2. MONETARY AND FINANCIAL DEVELOPMENTS

According to the Bank's Financial Conditions Index (FCI), in 2025 financing conditions remained loose from a historical perspective, although less when compared to the previous year.

Maltese residents' deposits rose at a broadly similar pace when compared to 2024. As a result of less attractive remuneration on time deposits with a maturity of less than two years, the composition of deposits shifted somewhat towards overnight deposits, which remained the main component of resident's deposits.

Credit to residents rose at a faster pace, mainly reflecting faster growth in credit to residents outside general government. Lending to households increased at a faster pace, mainly on account of strong increases in loans for house purchases. Similarly, lending to non-financial corporations (NFCs) picked up in most sectors.

The outstanding amount of corporate debt and equity listed on the Malta Stock Exchange (MSE) increased at a more moderate pace compared to 2024.

The weighted interest rates on outstanding deposits held by Maltese residents decreased since December 2024, while the weighted rate on outstanding loans fell only marginally. As a result, the spread between the two widened. Interest rate data on new business, also shows a widening in the spread between the deposit and lending rate, driven by higher rates on new loans and decreasing rates on new deposits.

In the primary money market, domestic yields fell during 2025. Meanwhile, the yield on five-year Maltese government bonds rose, as did that on the ten-year bonds. The MSE Equity Price Index closed the year above the level registered at the end of December 2024.

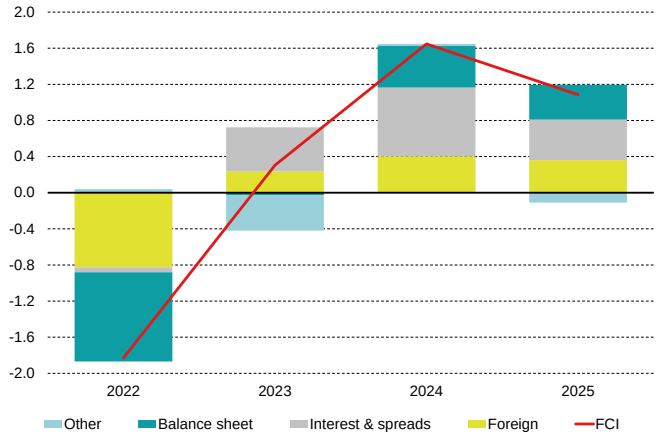
Financial conditions

Financial conditions remain loose

The Bank's FCI monitors domestic financial conditions through a summary measure of relevant domestic and international financial variables.[1]

Financial conditions for 2025 were loose from a historical perspective, although less loose when compared to 2024. This was primarily due to movements in domestic factors, though the contribution from foreign factors was also marginally less positive compared to the previous year (see Chart 2.1).

Chart 2.1
CONTRIBUTIONS TO THE FCI
(contributions to the index)



Source: Central Bank of Malta estimates.

The shift in domestic factors was mainly driven by the 'interest and spreads' and 'other' components. The 'interest and spreads' component was affected by lower positive contributions from the lending-to-policy rate spread and deposit interest rate. The 'other' component yielded a negative contribution, after it had been broadly neutral in 2024, as the contribution of issues of NFC securities turned

[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.

negative during the year in review. The 'balance sheet' component also registered a less positive contribution, stemming from a negative contribution from the banks' return on equity.

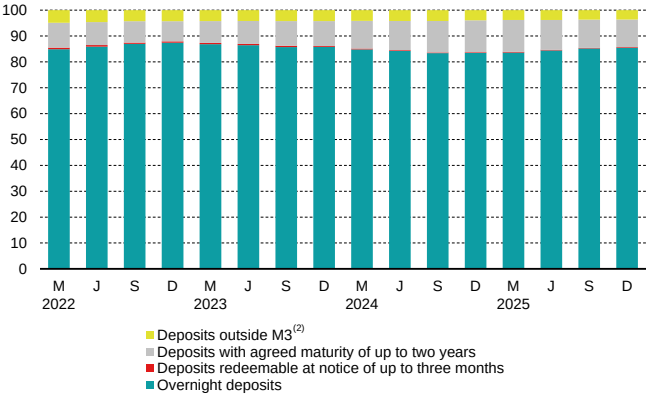
Monetary aggregates

Residents' deposits in 2025 grew at a broadly similar pace to the previous year

Total deposits held by residents with monetary financial institutions (MFIs) in Malta rose by 7.5% during 2025, reaching €27,472.8 million by the end of the year (see Table 2.1). Growth was broadly comparable to 2024, when total deposits grew by 7.6%.

