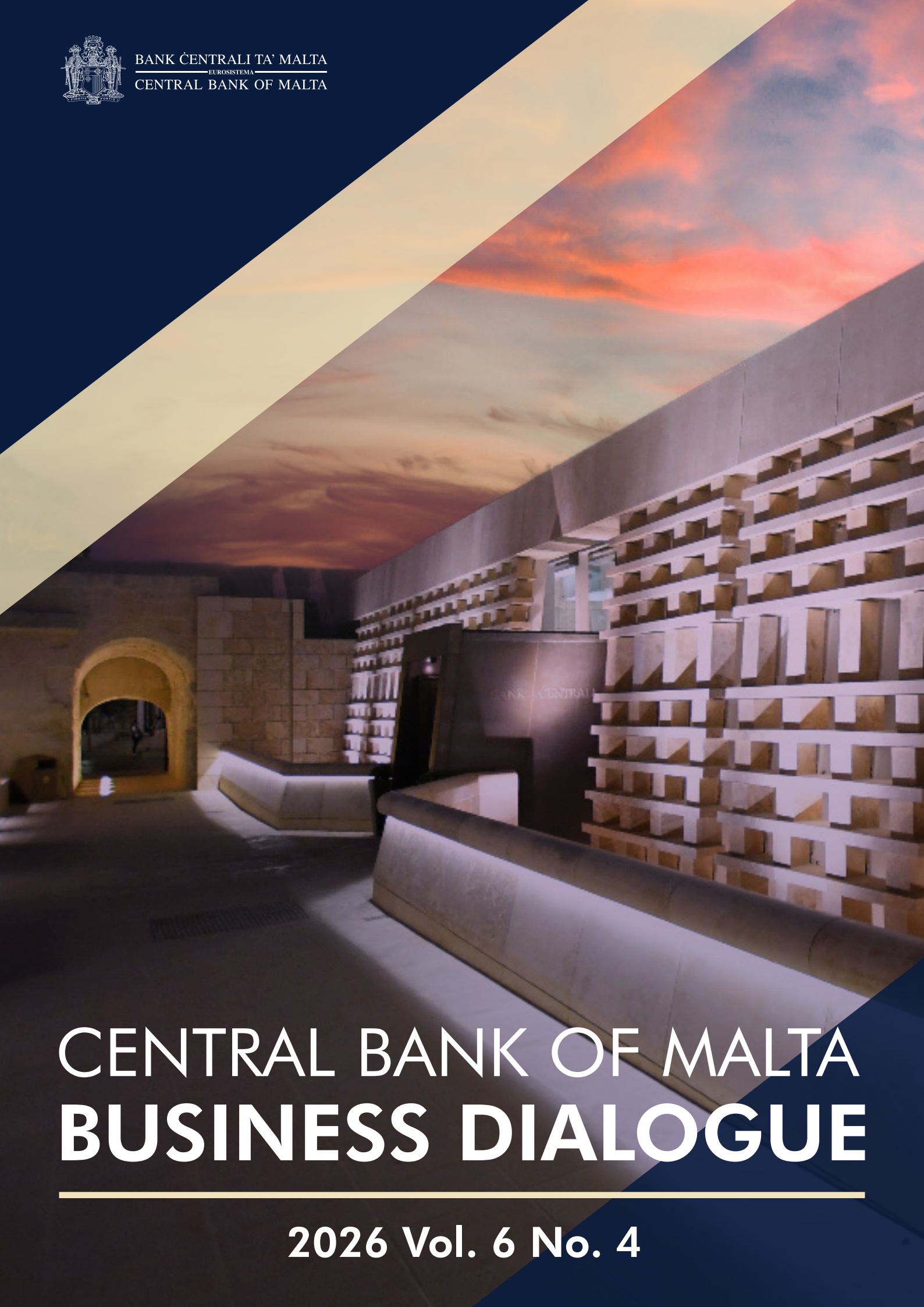




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The business dialogue survey can also be accessed in a new and interactive way through its dedicated [dashboard](#).

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MAIN FINDINGS FROM THE 2026Q3 ROUND OF CONTACTS WITH NON-FINANCIAL CORPORATIONS¹

Summary

Insights gathered by the Central Bank of Malta through its contacts with non-financial corporations (NFCs) and other institutions between July and September 2026 point to continued positive momentum in economic activity over the period, albeit at a more moderate pace than in the previous quarter. The net balance of firms reporting improved current business conditions fell from 41% in the previous quarter to 37%.

