

Republic of Malta

Rating report

Rating rationale

A robust economic momentum and strong growth potential relative to European peers. Malta's robust economic growth is driven by very dynamic consumption, benefiting from a strong labour market, rising real incomes and supportive fiscal policy. The economy also benefits from dynamic export sectors, particularly in tourism and other services, and a favourable tax regime that attracts foreign corporates. Growth is projected to moderate but remain significantly above the peer average. A key challenge will be to rebalance the Maltese economy away from a labour-driven growth model towards higher productivity gains and greater capital intensity.

A record of fiscal prudence and moderate government debt. Robust economic performance and strong tax receipts underpin the projected reduction of fiscal deficits, despite pressures on current spending. Malta has a solid track record of prudent fiscal management and is expected to exit the EU's Excessive Deficit Procedure this year. General government debt is projected to decline steadily over coming years, edging below 40% of GDP by 2031, supported by strong nominal growth, an improving primary balance and contained interest costs.

A strong external position and banking sector enhance resilience to shocks. Malta benefits from a robust external performance anchored by export-oriented sectors and a sustained current account surplus. The Maltese economy displays little direct exposure to ongoing international trade tensions. External risks linked to Malta's small, open economy are further mitigated by euro area membership and a large external creditor position. Malta's banking sector benefits from robust capitalisation, liquidity and profitability metrics, further supporting the economy's shock-absorption capacity.

Rating challenges include: i) an externally dependent and resource-constrained economy, which presents risks to the stability and sustainability of the growth model; ii) fiscal risks stemming primarily from energy subsidies, an unfavourable demographic outlook, and government guarantees issued to state-owned enterprises; and iii) persistent institutional challenges and lower governance metrics relative to rating peers.

Figure 1: Malta's sovereign-rating drivers

Risk pillars		Quantitative		Reserve currency	Political risk	Qualitative	Final rating		
		Weight	Indicative rating					Notches	Notches
Domestic economic risk		35%	bbb+	EUR	Malta	0	A+		
Public finance risk		25%	aa			0			
External economic risk		10%	aaa			0			
Financial stability risk		10%	a-			0			
ESG risk	Environmental factors	3%	a			[+1]		[-0]	- 1/3
	Social factors	3%	aaa						0
	Governance factors	14%	a-	- 1/3					
Sovereign Quantitative Model*		aa-			-1				
Additional considerations					0				

*Scope's Sovereign Quantitative Model (SQM) signals an indicative credit rating of 'aa-' for Malta which was approved by the rating committee. For details, please see Scope's [Sovereign Rating Methodology](#).

Foreign currency

Long-term issuer rating/Outlook

A+/Stable

Senior unsecured debt/Outlook

A+/Stable

Short-term issuer rating

S-1+

Local currency

Long-term issuer rating/Outlook

A+/Stable

Senior unsecured debt/Outlook

A+/Stable

Short-term issuer rating

S-1+

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Table of contents

[Rating analysis](#)

[Appendix 1. Debt sustainability analysis](#)

[Appendix 2. Rating peers](#)

[Appendix 3. Economic development and default indicators](#)

[Appendix 4. Statistical table for selected SQM indicators](#)

