## 2. OUTPUT AND EMPLOYMENT

*Annual real GDP growth rose by 2.7% in the second quarter of 2025. Growth was mainly driven by domestic demand, although net exports also contributed positively. When adjusting for imports, the external trade was the main driver of GDP growth.*

*Sectoral data show that the expansion in output continued to be driven by the services sector, with the information and communication sector being the main contributor to the economic expansion.*

*During the second quarter of 2025, the labour market continued to show resilience amid a further increase in activity rates. The unemployment rate declined further, remaining well below that in the euro area.*

*The number of job vacancies increased by 13.2% when compared to the second quarter of 2024. Additionally, the job vacancy rate increased slightly. The labour tightness indicator, which is the ratio of the job vacancy rate to the unemployment rate, remained elevated and increased both on a quarterly and annual basis.*

### Potential output, business conditions and economic policy uncertainty (EPU) indices

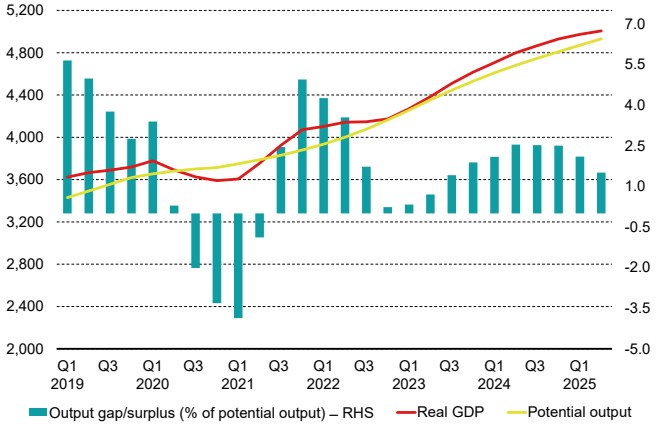
#### *Potential output grows at a marginally slower rate, output surplus narrows*

The Bank estimates that potential output grew by 5.1% in the second quarter of 2025, marginally below the growth of 5.2% estimated for the previous quarter.

On a four-quarter moving average basis, the level increase in potential output relative to the previous quarter exceeded that in GDP. As a result, the output surplus narrowed to 1.5% from 2.1% (see Chart 2.1).

This implies a further moderation in the degree of over-utilisation of the economy's productive capacity.

**Chart 2.1**
**CYCLICAL POSITION OF THE MALTESE ECONOMY**
*(four-quarter moving averages; EUR million; as percentage of potential GDP)*




Sources: NSO; Central Bank of Malta estimates.

#### *BCI continues to stand above its historical average*

In the second quarter of 2025 the Bank's BCI remained relatively unchanged from the previous quarter, indicating that economic growth stood above its long-run average (see Chart 2.2).

Most indicators included within the BCI experienced above

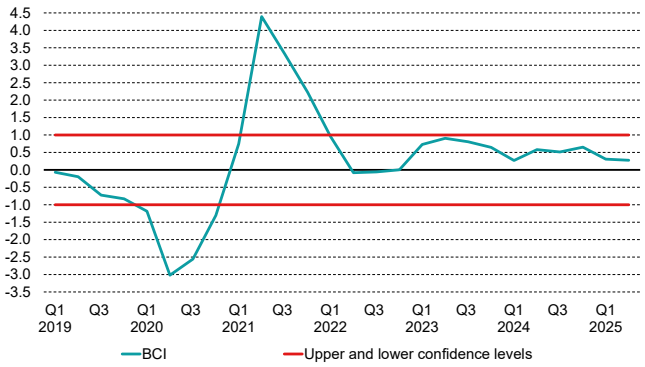
average growth. On the other hand, growth in GDP moderated and was below its long run average in recent quarters.

### *EPU increases*

The Bank's EPU index averaged 105.3 in the second quarter of 2025, up from 89.4 in the previous quarter. As a result, the index rose above its historical average of 100 (see Chart 2.3).[1]

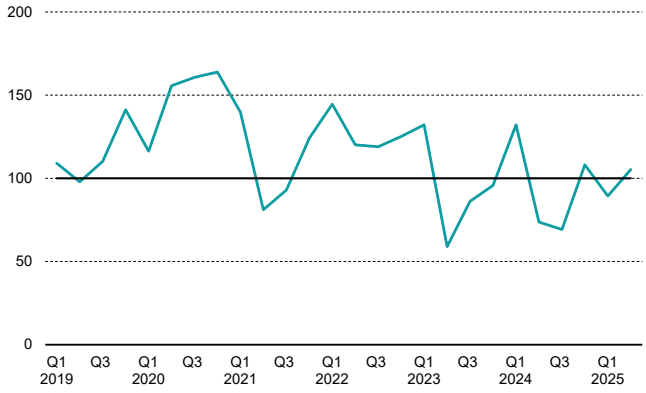
The increase in uncertainty over the quarter under review was largely driven by international developments, particularly the United States' evolving tariff policy, which raised growing concerns about its broader repercussions on the economic outlook – including fears of retaliatory trade measures – and speculation over future interest rate adjustments by the central banks of key economies.

**Chart 2.2**
**BCI**
*(standardised)*




Source: Central Bank of Malta.
The red lines in the Chart represent the range enclosing one standard deviation on either side of the BCI's long-run value. Repeated readings below the lower band signal that economic activity is significantly below normal economic activity. Readings above the upper band indicate that activity is signficantly above normal levels.

**Chart 2.3**
**EPU INDEX**




Source: Central Bank of Malta.
The index is normalized to 100. Higher values reflect elevated economic and political uncertainty in Malta, while lower values indicate reduced levels of uncertainty.

## GDP and industrial production

### *Real GDP growth increases at a slower pace*

In the second quarter of 2025, real GDP rose by 2.7% on an annual basis, following a 3.7% increase in the previous quarter.[2] While growth was mainly driven by domestic demand, net exports also contributed positively (see Table 2.1).

Domestic demand rose by an annual 2.5% in the second quarter of 2025, following an increase of 4.0% in the first quarter. The slower growth profile was the result of smaller increases in private and government consumption, which offset a recovery in capital expenditure growth. Domestic demand contributed 2.0 percentage points to GDP growth in the second quarter of 2025. This follows a 3.2 percentage points contribution in the first quarter.

[1] The EPU index measures the frequency of economic, policy, and uncertainty-related terms in news articles to quantify the level of policy uncertainty in Malta. By construction, it has an average value of 100 over the estimation period since 2004. A full time series can be found on the Central Bank's of Malta Economic Policy Uncertainty Index page. For further details on the methodology underlying Malta's EPU index, see Sant, K., and Spiteri, S., (2024), "Economic Policy Uncertainty: An Index for Malta", *Working Paper*, WP/07/2024, Central Bank of Malta.

[2] The analysis of GDP in this chapter of the *Quarterly Review* is based on NSO *News Release* 155/2025, which was published on 28 August 2025.

**Table 2.1**
**GDP[1]**

| | 2024 | | | 2025 | |
|---|---|---|---|---|---|
| | Q2 | Q3 | Q4 | Q1 | Q2 |
| | *Annual percentage changes* | | | | |
| Private final consumption expenditure | 6.4 | 4.2 | 5.3 | 3.4 | 2.2 |
| Government final consumption expenditure | 6.2 | 11.7 | 16.7 | 9.8 | 2.2 |
| GFCF | 4.6 | 7.9 | -2.4 | -2.1 | 1.9 |
| **Domestic demand** | **5.6** | **6.2** | **5.6** | **4.0** | **2.5** |
| Exports of goods and services | 6.1 | 4.3 | 5.9 | 3.2 | 7.1 |
| Imports of goods and services | 3.6 | 4.6 | 6.2 | 3.4 | 7.9 |
| **GDP** | **8.2** | **5.5** | **5.4** | **3.7** | **2.7** |
| | *Percentage point contributions* | | | | |
| Private final consumption expenditure | 2.9 | 2.0 | 2.4 | 1.5 | 1.0 |
| Government final consumption expenditure | 1.0 | 1.8 | 3.0 | 1.5 | 0.4 |
| GFCF | 0.9 | 1.4 | -0.5 | -0.4 | 0.3 |
| Changes in inventories | -0.2 | -0.2 | -0.2 | 0.5 | 0.3 |
| **Domestic demand** | **4.6** | **4.9** | **4.7** | **3.2** | **2.0** |
| Exports of goods and services | 7.3 | 5.2 | 7.1 | 3.8 | 8.3 |
| Imports of goods and services | -3.6 | -4.6 | -6.4 | -3.4 | -7.7 |
| **Net exports** | **3.7** | **0.6** | **0.7** | **0.4** | **0.7** |
| **GDP** | **8.2** | **5.5** | **5.4** | **3.7** | **2.7** |

Sources: NSO; Central Bank of Malta calculations.

