



BANK ĊENTRALI TA' MALTA  
EUROSISTEMA  
CENTRAL BANK OF MALTA



# CENTRAL BANK OF MALTA ECONOMIC UPDATE

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10/2024

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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 17 October 2024. However, the cut-off date for the RPI is 21 October 2024. Figures in tables may not add up due to rounding.*

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## ECONOMIC UPDATE 10/2024

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

*The Bank's Business Conditions Index indicates that in September 2024, annual growth in business activity was lower than that in August and stood slightly below its historical average estimated since January 2000.*

*The European Commission confidence surveys show that sentiment in Malta decreased in September, and remained below its long-term average, estimated since November 2002. The largest deterioration was recorded in industry.*

*Additional data show that in month-on-month terms, price expectations increased across all sectors, bar among consumers. The largest increase was recorded by the retail sector.*

*In September, the European Commission's Economic Uncertainty Indicator (EUI) for Malta increased compared with August, indicating higher uncertainty, with the largest increases recorded in the construction and services sectors.*

*In August, industrial production rose on a year-on-year basis while retail trade contracted. In July, services production accelerated when compared with the same month a year ago. The unemployment rate increased to 3.0% in August from 2.9% in July but stood below that of 3.7% in August 2023.*

*Commercial building permits in August were lower when compared to a year earlier and were also lower when compared to a month earlier. On the other hand, residential building permits increased on both a monthly and an annual basis. In September, the number of residential promise-of-sale agreements increased on a year earlier, as did final deeds of sale.*

*The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) stood at 2.1% in September, down from 2.4% in the previous month, exceeding the euro area average by 0.4 percentage points. HICP excluding energy and food in Malta decreased to 1.9%, remaining firmly below the euro area average. Inflation based on the Retail Price Index (RPI) dipped to 1.2% in September, from 1.5% in August.*

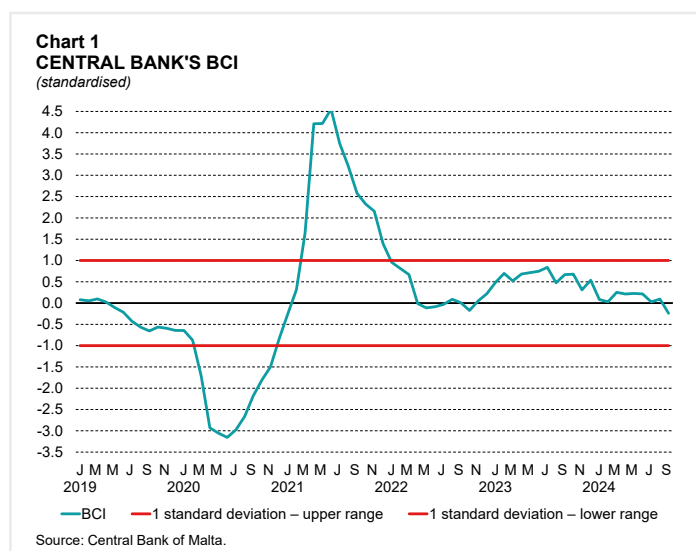
*In August, Maltese residents' deposits increased above their level a year ago, driven by balances belonging to households, financial and non-financial corporations. Meanwhile, credit to Maltese residents also increased in annual terms, reflecting higher lending to both households and the government sector.*

*In August, the Consolidated Fund registered a surplus of €38.3 million, which was lower than the large surplus registered a year earlier. This was due to the timing of current expenditure, which outweighed a rise in government revenue. Overall, the Consolidated Fund balance registered a €98.6 million surplus for the period from January, from a deficit of €90.2 million for the same period a year earlier.*

<sup>1</sup> The cut-off date for information in this note is 17 October 2024. However, the cut-off date for the RPI is 21 October 2024. Most of the data reported in this issue of the *Economic Update* refer to August 2024. However, European Commission survey data, inflation data, the BCI and residential transactions 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 declined and stood slightly below its long-term average, estimated since January 2000 (see Chart 1). This partly reflects below average economic sentiment. Despite growing at a strong pace, inbound tourism still increased by less than its long-run average. These developments were slightly offset by above-average growth in the issue of credit and in industrial production in recent months.



## Business and consumer confidence indicators

In September, the European Commission's Economic Sentiment Indicator (ESI) for Malta decreased to 86.3, from 98.1 in August. Therefore, the indicator dipped further below its long-term average of around 100.0, estimated since November 2002. It was also less than the value of 119.1 reported a year earlier (see Table 1).<sup>3,4,5</sup> In month-on-month terms, sentiment deteriorated in industry, as well as in the services and retail sectors, while it increased in the remaining sectors. The most significant decrease was observed in industry.

Demeaned data – which account for the variation in weights assigned to each sector in the overall index – show that the decrease in the overall sentiment in September was mostly driven by developments in industry. Furthermore, this sector largely explains why the ESI stood below its long-term average in September (see Chart 2).

In September, the sentiment indicator in industry averaged -38.0, down from -6.9 in August. Therefore, it fell further below its long-term average of -4.4.<sup>6</sup> A significant deterioration can be observed across all three sub-components of this indicator. On balance, a larger share of firms assessed their