Overnights deposits grew by 10.1% over the 12 months to December, growing at a faster pace compared to 4.7% growth a year earlier. Their share in total deposits rose to 85.4% from 83.5% in December 2024 (see Chart 2.2). The latest increase in overnight deposits largely reflected growth in balances held by households.

Chart 2.2
DISTRIBUTION OF TOTAL RESIDENT DEPOSITS[1]
(percentage points)



Source: Central Bank of Malta.
[1] Deposits exclude those belonging to central government.
[2] Deposits outside M3 include deposits redeemable at notice of more than three months and deposits with an agreed maturity of over two years.

Table 2.1
DEPOSITS OF MALTESE RESIDENTS
Annual perentage changes; EUR millions

	2023 Dec.	2024 Dec.	2025 Dec.	2025 Amount outstanding	2025 Absolute change
Overnight deposits	**-0.2**	**4.7**	**10.1**	**23,474.1**	**2,147.4**
of which					
Households	1.8	4.2	12.7	16,753.9	1,891.4
NFCs	-5.2	13.9	2.7	4,012.6	106.4
Deposits redeemable at notice up to three months	**-26.0**	**-16.8**	**3.0**	**74.0**	**2.2**
of which					
Households	-98.6	1202.6	-96.9	0.2	-7.4
NFCs	30.4	-19.7	-9.1	44.6	-4.5
Deposits with agreed maturity up to two years	**25.7**	**37.4**	**-6.9**	**2,931.2**	**-215.6**
of which					
Households	34.0	34.4	-11.0	2,170.6	-267.1
NFCs	23.1	62.6	-21.7	299.0	-82.7
Deposits outside M3[1]	**0.8**	**-0.3**	**-1.2**	**993.6**	**-12.5**
of which					
Households	-4.5	-2.4	-0.1	877.3	-0.6
NFCs	-2.8	-9.4	-38.9	18.7	-11.9
Total residents deposits[2]	**1.7**	**7.6**	**7.5**	**27,472.8**	**1,921.4**

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.

Time deposits with a maturity of up to two years – the second largest category – registered a year-on-year decline of 6.9% in the year to December, following an increase of 37.4% a year earlier. This dynamic may reflect the fact that these deposits lost some of their attractiveness following cuts in the ECB policy rate, although transmission of these cuts to retail deposit rates remained partial. As a result, the share of this deposit category in overall deposits decreased to 10.7% from 12.3% in December 2024. The share of deposits redeemable at notice of up to three months, remained unchanged at 0.3%.

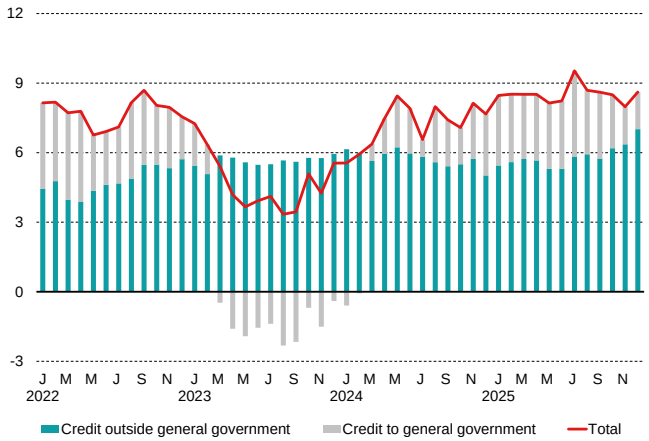
Additionally, deposits classified outside M3 contracted by 1.2% when compared with their end-2024 level, following a 0.3% contraction a year earlier. Overall, their share in total deposits decreased to 3.6% at the end of 2025, from 3.9%.

Credit to residents expands at a faster rate

Credit to residents of Malta increased by 8.6% in 2025, following an increase of 7.7% in 2024 (see Table 2.2). The latest expansion was driven mainly by developments in credit to residents outside general government (see Chart 2.3). This component increased by 9.4%, from 6.6% a year earlier. Meanwhile, credit to general government rose by 6.4%, following an increase of 10.8% in 2024. MFIs increased their holdings of Treasury bills, and, to a lesser extent, Malta Government Stocks (MGS).

The expansion of credit to residents outside general government was driven by loans to households.

