



BANK ĊENTRALI TA' MALTA  
EUROSISTEMA  
CENTRAL BANK OF MALTA

# CENTRAL BANK OF MALTA ECONOMIC UPDATE

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10/2023

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**Address**

Pjazza Kastilja  
Valletta VLT 1060  
Malta

**Telephone**

(+356) 2550 0000

**Fax**

(+356) 2550 2500

**Website**

[www.centralbankmalta.org](http://www.centralbankmalta.org)

**Contact**

<https://www.centralbankmalta.org/contact-us>

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*The cut-off date for information in this note is 19 October 2023. However, the cut-off date for the RPI is 24 October 2023. Figures in tables may not add up due to rounding.*

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## ECONOMIC UPDATE 10/2023

### Summary<sup>1</sup>

*The Bank's Business Conditions Index (BCI) indicates that in September, annual growth in business activity stood slightly above its historical average, estimated since January 2000.*

*The European Commission confidence surveys show that sentiment in Malta reached an all-time high in September, well above its long-term average, estimated since November 2002. In month-on-month terms, sentiment improved across all sectors, bar the retail sector. The strongest increase was recorded in industry.*

*Additional data show that in month-on-month terms, price expectations decreased across all sectors, except in the construction sector. They remained above their long-run average in all sectors, except for consumers and in the retail sector.*

*In September, the European Commission's Economic Uncertainty Indicator (EUI) for Malta increased when compared with August, indicating higher uncertainty. Uncertainty increased mostly among services firms and in industry.*

*In August, both industrial production and retail trade rose at a faster pace compared with July. The unemployment rate increased slightly to 2.7% in August, up from 2.5% in the previous month, and down from 2.9% in August 2022.*

*Commercial building permits in August were lower than a month earlier but were higher when compared with a year earlier. On the other hand, residential building permits were higher compared with month-ago levels but fell in annual terms. In September, the number of promise-of-sale agreements rose on a year-on-year basis, while the number of final deeds of sales fell.*

*The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) stood at 4.9% in September, down from 5.0% in the previous month. Inflation based on the Retail Price Index (RPI) rose marginally to 4.1%, from 4.0% in August.*

*The level of Maltese residents' deposits decreased from their year ago level for the first time since 2011. This decrease reflects lower balances belonging to financial intermediaries and, to a lesser extent, those belonging to firms, while household deposits increased. Meanwhile, annual growth in credit to Maltese residents slowed down to 3.3%, from 4.1% a month earlier.*

*In August, the Consolidated Fund recorded a higher surplus compared to a year earlier, as a surge in government revenue offset a smaller rise in government expenditure.*

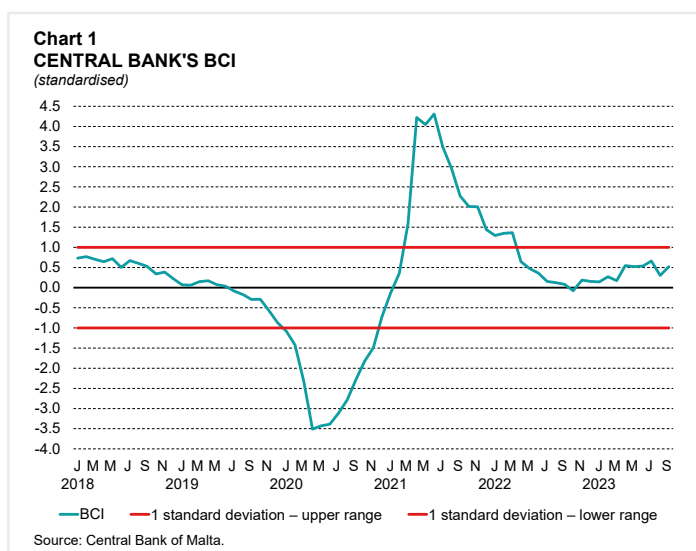
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<sup>1</sup> The cut-off date for information in this note is 19 October. However, the cut-off date for the RPI is 24 October. Most of the data reported in this issue of the *Economic Update* refer to August 2023. However, European Commission survey data, inflation data, the BCI, residential transactions and liquidity support measures refer to September.

## Central Bank's Business Conditions Index<sup>2</sup>

The Bank's BCI indicates that in September, annual growth in business activity increased marginally, standing slightly above its long-term average, estimated since January 2000 (see Chart 1). The Economic Sentiment Indicator (ESI), industrial production and tax revenues experienced strong year-on-year growth and contributed to the above-average BCI level. Furthermore, the unemployment rate was very low, indicating

positive business conditions. On the other hand, growth in development permits slowed down in recent periods, and declined in year-on-year terms in August. Furthermore, growth in tourist arrivals and GDP stood below their long-run average, thus bringing the BCI closer to its historical average.



## Business and consumer confidence indicators

In September, the European Commission's ESI for Malta reached an all-time high of 120.0, from 103.0 in August. It therefore remained well above its long-term average of around 100.0, estimated since November 2002 (see Table 1).<sup>3,4,5</sup> Furthermore, sentiment stood above the euro area average of 93.3.

In month-on-month terms, sentiment improved across all sectors, bar the retail sector. The strongest increase was recorded in industry.

Demeaned data – which account for the variation in weights assigned to each sector in the overall index – show that the confidence indicator for industry largely explains why the ESI improved and stood above its long-term average in September (see Chart 2).

In September, sentiment in industry increased to 44.4, up from 9.1 in the previous month, and stood well above its long-term average of -4.0.<sup>6</sup> The recent amelioration in sentiment partly reflected

<sup>2</sup> The methodology underlying the BCI can be found [here](#). A zero value of the BCI is consistent with average business conditions, which in the case of Malta tends to be consistent with a real GDP growth rate of close to 4%. When the value of the BCI falls repeatedly below -1, economic activity would be significantly below normal. From June 2020, the BCI methodology was updated to include a new variable: monthly development permits.

<sup>3</sup> 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%. From May 2022, the seasonal adjustment method of all survey data has changed. As a result, all seasonally-adjusted past readings were revised slightly. See [BCS User Guide](#) for further details on the methodology used by the European Commission.

<sup>4</sup> 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 December 2002, while the services and construction confidence indicators' 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 December 2002.

<sup>5</sup> Past ESI and EEI results were slightly revised due to seasonal adjustment.

<sup>6</sup> 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.