[1] Chain-linked volumes, reference year 2020.

Private consumption expenditure increased by an annual 2.2% in the second quarter of 2025, following a 3.4% increase in the previous quarter. It added 1.0 percentage point to real GDP growth in the quarter under review.

Data on the Classification of Individual Consumption by Purpose (COICOP) show increases in most expenditure categories, with the strongest in absolute terms recorded in spending on restaurant and accommodation services. This was followed by higher spending on housing and utilities and on recreational, sport and cultural activities. Meanwhile, spending on insurance and financial services decreased sharply and contributed negatively to growth in domestic consumption. The latter reflects the impact of the calculation of the financial intermediation services indirectly measured (FISIM), which in turn reflects the recent easing of monetary policy interest rates.

COICOP data measure domestic consumption and thus, include the expenditure of non-residents in Malta while excluding the expenditure of Maltese residents abroad. While expenditure continued to be supported by a strong increase in non-residents' spending in Malta, spending by Maltese residents also rose. Similarly, the expenditure of Maltese residents abroad increased on its year-ago level.

Government consumption expenditure increased by 2.2% in annual terms, following an increase of 9.8% in the previous quarter. In the quarter under review, growth was mainly driven by higher outlays on compensation of employees and on intermediate consumption. The increase in the former partly reflects the impact of a new collective agreement for the civil service, which entered

into force this year. Intermediate consumption rose mainly due to higher spending in the public administration and residential care sectors. Overall, government consumption added 0.4 percentage points to GDP growth.

Real GFCF grew by 1.9% year-on-year, following a contraction of 2.1% in the previous quarter. The increase in the quarter under review was largely driven by higher outlays on intellectual property and, to a lesser extent, by higher investment in machinery and equipment. Small increases were also recorded in spending on cultivated biological resources and non-residential construction. These offset declines in residential investment. GFCF contributed 0.3 percentage points towards GDP growth.

The contribution of changes in inventories in the second quarter of 2025 was 0.3 percentage points.

Meanwhile, imports rose by 7.9%, while exports rose by 7.1% on a year earlier. Nonetheless, when expressed in absolute terms, the increase in exports exceeded that in imports. As a result, net exports rose, contributing 0.7 percentage points to annual real GDP growth. This reflected a higher surplus from trade in services, which offset a wider trade deficit on goods.

The contributions shown in Table 2.1 are consistent with the approach normally followed in official databases and economic publications. However, they do not account for the variation in import content across different expenditure components and thus, fail to represent the true underlying relative contribution of domestic and external demand to economic growth. Table 2.2 presents import-adjusted contributions, which address this limitation by apportioning imports to the respective demand components.

This approach confirms that growth was driven by both domestic demand and net exports. However, in contrast with the traditional approach, the import-adjusted contributions from external trade exceeded that of domestic demand. Within domestic demand components, private consumption and government consumption remained among the largest contributors to GDP growth.

**Table 2.2**
**IMPORT-ADJUSTED CONTRIBUTIONS TO GDP GROWTH[(1)]**

| | 2024 | | | 2025 | |
|---|---|---|---|---|---|
| | Q2 | Q3 | Q4 | Q1 | Q2 |
| Private final consumption expenditure | 2.2 | 1.3 | 1.3 | 0.9 | 0.3 |
| Government final consumption expenditure | 0.9 | 1.5 | 2.5 | 1.3 | 0.2 |
| GFCF | 0.6 | 0.6 | -0.3 | -0.2 | -0.1 |
| Changes in inventories | -0.2 | -0.1 | -0.1 | 0.2 | 0.2 |
| **Domestic demand** | **3.6** | **3.3** | **3.4** | **2.2** | **0.6** |
| **Exports of goods and services** | **4.7** | **2.3** | **2.0** | **1.4** | **2.0** |
| **GDP** | **8.2** | **5.5** | **5.4** | **3.7** | **2.7** |

Source: Central Bank of Malta estimates.
(1) Chain-linked volumes, reference year 2020.

**Table 2.3**
**CONTRIBUTION OF SECTORAL GVA TO REAL GDP GROWTH**
*Percentage points*

| | 2024 | | | 2025 | |
|---|---|---|---|---|---|
| | Q2 | Q3 | Q4 | Q1 | Q2 |
| Agriculture, forestry and fishing | 0.5 | 0.5 | -0.6 | -0.1 | -0.1 |
| Mining and quarrying; utilities | -0.4 | 0.4 | 0.1 | 0.2 | 0.3 |
| Manufacturing | 0.4 | 0.6 | 0.6 | 0.0 | 0.0 |
| Construction | 0.3 | 0.0 | -0.1 | -0.1 | 0.0 |
| Services | 4.6 | 3.4 | 3.3 | 4.3 | 3.3 |
| *of which:* | | | | | |
| Wholesale and retail trade; repair of motor vehicles; transportation; accommodation and related activities | 1.5 | 1.5 | 1.2 | 1.6 | 0.7 |
| Information and communication | 1.1 | 0.5 | 0.1 | 0.6 | 0.9 |
| Financial and insurance activities | 0.3 | 0.0 | 1.0 | 0.2 | 0.4 |
| Real estate activities | 0.7 | 0.2 | 0.4 | 0.2 | 0.1 |
| Professional, scientific, administrative and related activities | 0.0 | 0.2 | -0.7 | 0.5 | 0.0 |
| Public administration and defence; education; health and related activities | 0.8 | 0.9 | 1.4 | 1.0 | 0.7 |
| Arts, entertainment; household repair and related services | 0.1 | 0.0 | -0.1 | 0.1 | 0.3 |
| **GVA** | **5.4** | **4.8** | **3.4** | **4.4** | **3.5** |
| **Taxes less subsidies on products** | **2.9** | **0.7** | **2.0** | **-0.7** | **-0.9** |
| **Annual real GDP growth (%)** | **8.2** | **5.5** | **5.4** | **3.7** | **2.7** |

Source: NSO.

### *Services remain the main driver of economic growth*

Data based on the output approach show that in the second quarter of 2025, real gross value added (GVA) rose by 3.8% in annual terms and contributed 3.5 percentage points to GDP growth (see Table 2.3).[3]

Services remained the main driver behind the latest economic expansion, adding 3.3 percentage points to real GDP growth. Growth in services was mainly spurred by the information and communication sector, which contributed 0.9 percentage points to GDP growth. Other significant contributions came from the sectors comprising wholesale and retail trade activities and public administration, which contributed 0.7 percentage points each. The sectors comprising financial and insurance activities and arts, entertainment, household repair and related services contributed 0.4 and 0.3 percentage points, respectively. Meanwhile, real estate raised GDP growth by 0.1 percentage points.

Net taxes on products decreased slightly on a year earlier.

### *Nominal GDP growth remains strong but moderates*

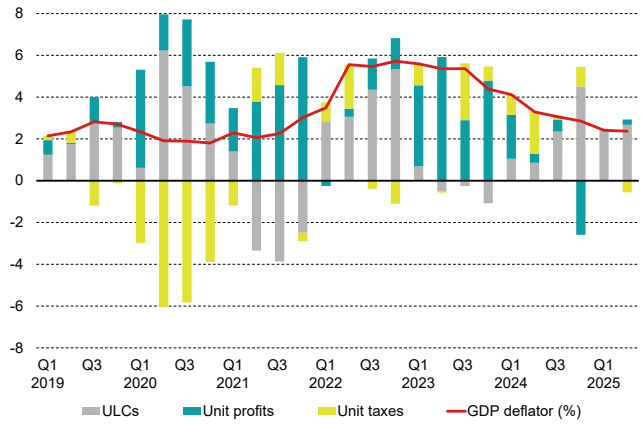
Nominal GDP rose by 5.1% in annual terms in the second quarter of 2025, after increasing by 6.2% in the preceding quarter. Around three-fourths of this increase reflects higher compensation of employees, with operating surplus explaining under a third of it. Meanwhile net taxes on

[3] The difference between GDP and GVA is made up of taxes on products, net of subsidies.

production and imports slightly decreased in annual terms.

Chart 2.4 shows the main contributors to growth in the GDP deflator. Annual growth in the GDP deflator stood at 2.4% in the second quarter of 2025, unchanged from the previous quarter.

