

# EY Attractiveness Survey

Malta

October 2023

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow diagonal line is positioned above the 'Y'.

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# Contents

Foreword	4
Malta – facts	6
Executive summary	8
<b>1</b> FDI facts at a glance	10
<b>2</b> Economic reality	25
<b>3</b> Perception	30
Methodology	58

# Foreword



## Ronald Attard

EY Central, Eastern and Southeastern Europe & Central Asia (CESA) Strategy and Transactions Leader and Transactions Leader and Country Managing Partner at Ernst and Young Limited.

Over the last 19 years, the EY Malta Attractiveness Survey has grown into a local economic barometer providing a unique perspective into Malta's attractiveness from the lens of foreign direct investors. Surveying over 120 foreign direct investment (FDI) companies with a direct stake in Malta's economic development, the report highlights issues that affect both foreign and domestic companies.

The 19 previous editions of the Malta Attractiveness Survey have, over the years, highlighted the nation's strongest and weakest characteristics and revealed social and economic policies that need to be improved to solve the island's most pressing issues. The corresponding event, Future Realised - previously referred to as the Malta Attractiveness event - has a clear annual objective in mind: to gather Malta's decision-makers, influential thinkers, and movers in a forum that analyzes the survey findings and promotes reflection and innovation, and encourages a debate on making the most of our advantages and recommending solutions to our greatest challenges.

## The bigger picture – zooming out

We are living in a world where global tensions have increased. A war is being fought in Europe. Interest rates have risen significantly. Concurrently a number of tax reforms are taking shape. All countries face a time of thoughtful recalibration and Malta is no exception.

The EY Attractiveness Survey at European level underscores the global narrative which is now focusing more heavily on the value-adding potential of economic models, with a pronounced emphasis on advanced technologies, such as artificial intelligence (AI), and the skills needed to drive innovation. A signal for countries, including ours, to strengthen and adapt their offering. It is not just about keeping pace anymore; it is about being part of the pack leading the change in technology, innovation and education.

Malta's commitment to fostering a concerted focus on these areas is crucial in this period of change, to ensure the nation's appeal and competitive edge remain strong in a dynamically changing global landscape.

## Zooming in – the local landscape

This year's EY Malta Attractiveness Survey presents a complex picture. 59% of FDI investors affirm the island's appeal, very much consistent with the level in the previous year. For the second year in a row, a strong majority (68%) of existing investors still believe their long-term future is in Malta. While good to see that the majority of investors do perceive Malta to be attractive, the immediate question is why the numbers are not as high as those of a few years back. And here the survey results provide some interesting insights. The existing strain on Malta's infrastructure, intensified by continual economic, workforce, and tourism growth, is immediately apparent. Concurrently, challenges in the labor market, marked by a demand for specialized talent amid low unemployment and increasing labor costs, further dent the island's current attractiveness.

Beyond the immediate, investors express concerns about the implications of international tax policy changes, skill shortages in the longer term, and the island's reputation. These concerns emphasize the critical need for strategic and timely action, especially when the country's tax regime continues to be a significant draw for many investors. And here it is worth pausing to reflect on earlier editions of this report and ensuing recommendations, based on what our survey respondents told us.

Some years back we posed a poignant question: Where should Malta's economic trajectory lead us? In 2016, amid global shifts, we suggested encouragement of new economic niches, ensuring sustainable growth in sectors such as FinTech, e-commerce, and commodity trading.

This vision extended beyond sectoral advocacy - it was a call to position Malta as a hub of innovation and progressive economic growth. Amid a tight labor market in the same year, we spoke about a balanced approach to labor market expansion, emphasizing the need for high-skilled workers to bolster new sectors and incentives.

By 2017, the dialogue broadened, questioning the type of economic growth Malta aspired to achieve. Could Malta support a population of one, or even three, million if this was the government's vision, and what infrastructure investments would be needed to adapt and sustain such growth? In 2018, at our annual conference our keynote speaker's perspective underscored the essential shift from numerical growth metrics to a more comprehensive understanding of economic health and success, emphasizing the importance of innovative and sustainable sectors. This event reinforced our commitment to moving beyond traditional metrics, advocating a diverse, digital and innovative economic model for Malta, where the constraints of size and population do not hinder progress and growth. We continued to emphasize the reduction of reliance on tax as a lever for FDI, the acceleration of infrastructure investment, and the pivotal role of education and skills in driving innovation and attracting investment in sectors such as AI; policy proposals we have continued to push for over the last 5 years.

In 2020 we asked whether it was time for a new economic model. One that focuses more on the quality of life of our residents. An economic model where the benefits of an attractive tax system are eclipsed by the strength of our talent pool, digital infrastructure, innovation environment, quality of life and social fabric.

## **Writing – The Next Chapter**

Similar thoughts or views now appear to resonate with several stakeholders. In recent months we have heard calls from a number of quarters including government, the opposition, The Malta Chamber, industry groups, employer associations, trade unions and society all suggesting the need for an adjustment or change to the island's economic model. A model that emphasizes substantial, tangible improvements in infrastructure, the labor market, and holistic economic sustainability beyond mere numerical growth.

Any adjustment or change is not easy to achieve, and one must be mindful of unintentional shocks. Some of the recommendations made by our respondents may indeed appear to almost run contrary to any change or adjustment. For example, despite improvements there is a resounding call for more efficient processing or work permits. This is understandable and probably in the immediate term there is little choice. But in parallel the medium to longer term needs to be addressed. And here the survey respondents do provide a lot of food for thought. There is appreciation for improvements in the areas of sustainability and technological advancement. Research and innovation are also starting to make little strides forward. But the key call is for immediate and significant infrastructure investment and robust planning. The survey makes it clear that the quality of education, cost of housing and ability to integrate expats are all key to retaining Malta's attraction. So let us turn to some questions following this year's survey ... Is it time to profoundly re-evaluate our investment incentivization strategy? Is it time for a radical overhaul in the education system? Should we stop talking of creating more jobs but start targeting more jobs in specific sectors? Can we leverage our existing skills base - both homegrown and imported - in industries such as gaming and pharma to establish Malta as a small European centre of excellence in AI, bio tech and more? Perhaps even helping our businesses offshore certain less value adding processes functions to cheaper locations where it makes sense? In a more globally connected world collaboration is key. And choices need to be made.

The island's size may be a weak point, but it may also be its greatest advantage - in agility, nimbleness and ability to manage and navigate through change.

Finally, we need to continue aligning our values with those of our investors and consumers. We need to ensure that sustainability is at the forefront of our planning to ensure the preservation of our environment, culture and industries. Both public and private sectors have an important role to play in accelerating the sustainability agenda. As a nation, we must ensure that we have the right tools and talent to face sustainability challenges. Reaching net zero should not only be a compliance goal but a value goal.

We believe that yet again this report provides an objective assessment of the nation's current attractiveness levels and look forward to discuss and debate this with all stakeholders.

# Malta – facts

Area

316km<sup>2</sup>

Population

542,051

Official languages

Maltese English

1964

2004

2008

Milestones

Maltese independence

EU membership

Euro  
currency

Gross domestic product  
(GDP), Q1 2023

9.7%



€4.7b

Registering an increase of €416.9m, or 9.7%, when compared to Q1 of 2022. In volume terms GDP rose by 3.9%.<sup>1</sup>

Unemployment rate

1.6%

September 2023<sup>2</sup>

Inbound tourism

371,511

Inbound tourist trips from January to August 2023 reached a total of 1,986,260.<sup>3</sup>

Value-added  
tax rate

18%

Imports

€4,755.1m

€48.1m

Food



€40.1m

Miscellaneous  
Manufactured  
Articles



Exports

€2,467.1m

€167.6m

Mineral fuels,  
lubricants and  
related materials



<sup>1</sup> National Statistics Office (NSO), News Release 158/2023.

<sup>3</sup> NSO, News Release 175/2023.

<sup>5</sup> NSO, News Release 158/2023.

<sup>2</sup> NSO, News Release 162/2023.

<sup>4</sup> European Economic Forecast, Spring 2023.

**Figure 1**

## Main features of country forecast – Malta

	2021		Annual percentage change						
	Current prices (€b)	% GDP	03-18	2019	2020	2021	2022	2023	2024
GDP	15.0	100.0	4.4	7.0	-5.7	11.8	6.9	3.9	4.1
Private consumption	6.3	42.1	3.1	4.0	-10.5	8.1	10.1	3.8	4.0
Public consumption	3.0	20.1	2.6	12.2	15.8	6.9	2.4	5.0	3.3
Gross fixed capital formation	3.0	20.3	6.6	11.8	-6.6	10.9	30.4	-5.0	3.5
Exports (goods and services)	25.5	169.7	7.0	10.1	-1.6	6.3	6.4	3.6	3.0
Imports (goods and services)	23.0	153.3	6.7	11.2	2.0	3.8	9.7	2.2	2.7
Gross national income (GNI) (GDP deflator)	14.0	93.5	3.8	7.0	-9.9	14.4	4.4	3.9	4.1
Contribution to GDP growth:									
	Domestic demand		3.5	6.2	-3.5	7.2	10.9	1.4	3.2
	Inventories		0.0	0.5	0.5	-0.3	-0.1	0.0	0.0
	Net exports		0.9	0.3	-5.7	4.9	-4.0	2.6	0.9
Employment			3.0	5.7	2.8	2.9	6.0	2.3	2.3
Unemployment rate (a)			6.1	3.6	4.4	3.4	2.9	2.9	2.9
Compensation of employees per head			3.7	4.5	-0.4	4.6	2.8	5.6	3.1
Unit labor cost, whole economy			2.3	3.2	12.0	-3.7	2.1	3.9	1.3
Saving rate of households (b)			-	-	-	-	-	-	-
GDP deflator			2.3	2.3	1.6	1.9	5.2	4.2	3.1
Harmonized index of consumer prices			2.0	1.5	0.8	0.7	6.1	5.4	2.8
Terms of trade goods			0.0	-0.5	0.7	2.3	2.3	0.7	0.8
Trade balance (goods) (c)			17.6	-10.4	-9.5	-13.0	-20.6	-19.5	-18.3
Current account balance (c)			-0.8	8.1	2.4	5.0	1.6	3.8	4.1
General government balance (c)			-2.2	0.5	-9.7	-7.8	-5.8	-5.1	-4.5
Structural budget balance (d)			-0.5	-1.3	-5.3	-7.1	-5.5	-4.6	-3.9
General government gross debt (c)			62.3	40.3	52.9	55.1	53.4	54.8	56.1

(a) Eurostat definition; (b) gross saving divided by adjusted gross disposable income; (c) as a percentage of GDP; (d) as a percentage of potential GDP.<sup>4</sup>

Source: European Economic Forecast - Autumn 2021.

**Figure 2**GDP identity from the production (output) side at market prices by period<sup>5</sup>

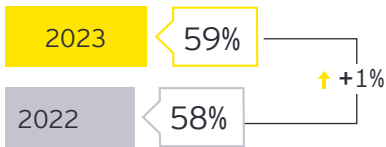
€000

	2018	2019	2020	2021	2022
<b>Gross value added (GVA) (€)</b>	11,574,963	12,789,475	12,140,761	13,959,772	15,897,344
Agriculture, forestry and fishing	86,789	66,465	101,989	135,910	161,557
Mining and quarrying; manufacturing; electricity, gas, steam and air conditioning supply; water supply; sewerage, waste management and remediation activities	1,087,525	1,163,495	1,174,637	1,273,697	1,461,333
Construction	465,532	615,718	627,901	650,063	693,307
Wholesale and retail trade; repair of motor vehicles and motorcycles; transportation and storage; accommodation and food service activities	2,338,325	2,479,105	1,591,707	2,138,034	2,919,413
Information and communication	895,756	1,050,435	1,029,052	1,250,462	1,454,855
Financial and insurance activities	1,024,659	1,111,156	1,230,561	1,239,971	1,272,266
Real estate activities	697,467	769,407	766,417	820,990	879,463
Professional, scientific and technical activities; administrative and support service activities	1,798,205	2,093,676	1,944,556	2,259,009	2,575,363
Public administration and defense; compulsory social security; education; human health and social work activities	1,909,139	2,116,473	2,200,675	2,459,781	2,608,023
Arts, entertainment and recreation; repair of household goods and other services	1,271,577	1,323,546	1,473,265	1,725,855	1,871,764
Taxes on products	1,548,580	1,568,392	1,346,044	1,521,733	1,728,819
Subsidies on products	69,519	72,259	133,054	188,881	413,691
Taxes less subsidies on products	1,469,061	1,496,133	1,212,990	1,332,852	1,315,127
<b>GDP</b>	<b>13,055,024</b>	<b>14,285,608</b>	<b>13,353,751</b>	<b>15,292,624</b>	<b>17,212,471</b>
<b>Rate of growth (%)</b>	<b>9.3%</b>	<b>9.4%</b>	<b>-6.5%</b>	<b>14.5%</b>	<b>12.6%</b>

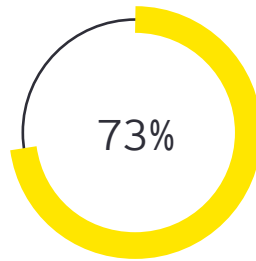
Source: NSO, News Release 095/2022.

# Executive summary

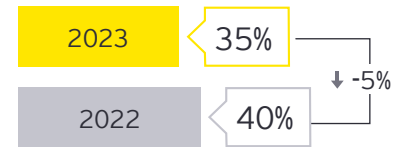
## Attractiveness



Malta's FDI attractiveness remains in line with last year, well above 2021.

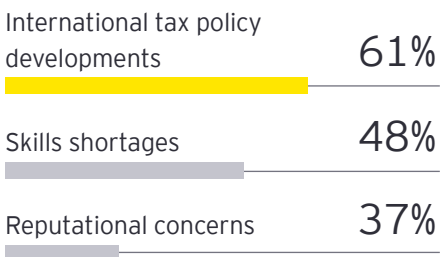


Corporate taxation is once again Malta's top parameter to attract FDI.

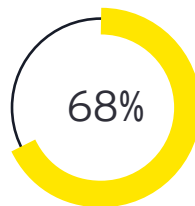


Local labor skills have decreased a further 5% in FDI attractiveness from last year.

### Biggest risks

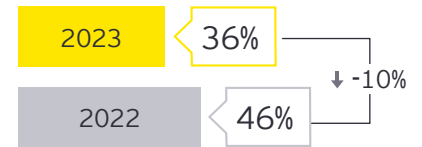


### Companies' long-term future in Malta



of FDI companies believe their long-term future is in Malta.

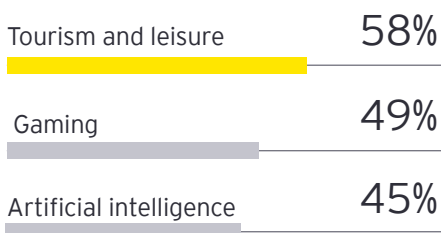
### Expansion plans



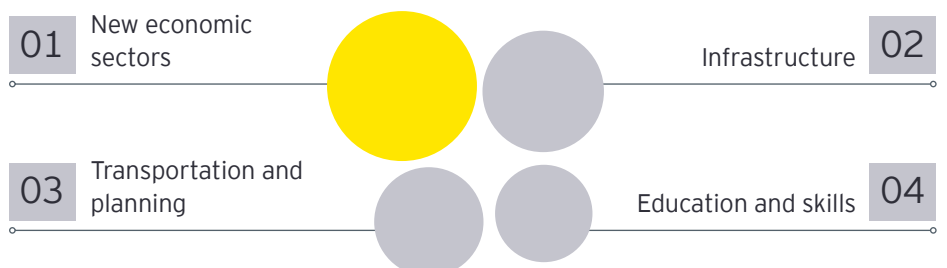
Thirty-six percent of investors plan to expand their operations in the coming year.

## Future

### Leading business sectors over the next five years



### Priorities to remain globally competitive

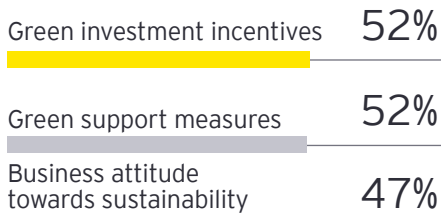




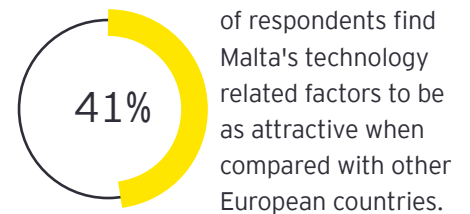
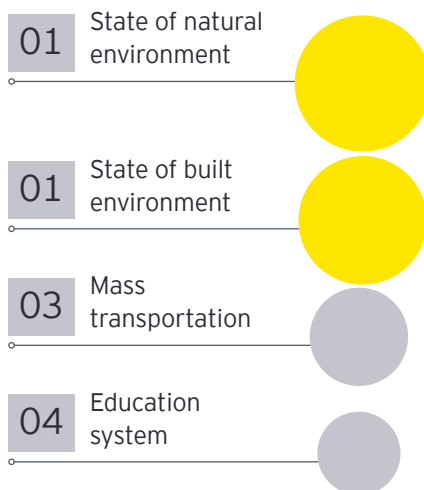


## Future agendas

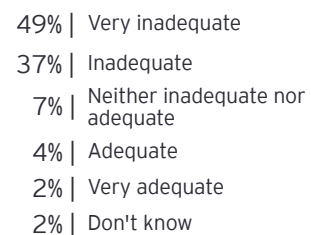
The majority of respondents believe that many sustainability factors are at a developing stage in Malta, with the second-most popular opinion being that these factors are progressing.



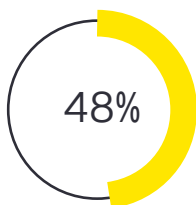
### Infrastructure priorities to remain globally competitive



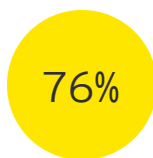
Respondents find Malta's planned infrastructure for population growth to be:



## Skills



Nearly half of companies have increased recruitment actions in the past year, with a number investing in upskilling and re-skilling.

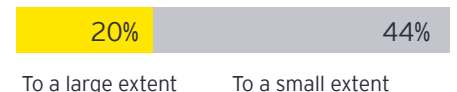


The race to recruit specialized skills continues to accelerate, with a large majority in the market for new talent.

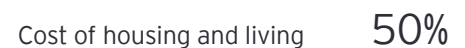
Difficulties in finding the required specialized skills persists.



Rising labor costs are impacting FDI's decision to remain in Malta.



### Factors impacting the ability to recruit and retain talent overseas to a large extent





# 1

## FDI facts at a glance

This section outlines data relating to FDI projects in Malta, gathered from various sources including Malta Enterprise, the Malta Financial Services Authority, and the Malta Gaming Authority, alongside information from the National Statistics Office. Malta Enterprise, the country's economic development agency, offers financial assistance and other support to businesses operating in eligible sectors that meet certain criteria. The data from the Malta Financial Services Authority and the Malta Gaming Authority includes license information for the financial services and iGaming industries, respectively.\*

## Taking stock

In 2022, Malta Enterprise (ME) reported approval for 19 new FDI projects and 12 foreign expansions. This is expected to include a total investment of €40.4 million and the creation of over 670 jobs.

ME reported that further expansions and growth were seen in digital innovation, life sciences, pharmaceuticals, medical devices and aviation. The projects originated from the UK, Germany, Israel, Switzerland, Turkey, India, and other countries.