<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

	2022	2023	2023			2024							
			Sep.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.
<b>ESI</b>	<b>100.7</b>	<b>105.5</b>	<b>119.1</b>	<b>104.4</b>	<b>97.5</b>	<b>88.9</b>	<b>96.9</b>	<b>96.1</b>	<b>97.2</b>	<b>97.3</b>	<b>96.6</b>	<b>98.1</b>	<b>86.3</b>
<i>Industrial confidence indicator</i>	<b>-9.4</b>	<b>2.4</b>	<b>44.4</b>	<b>-2.8</b>	<b>-13.6</b>	<b>-37.9</b>	<b>-11.0</b>	<b>-12.2</b>	<b>-10.3</b>	<b>-8.7</b>	<b>-8.2</b>	<b>-6.9</b>	<b>-38.0</b>
Assessment of order-book levels	-21.5	-12.7	40.5	-0.2	-28.2	-57.4	-30.0	-20.2	-56.2	-25.3	-23.9	-10.4	-48.5
Assessment of stocks of finished products	9.1	2.2	-43.5	-1.7	14.1	35.5	21.0	36.8	2.1	28.2	16.9	33.6	53.8
Production expectations for the months ahead	2.2	22.1	49.1	-10.0	1.5	-20.7	17.9	20.4	27.3	27.4	16.1	23.2	-11.8
<i>Services confidence indicator</i>	<b>20.5</b>	<b>26.6</b>	<b>16.0</b>	<b>31.0</b>	<b>16.8</b>	<b>12.8</b>	<b>6.9</b>	<b>15.0</b>	<b>13.2</b>	<b>15.2</b>	<b>12.4</b>	<b>18.7</b>	<b>12.5</b>
Business situation development over the past 3 months	15.7	24.0	13.8	26.7	15.9	4.0	2.6	19.3	21.4	21.9	11.4	14.7	-5.3
Evolution of the demand over the past 3 months	26.1	26.0	23.6	32.4	21.7	10.6	3.7	11.8	14.4	22.4	16.2	17.4	11.8
Expectation of the demand over the next 3 months	19.7	29.9	10.8	34.1	12.8	23.9	14.5	13.8	3.8	1.4	9.5	24.1	31.0
<i>Retail trade confidence indicator</i>	<b>6.0</b>	<b>9.8</b>	<b>9.6</b>	<b>15.3</b>	<b>25.6</b>	<b>14.7</b>	<b>7.9</b>	<b>9.7</b>	<b>2.6</b>	<b>-0.6</b>	<b>-6.7</b>	<b>-10.1</b>	<b>-12.2</b>
Business activity, past 3 months	21.1	25.2	21.3	25.5	35.3	6.3	11.1	6.2	1.7	-0.9	-22.1	-19.5	-18.8
Stocks of finished goods	-3.2	16.5	11.5	10.0	-1.4	3.4	2.2	10.3	2.7	0.4	-5.1	8.0	26.3
Business activity, next 3 months	-6.2	20.8	19.1	30.4	40.0	41.1	14.9	33.1	8.8	-0.6	-3.2	-2.9	8.5
<i>Consumer confidence indicator</i>	<b>-7.4</b>	<b>-10.9</b>	<b>-9.9</b>	<b>-12.6</b>	<b>-12.1</b>	<b>-4.4</b>	<b>-7.4</b>	<b>-9.1</b>	<b>-9.0</b>	<b>-3.8</b>	<b>-6.3</b>	<b>-8.3</b>	<b>-4.7</b>
Financial situation past 12 months	-19.7	-20.3	-23.1	-19.9	-17.1	-11.3	-13.3	-15.2	-14.5	-8.8	-8.2	-10.2	-8.5
Financial situation next 12 months	-11.8	-10.5	-10.1	-11.2	-8.8	1.4	-2.8	-5.2	-2.0	3.3	-1.6	-1.9	0.7
Economic situation next 12 months	-3.5	-12.6	-6.5	-17.7	-15.8	-2.3	-10.6	-11.6	-11.5	-10.3	-14.8	-17.3	-13.2
Major purchases next 12 months	5.6	-0.3	0.1	-1.5	-6.8	-5.4	-3.0	-4.5	-7.9	0.6	-0.5	-3.6	2.3
<i>Construction confidence indicator</i>	<b>7.0</b>	<b>1.2</b>	<b>-2.7</b>	<b>-23.4</b>	<b>9.6</b>	<b>14.8</b>	<b>29.1</b>	<b>3.2</b>	<b>-1.1</b>	<b>-30.4</b>	<b>-40.1</b>	<b>-15.2</b>	<b>-5.7</b>
Evolution of your current overall order books	8.7	-9.8	-3.4	-43.6	-3.2	10.6	5.3	1.6	-2.1	-67.1	-43.0	-19.3	23.1
Employment expectations over the next 3 months	5.4	12.2	-2.1	-3.2	22.4	19.1	52.9	4.8	-0.1	6.3	-37.1	-11.1	-34.6
<b>EEl</b>	<b>105.7</b>	<b>107.2</b>	<b>95.4</b>	<b>111.7</b>	<b>101.5</b>	<b>99.0</b>	<b>97.2</b>	<b>94.0</b>	<b>90.5</b>	<b>95.4</b>	<b>93.1</b>	<b>98.3</b>	<b>104.4</b>
Services	30.2	30.1	11.2	42.4	10.4	19.3	3.7	6.3	9.5	2.1	20.8	19.0	36.4
Retail	15.8	17.2	8.6	21.8	13.7	15.0	16.6	15.7	1.7	10.4	8.3	-0.2	15.6
Industry	12.0	19.3	-1.2	19.8	30.8	-13.2	1.2	-9.1	-26.5	18.9	-31.1	13.3	1.0
Construction	5.4	12.2	-2.1	-3.2	22.4	19.1	52.9	4.8	-0.1	6.3	-37.1	-11.1	-34.6
<b>EUI<sup>(1,2)</sup></b>	<b>28.1</b>	<b>12.1</b>	<b>27.9</b>	<b>4.2</b>	<b>21.1</b>	<b>15.5</b>	<b>16.6</b>	<b>10.7</b>	<b>10.3</b>	<b>6.3</b>	<b>10.4</b>	<b>13.8</b>	<b>19.7</b>
Construction	19.5	24.9	32.5	34.0	1.3	19.3	20.9	22.2	13.4	1.9	22.0	1.7	48.6
Services	20.3	15.2	35.8	-7.5	32.6	0.3	22.0	20.4	3.9	-12.5	5.9	8.1	36.8
Retail	50.8	6.5	4.1	-1.2	1.9	5.2	14.1	4.6	2.9	-0.4	0.9	5.5	11.6
Consumers	13.7	14.4	11.6	10.4	17.0	11.8	14.8	9.8	9.8	2.4	10.2	14.5	6.7
Industry	39.4	7.6	32.6	6.9	19.4	29.4	13.3	3.1	15.9	23.8	13.6	20.3	10.7
<b>ESI demeaned</b>	<b>0.7</b>	<b>5.5</b>	<b>19.2</b>	<b>4.4</b>	<b>-2.5</b>	<b>-11.1</b>	<b>-3.1</b>	<b>-3.9</b>	<b>-2.8</b>	<b>-2.6</b>	<b>-3.4</b>	<b>-1.9</b>	<b>-13.7</b>
<b>EEl demeaned</b>	<b>6.0</b>	<b>7.0</b>	<b>-4.4</b>	<b>12.1</b>	<b>-0.3</b>	<b>-0.1</b>	<b>-3.6</b>	<b>-5.9</b>	<b>-8.0</b>	<b>-6.0</b>	<b>-4.6</b>	<b>-1.6</b>	<b>5.7</b>

Source: European Commission.

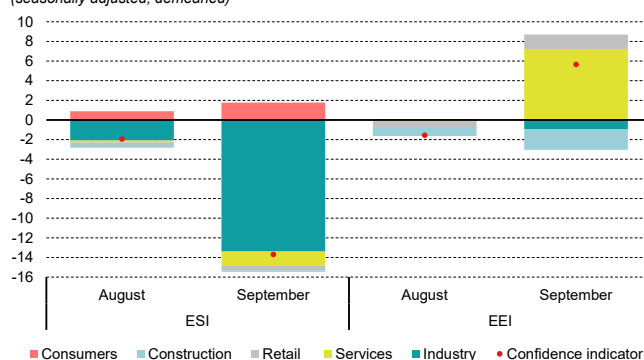
<sup>(1)</sup> Non-seasonally adjusted data.