The manufacturing sector emerged as the best performing sector, followed closely by the construction and real estate sector, which were supported by strong demand. Conditions in the services sector remained generally favourable and improved compared to the previous quarter. By contrast, conditions among wholesale and retail firms deteriorated with activity reported to have declined on balance, reflecting intensifying competition and the seasonal slowdown.

Looking ahead, the net balance of firms anticipating an improvement in activity decreased to 41% from 49% in the previous quarter. Expectations were most favourable in the construction and real estate sector and in the services sector. Despite the sector's strong current performance, manufacturers remained comparatively cautious about the outlook. Expectations among wholesale and retail firms were similar and less favourable than in the previous quarter.

The share of firms reporting higher cost pressures decreased slightly during the quarter under review but remained elevated. A net share of 81% of all surveyed firms noted increases compared to 86% in the previous quarter, with transportation and raw materials appearing to be the most consistent sources of pressure. Meanwhile, the net balance of firms raising selling prices decreased to 42%, from 51% in the preceding quarter.

In the third quarter of 2026, the net balance of firms with intentions to expand investment declined to 15%, from 27% previously and such investments are expected to be mainly driven by capital expenditure, business diversification and a combination of investment activities.

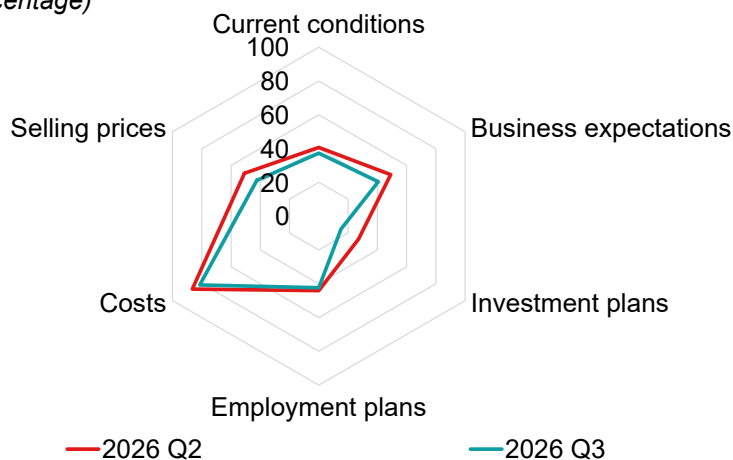
Demand for employment remains positive though the net balance of firms expecting to recruit staff further decreased to 42% in the third quarter of 2026, from 44% in the second quarter. At the same time, wage increases for 2026 remained broadly concentrated within the lower to middle ranges.

The availability of skilled labour and rising competitive pressures remain key challenges. The impact of factors such as regulation, cost of production, finding customers and labour costs differs across sectors.

¹ This publication reports the main outcome of interviews held with local NFCs. The views expressed are solely those of the companies interviewed and do not necessarily reflect the views of the Central Bank of Malta.

SUMMARY OF COMPANIES' OVERALL RESPONSES

(net balance; percentage)



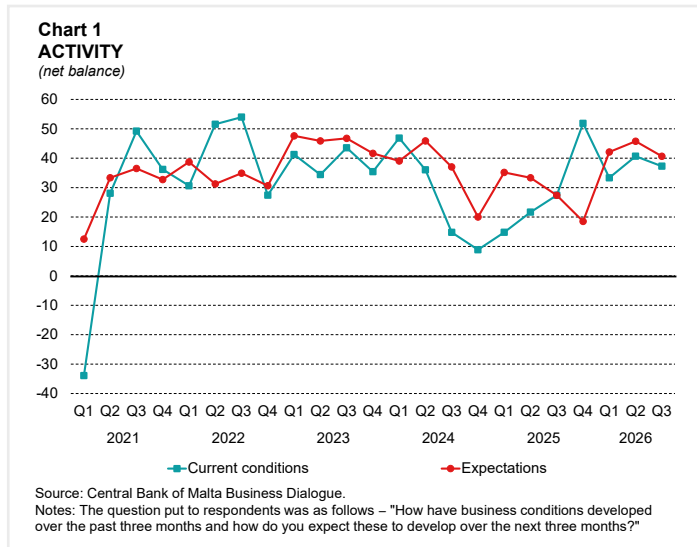
Source: Central Bank of Malta Business Dialogue.