**Table 1**  
**BUSINESS AND CONSUMER SURVEYS – MALTA**

Balances: percentage points; seasonally adjusted

	2021	2022	2022					2023					
			Sep.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.
<b>ESI</b>	<b>104.9</b>	<b>100.9</b>	<b>94.4</b>	<b>96.9</b>	<b>101.2</b>	<b>104.6</b>	<b>111.1</b>	<b>113.8</b>	<b>103.2</b>	<b>100.3</b>	<b>108.4</b>	<b>103.0</b>	<b>120.0</b>
<i>Industrial confidence indicator</i>	<b>2.1</b>	<b>-9.4</b>	<b>-11.4</b>	<b>-23.5</b>	<b>-8.6</b>	<b>-3.2</b>	<b>6.8</b>	<b>8.5</b>	<b>-11.4</b>	<b>-20.0</b>	<b>10.6</b>	<b>9.1</b>	<b>44.4</b>
Assessment of order-book levels	-28.2	-21.5	0.1	-10.1	-4.3	-7.2	-50.3	-49.0	-39.6	-36.8	-15.9	-1.8	40.5
Assessment of stocks of finished products	-3.2	9.1	50.0	2.2	2.6	19.2	3.6	-3.6	4.6	6.0	1.7	3.2	-43.5
Production expectations for the months ahead	31.3	2.2	15.5	-58.1	-18.8	16.8	74.1	70.9	9.9	-17.3	49.4	32.3	49.1
<i>Construction confidence indicator</i>	<b>7.3</b>	<b>7.0</b>	<b>5.9</b>	<b>-4.3</b>	<b>2.9</b>	<b>17.5</b>	<b>-0.2</b>	<b>24.7</b>	<b>22.5</b>	<b>8.4</b>	<b>-11.7</b>	<b>-14.1</b>	<b>-2.7</b>
Evolution of your current overall order books	1.4	8.7	13.6	-6.6	2.4	6.3	-15.9	3.6	-0.3	16.1	-29.9	-20.5	-3.4
Employment expectations over the next 3 months	13.2	5.4	-1.8	-2.0	3.4	28.8	15.5	45.7	45.2	0.7	6.4	-7.7	-2.1
<i>Services confidence indicator</i>	<b>13.8</b>	<b>20.6</b>	<b>8.3</b>	<b>20.8</b>	<b>19.0</b>	<b>30.3</b>	<b>42.4</b>	<b>40.7</b>	<b>35.5</b>	<b>38.3</b>	<b>27.3</b>	<b>7.8</b>	<b>17.5</b>
Business situation development over the past 3 months	4.9	15.7	16.3	1.6	12.4	30.7	42.9	32.9	33.9	41.9	32.1	1.6	21.0
Evolution of the demand over the past 3 months	10.9	26.2	14.5	18.3	18.3	37.5	30.1	37.1	38.9	31.5	17.9	7.5	23.0
Expectation of the demand over the next 3 months	25.5	19.8	-6.0	42.4	26.1	22.7	54.1	52.1	33.6	41.6	32.1	14.3	8.7
<i>Consumer confidence indicator</i>	<b>3.4</b>	<b>-7.4</b>	<b>-9.7</b>	<b>-11.8</b>	<b>-10.2</b>	<b>-6.8</b>	<b>-10.9</b>	<b>-6.9</b>	<b>-9.9</b>	<b>-10.4</b>	<b>-11.8</b>	<b>-12.8</b>	<b>-9.9</b>
Financial situation past 12 months	-8.8	-19.7	-19.7	-22.7	-19.1	-16.2	-22.9	-21.4	-19.3	-21.5	-18.8	-21.9	-23.2
Financial situation next 12 months	7.3	-11.8	-16.0	-13.4	-11.3	-8.8	-12.0	-8.6	-7.4	-8.4	-10.6	-16.0	-10.1
Economic situation next 12 months	18.6	-3.5	-10.9	-9.2	-10.0	-4.2	-11.0	-4.7	-11.5	-12.6	-18.3	-14.8	-6.5
Major purchases next 12 months	-3.4	5.6	7.9	-1.8	-0.6	1.9	2.4	6.8	-1.4	0.7	0.3	1.4	0.1
<i>Retail trade confidence indicator</i>	<b>-8.4</b>	<b>6.0</b>	<b>5.6</b>	<b>27.4</b>	<b>25.5</b>	<b>-0.4</b>	<b>23.8</b>	<b>36.2</b>	<b>-8.9</b>	<b>-16.5</b>	<b>23.5</b>	<b>18.3</b>	<b>9.6</b>
Business activity, past 3 months	-13.6	21.1	28.7	57.7	41.8	21.8	47.2	55.2	-0.1	-4.2	40.4	34.3	21.3
Stocks of finished goods	12.8	-3.2	-1.0	3.1	15.9	22.9	1.9	1.1	19.6	24.9	10.8	16.2	11.5
Business activity, next 3 months	1.2	-6.2	-12.8	27.5	50.6	-0.1	26.3	54.6	-7.1	-20.4	40.9	36.7	19.1
<b>E EI</b>	<b>103.5</b>	<b>106.4</b>	<b>104.0</b>	<b>110.7</b>	<b>111.8</b>	<b>111.1</b>	<b>123.2</b>	<b>122.8</b>	<b>107.8</b>	<b>106.2</b>	<b>104.4</b>	<b>102.4</b>	<b>96.4</b>
Retail	4.4	15.8	1.2	26.7	16.1	10.6	38.9	20.8	5.0	4.4	22.3	30.9	8.6
Industry	14.8	12.0	10.1	-37.4	8.2	13.6	60.2	57.1	-2.7	7.8	53.6	4.8	-1.2
Services	25.1	30.2	32.0	56.8	46.5	41.1	46.1	49.6	38.4	36.8	6.4	17.6	12.5
Construction	13.2	5.4	-1.8	-2.0	3.4	28.8	15.5	45.7	45.2	0.7	6.4	-7.7	-2.1
<b>EUI<sup>(1,2)</sup></b>	<b>21.3</b>	<b>28.1</b>	<b>21.3</b>	<b>24.4</b>	<b>14.0</b>	<b>2.9</b>	<b>5.5</b>	<b>19.4</b>	<b>-3.2</b>	<b>11.0</b>	<b>1.7</b>	<b>10.2</b>	<b>27.9</b>
Services	32.2	20.3	1.5	17.2	16.4	16.4	17.2	-1.7	-6.8	10.1	20.4	9.4	35.8
Industry	21.0	39.4	33.3	32.0	10.9	-14.8	-10.8	35.8	-13.6	6.3	-21.7	7.1	32.6
Retail	48.8	50.8	54.8	40.4	18.7	14.2	9.0	7.3	27.9	22.0	9.8	-8.5	4.1
Construction	30.1	19.5	17.1	35.2	19.7	14.5	36.6	25.2	9.0	10.1	29.5	28.4	32.5
Consumers	-3.5	13.7	19.7	13.5	13.9	12.2	11.9	19.8	12.3	19.2	16.3	17.8	11.6
<b>ESI demeaned</b>	<b>4.9</b>	<b>0.9</b>	<b>-5.6</b>	<b>-3.1</b>	<b>1.2</b>	<b>4.6</b>	<b>11.1</b>	<b>13.8</b>	<b>3.2</b>	<b>0.3</b>	<b>8.4</b>	<b>3.0</b>	<b>20.0</b>
<b>E EI demeaned</b>	<b>3.4</b>	<b>6.2</b>	<b>3.7</b>	<b>9.0</b>	<b>11.2</b>	<b>10.8</b>	<b>23.8</b>	<b>23.4</b>	<b>7.2</b>	<b>5.7</b>	<b>5.6</b>	<b>2.3</b>	<b>-3.8</b>

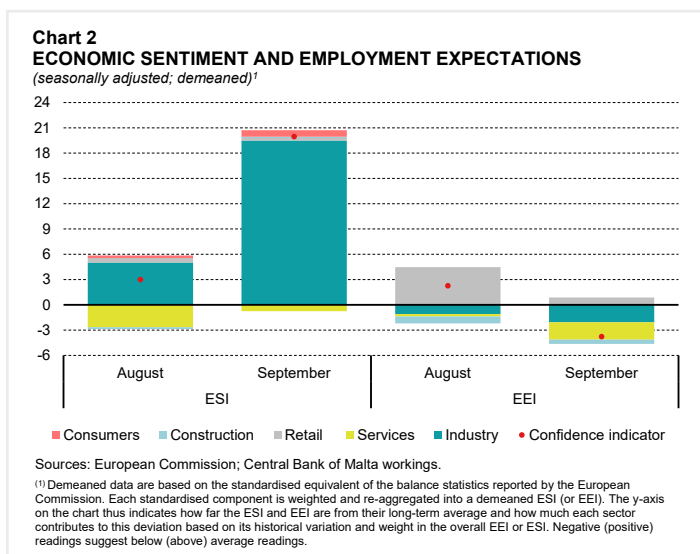
Source: European Commission.

