">Robust economic momentum, strong growth potentialRecord of prudent fiscal management, moderate debtRobust external position	<ul style="list-style-type: none">Externally dependent, resource-constrained economyHigh contingent fiscal risksLingering institutional and administrative shortcomings

Outlook and rating triggers

The Stable Outlook reflects Scope’s view that risks for the ratings are balanced.

Positive rating-change drivers	Negative rating-change drivers
<ul style="list-style-type: none">Structural reforms support economic diversification and resilienceFiscal consolidation returns public debt to a firm downward trajectory	<ul style="list-style-type: none">Structural deterioration in growth prospectsSignificant weakening in fiscal outlookInstitutional fragilities re-emerge and pose a threat to economic attractiveness

Figure 2: Rating history



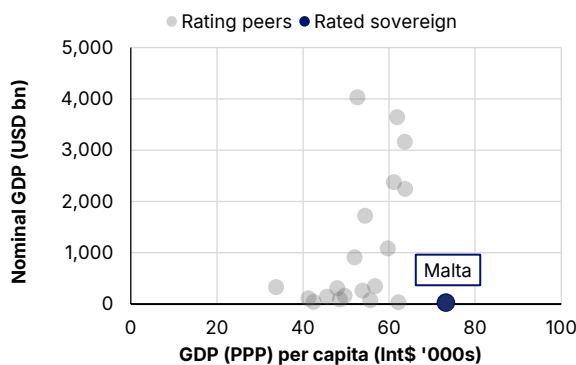
Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

Domestic economic risk

Overview of Scope's assessments of Malta's Domestic Economic Risk

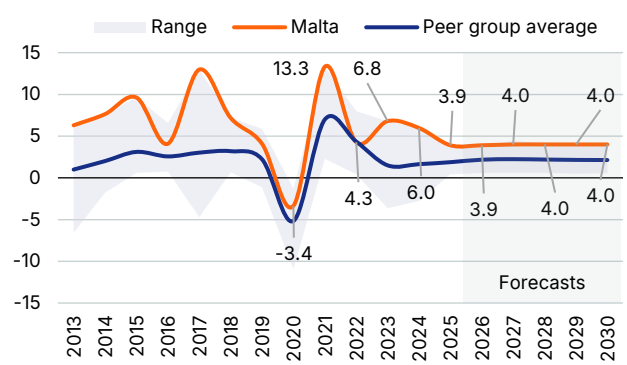
SQM ¹ indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa-	Growth potential and outlook	Strong	+1/3	High growth potential, high growth sectors and strong labour markets
	Monetary policy framework	Neutral	0	ECB is a highly credible and effective central bank
	Macroeconomic stability and sustainability	Weak	-1/3	Small, open economy dependent on external demand and inflows of foreign workers; significant external flows including SPEs having a limited role in the domestic economy

Figure 3: Nominal GDP and GDP per capita (2024E)



Source: IMF World Economic Outlook (WEO), Scope Ratings

Figure 4: Real GDP growth, %



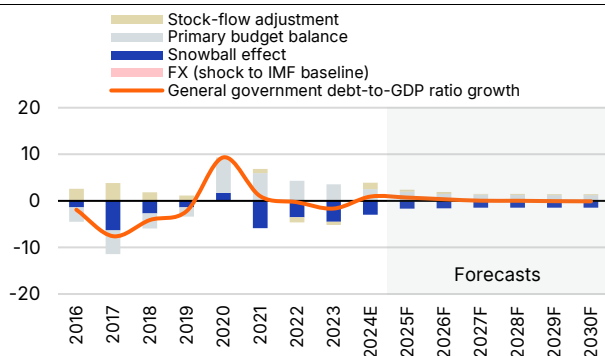
Source: IMF WEO, Scope Ratings forecasts

