



2. MONETARY AND FINANCIAL DEVELOPMENTS

According to the Bank's Financial Conditions Index (FCI), in 2023 financing conditions were tight from a historical perspective, but the degree of tightness diminished when compared to 2022.

The total assets of domestic monetary financial institutions (MFIs) in Malta rose during 2023, driven by an expansion in the assets belonging to the core domestic banks. Meanwhile, Maltese residents' deposits continued to expand, albeit at a more moderate pace when compared to 2022, amid a shift away from overnight deposits to longer-term maturities. This likely reflects the more attractive terms on fixed deposit accounts offered by certain credit institutions in response to the recent monetary policy tightening. Meanwhile, credit to residents also rose at a slower pace, largely reflecting a contraction in MFI holdings of Treasury bills. By contrast, credit to the private sector rose at a faster pace, in line with faster growth in lending to non-financial corporations (NFCs). Although still strong, growth in loans to households moderated compared to 2022, reflecting slower growth in loans for house purchases. By contrast, consumer credit and other lending to households rose at a faster pace.

The outstanding amount of corporate debt and equity increased at a more moderate pace compared to 2022.

Interest rates on outstanding deposits to Maltese residents increased during the year. Interest rates on outstanding loans also increased, reflecting higher rates charged to NFCs. As lending rates on outstanding volumes rose faster than deposit rates, the spread between the two widened, and remained at elevated levels.

Interest rate data on new business, however, show a narrowing in the spread between the deposit and the lending rate – although remuneration on new deposits increased, the lending rate on new loans declined.

In the primary money market, domestic yields rose during 2023. On the other hand, yields on five-year and ten-year Maltese government bonds declined, mirroring a similar movement in the corresponding euro area yields. In the equity market, after having fallen in the previous three years, the Malta Stock Exchange (MSE) Equity Price Index closed the year above the level registered at the end of December 2022.

Financial conditions

FCI indicates less tight conditions

The Bank monitors domestic financial conditions through a summary measure which combines a number of domestic and international financial variables that influence economic activity.¹

Financial conditions for the period January to September 2023 were tight from a historical perspective. Although the degree of tightness decreased when compared with 2022, it remained more significant than that prevailing during the pandemic. The improvement relative to 2022 mainly reflected a smaller tightening effect from foreign factors (see Chart 2.1).

The smaller tightening effect attributed to foreign factors reflected a smaller negative contribution from euro area stock prices during 2023, and a sharp decline in financial market uncertainty.

¹ The analysis in this section is based on the Bank's FCI, as described in Micallef, B., and Borg, I., "A Financial Conditions Index for the Maltese Economy", in Grech, A.G., & Zerafa, S. (eds.), Challenges and Opportunities of Sustainable Economic Growth: the case of Malta, Central Bank of Malta, 2017, and later updated in the Central Bank of Malta – *Annual Report 2017*.

Domestic factors had a similar tightening effect to that estimated for 2022. However, while in 2022, this tightening effect stemmed entirely from balance sheet conditions, in 2023 it also reflected developments in the 'other' component. The latter was affected by a negative contribution from issues of NFC securities. By contrast, the interest rate and spread component had a loosening effect on the FCI, as domestic lending rates do not fully reflect recent increases in the ECB's policy rates that were transmitted to the local bond market.

Assets of the banking sector and other monetary aggregates

Total assets pertaining to the Maltese banking system (including the Central Bank of Malta) stood at €53,889.6 million at the end of 2023, an increase of €1,208.2 million when compared with 2022. This increase was mostly driven by an increase in the assets of core domestic banks, which increased by €919.2 million, or 3.2%.² As a result, the share of core domestic banks' assets in GDP stood at 151.5% at the end of 2023. This was below the 163.2% recorded a year earlier (see Chart 2.2), as GDP outpaced assets by a significant margin. Meanwhile, assets pertaining to non-core domestic banks rose by €176.0 million, or 5.2%. The assets of the Central Bank of Malta also increased during the year, adding €279.0 million or 2.6%.³

On the other hand, assets pertaining to international banks contracted by €165.9 million, or 1.6%.

Residents' deposits expand at a slower pace

Total deposits held by residents with MFIs in Malta rose by 1.7% during 2023, reaching €23,757.7 million by the end of the year (see Table 2.1). Growth in total deposits slowed down compared to 2022, when it reached 3.0%. Monetary policy tightening contributed to a shift in behaviour, as deposits with agreed maturity up to two years and deposits outside M3 increased, while deposits redeemable at three months or less and overnight deposits decreased.

Although overnight deposits remained the dominant category of deposits for residents during 2023, these contracted by 0.2% over the 12 months to December, compared with an 8.0% increase a year earlier. As

² The core domestic banks in Malta are APS Bank Limited, Bank of Valletta plc, BNF Bank plc, HSBC Bank Malta plc, Lombard Bank Malta plc, and MeDirect Bank (Malta) plc.

³ Data on the banking sector's assets in this chapter may differ from those reported in the financial statements, due to methodological differences.

