



EUROPEAN SEMESTER 2025

Spring Package

Adopted by the European Commission on 4 June 2025

Presentation to the Malta Council for Economic and Social Development
4 July 2025

Country Reports

Country Reports provide a comprehensive assessment of the **challenges and opportunities facing each Member State**. They identify country-specific vulnerabilities and priority reform and investment challenges, which then underpin the 2025 country-specific recommendations (CSRs).

Section 1

Economic
developments
and key policy
challenges

Section 2

Innovation,
business
environment and
productivity

Section 3

Decarbonisation,
energy
affordability
and
sustainability

Section 4

Skills, quality
jobs and social
fairness





Section 5

Key findings

Annexes

17 thematic
sections
providing
analytical
underpinning

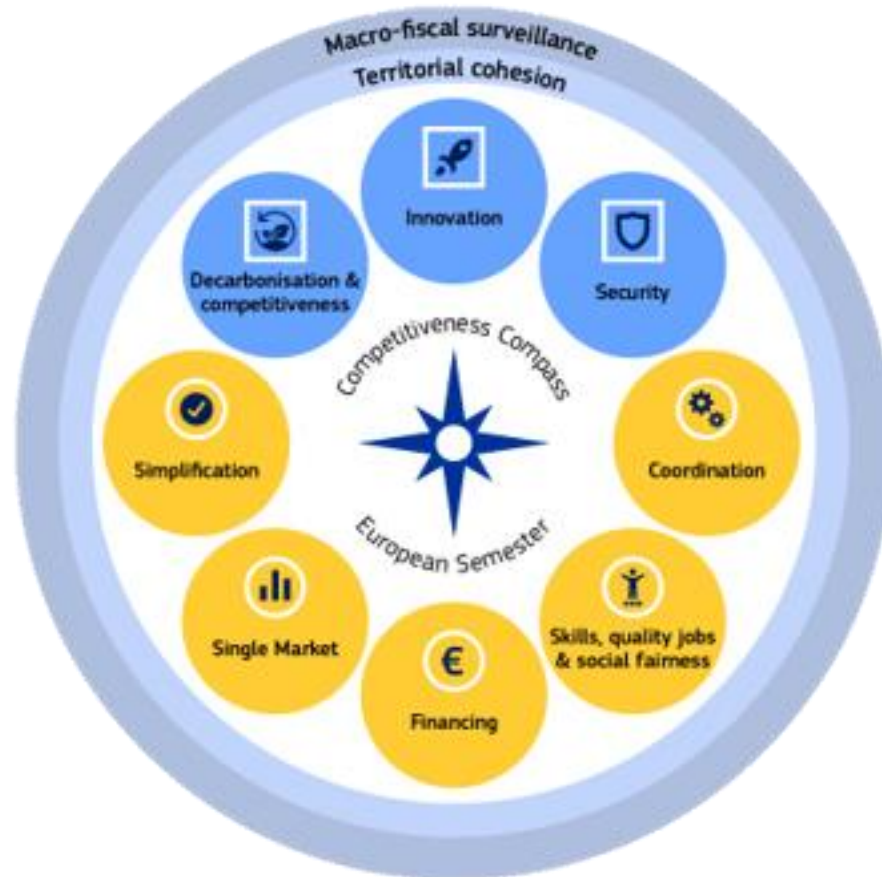
Macroeconomic overview

-  **EU's fastest growing economy**
 - GDP: +6.0% (2024), +4.1% (2025)
 - Powered by tourism & high-value service exports (IT, finance)
-  **Jobs boom, yet labour shortages persist**
 - Employment: +5.1% (2024); still strong in 2025
 - Unemployment: 3.1% – Half the EU average
 - Labour & skills shortages fuel reliance on immigration
-  **Easing Inflation, but wages lag**
 - Inflation easing, following the global trend: 2.4% (2024) → 2.2% (2025)
 - Wage growth modest, driven by low-paid sectors
 - Energy subsidies keep price pressures low
-  **Fiscal Situation**
 - Deficit falling: 3.7% (2024) → 2.8% (2026)
 - Debt stable <50% of GDP

Proposed Country Specific Recommendations (CSRs)

- The [proposals](#) are being discussed in Council, and the recommendations will be formally adopted by Council.
- The Commission proposes that each of the Member States address structural challenges affecting their competitiveness. For Malta, the Commission proposes:
 1. **Fiscal & tax:** Reinforce defence spending and readiness. Adhere to the maximum growth rates of net expenditure recommended by the Council. Wind down the emergency energy support measures. Address remaining aggressive tax planning risks.
 2. **EU Programmes:** Ensure the effective implementation of the recovery and resilience plan, accelerate the implementation of cohesion policy programmes, and make use of the scope provided by the InvestEU and the Strategic Technologies for Europe Platform, to improve competitiveness.
 3. **R&I:** Promote investment in research and innovation, including by increasing public R&D investment and stimulating private R&D investment.
 4. **Energy and transport:** Accelerate the deployment of renewable energy. Improve energy efficiency in buildings. Reduce emissions from road transport and address traffic congestion by promoting quality and efficient public transport, stepping up investments in active mobility infrastructure and discouraging car usage. Phase out fossil fuel subsidies.
 5. **Education & Skills:** Strengthen labour-market relevance of education and training to address low educational outcomes as well as the severe shortage and mismatch of skills, (...) in particular by fostering basic skills of students, the training of teachers as well as promoting enrolment in vocational education and training, and in adult learning. Strengthen the inclusiveness of education and training.