During 2022, ME started to focus more actively on regeneration. Energy was directed on the post-pandemic era and how the local economy can be propelled towards reaching further sustainable growth. New niches that also arose through the pandemic were explored in more depth. Domestically, focus shifted more towards ensuring that business entities operating from Malta embrace the twin transition and capitalize on the opportunities that this is creating.

### Figure 3

#### FDI projects applications approved by ME

Year	New FDI			Foreign expansions			Total new and foreign expansions		
	Projects approved	Average investment per application (€m)	Average employment per application	Projects approved	Average investment per application (€m)	Average employment per application	Projects approved	Average investment per application (€m)	Average employment per application
2007	25	1.84	39	11	1	31	36	€1.6	37
2008	13	1.67	40	9	0.83	16	22	€1.3	30
2009	12	4.79	54	6	4.48	50	18	€4.7	53
2010	2	0.16	58	2	4.1	73	4	€2.1	66
2011	9	14.43	44	6	3.48	43	15	€10.1	44
2012	2	1.05	19	10	2.37	22	12	€2.2	22
2013	36	1.78	33	15	2.83	22	51	€2.1	30
2014	28	1.33	37	15	3.66	39	43	€2.1	38
2015	20	0.78	29	10	2.04	24	30	€1.2	27
2016	11	12.7	48	15	3.82	41	26	€7.6	44
2017	19	2.3	24	12	8.5	62	31	€4.7	39
2018	26	2.6	37	18	3	9	44	€2.8	26
2019	32	3.2	25	17	0.9	14	49	€2.4	21
2020	39	2	22	15	1.1	8	54	€1.8	18
2021	29	0.7	20	9	6.4	55	38	€2.1	28
2022	19	1.1	24	12	1.6	18	31	€1.3	22

Source: ME, 2023.

\*The information provided in this section predominantly concerns regulated entities or FDI companies seeking support from Malta Enterprise. Hence it does not encompass the entirety of FDI activity in the country, as some activities might not be captured within the datasets of these organizations.

According to ME, these results are based on the further implementation of its strategy that targets smaller companies with a high disruptive potential in their field, requiring fewer employees but higher wages and a stronger value-added return to the economy. This includes a strong proposition for start-ups that are adding innovation and knowledge to the economy, resulting in new economic niches.

This ME strategy reflects the economic needs of the country – primarily development that is driven by sustainability, innovation and promoting quality job creation which also enables knowledge transfer between expats and Indigenous workers.

The Start in Malta initiative, launched during 2021 as a national platform for start-ups in Malta, has gained traction. During 2022, Malta continued to attract start-ups operating in high growth areas such as FinTech, MedTech, life sciences manufacturing, materials and robotics.

In October 2023, ME launched the start-up framework stakeholder consultation process that will last until December 2023. Through this process ME will seek to gather information that will enable the development and implementation of adequate policy measures to boost the start-up environment further.

**Figure 4**

High growth start-ups and innovative scale-ups supported

Year	Projects approved		Employment (three-year forecast)		Investment (three-year forecast)	
	FDI (new and expansions)	Local (new and expansions)	FDI (new and expansions)	Local (new and expansions)	FDI (new and expansions) €m	Local (new and expansions) €m
2020	7	9	169	177	€7.4	€3.5
2021	22	7	466	58	€12.5	€1.0
2022	13	4	204	127	€6.4	€0.8

Source: ME, 2023.  
Schemes covered: start-up finance 2020 and 2021; start-up advance.

## Malta's stock position

According to the National Statistics Office (NSO), the stock position of FDI in Malta reached €208.6 billion by June 2022. The value of the stock position has increased by €8.3 billion over the corresponding period of the previous year. As in previous years, financial services and insurance activities accounted for the greatest proportion of FDI stock in June 2022, accounting for 97.6%.<sup>6</sup>



**Figure 5**

FDI in Malta – economic activities

	Dec 2019	Dec 2020	Dec 2021	Jun 2021	Until Jun 2022
	€000	€000	€000	€000	€000
Manufacturing	1,140,817	1,070,541	1,202,886	1,112,248	1,193,657
Transportation, accommodation and real estate activities	2,258,870	2,330,271	2,144,708	2,258,381	2,049,644
Financial and insurance activities	183,299,027	191,525,466	199,269,703	195,442,482	203,553,424
Information and communication; professional, scientific and entertainment and recreation	777,515	902,292	1,150,827	1,021,296	1,282,711
Other activities	466,231	477,384	492,401	484,233	500,328
<b>Total</b>	<b>187,942,461</b>	<b>196,305,955</b>	<b>204,260,526</b>	<b>200,318,640</b>	<b>208,579,764</b>

Source: NSO, News Release 024/2023.

<sup>6</sup> Source: NSO, News Release 024/2023.

## Malta's FDI flows

For the first six months of 2022, FDI flows were estimated to be €2 billion. As in previous years, financial and insurance activities recorded the largest contribution, with 85.3 % of FDI flows in Malta.<sup>7</sup>

### Figure 6

FDI flows in Malta by period and economic activity

	2019	2020	2021	Jan-Jun 2021	Jan-Jun 2022
	€000	€000	€000	€000	€000
Manufacturing	52,715	10,678	135,252	33,984	84,262
Transportation, accommodation and real estate activities	128,420	93,029	107,373	59,708	66,983
Financial and insurance activities	2,983,686	3,082,871	2,911,232	1,342,613	1,690,893
Information and communication; professional, scientific and entertainment and recreation	145,891	139,228	226,850	107,854	131,966
Other activities	36,027	17,007	16,115	7,929	7,769
<b>Total</b>	<b>3,346,739</b>	<b>3,342,813</b>	<b>3,396,821</b>	<b>1,552,088</b>	<b>1,981,873</b>

Source: NSO, News Release 024/2023.



<sup>7</sup> Source: MFS Annual Report 2022.

# iGaming

Malta was the first EU Member State to regulate the remote gaming market (iGaming) in 2004 and has since established itself as a significant hub with global relevance. Malta's iGaming sector is an integral component of its economy, representing a significant source of FDI and employment. The sector is overseen by the Malta Gaming Authority, which provides regulatory guidance and ensures compliance with international standards. The country's strategic location within the EU, combined with well-developed infrastructure and a multilingual workforce, supports the operation and growth of iGaming companies established there.

In recent years, the industry has seen consistent growth, contributing positively to Malta's economic performance. This growth is also reflected in the increasing number of licenses issued to online gaming operators, reflecting the industry's robustness even in uncertain global economic conditions. The sector also plays a role in job creation, offering a range of employment opportunities to residents and attracting skilled professionals from abroad.

In 2022, the iGaming industry contributed significantly to Malta's economy, generating a gross value added (GVA) of €1,495 million, marking a 5.8% growth from 2021. The industry's total economic contribution, including indirect effects, amounted to 12.4% of the economy's GVA. This progression mirrors the consistent upward trajectory witnessed in recent years, affirming the sector's resilience.

The sector also plays a role in job creation, offering a range of employment opportunities to residents and attracting skilled professionals from abroad. Employment within the iGaming industry has also seen a rise. By the end of 2022, it is estimated that the sector employed 15,774 individuals, or about 5.5% of Malta's total workforce. This includes employment in related activities such as IT, data, law and audit firms, and other service companies for the iGaming industry.

Data shows a sustained increase in the number of companies and licenses in the jurisdiction. By the end of 2022, there were 350 companies in operation in Malta holding 358 gaming licenses.

## Figure 7

### Headline indicators of gaming industry activity

	2019	2020	2021	2022
<b>Number of licenses (Note 1)</b>	298	328	351	358
<b>Number of companies in operation (Note 1)</b>	294	323	341	350
<b>Gross value added (€m) (Note 2)</b>	1,081	1,247	1,413	1,495
<b>Employment (FTE jobs)</b>	7,417	8,292	10,685	11,245
Online	6,593	7,557	9,919	10,365
Land-based	824	735	766	880
<b>Compliance contribution, license fees, levies and consumption tax (€m)</b>	80,4	73,5	77,9	78,7

*Note 1: The number of licenses, companies in operation (including both online and land-based) and employment figures relate to stock as of the end of December and refer solely to MGA-licensed entities.*

*Note 2: The GVA figures are being updated in line with the revision made during 2022 in the computation of GVA for NACE 92 by the National Statistics Office.*

Source: MGA, Annual report and audited financial statements, 2022.

# Regulatory activities

## Authorization of gaming licenses and certificates

### Figure 8

#### Online gaming – key figures

	2020	2021	2022
<b>Applications</b>			
New gaming license applications	58	52	41
Rejected/withdrawn gaming license applications	30	21	21
<b>Licenses</b>			
Gaming licenses issued	68	46	31
Termination of gaming licenses	9	18	27
Canceled licenses	12	5	6
Suspended licenses	3	0	4

Source: MGA, Annual Report and Audited Financial Statements, 2022.

### Figure 9

#### Online gaming – distribution of licenses by category

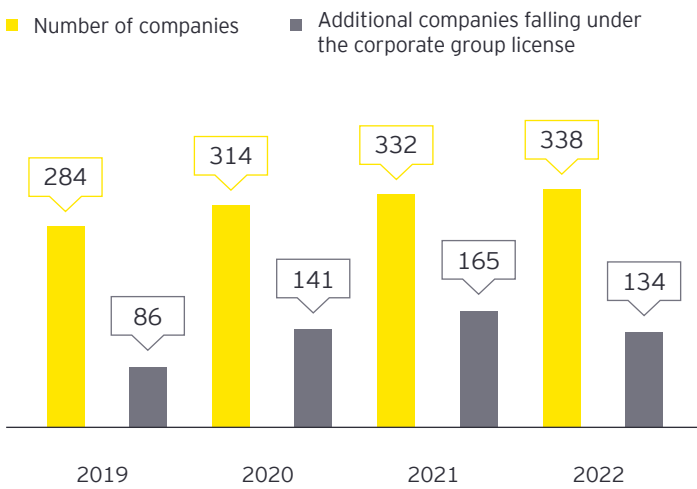
	2019	2020	2021	2022
<b>B2C – gaming service license</b>	195	196	197	187
Of which are B2C – corporate licenses	14	24	27	29
<b>B2B – critical gaming supply license</b>	92	122	144	160
Of which are B2B – corporate licenses	9	11	13	15

Source: MGA, Annual Report and Audited Financial Statements, 2022.



**Figure 10**

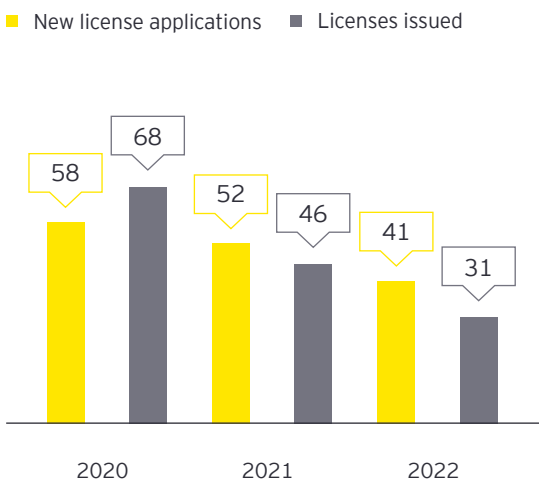
Distribution of registered gaming companies



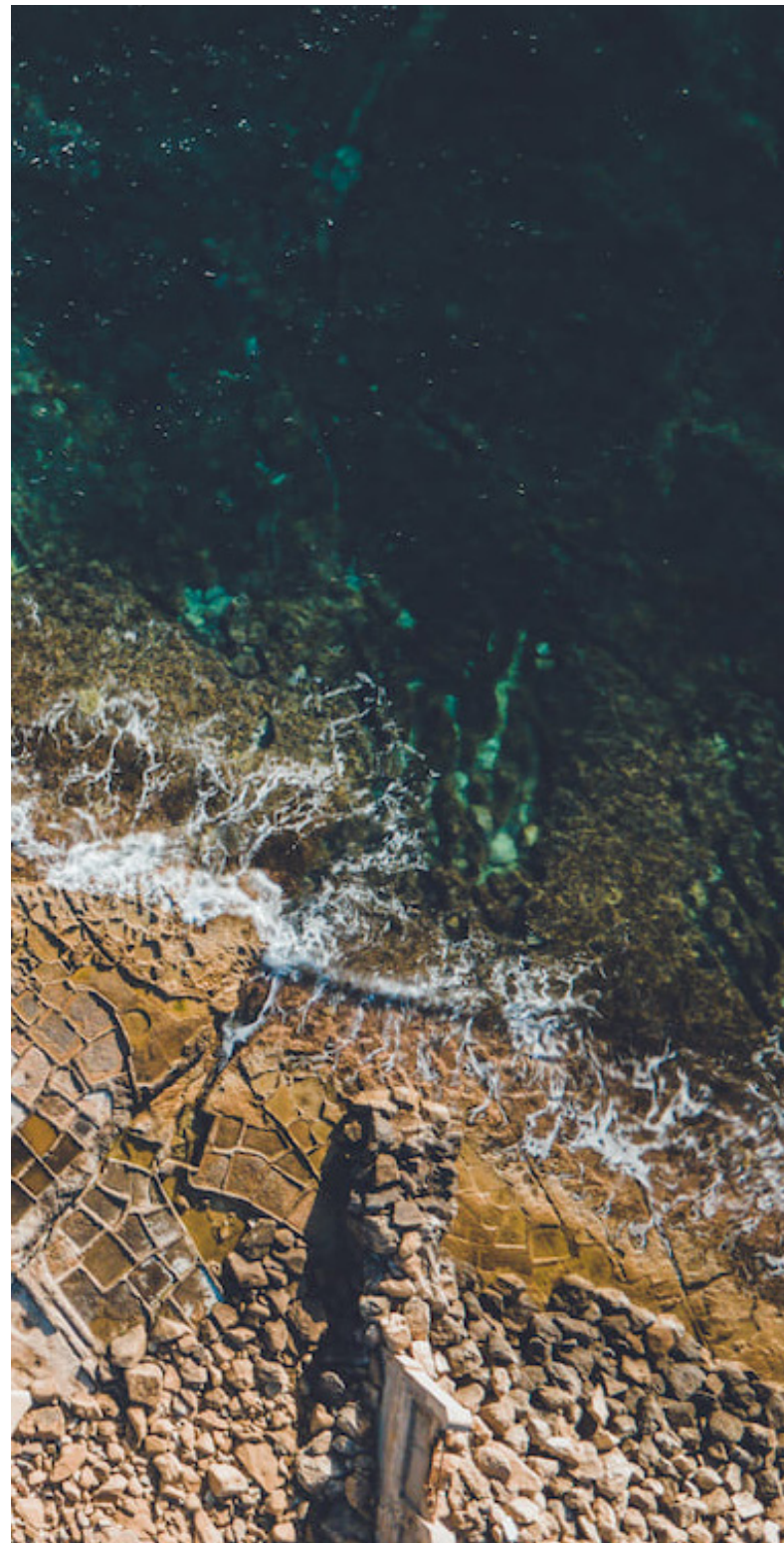
Source: MGA, Annual Report and Audited Financial Statements, 2022.

**Figure 11**

Online gaming – applications and issuing of licenses



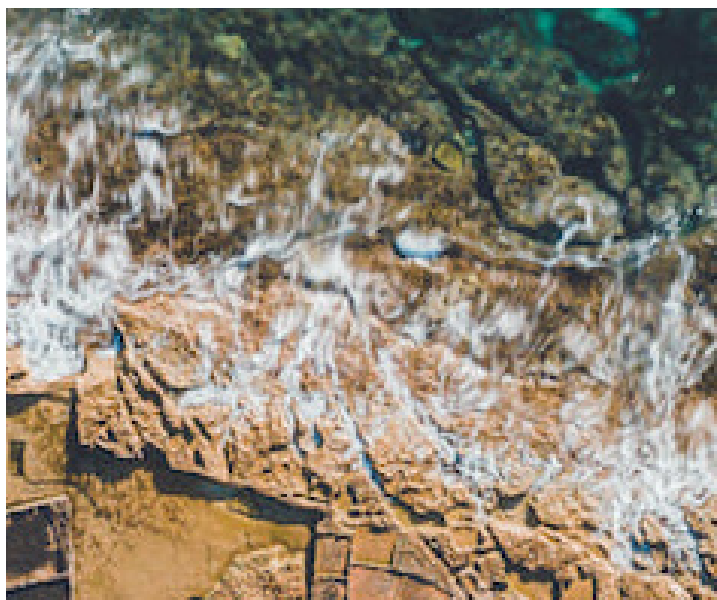
Source: MGA, Annual Report and Audited Financial Statements, 2022.



## Financial services in Malta

In 2022, Malta's financial services sector continued to show consistent growth, contributing €1,178 million in GVA to the economy, a 4.3% increase from the previous year. Employment in the sector followed a similar upward trend, with a total of 17,569 individuals working in the sector, an increase of 5.4% compared with 2021.

As at the end of 2022, the MFSA regulated and supervised a total of 2,122 authorized entities falling under its remit. Such entities were of various size and complexity and included 21 credit institutions, 67 insurance entities, 744 securities, 299 company services providers, 51 financial institutions, 50 retirement schemes, 10 virtual financial assets agents and 219 trustees.



### Banking

#### Figure 12

##### Credit and financial institutions

	Total licenses at end 2021	Total licenses at end 2022	Total licenses at end June 2023
<b>Credit institutions</b>	22	21	21
<b>Financial institutions</b>	52	51	52
Of which:			
Authorized to provide payment services	41	37	38
Authorized to issue electronic money	24	24	26

Source: Malta Financial Services Authority, Statistical Tables: 2nd Quarter - 2023.



## Insurance

**Figure 13**

Insurance undertakings

	Total licenses at end 2021	Total licenses at end 2022	Total licenses at end June 2023
<b>Non-life</b>	55	52	51
<b>Life</b>	10	10	10
<b>Composite</b>	2	2	2
<b>Reinsurance</b>	4	4	4
<b>Total</b>	<b>71</b>	<b>68</b>	<b>67</b>
Of which: Affiliated	7	7	7
Protected cell companies (and cells)	17 73	14 77	14 76
Insurers of domestic origin	9	9	9

Source: Malta Financial Services Authority, Statistical Tables: 2nd Quarter - 2023.

**Figure 14**

## Insurance intermediaries: companies

	Total licenses at end 2021	Total licenses at end 2022	Total licenses at end 2023
<b>Enrolled insurance managers</b>	10	10	10
Of which protected cell companies	2	2	2
<b>Enrolled insurance agents</b>	20	14	14
<b>Enrolled insurance brokers</b>	36	36	35
Of which protected cell companies (and cells)	6 13	5 16	5 17

Source: Malta Financial Services Authority, Statistical Tables: 2nd Quarter - 2023.

**Figure 15**

## Insurance intermediaries: individuals

	Total licenses at end 2021	Total licenses at end 2022	Total licenses at end June 2023
Registered insurance managers	24	22	22
Registered insurance agents	27	29	37
Registered insurance brokers	125	125	137
Tied insurance intermediaries	369	352	394
Ancillary insurance intermediaries	1	1	1

Source: Malta Financial Services Authority, Statistical Tables: 2nd Quarter - 2023.

## Pensions

**Figure 16**

Authorizations and registrations in terms of Retirement Pensions Act

	Total registrations at end 2021	Total registrations at end 2022	Total registrations at end June 2023
Retirement schemes	52	50	49
Retirement funds	2	2	2
Retirement scheme administrators	15	13	13
Investment managers (registered)	7	7	7
Investment managers (exempted)	6	7	7
Custodian (registered)	4	4	4
Custodian (exempted)	2	2	2

Source: Malta Financial Services Authority, Statistical Tables: 2nd Quarter - 2023.