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

order book levels to be below normal levels. At the same time, firms' production expectations for the months ahead turned negative. Additionally, the net share of respondents assessing their stocks of finished products to be above normal levels increased significantly.<sup>7</sup>

The sentiment indicator for the services sector remained below its long-term average of 19.4.<sup>8</sup> It stood at 12.5, compared with 18.7 a month earlier, reflecting a deterioration in

**Chart 2**  
**ECONOMIC SENTIMENT AND EMPLOYMENT EXPECTATIONS**  
(seasonally adjusted; demeaned)<sup>1</sup>



Sources: European Commission; Central Bank of Malta workings.

<sup>(1)</sup> Demeaned data are based on the standardised equivalent of the balance statistics reported by the European Commission. Each standardised component is weighted and re-aggregated into a demeaned ESI (or EEl). The y-axis on the chart thus indicates how far the ESI and EEl are from their long-term average and how much each sector contributes to this deviation based on its historical variation and weight in the overall EEl or ESI. Negative (positive) readings suggest below (above) average readings.

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

<sup>8</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.



firms' assessment of the business situation over the past three months, which fell into negative territory, and of demand over the past three months, which nevertheless remained positive. By contrast, firms' expectations of demand over the next three months, stood more positive than a month earlier.

The confidence indicator in the retail sector fell further below its long-term average of 0.3.<sup>9</sup> It stood at -12.2, down from -10.1 in the previous month. The deterioration in sentiment largely reflected an increase in the net share of respondents assessing stocks of finished goods to be above normal. On the other hand, retailers' expectations of business activity over the next three months, turned positive. At the same time, their assessment of sales over the past three months stood slightly less negative compared to August.

Consumer confidence stood less negative compared to August. It averaged -4.7, up from -8.3 a month earlier, but remained above its long-term average of -10.2.<sup>10</sup> The less negative sentiment in September reflected an improvement across all sub-components of the indicator.

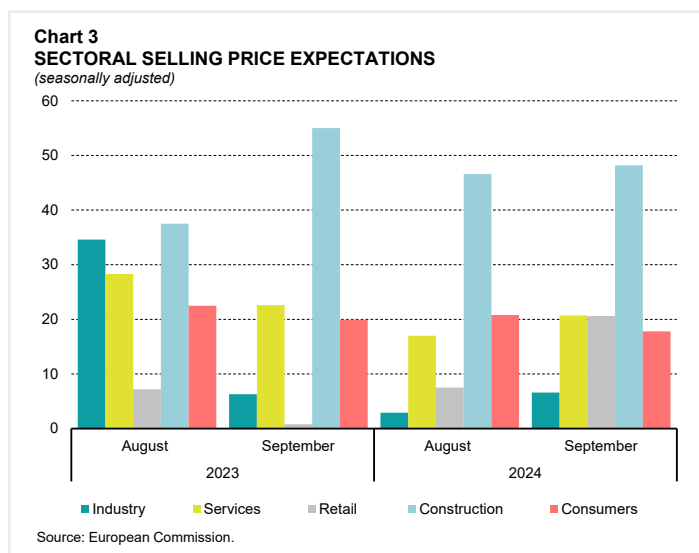
The sentiment indicator for the construction sector increased to -5.7, from -15.2 in August, and stood above its long-term average of -7.9.<sup>11</sup> Contrary to the previous four months, respondents assessed their overall order books to be above normal levels. However, employment expectations for the months ahead became more negative.

Additional survey information shows that, in month-on-month terms, price expectations increased across all sectors, bar among consumers (see Chart 3). The largest increase was recorded in the retail sector.

The net share of respondents signalling price increases ranged from around 7% by industry to around 48% by the construction sector.

Price expectations in September stood above their long-run average across all sectors, except among consumers.

The European Commission's Employment Expectations Indicator (EEI) – which is a composite indicator of employment



<sup>9</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.

<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 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.

expectations in industry, services, retail trade, and construction – increased. It stood at 104.4 in September, up from 98.3 in August.<sup>12</sup>

Demeaned data suggest that the latest increase in employment expectations was largely driven by the services sector, although the retail sector also contributed. These sectors largely explain why the overall EEI stood above 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, signalling higher uncertainty. It stood at 19.7, up from 13.8 in August (see Table 1).<sup>13,14</sup> Higher uncertainty was recorded across all sectors, bar among consumers and in industry. The strongest increase was recorded in the construction sector, and to a lesser extent in the services sector. Respectively, these sectors also show the highest prevalence of uncertainty overall.

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

## 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 2.0% on a year-on-year basis (see Table 2). This increase follows a contraction of 1.5% in July.<sup>15</sup>

In the manufacturing sector, production increased by 1.3% on a year earlier, after it had declined by 1.3% in the previous month. In August, production rose strongly among those in 'other manufacturing' – which includes medical and dental instruments. Significant increases were also recorded among firms involved in the manufacture of motor vehicles, trailers and semi-trailers as well as those that manufacture machinery and equipment. Production also rose at double-digit rates among furniture manufacturers, those firms that manufacture wood and wood products and rubber and plastic products. Smaller, but strong increases were recorded among manufacturers of paper and paper products and electrical equipment.

By contrast, production fell among firms that manufacture wearing apparel, printing and reproduction of recorded media and those that produce computer, electronic and optical products. Other significant decreases were recorded among firms that manufacture chemicals and chemical products, other non-metallic mineral products and those that produce basic pharmaceutical products.

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<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, manufacturing and energy sectors indices are based on working-day adjusted data. Unadjusted data, however, are used for the components.

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

*Annual percentage changes*

	2022	2023	2023			2024		
			June	July	Aug.	June	July	Aug.
Industrial production	1.5	7.2	-0.1	3.2	0.8	6.3	-1.5	2.0
Production in services	14.5	5.0	6.5	3.1	3.7	11.1	13.6	-
Retail trade	9.7	2.2	1.6	1.0	1.5	-0.5	-0.8	-1.0
Number of tourist arrivals	136.2	30.1	20.0	17.5	18.3	19.2	18.5	15.5
Number of nights stayed	98.0	21.9	22.4	10.0	13.0	18.2	9.8	9.9
Rented accommodation	111.3	24.0	22.9	11.2	13.7	15.9	16.2	13.9
Collective <sup>(1)</sup>	109.9	22.3	8.5	6.3	15.0	13.0	9.8	7.1
Other rented <sup>(2)</sup>	113.8	26.7	49.6	17.9	11.9	19.7	24.1	23.5
Non-rented accommodation <sup>(3)</sup>	50.8	11.6	19.1	4.3	9.6	34.7	-24.4	-9.6
Tourist expenditure	131.1	32.7	32.1	20.8	22.4	16.5	20.7	22.1
Package expenditure	129.8	46.5	39.4	35.9	29.1	23.7	15.5	23.0
Non-package expenditure	145.9	35.0	39.2	22.6	28.0	7.3	19.2	19.5
Other	118.3	23.2	20.7	10.5	12.6	23.5	26.2	24.8

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).