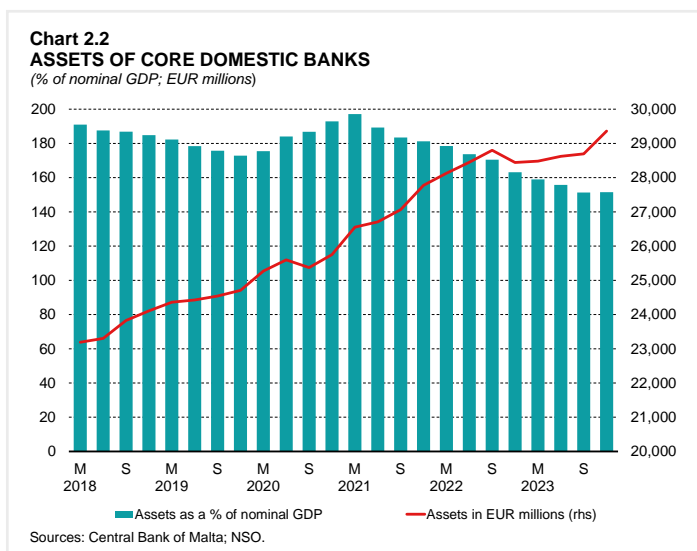
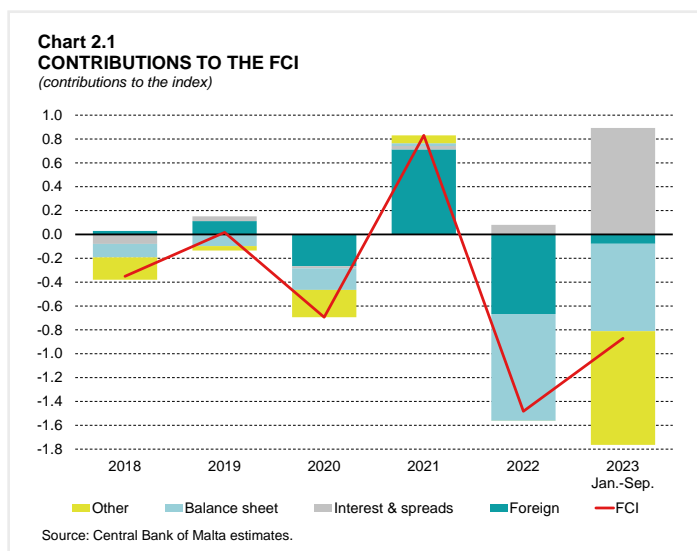


Table 2.1
DEPOSITS OF MALTESE RESIDENTS

Annual percentage changes; EUR millions

	2021	2022	2023		
	Dec.	Dec.	Dec.	Amount outstanding	Absolute change
Overnight deposits	12.3	8.0	-0.2	20,372.6	-49,740
<i>of which</i>					
Households	12.8	12.4	1.8	14,268.1	246,572
Non-financial corporations	11.2	8.0	-5.0	4,474.6	-236,706
Deposits redeemable at notice up to three months	59.9	-38.7	-26.0	86.3	-30,315
<i>of which</i>					
Households	14.7	5.4	-98.6	0.6	-41,035
Non-financial corporations	67.3	-59.5	30.4	61.1	14,241
Deposits with agreed maturity up to two years	-4.3	-24.7	25.7	2,290.2	467,752
<i>of which</i>					
Households	-6.2	-27.6	34.0	1,814.1	460,445
Non-financial corporations	-12.8	-3.4	23.1	234.7	44,076
Deposits outside M3⁽¹⁾	-13.9	-14.4	0.8	1,008.7	7,834
<i>of which</i>					
Households	-12.7	-9.6	-4.5	899.6	-42,103
Non-financial corporations	-1.1	-34.5	-2.8	33.8	-959
Total residents deposits⁽²⁾	8.8	3.0	1.7	23,757.7	395,531

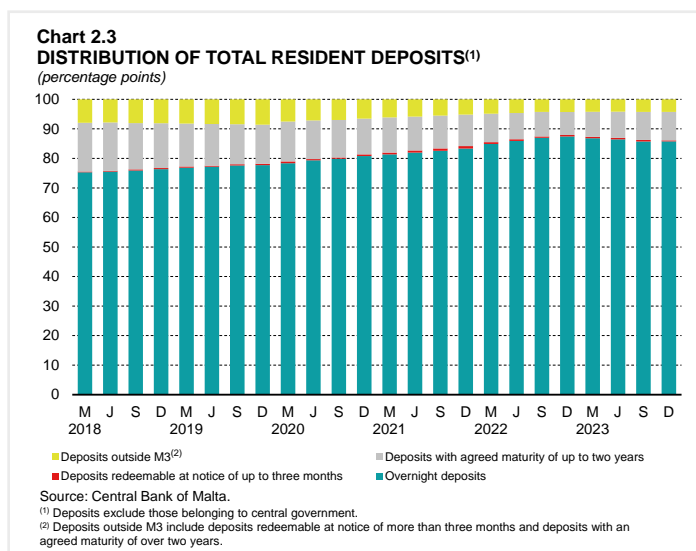
Source: Central Bank of Malta.