Public finance risk

Overview of Scope's assessments of Malta's Public Finance Risk

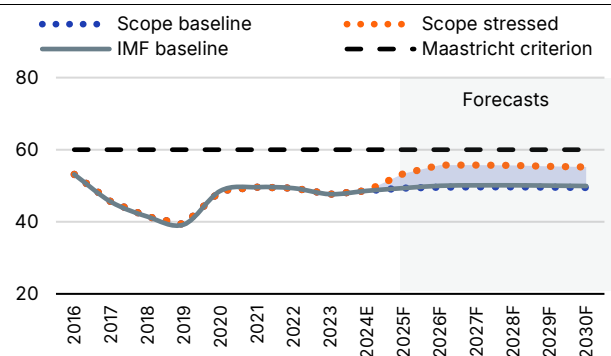
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a+	Fiscal policy framework	Neutral	0	Good record of prudent fiscal management; decreasing deficits reflecting a gradual fiscal consolidation
	Long-term debt trajectory	Neutral	0	Stabilisation of the debt trajectory over the medium term; contingent liabilities pose long-term fiscal risks
	Debt profile and market access	Neutral	0	Favourable debt profile; moderate interest payments and public sector borrowing requirements

Figure 5: Contributions to change in debt levels, pps of GDP



Source: IMF WEO, Scope Ratings forecasts

Figure 6: Debt-to-GDP forecasts, % of GDP



Source: IMF WEO, Scope Ratings forecasts

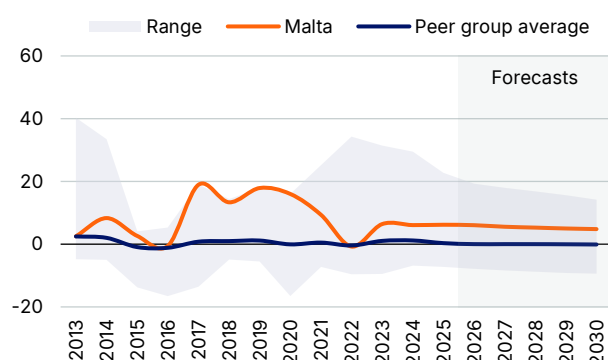
¹ Sovereign Quantitative Model

External economic risk

Overview of Scope's assessments of Malta's External Economic Risk

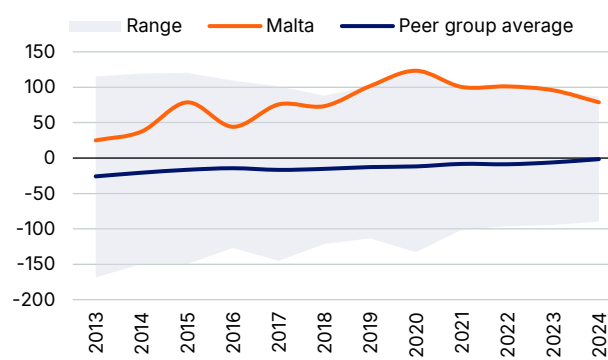
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Current account resilience	Neutral	0	Small, open economy exposed to volatility; current account surpluses underpinned by competitive export sectors
	External debt structure	Neutral	0	Large external liabilities offset by large external assets, reflecting financial hub status for foreign companies; debt structure has improved
	Resilience to short-term external shocks	Neutral	0	Euro-area membership mitigates exposure to international markets

