

Malta Economic Outlook



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Economic Spotlight



The Impact of Population Growth on Society

A Closer Look at Population Change, Healthcare, and Education

Malta's demographic landscape is undergoing significant changes with population increasing by 32% in the last 10 years [2014: 428,156¹; 2024: 563,443²]. Population has grown mainly through an influx of expatriate workers rather than local births. In fact, in 2022, 25% of the population were foreigners³. This demographic shift has had a profound impact on multiple sectors of the economy, bringing both opportunities and challenges. While economic growth, and workforce expansion have been among the positive outcomes, the rapid population increase has also placed considerable strain on essential services and infrastructure.

This economic spotlight aims to examine some of the most relevant sectors upon which this reality is impinging, with a particular focus on the healthcare and the education sectors.



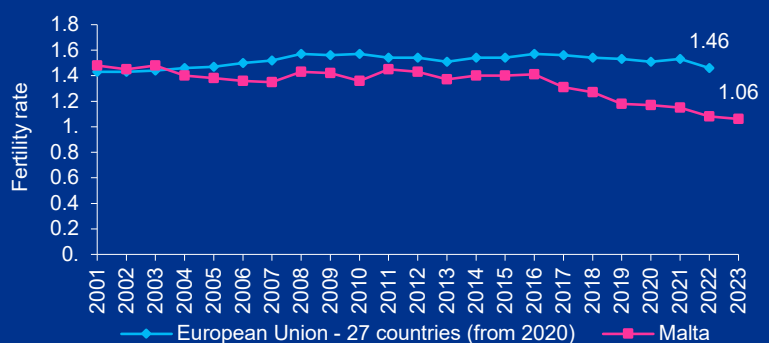
Demographic changes and fertility rates

Like much of the Western world, Malta's birth rate has been in steady decline, and projections suggest this trend will persist. These shifts have profound implications for various aspects of the economy, from the labour market and the welfare system to healthcare and our quality of life.

The Minister of Finance recently highlighted his concerns, outlining that the Maltese native population is set to be cut to just 240,000 in 50 years' time - 40% of which would be pension age seniors⁴ - unless drastic action is taken to reverse current declining birth rates.

At a fertility rate of just 1.06 in 2023, Malta is well below the replacement rate of 2.1 children per woman, which, if sustained, will mean that only about half the current native population will be replaced over time, resulting in a smaller native workforce, and a much more skewed population pyramid towards older age brackets. Malta has one of the lowest fertility rates in Europe but is hardly the only country facing a decline in births, with worldwide births falling by 4.5% in 2023, and even accelerating in the aftermath of the COVID-19 pandemic⁵.

Figure 1: Fertility rates: EU vs Malta



Source: Eurostat data; NSO data

¹ European Union. (2025). Malta – Overview. [Linked here](#).

² Ibid.

³ Ibid.

⁴ Times of Malta (2025): [Urgent, drastic action needed to reverse Malta's low birth rate, minister says](#).

⁵ HSBC (2024): [The baby bust intensifies: How bad could it get? | Insights | HSBC](#).

This statistic puts pressure on policymakers to deal with the ageing population problem that threatens our welfare system and the economy's ability to find enough workers to keep on growing at the current rates. A shrinking working-age population may struggle to support an increasing number of retirees, putting fiscal strain on public resources that could require pension reform, albeit the burden has been partly alleviated with the arrival of working-age expats. Beyond the implication on economic and fiscal sustainability, a lower fertility rate could have long-term effects on other sectors within the economy.

Addressing this issue requires a multifaceted approach, which would include familiar policies like family-friendly work environments, childcare support, financial incentives for parents, as well as wider calls for support towards caregivers of elderly relatives and communities, but reversing population decline will require radical action, as places like South Korea have come to learn. The Asian country spent more than \$200billion over 16 years attempting to fix the problem, but all during that period fertility rates

declined to a world record low⁶. Now, they have managed to slightly uptick their fertility rate to a meagre 0.75, which may be a result of new policies that include a maximum of 2 years of parental leave and a 100% paid salary for 6 months⁷. South Korea is also giving priority access to housing to households with young children or expecting mothers, to alleviate housing costs that may be deterring families to have larger families⁸. The trend of encouraging families to have more children continues across Europe. In recent years, Finnish parents have received financial incentives to support larger families⁹. Similar measures have been introduced in other European countries as well.

Simultaneously, strategies to integrate and retain a skilled immigrant workforce must be carefully planned to ensure a balanced and sustainable demographic structure for Malta's future, as the country navigates a shortage in the workforce, as well as pressures for cultural integration. Two areas that could be expected to face pressure under the recent population boom would be healthcare and education.