This report summarises the key insights gathered from Maltese companies through 59 firms contacted between July and September 2026 as part of the Central Bank of Malta's Business Dialogue exercise. The exercise aims to gather information on current business conditions, short-term activity expectations, cost and price changes, investment and employment plans, and wage growth expectations. Additional topics such as mark-ups, profits, sources of finance and challenges faced by companies are also discussed. This round's report also includes a box containing an in-depth analysis of developments in firms' unit cost expectations over the past few years.

Activity

Contacts pointed to a generally positive business environment in the latest round, although marginally less so than in the previous quarter. This reflected a sharp deterioration in business conditions within the wholesale and retail sector.

The net share of businesses reporting improvements in conditions over the three months preceding the interview fell to 37% during the third quarter of 2026, from 41% in the previous quarter (see Chart 1). This slight drop was primarily driven by the wholesale and retail sector, which offset improved conditions in manufacturing and other services sectors. Tourism-related activity continued to support the economy, although several contacts noted that



increased competition limited price increases, and that the composition and spending behaviour of visitors had changed in an unfavourable way. At the same time, higher input costs, labour shortages and to a much lesser extent, geopolitical uncertainty, remained important constraints on firms' ability to translate stronger demand into higher margins and, in some cases, higher production.

Manufacturing activity was generally positive, and the assessment improved considerably over the previous quarter. Electronics manufacturers reported a very positive business environment. Food and beverage producers reported particularly divergent developments. On the one hand expansion into international markets increased revenues. However, domestically, changes in consumption patterns as well as stronger competitive pressures have adversely effected sales in some firms. Injection moulding activity also continued to improve, reflecting its exposure to the food industry and strong local and foreign demand.

Around three in every four respondents in the construction and real estate reported an expansion in activity. However, the share reporting a worsening increased. As a result, the overall assessment was slightly less positive than in the previous round. Property development activity was described as favourable, while demand for office space was also considered good, with some premises operating at full capacity. Real estate contacts generally reported high levels of activity in both sales and rentals, with several firms noting that demand continued to exceed supply. The rental market was also described as particularly strong, although the conversion of long-let units into short-term accommodation during the summer may reduce the availability of rental properties and contribute to higher rents in the long-let segment. As regards property sales, there were remarks of weaker affordability and more challenging sales conditions, although higher property prices had in some cases compensated for lower transaction volumes.

Activity in the services sector also shows signs of improvement compared with the previous quarter. Gaming continued to record strong growth, particularly due to major sporting events. IT services also recorded strong activity, supported by participation in local and EU tenders and strong demand for cybersecurity tools associated with increasing EU financial-services regulation. Conditions in the personnel outsourcing industry are continuously improving as demand for labour is extremely high. Tourism-related services remained buoyant. Hotels have reported high occupancy rates, although the benefits to revenue were constrained in some cases by flat room rates, stronger competition and a lower propensity to spend among visitors. Travel-related firms also reported strong growth. However, the growth in expenditure per tourist has slowed down due to shorter tourist stays. Maritime and freight activity was broadly stable to improving, with the gradual return of shipping through the Suez Canal supporting some operators and higher bunkering activity benefiting firms.

Activity in the wholesale and retail declined on balance, with the assessment of current conditions in this sector falling considerably when compared to previous quarters. Consumer-facing businesses continued to face strong competition and increasingly price-conscious consumers. Clothing and footwear firms generally reported positive outcomes but were affected by the normal seasonal slow-down during the summer as well as lower spending by tourists. Meanwhile, consumer durables and household goods faced more pronounced competitive pressures, including from foreign suppliers offering lower prices. Food retailers described stable sales, but at a considerably greater effort due to higher competition from foreign-owned chains and low-priced own-brand products.

Contacts remained generally positive about the near-term outlook, particularly in the construction and real estate sector, and parts of services. However overall expectations among sectors were heterogeneous. The net share of businesses foreseeing improvements in business conditions over the next few months fell to 41% in the third quarter of 2026, from 49% in the previous round (see Chart 1). Manufacturing is expected to consolidate its recent gains rather than accelerate substantially. In fact, only a net 25% of respondents in this sector expect to expand. Similar expectations are reported this round in the wholesale and retail sector. Meanwhile, strong domestic and tourism-related demand is expected to support activity in other services. The outlook remains affected by persistent competitive pressures, labour shortages, rising input costs and geopolitical uncertainty.

Construction and real estate firms retained a positive and improving outlook, with a net 70% of interviewed firms anticipating an expansion in business activity. Real estate firms generally expected strong sales and rental volumes to persist, supported by demand continuing to exceed available supply. Construction activity is expected to remain positive, but a few firms noted a shortage of large tenders and therefore somewhat limited opportunities to undertake larger-scale projects.