**Chart 2.4**
**CONTRIBUTIONS TO GDP DEFLATOR**
*(annual percentage change; percentage point contribution)*




Source: NSO.

ULCs exhibited a larger positive increase and was the main contributor. Meanwhile, the contribution of unit profits turned mildly positive following a flat contribution in the previous quarter, while unit taxes turned negative.

### *Industrial production expands at a more moderate pace, services production contracts*

Industrial production rose at an annual rate of 5.0% in the second quarter of 2025, and thus at a more moderate pace when compared with the 10.0% increase recorded in the preceding quarter.[4]

The latest increase was largely driven by production in the manufacturing sector, which increased at an annual rate of 5.1%, after having increased by 11.2% in the preceding quarter. Production also rose in the quarrying sector. Meanwhile, production in the energy sector rose by an annual 3.1% in the second quarter of the year, after contracting in the previous quarter.[5]

In the manufacturing sector, the strongest increases in output were reported by firms that manufacture rubber and plastic products, wood products and wearing apparel. Significant increases were also reported among firms involved in the repair and installation of machinery and equipment, those that form part of the sector of motor vehicles, trailers and semi-trailers and firms that produce fabricated metal products. Production grew at double digit rates in these sectors. Smaller annual increases were recorded in the food and 'other manufacturing' sectors. The latter includes firms that produce medical and dental instruments.

By contrast, production of electrical equipment and basic pharmaceutical products contracted. Smaller declines were also recorded among firms that manufacture textiles and paper products as well as those involved in the printing and reproduction of recorded media. Production also contracted among firms that produce beverages.

Meanwhile, the index of services production – which measures the volume of activity in services industries excluding trade, financial and public services – contracted further in the second quarter of

[4] Methodological differences may account for divergences between developments in GVA in the manufacturing sector and industrial production. GVA nets input costs from output to arrive at value added and is expressed in nominal terms. Industrial production is a measure of the volume of output and takes no account of input costs. The sectoral coverage between the two measures also differs since industrial production data also include the output of the energy and quarrying sectors.

[5] Industrial production in the energy sector excludes energy generated abroad and imported through the interconnector.

2025. It fell by 3.4% on an annual basis after a contraction of 2.9% recorded in the preceding quarter – marking the second year-on-year decline this year.

Lower activity was reported by firms involved in administrative and support services, professional, scientific and technical activities, and to a lesser extent in services related to information and communication. These offset higher activity levels in real estate, accommodation and food services as well as transportation and storage.

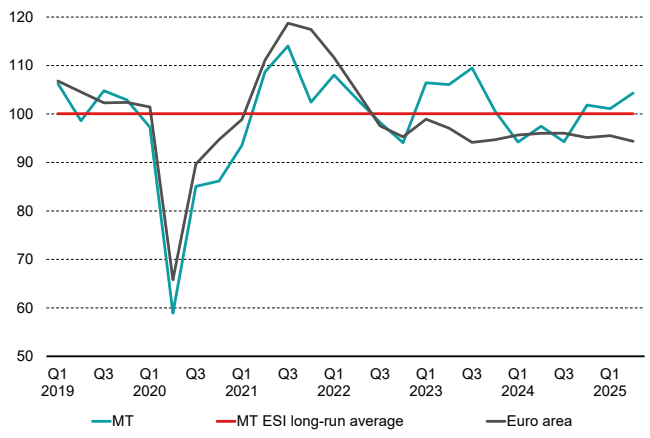
## Business and consumer surveys

During the second quarter of 2025, the European Commission's ESI for Malta increased to 104.3, from 101.1 in the preceding quarter, and thus remained above its long-term average of around 100.0. Moreover, the overall indicator stood above that in the euro area, which averaged 94.4 (see Chart 2.5).[6,7]

When compared with the first quarter of 2025, confidence improved significantly in the construction sector and in industry, and to a lesser extent in the retail sector. However, it fell in the services sector and among consumers.

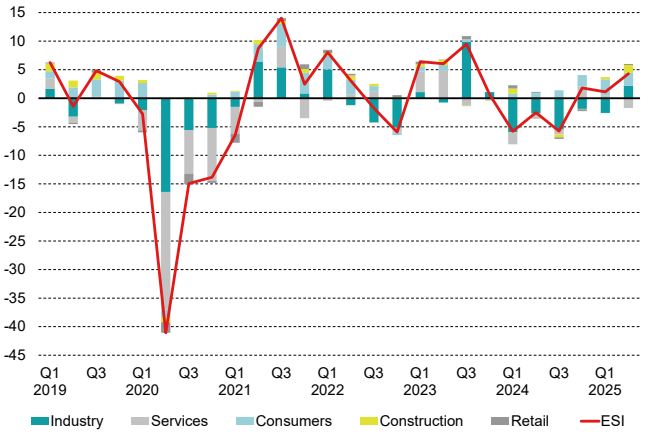
When accounting for the weights assigned to each sector, and the time variation of the confidence indicator for each sector, the increase in the ESI relative to the first quarter of 2025 was mainly driven by industry.[8] Consumer sentiment and industry largely explain why the overall ESI stood above the long-term average (see Chart 2.6).

**Chart 2.5**
**ESI**
*(seasonally adjusted; percentage points)*




Source: European Commission.

**Chart 2.6**
**ESI**
*(seasonally adjusted; demeaned)*




Sources: European Commission; Central Bank of Malta workings.

[6] The ESI summarises developments in confidence in five surveyed sectors: industry; services; construction; retail; and consumers. Quarterly data are three-month averages.

[7] Long-term averages are calculated over the entire period for which data are available. For the consumer and industrial confidence indicators, data for Malta became available in November 2002, while for services and construction data became available in May 2007 and May 2008, respectively. The long-term average of the retail confidence indicator is calculated as from May 2011, when it was first published. The long-term average of the ESI is computed from November 2002.

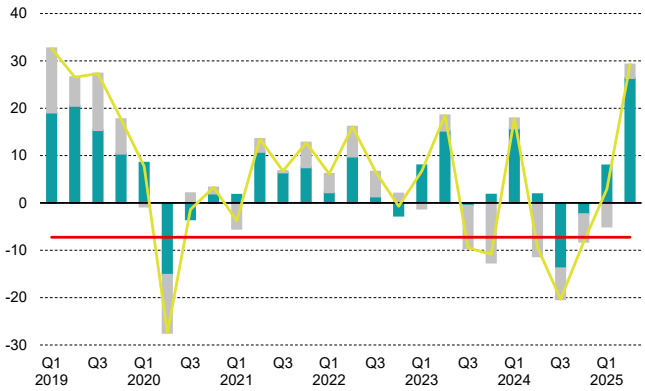
[8] Weights are assigned as follows: industry 40%; services 30%; consumers 20%; construction 5%; and retail trade 5%.

### *Confidence in the construction sector rises further above its long-term average*[9]

In the second quarter of 2025, the indicator measuring confidence in the construction sector rose further above its long-term average of -7.2. It averaged 29.2, up from 2.9 in the previous three-month period (see Chart 2.7).

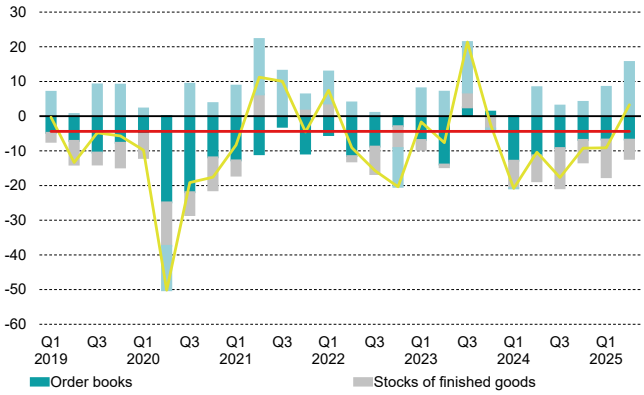
Both components of the indicator contributed to the latest improvement, with employment expectations the key driver.[10]

**Chart 2.7**
**CONSTRUCTION CONFIDENCE INDICATOR**
*(seasonally adjusted; percentage points)*




Source: European Commission.

**Chart 2.8**
**INDUSTRIAL CONFIDENCE INDICATOR**
*(seasonally adjusted; percentage points)*




Source: European Commission.