⁶ CNN (2022): [South Korea spent \\$200 billion, but it can't pay people enough to have a baby | CNN](#).

⁷ Reuters (2025): [South Korea's policy push springs to life as world's lowest birthrate rises | Reuters](#).

⁸ The Korea Herald (2024): [New parents to get greater chance at buying home - The Korea Herald](#).

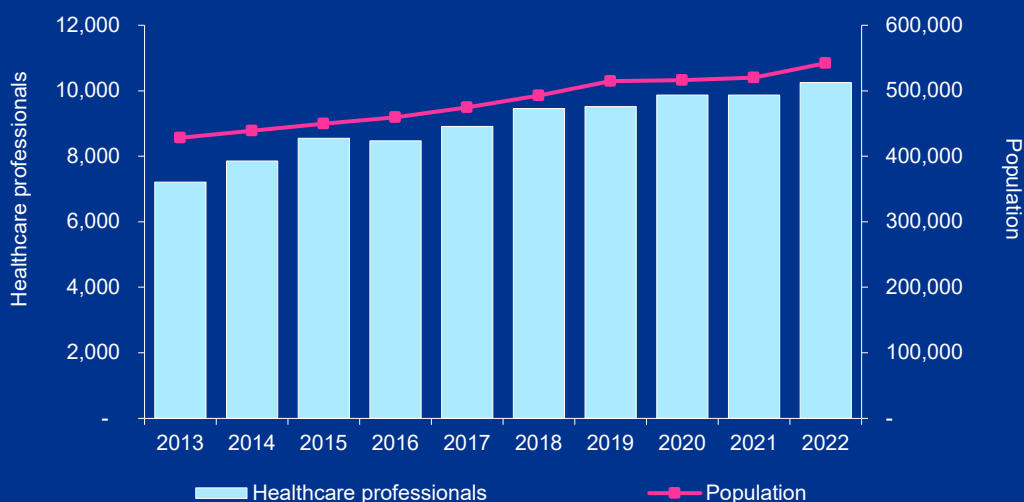
⁹ Fleming, S. (2020). Cash for babies: How Europe is tackling its falling birthrate. World Economic Forum. [Linked here](#).



Healthcare

The healthcare system has faced increasing pressure due to higher demand for medical services, and resource allocation challenges. The graph below shows that as the Maltese population grew, so did the number of healthcare professions¹⁰ to accommodate the increase in population. In 2022, the ratio of healthcare workers to the general population stood at approximately 1:53, meaning there were 53 residents for every healthcare professional.

Figure 2: Healthcare professionals per capita



Source: NSO data; Eurostat data; KPMG analysis

A report published by the World Health Organization¹¹ indicates that a minimum of 2.5 healthcare professionals is required per 1,000 people (or 400 residents for every healthcare professional) to provide adequate healthcare services¹². Based on this standard, Malta's healthcare professional-to-population ratio in 2022 appears reasonable.

According to the data, this ratio in Malta has remained relatively stable over recent years, as the number of healthcare professionals increased with the general population. The key is to ensure that this ratio does not spiral out of control, as the population continues to age, which would risk placing the entire system under strain. This means continued efforts to attract people

to the health profession, as well as attracting expats to work in health in Malta to address any shortages. A struggling healthcare system may place additional strain on medical services being provided, potentially affecting the quality, efficiency, and accessibility of healthcare provision in Malta. It is important to note that this does not necessarily imply that the current healthcare system is operating efficiently or below full capacity, as other factors, such as infrastructural limitations, may also impact its effectiveness. The Government of Malta has introduced initiatives aimed at supporting the healthcare sector to meet evolving demand. Additionally, it is making use of private clinics to help meet the growing demand.

¹⁰ Eurostat - Hospital Employment. [Linked here](#).

¹¹ World Health Organization. (2006). Working Together for Health - The World Health Report 2006. [Linked here](#).