Chart 2.3
CONTRIBUTIONS TO GROWTH IN CREDIT TO MALTESE RESIDENTS
(percentage points; annual percentage change)



Source: Central Bank of Malta.

Table 2.2
MFI CREDIT TO MALTESE RESIDENTS
Annual perentage changes; EUR millions

	2023 Dec.	2024 Dec.	2025 Dec.	2025 Amount outstanding	2025 Absolute change
Credit to general government	**-1.5**	**10.8**	**6.4**	**5,574.7**	**333.5**
Credit to residents outside general government	**8.0**	**6.6**	**9.4**	**17,098.5**	**1,464.4**
Securities & equity	-4.6	-5.0	-5.9	276.7	-16.8
Loans	8.4	6.9	9.7	16,821.8	1,481.2
of which:					
Loans to households	8.2	9.2	9.7	10,006.2	883.7
Mortgages	*7.9*	*9.2*	*9.8*	*9,242.6*	*826.8*
Consumer credit	*20.4*	*15.8*	*6.6*	*541.3*	*33.4*
Other lending	*-1.8*	*-5.7*	*11.8*	*222.2*	*23.5*
Loans to NFCs[(1)]	8.8	2.2	11.5	5,682.3	585.3
Total credit to residents	**5.5**	**7.7**	**8.6**	**22,673.2**	**1,797.9**

Source: Central Bank of Malta.
[(1)] NFCs include sole proprietors and non-profit institutions serving households.

These rose by 9.7% in 2025, following a 9.2% increase in 2024. Lending to NFCs also grew strongly, rising by 11.5%. This followed an increase of 2.2% in 2024.

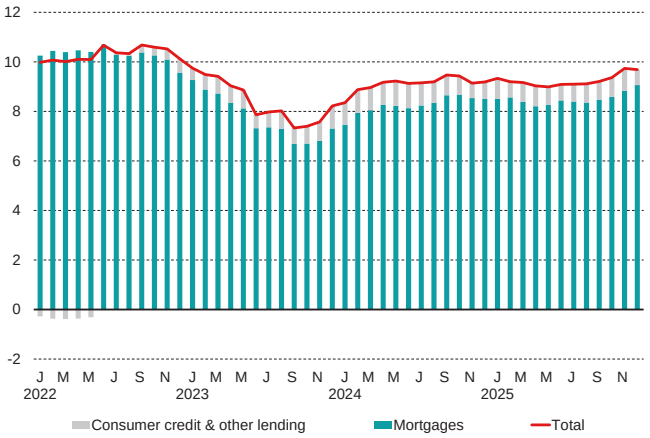
Loans to households were mostly supported by lending for house purchases (see Chart 2.4). Indeed, mortgage lending grew by 9.8% during 2025, compared with a 9.2% increase in 2024. Growth in consumer credit and other lending moderated to 8.1%, following an 8.8% increase in the previous year.

As regards the increase in loans to NFCs, sectoral data show that this was mainly driven by a strong increase in lending to the real estate sector, followed by the sector comprising transport, storage, information and communication activities (see Chart 2.5).

Supplementary data suggest that corporate issuance of bonds and stocks continued to increase. By the end of 2025, €2,675.9 million in corporate debt was outstanding on the MSE, 15.8% higher than the amount listed 12 months earlier (see Chart 2.6). 65.0% of the outstanding stock of corporate debt was issued by financial entities other than credit institutions.

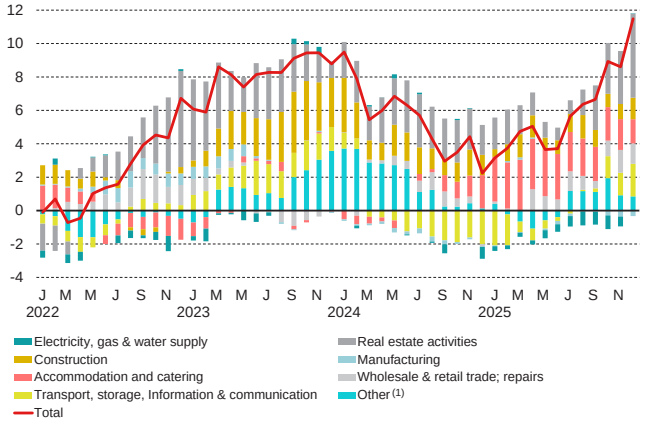
Meanwhile, the outstanding amount of equity listed on the MSE increased by 1.4%, in annual terms, to €3,427.5 million. Around three-fourths of the outstanding stock was issued by NFCs, with financial corporations (FCs) playing a secondary role. The largest equity issues during 2025 were in companies within the technology and communications sectors. Overall, the value of listed equity outstanding at the end of 2025 exceeded that of bonds by around 28.1%.[2]