<sup>(1)</sup> Non-seasonally adjusted data.

<sup>(2)</sup> Data for Malta are available from May 2021 onwards.

a more benign assessment of stocks of finished goods, which were now assessed to be below normal levels.<sup>7</sup> At the same time, firms assessed their order book levels to be above normal. Moreover, production expectations for the months ahead stood more positive when compared with a month earlier.

The confidence indicator for the construction sector rose to -2.7, up from -14.1 in August, which is above its long-term average of -8.1.<sup>8</sup> Compared to August, a



<sup>7</sup> Above normal stocks of finished goods have a negative effect on the overall indicator, and vice versa.

<sup>8</sup> 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.



smaller share of respondents assessed their order book levels to be below normal. Furthermore, employment expectations were less negative than before.

The sentiment indicator for the services sector reached 17.5 in September, from 7.8 a month earlier, but remained below its long-term average of 19.7.<sup>9</sup> Firms' assessment of the business situation over the past three months, and of demand in recent months, improved significantly. By contrast, their expectations of demand over the next three months weakened but remained positive.

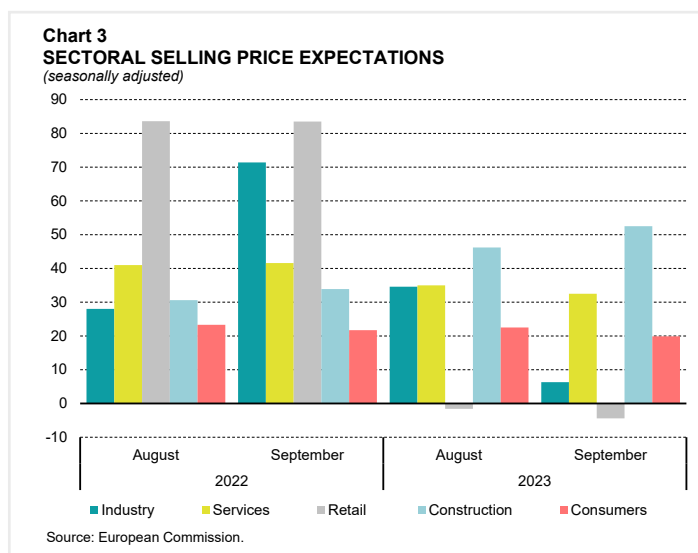
Consumer confidence stood at -9.9, up from -12.8 in the previous month, and was slightly above its long-term average of -10.2.<sup>10</sup> Consumers' expectations of the general economic situation and of their financial situation over the next 12 months, improved, although remaining negative. By contrast, respondents' assessment of their financial situation moved slightly further into negative territory, while expectations of major purchases stood less positive compared with August.

Confidence in the retail sector stood at 9.6, below the 18.3 recorded in the previous month, but remained well above its long-term average of 0.1.<sup>11</sup> Retailers' assessment of sales in recent months and their expectations of business activity over the next three months, stood less positive in the month under review. Meanwhile, the share of respondents assessing their stock levels to be above normal, decreased compared with August.

Additional survey information shows that, in month-on-month terms, price expectations decreased across all sectors, except in the construction sector (see Chart 3). The most significant decline was recorded in industry.

Differences across sectors remained wide. The net share of firms signalling price increases ranged from 53% in the construction sector, to 6% in industry, while in the retail sector, price expectations were negative for the second consecutive month.

Price expectations stood firmly below their year-ago level in the retail sector and in industry, and to a lesser degree, in the services sector. Price expectations among consumers changed



<sup>9</sup> 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 for the subsequent three months.

<sup>10</sup> 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' assessment and expectations of their financial situation, their expectations about the general economic situation and their intention to make major purchases over the subsequent 12 months. The computation of this indicator was changed as reflected in the [January 2019 release of the European Commission](#).

<sup>11</sup> 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.

marginally. By contrast, selling price expectations in the construction sector exceeded the levels recorded in September 2022.

Price expectations remained above their long-run average in all sectors, except for consumers and in the retail sector.

The European Commission's Employment Expectations Indicator (EEI) – which is a composite indicator of employment expectations in industry, services, retail trade and construction – decreased to 96.4 in September, from 102.4 in August.<sup>12</sup> This indicator fell below its long-term average of around 100.0, and stood below the euro area average of 102.7.

Demeaned data suggest that the decrease in employment expectations largely reflected developments in the retail sector. At the same time, the contribution of industry and the services sector stood more negative compared to August.

The services sector and industry largely explain why the overall EEI stood below its long-term average in September (see Chart 2).

In September, the European Commission's EUI – which is a composite indicator of how difficult it is for sectors to make predictions about their future financial or business situation – increased significantly. It stood at 27.9, up from 10.2 in August, signalling higher uncertainty (see Table 1). Following this increase, the uncertainty indicator stood above its level recorded in September 2022, when the index averaged 21.3. It also exceeded that of the euro area.<sup>13,14</sup>

In month-on-month terms, the increase in Malta's uncertainty indicator was largely driven by the services sector and industry. Uncertainty also increased in the retail sector, where in contrast to August, respondents reported difficulty in assessing their business situation. At the same time, uncertainty in the construction sector edged up. By contrast, a smaller net share of consumers signalled uncertainty.

When accounting for the variation in weights of each sector, industry accounted for most of the uncertainty observed in September, followed by the services sector.

## Activity indicators

In August, the index of industrial production – which is a measure of economic activity in the quarrying, manufacturing, and energy sectors – rose by 2.9% on a year-on-year basis. Annual growth in industrial production was faster than that of 2.0% in July (see Table 2).<sup>15</sup>

<sup>12</sup> The EEI is based on question 7 of the industry survey, question 5 of the services and retail trade surveys, and question 4 of the construction survey, which gauge the respondent firms' expectations as regards changes in their total employment over the next three months. Before being summarised in one composite indicator, each balance series is weighted on the basis of the respective sector's importance in overall employment. The weights are applied to the four-balance series expressed in standardised form. Further information on the compilation of the EEI is available in: European Commission (2020), *The Joint Harmonised EU Programme of Business and Consumer Surveys User Guide*.

