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ECONOMIC UPDATE

12/2018

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ECONOMIC UPDATE 12/2018

Summary¹

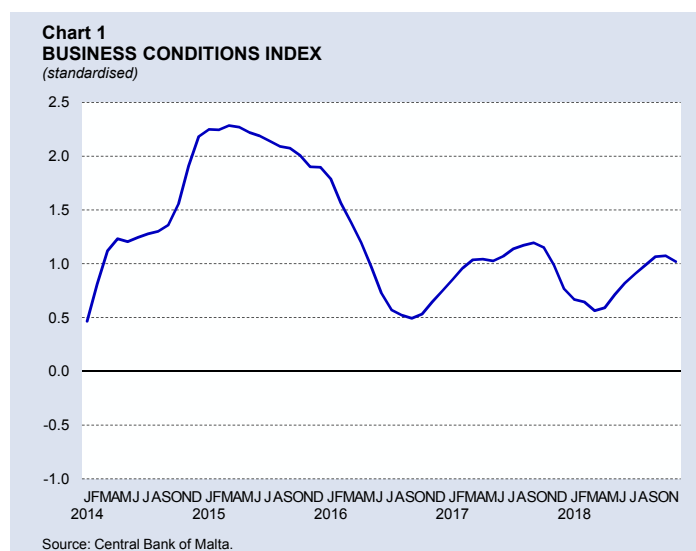
In November, while continuing to suggest above-average conditions, the Bank's Business Conditions' Index (BCI) eased slightly over the previous month. Economic sentiment rose as higher sentiment in the retail, industry and services sectors offset marginally lower confidence among consumers. In October, tourism activity grew at a slower pace compared with September. Meanwhile, industrial production rose, while retail trade fell on a year earlier. Conditions in the labour market remained favourable, with the number of registered unemployed and the unemployment rate declining further. The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) moderated to 2.0% in October, while inflation based on the Retail Price Index (RPI) remained unchanged at 1.6%. The annual rate of change of Maltese residents' deposits was stable at 4.5%. Growth in credit to residents also remained unchanged, at 2.6%. As regards fiscal developments, in October 2018, the cash-based Consolidated Fund deficit almost halved.

Central Bank's Business Conditions Index (BCI)²

In November, the Central Bank's BCI eased slightly over the previous month (see Chart 1). The index fell to 1.0, from a revised value of 1.1 in October. The BCI index was supported by improvements in tourist arrivals and the labour market, but was also affected by economic sentiment amongst other factors. The BCI, however, continued to indicate above-average conditions.

Business and consumer confidence indicators

In November, the Economic Sentiment Indicator (ESI) rose to 118 from 109 in the preceding month, thus remaining above its long-term average (see Table 1).^{3,4} Higher sentiment was registered in the retail, industry and services sectors, while confidence edged down marginally among consumers. Sentiment within construction remained unchanged, while that in the retail sector rebounded sharply, following the decline in October.⁵



¹ The cut-off date for information in this note is 11 December 2018.

² The methodology underlying the BCI has been updated for the sake of clarity. For further details on the changes carried out in the index, see Ellul, R., (2018), "Updates to the BCI," Central Bank of Malta.

³ The ESI summarises developments in confidence in five surveyed sectors (industry, services, construction, retail and consumers). Weights are assigned as follows: industry 40%, services 30%, consumers 20%, construction 5% and retail trade 5%.

⁴ Long-term averages are calculated over the entire period for which data are available. For the consumer and industrial confidence indicators, data became available in November 2002, while the services and construction confidence indicator 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. However, the long-term average of the ESI is computed from November 2002.

⁵ 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.

Table 1
BUSINESS AND CONSUMER SURVEYS

Balances; percentage points; seasonally adjusted

	2016 2017		2018										
			Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.
Economic Sentiment Indicator	108	114	123	121	119	111	119	118	121	121	120	109	118
Retail trade confidence indicator	7	9	16	23	6	1	10	0	12	11	17	-1	15
Business activity, past 3 months	17	15	38	26	3	8	13	8	15	16	28	6	30
Stocks of finished goods	9	5	22	3	3	7	12	4	6	7	6	6	6
Business activity, next 3 months	14	16	32	47	17	3	28	-4	28	24	30	-2	22
Industrial confidence indicator	0	8	16	14	11	-4	5	11	15	13	5	-9	7
Assessment of order-book levels	-18	-5	-2	6	-2	1	-2	19	-1	3	-9	-15	-3
Assessment of stocks of finished products	2	-2	1	-1	5	13	3	7	-3	5	4	14	9
Production expectations for the months ahead	19	27	51	35	40	-1	20	20	44	40	28	3	32
Services confidence indicator	26	31	38	30	33	29	40	30	32	36	42	31	36
Business situation development over the past 3 months	22	27	32	27	34	25	31	26	25	28	40	29	36
Evolution of the demand over the past 3 months	29	33	36	38	38	34	41	30	32	40	36	29	34
Expectation of the demand over the next 3 months	27	32	46	25	26	29	49	35	38	40	51	34	39
Consumer confidence indicator	2	8	25	27	26	23	22	23	23	23	24	24	23
Financial situation over the next 12 months	5	9	18	23	20	17	14	17	19	16	15	17	17
General economic situation over the next 12 months	13	19	32	33	34	28	27	26	28	27	30	30	26
Unemployment expectations over the next 12 months	-13	-18	-30	-29	-32	-31	-33	-30	-28	-29	-32	-33	-29
Savings over next 12 months	-24	-14	17	25	17	15	14	20	18	19	18	15	19
Construction confidence indicator	-8	13	27	29	26	25	38	25	29	22	12	3	3
Evolution of your current overall order books	-22	2	21	29	26	16	33	18	23	20	7	-3	5
Employment expectations over the next 3 months	6	24	34	29	27	34	43	32	35	23	17	9	1

Source: European Commission.