⁽¹⁾ Deposits outside M3 include deposits redeemable at notice of more than three months and deposits with an agreed maturity of over two years.

⁽²⁾ Total residents deposits exclude deposits belonging to Central Government.

a result, by the end of 2023, the share of overnight deposits in total deposits edged down to 85.8%, from 87.4% in December 2022 (see Chart 2.3). The latest contraction in this deposit category reflected a sharp decline in balances held by NFCs and financial intermediaries. By contrast overnight deposits belonging to households increased.

In contrast, time deposits with a maturity of up to two years – the second largest category – registered a strong increase of 25.7% in the year to December, following a contraction of 24.7% a year earlier. This outcome possibly reflects more attractive terms on fixed deposit accounts by certain credit institutions in response to the latest monetary policy tightening cycle. The latest increase was driven by higher balances belonging to households and firms, which offset decreases in the balances held by financial intermediaries. As a result, the share of this deposit category in overall deposits reached 9.6% from 7.8% in December 2022.



Additionally, deposits classified outside M3 rose by 0.8% when compared with their end-2022 level. This contrasts with a decline of 14.4% in the previous year and marks the first increase since the start of 2020. Overall, however, their share in total deposits edged down to 4.2% at the end of 2023. At the same time, the share of deposits redeemable at notice of up to three months decreased marginally to 0.4%.

Credit to residents expands at a slower rate

Credit to residents of Malta expanded during 2023, albeit at a slower pace compared to 2022. It reached €19,396.2 million by the end of the year (see Table 2.2). This signifies an increase of €1,025.9 million, or 5.6%, and follows a 7.5% increase in 2022.

The latest expansion was driven by developments in credit to residents outside general government, which increased by €1,091.4 million, or 8.0% (see Chart 2.4). Growth in this component exceeded that of 7.8% a year earlier. Meanwhile, credit to general government fell by €65.5 million, or 1.4%, following an increase of 7.0% in 2022. The decline in this component reflects a sharp decrease in net issues of Treasury Bills during the year.

The acceleration in credit to residents outside general government was driven by a smaller contraction in MFI holdings of securities issued by the private sector, as well as faster growth in loans to NFCs. The latter rose by 8.8% in 2023, following a 6.7% increase in 2022. At the same time, lending to households rose by 8.2%, following a 10.1% increase over the 12 months to December 2022.

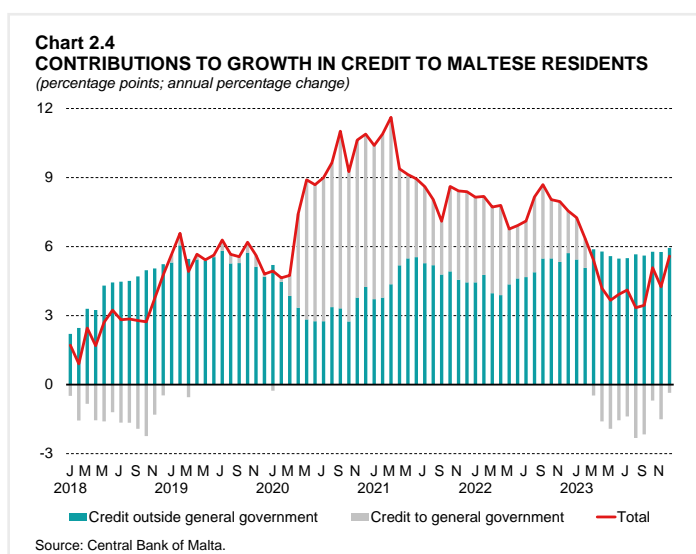


Table 2.2
MFI CREDIT TO MALTESE RESIDENTS

Annual percentage changes; EUR millions

	2021	2022	2023		
	Dec.	Dec.	Dec.	Amount outstanding	Absolute change
Credit to general government	16.1	7.0	-1.4	4,735.6	-65.5
Credit to residents outside general government	5.9	7.8	8.0	14,660.6	1,091.4
Securities & equity	11.2	-5.7	-4.6	309.0	-14.8
Loans	5.7	8.1	8.4	14,351.6	1,106.2
<i>of which:</i>					
Loans to households	9.6	10.1	8.2	8,353.4	633.4
Mortgages	10.9	10.4	7.8	7,697.2	556.1
Consumer credit	-4.1	50.2	22.6	446.5	82.2
Other lending	-4.2	-27.8	-2.3	209.6	-5.0
Loans to NFCs ⁽¹⁾	0.3	6.7	8.8	4,986.3	403.5
Total credit to residents	8.4	7.5	5.6	19,396.2	1,025.9

Source: Central Bank of Malta.