<sup>13</sup> The EUI is made up of five balances (in percentage points) which summarise managers'/consumers' answers to a question asking them to indicate how difficult it is to make predictions about their future business/financial situation. The series are not seasonally adjusted. The five-balance series are summarised in one composite indicator using the same weights used to construct the ESI. The questions asked correspond to Q51 of the industry survey, Q31 of the services survey, Q41 of the retail trade and construction surveys and Q21 of the consumer survey.

<sup>14</sup> Data on consumer uncertainty became available in October 2020, while data for industry, services, retail, and construction became available in May 2021.

<sup>15</sup> 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.

**Table 2**  
**ACTIVITY INDICATORS**

*Annual percentage changes*

	2021	2022	2022		2023	
			July	Aug.	July	Aug.
Industrial production	0.1	2.8	3.7	9.5	2.0	2.9
Retail trade	9.6	10.2	11.6	2.8	2.7	3.0
Number of tourist arrivals	47.0	134.4	128.3	89.2	17.5	18.3
Number of nights stayed	60.5	96.3	105.7	79.2	10.0	13.0
Rented accommodation	73.8	110.0	109.6	82.0	11.2	13.7
Collective <sup>(1)</sup>	74.3	108.6	97.0	60.5	6.3	15.0
Other rented <sup>(2)</sup>	72.9	112.4	129.8	123.3	17.9	11.9
Non-rented accommodation <sup>(3)</sup>	26.5	48.1	88.0	66.9	4.3	9.6
Tourist expenditure	91.3	130.0	119.1	89.8	20.8	22.4
Package expenditure	108.7	128.9	106.2	76.2	35.9	29.1
Non-package expenditure	89.4	145.0	135.3	108.7	22.6	28.0
Other	85.4	116.8	110.3	79.9	10.5	12.6

Sources: National Statistics Office; Eurostat.

<sup>(1)</sup> Collective accommodation comprises hotels, guesthouses, hostels, tourist villages, holiday complex, bed & breakfast and campsites.

<sup>(2)</sup> Other rented accommodation comprises holiday furnished premises (farmhouses, flats and villas), host families, marinas, paid-convents, rented yachts and student dormitories.

<sup>(3)</sup> Non-rented accommodation includes own private residence, staying with friends or relatives and other private accommodation (e.g. free-convents or timeshare).

In the manufacturing sector, strong increases were recorded among firms that manufacture wearing apparel, furniture, and basic pharmaceutical products. Output also increased significantly among firms involved in the production of beverages and wood products, and among firms involved in the printing and reproduction of recorded media. These offset annual decreases in 'other manufacturing' output – which includes medical and dental instruments, toys and related products – and in the manufacture of paper and paper products. Food production also fell somewhat.

Meanwhile, production in the energy sector fell by 1.1% in August – a smaller decline than that of 3.2% a month earlier. Likewise, activity in the quarrying sector contracted on an annual basis.

In August, the volume of retail trade – which is a short-term indicator of final domestic demand – increased by 3.0% in year-on-year terms, after rising by 2.7% in July.

In August, the tourism sector continued to perform well. The number of inbound tourists amounted to 371,511, up from 313,981 a year earlier. Guest nights also rose on a year earlier. Total expenditure by tourists in Malta increased over the level recorded in the corresponding period of 2022, with the largest increase in absolute terms stemming from non-package holidays. Per capita, nights stayed decreased when compared with August 2022, while expenditure per capita increased.

In August, 146 development permits for commercial buildings were issued, 12 more than the number of permits issued in the same month of 2022 (see Table 3). Meanwhile, 716 new residential building permits were issued, 216 less than the number issued in August 2022. In month-on-month terms, commercial permits declined while residential permits increased.



**Table 3**  
**PROPERTY MARKET**

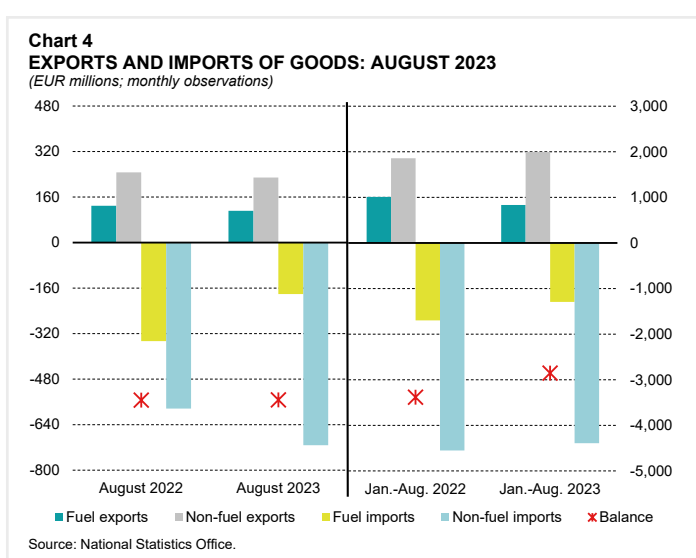
*Levels*

	2021	2022	2022			2023		
			July	Aug.	Sep.	July	Aug.	Sep.
<b>Permits</b>								
Commercial permits	2,770	2,984	233	134	195	195	146	-
Residential permits	7,578	9,599	565	932	595	676	716	-
<b>Residential transactions</b>								
Promise of sale	15,639	12,167	955	919	974	1,085	970	1,026
Final deeds of sale	14,368	14,331	1,268	1,258	1,067	1,043	977	815

Sources: National Statistics Office; Planning Authority.

Data on residential property transactions show that 815 final deeds of sale were concluded in September, 162 less than the number concluded a month earlier, and 252 less than a year earlier. At 1,026, the number of promise-of-sale agreements was 56 more than a month earlier, and also 52 more compared with a year earlier.

Customs data show that the merchandise trade deficit stood at €552.9 million in August, compared with a deficit of €553.9 million a year earlier. This was due to a €36.6 million decline in imports which offset a €35.6 million decrease in exports (see Chart 4).



Lower imports were mainly on account of a substantial decrease in imports of fuel. Imports of organic chemicals, registrations of aircraft, and imports of cereals also decreased, but to a lesser extent. These offset a significant increase in registrations of sea vessels, and to a lesser extent, higher imports of electrical machinery and plastering materials.

The decrease in exports mainly reflected lower exports of organic chemicals and fuel re-exports. Exports of toys and pharmaceutical products also decreased, but by a smaller amount. These offset higher registrations of sea vessels, articles of rubber and miscellaneous edible preparations.

## Labour market

Jobsplus data show that the level of engagements in the labour market stood at 13,200 in July, up from 10,122 in June, but down from 16,062 recorded a year earlier (see Table 4). Moreover, the level of terminations stood at 7,115 in July, down from 7,628 in June, and from 8,192 recorded a

**Table 4**  
**NET ENGAGEMENTS**

Levels

	2021	2022	2022			2023		
			May	June	July	May	June	July
Engagements	113,169	129,838	9,743	11,970	16,062	9,044	10,122	13,200
Terminations	92,756	101,090	8382	8,335	8,192	7,306	7,628	7,115
<b>Net Engagements</b>	<b>20,413</b>	<b>28,748</b>	<b>1,361</b>	<b>3,635</b>	<b>7,870</b>	<b>1,738</b>	<b>2,494</b>	<b>6,085</b>

Source: Jobsplus.