Confidence in the retail sector reached 15 from -1 a month earlier, and thus rose above its long-term average of 3. The recent rise in sentiment was driven by both the assessment of past and expected business activity. Firms' assessment of stock levels stood unchanged for the third consecutive month. Additional survey data indicate that on balance, firms predicted lower prices, while more firms expected an increase in their employment.

Industrial confidence also turned positive, reaching 7 from -9 in the preceding month, consequently standing above its long-term average of -3.⁶ In November, the improvement in sentiment was driven by all subcomponents.⁷ A larger share of respondents expected employment to increase in subsequent months. Going forward, fewer firms anticipate a decline in selling prices in the three months ahead.

Sentiment in the services sector rose to 36, from 31 in October. It thus remained above its long-term average of 23. Higher sentiment was reflected across all subcomponents, with the largest increase registered in the share of firms reporting an improvement in their business situation in the previous three months. Supplementary survey data indicate that in November, employment expectations were more optimistic than those in the preceding month. Also, more participating firms foresaw a rise in prices in the months ahead.

Although consumer confidence edged down to 23 from 24 in the preceding month, it remained well above its long-term average of -16.⁸ On balance, more consumers expected an increase in

⁶ 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.

⁷ Above normal stocks of finished goods have a negative effect on the overall indicator. Thus, a decline in the balance of firms reporting above normal stock levels has a positive effect on the overall indicator. 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.

⁸ 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' financial situation, their ability to save, the general economic situation and unemployment expectations over the subsequent 12 months.

their savings. However, this was more than offset by less optimistic expectations of the general economic situation and a further fall in the share of respondents expecting a decline in unemployment.⁹ The proportion of consumers expecting an improvement in their financial situation was broadly unchanged. Additionally, a smaller share of respondents expected to make fewer major purchases in the twelve months ahead, while fewer consumers anticipated higher prices going forward.

In the construction sector, sentiment was broadly unchanged from October's low reading of 3, but still stood above its long-term average of -16.¹⁰ Indeed a fall in the share of respondents expecting employment to rise was offset by firms' now positive assessment of order-book levels. In comparison with a month earlier, fewer respondents reported an increase in building activity over the preceding three months. Meanwhile, more firms anticipated prices to increase in the months ahead.

Activity

The index of industrial production, which is a measure of economic activity in the quarrying, manufacturing and energy sectors, rose by 0.9% in October in annual terms, following a contraction of 4.7% in the preceding month (see Table 2).¹¹ This increase was largely driven by higher production among firms in the printing and reproduction of recorded media. Output also rose in the "other manufacturing" sub-sector, which includes medical and dental instruments, toys and related products as well as among firms involved in the production of computer, electronics and optical products. Smaller increases in production were registered in the repair and installation of machinery and equipment sector, in the food and beverages sector. On the other hand, output declined strongly among producers of pharmaceuticals. Output also fell in the rubber and plastics and energy sectors.

In October, retail trade, which is a short-term indicator of final domestic demand, fell at an annual rate of 2.3%, following a decline of 0.9% in September.

		2016		2017												2018					
		2016	2017	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	
Table 2																					
ACTIVITY INDICATORS																					
<i>Annual percentage changes</i>																					
Industrial production	-4.3	4.0	0.0	0.7	6.3	8.9	2.2	3.4	-0.1	0.4	-5.2	-3.0	-3.3	-1.7	2.5	-4.3	-1.9	-4.7	0.9		
Retail trade	2.9	5.1	6.6	4.1	4.1	10.0	5.5	2.1	8.5	5.6	2.7	1.6	-2.8	-0.4	-1.9	-2.3	-1.5	-0.9	-2.3		
Number of tourist arrivals	10.2	15.7	17.2	11.4	12.4	14.0	11.6	15.8	15.0	19.9	17.8	18.6	17.0	19.3	13.8	15.2	10.2	15.1	10.5		
Number of nights stayed	5.7	10.3	9.6	8.9	8.5	13.1	6.2	7.1	17.3	15.1	11.2	26.9	16.9	20.2	15.5	12.9	5.7	10.2	8.0		
Private accommodation ⁽¹⁾	13.5	16.7	12.5	12.5	17.8	23.8	11.3	-2.0	13.8	10.5	19.1	56.1	26.7	21.9	28.1	18.4	5.1	18.1	18.0		
Collective accommodation	1.0	6.0	7.7	5.9	-0.6	4.7	3.0	12.3	20.0	18.5	7.4	14.6	11.0	19.0	6.9	8.0	6.3	2.8	1.2		
Tourist expenditure	4.3	13.9	14.3	11.4	10.4	16.7	10.2	18.3	24.3	16.1	4.7	20.2	3.9	16.6	9.7	9.5	7.2	4.8	3.3		
Package expenditure	-6.5	3.2	3.4	-5.6	-5.8	10.4	15.0	23.9	21.0	30.9	15.4	27.2	15.1	29.7	10.2	41.6	25.4	3.7	-0.3		
Non-package expenditure	11.3	19.8	18.8	22.5	18.3	21.2	0.4	10.9	23.8	32.4	8.5	19.8	3.4	10.6	16.7	5.1	10.9	11.1	23.6		
Other	8.2	17.3	19.1	15.4	15.7	17.8	14.8	20.5	26.4	-2.7	-5.0	15.0	-3.6	12.6	3.6	-6.8	-6.5	0.3	-9.0		

⁽¹⁾ Private accommodation includes stays in both rented and non-rented accommodation.