Chart 2.4
CONTRIBUTIONS TO GROWTH IN LOANS TO HOUSEHOLDS
(percentage points; annual percentage change)



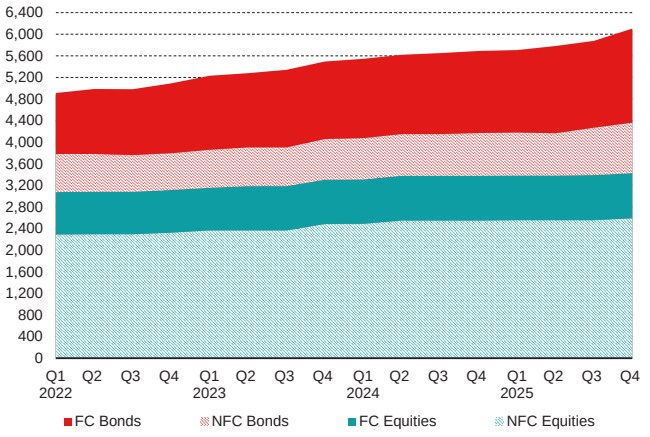
Source: Central Bank of Malta.

Chart 2.5
LOANS TO NFCs BY SECTOR
(percentage points; annual percentage change)



Source: Central Bank of Malta.
(1) Mainly includes entertainment, health, education, professional services, and administration.

Chart 2.6
OUTSTANDING SECURITIES OF NFCs AND FCs LISTED ON MSE
(EUR millions outstanding as at end-period)



Sources: MSE; Central Bank of Malta estimates.

[2] Apart from the official MSE platform, small and medium-sized enterprises can also obtain finance through the specifically-geared platform – Prospects.

Interest rates decrease

Interest rates on outstanding residents' deposits held with MFIs in Malta decreased over the 12 months to December 2025, with the weighted average deposit rate offered to households and NFCs on such balances decreasing by 12 basis points, to 0.27% by the end of the year (see Table 2.3).[3]

The largest decreases, year-on-year, were recorded for rates on time deposits with a maturity of up to two years belonging to NFCs and households. These fell by 79 and 53 basis points respectively, reflecting the lagged response to the policy rate easing by the ECB in late 2024 and early 2025.

By contrast interest rates on time deposits with a maturity of over two years rose, in large part driven by the remuneration of balances belonging to NFCs.

At the same time, the weighted average lending rate paid by households and NFCs to resident MFIs on outstanding loans decreased by 2 basis points, to 3.34%. This was mainly driven by lower rates paid by NFCs, which decreased by 9 basis points. Rates paid by households remained unchanged from the previous year.

The spread between the weighted average lending rate and the deposit rate closed the year under review at 306 basis points, above the 297 basis points recorded a year prior.

Meanwhile, the weighted average deposit rate offered on new balances held by households and NFCs in Malta decreased by 62 basis points, to 1.83%. The weighted average lending rate paid by households and

Table 2.3
INTEREST RATES ON OUTSTANDING DEPOSITS AND LOANS
Percentages per annum to residents of Malta; weighted average rates as at end of period

	2022	2023	2024	2025			
	Dec.	Dec.	Dec.	Mar.	June	Sep.	Dec.
Total deposits[(1)]	**0.15**	**0.30**	**0.39**	**0.37**	**0.33**	**0.30**	**0.27**
of which							
Overnight deposits							
Households	0.02	0.05	0.05	0.05	0.05	0.05	0.05
NFCs	0.03	0.10	0.05	0.08	0.03	0.03	0.03
Time deposits (less than two years)							
Households	0.72	1.79	2.17	2.04	1.87	1.72	1.64
NFCs	0.74	1.85	2.18	1.79	1.50	1.47	1.38
Time deposits (more than two years)							
Households	1.73	1.79	2.07	2.11	2.12	2.16	2.08
NFCs	1.60	1.74	1.81	1.84	1.88	2.56	2.46
Total Loans[(1)]	**3.32**	**3.58**	**3.36**	**3.29**	**3.30**	**3.28**	**3.34**
of which							
Households and NPISH	**2.87**	**2.85**	**2.75**	**2.72**	**2.70**	**2.68**	**2.75**
Lending for house purchses	2.66	2.68	2.60	2.57	2.54	2.51	2.48
Consumer credit and other lending	4.66	4.26	4.08	4.09	4.13	4.21	4.19
NFCs	**4.16**	**4.95**	**4.54**	**4.41**	**4.49**	**4.45**	**4.45**
Spread[(2)]	**3.16**	**3.28**	**2.97**	**2.92**	**2.98**	**2.98**	**3.06**

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.