## Securities

### Figure 17

#### Investment services

	Total licenses at end 2021	Total licenses at end 2022	Total licenses at end June 2023
Investment services	148	145	146

Source: Malta Financial Services Authority, Statistical Tables: 2nd Quarter - 2023.

### Figure 18

#### Recognized fund administrators

	2022			2023		
	New recognitions	Surrendered recognitions	Total recognitions at end 2022	New recognitions	Surrendered recognitions	Total recognitions at end June 2023
Recognized fund administrators	0	1	17	0	0	17

Source: Malta Financial Services Authority, Statistical Tables: 2nd Quarter - 2023.

### Figure 19

#### Recognized incorporated cell companies

	2022			2023		
	New licenses	Surrendered licenses	Total licenses at end 2022	New licenses	Surrendered licenses	Total licenses at end June 2023
Recognized incorporated cell companies	0	1	3	0	0	3
Incorporated cells	1	3	17	1	3	15

Source: Malta Financial Services Authority, Statistical Tables: 2nd Quarter - 2023.

**Figure 20**

## Collective investment schemes

	2022			2023		
	New licenses	Surrendered licenses	Total licenses at end 2022	New licenses	Surrendered licenses	Total licenses at end June 2023
<b>AIFs</b>	2	13	114	2	7	110
Of which ICs	1	1	8	1	1	9
<b>PIFs</b>	19	52	218	3	13	207
Of which ICs	0	1	8	0	2	5
<b>Retail Non-UCITS</b>	0	0	5	0	0	5
<b>Recognized private schemes</b>	0	0	5	0	0	1
<b>UCITS</b>	3	6	114	4	5	113
Of which ICs	0	0	1	0	0	1
<b>Total</b>	<b>24</b>	<b>71</b>	<b>456</b>	<b>9</b>	<b>25</b>	<b>440</b>

Source: Malta Financial Services Authority, Statistical Tables: 2nd Quarter - 2023.

**Figure 21**

## Notified alternative Investment funds

	2022			2023		
	New notifications	Surrendered notifications	Total notifications at end 2022	New notifications	Surrendered notifications	Total notifications at end June 2023
<b>NAIFs</b>	24	15	106	7	12	101
Of which ICs	0	1	0	0	0	0

Source: Malta Financial Services Authority, Statistical Tables: 2nd Quarter - 2023.

## Trust services

### Figure 22

#### Authorised trustees, nominees and trusts

	Total authorizations at end 2021	Total authorizations at end 2022	Total authorizations at end June 2023
Authorizations in terms of the Trusts and Trustees Act (trustees/ fiduciary service providers/administrators of private foundations)	162	153	152
Nominees	8	6	5
Trusts registered in terms of the Trust Act, 1988	61	60	60

Source: Malta Financial Services Authority, Statistical Tables: 2nd Quarter - 2023.

In 2022, the Malta Business Registry (MBR) recorded a total of 2,854 new registrations, encompassing both foreign and locally owned enterprises. This marked a decrease of 650 companies compared to the previous year, affecting most categories.

Notably, Limited companies saw the most significant decline, with 622 fewer registrations than in 2021.

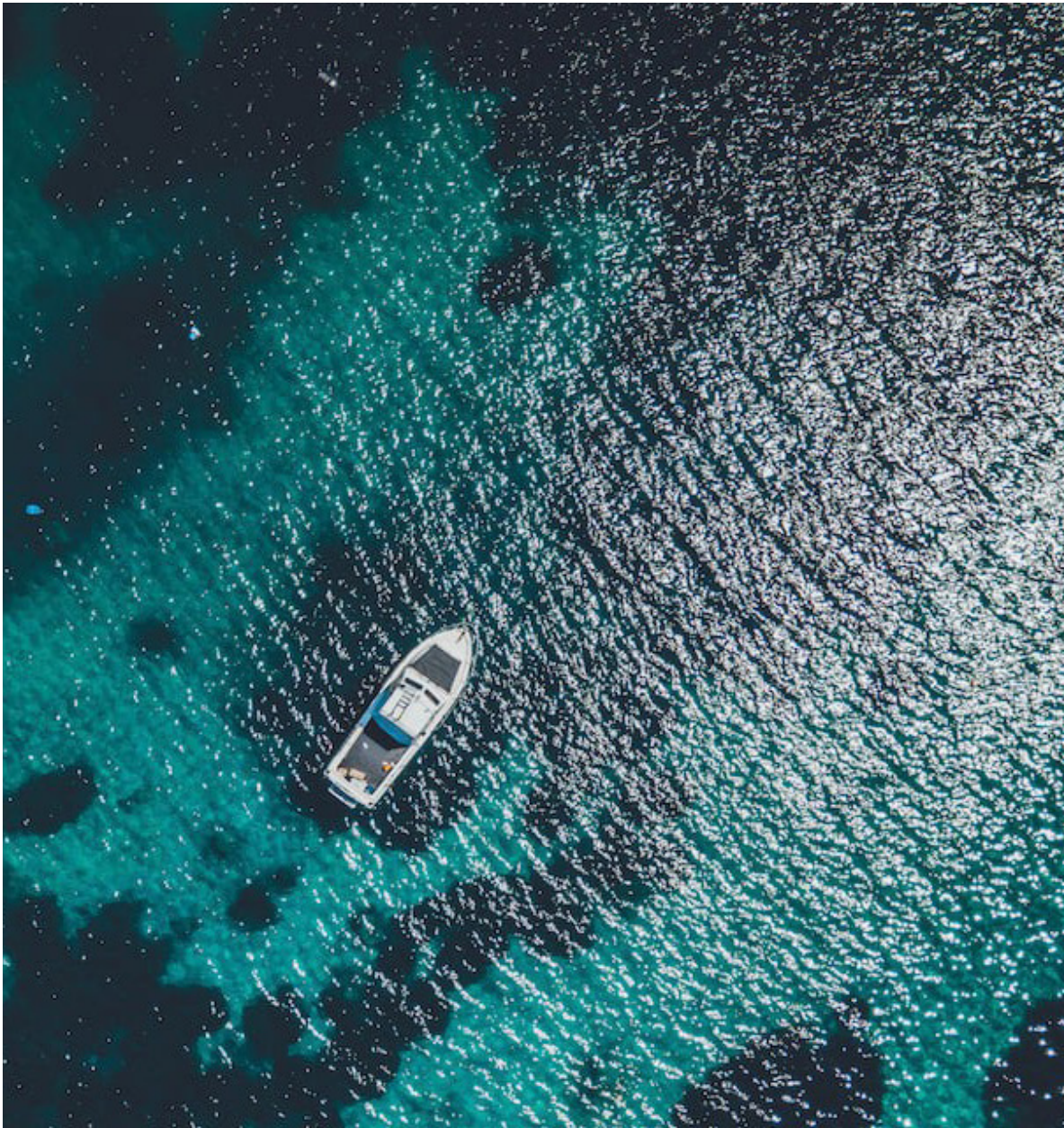
### Figure 23

#### Annual business registration

	2019	2020	2021	2022
Limited companies	4,245	3,396	3,362	2,740
European economic interest grouping	3	0	1	0
Overseas companies	87	40	41	30
Partnership en nom collectif	75	38	54	55
Partnership en commandite	23	22	21	13
Statute for European companies	2	2	1	0
Investment company with variable share capital	37	16	24	16
<b>Total</b>	<b>4,472</b>	<b>3,514</b>	<b>3,504</b>	<b>2,854</b>

Source: Malta Business Registry, Annual Report, 2019-22.





2

# Economic reality

## Economic reality<sup>8</sup>

The Maltese economy has rebounded strongly following the pandemic, with 6.9% real growth in 2022 (euro area: 3.5%) and a further 4% projected for 2023. In nominal terms, at 12.5%, 2022 GDP was almost double the real rate, reflecting the high inflation rates. GDP growth is expected to increase in real terms by 3.6% each year up to 2025, driven by higher net exports.<sup>9</sup> Recently, Fitch has also affirmed its A+ credit rating for Malta, in line with a stable outlook for the economy.

Real growth for 2022 and 2023 has been mainly supported by growth in investment and a strong tourism recovery, and partly offset by a marked increase in imports, and subdued consumption patterns in 2023. This was mainly due to higher import prices, especially energy and commodity prices. By December 2022, annual inflation in Malta (as measured over the month of the previous year), peaked to 6.1% (July 23: 5.6%), mainly due to food commodity prices, yet remained below the euro area's (at 8.4%), reflecting the Maltese government's inflation-support measures. In 2023, this rate was 6.8% in January and dropped to 5% in August. Going forward, international developments and the lagged transmission of monetary policy tightening around inflationary pressures are expected to contribute to a further moderation in growth in 2024 and 2025.

The labor market in 2022 and 2023 continued to exhibit a persistently high ratio of job vacancy to unemployment, indicating it is tightening. Employment continued to benefit from the ongoing normalization of economic activity and the unemployment rate remaining at a low 3% in 2022, down from 3.4% in the prior year (euro area: 6.7%). Unemployment is expected to remain below 3% in 2023 and 2024. At the end of 2022, employed foreign national amounted to around 100,000, with Third Country Nationals (TCNs) making up two-thirds, and the remaining originating mostly from EU Member States. 2022 also saw the highest small and medium sized enterprises (SME) expenditure on hiring and training employees since 2015.

During 2022, the fiscal deficit narrowed down, partly driven by buoyant tax revenue and the phasing out of expenditures related to the COVID-19 pandemic. However, the final deficit for 2022, at 5.4% of GDP (2021: 7.5%), remained above the 3% deficit threshold, in part due to inflation mitigation measures to cushion domestic energy prices. Government finances are however projected to improve, despite being partially offset by an increase in interest payments. Government deficit is projected at 5.8% of GDP in 2023 (falling to 3.3% in 2025), while national debt is estimated at 53.4%, slightly increasing to 54.8% in 2025 (from 5.8% and 53.4% respectively in 2022).

Downside risks to economic activity are linked to the envisaged weaknesses in the international economic environment that impinge upon net exports, continued inflationary pressures, and any easing of government support measures. Medium to long term challenges relate to the impact of changes in the international tax system and increases in age-related spending.

<sup>8</sup> Source: Central Bank of Malta, Annual Report 2021, 2022; Jobsplus, Foreign Nationals Employment Trends, 2022; Economic forecast for Malta, Spring 2023; NSO NR 054/2023, 2023.

<sup>9</sup> Supplementary to forecasts by the Central Bank of Malta, the International Monetary Fund (IMF) has projected economic growth for Malta in real terms at 3.8% for 2023 and 3.3% for 2024, in its October's edition of the World Economic Outlook.

**GDP (at market prices)<sup>10</sup>**

**€17,212.5k**

GDP 2022



**12.6%**

2022 over  
2021



**10.3%**

H1 2023 over  
H1 2022

**GDP annual real growths<sup>11</sup>**

**12.3%**

2021

**6.9%**

2022

**3.7%**

2023 F\*

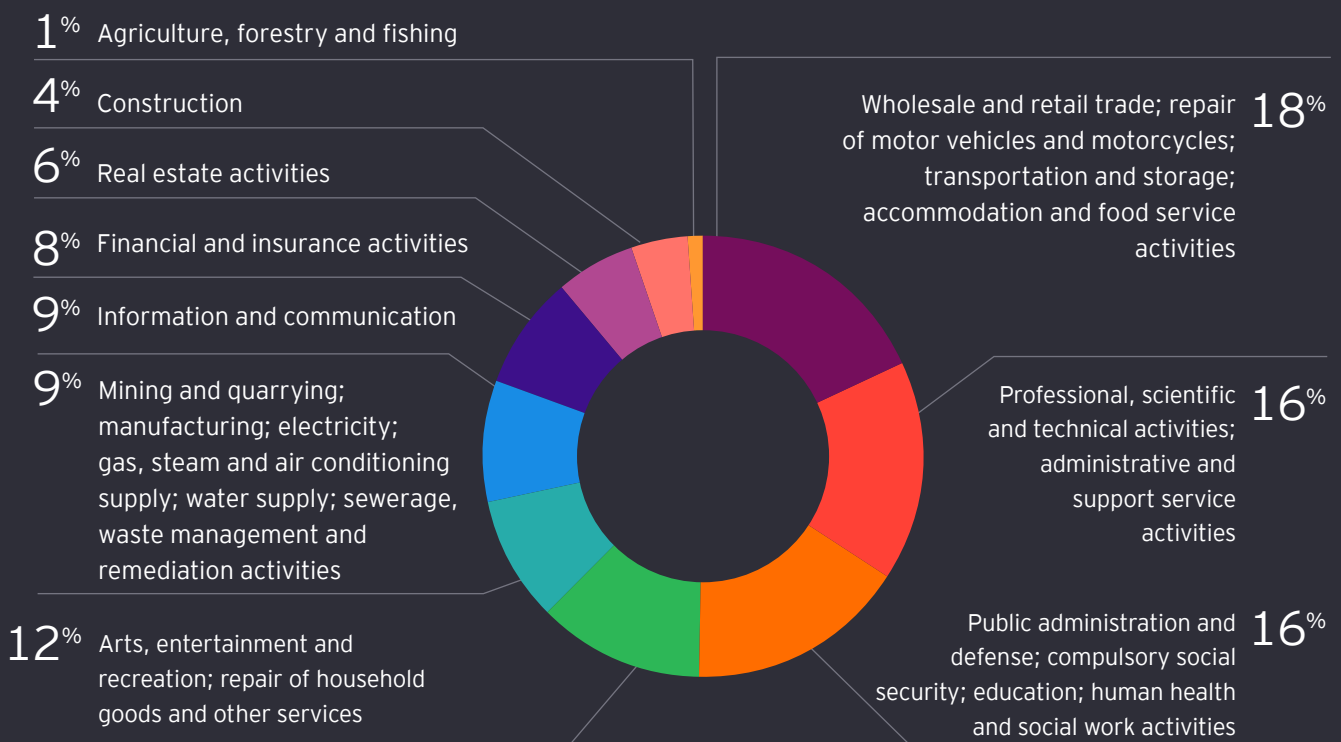
**3.6%**

2024 F\*

**3.6%**

2025 F\*

**GVA by industry for 2022<sup>12</sup>**



<sup>10</sup> Source: NSO, NR 158/2023, 2023.

<sup>11</sup> Source: CBM, Central Bank's Forecast 2023-2025 (August 2023), 2023.

<sup>12</sup> Source: NSO, NR 158/2023, 2023.

F\* for forecast

### Inbound tourists

January to December 2022<sup>13</sup>

2,286,587



138%

over 2021

January to July 2023<sup>14</sup>

1,614,749

### Nights

January to December 2022

16.6m



136%

over 2021

January to July 2023

10.7m

### Population<sup>15</sup>

520,174

2022

542,051

2023



4.21%

### Inflation<sup>16</sup>

Harmonised Index of Consumer Prices (HICP)

6.8%

January 2023

5.0%

August 2023

12-month moving average rate

6.6%

Aug 2021-Aug 2022

4.3%

Aug 2022-Aug 2023

### Government finance<sup>17</sup>

Government deficit as a % of GDP

5.8%

2022

4.8%

2023 F\*

3.5%

2024 F\*

3.3%

2025 F\*

Government debt as a % of GDP

53.4%

2022

54.0%

2023 F\*

54.5%

2024 F\*

54.8%

2025 F\*

<sup>13</sup> Source: NSO, NR 020/2023, 2023.

<sup>14</sup> Source: NSO, NR 163/2023, 2023.

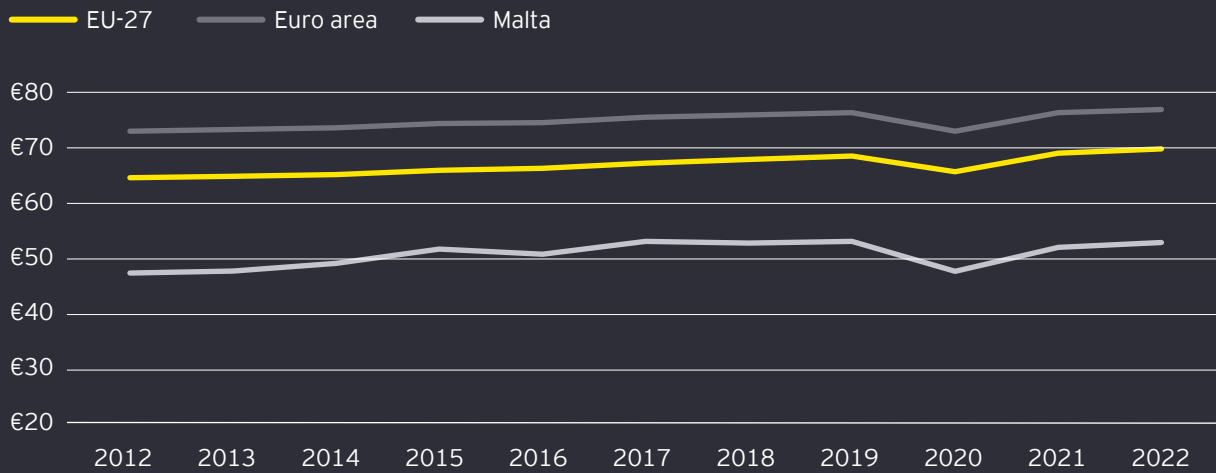
<sup>15</sup> Source: NSO, NR 119/2023, 2023.

<sup>16</sup> Source: NSO, NR 165/2023, 2023.

<sup>17</sup> Source: CBM, Central Bank's Forecast 2023-2025 (August 2023), 2023.

F\* for forecast

### Productivity (real GDP per worker)<sup>18</sup>



### Unemployment

Registered unemployed<sup>19</sup>

**922**  
August 2022

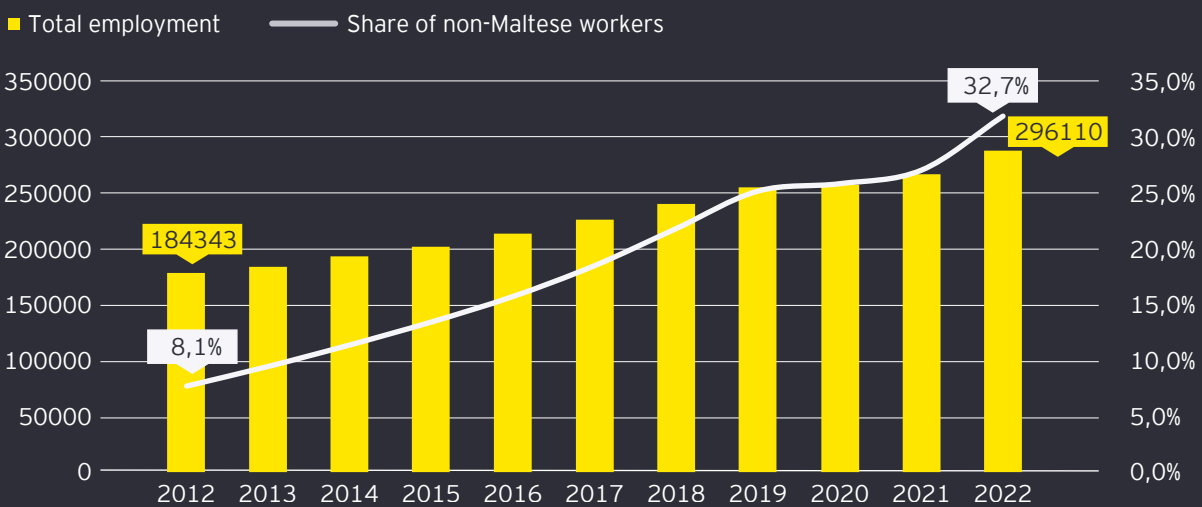
**974**  
August 2023

Unemployment rate<sup>20</sup>

**2.9%**  
August 2022

**2.7%**  
August 2023

### Labor market



<sup>18</sup> Source: Eurostat; EY calculations.  
<sup>19</sup> Source: NSO, NR 168/2023, 2023.  
<sup>20</sup> Source: NSO, NR 172/2023.  
 F\* for forecast



# 3

## Perception

This chapter presents the sentiments of existing FDI investors in Malta surveyed during July and August 2023. The overall respondent profile is similar to that found in previous cycles of the survey across a range of sectors and company sizes. As a result, this makes it comparable with results of previous years.