Sources: National Statistics Office; Eurostat.

⁹ A fall in unemployment expectations has a positive effect on the overall indicator. Thus, a decrease in the share of respondents expecting unemployment to fall has a negative effect on the overall indicator.

¹⁰ 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 employment expectations over the subsequent three months.

¹¹ The annual growth rates of the overall industrial production index are based on working-day adjusted data. Unadjusted data however, are used for the components.

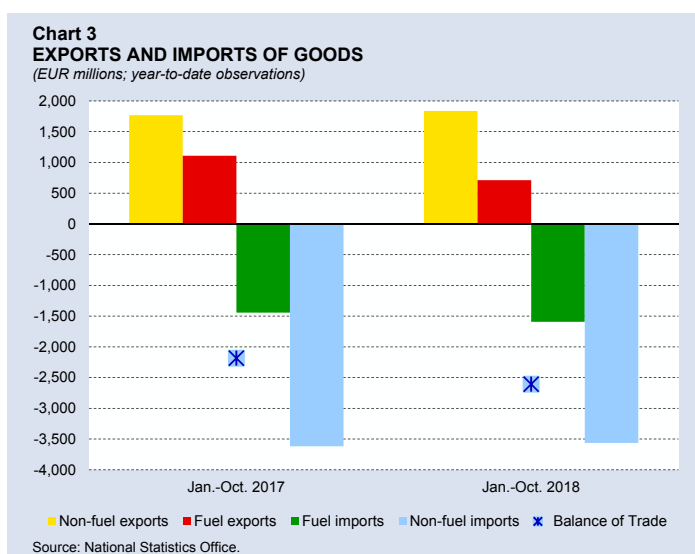
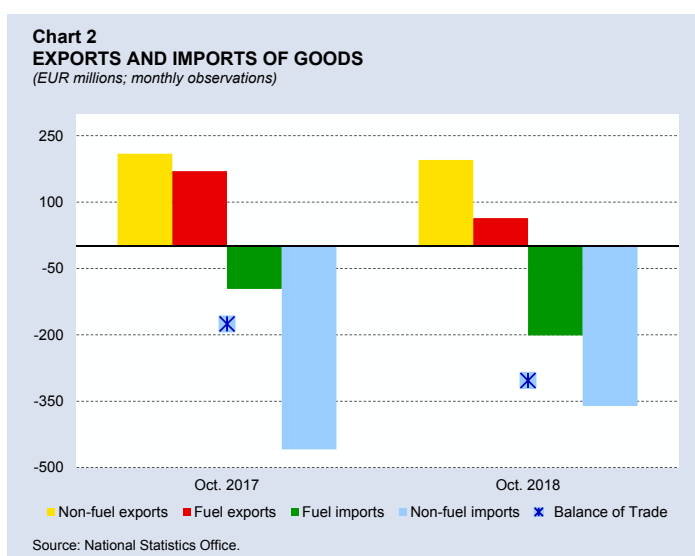
Meanwhile, the number of inbound tourists rose at a slower rate of 10.5% in annual terms, compared with growth of 15.1% in September. Similarly, nights stayed increased at a more moderate rate of 8.0%. Both nights spent in private and collective accommodation rose on a year earlier. However, growth was broadly unchanged in the former and weakened in the latter segment. Tourist spending in Malta increased at a more modest rate of 3.3%, after going up by 4.8% in September. Spending on non-package holidays rose substantially, while expenditure on package holidays and the 'other' expenditure category declined.

During the third quarter of 2018, the total occupancy rate in collective accommodation establishments rose to 84.1% from 81.9% a year earlier. Higher occupancy rates were recorded in three-star and, to a lesser extent, in four-star hotels and in the "other" collective accommodation category. In contrast, occupancy rates fell marginally in two-star and five-star hotels.

In the third quarter, there were 95 cruise liner calls, four less than a year earlier. Foreign passengers fell to 183,480, from 206,541 in the same period of 2017.

Customs data show that the merchandise trade deficit stood at €303.2 million in October, up from the €175.5 million recorded a year earlier (see Chart 2). The surge in the deficit arose as exports fell whilst imports increased. The former decreased by €120.5 million, whereas imports rose by €7.2 million on the same month of 2017. Both the decline in exports and the increase in imports were predominantly on account of trade in fuels. However, on the import side, the impact of higher fuel imports was partly offset by a fall in imports of ships, boats and floating structures.