Credit strengths and challenges

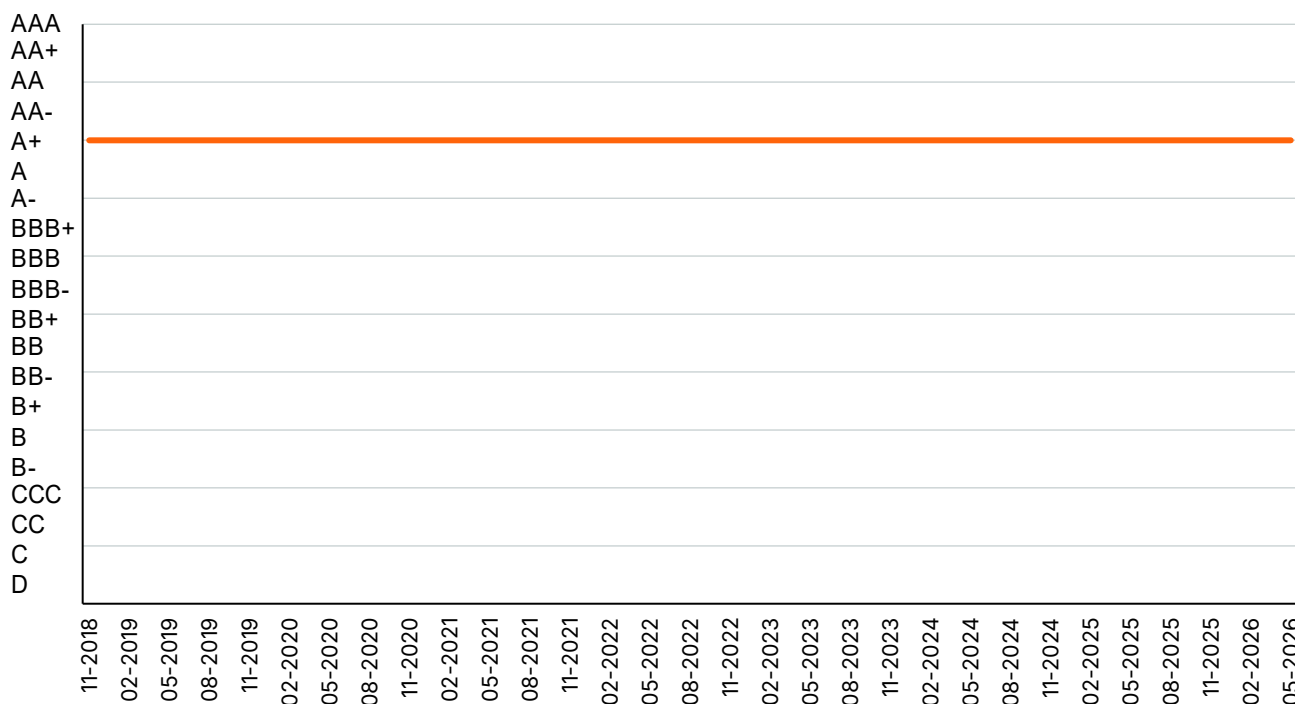
Credit strengths	Credit challenges
<ul style="list-style-type: none"> Robust economic momentum, strong growth potential Record of prudent fiscal management, improving fiscal balance moderate debt Resilient external and financial sectors 	<ul style="list-style-type: none"> Externally dependent, resource-constrained economy High contingent fiscal risks Lingering institutional shortcomings

Outlook and rating triggers

The **Stable Outlook** reflects the view that risks for the ratings are balanced.

Positive rating-change drivers	Negative rating-change drivers
<ul style="list-style-type: none"> Structural reforms support economic diversification and resilience Fiscal consolidation results in a faster-than-anticipated decline in the public debt-to-GDP ratio 	<ul style="list-style-type: none"> Structural deterioration in growth prospects Significant weakening in fiscal outlook Institutional fragilities re-emerge and pose a threat to economic attractiveness

Figure 2: Rating history



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

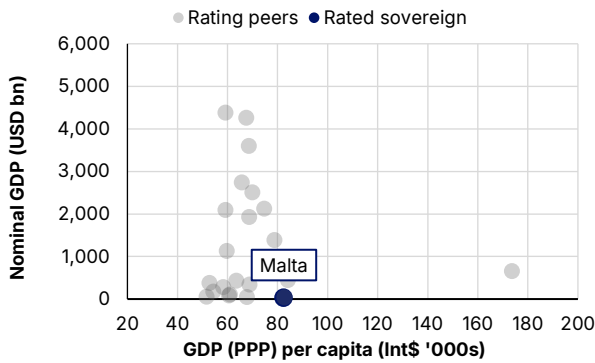
Rating analysis

Domestic economic risk

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

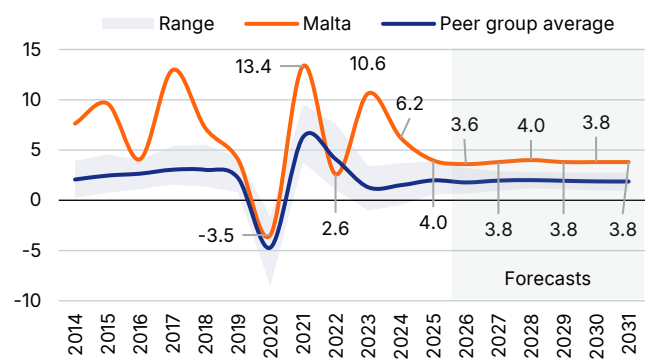
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bbb+	Growth potential and outlook	Strong	1/3	High growth potential, high growth sectors and strong labour markets
	Monetary policy framework	Neutral	0	ECB is a highly credible and effective central bank
	Macroeconomic stability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