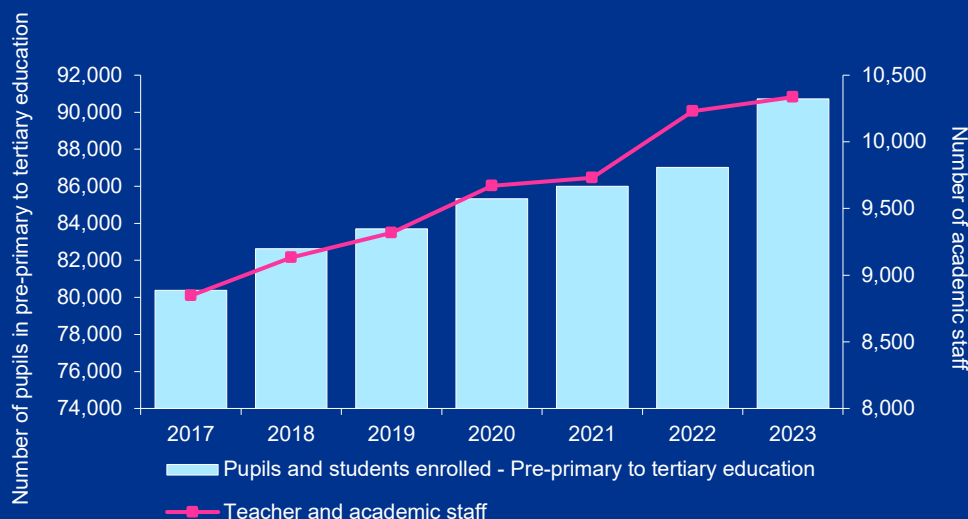
¹² Healthcare services definition: "specifically on formal systems of care, and the formal arrangements constructed to deliver health care services to defined populations." M.L. Fennell. (2001). International Encyclopaedia of the Social & Behavioural Sciences.



Education

Similarly, the education system has been impacted by a growing and diversified student population, requiring expanded facilities, multilingual support, integration support, and curriculum adjustments to cater to diverse needs. According to public data, there were 90,725 students in pre-elementary¹³ to tertiary education¹⁴ and 10,336 teachers and academic staff for the 2022-2023 scholastic year¹⁵. This indicates that between 2022-2023, there were around 9 students for every teacher and academic staff¹⁶, aligning to the trend in recent years.

Figure 3: Number of pupils and academic staff in pre-primary to tertiary education



Source: NSO data; KPMG analysis

As observed in the healthcare sector, population growth can significantly affect the quality of education through an increasing the student-to-teacher ratio, straining educational infrastructure, and reducing access to essential learning resources. However, there has been no significant increase in this ratio over the past few years¹⁷. A sustained rise in enrolment may lead to an increased need for more teaching staff, increased workload for educators, and consequently diminished individual attention for students. The OECD average for the student to teacher ratio stood at 1:14.5 and 1:13.0 for elementary and secondary education, respectively¹⁸. It should be emphasised that while Malta has a relatively healthy ratio in this regard, other indicators for quality of education should also be considered, to ensure that while a rise in educators is sustained, so should

be the quality of teaching. In conclusion, Malta's shifting demographics present both challenges and opportunities for the nation's future. Declining fertility rates, an ageing population, and increased migration are reshaping the social and economic landscape. The strain on the healthcare system is growing, with rising demand for elderly care and specialised medical services. Meanwhile, the education sector must adapt to a more diverse student body, requiring targeted policies to support integration and long-term workforce sustainability. Addressing these changes will require proactive planning, investment in public services, and policies that balance demographic shifts with economic resilience. How Malta navigates these transitions will define its social and economic stability for generations to come.

¹³ Pre-elementary refers to pre-primary which includes Kinder 1 and Kinder 2.

¹⁴ Eurostat - Pupils and students enrolled by education level, sex, type of institution and intensity of participation. [Linked here](#).

¹⁵ National Statistics Office - Personnel in Education 20221-20232. News release 21503/20243 dated 15 November 20243.

¹⁶ This ratio includes pre-primary to tertiary students and teaching staff.

¹⁷ Eurostat - Ratio of pupils and students to teachers and academic staff by education level and programme orientation. [Linked here](#).

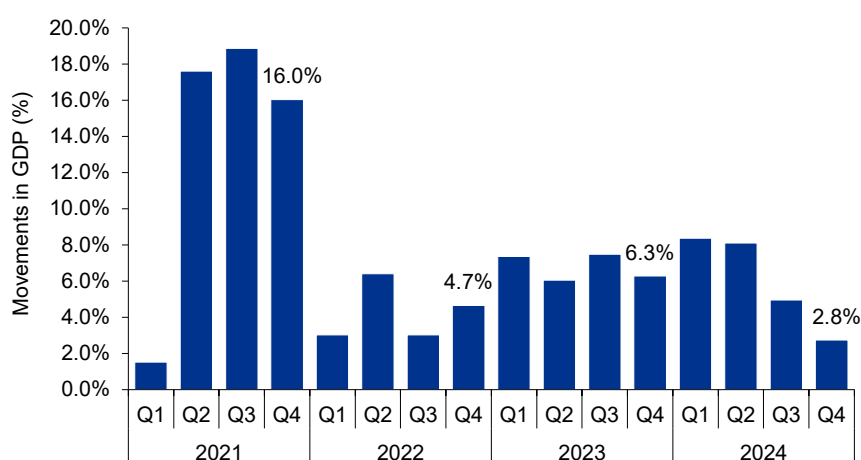
¹⁸ World Economic Forum. (2022). This chart shows how student-teacher ratios vary around the world. [Linked here](#).