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

Figure 8: Net international investment position (NIIP), % GDP



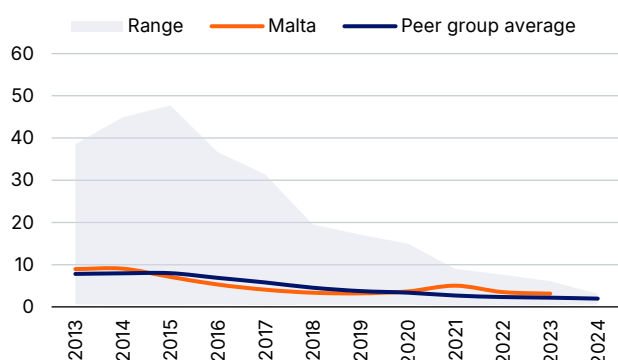
Source: IMF, Scope Ratings

Financial stability risk

Overview of Scope's assessments of Malta's Financial Stability Risk

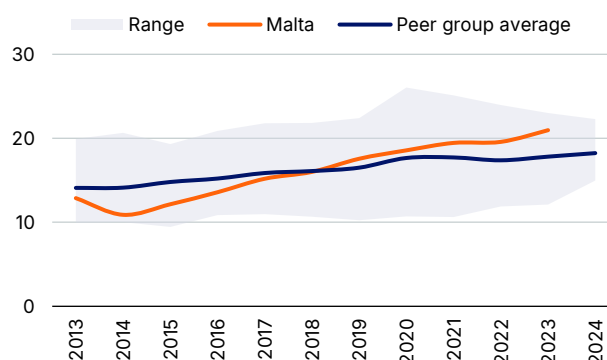
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Neutral	0	Profitable and adequately capitalised banking sector
	Financial sector oversight and governance	Neutral	0	Historical shortcomings in supervision though reforms to enhance oversight have been adopted and are being effectively implemented
	Financial imbalances	Neutral	0	Elevated private debt levels and rising housing prices; appropriate macroprudential policy response

Figure 9: Non-performing loans (NPLs), % of total loans



Source: World Bank (WB), Scope Ratings

Figure 10: Tier 1 capital, % of risk-weighted assets



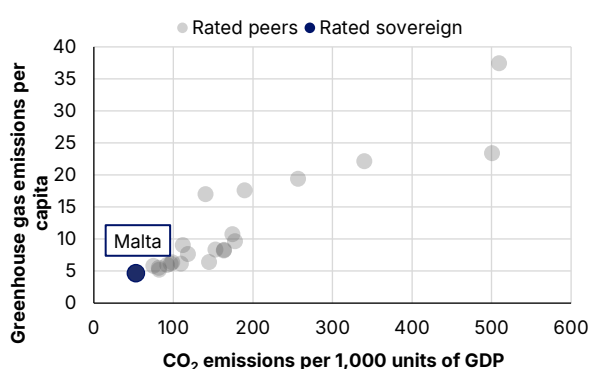
Source: IMF, Scope Ratings

Environmental, Social and Governance (ESG) risk

Overview of Scope's assessments of Malta's ESG Risk

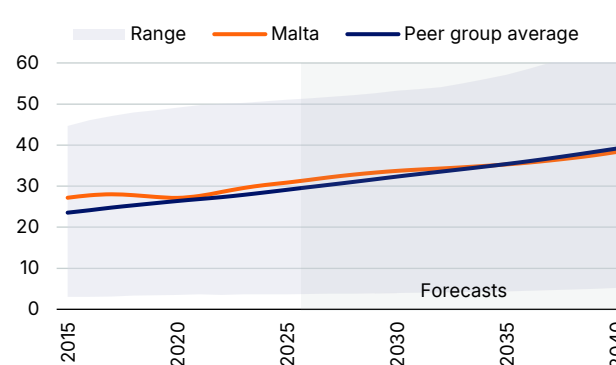
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bbb	Environmental factors	Weak	-1/3	Low carbon emissions per capita, but dominance of fossil fuels; higher vulnerability to climate risks given water-scarcity, relatively limited potential for cost-effective renewable energy
	Social factors	Neutral	0	Adverse demographic and skill mismatches; stronger employment dynamics as well as social inclusion reflecting broad-based growth
	Governance factors	Weak	-1/3	Positive reform momentum but important institutional deficiencies remain