Figure 3: Nominal GDP and GDP per capita (2026E)



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

Figure 4: Real GDP growth, %



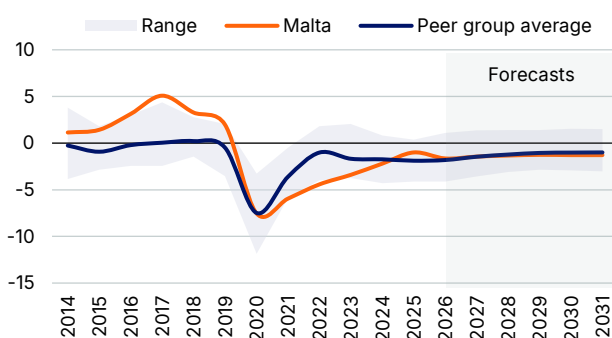
Source: IMF WEO, Scope Ratings forecasts

Public finance risk

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

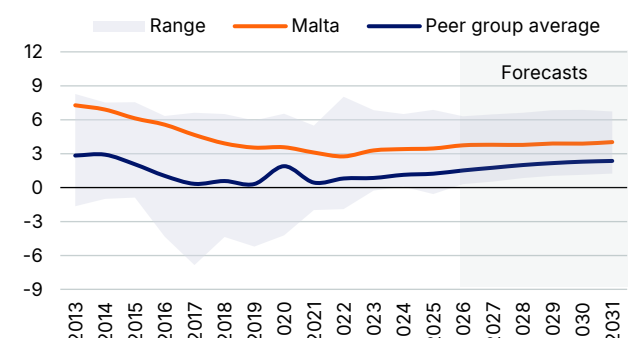
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa	Fiscal policy framework	Neutral	0	Good record of prudent fiscal management; decreasing deficits reflecting gradual fiscal consolidation
	Long-term debt trajectory	Neutral	0	Declining debt trajectory over the medium term;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

Figure 5: Primary balance, % of GDP



Source: IMF WEO forecasts, NSA Malta, Scope Ratings

Figure 6: Net interest payments, % of government revenue



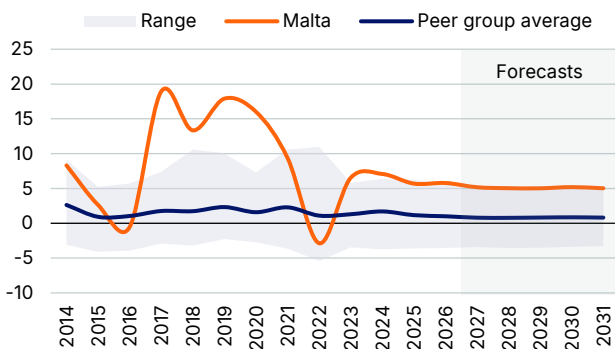
Source: IMF WEO forecasts, Scope Ratings

External economic risk

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

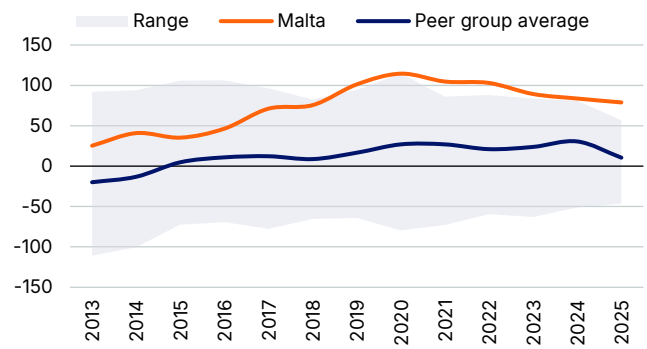
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Current account resilience	Neutral	0	Small, open economy exposed to volatility; current account surpluses underpinned by competitive services export sectors
	External debt structure	Neutral	0	Large external liabilities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