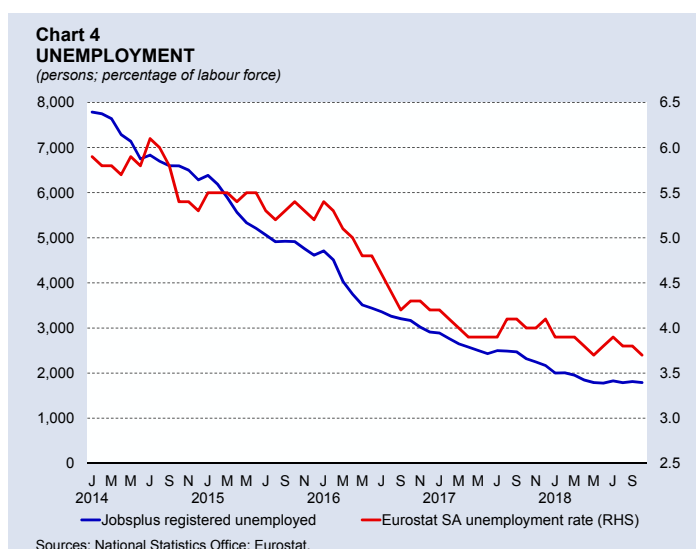
When compared with the first ten months of 2018, the visible trade gap widened by €422.9 million on the same period of 2017, as imports rose while exports fell (see Chart 3). Excluding trade in fuel, the trade balance would have narrowed by €123.8 million, as imports net of fuel fell, while exports rose.



Labour market

Jobsplus data show that in October the number of persons on the unemployment register dropped to 1,790, from 2,319 a year earlier and from 1,813 in September (see Chart 4).

Eurostat's estimate of the seasonally-adjusted unemployment rate also declined in October, falling to 3.7%, from 4.0% in the corresponding month of 2017.



BOX 1: GAINFULLY OCCUPIED POPULATION

Jobsplus records show that in June 2018 the gainfully occupied population, defined to include all persons in full-time employment, rose by 5.5% on a year earlier, reaching 203,993 (see Chart 5). The rate of growth in June 2018 was lower than the rate of 5.9% registered in the preceding month, and that of 6.6% observed a year earlier.

In line with developments in recent months, growth in employment continued to be mainly driven by the private sector, although public sector employment also rose on an annual basis (see Table 3).

The number of full-timers in the private sector went up by 9,530, or 6.5%, on June 2017. Employment growth in this sector continued to be driven by market services, with the number of full-time job holders increasing by 8,196, or 7.2% in annual terms. This rise was distributed among all major sectors within this category.

The sector incorporating real estate, professional and administrative

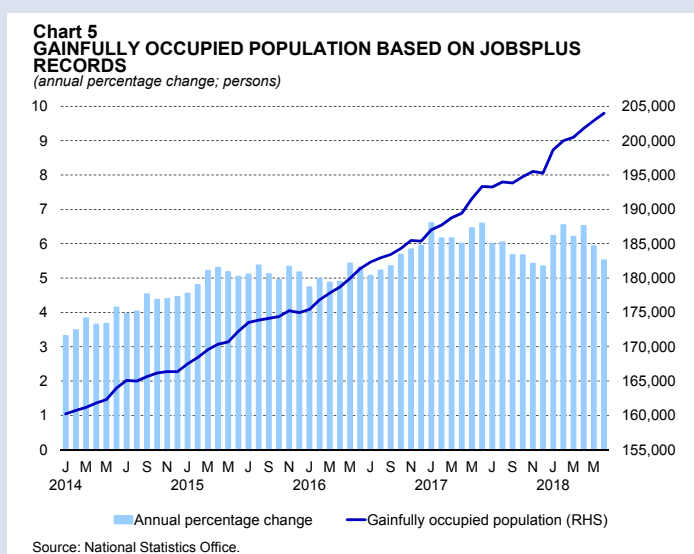


Table 3
LABOUR MARKET INDICATORS BASED ON JOBSPLUS RECORDS

Persons; annual percentage changes

	2017 June	2018 June	Annual change	
			Number of persons	%
Labour supply	195,758	205,771	10,013	5.1
Gainfully occupied ⁽¹⁾	193,326	203,993	10,667	5.5
Registered unemployed	2,432	1,778	-654	-26.9
Unemployment rate (%)	1.2	0.9		
Private sector	147,396	156,926	9,530	6.5
Direct production⁽²⁾	34,078	35,412	1,334	3.9
Of which:				
Manufacturing	20,939	21,634	695	3.3
Construction	10,442	11,007	565	5.4
Market services	113,318	121,514	8,196	7.2
Wholesale and retail trade	26,097	26,482	385	1.5
Transportation and storage	8,366	8,839	473	5.7
Accommodation and food service activities	12,581	13,536	955	7.6
Information and communication	6,883	6,897	14	0.2
Financial and insurance activities	8,968	9,806	838	9.3
Real estate, professional and administrative activities ⁽³⁾	27,920	30,767	2,847	10.2
Arts, entertainment and recreation	7,744	8,926	1,182	15.3
Education	5,333	5,589	256	4.8
Other	9,426	10,672	1,246	13.2
Public sector	45,930	47,067	1,137	2.5

⁽¹⁾ This category measures full-time employment.

⁽²⁾ This includes employment in agriculture, fishing, mining and quarrying, manufacturing, electricity, gas and water supply, and construction.

⁽³⁾ This includes employment in real estate activities, professional, scientific and technical activities, and administrative and support service activities.

Source: National Statistics Office.

activities registered the largest absolute increase. Employed persons in this sector went up by 2,847 in the year to June 2018, and accounted for more than a third of the overall rise in private market services employment. The number of persons employed in the arts, entertainment and recreation sector also grew significantly in annual terms, going up by 1,182 persons. Employment also increased significantly within the accommodation and food service activities sector, as well as within private health care.

Meanwhile, employment in direct production within the private sector grew by 1,334, or 3.9%, on a year earlier. Growth was recorded within both the manufacturing and construction sectors.