Main Economic Indicators

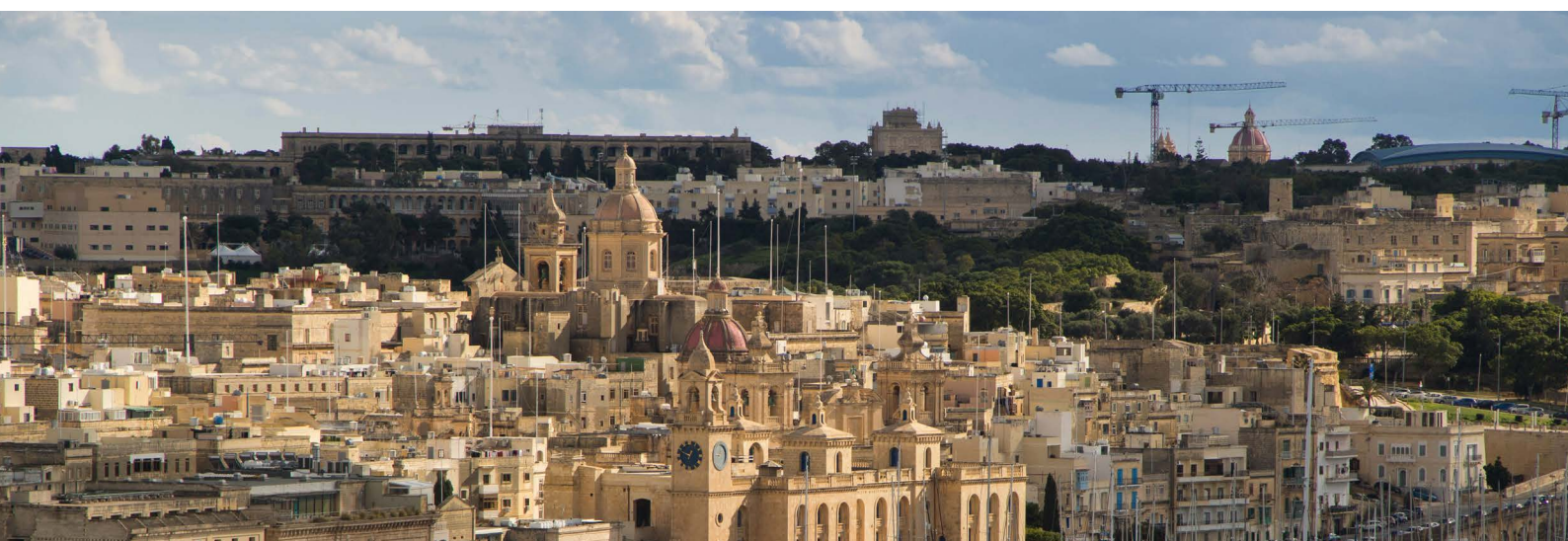
Gross Domestic Product

The Maltese economy has continued to stabilise with a trajectory characterised by sustained positive economic growth in recent years. However, a comparison of Q4 2024 with the corresponding period in the previous year shows a decline in the GDP growth rate (in real terms) from 6.3% in Q4 2023 to 2.8% in Q4 2024¹⁹. A comparison of real GDP growth between 2023 and 2024 shows a slight decline, with the growth rate decreasing from 6.8% in 2023 to 6.1% in 2024.