Data are provisional and thus subject to change.

year earlier. This level of activity is above the average level of engagements but below the average level of terminations in recent years.<sup>16</sup>

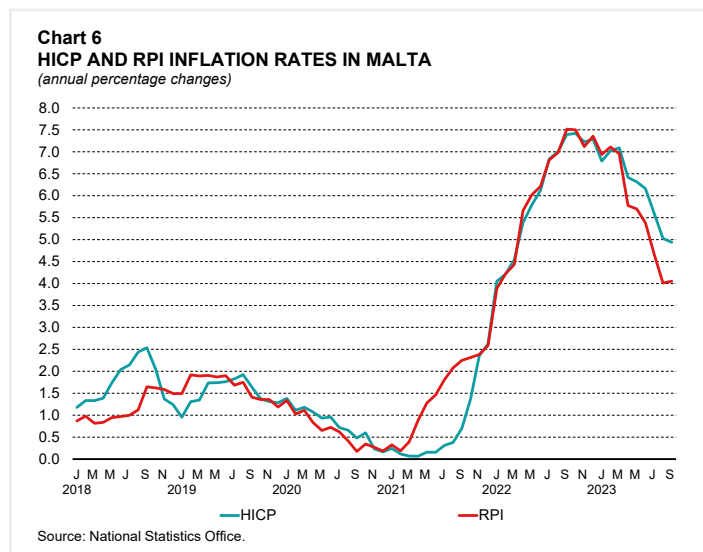
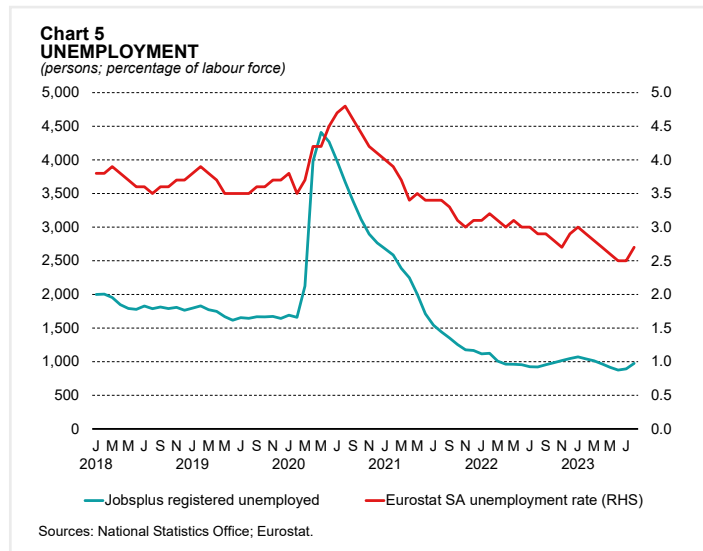
Overall, the level of net engagements in July stood at 6,085, up from 2,494 in June, but down from 7,870 recorded a year earlier.

Jobsplus data show that the number of persons on the unemployment register stood at 974 in August, up from 893 in July, and from 922 recorded a year earlier (see Chart 5).

The seasonally-adjusted unemployment rate increased slightly to 2.7% in August, up from 2.5% in the previous month, and down from 2.9% in August 2022.

### Prices, costs and competitiveness

Annual HICP inflation eased to 4.9% in September, from 5.0% a month earlier (see Chart 6). This was attributable to slower growth in the prices of food. Food price inflation decreased to 8.8%, from 9.4% a month earlier, reflecting a drop in both processed and unprocessed food



<sup>16</sup> Averages are estimated since January 2020.

inflation. While the former moderated to 9.0% from 9.7% a month earlier, unprocessed food inflation eased to 8.2% from 8.5%. Meanwhile, services inflation remained unchanged at 4.3%. On the other hand, non-energy industrial goods (NEIG) inflation rose to 3.6%, from 3.4% in August, on the back of higher prices of semi-durables' goods. Energy inflation remained unchanged at zero, reflecting the government measures aimed at shielding consumers from international energy price pressures.

Annual inflation according to the RPI stood at 4.1% in September, slightly higher than the 4.0% recorded in August (see Chart 6). The marginal increase was driven by higher inflation in several sub-components. Prices of clothing and footwear rose by 1.1% year-on-year, after falling for five consecutive months. Moreover, inflation in furnishings and household equipment accelerated to 4.6% from 3.6% in August. At the same time, prices of transport and communication contracted to a lesser extent, decreasing by 2.1% year-on-year as opposed to a drop of 2.7% in the previous month. On the other hand, food inflation moderated to 8.8%, from 9.3% a month earlier. Furthermore, housing inflation and recreation and cultural inflation slowed down to 8.1% and 0.7%, respectively. Energy prices remained unchanged.

The difference between HICP and RPI inflation mostly stems from services inflation and reflects the structure of weights applied to these indices. Different weight levels are allocated to each sub-component in the respective indices, such that RPI includes only domestic related activity, whilst HICP also includes tourism related consumption. Moreover, the 2023 set of weights applied to the HICP index have been revised compared with the 2022 weights. The weights of the RPI are not updated annually and are hence not affected by such changes.

Producer output inflation, as measured by the industrial producer price index, rose marginally to 4.4% in August, from 4.3% in July.<sup>17</sup> This reflects faster growth in producer prices of intermediate goods, which grew by 4.6% in August, after rising by 2.1% in July. Producer prices of capital goods also rose at a faster pace, with the annual rate of change increasing from 4.7% to 5.0%. On the other hand, growth in producer prices of consumer goods slowed down to 5.9% from 9.2%. Energy producer prices continued to have no impact on producer prices.

## Public finance

In August 2023, the Consolidated Fund recorded a surplus of €212.2 million, €91.3 million more than the surplus registered a year earlier (see Table 5). This was due to a surge in government revenue, which offset increased government expenditure. The primary balance registered a surplus of €226.1 million, €93.7 million more than the primary surplus registered in August 2022.

Government revenue increased by €114.9 million, or 19.9%, mainly due to higher revenue from direct taxes. This was due to significant receipts from income taxes, mainly from companies. Non-tax revenue also increased, mainly due to higher inflows from grants. Meanwhile, revenue from indirect taxes decreased.

Government expenditure increased by €23.6 million, or 5.2%, due to an increase in recurrent expenditure which outweighed a decline in capital expenditure. Recurrent spending rose by €41.7 million. This was mainly due to higher expenditure on programmes and initiatives, which increased by €41.7 million mainly due to an increase in expenditure on medicines, surgical materials, and

<sup>17</sup> The industrial producer price index measures the prices of goods at the factory gate and is commonly used to monitor inflationary pressures at the production stage.