Public sector jobs rose by 1,137, or 2.5%, on a year earlier. Employment increased mostly in public administration and defence, in education as well as within the health care sector. These offset falls in other sectors, such as employment agencies' activities, construction as well as water supply. Nevertheless, the share of public sector employment in the total gainfully occupied population edged down marginally to 23.1% in June 2018 from 23.8% a year earlier.

Prices, costs and competitiveness

After picking up for several months, annual HICP inflation moderated during October, falling to 2.0% from 2.5% in September (see Chart 6).

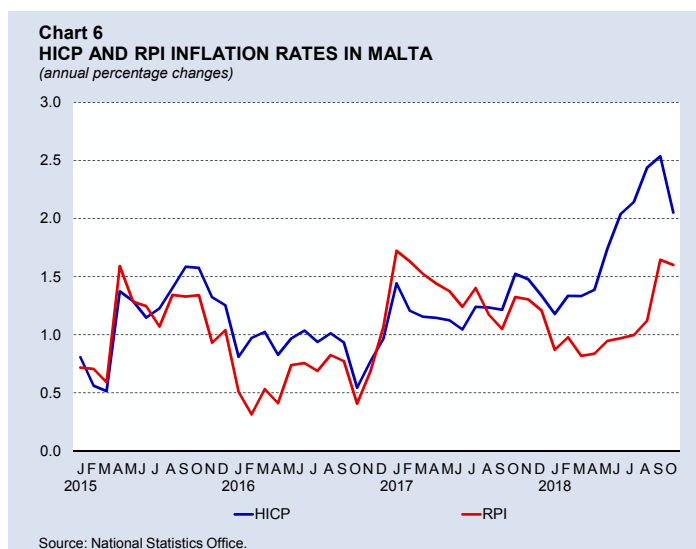
The deceleration in overall inflation mainly reflected an easing of services inflation, which had been the main driver of the pick-up observed in previous months. In particular, slower growth was observed in prices for transport services, such as air fares. Nonetheless, services inflation still remains the main contributor to overall HICP, supported mainly by accommodation services, largely reflecting the increased weight of tourist expenditure in overall consumption in Malta.

At the same time, inflation in non-energy industrial goods (NEIG) eased further, reflecting downward pressures on prices for imported goods. On the other hand, food inflation picked up, driven by annual increases in the prices of bread, dairy products, and vegetables. Inflation in the energy subcomponent was unchanged when compared with September.

Meanwhile, inflation as measured by the RPI index stood at 1.6% in October, unchanged when compared with September (see Chart 6). While food inflation continued to accelerate, this was offset by lower inflation for certain goods, such as clothing and household equipment. The contrasting developments between the overall HICP and RPI inflation rates mainly reflect the exclusion of tourist expenditure, such as accommodation services, from the RPI basket.¹²

In October, cost inflation for producers based on the Industrial Producer Price Index (PPI) stood at 3.4%.¹³ Nonetheless, inflation eased when compared with recent months. As in previous months, PPI inflation was supported by the intermediate goods subcomponent, which encompasses a wide range of items, such as computers and electronics. The contribution of consumer goods was also positive, while the contribution from capital goods and energy remained nil.

Malta's harmonised competitiveness indicators (HCI) continued to signal a further deterioration in international competitiveness.¹⁴ Annual growth in the nominal HCI, based on trade-weighted exchange rates, stood at 2.6% in October, while the real HCI, which also takes into account



¹² The RPI differs from the HICP in that HICP weights are based on total expenditure in Malta, including that by tourists. In contrast, RPI weights only take into account expenditure by Maltese households, thereby excluding tourism-related expenditure such as accommodation services.

¹³ The Industrial PPI measures the prices of goods at the factory gate and is commonly used to monitor inflationary pressures at the production stage.

¹⁴ The nominal HCI tracks movements in the country's exchange rate against the currencies of its main trading partners, weighted according to the direction of trade in manufactured goods. The real HCI incorporates both exchange rate changes and the relative inflation of a country vis-à-vis its main trading partners. A higher (or lower) score in the HCI indicates a deterioration (or improvement) in a country's international price competitiveness.

relative price pressures, grew by 3.3%. This suggests that movements in the euro exchange rate and developments in relative prices vis-à-vis international trading partners over the past year have negatively impacted Malta's competitiveness. Nonetheless, the extent of this deterioration has moderated in recent months.

Public finance

During October 2018, the Consolidated Fund balance recorded a deficit of €27.1 million, a reduction of €25 million from the deficit registered in October 2017 (see Table 4). This occurred as the increase in revenue was larger than the increase in expenditure. In turn, the primary balance registered a deficit of €10.6 million, compared with a €33.4 million deficit in the same period a year earlier.

Total government revenue increased by €54.0 million or 18.9%, when compared with the corresponding period of 2017. Direct tax revenue increased by €46.0 million, mainly driven by higher income taxes. Indirect taxes rose by 6.8 million, chiefly from a rise in VAT. Non-tax revenue rose marginally.

Government expenditure increased by €29.0 million, or 8.6% when compared with October 2017, due to a €32.8 million increase in capital spending. Meanwhile, recurrent expenditure declined by €3.8 million when compared to that recorded a year earlier. Outlays in this category decreased partly due to the timing of Government contributions to church schools.