### *Industrial confidence rises above its long-term average*[11]

The industrial confidence indicator increased to 3.3, from an average of -9.1 in the previous quarter. The latest reading was the first positive one, on average, in almost two years and exceeded its long-term average of -4.4 (see Chart 2.8). The recent amelioration for this sector reflected improvements in the production expectations for the months ahead and a decline in the share of firms reporting higher than normal stocks of finished products.

### *Sentiment among retailers turns positive*[12]

The sentiment indicator in the retail sector stood at 4.0 in the second quarter of 2025, up from -1.4 in the previous quarter, and above its long-term average of 0.2. The recent amelioration reflected an improvement across all components of the confidence indicator. Nevertheless, the largest improvement was reflected in respondents' assessment of stocks of finished

[9] The construction confidence indicator is the arithmetic average of the seasonally adjusted balances (in percentage points) of replies to two survey questions, namely those relating to order books and to employment expectations over the subsequent three months.
[10] Sentiment for this sector needs to be interpreted with caution, due to a low response rate among enterprises.
[11] The industrial confidence indicator is the arithmetic average of the seasonally adjusted balances (in percentage points) of replies to a subset of survey questions relating to expectations about production over the subsequent three months, to current levels of order books and to stocks of finished goods.
[12] The retail confidence indicator is the arithmetic average of the seasonally adjusted balances (in percentage points) of replies to survey questions relating to the present and future business situation and stock levels.

goods, as fewer firms than before assessed these to be above their normal level (see Chart 2.9).

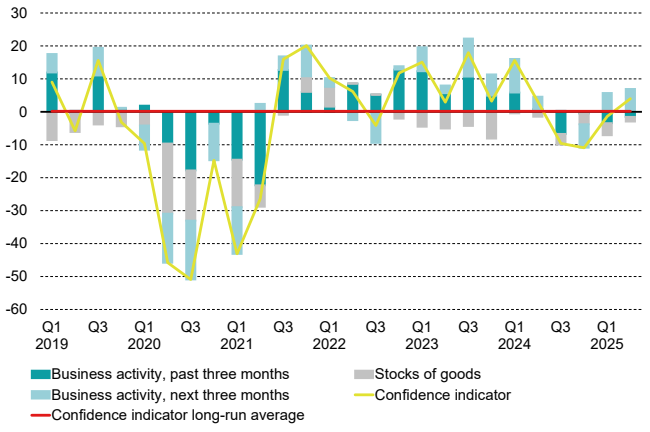
### *Consumer confidence slightly negative but above its historic average*[13]

The consumer confidence indicator averaged -1.4 during the second quarter of 2025, below the 0.7 recorded in the previous quarter, but above its long-run average of -9.8 (see Chart 2.10). A marginal improvement in consumers' assessment of their financial situation in recent months was offset by a deterioration in all the forward-looking components of the indicator.

### *Services sector shows less optimism*[14]

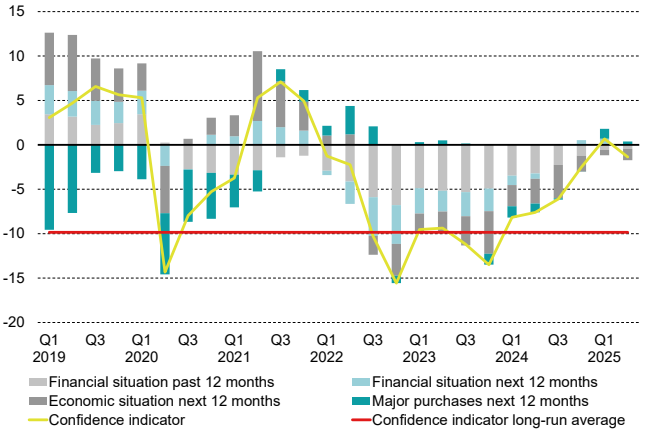
The confidence indicator in the services sector decreased to 12.7, from 21.7 in the previous quarter. Sentiment in this sector also fell below its long-term average of 19.5 (see Chart 2.11). All components of the indicator contributed to the latest decrease in sentiment, though remaining positive.

**Chart 2.9**
**RETAIL CONFIDENCE INDICATOR**
*(seasonally adjusted; percentage points)*




Source: European Commission.

**Chart 2.10**
**CONSUMER CONFIDENCE INDICATOR**
*(seasonally adjusted; percentage points)*




Source: European Commission.

### *Employment Expectations Indicator (EEI) declined, though remained above its long-term average*

The EEI – which is a composite indicator of employment expectations in industry, services, retail trade and construction – decreased in the second quarter of 2025. During the second quarter of 2025, it averaged 102.7, below 104.3 in the preceding quarter, but remained above its long-term

[13] The consumer confidence indicator is the arithmetic average of the seasonally adjusted balances (in percentage points) of replies to a subset of survey questions relating to households' assessment and expectations of their financial situation, their expectations about the general economic situation, and their intention to make major purchases over the subsequent 12 months. The computation of this indicator was changed as reflected in the January 2019 release of the European Commission.

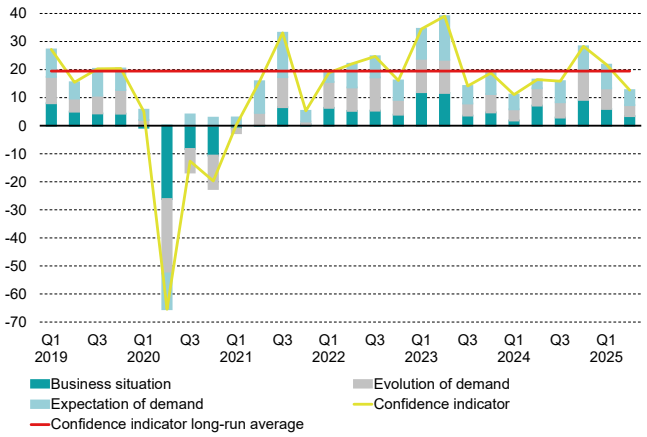
[14] The services confidence indicator is the arithmetic average of the seasonally adjusted balances (in percentage points) of replies to survey questions relating to the business climate, the evolution of demand in the previous three months, and demand expectations in the subsequent three months.

average of around 100.0. The index however stood above the euro area average of 96.9.[15]

During the quarter under review, employment expectations were positive across all productive sectors, except in the retail sector. The most positive reading was recorded in the construction sector.

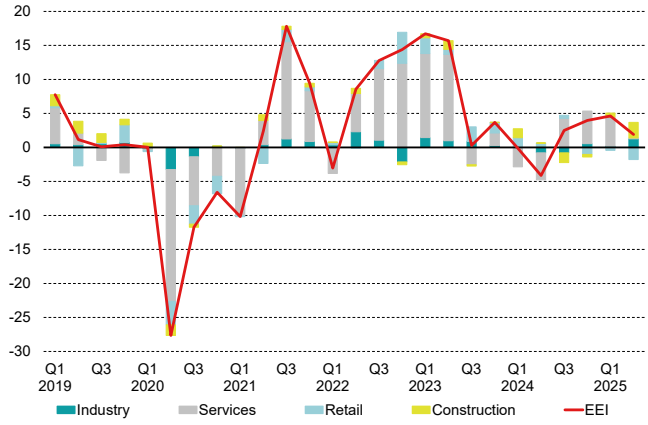
Demeaned data suggest that the decrease relative to the preceding quarter was driven by the services sector, and to a lesser extent by the retail sector (see Chart 2.12). The construction sector and industry explain why the overall EEI stood above its long-term average.

**Chart 2.11**
**SERVICES CONFIDENCE INDICATOR**
*(seasonally adjusted; percentage points)*




Source: European Commission.

**Chart 2.12**
**EEI**
*(seasonally adjusted; demeaned)*




Sources: European Commission; Central Bank of Malta workings.

### *Economic Uncertainty Indicator (EUI) decreases*

The European Commission's EUI is a composite indicator which measures how difficult it is for sectors to make predictions about their future financial or business situation. In Malta, this indicator decreased to 14.8 in the second quarter of the year, from 16.7 in the preceding quarter and remained below its average level in recent years (see Chart 2.13).[16] The indicator also remained below that in the euro area, which averaged 18.7.[17]

[15] The EEI is based on question 7 of the industry survey, question 5 of the services and retail trade surveys and question 4 of the construction survey, which gauge the respondent firms' expectations as regards changes in their total employment over the next three months. Before being summarised in one composite indicator, each balance series is weighted on the basis of the respective sector's importance in overall employment. The weights are applied to the four-balance series expressed in standardised form. Further information on the compilation of the EEI is available in European Commission (2020). *The Joint Harmonised EU Programme of Business and Consumer Surveys User Guide*.