**Table 5**  
**CONSOLIDATED FUND BALANCE**

EUR millions

	2022	2023	2022	2023	Change	
	Jan-Aug.	Jan-Aug.	Aug.	Aug.	Amount	%
<b>Revenue</b>	<b>3,383.5</b>	<b>3,899.4</b>	<b>576.5</b>	<b>691.5</b>	<b>114.9</b>	<b>19.9</b>
<b>Direct tax</b>	<b>1,839.3</b>	<b>2,223.9</b>	<b>293.7</b>	<b>407.1</b>	<b>113.4</b>	<b>38.6</b>
Income tax	1,294.3	1,627.7	218.9	311.6	92.6	42.3
Social security contributions <sup>(1)</sup>	545.0	596.1	74.8	95.6	20.8	27.8
<b>Indirect tax</b>	<b>1,259.1</b>	<b>1,298.8</b>	<b>269.4</b>	<b>236.8</b>	<b>-32.5</b>	<b>-12.1</b>
Value Added Tax	842.7	843.9	208.3	179.8	-28.5	-13.7
Customs and excise duties	182.8	194.1	25.5	25.0	-0.5	-2.1
Licences, taxes and fines	233.5	260.8	35.5	32.0	-3.4	-9.7
<b>Non-tax<sup>(2)</sup></b>	<b>285.1</b>	<b>376.8</b>	<b>13.4</b>	<b>47.5</b>	<b>34.0</b>	<b>253.5</b>
<b>Expenditure</b>	<b>3,777.8</b>	<b>3,989.6</b>	<b>455.6</b>	<b>479.2</b>	<b>23.6</b>	<b>5.2</b>
<b>Recurrent</b>	<b>3,390.0</b>	<b>3,563.8</b>	<b>383.2</b>	<b>424.9</b>	<b>41.7</b>	<b>10.9</b>
Personal emoluments	691.1	727.3	87.6	91.9	4.4	5.0
Operational and maintenance	155.1	199.5	22.7	27.2	4.5	20.0
Programmes and initiatives	1,991.3	2,016.9	212.9	254.6	41.7	19.6
Contributions to entities	440.2	487.0	48.5	37.3	-11.2	-23.1
Interest payments	112.4	133.2	11.6	13.9	2.4	20.4
<b>Capital</b>	<b>387.8</b>	<b>425.8</b>	<b>72.4</b>	<b>54.3</b>	<b>-18.1</b>	<b>-25.0</b>
<b>Primary balance<sup>(3)</sup></b>	<b>-282.0</b>	<b>43.0</b>	<b>132.5</b>	<b>226.1</b>	<b>93.7</b>	<b>-</b>
<b>Consolidated Fund balance</b>	<b>-394.4</b>	<b>-90.2</b>	<b>120.9</b>	<b>212.2</b>	<b>91.3</b>	<b>-</b>

Source: National Statistics Office.

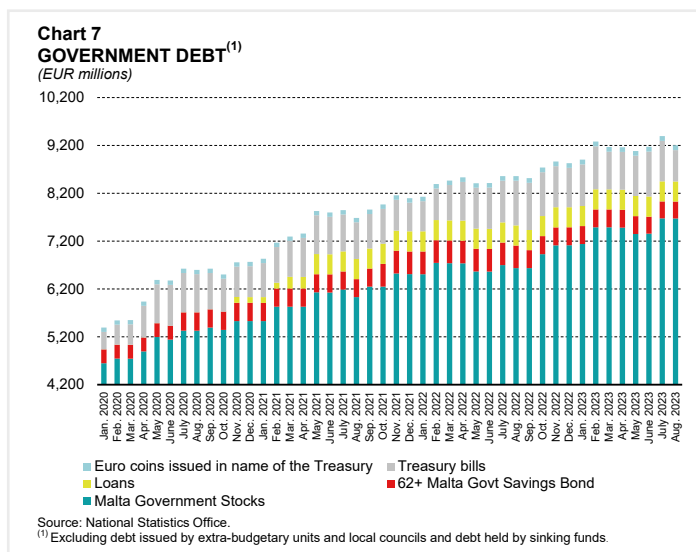
(1) Government contributions to the social security account in terms of the Social Security Act 1987 are netted out from both revenue and expenditure.

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

(3) Revenue less expenditure excluding interest payments.

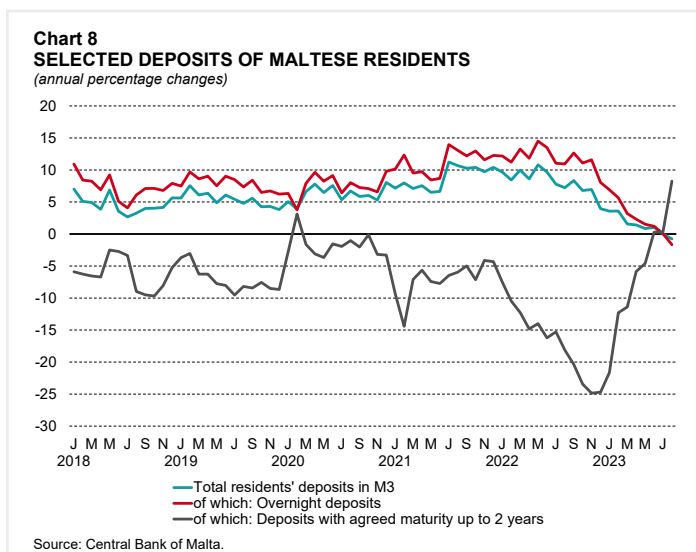
social benefits. Expenditure on operations and maintenance, personal emoluments, and interest payments also rose, albeit at a lower extent. Meanwhile, contributions to government entities declined by €11.2 million. At the same time, capital expenditure decreased by €18.1 million, mainly reflecting equity acquisitions classified as outlays in the Consolidated Fund.

In August 2023, the total stock of outstanding government debt amounted to €9,203.1 million, €193.1 million less than the level in July 2023 (see Chart 7). This mainly reflects a lower level of outstanding Treasury Bills.



## Deposits, credit and financial markets

In August, residents' deposits held with monetary financial institutions (MFI) and forming part of broad money (M3) decreased by 0.8% from their level in August 2022. This follows a neutral change recorded a month earlier and marks the first year-on-year decline in deposits since 2011 (see Chart 8). The latest contraction was mostly driven by balances belonging to financial intermediaries, and to a lesser extent, those belonging to NFCs. By contrast, balances held by households increased.

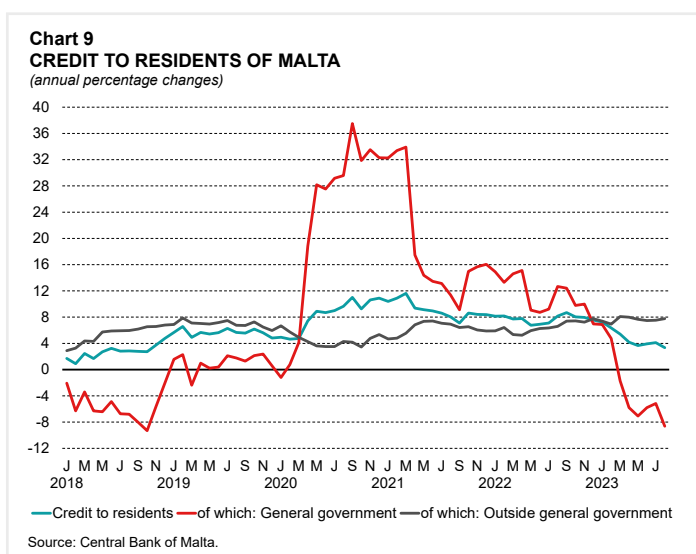


Overnight deposits remained the largest component of residents' M3 deposits, comprising around 90% of their M3 balances. Growth in this deposit category – which is the most liquid – fell by 1.7% in the year to August, following a 0.1% increase in the previous month.