Figure 4: Quarterly movements in GDP in Real Terms



Source: NSO data; KPMG analysis

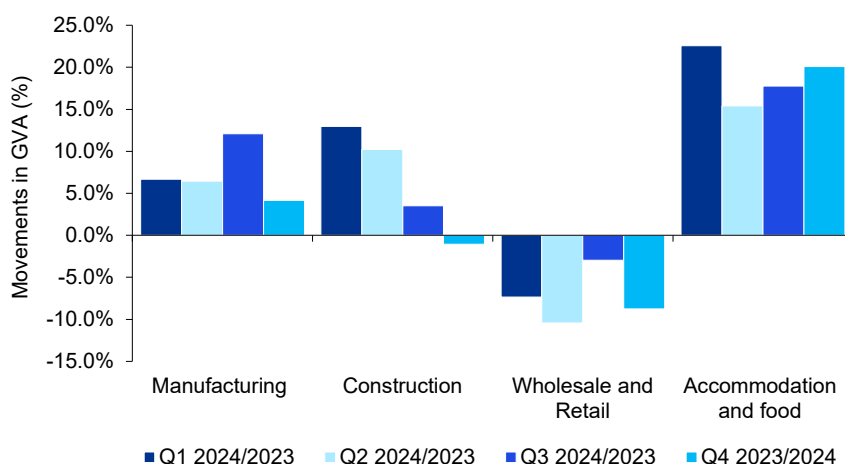


¹⁹ National Statistics Office - Gross Domestic Product Q4/2024. News release 035/2025 dated 27 February 2025.

The chart below shows the changes in Gross Value Added (GVA) across selected sectors between 2023 and 2024. The key sectoral trends are as follows²⁰:

- In the fourth quarter of 2024, the **manufacturing sector** experienced a 4.4% increase in growth compared to the GVA recorded in Q4 2023.
- Over the same period, the **construction industry** registered negative growth, that of -1.0%, reversing its previous positive growth trajectory in each of the quarter Year-on-Year (YoY) growth.
- The **wholesale and retail trade** sector continued its downward trend, recording an 8.8% decline in Q4 2024 compared to the same quarter in 2023.
- Conversely, the **accommodation and food sector** sustained its positive growth trajectory, achieving a 20.1% increase in Q4 2024 relative to the corresponding period in the previous year.

Figure 5: Movements in GVA per sector



Source: NSO data; KPMG analysis



²⁰ National Statistics Office - Gross Domestic Product Q4/2024. News release 035/2025 dated 27 February 2025.

According to the latest forecast by the Central Bank of Malta (CBM)²¹, the country's real economic growth is projected to slow down, with GDP expansion expected to slowdown from 4.9% in 2024 to 3.9% in 2025, followed by a further gradual reduction to 3.6% by 2026.

In 2024, as private consumption growth was set to moderate, this reflected a normalisation in consumer demand. The savings ratio was also expected to register a slight decline followed by an anticipated increase in household disposable income in 2025. The latter was also driven by the planned changes in income tax bands announced in the latest national budget. This adjustment was analysed through three distinct computations²²:



1

Single Computation

Applicable to 70% of taxpayers, this revision raised the tax-free threshold from €9,100 to €12,000. Additionally, amendments to tax brackets have resulted in tax reductions for certain taxpayers.

2

Married Computation

Covering 14% of taxpayers, this category experienced both an increase in the tax-free threshold from €12,700 to €15,000, and adjustments to tax brackets.

3

Parent Computation

Representing 17% of taxpayers, this category benefited from similar changes, including an increase in the tax-free threshold from €10,500 to €13,000, and adjustments to the tax brackets.

As a result, the expected rise in disposable income is likely to contribute to increased private consumption and a recovery in the savings ratio.

Table 1: Projections for Real Economic Activity				
% Change on previous period	2024	2025*	2026*	2027*
GDP	6.0	4.0	3.6	3.3
Private consumption expenditure	5.7	4.8	3.8	3.1
Government consumption expenditure	7.3	2.8	4.2	4.6
Gross fixed capital formation	2.4	1.5	3.8	0.4
Exports of goods and services	5.3	4.0	3.6	3.6
Imports of goods and services	4.7	3.7	3.8	3.3

* forecast

Source: CBM Outlook 2025:1 projections

²¹ Central Bank of Malta (2024), Outlook for the Maltese Economy. [Linked here](#).