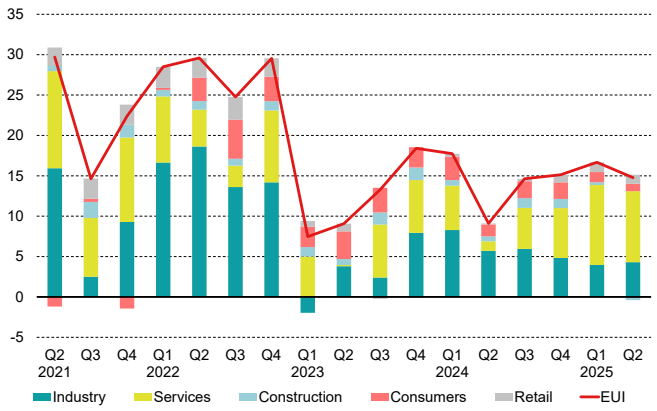
[16] Data on consumer uncertainty became available in October 2020, while data for industry, services, retail, and construction became available in May 2021.

[17] The EUI is made up of five balances (in percentage points) which summarise managers'/consumers' answers to a question asking them to indicate how difficult it is to make predictions about their future business/financial situation. The series are not seasonally adjusted. The five-balance series are summarised in one composite indicator using the same weights used to construct the ESI. The questions asked correspond to Q51 of the industry survey, Q31 of the services survey, Q41 of the retail trade and construction surveys and Q21 of the consumer survey.

In the second quarter of 2025, lower uncertainty was recorded across all surveyed sectors, bar in industry. The strongest decrease was recorded in the construction sector.

However, when considering each sector's weight in each component of the EUI, the decrease is mainly attributed to the services sector. This sector and industry continued to have the highest contributions to uncertainty during the quarter under review.

**Chart 2.13**
**EUI[1]**
*(not seasonally adjusted)*




[1] Data for Malta is available from May 2021.
Sources: European Commission; Central Bank of Malta.

## The labour market[18]

### *Labour force increases at a faster pace, activity rate decreases*

LFS data show that in the second quarter of 2025, the labour force grew by 13,783 persons, or 4.2% on an annual basis, following a 3.7% increase in the previous quarter (see Table 2.4).[19]

**Table 2.4**
**LABOUR MARKET INDICATORS BASED ON THE LFS**
*Persons; annual percentage changes*

| | 2024 Q2 | 2025 Q2 | Annual change % |
|---|---|---|---|
| **Labour force** | **325,529** | **339,312** | **4.2** |
| Employed | 315,147 | 329,334 | 4.5 |
| *By type of employment:* | | | |
| Full-time | 279,462 | 293,017 | 4.9 |
| Part-time | 35,685 | 36,317 | 1.8 |
| Unemployed | 10,382 | 9,978 | -3.9 |
| **Activity rate (%)** | **81.1** | **82.3** | |
| Male | 87.4 | 88.1 | |
| Female | 73.4 | 75.3 | |
| **Employment rate (%)** | **78.5** | **79.9** | |
| Male | 84.4 | 85.3 | |
| Female | 71.3 | 73.2 | |
| **Unemployment rate (%)** | **3.2** | **2.9** | |
| **Actual hours worked (per week)** | **34.8** | **35.4** | |

Source: NSO.

[18] This section draws mainly on labour market statistics from two sources: the LFS, which is a household survey conducted by the NSO based on definitions set by the International Labour Organization (ILO) and Eurostat; and administrative records compiled by Jobsplus according to definitions established by domestic legislation on employment and social security benefits.
[19] The LFS defines the labour force as all persons aged 15 and over who are active in the labour market. This includes those in employment, whether full-time or part-time, and the unemployed, defined as those persons without work but who were actively seeking a job during the previous four weeks and available for work within two weeks of the reference period.

The activity rate stood at 82.3% in the quarter under review, higher than the 81.1% recorded a year earlier.[20] This was mostly due to a higher female participation rate. While the male participation rate increased by 0.6 percentage points to 88.1%, that of females increased by 1.8 percentage points to 75.3%. Both rates exceeded the corresponding rates for the euro area, with the rate for males exhibiting a larger difference.

### *Employment increases at a slightly faster pace*

Employment rose by 4.5% in annual terms, following a rise of 4.3% in the previous quarter. The increase in absolute terms was driven by full-time employment, as this rose by 13,555 persons, or 4.9% on a year earlier. The sector comprising accommodation and food service activities and the sector comprising professional, scientific and technical activities recorded the strongest increases.

The number of persons in part-time jobs – which also includes those employed full-time on reduced hours – increased by 632, or 1.8% in annual terms.

In the second quarter of 2025, the overall employment rate reached 79.9%, 1.4 percentage points higher than the rate prevailing during the same period of 2024.[21] Both the female and male employment rate increased in annual terms. However, the female rate recorded a more significant increase; it rose by 1.9 percentage points to 73.2%, while that of males rose by 0.9 percentage points to 85.3%. These increases were most significant among those in the 55 to 64 age bracket. The employment rates also rose slightly for males in the 25 to 54 age bracket while it decreased slightly for females. Meanwhile, the employment rate for the 15 to 24 age bracket decreased among males but increased among females.

During the quarter under review, average actual weekly hours worked derived from the LFS increased to 35.4, from 34.8 a year earlier (see Table 2.4).[22] This increase was reported by both full-time and part-time employees.

### *The unemployment rate declines further*

The unemployment rate based on the LFS fell to 2.9%, from 3.2% a year earlier (see Table 2.4). The demand for labour continued to outpace growth in the labour supply.[23] Labour market conditions remained more favourable than those in the euro area, where the unemployment rate on average stood at 6.3% (see Chart 2.14).

During the quarter under review, the unemployment rate also stood below the Bank's structural measure of 3.4%.[24] This indicates a degree of labour market tightness, which is also confirmed by

[20] The activity rate measures the number of persons in the labour force aged between 15 and 64 as a proportion of the working-age population, which is defined as all those aged 15 to 64 years.

[21] The employment rate measures the number of persons aged between 15 and 64 employed on a full-time or part-time basis as a proportion of the working-age population.

[22] Actual hours refer to the number of hours actually spent at the place of work during the reference week for LFS. A person may work extra hours (e.g. overtime, variable hours) or work less hours than usual (e.g. vacation leave, education, sick leave or slack work) due to various reasons. Owing to increased flexibility at workplaces coupled with technology, the place of work may also include one's home. In this regard, actual hours worked also include the hours of work carried out by persons who telework.

[23] According to the LFS, the unemployed comprise persons aged between 15 and 74 years who are without work, available for work and who have actively sought work during the four weeks preceding the Survey. In contrast, the number of unemployed on the basis of the Jobsplus definition includes only those persons registering for work under Part 1 and Part 2 of the unemployment register. Unemployment data in this section is not seasonally-adjusted and hence may differ slightly from figures shown in the chapter on external developments and the euro area.

[24] The structural unemployment rate in this chapter refers to the non-accelerating inflation rate of unemployment (NAIRU), that is, the unemployment rate that is consistent with stable inflation. This measure of the unemployment rate is based on an unobserved components model (UCMPF). For further details, see Borg, I. (2023), "Box 1: Latest Estimates of the NAIRU", *Outlook for the Maltese Economy* 2023:1, pp.7-9 and Ellul, R. (2019), "Box 1: An Unobserved Components Model for potential output in Malta", *Quarterly Review* 2019:2, pp. 17-21.

the Bank's Business Dialogue publication and other indicators (see below).

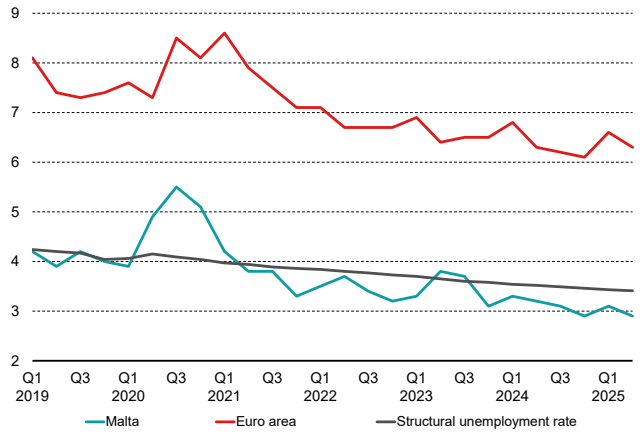
Jobsplus data show that the number of persons on the unemployment register decreased, both on a quarterly basis and in annual terms. During the second quarter of 2025, the average number of persons on the unemployment register stood at 1,028, compared with 1,083 in the first quarter of 2025 and with 1,198 a year earlier (see Chart 2.15).