[3] Basis points are rounded to the nearest whole number.

NFCs to resident MFIs increased by 39 basis points, to 3.59%. This was driven by higher lending rates for households, which increased by 2 basis points, driven by higher rates for consumer credit and other lending.

As a result, the spread between the weighted average lending rate and the deposit rate for new business, increased to 176 basis points, wider than the 75 basis points recorded at the end of 2024.

Bank Lending Survey (BLS) indicates unchanged credit standards

Results from the BLS show that credit standards on loans to NFCs in Malta were unchanged in 2025. Most banks also reported unchanged credit terms and conditions. Replies with regards to demand for this type of credit were more mixed.

Credit standards for house purchases were unchanged, as were those for consumer credit and other lending. Terms and conditions for these credit categories were generally unchanged during the year. Demand was mostly unchanged, although selected banks did report some changes in the fourth quarter.

The money market

In the domestic primary market, the yield on three-month Treasury bills fell to 2.10% at the end of 2025, from 3.01%, 12 months earlier.

In total, the Treasury issued €2,056.2 million worth of bills in 2025, which is higher than the amount of €1,677.4 million issued in 2024. 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 95% of all bills issued. The value of Treasury bills issued in 2025 was higher than that of maturing bills, which stood at €1,947.7 million.

The capital market

In the capital market, total issues of bonds by the Government and the private sector amounted to €1,987.3 million in 2025, up from €1,598.9 million in 2024 (see Table 2.4). After taking into account redemptions, roll-overs and buybacks made during the year, positive net issues were recorded in 2025. These stood at €1,442.5 million, mostly consisting of net issuances of MGSs, as against €1,005.2 million in 2024.

Table 2.4
ISSUES OF LONG-TERM SECURITIES[1]
EUR millions [2]

	2022	2023	2024	2025
Government				
Total issues	1,044.7	1,394.2	1,186.9	1,264.0
Redemptions & roll-overs[3,4]	374.6	355.8	395.1	369.2
Net issues	670.1	1,038.4	791.8	894.8
Corporate sector				
Total issues	436.6	397.6	412.0	723.3
Redemptions, roll-overs, buy-backs[4,5]	161.1	140.9	198.6	175.6
Net issues	275.5	256.7	213.4	547.7
Total net issues	**945.6**	**1,295.1**	**1,005.2**	**1,442.5**

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

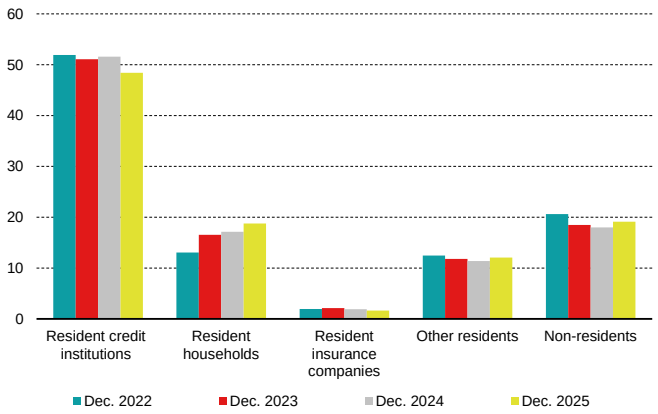
[4] Roll-overs refer to the reinvesting of funds from a maturing security into a new issue of the same or a similar security. They are therefore deducted from new issues.

[5] Buy-backs, which consist of the purchase of corporate bonds by the issuing company are also deducted from new issues.

Total issues of MGSs and corporate bonds (before redemptions) increase

In 2025, the Government issued €1,264.0 million in MGSs and redeemed €369.2 million (see Table 2.4). Thus, net issues of MGSs for the year were positive for the sixth consecutive year.[4] The Treasury tapped the bond market three times in 2025, through seven individual issues. These issues had maturity dates ranging from five to 15 years.