# Attractiveness

## Fifty-nine percent of existing FDI investors believe that Malta is currently attractive for foreign direct investment.

In the wake of global economic shifts, Malta's allure as a hub for FDI holds steadfast. Fifty-nine percent of existing FDI investors affirm Malta's investment appeal, a figure that remains unchanged from 2022, marking a notable upswing from the post-COVID-19 era of 2021. However, despite this upward trajectory, the current FDI attractiveness ratings have not yet regained exceptional confidence levels observed in the years prior to the 2019.

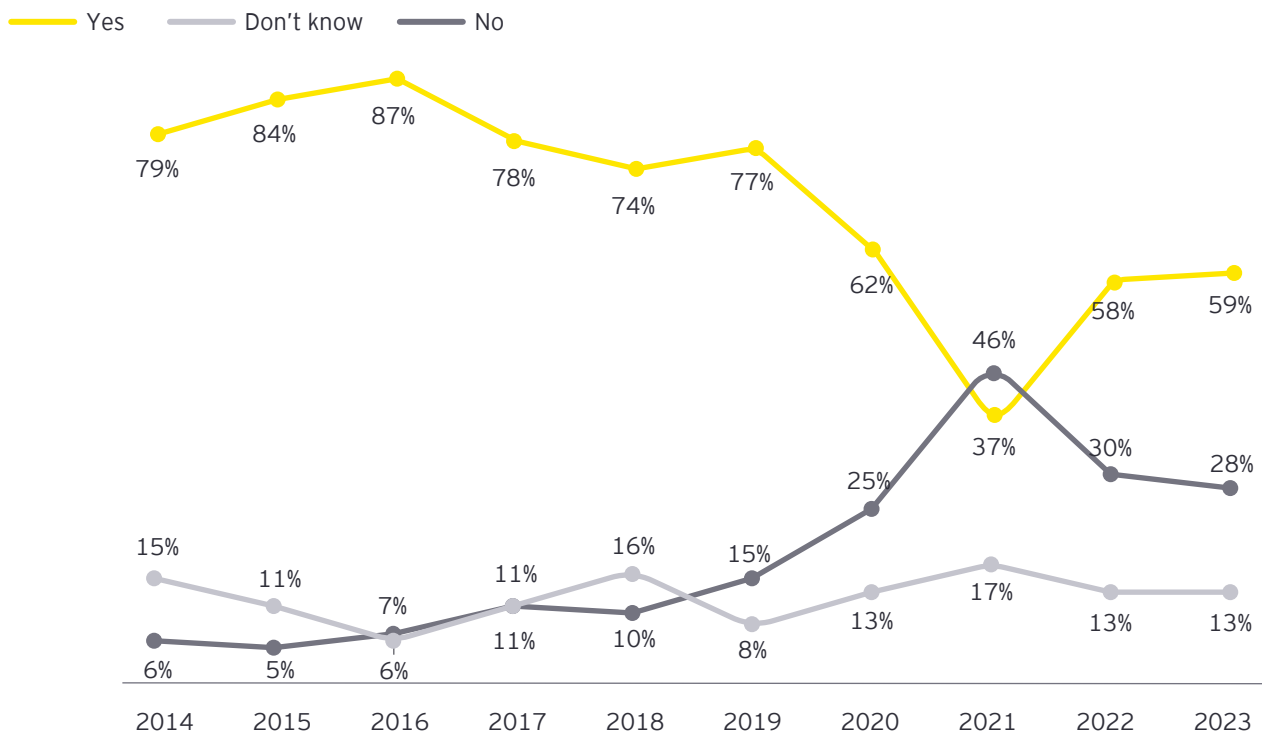
Investors cite that Malta's continuous economic growth, accompanied by significant increases in population and tourism, poses a challenging scenario. This growth, while indicative of the island's appeal as a place to carry out business, work and travel to, has outpaced infrastructural development, placing significant strain on the nation's infrastructure.

Investors cite this imbalance as a potential deterrent, emphasizing the necessity for accelerated infrastructural enhancements to sustain and augment Malta's FDI allure further.

Investors also cite other factors contributing to the challenges faced by the nation. The economic growth, along with the rapid growth in tourism, has led to escalating pressures on various aspects, notably the cost of living and labor supply. Despite the increase in population, the labor market is strained as it tries to meet the escalating demand from various growing sectors, including financial and professional services, gaming, tech and tourism, while demand for labor in Malta's manufacturing and technical sectors also remains high. The country's small size further accentuates these challenges, underscoring the imperative for strategic and timely enhancements in infrastructure and workforce development to sustain and enhance Malta's attractiveness for FDI.

Figure 24

### Attractiveness index



Source: all 2014-23 respondents.



**Corporate taxation (73%) remains Malta's top parameter to attract FDI, followed by the attractiveness of its telecommunications infrastructure (62%).**

As in previous years, corporate taxation (73%) is viewed as the parameter that makes Malta attractive as an investment destination. This is followed by its telecommunications infrastructure (62%), which slightly surpasses Malta's social environment stability (61%). From an attractiveness standpoint, both the stability of the social climate and the telecommunications infrastructure have decreased by 8% and 6% respectively when compared with the results of 2022.

Although a previously high-ranking parameter, the stability and transparency of Malta's political, legal and regulatory environment remains in line with last year, with 30% of respondents finding it attractive.

Flexibility of labor legislation, which ranked sixth last year, can now be found in fourth position on the attractiveness scoreboard.

The attractiveness of labor costs (37%) increased slightly from 2022 (35%), whereas the attractiveness of local labor skills level decreased by 5% (from 40% to 35%), and flexibility of labor legislation (44%) increased by 3%.

Only one-fifth of respondents find transport and logistics infrastructure favorable. This is a further deterioration of 10 points when compared with 2022. Despite a minor improvement over last year's result, Malta's R&D and innovation environment (25%) remains on the lower end of the attractiveness scoreboard.

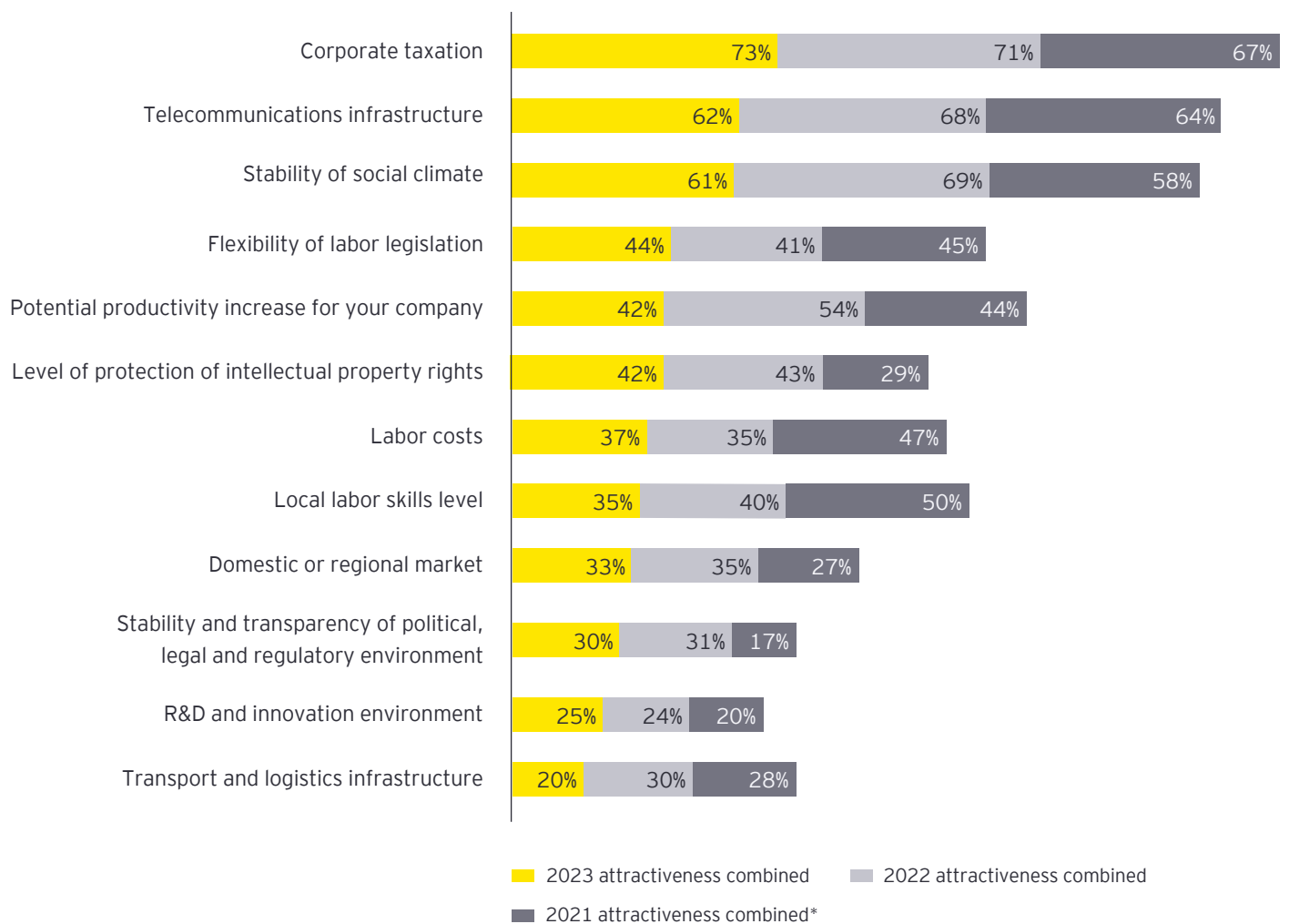


73%

view Corporate taxation as Malta's top parameter to attract FDI.

Figure 25

Attractiveness scoreboard – Malta’s FDI attractiveness



Source: all 2021-23 respondents.

\*Note: "attractiveness combined" refer to the combined percentages of respondents who believe that these parameters are very attractive or attractive.

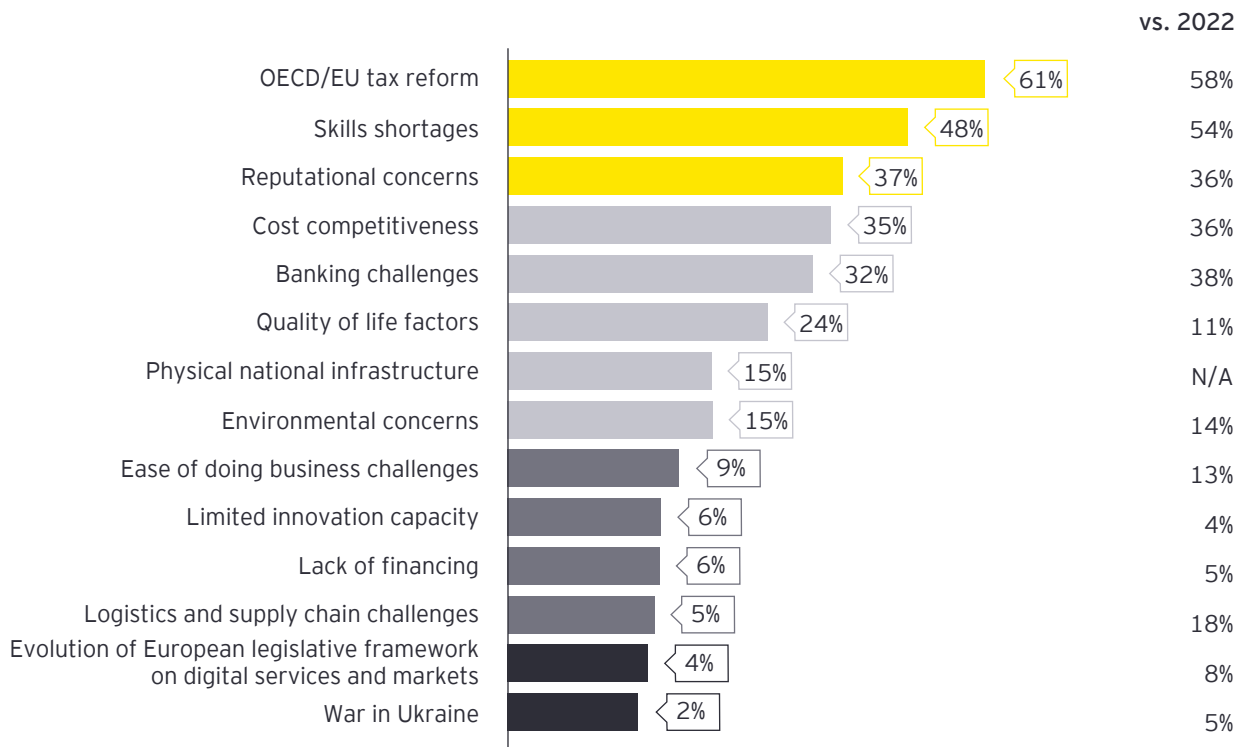
**International tax policy changes and a lack of skilled labor are the two major perceived threats to Malta's ability to attract FDI during the next three years. Reputational concerns, cost competitiveness, and banking challenges follow.**

With corporate taxation ranked as Malta's strongest FDI parameter, the changes being brought about by international tax policy developments are considered by 61% of respondents to be Malta's greatest FDI-related risk for the next three years. The other substantial risk that respondents have highlighted are skills shortages (down from 54% in 2022), reputational concerns, cost competitiveness, and banking challenges follow.

The biggest changes compared with last year's results are, on the one hand, an increased importance being placed on quality of life factors (from 11% in 2022 to 24% in 2023) and a decrease in the perceived risk of logistics and supply chain challenges (from 18% in 2022 to only 5% in 2023).

**Figure 26**

Biggest risks facing Malta's attractiveness over the next three years



Source: all 2023 respondents.

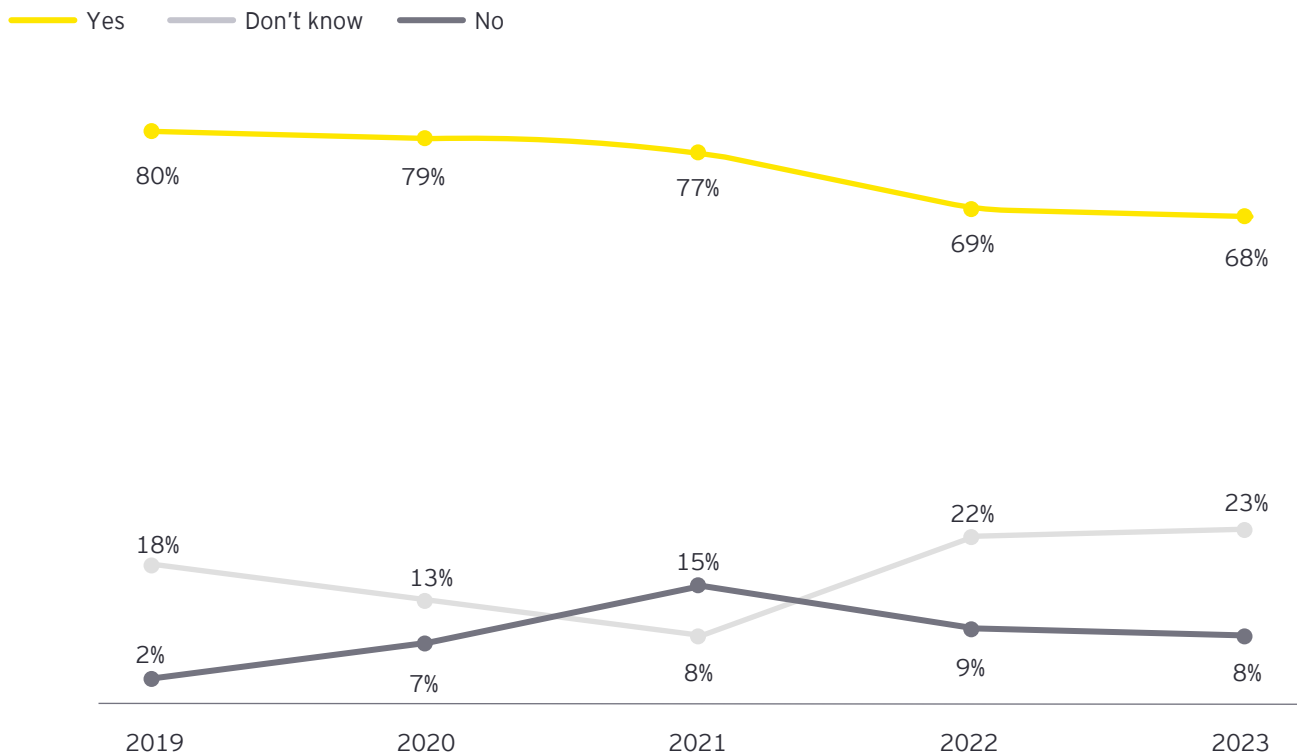
**For the second year in a row, an overwhelming majority (68%) of companies still believe their long-term future is in Malta.**

In today's dynamic economic and geopolitical context, forecasting a decade into the future presents a substantial challenge for investors. Despite this, a majority (68%) of surveyed FDI companies affirm their commitment to maintaining their operations in Malta. This number has seen a gentle decline, down from a high of 80% in 2019.

It's important to note that a considerable 23% of respondents are not able to provide a definitive answer regarding their 10-year future in Malta, with a number underscoring the difficulty of making long-term predictions in the present climate, highlighting that 10 years is beyond their planning horizon.

**Figure 27**

Presence in Malta in 10 years' time



Source: all 2019-23 respondents.



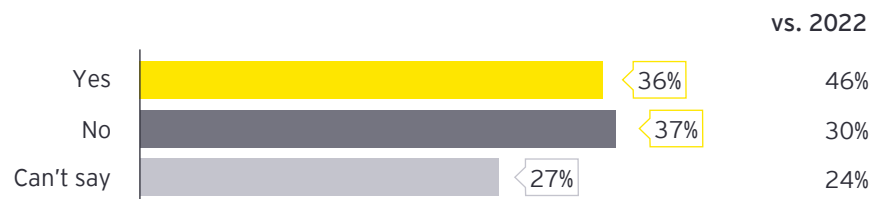
**Company expansion plans are lower than last year, but over one-third of respondents still plan to expand in the upcoming year.**

More than one-third of investors in Malta are planning to expand their operations in the coming year.

At 36%, this is close to the expansion plans reported during the COVID-19 pandemic (at 39% in 2021) but 10pts less than the 46% that indicated expansion plans in 2022, a year buoyed by a post-COVID-19 recovery.

**Figure 28**

Expansion plans



Source: all 2023 respondents.