In the month under review, the total stock of government debt amounted to €5,211.8 million, a decrease of €27.5 million when compared with a month earlier (see Chart 7). This decline was

Table 4
CONSOLIDATED FUND BALANCE

EUR millions

	2017		2018		Change	
	Jan.-Oct.	Jan.-Oct.	Oct.	Oct.	Amount	%
Revenue	3,071.2	3,261.8	285.5	339.4	54.0	18.9
Direct tax	1,569.0	1,717.5	161.2	207.2	46.0	28.5
Income tax	1,101.2	1,204.7	115.0	150.5	35.5	30.9
Social security contributions ⁽¹⁾	467.9	512.7	46.2	56.7	10.5	22.7
Indirect tax	1,156.8	1,282.1	105.5	112.4	6.8	6.5
Value Added Tax	624.2	695.8	46.8	56.4	9.6	20.6
Customs and excise duties	254.4	265.3	27.6	22.8	-4.8	-17.4
Licences, taxes and fines	278.2	320.9	31.2	33.2	2.0	6.5
Non-tax⁽²⁾	345.4	262.3	18.7	19.8	1.1	5.9
Expenditure	3,066.9	3,285.8	337.6	366.5	29.0	8.6
Recurrent	2,829.8	2,959.8	310.5	306.7	-3.8	-1.2
Personal emoluments	628.6	678.0	58.2	65.6	7.4	12.6
Operational and maintenance	154.5	160.8	17.3	21.3	4.0	23.0
Programmes and initiatives ⁽¹⁾	1,557.5	1,588.9	186.0	161.1	-25.0	-13.4
Contributions to entities	307.6	357.1	30.2	42.3	12.0	39.8
Interest payments	181.7	175.0	18.7	16.5	-2.2	-11.8
Capital	237.0	326.1	27.1	59.9	32.8	121.1
Primary balance⁽³⁾	186.0	150.9	-33.4	-10.6	22.8	-
Consolidated Fund balance	4.3	-24.1	-52.1	-27.1	25.0	-

⁽¹⁾ Government contributions to the social security account in terms of the Social Security Act 1987 are netted out from both revenue and expenditure.

⁽²⁾ Includes grants but excludes proceeds from sale of assets, sinking funds of converted loans and borrowings.

⁽³⁾ Revenue less expenditure excluding interest payments.

Source: National Statistics Office.

mainly due to a lower volume of Treasury Bills outstanding.

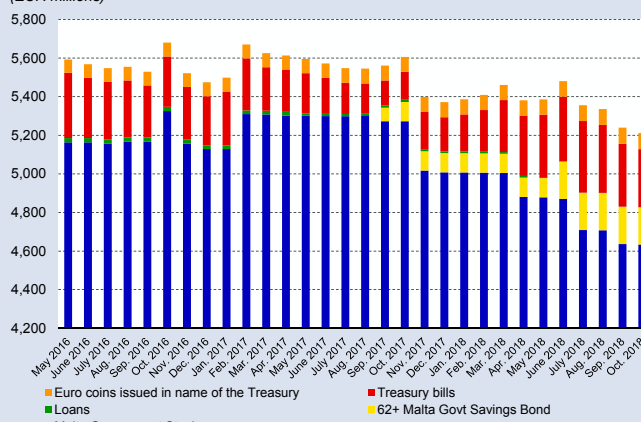
Deposits, credit and financial markets

Residents' M3 deposits held with monetary and financial institutions (MFI) based in Malta continued to expand in October, standing 4.5% higher than the amount registered twelve months earlier (see Chart 8). Although deposit growth has moderated when compared with 2017, the amount of deposits continues to point towards a high level of liquidity, driven by robust economic growth, increased employment, and low interest rates.

The largest component of residents' M3 deposits remained overnight deposits, comprising over 80% of the total amount. This component, which is the most liquid form of deposits, grew by 7.1% in the year to October. On the other hand, time deposits with a maturity of up to two years continued to contract, falling by 7.0% in annual terms. This suggests that residents continued to shift their demand away from longer-term time deposits and toward overnight deposits, a process that has been ongoing for a number of years.

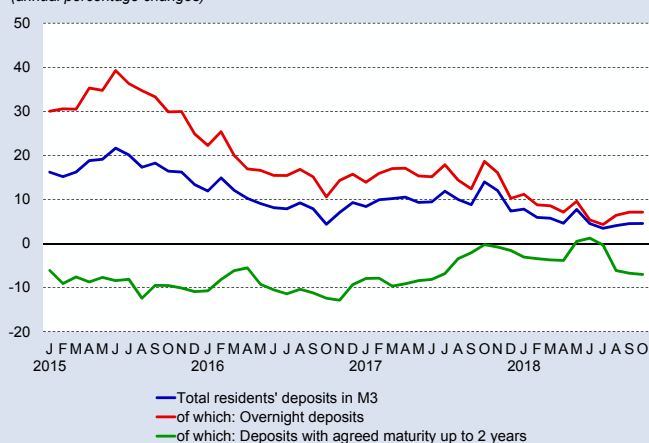
Meanwhile, credit to Maltese residents continued to grow in October, registering an unchanged annual rate of 2.6% (see Chart 9). Once again, growth in credit was influenced by contrasting developments in