### *The vacancy rate increases slightly in annual terms, labour market tightness persists*

In absolute terms the number of vacancies increased from 8,092 in the second quarter of 2024 to 9,158 in the quarter under review, that is, a 13.2% increase. The sector comprising public administration, defence, education, human health and social work activities accounted for almost 55% of this increase. Overall, when compared with the average level since 2017, the number of vacancies has reached a new peak.[25]

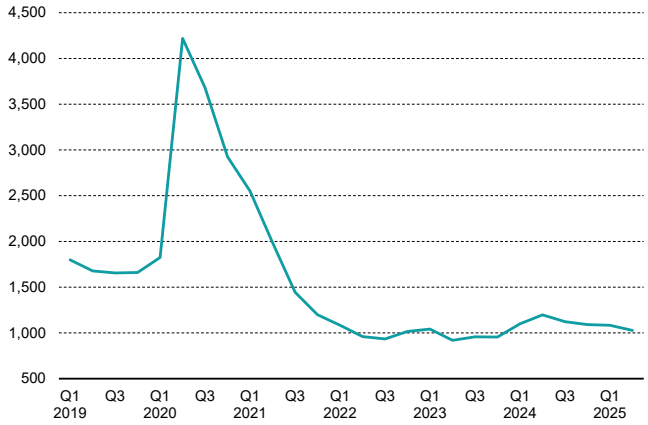
Eurostat's job vacancy rate for industry, construction and services also increased standing at 3.2% from 3.0% a year earlier (see Chart 2.16).[26] The highest vacancy rates were recorded in the quarrying sector (7.7%), the arts, entertainment and recreation sector (4.6%), the sector comprising administrative and

**Chart 2.14**
**UNEMPLOYMENT RATE**
*(per cent; non-seasonally adjusted)*




Sources: Eurostat; NSO; Central Bank of Malta.

**Chart 2.15**
**REGISTERED UNEMPLOYED**
*(number of persons)*




Source: NSO.

**Chart 2.16**
**VACANCY RATE AND LABOUR MARKET TIGHTNESS INDICATOR**
*(per cent)*


Sources: Eurostat; NSO; Central Bank of Malta.

[25] Data for Malta are available since 2017.
[26] The job vacancy rate measures the number of job vacancies as a percentage of total jobs (occupied and vacant).

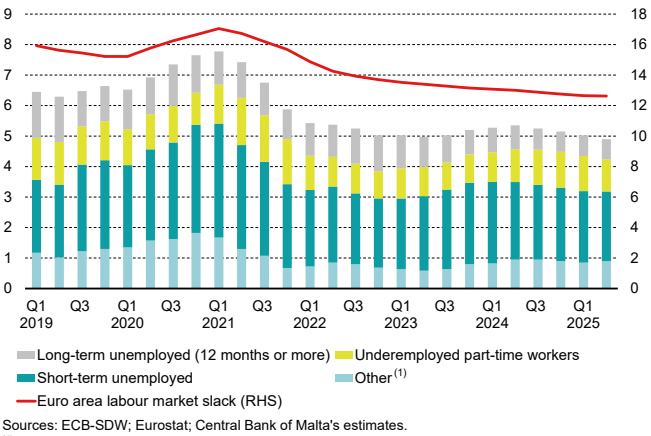
support service activities (4.5%), the information and communication sector (4.4%), and the construction sector (4.4%). Vacancy rates were also above 4% in the sector comprising professional services activities.

The ratio of the job vacancy rate to the unemployment rate is an indicator of the imbalance between labour demand and supply and, therefore, of labour tightness. During the quarter under review, this ratio stood at 1.1, slightly higher than the 1.0 recorded in the previous quarter and the 0.9 recorded a year earlier. Market conditions thus remained very tight compared to recent outturns. This contrasts with developments in the euro area, where the tightness indicator declined to 0.3. Labour market conditions in the euro area thus continue to be significantly less tight compared to those in Malta.

To measure better labour market slack (unemployed and underutilised labour), one can consider an extended labour force definition, which in addition to the unemployed, also includes persons available to take up work but not seeking it, persons seeking work but not immediately available, and underemployed part-time workers. By this measure, on a four-quarter moving average basis, labour market slack was equivalent to 4.9% of the extended labour force in the second quarter of the year (see Chart 2.17).[27] This rate stands well below its average of 7.8% estimated since 2010. It is also significantly lower than the rate of 12.6% recorded for the euro area over the four quarters to June 2025.

The Bank estimates that during the four-quarters ending in June, 60% of the labour market slack in Malta stemmed from unemployment (primarily from short-term unemployment). The remaining part of slack was skewed towards underemployed part-time workers, i.e., those working part-time but willing and able to work additional hours, with the 'other' component accounted for a slightly smaller share (see Chart 2.17).

**Chart 2.17**
**LABOUR MARKET SLACK**
*(percentage of extended labour force; four-quarter moving average)*




Sources: ECB-SDW; Eurostat; Central Bank of Malta's estimates.
(1) Persons seeking work, but not immediately available and Persons available to take up work but not seeking.

[27] For further details on the methodology underlying the measure of labour market slack, see Ellul, R. (2019), "Labour Market Slack," *Quarterly Review* 2019:1, pp. 37-41, Central Bank of Malta. Given that this methodology partly relies on internal estimation, the slack indicator reported in this *Review* may differ slightly from that published by Eurostat.

## BOX 2: THE INTERPLAY OF REFORMS AND FOREIGN LABOUR INFLOWS IN DRIVING LABOUR SUPPLY GROWTH IN MALTA[1]

In just a decade, employment in Malta grew by two-thirds. In absolute terms the number of employed expanded by more than in the preceding 50 years taken together, with an annual average growth rate more than six times the historical average. This occurred at a time when the Maltese economy nearly doubled in real terms.

These developments were largely unanticipated. International Monetary Fund (2010), for instance, stated that employment rates were a challenge for Malta, and without an increase there could not be "catching up with incomes of richer European countries".[2] Yet by 2023, Malta had not just exceeded the EU average employment rate, but had become the country with the second highest rate. Similarly, the European Commission's Ageing Report issued in 2012 had projected that employment growth in Malta would slow down from 1.2% in 2010 to just 0.2% in 2020s. In reality, employment growth in the first years of the 2020s has averaged close to 5%, or 25 times more.

The reason why most analysts failed to project the rise in labour supply in Malta is because most models focus on past demographic data. Thus, the number of persons joining the labour market is typically based on the number of past births and some assumption on labour participation rates and migration flows.

Maltese migratory outflows and a slight pickup in the absolute number of births may increase somewhat the number of young Maltese available for work.[3,4] Nevertheless this would still be something close to 1,500 less than the amount of Maltese who reach the early pension age of 61.

Foreign workers account for around three-quarters of the rise in employment since 2013. Yet, while the working age population of Maltese citizens, defined as those aged 16 to the early pension age, fell by nearly 15,000 in the decade to 2023, the actual number of Maltese in either full-time employment or working primary as part-time rose from 171,036 to 201,008. This increase in Maltese workers was the strongest ever recorded over a decade, in absolute terms as strong as that observed in the previous three decades taken together. Had the participation rate remained unchanged by 2023, instead the number of Maltese in employment would have been slightly below 160,000.

### Policy reforms underpinning labour market supply changes

When one looks at the rise in the number of Maltese persons in employment, there are two striking trends. First, the number of workers aged above the early pension age has more than doubled. Second, the number of women below early pension age who were in employment rose by a quarter, though in absolute terms this was about twice the increase in older

[1] Prepared by Dr Aaron G. Grech, Chief Officer of the Economics Division at the Central Bank of Malta. The author would like to thank Mr Alexander F. Demarco, Mr Mark Musu and Mr Noel Rapa for their comments and Ms Marydiane Inguanez, Ms Doriana Bezzina and Ms Cecilia Falzon for data used in this analysis. The views expressed are those of the author and do not necessarily reflect the views of the Central Bank of Malta or any other institutions. Any errors are the author's own.

[2] International Monetary Fund (2010), Malta: Article IV consultation – Staff Report, IMF *Country Report* No. 11/29.

[3] In 2023, 2,256 Maltese citizens immigrated back to the islands, while just 1,767 emigrated.