Meanwhile, production in the energy sector rose by an annual 5.9% in August. This marks the first increase in production in this sector following consecutive year-on-year declines recorded since November 2023.

The volume of retail trade – which is a short-term indicator of final domestic demand – contracted by 1.0% in year-on-year terms, following a 0.8% contraction in July.

In July, the index of services production – which is a business indicator that measures the production volume of the services industries (excluding financial and public services) – rose by 13.6% on an annual basis. Growth accelerated when compared with an 11.1% increase recorded in June.

Services production increased strongly in the sector comprising administrative and support services, driven by rental and leasing activities. Meanwhile, smaller annual increases were recorded in the production of services related to information and communication, real estate and services related to professional, scientific and technical activities. By contrast, production of services related to transportation and storage as well as production for accommodation and food service activities contracted.

In August, the number of inbound tourists amounted to 429,111, an increase of 15.5% on a year earlier. Guest nights rose by 9.9% on the previous year, due to an increase in nights stayed in rented accommodation, as nights stayed in non-rented accommodation declined further. Total expenditure by tourists in Malta increased by 22.1% over the same period a year earlier, with the increase being



broad-based across all expenditure categories. Expenditure per capita increased, notwithstanding a shorter length of stay, reflecting an 11.2% increase in expenditure per night.

In August, 127 development permits for commercial buildings were issued, 19 less than the number of permits issued in the same month of 2023 (see Table 3). Meanwhile, 799 new residential building permits were issued, 83 more than the number issued in August 2023. In month-on-month terms, permits for commercial buildings declined while those for residential buildings increased.

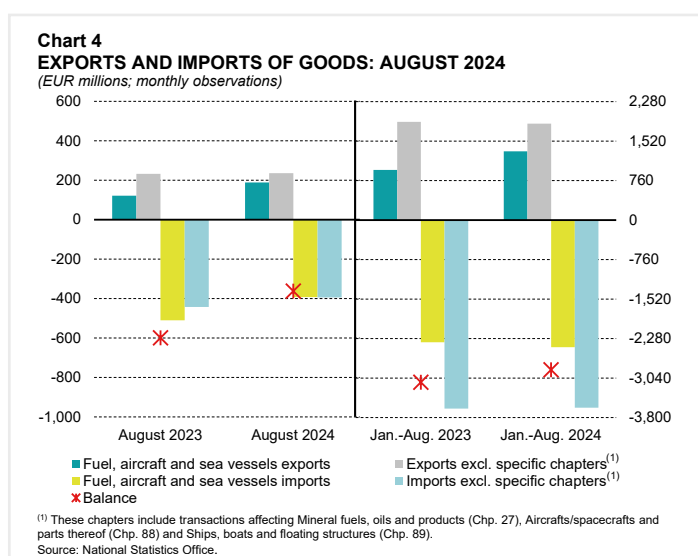
In September, 1,007 final deeds of sale were concluded, 171 more than a year earlier, and 49 more compared with August. At 1,046, the number of promise-of-sale agreements was 22 more than a year earlier, and 46 more compared with August.

Customs data show that the merchandise trade deficit narrowed to €362.2 million in August, from €598.9 million a year earlier. This was due to a €165.8 million decrease in imports and a €70.9 million increase in exports.

When excluding specific chapters representing transactions in fuels, sea vessels, as well as aircrafts and parts thereof, the trade deficit narrowed by €51.7 million to €158.6 million (see Chart 4).

Imports excluding specific chapters decreased mainly due to lower imports of machinery and mechanical appliances and electrical machinery. These offset higher imports of organic chemicals and articles of iron and steel.

Exports excluding specific chapters increased due to higher exports of pharmaceutical products and articles of iron and steel. These offset lower exports of electrical machinery, and organic chemicals.



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

Levels

	2022	2023	2023			2024		
			July	Aug.	Sep.	July	Aug.	Sep.
<b>Permits</b>								
Commercial permits	2,984	2,532	195	146	254	249	127	-
Residential permits	9,599	8,112	676	716	435	471	799	-
<b>Residential transactions</b>								
Promise of sale	12,164	13,190	1,084	968	1,024	1,063	1,000	1,046
Final deeds of sale	14,331	12,180	1,043	991	836	1,039	958	1,007

Sources: National Statistics Office; Planning Authority.

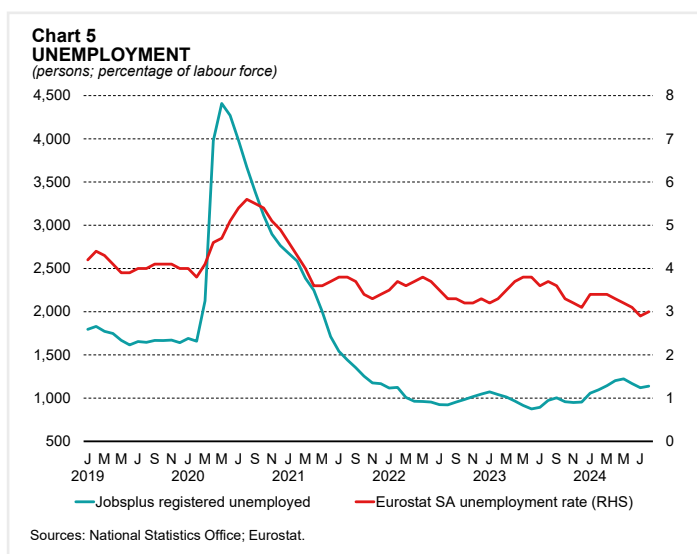
## Labour market

Jobsplus data show that the level of engagements in the labour market stood at 14,903 in July, up from 10,249 in June, but down from 15,517 recorded a year earlier (see Table 4). Moreover, the level of terminations stood at 8,014 in July, up from 7,934 in June, but down from 8,262 recorded a year earlier. This level of activity is above the average level of recent years in the case of engagements but below in the case of terminations.<sup>16</sup>

Overall, the level of net engagements in July stood at 6,889, up from 2,315 in June, but down from 7,255 recorded a year earlier (see Table 4).

Jobsplus data show that the number of persons on the unemployment register stood at 1,138 in August, up from 1,121 in July, and from 974 a year earlier (see Chart 5).