# External factors

## Inflation and supply chain challenges have a heavy impact on performance.

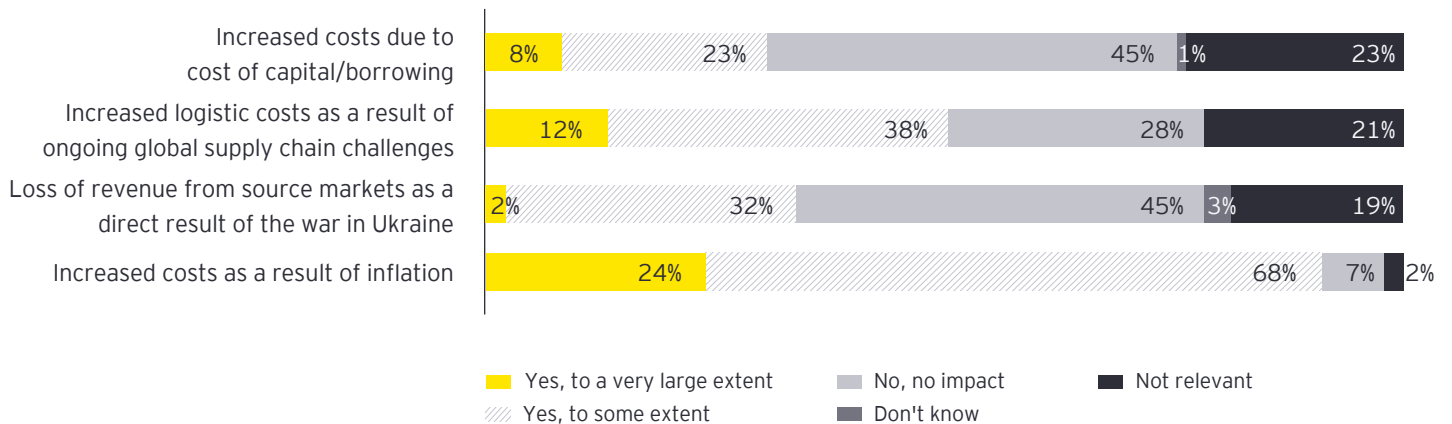
Respondents were asked how their financial performance is currently being impacted by various external factors. Increased costs due to inflation impacted 92% of investors. However, only 24% have been impacted to a large extent by the Maltese government providing subsidies to maintain electricity prices and fuel at pre-war in Ukraine rates, as well as subsidies for certain food products and inputs.

In the meantime, 50% of businesses have experienced growing operating costs as a result of persistent supply chain issues. This is lower than the perceived effect of higher costs brought on by COVID-19 that was noted last year (66%).

Thirty percent have suffered a loss of revenue from source markets as a direct result of the war in Ukraine, and 31% are experiencing increased costs due to a rise in the costs of capital and borrowing.

Figure 29

Impact of external factors on respondents' financial performance



Source: all 2023 respondents.



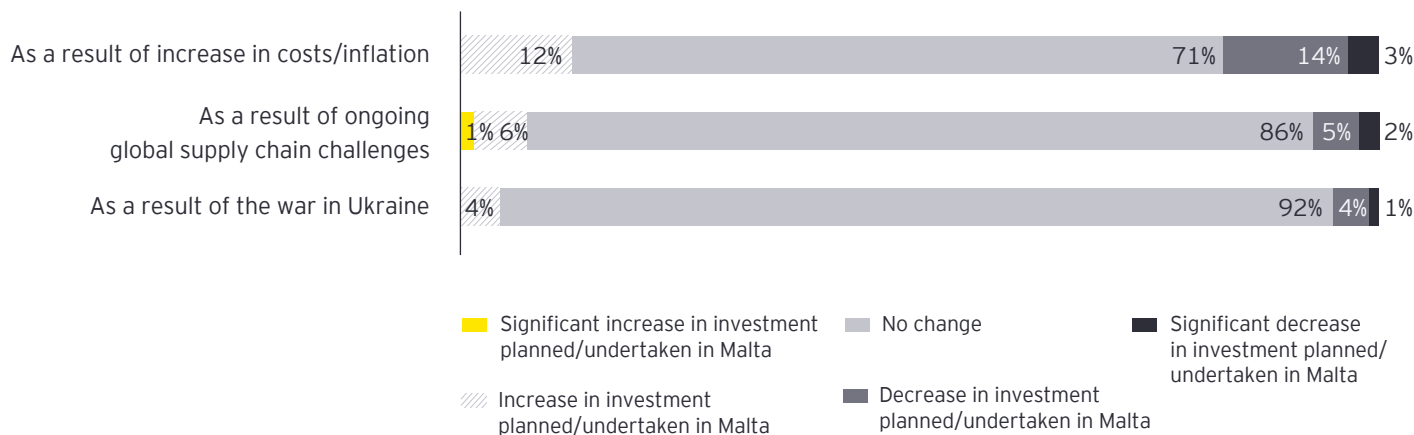
**While the significant majority report no changes to their investment plans due to external factors, 17% register a decrease or significant decrease to their plans as a result of an increase in costs and inflation.**

92% and 86% of respondents have reported no changes to their investment plans as a result of the war in Ukraine and ongoing global supply chain challenges respectively.

The unfortunate war in Ukraine has not translated to lower investment plans among the respondents, with only 8% decreasing or significantly decreasing their operations and footprint in Malta (down from 12% in 2022). Noteworthy, 9% are decreasing these parameters due to ongoing global supply chain challenges, while the same amount (9%) are projecting an increase.

**Figure 30**

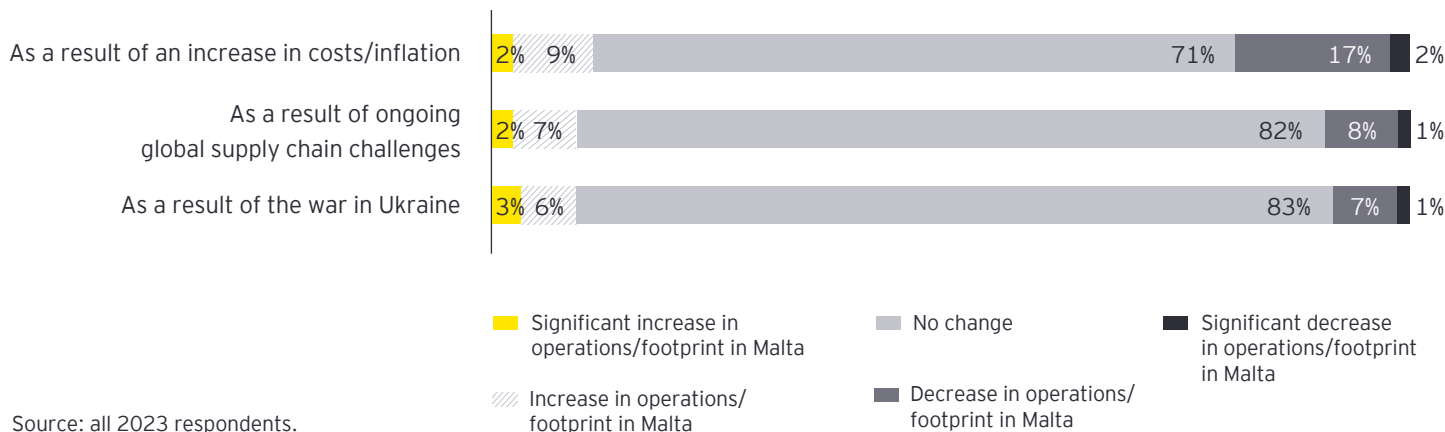
Impact of external factors on respondents' investment plans in Malta



Source: all 2023 respondents.

**Figure 31**

Impact of external factors on respondents' operations or geographical footprint in Malta



Source: all 2023 respondents.

# Future

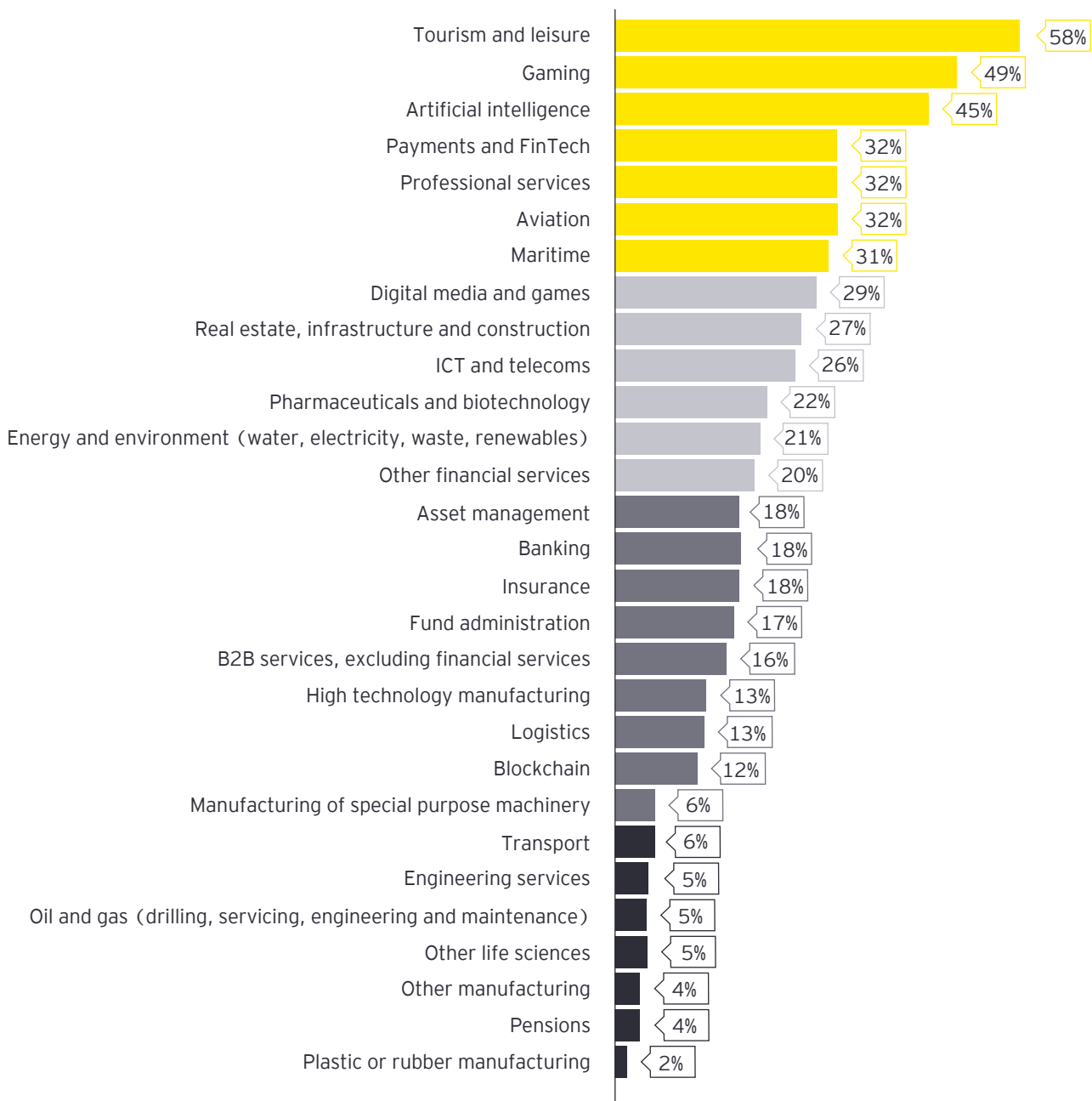
**Over the next five years, investors believe that Malta's prominent business sectors will be tourism and leisure, gaming and artificial intelligence.**

The top three business sectors that respondents believe will drive Malta's growth over the next five years have remained consistent with previous years.

Tourism and leisure, which saw a 7% increase over last year, remains in first place at 58% reaching proximity to 2019 levels. The next most cited sectors were gaming at 49% and artificial intelligence at 45%. Aviation, and payment and FinTech are tied in fourth place at 32% each.

**Figure 32**

Leading business sectors over the next 5 years



Source: all 2023 respondents.



77%

of respondents anticipated sustainability and automation to accelerate in the next three years.

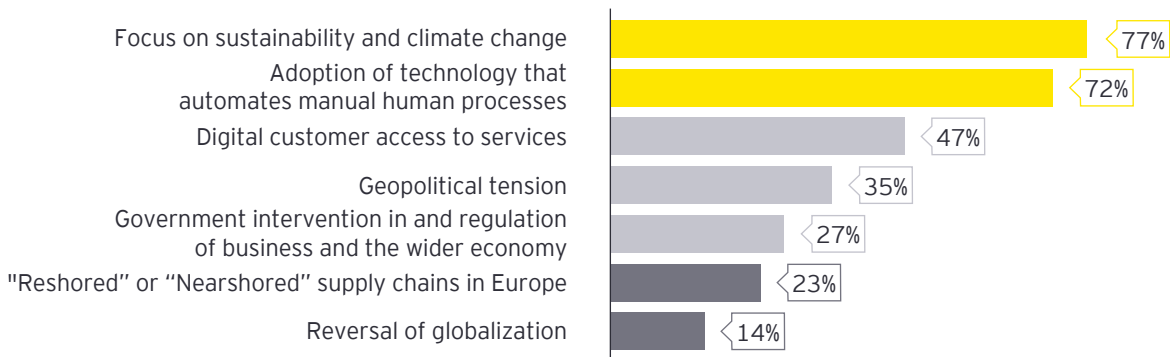
**Sustainability and automation are expected to increase in focus over the coming three years, as geopolitical concerns recede.**

Sustainability and climate change continue to be at the forefront of expected trends, with a notable 77% of respondents anticipating acceleration in the next three years. This focus is complemented by a substantial rise in the expectation for technology adoption that automates human processes, now at 72%, representing a significant 24% point increase from the previous year.

This shift underscores the growing emphasis and mainstream integration of AI and large language models (LLMs) in automating tasks. Despite the substantial increase in these areas, geopolitical tension, a previously top concern, has seen a 16% decrease to 35% this year, indicating a shift in focus.

**Figure 33**

Trends expected to accelerate most in the next three years



Source: all 2023 respondents.



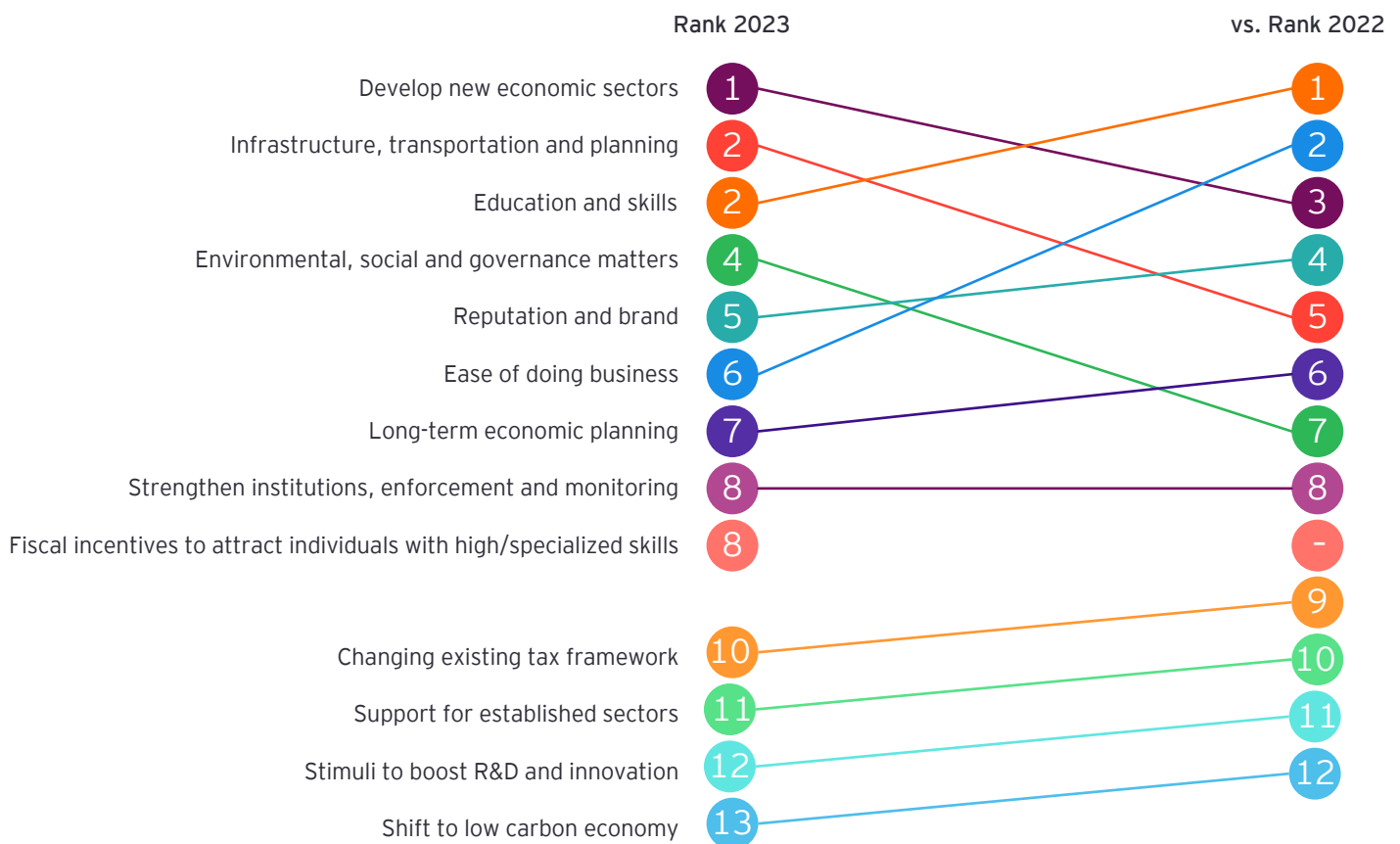
**The top priority to remain globally competitive is developing new economic sectors, followed by both planning and transportation infrastructure, and education and skills.**

Investors emphasize the importance of developing new economic sectors as a top priority for maintaining global competitiveness. This year, it has moved to first place, highlighting the need for a renewed focus on diversifying Malta's economic landscape. The push toward new sector development is accompanied by a clear need for improved

infrastructure, including transportation and planning, which have moved up to hold joint second place. Meanwhile, education and skills, while still deemed crucial, have moved to joint second place after ranking first last year. This shift highlights a balanced approach, where investors see the need for Malta to advance in multiple areas simultaneously. They recognize the vital role of broad development, including infrastructure and skills enhancement alongside sectoral expansion, in reinforcing Malta's position in a continually changing global environment.

**Figure 34**

Priorities to remain globally competitive



Source: all 2022-23 respondents.

# Sustainability

**A quarter of companies believe Malta's environment is critical to their investment strategies, while half believe it is somewhat important.**

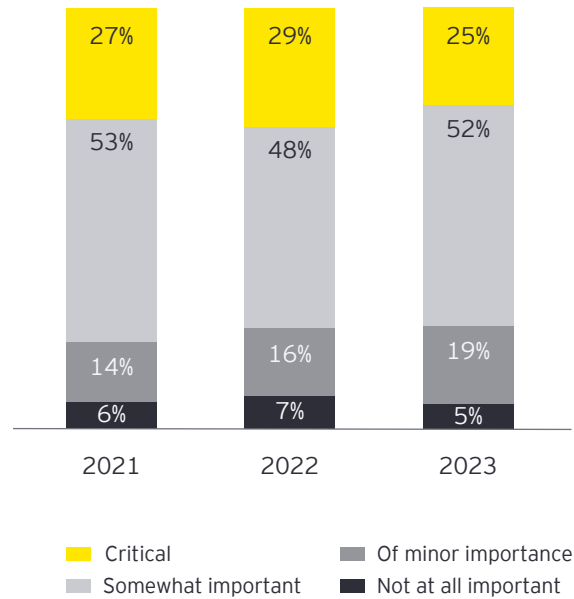
With a 4% decrease over the previous year's results, 25% (29% in 2022) believe that Malta's environmental sustainability is critical for their investment strategies, while more than half view it as somewhat important (52%).