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

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



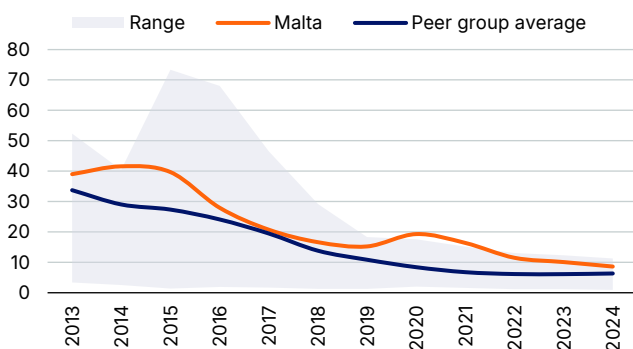
Source: IMF, Scope Ratings

Financial stability risk

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

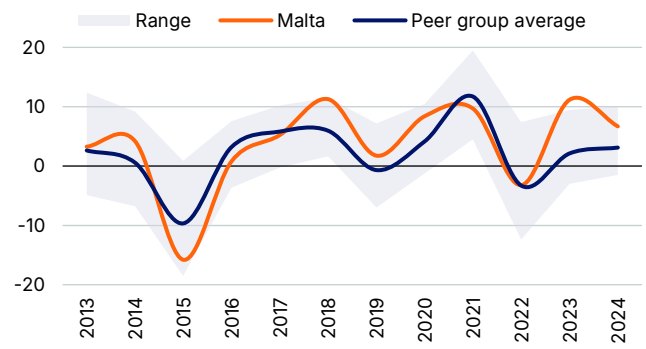
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a-	Banking sector performance	Neutral	0	Profitable and well-capitalised banking sector
	Financial sector oversight and governance	Neutral	0	Historical shortcomings in supervision though reforms to enhance oversight have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

Figure 9: Non-performing loans net of provision, % of capital



Source: IMF, Scope Ratings

Figure 10: Private sector credit growth, %



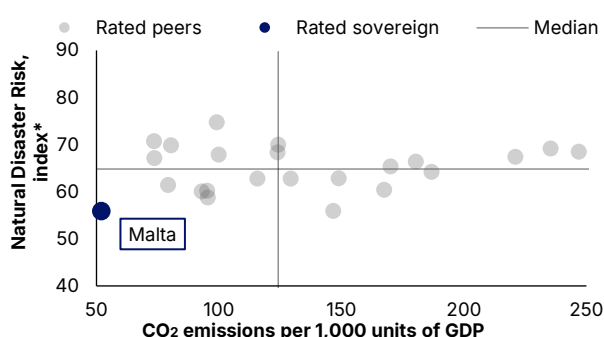
Source: World Bank (WB), Scope Ratings

Environmental, Social and Governance (ESG) risk

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

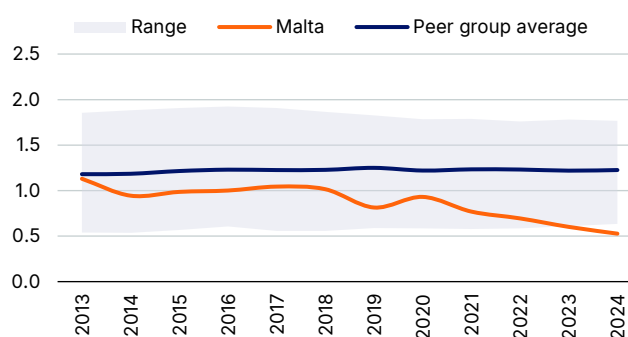
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a	Environmental factors	Weak	- 1/3	Low carbon emissions per capita, but dominance of fossil fuels; higher vulnerability to climate risks given water-scarcity, relatively limited potential for cost-effective renewable energy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

Figure 11: Natural disaster and transition risks



Source: European Commission, Notre Dame Global Adaptation Initiative, Scope Ratings
 *Higher scores indicate lower vulnerability to physical risks. Median of SQM peers.

Figure 12: Governance, index score*



Source: World Bank (WB), Scope Ratings
 *Mean of the WB estimates for Control of Corruption, Government Effectiveness, Regulatory Quality, and Rule of Law.

Reserve-currency adjustment

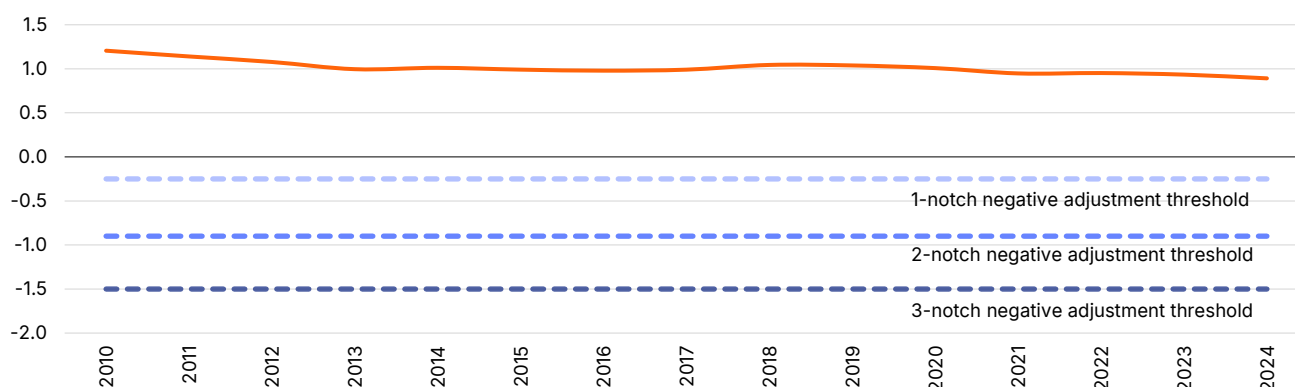
IMF SDR basket and Scope reserve-currency adjustment