The seasonally-adjusted unemployment rate increased to 3.0% in August from 2.9% in July, but stood lower than 3.7% in August 2023 (see Chart 5).



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

*Levels*

	2021	2022	2023	2023			2024		
				May	June	July	May	June	July
Engagements	114,123	132,475	133,296	9,986	11,430	15,517	9,753	10,249	14,903
Terminations	93,986	104,080	103,433	8,032	8,587	8,262	8,283	7,934	8,014
<b>Net engagements</b>	<b>20,137</b>	<b>28,395</b>	<b>29,863</b>	<b>1,954</b>	<b>2,843</b>	<b>7,255</b>	<b>1,470</b>	<b>2,315</b>	<b>6,889</b>

Source: Jobsplus.

Data are provisional and thus subject to change.

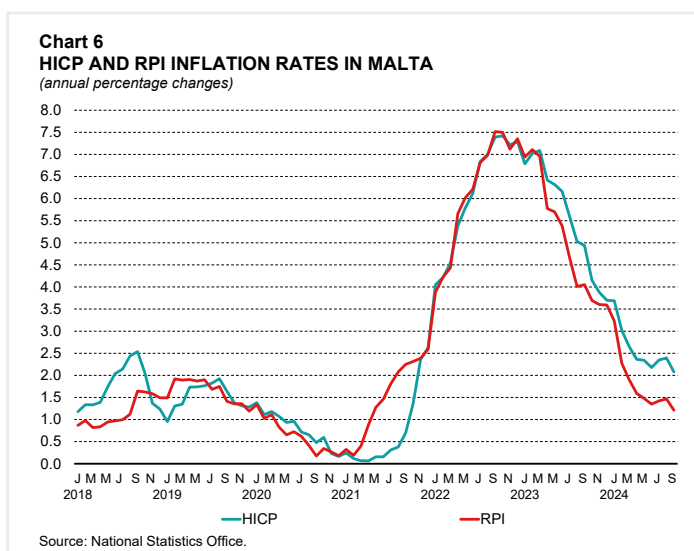
## Prices, costs and competitiveness

Annual HICP inflation stood at 2.1% in September, down from 2.4% in the previous month (see Chart 6). This was mainly due to a slowdown in services inflation, which stood at 2.7%, from 3.2% in August. In turn, this reflects lower inflation in transport services, services related to recreation as well as housing services. At the same time, NEIG inflation eased to 0.2%, from 0.4% in the previous month. This followed a deceleration in inflation of non-durables and a drop in the prices

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

of durable and semi-durable goods.

On the other hand, food inflation (including alcohol and tobacco) edged up to 3.2%, from 3.1% in August, on the back of higher unprocessed food inflation. Indeed, the latter increased to 4.5%, from 3.9% a month earlier following higher prices of fish and fruit. On the other hand, processed food inflation eased to 2.7%, from 2.8% in August. Energy inflation remained unchanged due to ongoing government measures.



Overall HICP inflation in Malta stood 0.4 percentage points above that in the euro area, with the latter standing at 1.7%. On the other hand, HICP inflation excluding food and energy stood at 1.9% in Malta, well below the 2.7% observed in the euro area.

Annual inflation according to the RPI eased to 1.2% in September, from 1.5% in August (see Chart 6).<sup>17</sup> This mainly reflected a dip in transport and communication inflation, which turned negative and stood at -0.5%, mainly due to lower transport inflation. Similarly, inflation on furnishings and household equipment also turned negative and stood at -0.8%, following lower prices of household appliances, while clothing and footwear inflation turned to -0.4%. At the same time, personal care and health inflation edged down marginally to 3.4%. Meanwhile, food inflation, which remains the strongest contributor to RPI inflation, remained unchanged at 2.1%. Housing inflation and energy inflation also remained unchanged.

Producer output inflation, as measured by the industrial producer price index, declined to -1.3% in August, from -0.6% in July.<sup>18</sup> This reflects slower growth across most sub-components. The annual rate of change in producer prices of capital goods stood at 3.5% in August, down from the previous month's 3.8% increase. At the same time, producer prices of intermediate goods contracted by 6.2%, following a drop of 4.2% in the previous month. Meanwhile, producer prices of consumer goods remained unchanged at 0.8%. Energy producer price inflation remained stable at zero, and thus had no impact on overall producer prices.

## Public finance

In August 2024, the Consolidated Fund recorded a surplus of €38.3 million, €173.9 million less than the large surplus registered a year earlier (see Table 5). This was due to a surge in government

<sup>17</sup> The RPI and the HICP both measure changes in consumer prices but through different methodologies. The HICP index weights are based on total expenditure in Malta, including that by tourists. In contrast, RPI weights only take into account expenditure by Maltese households. Moreover, the 2024 set of weights applied to the HICP index have been revised compared with the 2023 weights. The weights of the RPI are not updated annually and are hence not affected by such changes.

<sup>18</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

	2023 Jan.-Aug.	2024 Jan.-Aug.	2023 Aug.	2024 Aug.	Change Amount	%
<b>Revenue</b>	<b>3,899.4</b>	<b>4,567.5</b>	<b>691.5</b>	<b>720.7</b>	<b>29.3</b>	<b>4.2</b>
<b>Direct tax</b>	<b>2,223.9</b>	<b>2,644.8</b>	<b>407.1</b>	<b>404.1</b>	<b>-3.0</b>	<b>-0.7</b>
Income tax	1,627.7	1,973.7	311.6	301.6	-10.0	-3.2
Social security contributions <sup>(1)</sup>	596.1	671.1	95.6	102.5	6.9	7.2
<b>Indirect tax</b>	<b>1,298.8</b>	<b>1,506.2</b>	<b>236.8</b>	<b>279.8</b>	<b>42.9</b>	<b>18.1</b>
Value Added Tax	843.9	1,018.2	179.8	190.5	10.6	5.9
Customs and excise duties	194.1	208.7	25.0	56.7	31.7	126.8
Licences, taxes and fines	260.8	279.2	32.0	32.6	0.6	1.9
<b>Non-tax<sup>(2)</sup></b>	<b>376.8</b>	<b>416.6</b>	<b>47.5</b>	<b>36.8</b>	<b>-10.6</b>	<b>-22.4</b>
<b>Expenditure</b>	<b>3,989.6</b>	<b>4,468.9</b>	<b>479.2</b>	<b>682.4</b>	<b>203.2</b>	<b>42.4</b>
<b>Recurrent</b>	<b>3,563.8</b>	<b>4,052.2</b>	<b>424.9</b>	<b>610.2</b>	<b>185.3</b>	<b>43.6</b>
Personal emoluments	727.3	811.0	91.9	115.6	23.7	25.8
Operational and maintenance	199.5	223.7	27.2	37.0	9.7	35.7
Programmes and initiatives	2,016.9	2,276.0	254.6	321.4	66.8	26.2
Contributions to entities	487.0	568.3	37.3	110.8	73.5	197.1
Interest payments	133.2	173.2	13.9	25.5	11.6	83.0
<b>Capital</b>	<b>425.8</b>	<b>416.7</b>	<b>54.3</b>	<b>72.2</b>	<b>17.9</b>	<b>33.0</b>
<b>Primary balance<sup>(3)</sup></b>	<b>43.0</b>	<b>271.8</b>	<b>226.1</b>	<b>63.8</b>	<b>-162.4</b>	<b>-</b>
<b>Consolidated Fund balance</b>	<b>-90.2</b>	<b>98.6</b>	<b>212.2</b>	<b>38.3</b>	<b>-173.9</b>	<b>-</b>

Source: National Statistics Office.