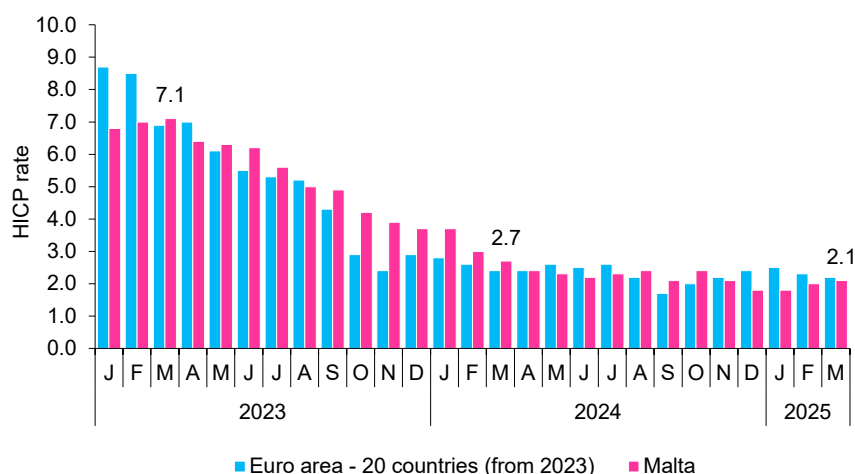
²² Government of Malta. Budget Speech 2025. [Linked here](#).

Inflation

In March 2025, the Harmonised Index of Consumer Prices (HICP) rate for the Euro area was recorded at 2.2% [March 2024: 2.4%]²³. Malta's HICP rate increased to 2.1%, a decrease from 2.7% in March 2024²⁴. This trend aligns with the broader pattern observed in both Malta and the Euro area, characterised by a decline followed by stabilisation of inflation rates around the target of 2%. In Malta's case, the lower inflation rate reflects the impact of government intervention through emergency energy support measures, which were introduced in 2021 and are budgeted to remain in place until at least 2026.

In light of evolving US trade policies, including potential tariffs on European products, it is important to monitor potential implications for inflation in the European Union²⁵. Should the United States impose tariffs on goods produced by EU companies, the cost of these products would increase, likely leading to a reduction in their sales. If the EU retaliates by introducing tariffs on US goods, this could result in higher prices for European consumers. Such developments could have a significant effect on the EU's inflation rate, necessitating ongoing monitoring and further discussion.

Figure 6: HICP rate (%)



Source: Eurostat data; KPMG analysis

²³ Eurostat: HICP - monthly data (annual rate of change).

²⁴ National Statistics Office - Harmonised Index of Consumer Price (HICP). New release 067/2025 dated 16 April 2025.

²⁵ European Parliament. (2025). EU-US trade: how tariffs could impact Europe. [Linked here](#).

The NSO annually publishes division weight percentages for each category within the HICP²⁶. In 2025, the Food and Non-Alcoholic Beverages division held the largest weight at 18.2%, reflecting national accounts data that allocate weights based on the final consumption expenditure of all individuals in Malta.

The inflation rate presented in the table below represents the weighted inflation rate, calculated according to each item's assigned weight within the consumption basket. The table provides an overview of the share of different HICP divisions and their corresponding annual inflation rates as of March 2025.

Table 2: HICP Division		
	Division weight (%)	Annual inflation rate (%)
Food and non-alcoholic beverages	18.2	3.2
Alcohol	3.5	1.7
Clothing	4.1	1.8
House and fuels	10.2	0.7
Furnishings and household equipment	8.3	0.5
Health	4.7	2.7
Transport	12.3	3.2
Communication	3.7	-4.9
Recreation and culture	8.3	2.0
Education	2.7	5.2
Restaurants and hotels	15.9	2.4
Miscellaneous goods and services	8.0	3.8
Weighted inflation rate		2.1

Source: NSO data

The CBM forecasts a decline in consumer price inflation by 2025, with the rate anticipated to drop to 2.1%²⁷. By 2026, it is projected that inflation will align with the EU's target of 2.0%.

Table 3: % Change in inflation on previous period - Malta				
	2024	2025	2026*	2027*
Overall HICP	2.4	2.1	2.0	2.0

* 2026 and 2027 forecasts

Source: CBM projections

²⁶ National Statistics Office - Harmonised Index of Consumer Price (HICP). New release 031/2025 dated 24 February 2025.

²⁷ Central Bank of Malta - Economic Projections. [Linked here](#).