Policy context / the bigger picture



• Competitiveness Compass

- Innovation
- Decarbonisation
- Reducing dependencies, increasing security

Research & Innovation

Overview of areas covered by CSR proposals for each Member State

	R&D investment	Fragmentation of the science base	R&I governance	Research careers	Science-business links / commercialisation	Public support to business innovation	Startups & Scaleups / Venture capital
Belgium							
Bulgaria							
Czechia							
Denmark							
Germany							
Estonia							
Ireland							
Greece							
Spain							
France							
Croatia							
Italy							
Cyprus							
Latvia							
Lithuania							
Luxembourg							
Hungary							
Malta							
Netherlands							
Austria							
Poland							
Portugal							
Romania							
Slovenia							
Slovakia							
Finland							
Sweden							

Research & Innovation



Brussels, 4.6.2025
COM(2025) 218 final

Recommendation for a
COUNCIL RECOMMENDATION

on the economic, social, employment, structural and budgetary policies of Malta

{SWD(2025) 218 final}

3. Promote investment in research and innovation, including by increasing public R&D investment and stimulating private R&D investment, for example through R&D tax incentives.

- Promote **investment in R&I**

- 🔍 Why? R&D spend levels

- 🔧 How? Increasing public, stimulating private investment

- Enablers: tax incentives, facilitating access to financing, skilled human resources

Education and skills



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5. Strengthen the quality and labour-market relevance of education and training to address low educational outcomes as well as the severe shortage and mismatch of skills, also in the area of science, technology, engineering and mathematics (STEM) and the green transition, in particular by fostering basic skills of students, the initial and continuous training of teachers as well as promoting enrolment in vocational education and training, and in adult learning for the low-skilled. Strengthen the inclusiveness of education and training.

Done at Brussels,

*For the Council
The President*

- Strengthen quality and labour-market relevance of **education and training**

 Why? Educational outcomes, skills shortages/mismatches

 How?

- Fostering of basic skills
- Training of teachers
- Vocational education and training
- Adult learning for the low-skilled

Energy & transport



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4. Accelerate the deployment of renewable energy by promoting large-scale projects and small-scale investments in direct energy production and consumption. Reduce energy demand through improved energy efficiency in buildings. Reduce emissions from road transport and address traffic congestion by promoting quality and efficient public transport, stepping up investments in active mobility infrastructure and discouraging car usage. Phase out fossil fuel subsidies, including emergency energy support measures.


- **Energy:** Accelerate renewable energy deployment, reduce energy demand

 Why? Renewable energy uptake levels / energy mix composition

 How? Investments in renewable energy production/consumption; Improved energy efficiency in buildings

- **Road transport:** Reduce emissions, address congestion

 Why? Competitiveness, quality of life

 How? Enhanced public transport, active mobility infrastructure, discouraging car usage

Fiscal & Tax



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1. Reinforce overall defence spending and readiness in line with the European Council conclusions of 6 March 2025. Adhere to the maximum growth rates of net expenditure recommended by the Council on 21 January 2025, with a view to bringing an end to the situation of an excessive deficit. Wind down the emergency energy support measures. To address remaining aggressive tax planning risks, introduce a withholding tax on outbound payments or equivalent defensive measures, and amend rules on non-domiciled companies.

Defence: Recalling the European Council conclusions of 6 March 2025

Fiscal: Malta is on track, but is invited to keep within the 'maximum growth rates' limits set by the Council in January 2025

Taxation: Address remaining aggressive tax planning risks

- The Commission acknowledges the good progress made in this area, yet loopholes remain.
- 🔍 Why? Risks of outbound payments leaving the EU untaxed. Risks of double non-taxation.
- 🛠️ How? New legislation - in line with the Government's commitment in the Maltese RRP to introduce a legislation to tackle outbound payments & tax avoidance.

EU Funding



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2. In view of the applicable deadlines for the timely completion of reforms and investments under Regulation (EU) 2021/241, ensure the effective implementation of the recovery and resilience plan, including the REPowerEU chapter. Accelerate the implementation of cohesion policy programmes (ERDF, JTF, ESF+, CF), building, where appropriate, on the opportunities offered by the mid-term review. Make optimal use of EU instruments, including the scope provided by the InvestEU and the Strategic Technologies for Europe Platform, to improve competitiveness.

- **Make optimal use of EU instruments**
- Continue effective implementation of **Cohesion Policy Programmes** (ERDF, JTF, ESF+, CF)
- Continue effective implementation of **Recovery and Resilience Plan (RRP)**


Malta's RRP is well underway:

 **Allocation Grants: €328.23 million**

 **RRP as % of GDP: 1.60%**

 **Disbursement Progress:**
50.3% of grants disbursed to date
Expected 65.5% disbursed by Summer 2025
(3rd Payment Request)

 **Final Deadline: August 2026**

 Ensure **systematic involvement of stakeholders and social partners**. Broad ownership remains essential for success.



Thank you