**More than half of FDI companies are integrating ESG into their company's investment strategy with the majority indicating it is important...**

The majority of respondents indicate that ESG is important to their company's investment strategy to some extent (39%), with an additional 27% agreeing that ESG is important to a large extent. Twenty-four percent indicated that ESG is only important to their company's investment strategy to a little extent.

**Figure 35**

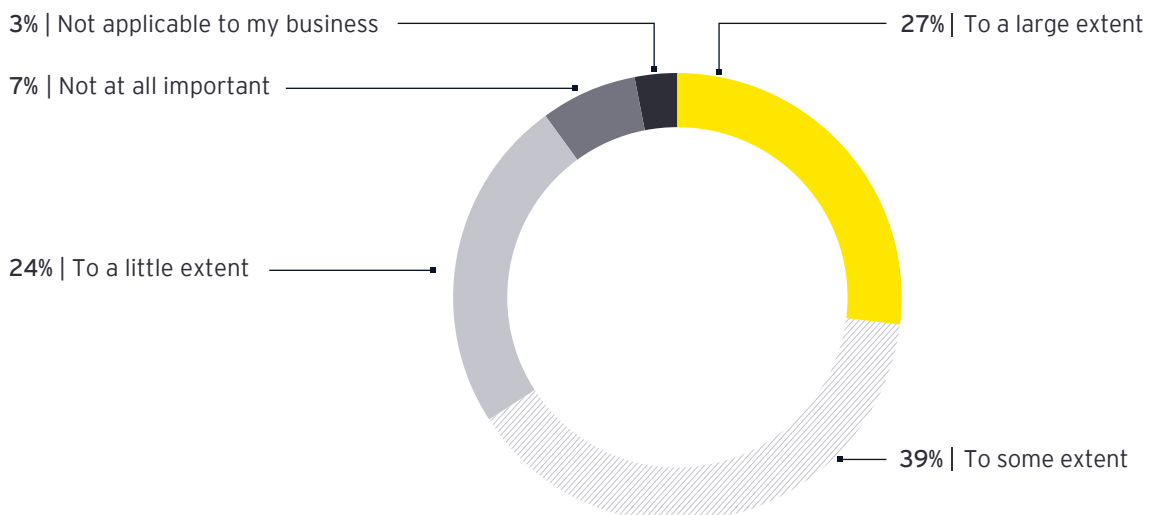
Importance of Malta's environment and sustainability to investment strategies



Source: all 2021-23 respondents.

**Figure 36**

Importance of ESG to respondents' investment strategies



Source: all 2023 respondents.

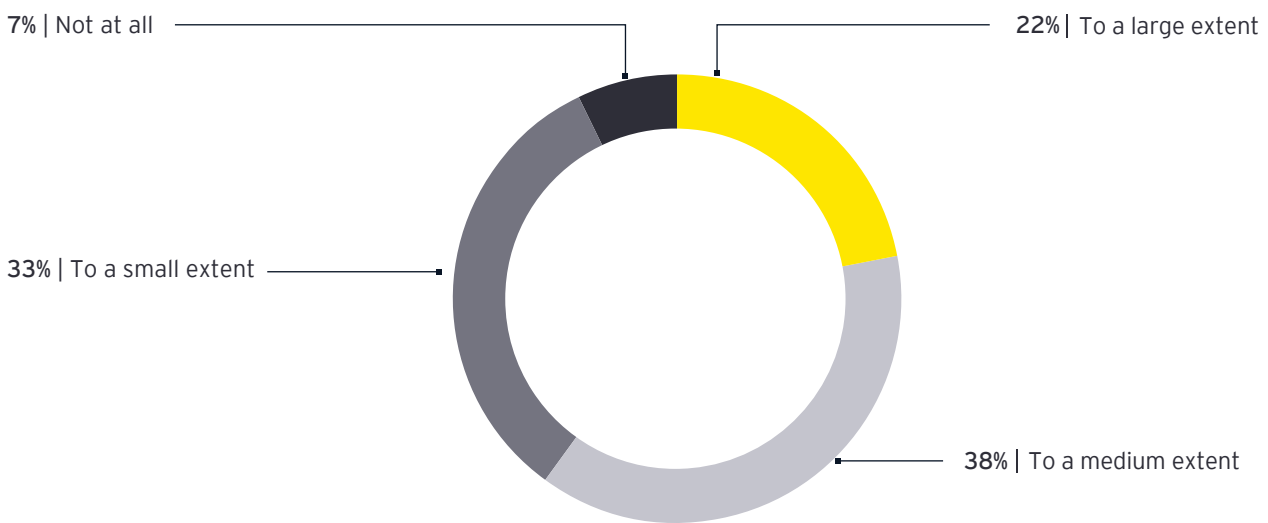
**...but skills may be a limiting factor, with one-third of companies believing that ESG-related skills may be lacking.**

While 22% confidently state that they have, to a large extent, the required ESG-related skills among their talent pool, an additional 71% claimed that they only possess these skills to a small or medium extent.

Respondents expect the demand for ESG related skills to rise over the next three years. Sixty-two percent of companies believe their employees will need further ESG-specific skills to a medium and large extent. A further 32% believe this will be needed to a small extent, with only 7% reporting no need for these skills at all.

**Figure 37**

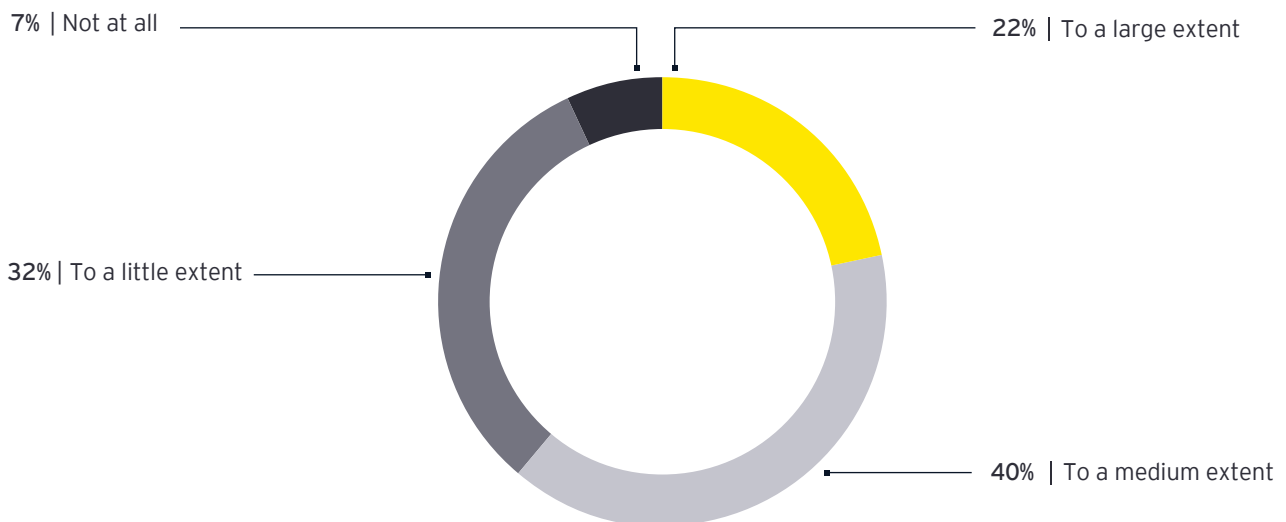
Skills to progress the ESG agenda



Source: all 2023 respondents.

**Figure 38**

Demand for ESG skills in the next three years



Source: all 2023 respondents.

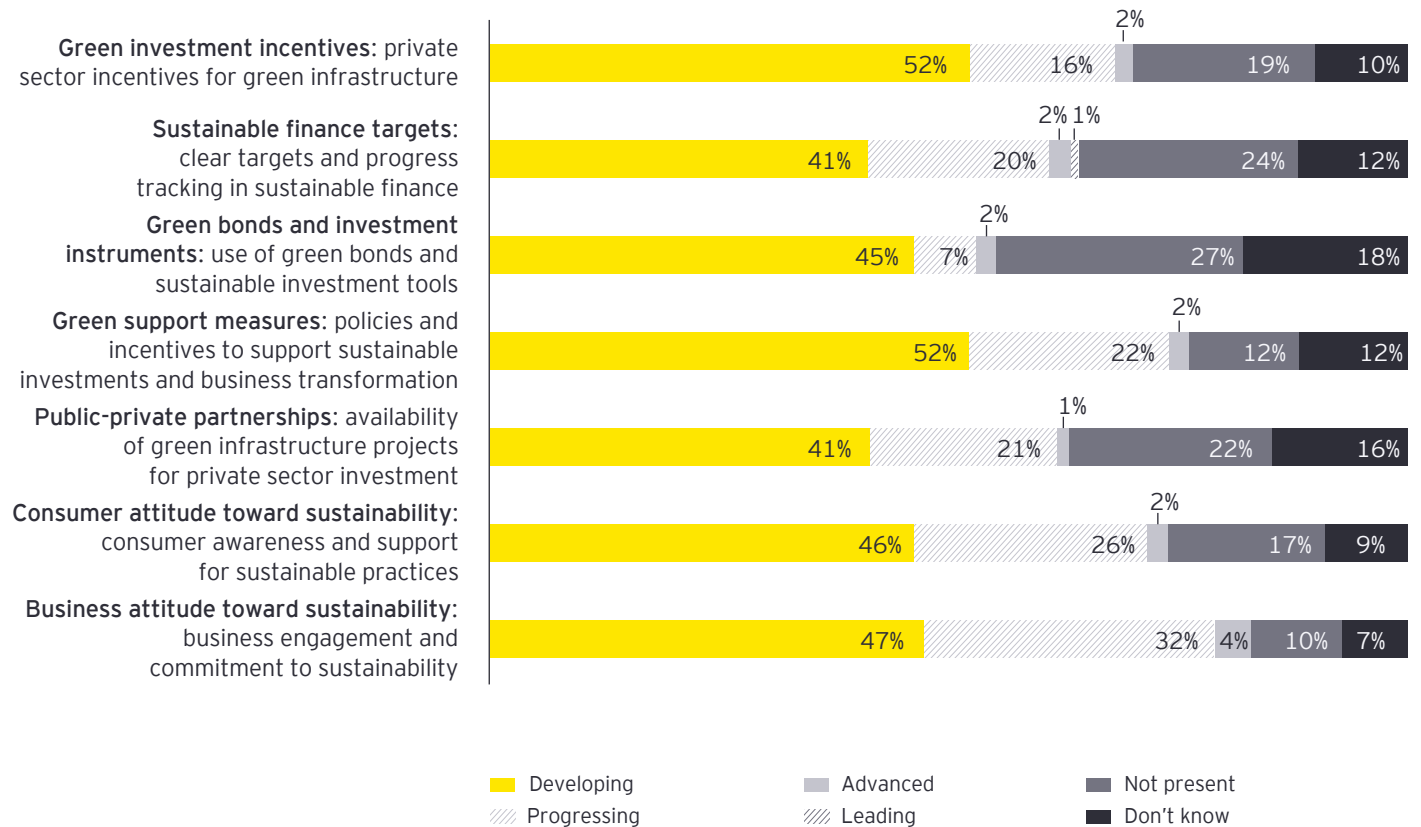
**The majority of respondents believe that many sustainability factors are at a developing stage in Malta, with the second-most popular opinion being that these factors are progressing.**

The respondents' perception of Malta's rank across a number of sustainability factors shows that all factors listed are in a developing stage.

The sustainability factor with the highest positive ranking overall is business engagement and commitment to sustainability, followed by policies and incentives to support sustainable investments and business transformation. The lowest ranking is given to the use of green bonds and sustainable investment tools, followed by clear targets and progress tracking in sustainable finance.

**Figure 39**

Malta's progress in sustainability



Source: all 2023 respondents.



**Financial support and incentives through tax credits and grants remain crucial for Malta to enhance its sustainability ecosystem for investment purposes according to respondents.**

Respondents were asked to rank the sustainability areas Malta should concentrate on to attract FDI and, in line with last year, government financial assistance and incentives in the form of tax credits is at the top of their list. Furthermore, respondents have chosen environmentally friendly systems and infrastructure (including transport, waste, energy and water supply) as the next most cited parameter, and stricter environmental laws and enforcement in third place.

**Figure 40**

Focus areas to enhance sustainability ecosystem for investment purposes



Source: all 2022-23 respondents.

# Technology

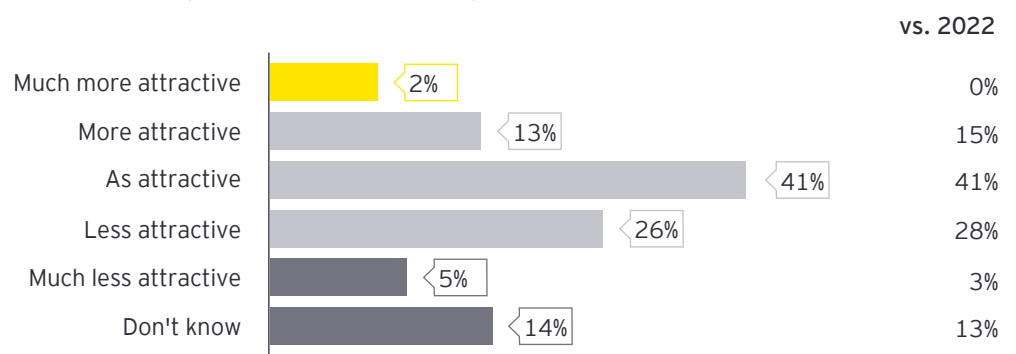
**Nearly half of investors believe that Malta is as attractive as other European countries in terms of technology-related factors, with more than one in 10 thinking it is more attractive in relative terms.**

Notwithstanding Malta's small size, 41% believe Malta is as attractive as other European countries in terms of technology related factors that influence investment. Twenty-six percent say it is less attractive and only 5% said it is much less attractive, while on the other hand, 13% of respondents think it is more attractive.



**Figure 41**

Malta's technology-related factors attractiveness compared with other European countries



Source: all 2023 respondents.

**The most important technology-related factor when choosing a country to invest in remains the availability of a workforce with technology skills. This scored so for the second year running.**

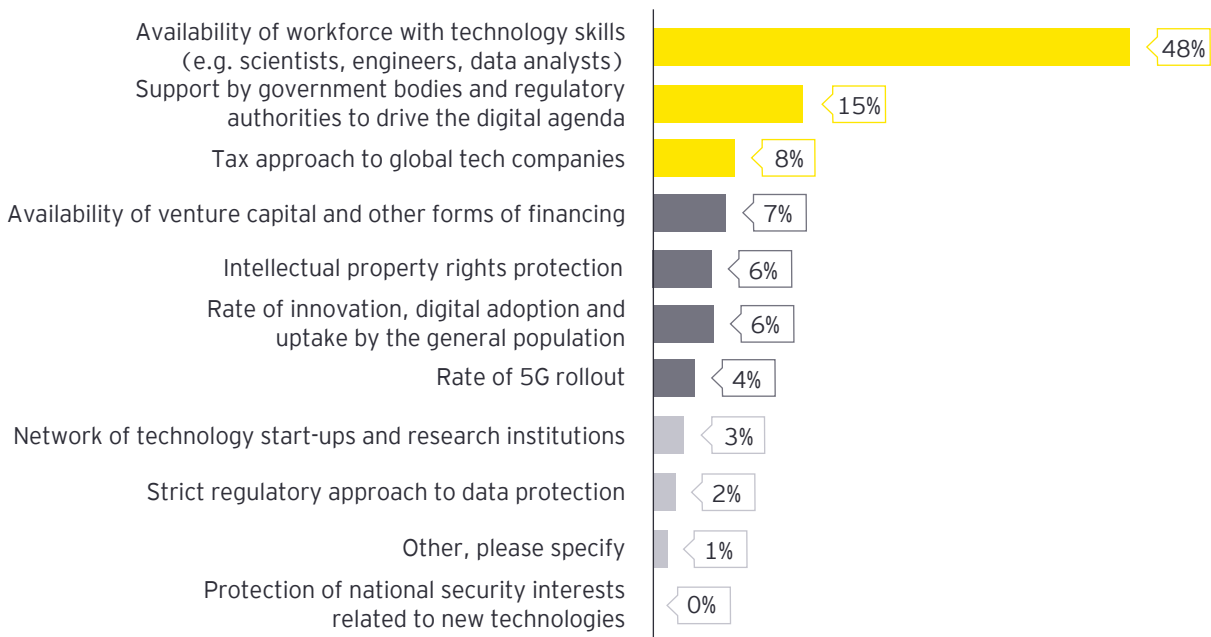
Nearly half (48%) of FDIs surveyed cite the availability of workforce with technology skills (e.g. scientists, engineers, data analysts) as the topmost technology related parameter needed by them when choosing a country to invest in. This is followed in their list of priorities by support from government bodies and regulatory authorities to drive the digital agenda.

This latter parameter was given top priority by 15% of respondents. These results are similar to the ones obtained in the 2022 MAS survey, showing the consistent need for and importance for a technologically savvy workforce to remain attractive for investment.

It is interesting to note that similarly in the latest European Attractiveness Survey (EAS) carried out early in 2023, the need for a greater emphasis on talent with technology skills when investing is also prevalent.

**Figure 42**

Most important technology priorities when choosing a country to invest in



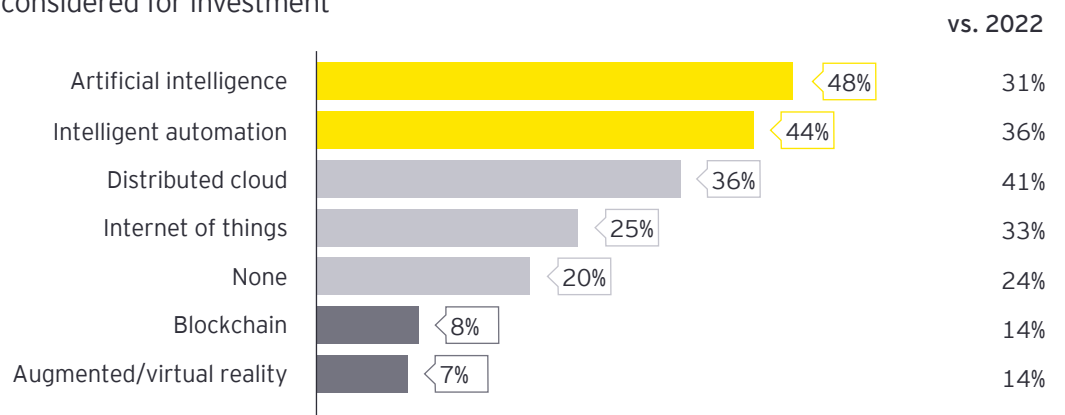
Source: all 2023 respondents and European Attractiveness Survey 2023 respondents.