Meanwhile, time deposits with agreed maturity of up to two years – the second largest deposit category – registered a strong increase of 8.3%, compared with 0.3% in the year to July. This outcome reflects more attractive terms on fixed deposit accounts by some credit institutions in response to monetary policy tightening. The latest increase was driven by higher balances belonging to households, which offset decreases in the balances held by other sectors, including NFCs.

Credit to Maltese residents grew by 3.3% in August, below the 4.1% recorded a month earlier (see Chart 9). In part this reflected a larger contraction in credit to general government. This credit component fell by 8.6% over the 12 months to August, following a year-on-year contraction of 5.2% in July. Meanwhile, annual growth in credit to residents outside general government stood at 7.8%, up from 7.5% a month earlier.

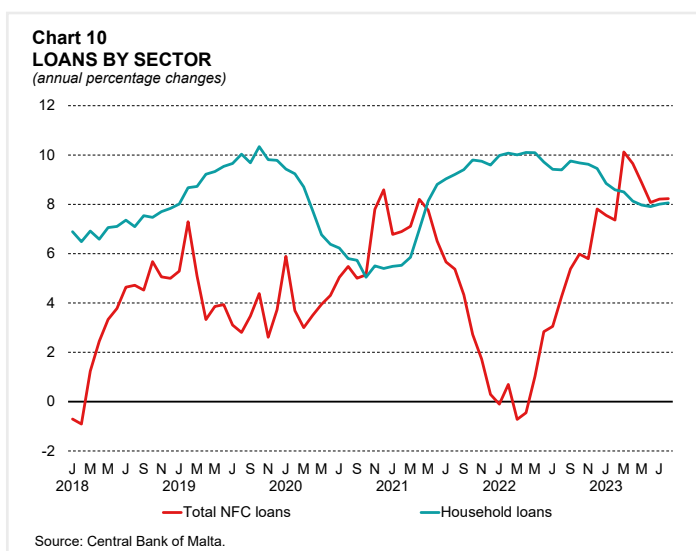
The annual rate of change in loans to households edged up to 8.1% in August, from 8.0% in the previous month (see Chart 10). Growth in consumer credit and other lending reached 11.0%, above the 7.9% recorded in the year to July. At





the same time, growth in mortgage lending eased to 7.8% in the 12 months to August, compared with 8.0% in the previous month.

Meanwhile, the annual rate of change in loans to non-financial corporations stood at 8.2% in August, unchanged from a month earlier. Loans to the construction sector and the sector comprising accommodation and food service activities rose at a faster pace. The month under review also saw a significantly smaller contraction in loans to the energy, heat and water supply sector compared to July. These developments were partly offset by a sharper contraction in loans to the wholesale and retail trade sector, and to the sector comprising administrative and support activities. Furthermore, loans to the manufacturing sector declined in the year to August, while loans to the real estate sector and the transportation, storage, information and communication sector, increased at a slower pace.



By end-September, 561 facilities were approved and still outstanding under the COVID-19 Guarantee Scheme (CGS), covering total sanctioned lending of €421.9 million.<sup>18</sup> The value of facilities approved and still outstanding stood at €253.6 million.

In May 2022, the Malta Development Bank (MDB) launched the first of three support measures in response to the war in Ukraine and high inflation – the Subsidised Loans Scheme (SLS).<sup>19</sup> By end-September, three facilities were approved, with total sanctioned lending of €14.2 million. The outstanding value of loans from this scheme stood at €5.1 million, down from €5.9 million in August.

In June 2022, the MDB launched the Liquidity Support Guarantee Scheme (LSGS).<sup>20</sup> By the end of September 2023, a total of €24.5 million was approved under one of these schemes, unchanged from a month earlier. The facility was withdrawn in full, and the outstanding value of loans stood at €24.5 million by end-September.

As regards interest rates, standing at 0.26%, in August, the composite interest rate paid by MFIs on Maltese residents' outstanding deposits edged up by 2 basis points compared to July,

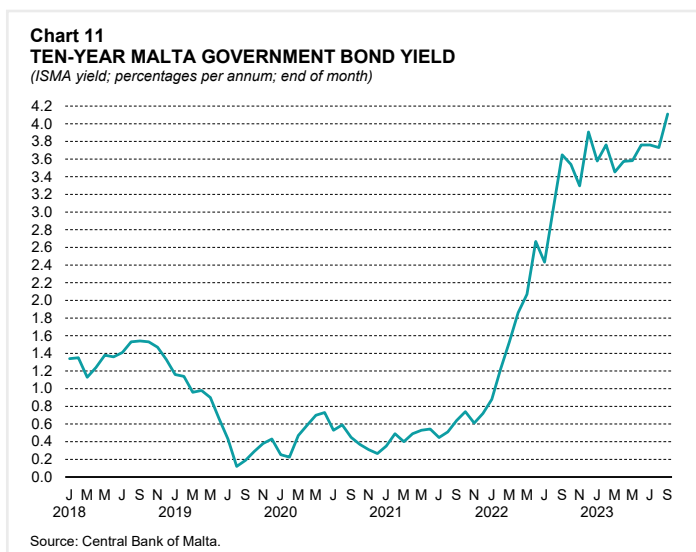
<sup>18</sup> The CGS is administered by the MDB for the purpose of guaranteeing new loans granted by commercial banks for working capital purposes to businesses facing liquidity shortfalls because of the pandemic. The scheme enables credit institutions to leverage government guarantees up to a total portfolio volume of €777.8 million. It was approved by the European Commission on 2 April 2020. See [MDB COVID-19 Guarantee Scheme](#) for further details.

<sup>19</sup> 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. The total portfolio allocated for this scheme is €30.0 million.

<sup>20</sup> The 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.

Meanwhile, the composite rate charged on outstanding loans stood at 3.59% in August, 1 basis point higher than that recorded a month earlier. As a result, the spread between the two rates stood at 333 basis points, unchanged from July.

The composite rate paid by MFIs on Maltese residents' new deposits stood at 2.09% in August, above the 2.07% recorded in July. It was also higher than the rate recorded for August 2022, which stood at 1.03%. Meanwhile, the composite rate charged on new loans decreased by 57 basis points on a month earlier, standing at 3.06%. However, it exceeded the rate recorded a year earlier. As a result, the spread between the two rates eased to 96 basis points.



In the capital market, at the end of September, the secondary market yield on ten-year Maltese government bonds increased from its end-August level and stood at 4.11%. It also stood 46 basis points above its year-ago level (see Chart 11). The year-on-year increase reflects the transmission of increases in ECB policy rates to government bond yields.

Meanwhile, the Malta Stock Exchange (MSE) Equity Price Index edged down when compared with end-August, falling by 1.34%. Similar movements were recorded in the MSE Total Return Index, which accounts for dividends as well as changes in equity prices.