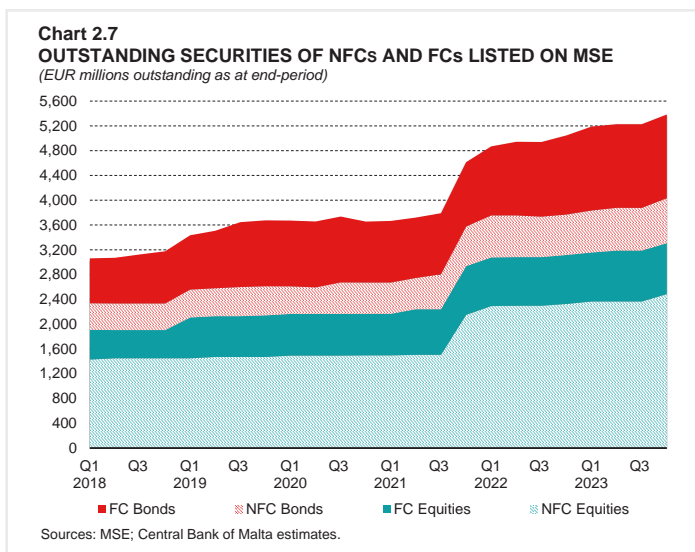
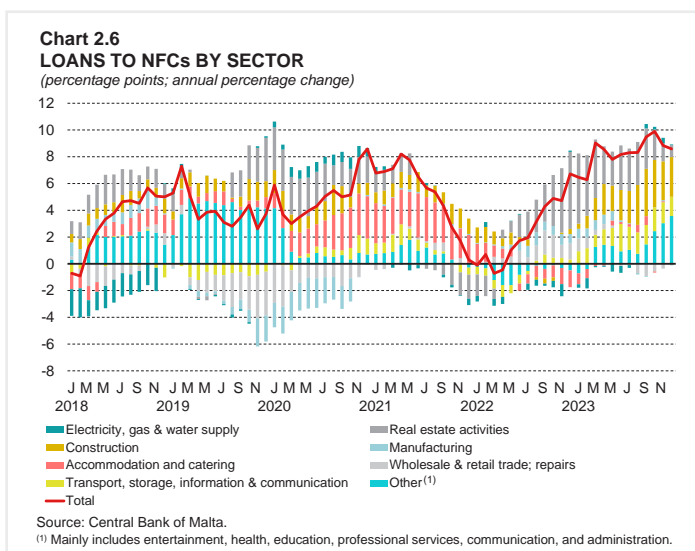
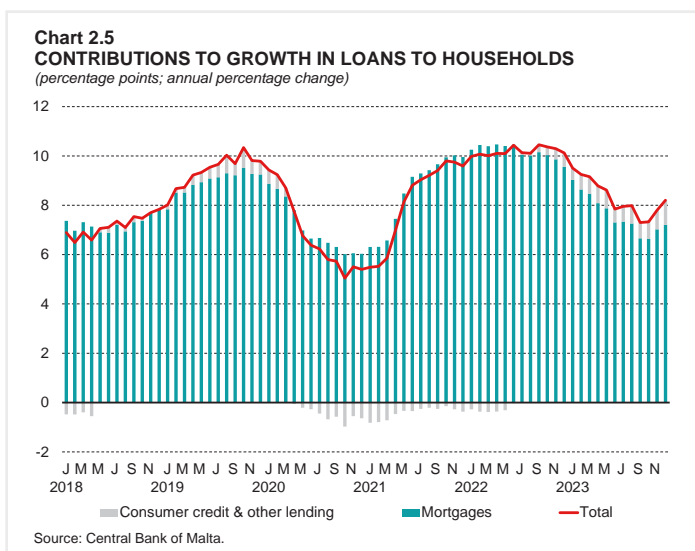
⁽¹⁾ NFCs include sole proprietors and non-profit institutions serving households (NPISH).

Faster growth in loans to NFCs reflected a strong increase in lending to public sector NFCs, which offset slower growth in credit to private sector NFCs.

Loans to households grew at a slower pace, reflecting weaker dynamics in lending for house purchases (see Chart 2.5). Indeed, mortgage lending grew by 7.8% during 2023, compared with a 10.4% increase in 2022. Consumer credit also rose at slower pace. It increased by 22.6%, after a 50.2% increase in 2022. Meanwhile, 'other lending' to households decreased at a slower pace.

A sectoral breakdown of loans to NFCs suggests that growth in the year to December was driven by a strong increase in the construction sector, followed by the professional, scientific, and technical activities sector, which is classified under the other component of Chart 2.6. Banks also expanded their loans to the sector comprising transportation, storage, and information and communication activities as well as the real estate sector. Smaller increases were recorded in lending to the energy sector, as well as the trades and repair sector. By contrast, loans to the manufacturing sector, and the accommodation and food services sector, declined.

Supplementary data suggest that corporate issuance of bonds and stocks continued to increase. By the end of 2023, €2,076.5 million in corporate debt was outstanding on the MSE, 7.6% higher than the amount listed 12 months earlier (see Chart 2.7). The increase was broadly equally spread across non-bank financial institutions and NFCs. However, around 65% of the outstanding stock was issued by financial entities other than credit institutions.