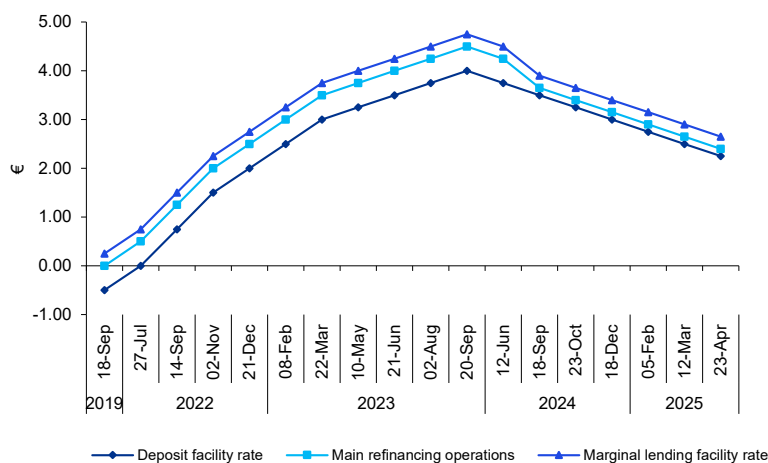
Interest Rates

Following a series of interest rate reductions, the European Central Bank (ECB) further decided to decrease its three key interest rates by 25 basis points, with the adjustment taking effect in March 2025²⁸. This decision reflects the ECB's updated assessment of the inflation outlook, underlying inflation dynamics, and the effectiveness of monetary policy transmission. Notably, the deposit facility rate, which determines the interest rate at which banks can place overnight deposits with the Eurosystem, was also reduced as part of this measure²⁹.

The reduction in interest rates aims to support economic activity by making borrowing more affordable for businesses and households across the European Union. Lower interest rates generally encourage investment and consumption, contributing to economic growth. However, the impact of these cuts varies across member states. In Malta, the effects of the ECB's rate adjustments remain limited, as local interest rates are primarily determined by the domestic deposit base. Maltese banks fund outstanding loans through local deposits rather than relying heavily on external borrowing. Consequently, the ongoing ECB rate reductions have not been reflected in Maltese banks' base lending rates.

When examining countries outside the European Union, such as the United Kingdom and the United States, notable similarities can be observed in their respective approaches to managing inflation. In the United Kingdom, the Bank of England maintained the Bank Rate at 4.5%³⁰ as of February 2025, with the primary objective of ensuring low and stable inflation. Similarly, the Federal Reserve System (FED) in the United States, has adjusted its monetary policy interest rates in response to inflationary developments and a newly elected president. As of March 2025, the rate-cut cycle had remained at a pause at 4.5%³¹, reflecting ongoing changes in inflation trends.

Figure 7: Recent changes in key ECB interest rates



Source: European Central Bank

²⁸ ECB - Monetary Policy Decisions. [Linked here.](#)

²⁹ ECB - Key ECB interest rates. [Linked here.](#)

³⁰ Bank of England. [Linked here.](#)

³¹ Dywer, C.(2025). Federal Reserve keeps interests rates steady at 4.5%. J.P. Morgan. [Linked here.](#)

The Property Market



Residential and Commercial Permitted Dwellings

In 2024, the number of residential permitted dwellings³² increased by 7.5%, reaching a total of 8,717 units, compared to 8,112 units recorded during the same period in 2023. In contrast, commercial permits³³ exhibited an increase of 5.6%³⁴, rising from 2,532 units in 2023 to 2,673 units in 2024.

When analysing the residential data by dwelling type, the pattern observed in 2023 and first half of 2024, as detailed in the 'Construction Industry and Property Market Report 2024', appears to continue into the second half of 2024. Apartments account for the highest number of approved dwellings, followed by penthouses and maisonettes. It is important to note that this reflects the supply side of the market. To gain a clearer understanding of demand, one should examine the final deeds registered, which serve as a useful proxy for market demand.

Figure 8: Residential and Commercial Permits



Source: NSO data; CBM publications; KPMG analysis

³² Comprises of apartments, maisonettes, penthouses, terraced houses, bungalows, farmhouses, and villas.

³³ Also includes the installation of satellite dishes and swimming pools, the display of advertisements, demolitions, change of use, minor new works and others.