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

Source: IMF, Scope Ratings

Political-risk adjustment

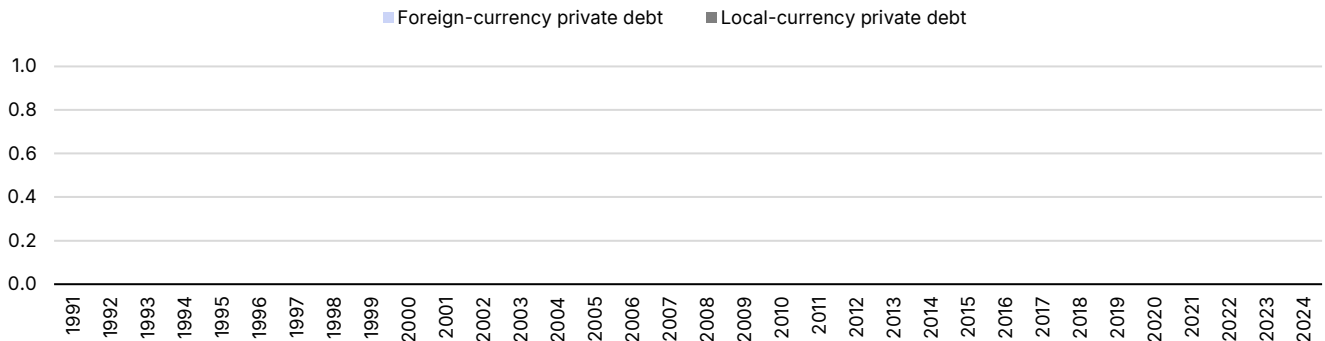
Figure 13: WB Political Stability & Absence of Violence/Terrorism index, Malta, three-year moving average



Source: WB, Scope Ratings

Sovereign default history and applicability of the default cap

Figure 14: Sovereign default history, USD bn



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

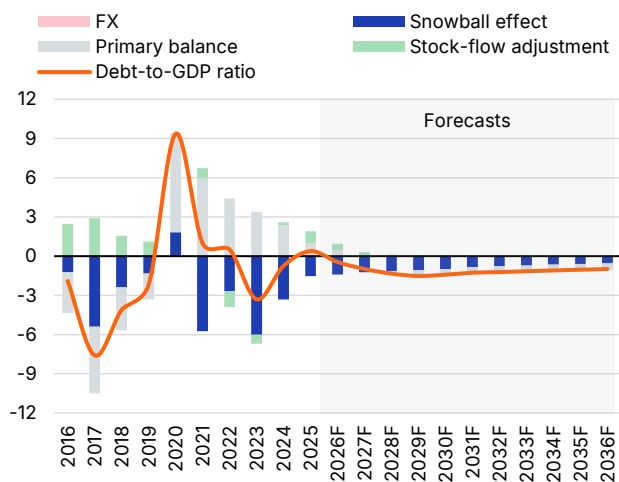
In view of the absence of a recent episode of default, the rating committee did not apply a cap to the indicative SQM rating.

Additional considerations

No adjustment was applied to the rating from additional considerations.