[4] The fertility rate may have fallen, but the number of live births in 2023 was 4,374 as against 4,050 twenty years earlier.

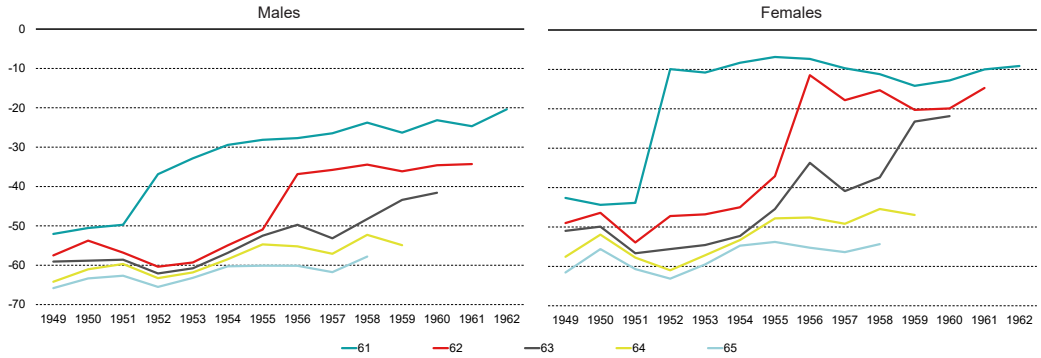
workers. The number of Maltese working men below the early pension age, by contrast, rose by just under 2,000, or 2%, though they remained the single largest group in employment. In 2013 older workers constituted just 6% of the Maltese in employment, while working age women and men were 37% and 57%, respectively. By 2023 the ratios had changed to 11%, 40% and 49%, respectively.

The number of Maltese aged between 16 and the early pension age fell from 239,297 in 2013 to 224,449 a decade later. Legislated changes in the statutory pension age, which started to come into effect in 2012, helped to address this, boosting the number of Maltese potentially available for work to 244,117 in 2023. However, the increase in the statutory pension age by itself may not have led to a significant increase in the number of Maltese working past 61 years. This because anyone born from 1952 to 1961 could retire at age 61, provided they had a mere 35 years of contributions or social security credits. In 2022 when people born in 1961 would reach age 61, Eurostat data show that in 2022 the average career duration was 41 years for men and 34 years for women. Keeping in mind that many women would benefit from childcare credits, this meant that most people could retire at 61 with a full pension.

Utilising Jobsplus data one can study in detail the impact that pension policy had on the employment behaviour of adjacent birth cohorts. Up to those born in 1952, the pension age was 61 (see Chart 2a). As a result, about half of working men, and slightly less women, used to leave employment when they reached 61. The first year that the statutory age was increased, the drop in employment at age 61 reduced to 37% for men and to just 10% for women. In subsequent years, while the exit probability of women at age 61 remained stable (except for a brief upward blip during the pandemic), that of men nearly dropped by half to 20% for those born in 1962. Every time the statutory pension age increased again, to 63 for those born in 1956 and to 64 for those born in 1959, one notices that there is a change in the exit ages at the new statutory pension age.

In 2017, Government introduced a pension top-up scheme, through which persons are awarded an additional permanent increase in their pension if they retire post 61. The top-up is awarded till a person reaches age 65. The data suggest that this is proving effective, as the decline in exit probabilities for affected cohorts seem to be accelerating. For instance, the exit probability at age 61 had stagnated at around 28% for men born between 1954 and

**Chart 2a**
**DROP IN PROPORTION OF BIRTH COHORT EMPLOYED AT AGE 60 BY A SUBSEQUENT AGE**
*(per cent)*




Source: Author's workings using Jobsplus data.

1956, whereas after the introduction of the top-up, the exit probability steadily fell to just 20% for those born in 1962. Among women one also sees some significant impacts, for example while for those born between 1955 and 1957 the exit probability at age 63 was relatively stable, subsequently this nearly halved for those born in 1960.

Had labour market behaviour post the age of 61 remained unchanged, in 2023 there would have been about 8,600 less Maltese in employment aged above 61. Given that the change in the statutory pension age raised the potential supply of Maltese labour by some 19,700, the labour market behaviour response to policy changes seems to have been slightly less than half this potential rise. While that may seem small, one must consider that the participation rate of the affected cohorts of women was very low. In fact, in 2012 the employment rate of women aged 55 to 59 was just 28%, or about half that observed now. That means that in all probability the strength of the actual impact of pension age policy will come ever closer to its potential when in future years younger women reach retirement age.

Pension policies were just one of the many structural reforms that led to a rise in the number of Maltese in employment. Sant (2024) notes that the tapering of benefits scheme doubled the job-finding rate of those previously on social benefits, with the scheme estimated to have led to around 5,600 persons more in employment.[5]

In April 2014 Government introduced free childcare services to parents in employment or in education until their children become eligible to attend kindergarten classes. Before the free service was introduced, only 1,800 children attended childcare, ten years after there were 8,960.

Table 2a shows the employment rate of Maltese women by birth year. For instance, women born in 1983 had an employment rate of 76% when they were 26. On average, they had their

**Table 2a**
**EMPLOYMENT RATE OF MALTESE WOMEN BY BIRTH YEAR**

*Annual percentage change*

| Age | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 26 | 76 | 77 | 78 | 80 | 80 | 79 | 81 | 81 | 83 | 85 | 86 | 85 |
| 27 | 76 | 75 | 77 | 80 | 82 | 80 | 83 | 82 | 84 | 86 | 87 | 88 |
| 28 | 75 | 76 | 77 | 81 | 82 | 81 | 84 | 83 | 86 | 86 | 88 | 87 |
| 29 | 75 | 75 | 76 | 82 | 82 | 80 | 84 | 83 | 85 | 87 | 87 | 87 |
| 30 | 75 | 76 | 76 | 82 | 82 | 81 | 84 | 83 | 86 | 86 | 86 | |
| 31 | 75 | 77 | 79 | 82 | 82 | 82 | 84 | 84 | 85 | 86 | | |
| 32 | 75 | 77 | 79 | 83 | 82 | 82 | 85 | 85 | 86 | | | |
| 33 | 76 | 79 | 80 | 83 | 82 | 83 | 85 | 84 | | | | |
| 34 | 77 | 79 | 82 | 82 | 84 | 83 | 85 | | | | | |
| 35 | 77 | 80 | 81 | 84 | 85 | 83 | | | | | | |

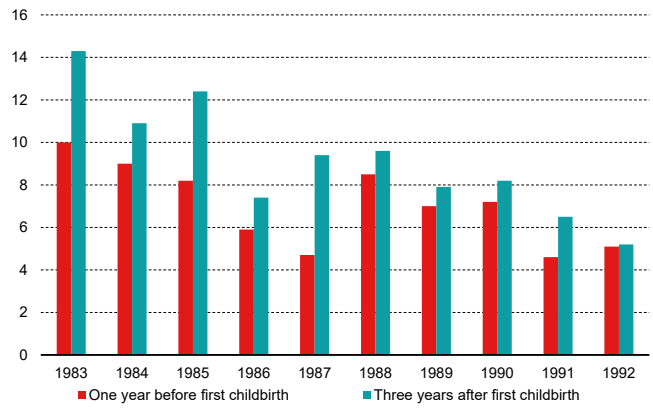
Source: Author's workings using Jobsplus and NSO data.

Note: Cells marked in light blue are the mean age when women of that cohort have their first child and those in grey show when free childcare was introduced.

[5] Sant Kurt (2024), "The impact of Malta's tapering of benefits scheme on employment outcomes", *International Social Security Review*, 77(3), pp. 31-57.

first child when they were 27, and their employment rate fell to 75.7%. Their employment rate dropped further when they were 28 and 29, but then started to rise again when they turned 30. However, it was not until age 34 that the employment rate of women born in 1983 rose beyond what it had been at age 26. For women born after 1986, the first to be fully covered by the scheme, evidence is mixed. There are slight drops in employment rates for women born in 1988, 1991 and 1993, but the decline is minor and temporary, while for women born in 1986, 1987, 1989, 1990, 1992 and 1994 there is no noticeable decline. The introduction of free childcare appears to have broken the three to four-year break that some women had after they had their first child.

**Chart 2b**
**EMPLOYMENT RATE GENDER GAP FOR MALTESE WORKERS BY BIRTH YEAR**
*(per cent)*




Source: Author's calculations using Jobsplus and NSO data.