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

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

<sup>(3)</sup> Revenue less expenditure excluding interest payments.

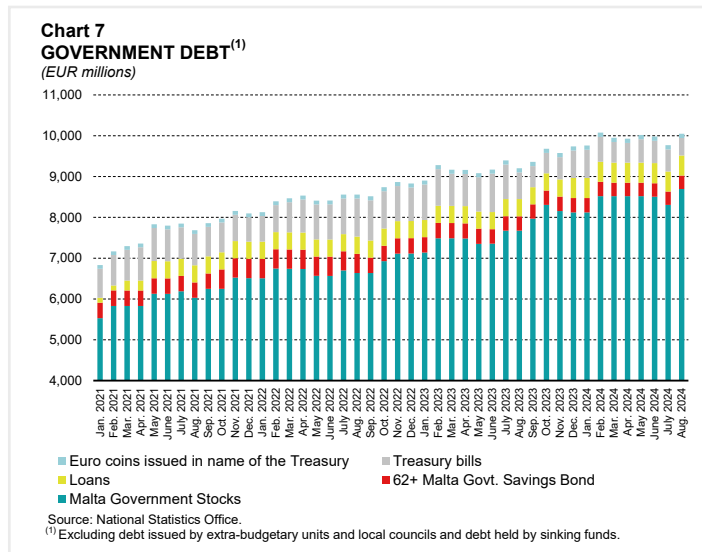
expenditure which outweighed a rise in government revenue. The primary balance recorded a surplus of €63.8 million, €162.4 million lower from the primary surplus registered in August 2023.

Government revenue increased by €29.3 million, or 4.2%, due to a €42.9 million rise in indirect tax revenue stemming from higher inflows from customs and excise duties, and VAT receipts. Non-tax revenue declined by €10.6 million primarily due to a fall in sales receipts. Furthermore, inflows from direct taxes fell by €3.0 million, mainly due to lower income tax receipts from companies. This was partly offset by a rise in revenue from social security contributions.

Government expenditure increased by €203.2 million, or 42.4%, due to a rise in both recurrent and capital expenditure. Recurrent spending increased by €185.3 million mainly due to the timing of contributions to entities, which rose by €73.5 million, and higher outlays on programmes and initiatives, which increased by €66.8 million. The latter mainly reflected payments to settle outstanding dues related to the restructuring of Air Malta in previous years. It also reflected the timing of payments to church schools. Outlays on personal emoluments rose by €23.7 million due to a rise in spending on allowances. Furthermore, spending on interest payments and operations and maintenance increased by €11.6 million and €9.7 million, respectively. Capital expenditure rose by €17.9 million, due to higher outlays on various domestically-financed projects.

Overall, the Consolidated Fund balance between January and August registered a surplus of €98.6 million, compared with a deficit of €90.2 million in the same period a year earlier. Revenue rose by 17.1% driven by higher tax revenue, particularly income tax receipts. Meanwhile, expenditure increased by 12.0%, mainly due to higher outlays on programmes and initiatives.

In August 2024, the total stock of outstanding government debt amounted to €10,050.4 million, €280.7 million more than the level in July 2024 (see Chart 7). This reflects an increase in the level of outstanding Malta Government Stocks, which was partly offset by a decline in outstanding Treasury Bills.

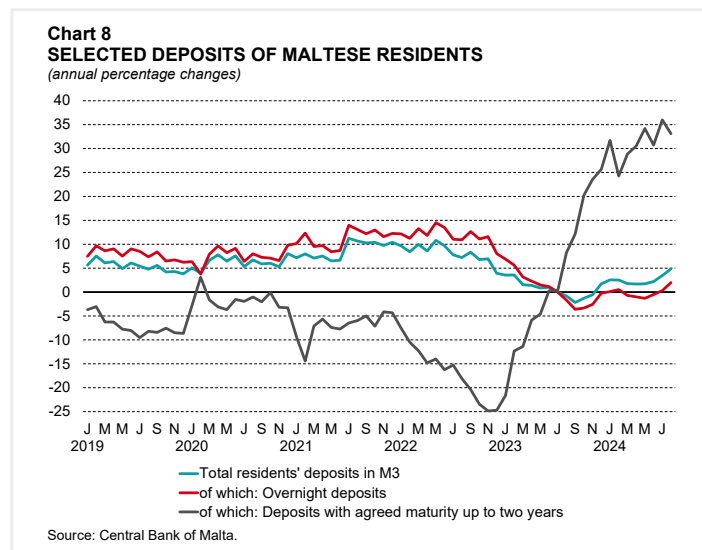


## Deposits, credit and financial markets

During the year to August, residents' deposits held with monetary financial institutions (MFI) and forming part of broad money (M3) increased by 4.8% (see Chart 8). This follows a 3.4% increase in July. The latest increase was driven by balances belonging to households, financial and non-financial corporations. By contrast, M3 deposits belonging to insurance companies decreased.

Overnight deposits remained the largest component of residents' M3 deposits, comprising 87.2% of M3 balances. These deposits – which are the most liquid – increased by 2.0% in the year to August, following an increase of 0.3% in the previous month. Weak dynamics in this component, compared to historical data, partly reflects a shift in behaviour in response to the tightening of monetary policy in 2022-2023, which encouraged a shift to deposits offering higher remuneration.