Meanwhile, the outstanding amount of equity listed on the MSE increased by 6.1% in annual terms, to €3,306.6 million. Around three-fourths of this volume was issued by NFCs, with FCs playing a secondary role. The largest equity issues were in companies within the retail and information technology sectors. Overall, the amount of listed equity outstanding at the end of 2023 exceeded that of bonds by around 59%.⁴

Interest rates increase

Interest rates on residents' deposits with MFIs in Malta increased in 2023, with the weighted average deposit rate offered to households and NFCs on outstanding balances going up by 15 basis points to 0.31% by the end of the year (see Table 2.3).⁵ This was mainly driven by higher rates on time deposits belonging to NFCs, although the remuneration on balances held by households also increased. The increase in residents' deposits reflects the lagged response to the policy rate tightening by the ECB.

At the same time, the weighted average lending rate paid by households and NFCs to resident MFIs on outstanding loans increased by 26 basis points, reaching 3.58%. This increase was driven by higher rates paid by NFCs, which rose further above those charged to households, reflecting differences in credit risk. By contrast, rates charged to households remained broadly stable at 2.85%. Mortgage rates edged up by 1 basis point to 2.69%, while rates on consumer credit and other lending decreased by 28 basis points to 4.26%.

The spread between the weighted average lending rate and the deposit rate closed the year under review at 328 basis points, above the 316 basis points recorded at the end of 2022.

Table 2.3
INTEREST RATES ON DEPOSITS AND LOANS

Percentages per annum to residents of Malta; weighted average rates as at end of period

	2020	2021	2022	2023			
	Dec.	Dec.	Dec.	Mar.	June	Sep.	Dec.
Total deposits⁽¹⁾	0.21	0.16	0.15	0.19	0.24	0.27	0.31
<i>of which</i>							
Overnight deposits							
Households	0.02	0.02	0.02	0.03	0.04	0.05	0.04
NFCs	0.01	0.01	0.03	0.07	0.07	0.07	0.10
Time deposits (less than two years)							
Households	0.57	0.51	0.72	0.95	1.32	1.58	1.79
NFCs	0.62	0.49	0.74	0.95	1.15	1.58	1.85
Time deposits (more than two years)							
Households	1.87	1.78	1.73	1.73	1.76	1.77	1.79
NFCs	1.39	1.12	1.60	1.49	1.26	1.38	3.06
Total loans⁽¹⁾	3.36	3.23	3.32	3.41	3.59	3.61	3.58
<i>of which</i>							
Households and NPISH	3.21	3.01	2.87	2.84	2.91	2.87	2.85
Lending for house purchases	2.98	2.80	2.67	2.65	2.72	2.69	2.69
Consumer credit and other lending	4.78	4.67	4.54	4.50	4.52	4.43	4.26
NFCs	3.61	3.63	4.16	4.45	4.87	4.98	4.95
Spread⁽²⁾	3.15	3.06	3.16	3.22	3.35	3.34	3.28

Source: Central Bank of Malta.

⁽¹⁾ Annualised agreed rates on outstanding euro-denominated amounts belonging to households (incl. NPISH) and NFCs.

⁽²⁾ Difference between composite lending rate and composite deposit rate.

⁴ Apart from the official MSE platform, small and medium-sized enterprises (SMEs) can also obtain finance through the specifically-g geared platform – Prospects.

⁵ Basis points are rounded to the nearest whole number.

During the year to December 2023, the weighted average deposit rate offered on new balances held by households and NFCs in Malta increased by 111 basis points, to 2.41%. Meanwhile, the weighted average lending rate paid by households and NFCs to resident MFIs fell by 54 basis points, to 3.02%. This decline was visible in both lending rates for households and NFCs. In the case of households, it was driven by lower rates for consumer credit and mortgages. By contrast, borrowing rates on 'other lending' increased. As a result, the spread between the weighted average lending rate and the deposit rate closed the year under review at 61 basis points, well below the 226 basis points recorded at the end of 2022.

Liquidity support measures

By the end of December 2023, 542 facilities were approved under the Malta Development Bank (MDB) COVID-19 Guarantee Scheme (CGS) launched in 2020. These facilities covered total sanctioned lending of €410.2 million (see Table 2.4).⁶

In value terms, the sector comprising wholesale and retail activities had the largest cumulative number of facilities benefiting from the scheme. Between April 2020 and December 2023, 146 facilities were approved in this sector, with a sanctioned value of €73.5 million. This was followed by accommodation and food services activities, with 124 facilities and a sanctioned amount of €95.0 million.

The value of disbursed loans that were still outstanding by the end of 2023 stood at €228.8 million. Consequently, by end-2023, around 56% of the value of loans sanctioned since 2020 was still outstanding. Almost all these loans will mature in the next four years.

In 2022, the MDB launched additional support measures in response to the war in Ukraine and high inflation. These schemes closed in December 2023.