**Chart 7
GOVERNMENT DEBT⁽¹⁾**
(EUR millions)



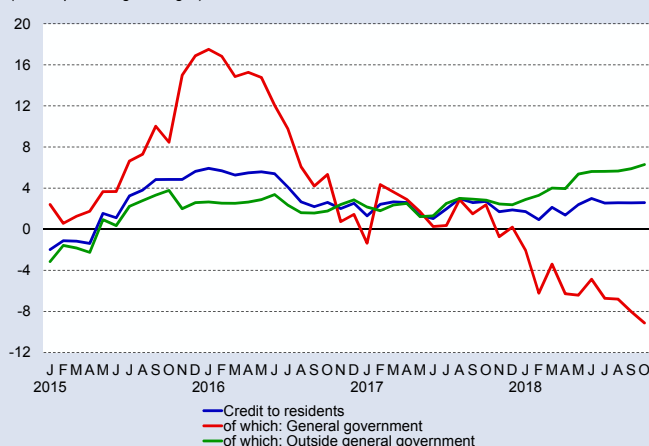
⁽¹⁾ Excluding debt issued by extra-budgetary units and local councils and debt held by sinking funds.
Source: NSO.

**Chart 8
SELECTED DEPOSITS OF MALTESE RESIDENTS**
(annual percentage changes)



Source: Central Bank of Malta.

**Chart 9
CREDIT TO RESIDENTS OF MALTA**
(annual percentage changes)



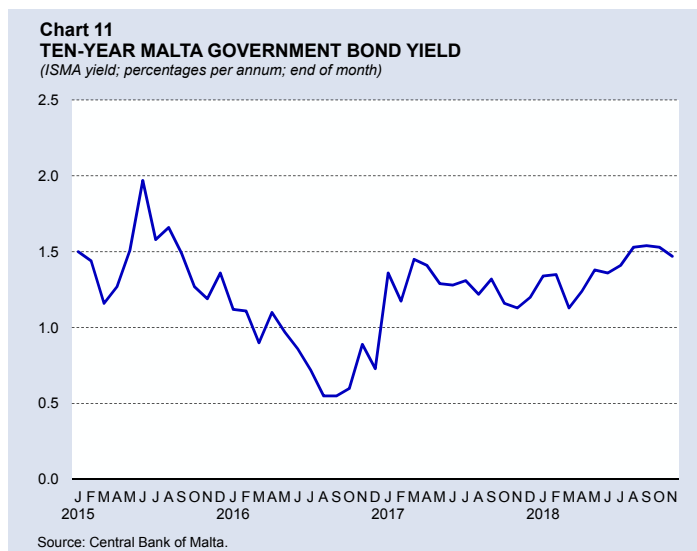
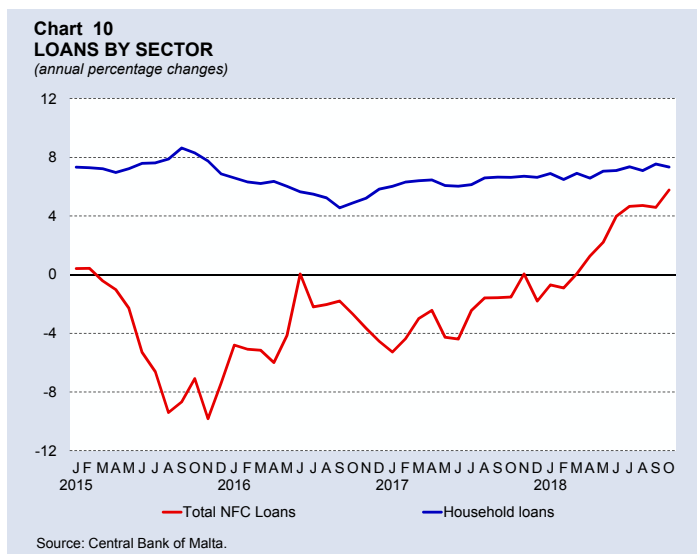
Source: Central Bank of Malta.

credit to general government and credit to residents outside general government. The former continued to contract, while the latter grew at the robust annual rate of 6.3%.

The continued strength in credit growth to residents outside general government is largely underpinned by growth in loans to households and NFCs. Growth in loans to households grew by 7.3% in the year to October, mainly supported by strong growth in mortgages (see Chart 10). At the same time, loans to NFCs grew by 5.8% on an annual basis, extending the recovery observed in recent months. Growth was observed across a number of sectors, including construction and real estate, accommodation and food services, and manufacturing.

With regard to interest rates, the composite interest rate paid by MFIs on residents' outstanding deposits fell by 1 basis point to 0.34% between September and October. At the same time, the composite rate charged on outstanding loans dropped by 2 basis points to 3.56%. The spread between the two rates thus stood at 322 basis points.

In the capital market, the secondary market yield on ten-year Maltese government bonds stood at 1.5% in November, unchanged from October (see Chart 11). Meanwhile, the Malta Stock Exchange (MSE) Equity Price Index rose further during November, going up by 0.6% when compared with October. The MSE Total Return Index, which accounts for dividends as well as changes in equity prices, rose by 0.7%.