In fact, time deposits with agreed maturity of up to two years – the second largest deposit category – continued to show very strong growth. Over the year to August, these deposits increased by





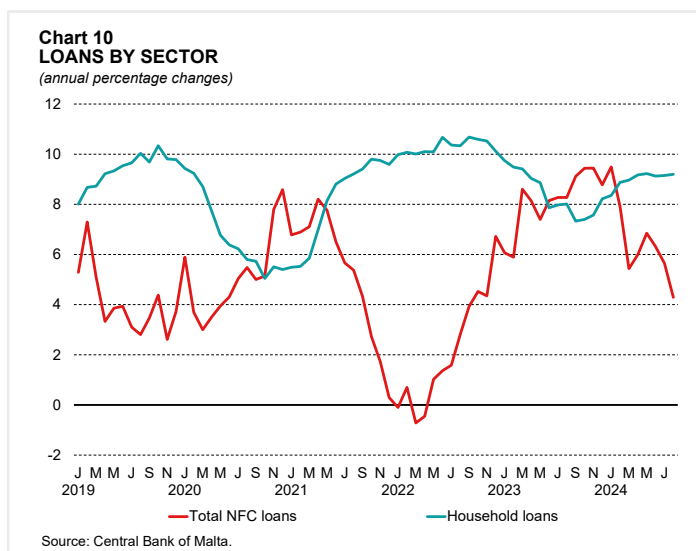
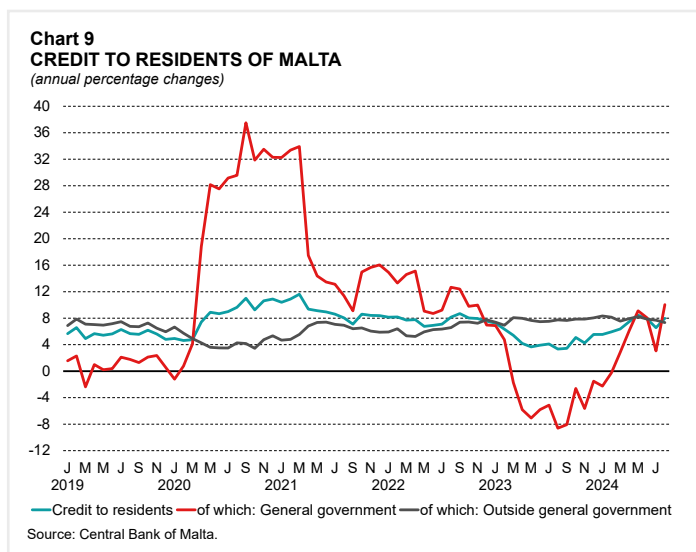
33.1%, following an increase of 36.0% recorded a month earlier. It reflects buoyant growth in balances belonging to non-financial corporations, although balances belonging to households also registered considerable growth.

Credit to Maltese residents grew by 8.0% in the year to August, growing at a higher rate than the 6.6% recorded in July (see Chart 9). This reflected a higher growth rate in credit to general government, which rose by an annual 10.1%, compared to 3.1% registered in July. Growth in credit to other residents moderated to 7.3% compared to 7.7% registered a month earlier.

The annual rate of change in loans to households remained unchanged from the previous month, at 9.2% (see Chart 10). Growth in mortgage lending stood at 9.0%, marginally higher than the growth recorded in the previous month. By contrast, growth in consumer credit and other lending moderated to 11.3%, from 11.9% recorded a month earlier.

Meanwhile, the annual rate of change in loans to NFCs slowed down to 4.3% in August, following an increase of 5.6% in July. A sectoral breakdown of loans to NFCs indicates that this moderation in the year to August compared with July, reflects lower lending to the real estate sector and the sector comprising of information, communication, transport and storage. Furthermore, the construction, accommodation and food, energy and manufacturing sectors also registered lower growth in credit compared to July. On the other hand, larger growth in credit was recorded for the trade and repairs sector.

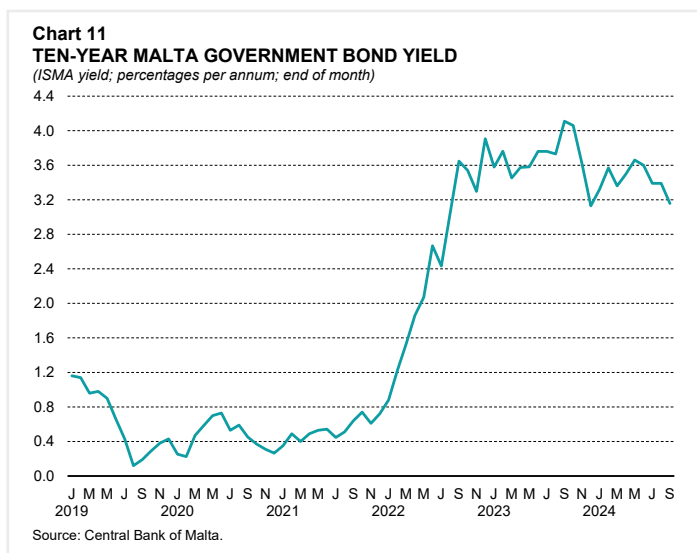
In August, the composite interest rate paid by MFIs on Maltese residents' outstanding deposits increased by one basis point to stand at 0.39%, while the composite rate charged on outstanding loans, decreased by 3 basis points to 3.42%. As a result, the spread between the two rates narrowed by 4 basis points to 303 basis points.



The composite rate paid by MFIs on Maltese residents' new deposits stood at 2.52% in August, below the 2.63% recorded in July. However, it exceeded the rate of 2.09% recorded in August 2023. Meanwhile, the composite rate charged on new loans decreased by 7 basis points, compared to a month earlier, standing at 2.95%. This was also 29 basis points lower than the rate recorded a year earlier. The spread between the two rates stood at 43 basis points, wider than the 39 basis points recorded in July but significantly below 115 basis points recorded a year earlier.

In the capital market, the secondary market yield on ten-year Maltese government bonds fell to 3.16% at the end of September, from 3.39% at end-August. It also stood 95 basis points below its year-ago level (see Chart 11).

Meanwhile, the Malta Stock Exchange (MSE) Equity Price Index decreased by 1.2%, compared with end-August. Similarly, the MSE Total Return Index, which accounts for dividends as well as changes in equity prices, also fell by 1.2%.