Table 2.4
MDB CGS

Cumulative amounts for the period April 2020 – December 2023

	Total number of facilities ⁽¹⁾	Sanctioned amount ⁽²⁾
Manufacturing	52	18.1
Construction	27	34.8
Wholesale and retail trade; repair of motor vehicles and motor cycles	146	73.5
Transportation and storage and information and communication	35	40.6
Accommodation and food service activities	124	95.0
Professional, scientific and technical activities	33	20.0
Administrative and support service activities	34	12.1
Real estate	11	4.8
Other ⁽³⁾	80	111.3
Total	542	410.2

Source: MDB.

⁽¹⁾ The number of facilities taken by various sectors.

⁽²⁾ The total number of loans sanctioned under the scheme as at end month, in EUR millions.

⁽³⁾ Includes loans to education, health and social work, financial and insurance activities, arts, entertainment and recreation and other services activities, activities of households, electricity, gas & water supply sector and agriculture, forestry and fishing, and public administration and defence.

⁶ The MDB CGS provided guarantees to commercial banks with the aim of enhancing access to new working capital loans for businesses. The scheme received applications until 30 June 2022. For further details see <https://www.mdb.org.mt/past-schemes/covid-19-guarantee-facilities/covid-19-guarantee-scheme-cgs/>.

By end-year, three facilities had been approved under the Subsidised Loan Scheme (SLS), for a total value of €14.2 million.⁷ The outstanding level of disbursements in terms of this scheme stood at €2.9 million. These facilities are expected to be fully repaid by May 2024. Moreover, a total of €24.5 million was approved and disbursed under the Liquidity Support Guarantee Scheme (LSGS).⁸

Bank Lending Survey indicates broadly unchanged credit standards

Results from the Bank Lending Survey (BLS) show that credit standards, and credit terms and conditions on loans to NFCs in Malta remained unchanged in 2023. In the first quarter of the year, all surveyed banks reported stable demand compared to last quarter of 2022. However, by the end of 2023, only half of the respondents said that demand had remained unchanged, with mixed views reported by the remaining banks.

Credit standards for house purchases were mostly unchanged, while those for consumer credit and other lending were unchanged throughout the year. While some tightening in terms and conditions for these credit categories was reported at the start of 2023, these remained unchanged during the rest of the year. Demand for mortgages and consumer credit and other lending was generally unchanged, although selected banks did report some changes in certain components of credit standards.

In response to an ad hoc question on changes in banks' access to wholesale and retail funding as a result of the prevailing situation in financial markets, the majority of banks reported throughout the year no impacts as regards access to interbank unsecured money markets, debt securities and securitisation. Generally, the ability to transfer risks off balance sheet was also unaffected. However, some isolated tightening effects were reported in terms of access to retail deposit funding.

Participating banks claimed that their non-performing loan ratio had not affected their credit standards, and credit terms and conditions during 2023.

Respondent banks were also asked whether the ECB's monetary asset portfolio led to a change in their assets or affected their bank's cost of funds and balance sheet constraints. All surveyed banks reported no changes. Moreover, the majority of banks reported no changes in their capital position. With regards to the effects on profitability, some of the banks reported an improvement in profitability. Most of the participating banks reported no changes in credit standards, terms and conditions, and lending volumes, as a result of the ECB's monetary policy portfolio.

Participating banks were asked to gauge the impact of the Eurosystem's third series of TLTROs. All respondents reported no impact on their bank's financial situation, lending policy and lending volumes. Banks were asked whether the ECB's key interest rates decisions (both those already taken and those expected) led to a change in their profitability. In this regard, the majority of banks reported an increase in their overall profitability owing to higher interest income, while a broadly neutral impact was reported in terms of non-interest income.

Respondent banks were also asked to state how their credit standards, terms and conditions on new loans, and the demand for loans had changed across different economic sectors. Generally, respondent banks reported no change in credit standards and the terms and conditions during the year. Replies regarding the demand for loans were more mixed across participating banks and sectors.

Banks were asked whether climate-related risks and measures to cope with it led to changes in the bank's credit standards, terms and conditions, and demand for loans to enterprises. All banks said that there were no changes to their credit standards.⁹ As regards credit terms and conditions, half of the banks reported no

⁷ The SLS provides temporary urgent liquidity support, backed by government guarantees, to importers and wholesalers of grains and animal feed, thereby ensuring the security of supply of such products.

⁸ This LSGS consists of two measures: LSGS-A provides bank financing support to all undertakings affected by the extraordinary circumstances caused by the war in Ukraine, while LSGS-B is specific to fuel and oil importers. A total portfolio of €100 million and €50 million in working capital loans are available under LSGS-A and LSGS-B, respectively. Government guarantees cover 90% of each working capital loan under LSGS-A and 80% under LSGS-B.