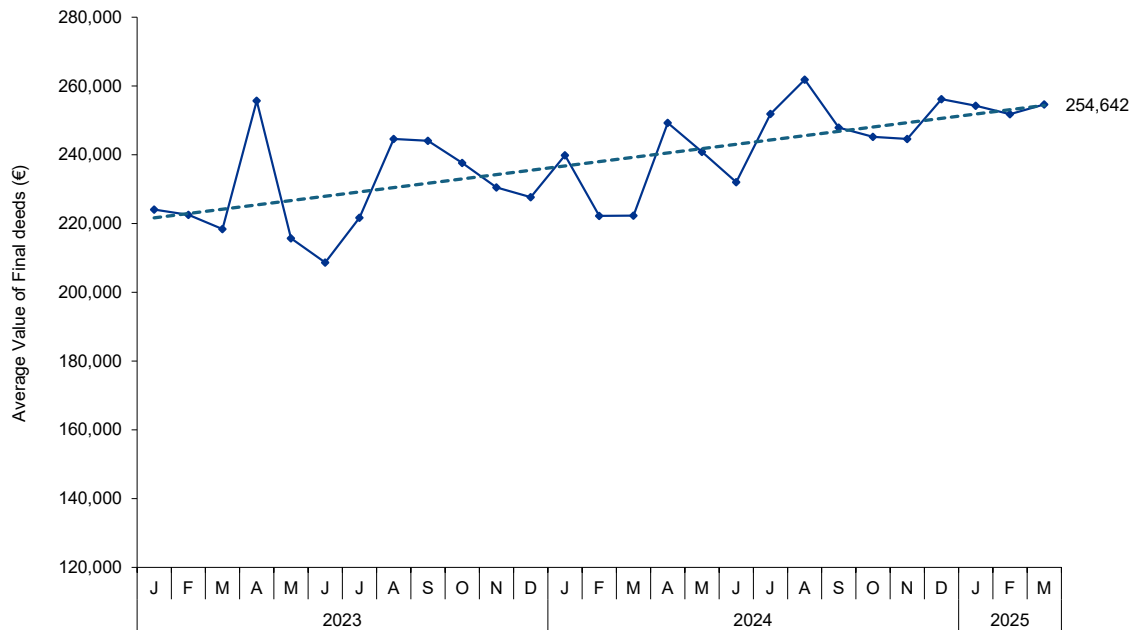
³⁴ Central Bank of Malta - Economic Update 2025:1 and 2025:2. [Linked here](#).



Final Deeds

In the first quarter of 2025, a total of 2,862 final deeds³⁵ of sale involving individual buyers³⁶ were recorded, representing a -2.35% increase compared to the corresponding period in 2024. The total value of these transactions for the quarter reached €725.8 million, reflecting an 8.38% increase over the same period in the previous year.

Figure 9: Monthly Average Value of Final Deeds Involving Individual Buyers



Source: NSO data; KPMG analysis



³⁵ Includes airspace, boathouse, bungalow, farmhouse, flat/apartment, garage, garden, house, maisonette, penthouse, plot of land, semi-detached villa, terraced house, 'terran', urban tenement, and villa.

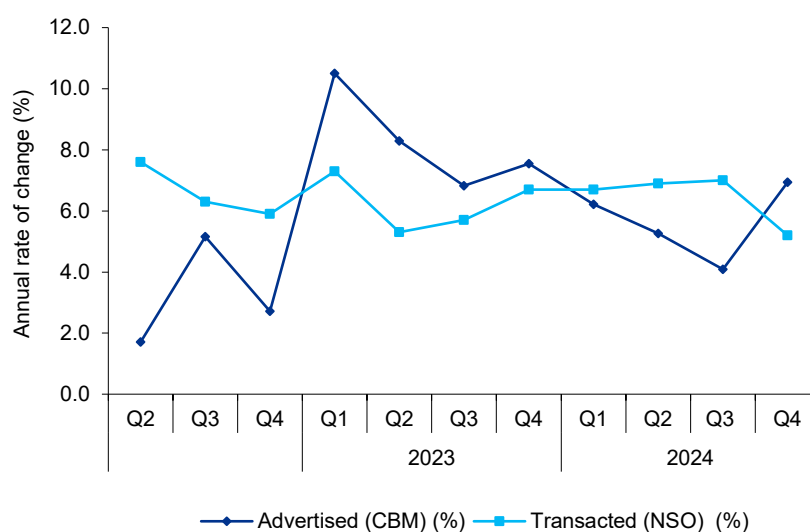
³⁶ National Statistics Office - Residential Property Transactions. News release 063/2025 dated 10 April 2025.



Property Prices

A comparison of annual changes in advertised and transacted property prices reveals a divergence in growth rates for the fourth quarter of 2024. According to the CBM index³⁷, advertised property prices increased by 6.9% year-on-year, whereas the NSO³⁸ reported a higher annual increase of 5.2% in transacted prices. Although still a positive increase, the growth in advertised prices have been observed to experience a slowdown in the past few quarters. This divergence appears to have widened further which suggests that, on average, advertised prices grew at a slower rate than contracted prices, highlighting a widening gap between market listings and actual transaction trends.

Figure 10: Residential Property Price Indices



Source: NSO data; CBM data; KPMG analysis



³⁷ Central Bank of Malta - Property price index. [Linked here](#).

³⁸ National Statistics Office - Residential Property Prices. News release 061/2025 dated 8 April 2025.

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