## Annex 1

MACROECONOMIC INDICATORS FOR MALTA																							
Annual percentage changes; non-seasonally adjusted data																							
	2021	2022	2023	2022	2023	2023	2023	2023	2024	2024	2023	2023	2023	2023	2024	2024	2024	2024	2024	2024	2024	2024	2024
				Q4	Q1	Q2	Q3	Q4	Q1	Q2	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.
<b>Prices and costs</b>																							
HICP inflation	0.7	6.1	5.6	7.3	7.0	6.3	5.2	3.9	3.1	2.3	4.9	4.2	3.9	3.7	3.7	3.0	2.7	2.4	2.3	2.2	2.3	2.4	2.1
RPI inflation	1.5	6.2	5.1	7.3	7.0	5.6	4.2	3.6	2.5	1.5	4.1	3.7	3.6	3.6	3.2	2.3	1.9	1.6	1.5	1.3	1.4	1.5	1.2
Industrial producer price inflation	3.2	4.9	3.4	5.0	4.4	4.4	3.6	1.4	0.6	0.2	2.9	2.3	1.1	0.9	1.2	0.5	0.0	0.9	0.3	-0.4	-0.6	-1.3	-
HCI (nominal)	0.3	-1.4	3.3	-0.1	1.4	3.4	5.0	3.3	2.1	1.2	4.5	3.9	3.6	2.5	2.4	1.9	2.0	1.2	1.6	1.0	0.6	0.6	0.9
HCI (real)	-1.9	-3.6	3.1	-2.1	0.5	3.6	4.9	3.5	1.5	0.0	4.6	4.1	3.9	2.4	2.3	1.3	1.0	0.1	0.3	-0.3	-0.6	-0.1	-0.2
Unit labour costs, whole economy <sup>(1)</sup>	-4.9	4.7	0.7	4.7	4.3	3.9	2.8	0.7	0.6	1.4	-	-	-	-	-	-	-	-	-	-	-	-	-
Compensation per employee <sup>(1)</sup>	5.0	4.0	2.0	4.0	3.9	3.3	3.4	2.0	2.5	3.1	-	-	-	-	-	-	-	-	-	-	-	-	-
Labour productivity (per person) <sup>(1)</sup>	10.4	-0.8	1.4	-0.8	-0.4	-0.6	0.7	1.4	1.9	1.7	-	-	-	-	-	-	-	-	-	-	-	-	-
Property Price Index (Eurostat)	5.1	6.7	6.3	5.9	7.3	5.3	5.7	6.7	6.7	7.0	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Economic activity</b>																							
Nominal GDP	16.2	9.4	13.2	10.4	13.5	12.7	14.8	11.8	11.8	7.6	-	-	-	-	-	-	-	-	-	-	-	-	-
Real GDP	13.5	4.1	7.5	4.5	7.4	6.9	8.9	6.7	7.6	4.4	-	-	-	-	-	-	-	-	-	-	-	-	-
Real private consumption	5.0	4.5	4.9	3.7	5.1	4.8	4.8	5.0	2.9	1.8	-	-	-	-	-	-	-	-	-	-	-	-	-
Real government consumption	1.2	0.1	0.5	-0.1	0.2	-0.2	0.8	1.3	0.4	-0.3	-	-	-	-	-	-	-	-	-	-	-	-	-
Real gross fixed capital formation	4.3	2.2	-4.4	2.7	-2.3	-3.7	-5.3	-6.1	1.4	0.4	-	-	-	-	-	-	-	-	-	-	-	-	-
Real exports of goods and services	-0.5	16.2	6.0	10.3	9.5	5.9	3.1	5.7	10.5	6.4	-	-	-	-	-	-	-	-	-	-	-	-	-
Real imports of goods and services	3.7	-18.8	0.5	-12.1	-5.1	0.0	5.6	0.8	-7.6	-4.1	-1.1	-	-	-	-	-	-	-	-	-	-	-	-
<b>Labour market developments</b>																							
LFS unemployment rate (% of labour force)	3.7	3.5	3.3	3.2	3.4	3.8	3.1	2.8	2.9	3.2	3.6	3.3	3.1	3.0	3.3	3.3	3.4	3.3	3.3	3.1	3.0	3.0	-
LFS employment	3.1	6.6	5.4	8.4	6.8	6.7	4.9	3.4	4.6	6.2	-	-	-	-	-	-	-	-	-	-	-	-	-
Jobsplus registered employed	2.6	6.1	8.0	8.0	8.6	8.1	7.6	7.8	6.8	-	8.0	8.0	7.7	7.6	7.3	6.8	6.2	6.3	5.8	-	-	-	-
<b>Balance of payments</b>																							
Current account (as a % of GDP) <sup>(2)</sup>	5.5	-3.8	0.9	-3.8	-3.6	-1.4	0.5	0.9	1.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Credit and financial indicators</b>																							
<b>Maltese residents' deposits and loans</b>																							
Overnight deposits	12.3	8.0	-0.2	8.0	3.2	1.1	-3.6	-0.2	-0.7	-0.5	-3.6	-3.3	-2.6	-0.2	0.1	0.5	-0.7	-1.0	-1.3	-0.5	0.3	2.0	-
Deposits with agreed maturity up to two years	-4.3	-24.7	25.7	-24.7	-11.4	0.3	12.1	25.7	28.9	30.7	12.1	20.3	23.6	25.7	31.7	24.3	28.9	30.5	34.2	30.7	36.0	33.1	-
Total residents' deposits in M3	10.4	3.9	1.7	3.9	1.5	1.0	-2.2	1.7	1.8	2.2	-2.2	-1.3	-0.6	1.7	2.5	2.5	1.8	1.7	1.7	2.2	3.4	4.8	-
Credit to general government	16.1	7.0	-1.5	7.0	-1.7	-5.8	-8.1	-1.5	2.9	8.0	-8.1	-2.6	-5.6	-1.5	-2.3	-0.3	2.9	6.1	9.1	8.0	3.1	10.1	-
Credit to residents (excl. general government)	5.9	7.8	8.0	7.8	8.1	7.5	7.7	8.0	7.6	7.9	7.7	7.9	7.9	8.0	8.3	8.2	7.6	7.9	8.2	7.9	7.7	7.3	-
Total credit	8.4	7.5	5.5	7.5	5.4	3.9	3.4	5.5	6.4	7.9	3.4	5.1	4.3	5.5	5.6	5.9	6.4	7.5	8.4	7.9	6.6	8.0	-
Ten-year interest rate (%) <sup>(3)</sup>	0.7	3.9	3.1	3.9	3.5	3.8	4.1	3.1	3.4	3.6	4.1	4.1	3.6	3.1	3.3	3.6	3.4	3.5	3.7	3.6	3.4	3.4	3.2
Stock prices: Malta Stock Exchange Equity Price Index <sup>(4)</sup>	-4.5	-9.9	11.4	-2.2	-0.4	5.9	-1.5	7.3	-4.4	-1.5	-1.3	-2.0	2.8	6.5	-4.8	1.2	-0.8	-0.5	-1.4	0.5	1.0	1.8	-1.2
<b>General government finances (% of GDP)</b>																							
Surplus (+) / deficit (-) <sup>(2)</sup>	-7.0	-5.2	-4.5	-5.2	-4.5	-4.0	-3.4	-4.5	-3.8	-3.4	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross debt <sup>(5)</sup>	49.6	49.4	47.4	49.4	49.3	47.3	46.9	47.4	47.2	46.7	-	-	-	-	-	-	-	-	-	-	-	-	-

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.