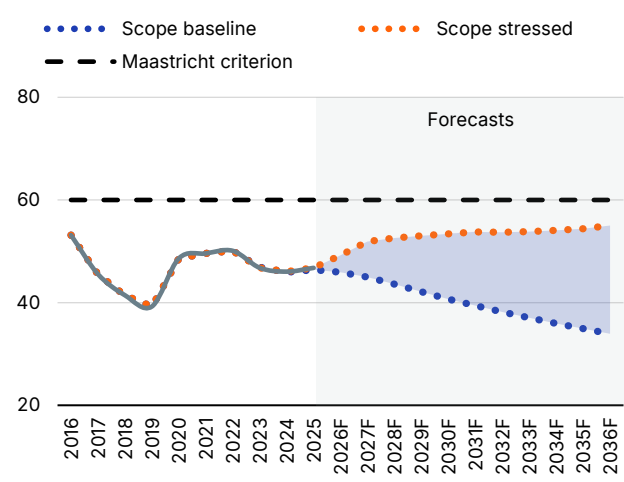
Appendix 1. Debt sustainability analysis

Figure 15: Contributions to change in debt-to-GDP ratio
pps of GDP



Source: IMF WEO, Scope Ratings forecasts

Figure 16: Debt-to-GDP forecasts
% of GDP



Source: IMF WEO, Scope Ratings forecasts

Scope DSA Baseline, % of GDP (unless stated otherwise)

	2025E	2026F	2027F	2028F	2029F	2030F	2031F	avg. 2032F-2036F
Real GDP growth (%)	4.0	3.6	3.8	4.0	3.8	3.8	3.8	3.8
Deflator (%)	2.2	2.6	2.3	2.1	2.1	2.1	2.1	2.1
Primary Balance	-1.0	-0.4	0.1	0.3	0.5	0.5	0.5	0.5
Δ Cost of ageing	0.0	0.0	-0.2	-0.3	-0.3	-0.4	-0.5	-0.5
Net Interest payments	1.2	1.3	1.5	1.5	1.4	1.4	1.4	1.4
General government debt (gross)	46.4	45.9	45.0	43.6	42.1	40.7	39.4	33.9*

* Figure refers to end-2036 forecast.
 Source: Scope Ratings

Appendix 2. Rating peers

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

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

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

The shaded range in the charts above represents the distribution of sovereign-rating peers between the 10th and 90th percentiles of the full sample.

Appendix 3. Economic development and default indicators

IMF Development Classification	Advanced economy
5-year USD CDS spread (bps) as of 12 May 2026	35.1

Appendix 4. Statistical table for selected SQM indicators

This table presents a selection of the indicators (21 out of 26 – with the governance indicator reflecting a composite of four indicators) used in Scope's quantitative model, in line with Scope's Sovereign Rating Methodology. The metrics and sources used ensures comparability across global sovereign peers and may therefore differ from national or other international statistical series; as a result they may not immediately reflect the latest national updates.

Pillar	Core variable	Source	2021	2022	2023	2024	2025	2026E
Domestic Economic	GDP per capita (PPP), Int\$ '000s	IMF	58.5	63.8	70.2	75.0	78.7	82.4
	Nominal GDP, USD bn	IMF	20	19	23	25	28	31
	Real growth, %	IMF	13.4	2.6	10.6	6.2	4.0	3.7
	CPI inflation, %	IMF	0.7	6.1	5.6	2.4	2.4	2.5
	Working-age population growth, %	UN	0.9	0.0	0.2	0.8	0.8	0.3
Public Finance	General government debt, % of GDP	IMF	49.6	50.1	46.8	46.0	46.8	47.3
	Net interest payments, % of government revenue	IMF	3.1	2.8	3.3	3.4	3.5	3.7
	Primary balance, % of GDP	IMF	-6.0	-4.4	-3.4	-2.4	-1.9	-1.6
External Economic	Current-account balance, % of GDP	IMF	9.4	-2.9	6.5	7.1	5.7	5.8
	NIIP, % of GDP	IMF	104.7	103.0	89.3	83.7	78.9	-
Financial stability	Non-performing loans net of provisions, % of capital	IMF	16.4	11.5	10.1	8.6	-	-
	Private sector credit growth, (7y av. YoY change, %)	WB	9.7	-3.2	11.2	6.7	-	-
ESG	CO ₂ per EUR 1,000 of GDP, kgCO ₂ e	EC	55.3	58.5	54.5	52.1	-	-
	Income share of bottom 50%, %	WID	19.6	19.6	19.6	19.6	-	-
	Labour-force participation rate, %	WB	77.1	79.2	80.2	81.5	81.6	-
	Unemployment rate, %	WB	3.4	2.9	3.1	2.7	2.9	-
	Composite governance indicators*, index	WB	0.8	0.7	0.6	0.5	-	-
	Political stability, index	WB	0.9	1.0	0.9	0.9	-	-

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

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Applied methodology

[Sovereign Rating Methodology](#), March 2026

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