Figure 11: CO₂ emissions per capita/GDP (2023), mtCO₂e



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

Reserve-currency adjustment

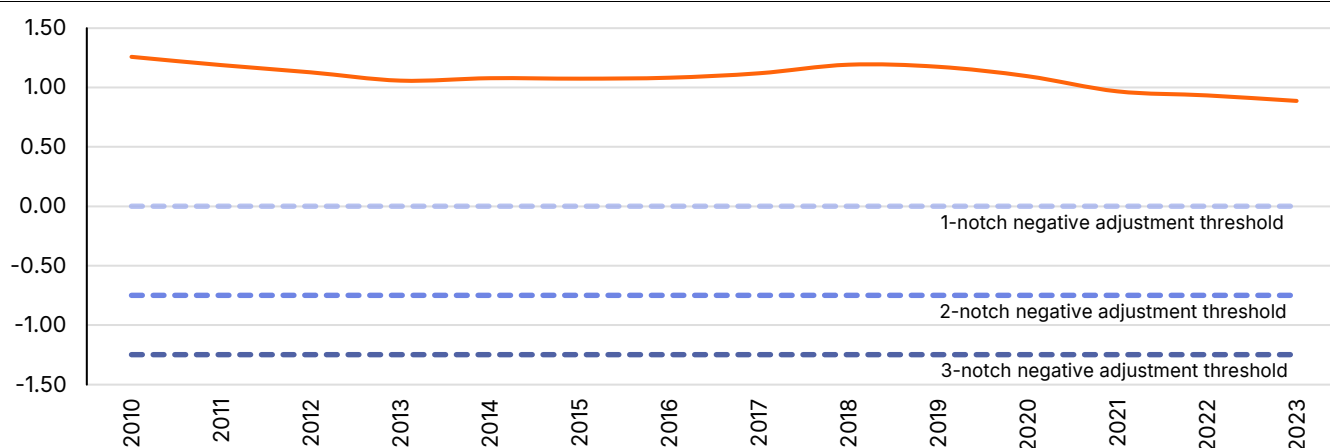
IMF SDR basket and Scope reserve-currency adjustment

Currency	U.S. dollar	Euro	Chinese yuan	Japanese yen	Pound sterling	Other
IMF SDR basket weights, %	43.4	29.3	12.3	7.6	7.4	0.0
Positive adjustment, notches	3	1	1	1	1	0

Source: IMF, Scope Ratings

Political-risk adjustment

Figure 13: WB Political Stability & Absence of Violence/Terrorism index, Malta, three-year moving average



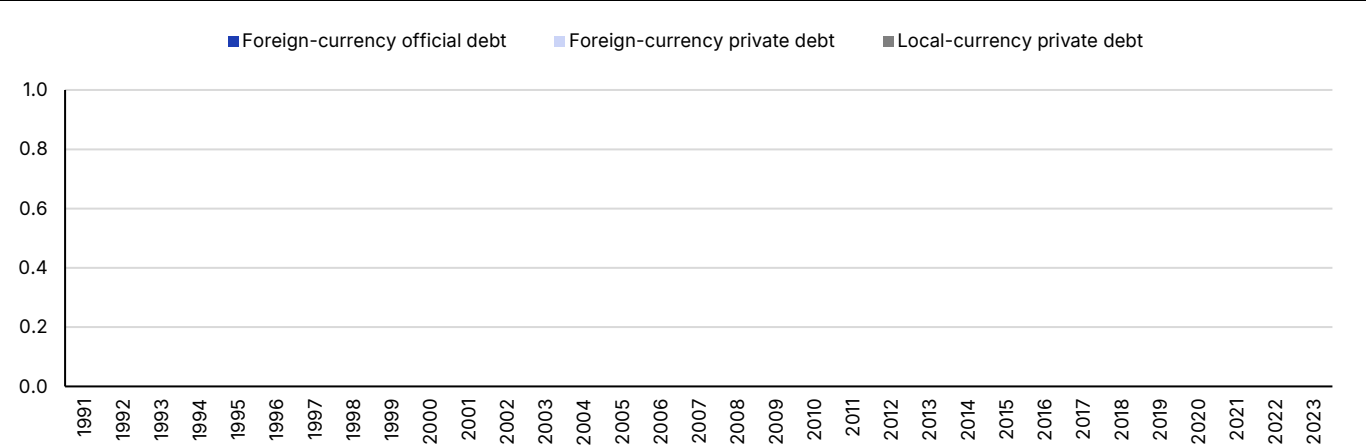
Source: WB, Scope Ratings

Additional considerations

No adjustment was applied to the rating from additional considerations.