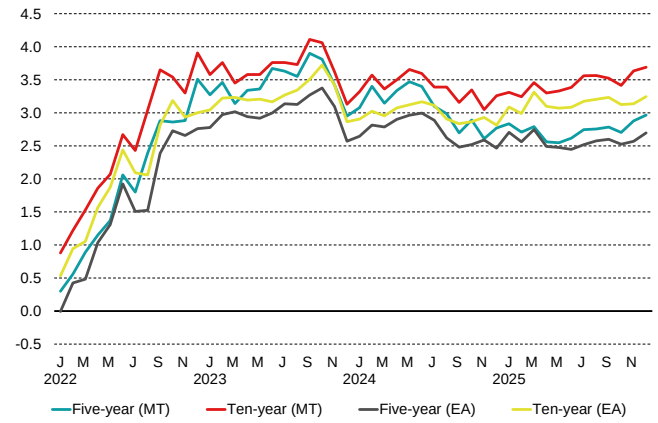
Chart 2.7
OUTSTANDING MGSs BY INVESTOR BASE(1)
(per cent)



Sources: Central Bank of Malta; MSE.
(1) Incorporates both fixed-rate and floating-rate MGSs.

The nominal amount of outstanding MGSs increased to €10,029.1 million at the end of 2025, of which 80.9% was held domestically with the rest being held by non-residents (see Chart 2.7). Resident credit institutions held 48.4% of outstanding MGSs, compared to 51.6% in 2024. The share of MGSs held by resident households reached a six-year high of 18.8%.

Chart 2.8
GOVERNMENT BOND YIELDS
(percentages per annum; end of month)



Sources: Central Bank of Malta; ECB.

The yield on five-year Government bonds rose to 2.97% at the end of December, from 2.77% a year earlier (see Chart 2.8). On the other hand, the yield on ten-year bonds rose by 43 basis points, to reach 3.69%.

Meanwhile, in the euro area, the benchmark five-year yield increased by 23 basis points compared with its end-2024 level and ended the year at 2.70%. The euro area ten-year yield rose by 43 basis points to 3.24%. As the increase in the domestic ten-year yield was roughly equal to the rise in the euro area yield, the spread between the two fell by just one basis point to 44 basis points.

In the corporate bond market, new issues of long-term securities listed on the MSE stood at €723.3 million in 2025. As the amount of redemptions and buybacks stood at €175.6 million, net issues for the year were positive and higher than a year earlier. During 2025, 20 private companies had new bonds listed on the MSE.

By the end of 2025, 17 firms had listed bonds through Prospects, two less compared with end-2024.[5]

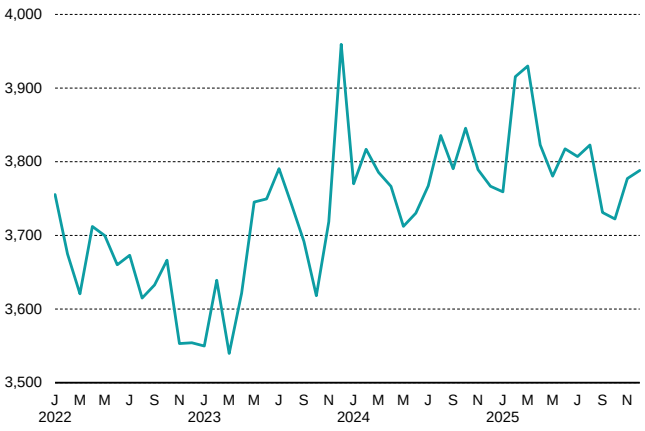
[4] Figure excludes the rollover of the maturing 62+ Malta Government Savings Bond and explains difference from figure quoted in the chapter on Monetary Policy and Financial Market Operations in Part II of this report.
[5] Prospects is a multi-lateral trading facility operated by the MSE with the aim of facilitating access to capital markets for SMEs.

During 2025, secondary market turnover for MGSs rose while that for corporate bonds declined. Further details are available in the chapter on 'Monetary Policy and Financial Market Operations' in Part II of this report.

MSE index increases marginally

In 2025, turnover in the equity market fell. After having declined in the preceding year, the MSE Equity Price Index increased by 0.6% during 2025 and ended the year at 3788.1 (see Chart 2.9). Meanwhile, the MSE Equity Total Return Index increased by 5.5%.

Chart 2.9
MSE EQUITY PRICE INDEX
(end of month)



Source: MSE.