**Artificial intelligence, intelligent automation, and the distributed cloud are the top three technologies being considered for investment.**

Respondents were asked which emerging technologies they are considering investing in. Artificial intelligence (48%) emerged on top, followed by intelligent automation (44%) and distributed cloud (36%), Internet of Things (25%), blockchain (8%), and augmented or virtual reality (7%).

**Figure 43**

Emerging technologies being considered for investment



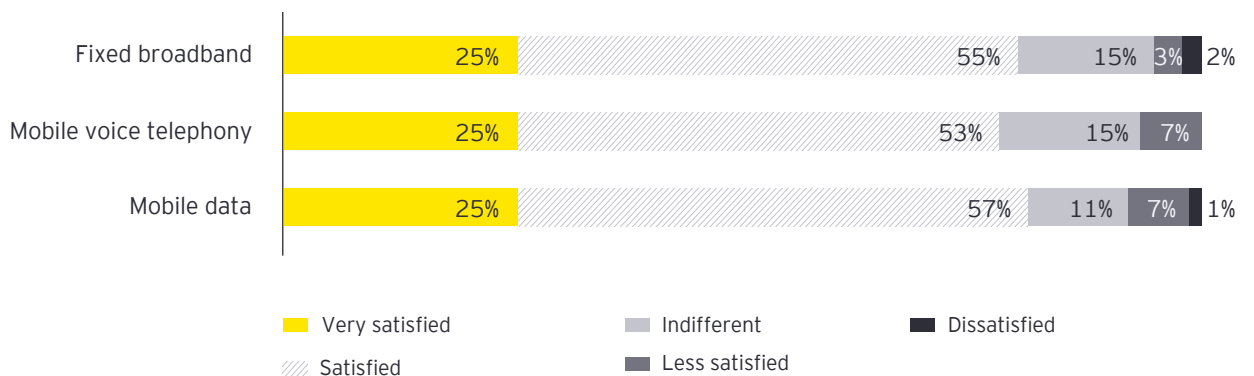
Source: all 2023 respondents.

**There is a continued high level of satisfaction for telecommunication services.**

Similar to previous editions, satisfaction levels are consistently high across the three surveyed telecommunications services provided in Malta. Mobile data ranked highest at 82%, followed by fixed broadband at 80% and mobile voice telephony closely followed at 78%.

**Figure 44**

Level of satisfaction with telecommunications services



Source: all 2023 respondents.



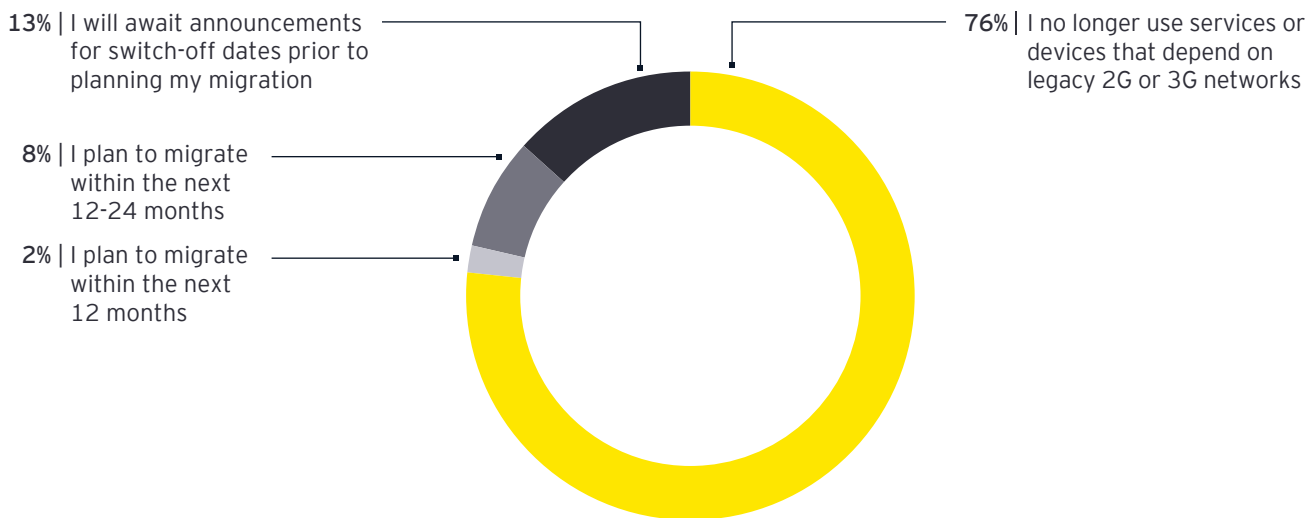
**The widespread adoption of 4G and 5G is enabling innovation and supporting the digital transformation of various sectors of society and the economy through new applications, services, and experiences.**

Slightly more than three quarters of respondents (76%) agree that they no longer use services or devices that depend on legal 2G or 3G networks.

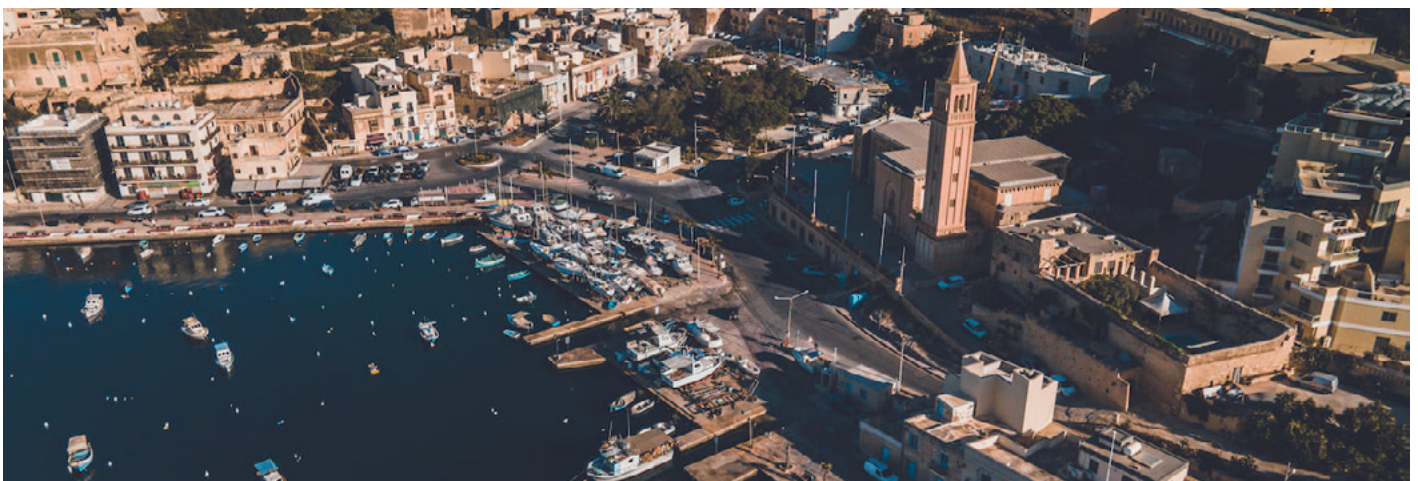
Thirteen percent of respondents will await announcements for switch-off dates prior to migrating to 4G and 5G, and 8% of respondents state they will migrate within the next two years.

**Figure 45**

Approach to 2G/3G technologies



Source: all 2023 respondents.



# Infrastructure

**Although all areas of infrastructure need investment, surveyed companies view the built and natural environment as the main factors that require investment for Malta to remain competitive for FDI, while a majority also think that our infrastructure development is inadequate for our population growth.**

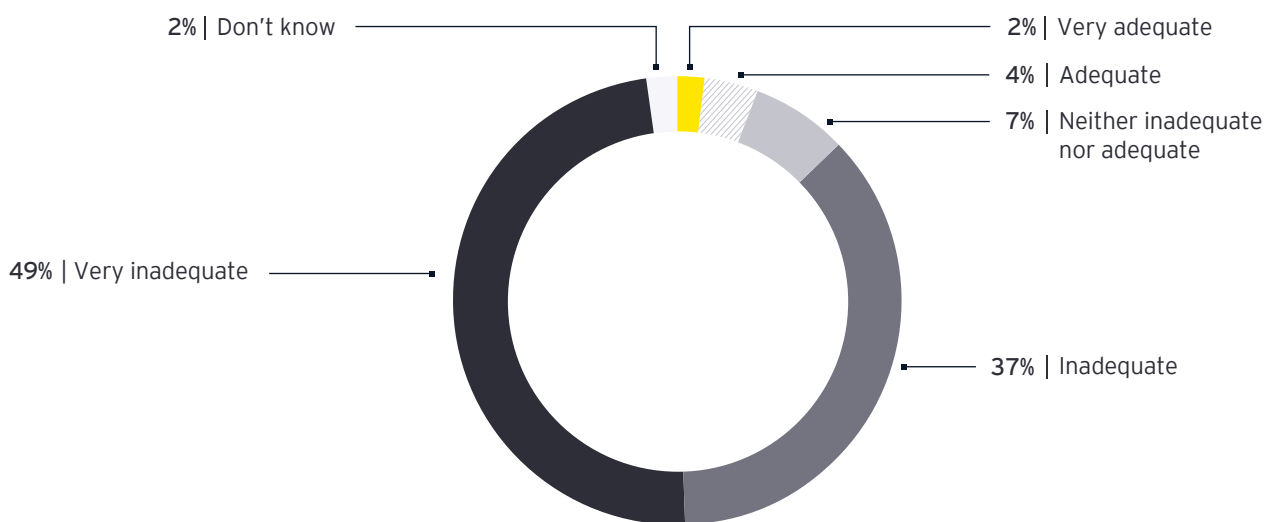
Eighty-eight percent of respondents consider Malta's planning and preparedness for population growth in terms of infrastructure development to be inadequate. This is split between 50% of respondents that consider this to be very inadequate and 38% that find it to be inadequate. Only 6% are positive about this parameter and find it to be adequate.

Hence, it is clear that prioritizing certain areas for investment may be the key to maintaining and improving Malta's attractiveness to investors. The state of the built environment and of the natural environment were chosen to be the most important with mass transportation in third place.



**Figure 46**

Malta's planned infrastructure for population growth



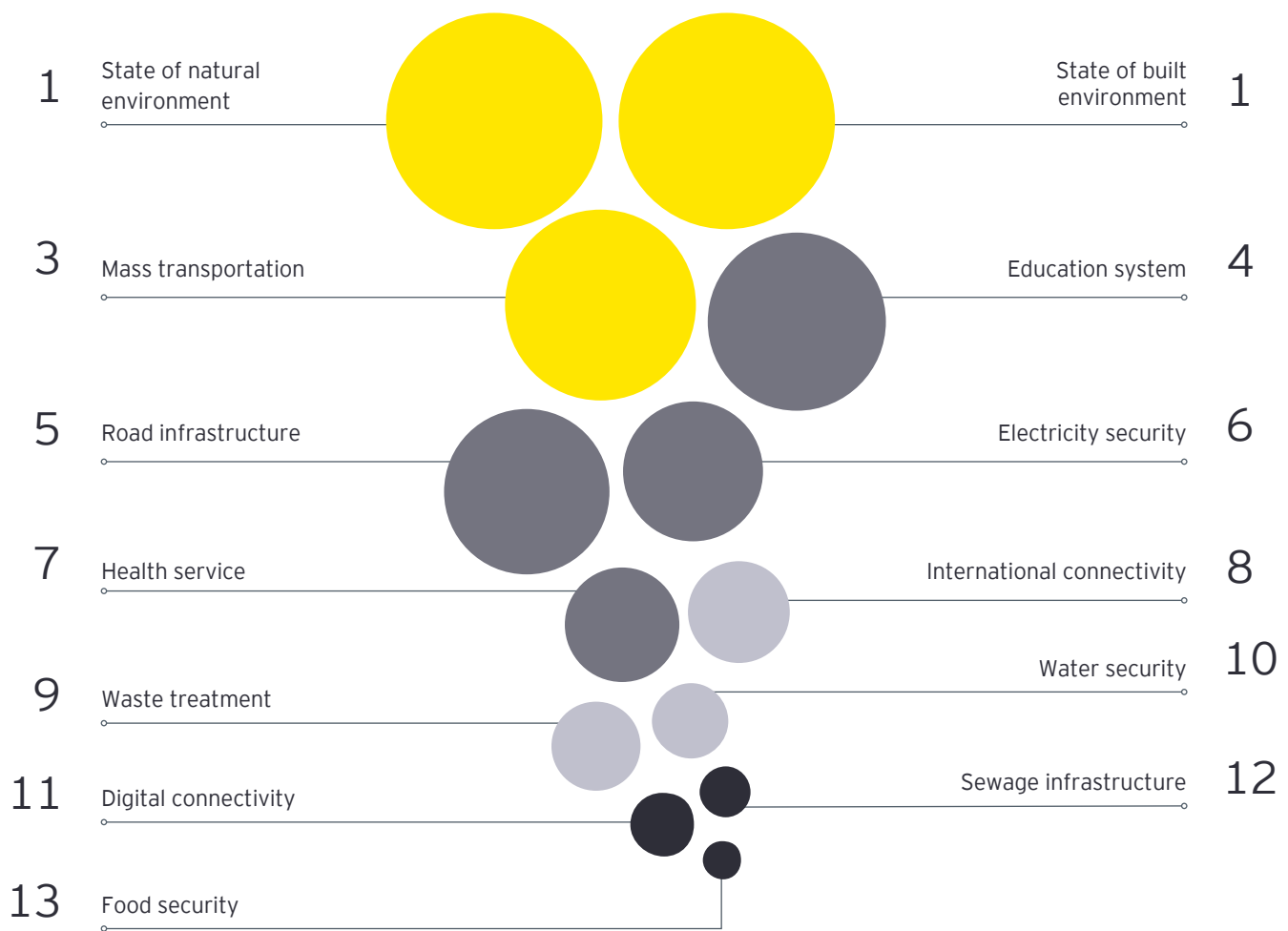
Source: all 2023 respondents.

When analyzing the ranking given, respondents stated investments in the natural environment as their highest priority, closely followed by investments in the built environment. Investments in our transport infrastructure ranked third in terms of importance, with respondents including it in their top priorities for Malta's infrastructure.

It is noted that, although mentioned by a number of respondents, investments in our digital connectivity, sewage infrastructure and food security seem to be of least concern to survey respondents and rank in the bottom three places.

**Figure 47**

Infrastructure priorities for Malta to remain attractive



Source: all 2023 respondents.

# Skills

**Nearly half of companies have increased recruitment actions in the past year, with a number investing in upskilling and re-skilling.**

Two years on from the COVID-19 pandemic, 48% of companies reported increasing recruitment efforts which is down 10ppts from 2022 levels. This tallies with a counterpart rise in reported reduced recruitment actions from last year.

Furthermore, companies are giving greater focus to re-skilling, particularly in technical skills (32%) and soft skills (24%).

Meanwhile, more than one-third of companies surveyed have adopted a hybrid approach (38%) as a mode of working.

**Figure 48**

## People and recruitment actions



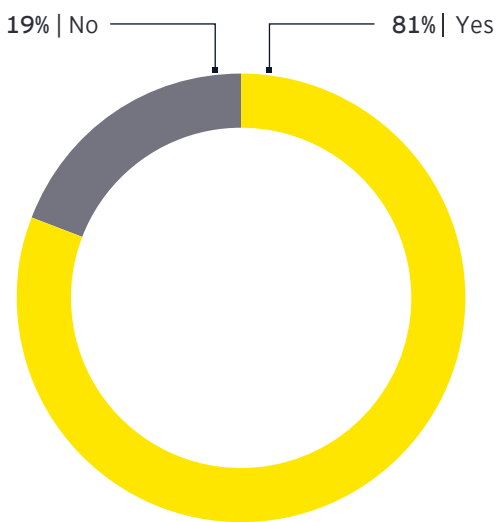
Source: all 2023 respondents.

**Companies' ability to retain specialized personnel has remained high and in line with the previous year and pre-pandemic levels.**

The ability for companies to retain specialized personnel has remained relatively constant over the years. There is an improvement in this parameter this year of 5% over last year's result, with 81% managing to retain specialized personnel in 2023.

**Figure 49**

Retaining specialized personnel



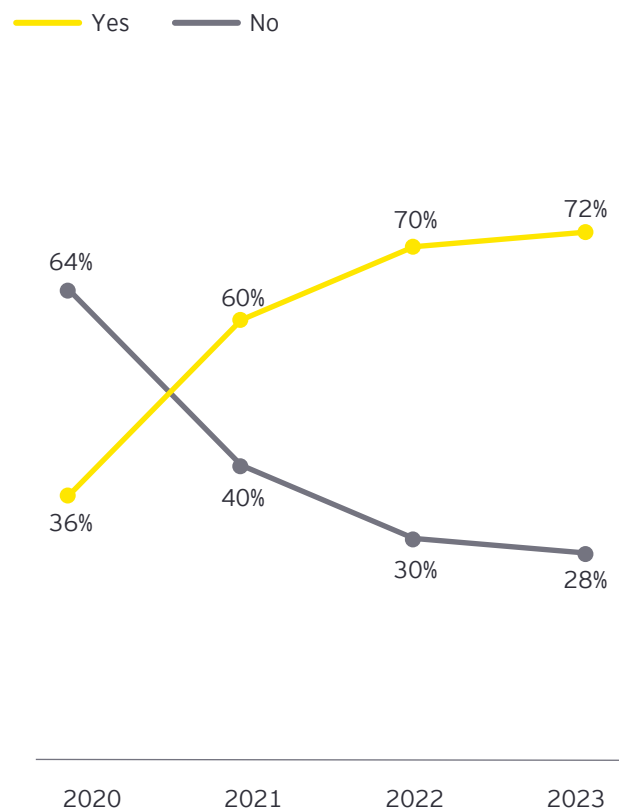
Source: all 2023 respondents.

**Companies looking to recruit people with specialized skills continued...**

Over the last two years, there has been a greater drive for recruitment, with 72% of companies reporting being in the market for people with specialized skills, rising very marginally over the previous year.

**Figure 50**

Recruiting people with specialized skills



Source: all 2020-23 respondents.

**... still, challenges to find the required specialized skills persist**

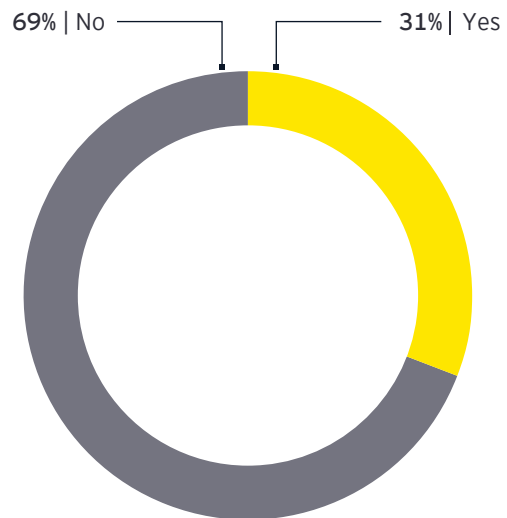
For a number of years, Malta's skill supply has been unable to keep up with the increasing demand for specialized (and other) skills. Sixty-nine percent of this year's cohort reported not being able to find the required specialized skills in the local labor market. This is slightly higher than the previous years' survey results (66%).

**A majority of investors believe that to a large or some extent, Malta's skills-base makes the country an attractive place to invest...**

Twenty-three percent of investors believe Malta's skills-base makes the country an attractive place to invest to a large extent, and 44% say it does to some extent. A further 27% of respondents indicated it does to a little extent.