⁹ The BLS uses the following terms: "Green firms" – Firms that do not contribute or contribute little to climate change; "Firms in transition" – Firms that contribute to climate change, which are making considerable progress in the transition; "Brown firms" – Firms that highly contribute to climate change, which have not yet started or have so far made only little progress in the transition.

changes while the other half experienced some easing for non-brown sectors. Turning to demand for loans, half of the banks said that due to climate change, the demand for loans by green firms, brown firms, and also by firms in transition had increased. The remaining half said that they experienced no such changes. Half of the banks said that fixed investment and corporate restructuring related to climate change had brought about an increase in demand for loans, as did fiscal support.

In the last quarter of the year, banks were also asked to gauge the impact of recent regulatory or supervisory action on banks' assets, risk-weighted assets, capital, and funding conditions as well as on their lending standards and margins. The majority of surveyed banks reported no changes in their total assets and risk weighted assets while half of the surveyed banks saw an increase in their capital stock. Moreover, all banks said that there were no changes relating to funding conditions, credit standards, and credit margins as a result of the regulatory or supervisory requirements. When asked whether the change in banks' excess liquidity held with the Eurosystem had led to a change in their bank's lending conditions and loan volumes, all banks reported no changes.

The money market

In the domestic primary market, the yield on three-month Treasury bills rose to 3.58% at the end of 2023, from 2.23%, 12 months earlier.

In total, the Treasury issued €2,202.6 million worth of bills in 2023, which is lower than the amount of €2,511.2 million issued in 2022. The majority of bills issued had a maturity of three months, followed by those with a maturity of six months. Together they made up over 94% of all bills issued. The value of Treasury bills issued in 2023 was lower than that of maturing bills, which stood at €2,377.7 million.

The capital market

In the capital market, total issues of long-term debt by the Government and the private sector increased to €1,791.8 in 2023, up from €1,481.3 million in 2022 (see Table 2.5). Taking into account the amount

Table 2.5
ISSUES OF LONG-TERM DEBT SECURITIES⁽¹⁾

EUR millions⁽²⁾

	2019	2020	2021	2022	2023
Government					
Total issues ⁽³⁾	350.0	1,335.0	1,455.2	1,044.7	1,394.2
Redemptions & roll-overs ^(4,5)	422.2	461.1	458.8	374.6	355.8
Net issues	-72.2	873.9	996.4	670.1	1,038.4
Corporate sector					
Total issues	377.6	176.0	242.2	436.6	397.6
Redemptions, roll-overs & buybacks ^(5,6)	167.9	162.0	49.7	161.1	140.9
Net issues	209.7	14.0	192.5	275.5	256.7
Total net issues	137.5	887.9	1,188.9	945.6	1,295.1

Sources: Central Bank of Malta; MSE; Treasury.

⁽¹⁾ Banks, non-MFIs and public NFCs are included with corporate issuers. Long-term securities are those with an original term to maturity exceeding one year, and include preference shares.

⁽²⁾ Amounts denominated in foreign currency are converted to euro according to the exchange rate prevailing on the day of transactions.

⁽³⁾ Data exclude MGSs that were issued directly to the Foundation for Church Schools.

⁽⁴⁾ Redemptions exclude the redemption of MGSs that were issued directly to the Foundation for Church Schools.

⁽⁵⁾ Roll-overs refer to the reinvesting of funds from a maturing security into a new issue of the same or a similar security. They are therefore deducted from new issues.

⁽⁶⁾ Buy-backs, which consist of the purchase of corporate bonds by the issuing company are also deducted from new issues.

of redemptions, roll-overs and buybacks made over the year, positive net issues of long-term debt were recorded in 2023. These stood at €1,295.1 million, mostly consisting of net issuances of Malta Government Stocks (MGS), as against €945.6 million in 2022.

New issues of MGS exceed redemptions

In 2023, the Government issued €1,394.2 million in long-term debt and redeemed €355.8 million, such that net issues for the year were positive for the fourth consecutive year (see Table 2.5). The Treasury tapped the bond market four times in 2023, through nine individual issues spread across households and wholesale investors. These issues had maturity dates ranging from three to 20 years.