The outlook for services was also positive, but on balance, somewhat weaker than in the previous round. Tourism-related firms were particularly optimistic about the coming months. Hotels anticipated a continued pace of bookings and potentially stronger tourist spending, while travel operators expected continued growth in the leisure segment. Recruitment and outsourcing firms also expected largely positive developments, with most anticipating continued strong demand. Gaming companies expected current growth trends to persist, supported by acquisitions and sustained demand. Professional and IT firms likewise anticipated further increases in activity as new products were launched and additional opportunities were developed. The continued diversification of these firms' activities appears to be supporting growth beyond the more traditional domestic-demand sectors.

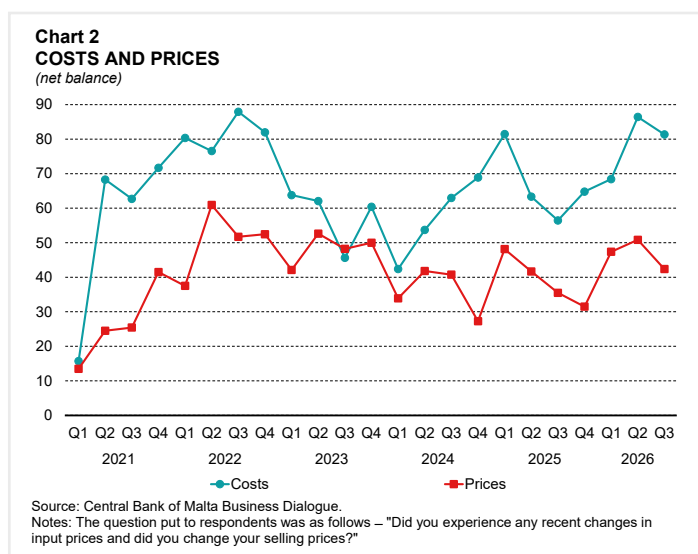
The outlook for wholesale and retail was more subdued and less favourable than in the previous round. Promotional activity is expected to play an important role in supporting sales, particularly around Black Friday and the festive period. Clothing retailers anticipated stronger activity towards the end of the year, while household goods and appliance retailers similarly expected promotional periods to offset weaker volumes during other parts of the year. Conditions in food and beverage sales are expected to remain broadly stable.

As noted above, manufacturing firms were similarly cautious about the outlook despite the strong current performance. Nevertheless, they were more optimistic than they were in the previous quarter. Food and beverage manufacturers generally expected volumes to stabilise at their current levels, suggesting that the strong growth recorded by some firms is unlikely to be repeated at the same pace. The electronics sector is to continue at current levels although one of the firms interviewed reported the loss of a major client which can lead to lower production and employment unless replacement orders could be secured. Other producers remained optimistic.

Costs and prices

Cost pressures (non-labour) remained elevated during the third quarter of 2026, although they eased slightly from the previous quarter. The net share of firms reporting an increase

in input costs stood at 81%, down from 86% in the second quarter (see Chart 2). Nonetheless, the vast majority of businesses continued to report higher costs, with almost half of firms interviewed indicating that these increases were significant. Across sectors, higher transportation and raw material costs remained the most commonly cited pressures, with several firms continuing to link these developments to the ongoing tensions in the Middle East.



Cost pressures were most widespread in wholesale and retail sector, and in manufacturing, where every respondent reported higher input prices. Transport costs were the dominant concern in both sectors but particularly for retail firms in household goods and consumer durables. Higher costs in other input prices were also reported in both sectors.

The picture was more varied in services, and construction and real estate. More than two-thirds of services firms reported higher input prices, but the sources differed. Hospitality, maritime and energy firms emphasised freight costs. Firms involved in maintenance and repair cited higher costs for parts and transport, while professional and IT firms reported higher technology, cloud hosting and licensing costs. In construction and real estate increases mainly involved transportation cost and raw materials.

Selling price increases moderated during the third quarter of 2026, with around half of surveyed firms reporting unchanged selling prices from about a third previously. The net balance of firms reporting price increases stood at 42%, within the range observed since the start of 2023, but below 51% in the second quarter. Around 46% of firms increased prices – broadly half the share reporting higher input costs. This suggests that, although cost pressures remained elevated, many firms did not pass them on in full. Although geopolitical tensions continue to affect costs, there is not yet strong evidence of second-round effects on selling price expectations.