## Annex 1

MACROECONOMIC INDICATORS FOR MALTA																					
Annual percentage changes; non-seasonally adjusted data																					
	2020	2021	2022	2022	2022	2022	2022	2023	2023	2022	2022	2022	2023	2023	2023	2023	2023	2023	2023	2023	
				Q1	Q2	Q3	Q4	Q1	Q2	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.
<b>Prices and costs</b>																					
HICP inflation	0.8	0.7	6.1	4.3	5.8	7.1	7.3	7.0	6.3	7.4	7.2	7.3	6.8	7.0	7.1	6.4	6.3	6.2	5.6	5.0	4.9
RPI inflation	0.6	1.5	6.2	4.2	6.0	7.1	7.3	7.0	5.6	7.5	7.1	7.4	6.9	7.1	7.0	5.8	5.7	5.4	4.7	4.0	4.1
Industrial producer price inflation	0.3	3.2	5.5	6.8	5.4	4.6	5.3	4.5	4.7	5.7	6.0	4.3	3.7	5.1	4.6	5.1	4.5	4.5	4.3	4.4	-
HCI (nominal)	1.8	0.3	-1.4	-1.2	-2.0	-2.3	-0.1	1.4	3.4	-0.9	0.0	0.6	1.2	1.2	1.8	3.6	3.3	3.2	5.0	5.5	4.5
HCI (real)	1.5	-1.9	-3.6	-3.0	-4.5	-4.6	-2.1	0.3	3.4	-3.4	-2.1	-0.8	-0.6	-0.2	1.7	3.2	3.4	3.7	5.0	4.9	3.9
Unit labour costs, whole economy <sup>(1)</sup>	11.1	-4.4	2.3	-5.1	-3.2	-0.6	2.3	3.6	4.4	-	-	-	-	-	-	-	-	-	-	-	-
Compensation per employee <sup>(1)</sup>	-0.8	4.4	3.1	4.0	3.3	2.9	3.1	2.8	2.3	-	-	-	-	-	-	-	-	-	-	-	-
Labour productivity (per person) <sup>(1)</sup>	-10.6	9.2	0.7	9.5	6.8	3.4	0.7	-0.8	-2.1	-	-	-	-	-	-	-	-	-	-	-	-
Property Price Index (Eurostat)	3.4	5.1	6.7	6.8	7.6	6.3	5.9	6.6	4.5	-	-	-	-	-	-	-	-	-	-	-	-
<b>Economic activity</b>																					
Nominal GDP	-6.5	14.5	12.6	11.7	16.0	11.0	11.7	11.0	9.7	-	-	-	-	-	-	-	-	-	-	-	-
Real GDP	-8.1	12.3	6.9	8.0	9.9	4.7	5.3	5.0	3.9	-	-	-	-	-	-	-	-	-	-	-	-
Real private consumption	-10.6	8.3	9.5	10.9	13.3	7.3	7.0	8.1	5.9	-	-	-	-	-	-	-	-	-	-	-	-
Real government consumption	14.9	6.5	2.3	-0.7	10.9	1.4	-1.7	2.0	-3.8	-	-	-	-	-	-	-	-	-	-	-	-
Real gross fixed capital formation	-5.8	12.7	31.2	26.6	21.0	34.6	42.2	-16.7	-18.3	-	-	-	-	-	-	-	-	-	-	-	-
Real exports of goods and services	-1.8	7.5	6.8	9.5	7.1	9.4	1.0	-1.5	2.5	-	-	-	-	-	-	-	-	-	-	-	-
Real imports of goods and services	1.5	5.0	10.1	11.2	9.4	14.4	5.2	-5.0	-1.6	-	-	-	-	-	-	-	-	-	-	-	-
<b>Labour market developments</b>																					
LFS unemployment rate (% of labour force)	4.4	3.4	2.9	2.9	2.9	2.9	2.9	2.9	2.5	2.9	2.9	2.9	3.0	2.9	2.8	2.6	2.5	2.4	2.5	2.7	-
LFS employment	2.6	3.1	5.2	5.3	4.9	5.1	5.5	5.3	4.9	-	-	-	-	-	-	-	-	-	-	-	-
Jobsplus registered employed	4.2	2.6	6.1	4.8	5.4	6.2	7.9	8.5	-	7.4	8.0	8.4	8.6	8.4	8.4	8.2	8.0	-	-	-	-
<b>Balance of payments</b>																					
Current account (as a % of GDP) <sup>(2)</sup>	2.2	1.2	-3.0	-0.3	-1.1	-2.2	-3.0	-2.9	-1.3	-	-	-	-	-	-	-	-	-	-	-	-
<b>Credit and financial indicators</b>																					
<b>Maltese residents' deposits and loans</b>																					
Overnight deposits	9.8	12.3	8.1	13.3	13.5	12.7	8.1	3.2	1.2	11.1	11.6	8.1	6.9	5.7	3.2	2.3	1.5	1.2	0.1	-1.7	-
Deposits with agreed maturity up to 2 years	-3.3	-4.3	-24.7	-12.3	-16.2	-20.4	-24.7	-11.4	0.3	-23.4	-24.9	-24.7	-21.6	-12.3	-11.4	-5.9	-4.6	0.3	0.3	8.3	-
Total residents' deposits in M3	8.0	10.4	4.0	10.0	9.7	8.4	4.0	1.6	1.0	6.8	7.0	4.0	3.6	3.6	1.6	1.4	0.9	1.0	0.0	-0.8	-
Credit to general government	32.3	16.1	7.0	14.6	8.7	12.4	7.0	-1.7	-5.8	9.8	10.0	7.0	6.9	4.7	-1.7	-5.8	-7.1	-5.8	-5.2	-8.6	-
Credit to residents (excl. general government)	5.3	5.9	7.8	5.3	6.3	7.4	7.8	8.1	7.5	7.4	7.2	7.8	7.4	6.9	8.1	8.0	7.7	7.5	7.5	7.8	-
Total credit	10.9	8.4	7.5	7.7	6.9	8.7	7.5	5.4	3.9	8.0	8.0	7.5	7.3	6.3	5.4	4.2	3.7	3.9	4.1	3.3	-
Ten-year interest rate (%) <sup>(3)</sup>	0.3	0.7	3.9	1.5	2.7	3.6	3.9	3.5	3.8	3.5	3.3	3.9	3.6	3.8	3.5	3.6	3.6	3.8	3.8	3.7	4.1
Stock prices: Malta Stock Exchange Equity Price Index <sup>(4)</sup>	-12.4	-4.5	-9.9	-8.2	1.1	-0.7	-2.2	-0.4	5.9	0.9	-3.1	0.0	-0.1	2.5	-2.7	2.3	3.4	0.1	1.1	-1.3	-1.3
<b>General government finances (% of GDP)</b>																					
Surplus (+) / deficit (-) <sup>(2)</sup>	-9.6	-7.5	-5.7	-7.3	-6.0	-5.4	-5.7	-4.9	-4.3	-	-	-	-	-	-	-	-	-	-	-	-
Gross debt <sup>(5)</sup>	52.2	54.0	52.3	55.1	52.7	51.9	52.3	52.4	50.7	-	-	-	-	-	-	-	-	-	-	-	-

Sources: Central Bank of Malta; European Commission; Malta Stock Exchange; National Statistics Office.

<sup>(1)</sup> Four-quarter moving averages.

<sup>(2)</sup> Four-quarter moving sums.

<sup>(3)</sup> End of period.

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

<sup>(5)</sup> GDP data are four-quarter moving sums.