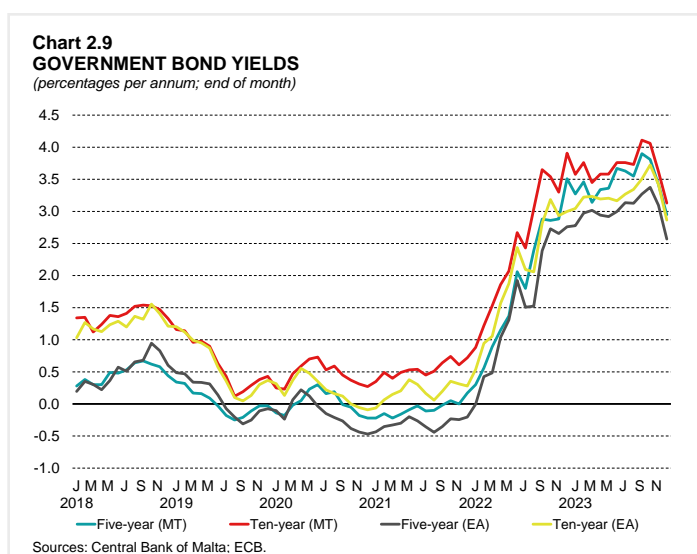
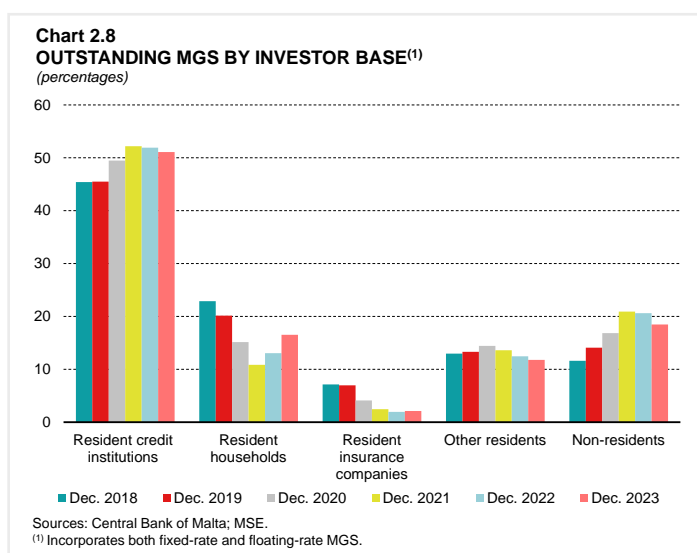
The amount of outstanding MGS increased to €8,344.4 million at the end of 2023, of which 81.5% was held domestically and 18.5% was held by non-residents (see Chart 2.8). Resident credit institutions held 51.1% of outstanding MGS, compared to 51.9% in 2022. The share of MGS held by resident households increased to a four-year high of 16.5% from 13.1% in 2022.

Secondary market turnover of MGS rose during 2023. It stood at €132.4 million compared with €108.4 million a year earlier.

Secondary market yields on domestic MGS ended 2023 at a lower level compared with a year earlier. The five-year and ten-year yields fell by 56 and 78 basis points respectively, to 2.95% and 3.13% at end-December (see Chart 2.9). Meanwhile, in the euro area, the benchmark five-year yield declined by 19 basis points compared with its end-2022 level and ended the year at 2.57%. The euro area ten-year yield fell by 13 basis points to 2.87%. As euro area yields fell to a lesser extent than domestic yields, the spread between the five-year and ten-year yields in Malta and their euro area benchmark tightened. At the end of 2023, the spreads on the five-year and ten-year yields stood at 38 and 26 basis points respectively.

Corporate bond issues decline

In the corporate bond market, new issues of long-term debt listed on the MSE stood at €397.6 million in 2023. As the amount of redemptions and buybacks stood at €140.9 million, net issues for the year were positive but lower than a year earlier. During 2023, 15 private companies had new bonds listed on the MSE.



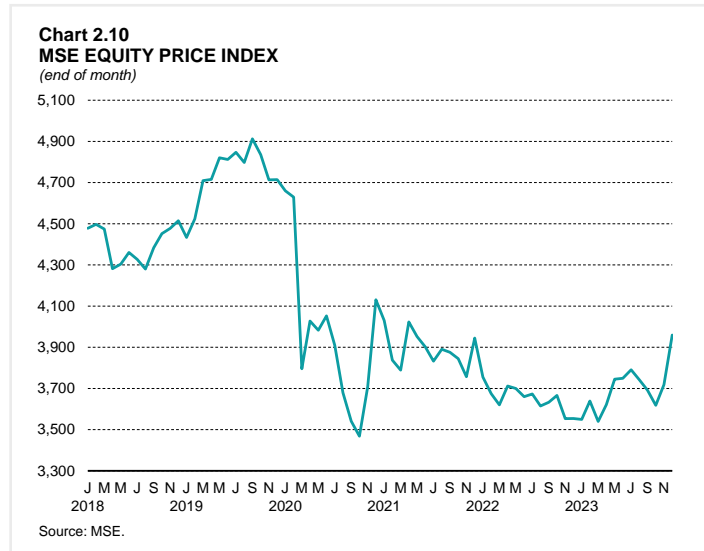
By the end of 2023, 21 firms had listed bonds through Prospects, an unchanged number compared with end-2022.¹⁰

Turnover in the secondary corporate bond market declined marginally during 2023. It stood at €99.6 million, down from €99.9 million in the previous year.

MSE index increases

In 2023, turnover in the equity market increased to €58.0 million, from €32.0 million, a year earlier. After having declined in the previous three years, the MSE Equity Price Index rose by 11.4% during 2023 and ended the year at 3959.4 (see Chart 2.10).

Meanwhile, the MSE Equity Total Return Index, which accounts for changes in equity prices and dividends, was 14.5% higher than its level at end-December 2022.



¹⁰ Prospects is a multi-lateral trading facility operated by the MSE with the aim of facilitating access to capital markets for SMEs.