Sectoral results remained mixed. Wholesale and retail recorded the highest net balance of firms increasing prices, with a net share of 42% indicating that they raised prices during the quarter. Price increases were particularly evident among food and beverage, and consumer durable firms. Nevertheless, some retailers reported unchanged or lower selling prices in response to competitive pressures, resulting in weaker margins. In services, higher price increases were most common in recruitment and outsourcing and catering and entertainment.

In manufacturing, selling price behaviour remained relatively restrained despite widespread cost increases. While several firms increased prices modestly, half reported unchanged selling prices, and one lowered selling prices. Overall, a net 33% of manufacturing firms reported higher selling prices, the lowest share across the four surveyed sectors. Firms in electronics, consumer

durables, and some food and beverage manufacturers did not change prices because of competition, contracts or market conditions.

Construction and real estate displayed a similar pattern, with most firms reporting unchanged selling prices, although some construction firms and segments of the property market continued to register moderate price increases.

Pressure on profitability diminished compared to the previous round of contacts. Around 68% of firms reported unchanged mark-ups, while a further 12% reported improvements. The remaining 20% indicated that mark-ups had declined as firms absorbed rising costs, which is a significant improvement from the previous quarter. This represents a more favourable picture than in the second quarter and suggests that, despite persistent cost pressures, many firms were able to protect profitability, pointing to partial price adjustments, higher sales volumes, increased productivity and efficiency or pricing structures that fix mark-ups by contract. At a sectoral level, outcomes were most favourable in construction and real estate, where no firm reported lower mark-ups. Conversely, a sizable share of firms in wholesale and retail, as well as manufacturing, reported lower mark-ups.

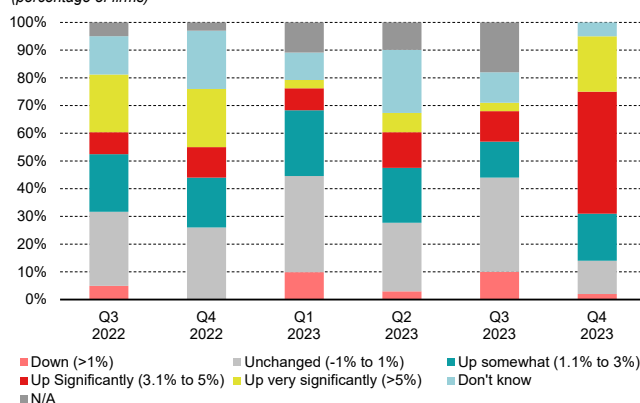
BOX 1: UNIT COST EXPECTATIONS – SIGNS OF FURTHER INFLATION?¹

Findings from the Business Dialogue exercise suggest that cost pressures have steadily intensified, driven by a range of factors. This pattern is also closely mirrored in firms' expectations for cost developments for the year ahead. This box examines how firms' cost expectations have evolved since 2022 and identifies the main drivers behind these trends, based on firms' responses to a question about their projected unit costs over the next 12 months.

Responses on projected unit costs have shifted noticeably since contacts were first asked about their expectations in the third quarter of 2022 (see Chart 1a). Initially, from that quarter through to the third quarter of 2023, the most common expectation was that unit costs would remain unchanged. Consistent with this, an earlier edition of the Business Dialogue publication found that in the third quarter of 2023, there were provisional signs that cost pressures were easing as the effects of the Russia-Ukraine war and related demand-supply imbalances began to subside. However, these rebounded in the final quarter of that year, driven by higher shipping, transit and insurance costs due to Red Sea disruptions, as well as rising wage costs.²

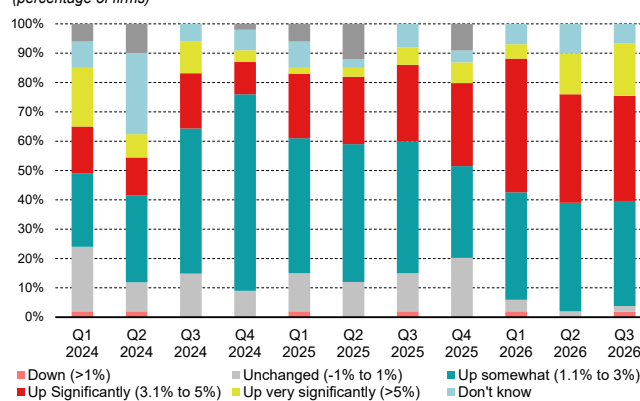
These pressures persisted into the first few quarters of 2024, partly driven by the extension of the EU Emissions Trading System (EU-ETS) to maritime transport. From that point onwards, expectations subsequently shifted towards 'somewhat' and 'significant' cost increases (see Chart 1b).