Chart 2b compares the employment rate gender gap for Maltese workers the year before, on average, women have their first childbirth and that three years after. It is quite evident that the introduction of the free childcare service helped greatly to halt the widening of the employment gender gap that accompanied the first childbirth in previous years. If one were to assume that employment behaviour between the ages of 26 and 40 for subsequent cohorts remained the same as that for that generation that did not benefit from free child-care services, there would have be 6,200 less women in employment.

## Labour force ageing and the demand for foreign labour

A key reason for the increased demand for foreign workers was the rapid pace of structural changes in the Maltese economy. For example, whereas the manufacturing sector generated €1.1 billion in real value added in 2023, as against €1 billion ten years earlier, implying a healthy 24% growth, by 2023 the computer programming, consultancy and information services sector generated €1.4 billion real value added, having quadrupled in size. Advertising and market research in 2023 had a real value added that exceeded that of the retail sector, while legal and accounting activities generated more value added than the accommodation and food services sector, even though the latter has also grown very rapidly.

Table 2b shows how sectoral employment by nationality changed during the decade to 2023. The first thing to note is that the only sectors where the increase of Maltese workers was larger than that of foreign workers was in public administration, education and health. In the other sectors, only in financial services the increase in Maltese came close to that of foreign workers. Incidentally these sectors tend to be the most unionized in Malta, and the ones which tend to ask for some working knowledge of Maltese.

**Table 2b**
**CHANGE IN SECTORAL EMPLOYMENT BY NATIONALITY**

*Number of persons*

| | Maltese | Foreign |
|---|---|---|
| Agriculture & fishing | 191 | 444 |
| Manufacturing | -3,448 | 7,322 |
| Construction | -2,479 | 10,640 |
| Retail, transport, accommodation & food services | -2,751 | 30,333 |
| Information and communication | 1,822 | 3,225 |
| Financial services | 3,229 | 3,586 |
| Professional services and administrative support | 15,087 | 24,492 |
| Public administration, education & health | 12,082 | 6,547 |
| Arts & entertainment, other services | 4,168 | 9,446 |

Source: Ministry for Home Affairs, Security and Employment (2025).

The Maltese have mostly flowed out of traditional sectors, such as manufacturing, construction, tourism, catering and retail, and instead new entrants have flocked to remote gaming, information technology, financial and professional services and health and education. These sectors typically pay more and are more in line with the educational attainment of younger Maltese. They are also sectors that globally are less male dominated.

Table 2c shows trends in Maltese nationals by different occupational categories. The main thing to notice is that over ten years the number of those working in elementary occupations fell by more than 6,800, or by nearly a quarter. Moreover, the share of those aged 50 plus rose from 36% in 2013 to 46% in 2023. The Maltese workforce has become relatively younger

**Table 2c**
**AVAILABILITY OF MALTESE FOR DIFFERENT OCCUPATIONS**

*Number of persons*

| | Change in Maltese workers 2023 vs 2013 | Share of Maltese aged 50+ 2013 | Share of Maltese aged 50+ 2023 |
|---|---|---|---|
| | | % | % |
| Armed forces | 245 | 9 | 7 |
| Managers | 5,350 | 39 | 37 |
| Professionals | 9,724 | 24 | 24 |
| Technicians & associate professionals | 10,167 | 21 | 26 |
| Clerks and support workers | 4,178 | 19 | 24 |
| Services and sales workers | 6,500 | 24 | 31 |
| Skilled agriculture, fishery & forestry | 1,377 | 48 | 70 |
| Craft and related trades workers | -510 | 33 | 39 |
| Plant and machine operators | 192 | 27 | 33 |
| Elementary occupations | -6,809 | 36 | 46 |

Source: Author's calculations using Jobsplus data.

only among the armed forces and managers. Among professionals a large influx of new Maltese professionals managed to halt ageing. In other occupational categories the decade to 2023 saw a substantial ageing of the Maltese workforce. In 2013 the category closest to the national ageing share was plant and machine operators, while in 2023 this place went to services and sales workers.

Looking at sectoral workforces in more detail, Table 2d looks at the evolution of the Maltese workforce aged over 50 as a percentage of the Maltese workforce and of the entire workforce in the Maltese economy. Thus while, the Maltese workforce has aged considerably and now those over 50 constitute 31% of all the Maltese in employment, as against 27% a decade earlier, Maltese older workers are a much smaller share of the entire workforce. The inflow of younger foreign workers has made up for the underlying ageing of the Maltese workforce in many sectors, particularly in construction, transportation, accommodation and food services, real estate, and administrative support services.

The oldest Maltese sectoral workforce is that in agriculture, followed by the administrative support services and the public administration sectors. The only sectors where the Maltese workforce has become younger than it was in 2013 are health and social work, where there has been a large intake of young Maltese, and in arts, entertainment and recreation, where the remote gaming sector is a magnet for new labour market entrants. That said, even though

**Table 2d**
**AGEING OF SECTORAL WORKFORCE: MALTESE WORKERS AGED 50+**

*Per cent*

| | Maltese workforce | | Entire workforce | |
|---|---|---|---|---|
| | 2013 | 2023 | 2013 | 2023 |
| Agriculture & fishing | 60 | 68 | 59 | 58 |
| Manufacturing, electricity & water | 26 | 31 | 25 | 21 |
| Construction & quarrying | 33 | 34 | 30 | 15 |
| Wholesale & retail | 27 | 34 | 25 | 24 |
| Transportation & storage | 29 | 31 | 27 | 18 |
| Accommodation & food services | 26 | 32 | 21 | 11 |
| Information & communication | 14 | 15 | 12 | 10 |
| Financial services | 16 | 19 | 15 | 14 |
| Real estate activities | 32 | 36 | 30 | 25 |
| Professional, scientific & technical activities | 19 | 21 | 16 | 12 |
| Administrative & support service activities | 30 | 39 | 22 | 19 |
| Public administration & defence | 27 | 35 | 27 | 34 |
| Education | 26 | 29 | 24 | 25 |
| Health & social work | 33 | 28 | 30 | 18 |
| Arts, entertainment & recreation | 22 | 18 | 13 | 7 |
| Other services | 31 | 32 | 27 | 21 |
| Overall | 27 | 31 | 24 | 20 |

Source: Author's calculations using Jobsplus data.

there has been a slight increase in the over fifties over the last decade the 'youngest' Maltese workforce remains that of information and communication. Maltese workers in financial and professional services are also relatively much younger than the overall Maltese workforce.

Manufacturing has transformed greatly during the decade. While it continued to generate a per capita value added that compares well with the average, here dependence on foreign workers increased greatly. In comparison to other traditional sectors, the manufacturing workforce is more in line with overall demographics, but skilled manual workers within it tend to be relatively older. Automation and more resources devoted to training could help address this coming challenge, but there still could be demand for more skilled foreign workers by the sector.

Turning to other services sectors, accommodation and food services have been major drivers of the demand for foreign workers. Automation and new technologies are not expected to lead to much job displacement here, and so in the absence of a sharp reversal of trends in the interest of Maltese in the sector, it is highly likely that any expansion in demand will result in more inflows of foreign workers. On the other hand, digital developments are likely to affect considerably future demand for workers in administrative support roles, which were amongst the most commonly held by foreign workers.

By contrast, the local supply of persons interested in working in information and communication, financial and professional services, remote gaming and public administration, health and education will likely remain strong. These are also sectors where automation is unlikely to lower labour opportunities.

## Concluding remarks

While it is unlikely that participation rates among those aged below 50 can continue to rise further, there is still ample scope for more older workers to remain in employment. Though Malta has the second-highest employment rate amongst those aged below 50, it still has the third-lowest rate amongst those aged above 50. If Malta had the employment rate amongst older persons as that found in the country with the second-highest employment rate, the local labour supply would be some 23,500 higher.

Yet, activating this cohort could prove to be difficult as its level of educational attainment is not a good match with that currently demanded by most businesses. Nearly 60% of those aged 50 to 74 in Malta have a lower secondary or less degree of education, as against 16% in the country with the second-highest employment rate in the EU among this cohort, i.e. Sweden. Thus, convergence in employment rates for this age bracket could take much longer than for earlier cohorts. It will be very important to invest much more in training and upskilling to ensure that this important pool of labour does not lie under-utilised.

Similarly shifting labour activation policies from facilitating the creation of jobs to the creation of skills will be key. The average number of hours spent by participants aged over 25 in education and training in Malta is less than half that spent by Germans and Swedes. In an ever-changing environment characterized by rapid technological developments, converging to the investment in training made by top EU countries will be crucial to enhance productivity and lessen demand for foreign workers.