**Figure 51**

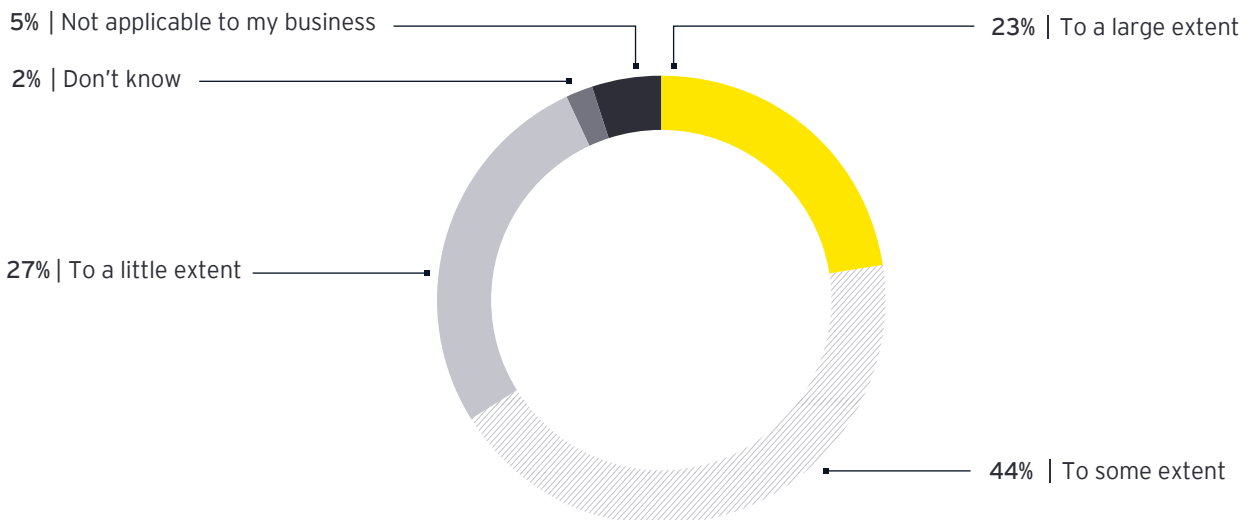
Finding the required specialized skills in the local labor market



Source: all 2023 respondents.

**Figure 52**

Malta's skills-base makes the country an attractive place to invest



Source: all 2023 respondents.

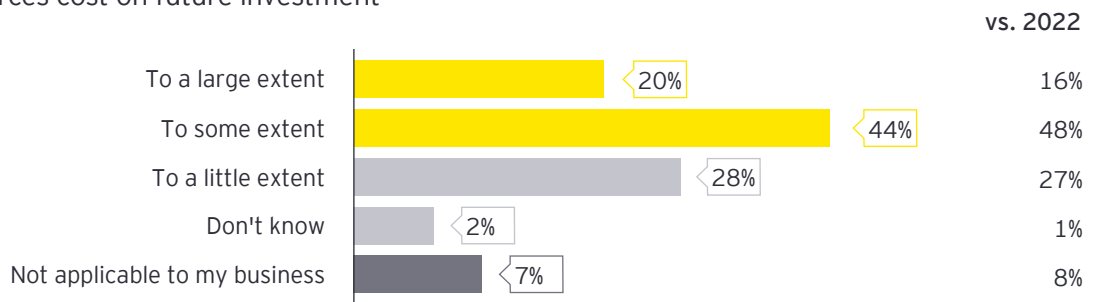
**... but rising labor costs may influence their plans to make further investments in the country.**

When asked if Malta’s labor costs influence their plans to make further investments in the country, 20% say that it does to a large extent (16% in 2022) and 44% say that it does to some extent (48% in 2022) while 28% report that it affects them to a little extent (27% in 2022).

Looking at the impact of labor costs on investors’ plans to remain in the country, 8% (11% in 2022) of respondents say rising labor costs have impacted these plans to a large extent, while an additional 43% (31% in 2022) believe they have affected their plans to some extent. A further 28% (38% in 2022) believe that labor costs have little influence on their plans to maintain their operations in Malta.

**Figure 53**

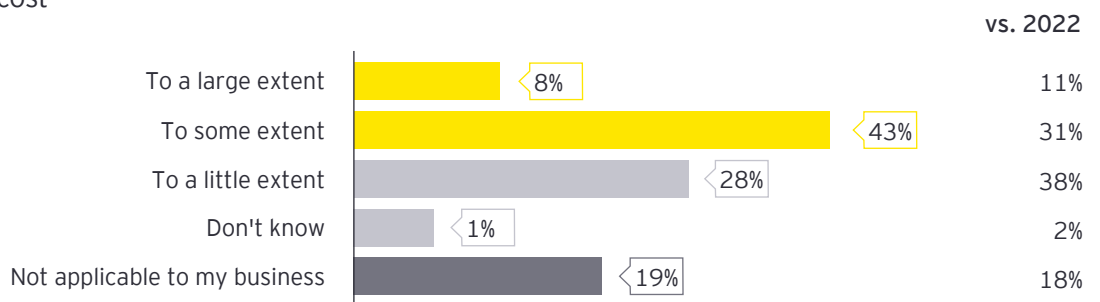
Influence of human resources cost on future investment



Source: all 2023 respondents.

**Figure 54**

Malta's human resources cost



Source: all 2023 respondents.

**Cost of housing and living is the top factor impacting the ability to recruit and retain talent from overseas, followed by competitive salaries within the local sector.**

Investors believe that the cost of housing and living is a significant factor impacting their ability to recruit and retain talent from overseas, with half (up 7% from last year) stating this has affected them to a large extent. An additional 32% believe this has influenced them to some extent (36% in 2022).

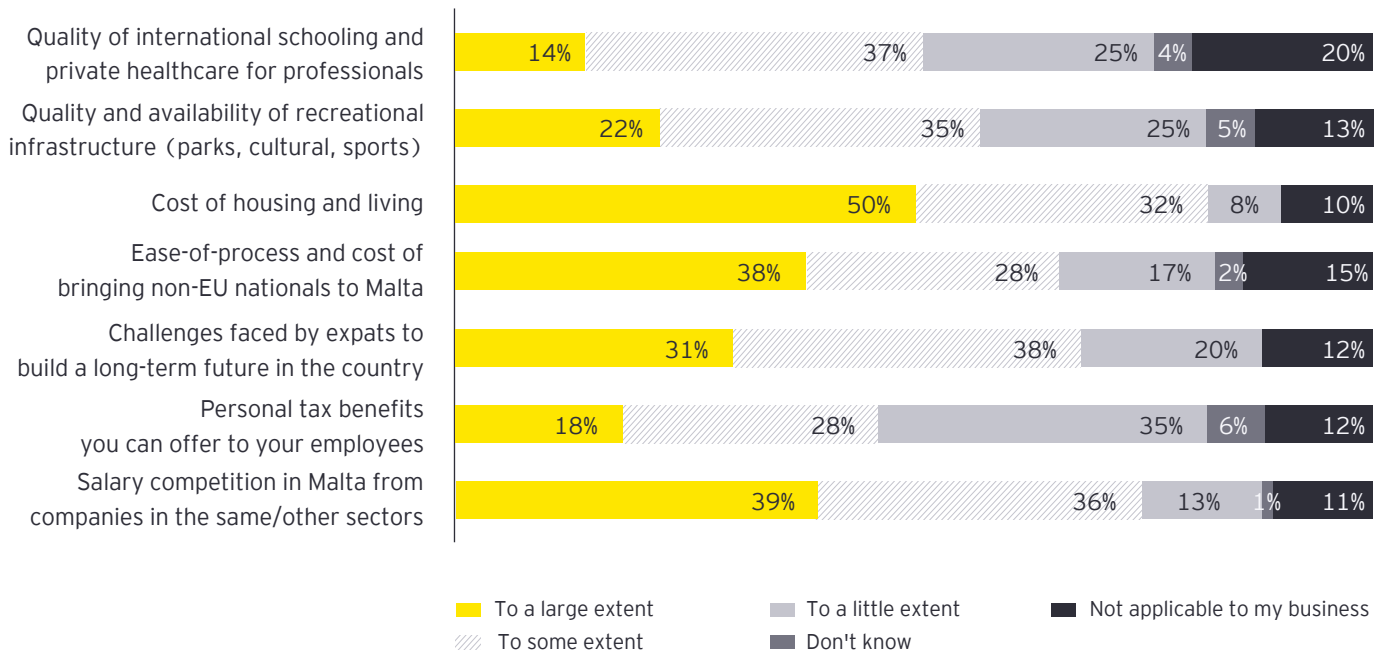
Another key factor is the level of competitive salaries available to individuals in the same sector once in Malta. While talent from overseas does supplement the local workforce, the overall human resource and skills pool remains limited.

This factor leads to organisations raising their levels of remuneration in a bid to attract talent away from other companies and improve retention. This is a further issue when considering that the ease-of process and cost of bringing non-EU nationals to Malta follows, with 38% of respondents stating that it has affected their ability to recruit and retain talent from overseas to a large extent.

While not as substantial as the other parameters mentioned above, the challenges faced by expats to build a long-term future in the country has affected almost one third of companies to a large extent.

**Figure 55**

Factors impacting ability to recruit and retain talent from overseas



Source: all 2023 respondents.



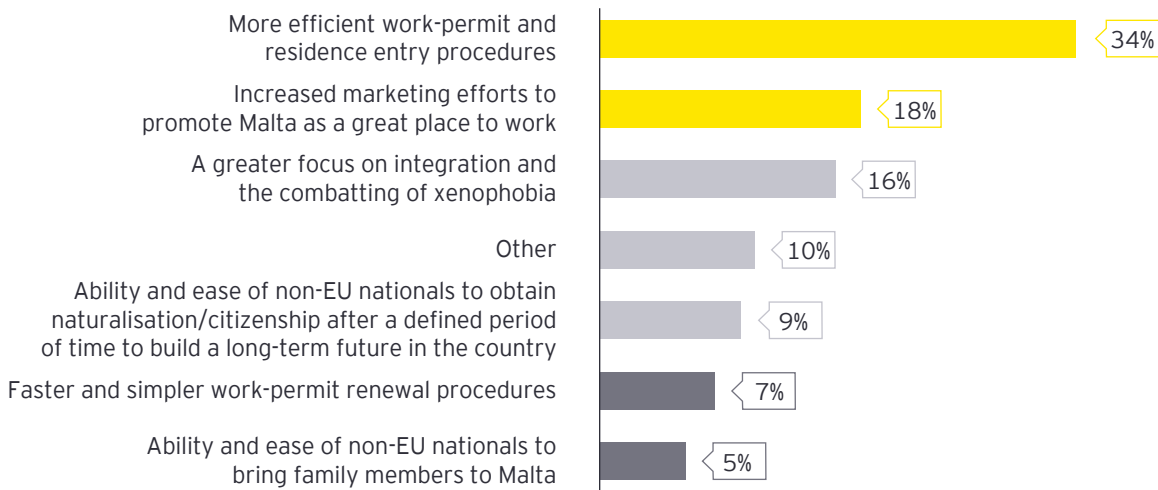
**For the second year in a row, the top priority to enhance the ability to recruit and retain talent from overseas is more efficient work-permit and residence entry procedures.**

Current investors are once again citing more efficient work permits as the topmost priority to support their efforts to recruit and keep talent from overseas. However, many respondents indicated witnessing relative improvements over the last couple of years in work permit efficiency, which is also helping them to alleviate some of their non-local recruitment and retention challenges.

Nearly one fifth of respondents (18%) believe that the topmost priority to help them attract and retain talent from overseas is a bigger push to market Malta as a place of work. This is closely followed by a greater focus on integration and the combatting of xenophobia. While these are smaller than the other parameters, it does indicate that if businesses are to meet their increasing demands for talent, the respondents' perceived improvements in recruitment related processes need to be complemented by the support of a culture change that presents Malta as welcoming to expats.

**Figure 56**

Top priority for Malta to enhance ability to recruit and retain talent from overseas



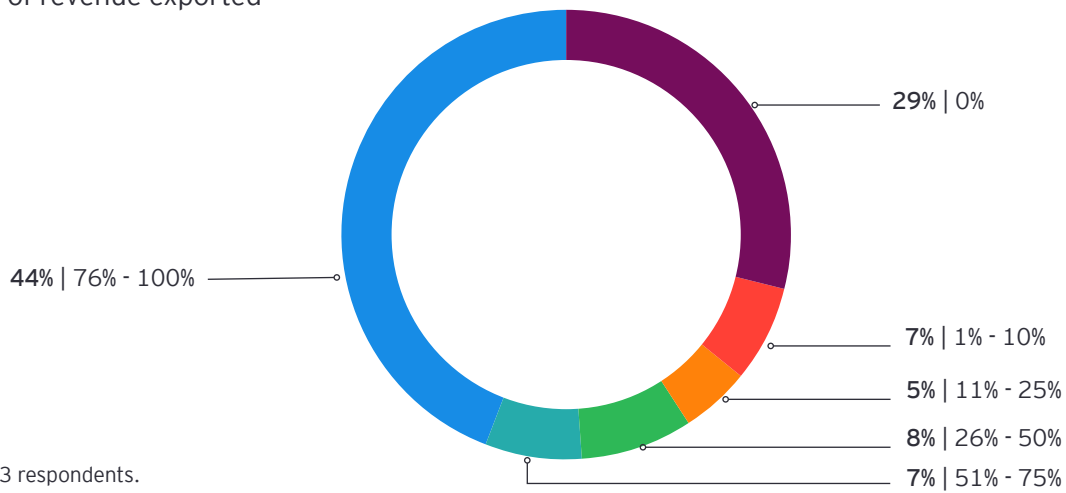
Source: all 2023 respondents.

# Methodology

A total of 130 existing FDI companies of investors responded to the EY survey conducted in July and August 2023.

**Figure 57**

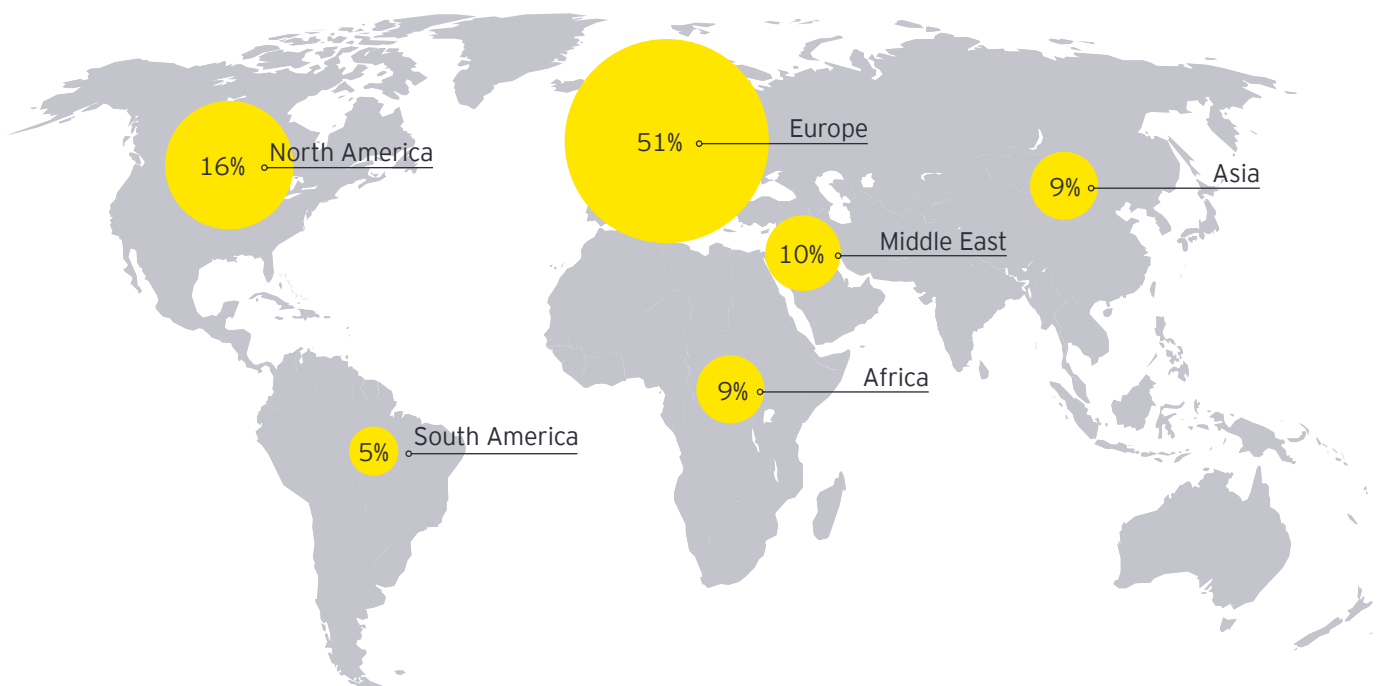
Percentage of revenue exported



Source: all 2023 respondents.

**Figure 58**

Key target markets



Source: all 2023 respondents.



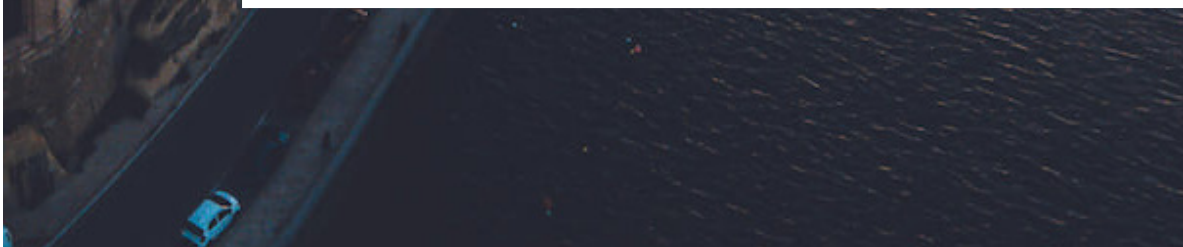
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By examining the attractiveness of a particular region or country as an investment destination, the EY Attractiveness surveys are designed to help businesses make investment decisions and governments remove barriers to growth.

A two-step methodology analyzes both the reality and perception of FDI in the country or region. Findings are based on the views of representative panels of international and local opinion leaders and decision-makers.

The program has a 21-year legacy and has produced in-depth studies for Europe, a large number of European countries, Africa, the Mediterranean region, India, Japan, South America, Turkey and Kazakhstan.

For more information, please visit:  
[ey.com/attractiveness](https://ey.com/attractiveness) #EYAttract



# EY contacts

## **Ronald Attard**

EY Central, Eastern and Southeastern Europe & Central Asia (CESA) Strategy and Transactions Leader, and Country Managing Partner at Ernst and Young Limited  
ronald.attard@mt.ey.com

## **Dr Robert Attard**

Tax Leader and Partner  
Ernst and Young Limited  
robert.attard@mt.ey.com

## **Grace Camilleri**

Strategy and Transactions Leader and Partner  
Ernst and Young Limited  
grace.camilleri@mt.ey.com

## **Kevin Mallia**

Consulting Leader and Partner  
Ernst and Young Limited  
kevin.mallia@mt.ey.com

## **Shawn Falzon**

Assurance Leader and Partner  
Ernst and Young Malta Limited  
shawn.falzon@mt.ey.com

## **Simon L. Barberi**

EU Consulting and Malta Attractiveness Program Director  
Ernst and Young Limited  
simon.barberi@mt.ey.com

## **Darin Pace**

Markets and Business Development Associate Director  
Ernst and Young Limited  
darin.pace@mt.ey.com

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