Chart 1a
UNIT COST EXPECTATIONS – 2022Q3 TO 2023Q4
(percentage of firms)



Source: Central Bank of Malta Business Dialogue.
Notes: The question put to respondents was as follows – "What changes in unit costs are you expecting this time next year?"

Chart 1b
UNIT COST EXPECTATIONS – 2024Q1 TO 2026Q3
(percentage of firms)



Source: Central Bank of Malta Business Dialogue.
Notes: The question put to respondents was as follows – "What changes in unit costs are you expecting this time next year?"

¹ Prepared by Warren Deguara, Eliza Farrugia, Angelica Gennaro and Liam Micallef. Principal Economist and Economists, respectively, within the Economic Analysis Department.

² See: [Cost pressures in Malta since 2023: From global shocks to a new normal](#).

In fact, the share of firms expecting unit costs to increase ‘somewhat’ rose strongly from the third quarter of 2024 through 2025. This suggests that while the expectations for higher cost increases were increasingly persistent, these were largely moderate during this period.

This trend, however, began to shift again in 2026 following the onset of the conflict in the Middle East. During this period, some firms noted that their cost expectations were increasingly contingent on geopolitical developments. Alongside this, expectations regarding the magnitude of cost increases also began to shift, with more significant increases gaining momentum during the year. Similarly, ‘very significant’ increases also began to gain traction in 2026 especially in the third quarter where 19% of interviewed companies projected unit cost increases of over 5%.

Looking more closely at developments in 2026 at the sectoral level, the construction and real estate sector had the highest proportion of firms (19%) expecting unit costs to rise by more than 5%. Services, meanwhile, recorded the highest share of companies anticipating a significant increase of between 3.1% to 5%, with just under half of services firms stating this response. A ‘somewhat’ increase was the most commonly reported expectation among manufacturing firms, cited by slightly more than half of respondents. Finally, uncertainty was most pronounced among wholesalers and retailers.

Turning to the key factors shaping firms’ unit cost expectations in 2026, labour costs emerge as the predominant driver, reflecting the continued tightness of Malta’s labour market. Persistent labour shortages and recruitment difficulties continue to place upward pressure on wages, with many firms offering higher salaries to attract and retain workers. As labour demand continues to outpace supply, labour costs are expected to remain elevated, with little indication of easing ahead, therefore continuing to influence firms’ unit cost expectations.

The conflict in the Middle East has also shaped firms’ cost outlooks with several firms indicating that a further escalation of the conflict could exert additional upward pressure on costs. In particular, firms highlighted the potential impact on fuel prices and the associated increase in transportation costs, which emerged as another prominent driver of expected increases in unit costs.

Other firms foresee unit costs to follow a similar trajectory to that of the year before, which are in some cases characterised by anticipated inflationary increases. Other cost pressures identified were higher regulatory fees and higher raw material prices, such as those for copper prices and memory chips.

Overall, firms’ cost expectations have risen more markedly in recent periods, reflecting the persistence of labour and non-labour cost pressures, alongside the growing influence of geopolitical tensions. While the intensity of these pressures has varied over time, contacted firms continue to anticipate further increases in costs in the year ahead, with little indication of easing. These expectations may contribute to near-term inflation if firms raise their selling prices to preserve their margins. However, the extent of the impact will depend on their ability to pass higher costs onto customers, which has recently proved challenging in certain sectors.

Investment and employment outlook

Investment intentions remained positive on balance, but moderated compared with the previous round, as several firms expect investment levels to remain unchanged. The net share of firms planning to increase investment declined to 15% in the third quarter of 2026, from 27% in the second quarter (see Chart 3).

Investment intentions remained broadly stable among half of the surveyed firms. Nevertheless, a third continued to report plans to increase investment, while just under a fifth of firms expected to invest less. Investment plans primarily focus on capital expenditure, business diversification and a combination of investment activities.