Annex 1

MACROECONOMIC INDICATORS FOR MALTA

(annual percentage changes; non-seasonally adjusted data)

	2016	2017	2017	2018	2018	2018	2017	2017	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018
			Q4	Q1	Q2	Q3	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.
Prices and costs																			
HICP inflation	0.9	1.3	1.4	1.3	1.7	2.4	1.5	1.3	1.2	1.3	1.3	1.4	1.7	2.0	2.1	2.4	2.5	2.1	1.4
RPI inflation	0.6	1.4	1.3	0.9	0.9	1.3	1.3	1.2	0.9	1.0	0.8	0.8	0.9	1.0	1.0	1.1	1.6	1.6	-
Industrial producer price inflation	-0.3	1.6	3.5	4.5	6.6	3.8	3.6	3.5	3.3	3.5	6.6	7.0	6.2	6.6	4.1	3.6	3.8	3.4	-
HCI (nominal)	2.3	1.7	3.4	5.2	4.1	2.9	3.2	4.0	4.1	5.9	5.8	5.8	3.5	3.1	3.0	2.4	3.3	2.6	-
HCI (real)	3.1	1.9	4.8	7.9	6.1	4.0	4.5	5.8	5.9	9.0	8.8	9.2	5.1	4.2	4.1	3.2	4.7	3.3	-
Unit labour costs, whole economy ⁽¹⁾	1.3	0.6	0.6	1.6	1.8	1.5	-	-	-	-	-	-	-	-	-	-	-	-	-
Compensation per employee ⁽¹⁾	2.9	1.8	1.8	2.5	2.2	1.9	-	-	-	-	-	-	-	-	-	-	-	-	-
Labour productivity (per person) ⁽¹⁾	1.4	1.3	1.3	0.9	0.5	0.5	-	-	-	-	-	-	-	-	-	-	-	-	-
Property Price Index (Eurostat)	5.5	5.3	4.9	5.6	5.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Economic activity																			
Nominal GDP	7.3	9.2	7.6	7.3	8.8	9.5	-	-	-	-	-	-	-	-	-	-	-	-	-
Real GDP	5.7	6.6	4.9	4.8	6.2	7.5	-	-	-	-	-	-	-	-	-	-	-	-	-
Real private consumption	2.7	3.6	3.0	5.2	8.9	8.2	-	-	-	-	-	-	-	-	-	-	-	-	-
Real government consumption	-2.8	2.8	1.9	2.2	10.2	1.9	-	-	-	-	-	-	-	-	-	-	-	-	-
Real gross fixed capital formation	-0.1	-7.7	0.9	-16.9	12.6	0.6	-	-	-	-	-	-	-	-	-	-	-	-	-
Real exports of goods and services	4.4	5.3	6.3	1.9	0.3	2.6	-	-	-	-	-	-	-	-	-	-	-	-	-
Real imports of goods and services	1.4	-0.1	4.8	-1.0	4.3	1.2	-	-	-	-	-	-	-	-	-	-	-	-	-
Labour market developments																			
LFS unemployment rate (% of labour force)	4.7	4.0	4.0	3.9	3.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
LFS employment	4.9	5.9	7.5	6.6	6.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Jobsplus gainfully occupied	5.3	6.0	5.5	6.3	6.0	-	5.4	5.3	6.2	6.5	6.2	6.5	5.9	5.5	-	-	-	-	-
Balance of payments																			
Current account (as a % of GDP) ⁽²⁾	6.9	13.6	13.6	14.1	12.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit and financial indicators																			
Maltese residents' deposits and loans																			
Overnight deposits	15.7	10.2	10.2	8.6	5.4	7.1	16.1	10.2	11.2	8.8	8.6	7.1	9.6	5.4	4.3	6.4	7.1	7.1	-
Deposits with agreed maturity up to 2 years	-9.3	-1.6	-1.6	-3.7	1.2	-6.7	-0.8	-1.6	-3.1	-3.4	-3.7	-3.8	0.5	1.2	-0.3	-6.1	-6.7	-7.0	-
Total residents' deposits in M3	9.3	7.4	7.4	5.8	4.5	4.5	12.0	7.4	7.8	5.9	5.8	4.6	7.7	4.5	3.5	4.1	4.5	4.5	-
Credit to general government	1.4	0.2	0.2	-3.4	-4.9	-8.0	-0.7	0.2	-2.1	-6.2	-3.4	-6.3	-6.4	-4.9	-6.7	-6.8	-8.0	-9.1	-
Credit to residents (excl. general government)	2.9	2.4	2.4	4.0	5.6	5.9	2.5	2.4	2.9	3.3	4.0	3.9	5.4	5.6	5.6	5.7	5.9	6.3	-
Total credit	2.5	1.9	1.9	2.1	3.0	2.6	1.7	1.9	1.7	0.9	2.1	1.4	2.4	3.0	2.5	2.6	2.6	2.6	-
10-year interest rate (%) ⁽³⁾	0.7	1.2	1.2	1.1	1.4	1.5	1.1	1.2	1.3	1.4	1.1	1.2	1.4	1.4	1.4	1.5	1.5	1.5	1.5
Stock prices: Malta Stock Exchange Index ⁽⁴⁾	4.5	-3.3	-3.9	-0.8	-2.5	0.5	-5.6	2.7	-0.7	0.4	-0.5	-4.3	0.5	1.3	-0.8	-1.1	2.4	1.6	0.6
General government finances (% of GDP)																			
Surplus (+) / deficit (-) ⁽²⁾	0.9	3.5	3.5	3.0	3.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross debt ⁽⁵⁾	55.4	50.2	50.2	49.8	48.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-

⁽¹⁾ Four-quarter moving averages.

⁽²⁾ Four-quarter moving sums.

⁽³⁾ End of period. In January and February 2017, in the absence of bonds qualifying within the recommended residual maturity, the benchmark yield was calculated as an average of bonds close to the agreed maturity range.

⁽⁴⁾ Period-on-period percentage changes, based on end-of-month data.

⁽⁵⁾ GDP data are four-quarter moving sums.