Appendix 1. Sovereign default history

Sovereign default history, USD bn



Depicted private-debt defaults may not always constitute a credit event under [Scope's credit-rating definitions](#).
Source: [Bank of Canada–Bank of England Sovereign Default Database](#), Scope Ratings.

Appendix 2. Rating peers

Rating peers are related to sovereigns with an indicative rating in the same rating category or adjacent categories, as assigned by Scope's sovereign quantitative model after accounting for methodological reserve-currency and political-risk adjustments.

Peer group*
Belgium
Croatia
Cyprus
Czech Republic
Estonia
Lithuania
Portugal
Slovenia
Spain

*Select publicly-rated sovereigns only; the full sample of sovereign-rating peers may be larger.

Appendix 3. Economic development and default indicators

IMF Development Classification	Advanced economy
5-year USD CDS spread (bps) as of 3 July 2025	38.4

Appendix 4. Statistical table for selected SQM indicators

This table presents a selection of the indicators (24 out of 30 – with the governance indicator reflecting a composite of five indicators) used in Scope's quantitative model, in line with Scope's Sovereign Rating Methodology. The metrics and sources for the data presented here ensure comparability across global country peers and may therefore differ from data from national and other select international statistical series.

Pillar	Core variable	Source	2019	2020	2021	2022	2023	2024
Domestic Economic	GDP per capita (PPP), Int\$ '000s	IMF	52.5	50.0	58.5	64.8	68.8	73.3
	Nominal GDP, USD bn	IMF	16.3	16.4	19.7	19.3	22.2	24.3
	Real growth, %	IMF	4.1	-3.4	13.3	4.3	6.8	6.0
	CPI inflation, %	IMF	1.5	0.8	0.7	6.1	5.6	2.4
	Unemployment rate, %	WB	3.6	4.4	3.4	2.9	3.1	-
Public Finance	Public debt, % of GDP	IMF	39.2	48.6	49.6	49.3	47.7	48.6
	Net interest payment, % of government revenue	IMF	3.5	3.6	3.1	2.8	3.3	3.8
	Primary balance, % of GDP	IMF	2.0	-7.5	-6.0	-4.3	-3.5	-2.5
External Economic	Current-account balance, % of GDP	IMF	17.9	16.0	9.4	-0.8	6.4	6.1
	Total reserves, months of imports	WB	0.3	0.3	0.4	0.4	-	-
	NIIP, % of GDP	IMF	101.7	123.3	100.5	101.2	95.7	78.7
Financial Stability	NPL ratio, % of total loans	CBM	3.0	3.5	3.1	2.5	2.2	1.9
	Tier 1 ratio, % of risk-weighted assets	CBM	21.7	23.4	23.1	21.9	23.0	22.9
	Credit to the private sector, % of GDP	CBM	69.5	75.4	68.7	68.2	65.7	63.9
ESG	CO ₂ per EUR 1,000 of GDP, mtCO ₂ e	EC	62.3	65.7	58.7	58.7	53.2	-
	Income share of bottom 50%, %	WID	-	-	-	-	-	-
	Labour-force participation rate, %	WB	75.8	77.1	78.2	79.8	80.4	80.9
	Old-age dependency ratio, %	UN	27.4	27.1	27.6	28.6	29.5	30.3
	Composite governance indicators*	WB	0.8	0.9	0.8	0.7	0.6	-
	Political stability, index	WB	1.2	1.1	1.0	0.9	0.9	-

*Average of the following five World Bank Worldwide Governance Indicators: Control of Corruption, Voice and Accountability, Rule of Law, Government Effectiveness, Regulatory Quality.

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Applied methodology

[Sovereign Rating Methodology](#), January 2025

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