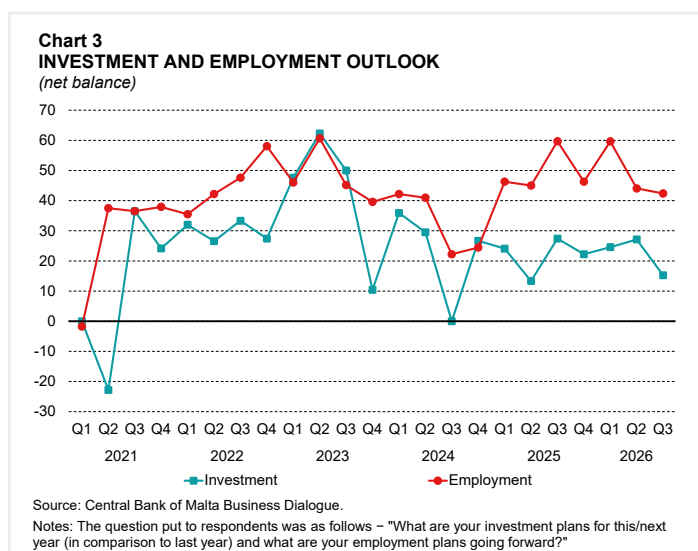
Investment intentions in the construction and real estate sector were primarily focused on property development, business expansion, and upgrades to information technology infrastructure. Within the wholesale and retail sector, new investment was planned primarily for store refurbishments, warehouse development, business expansion, capital expenditure and energy-efficiency improvements.

Within services, firms operating in professional and IT services, catering and entertainment, travel and transport, maritime and freight, and recruitment services reported investment activities focused on business expansion, digitalisation, artificial intelligence, infrastructure upgrades and diversification. Meanwhile, investment in firms operating in hospitality, energy-related activities and other service industries expected investment to focus on refurbishments, maintenance and operational improvements.

Within the manufacturing sector, planned investments were primarily directed towards automation, machinery upgrades, digitalisation, artificial intelligence, product development and factory expansion, with a particular emphasis on enhancing operational efficiency and productive capacity. Several firms also reported plans to invest in renewable energy and sustainability-related initiatives, including PV panels, energy-efficiency improvements and environmentally certified facilities.

Employment expectations remained positive but with signs of a slight moderation. The net share of firms planning to increase employment decreased to 42% in the third quarter, from 44% in the second quarter (see Chart 3).

Employment expectations remained strongest in the services sector, where a net 60% of firms anticipated increases in their staff complement. Increases in employment were also anticipated by several firms in the wholesale and retail sector, particularly in connection with new store openings



and business expansion, although recruitment plans were cited less frequently than in the rest of the service sector. Employment expectations in the construction and real estate sector were similar, with most firms anticipating stable workforce levels. In the manufacturing sector, employment expectations were mixed, with around a third of firms planning to expand their workforce, while others anticipated stable or declining headcount levels. Across sectors, recruitment challenges remained widespread, with firms frequently citing shortages of skilled workers, intense competition for labour, and difficulties in attracting suitable employees.

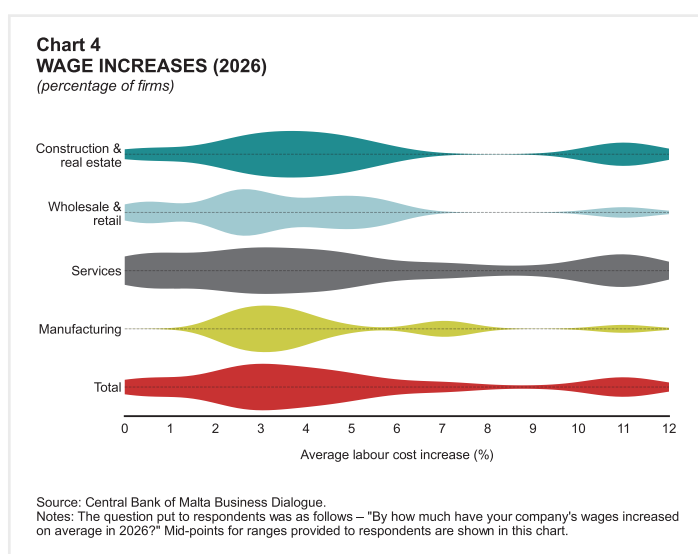
Although employment is expected to grow further across all sectors on balance, a significant proportion of firms (44%) anticipated maintaining their current workforce levels. In some cases, firms indicated that additional recruitment would primarily be undertaken to replace departing employees rather than to expand their workforce. Moreover, a quarter of firms within manufacturing anticipate employment to decrease, as they increasingly focus on improving operational efficiency and productivity, including through investment in automation, thereby reducing the need for additional labour. Nevertheless, in other sectors, expectations of declining employment remained very limited.

Wage growth expectations

Wage increases during 2026 remained concentrated in the lower to middle ranges, although a sizeable share of firms continued to report relatively strong wage growth. The most commonly reported wage increase bracket was 2.1% to 3%, accounting for around a quarter of firms (see Chart 4). More than half of respondents reported wage increases between 2.1% and 5%, while around 30% reported increases above 5%, with half of those firms reporting increases exceeding 10%. Across sectors, attracting and retaining workers remained the dominant reason behind wage increases, reflecting ongoing labour market tightness.

At the sectoral level, manufacturing reported a relatively concentrated distribution of wage growth, with most firms recording increases between 2.1% and 4%, although some firms continued to report stronger increases above 6%. Wholesale and retail also displayed a moderate wage profile, with increases predominantly concentrated between 2.1% and 5%, though a minority reported increases exceeding 10%. Construction and real estate showed a broader distribution, reflecting varying labour requirements across property and construction activities. Services continued to exhibit the widest dispersion, ranging from very modest increases to wage growth in excess of 10%, indicating differing labour market conditions across service industries.

Labour retention continued to be the principal driver of wage growth across all sectors. Most



firms cited the need to attract and retain workers as the main reason for increasing wages, while a few pointed to the need to recruit specialised staff, competition from other employers, and union-related pressures. These findings suggest that labour market conditions remain an important source of cost pressure even as firms continue to face elevated non-labour input costs.

Main challenges

Results for the third quarter of 2026 point to several challenges facing firms across different sectors. Overall, the availability of skilled staff continued to be the most commonly reported primary concern, cited by 46% of firms. Many respondents also referred to a range of 'other' challenges, among which stronger competition was mentioned with increasing frequency. Regulatory issues ranked next, followed by production costs, difficulties in attracting customers, and labour costs.

Across sectors, manufacturing firms cited demand pressures, resource constraints, and challenging business conditions as key concerns. Lack of skilled labour and production costs were also cited quite often. Services firms, wholesalers and retailers, as well as construction cited the availability of skilled staff as their main challenge. The construction sector also noted regulatory and bureaucratic constraints as significant operational challenges.

Annex

Table A1
SECTORAL REPLIES

(percentage of companies contacted)

	Construction and Real Estate		Wholesale and Retail		Services		Manufacturing		Total	
	2026 Q2	2026 Q3	2026 Q2	2026 Q3	2026 Q2	2026 Q3	2026 Q2	2026 Q3	2026 Q2	2026 Q3
How have business conditions developed over the past three months?										
Improved	67	70	50	33	50	52	50	67	53	54
Worsened	11	20	10	42	13	8	13	8	12	17
Remained the same	22	10	40	25	38	40	38	25	36	29
<i>Net balance</i>	56	50	40	-8	38	44	38	58	41	37
How do you expect business activity to develop in the next few months?										
Improve	67	70	70	33	63	52	25	33	54	47
Worsen	0	0	0	8	8	8	6	8	5	7
Remain the same	33	30	30	50	17	32	38	58	27	41
Uncertain	0	0	0	8	13	8	31	0	14	5
<i>Net balance</i>	67	70	70	25	54	44	19	25	49	41
What are your investment plans for the rest of this / next year?										
Invest more	56	30	60	33	38	32	44	33	46	32
Invest less	11	10	10	33	21	12	25	17	19	17
Invest the same	33	60	30	33	42	56	31	50	36	51
<i>Net balance</i>	44	20	50	0	17	20	19	17	27	15
How have you changed your employment plans?										
Increased	67	40	60	42	50	64	38	33	51	49
Decreased	0	0	10	0	8	4	6	25	7	7
Unchanged	33	60	30	58	42	32	56	42	42	44
<i>Net balance</i>	67	40	50	42	42	60	31	8	44	42
Did you experience any changes in input prices?										
Increased	100	40	90	100	79	80	88	100	86	81
Decreased	0	0	0	0	0	0	0	0	0	0
Unchanged	0	60	10	0	21	20	13	0	14	19
<i>Net balance</i>	100	40	90	100	79	80	88	100	86	81
Did you change your selling prices?										
Increased	78	40	80	50	54	48	38	42	58	46
Decreased	0	0	0	8	8	0	13	8	7	3
Unchanged	22	60	20	42	38	52	50	50	36	51
<i>Net balance</i>	78	40	80	42	46	48	25	33	51	42

Source: Central Bank of Malta Business Dialogue.

Note: Figures may not add up due to rounding.