



BANK ĊENTRALI TA' MALTA  
EUROSISTEMA  
CENTRAL BANK OF MALTA



# CENTRAL BANK OF MALTA ECONOMIC UPDATE

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11/2023

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*The cut-off date for information in this note is 10 November 2023. However, the cut-off date for the HICP and the RPI is 17 and 22 November 2023, respectively. Figures in tables may not add up due to rounding.*

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## ECONOMIC UPDATE 11/2023

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

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

*The European Commission confidence surveys show that sentiment in Malta decreased sharply in October from its all-time peak reached in September. However, it remained above its long-term average, estimated since November 2002. In month-on-month terms, sentiment deteriorated across all sectors, bar the services sector. The strongest decrease was recorded in industry.*

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

*In October, the European Commission's Economic Uncertainty Indicator (EUI) for Malta edged down when compared with September, indicating marginally lower uncertainty. Uncertainty decreased mostly in the retail sector.*

*In September, industrial production rose marginally while retail trade fell slightly, compared with a year earlier. The unemployment rate increased slightly to 2.8% in September when compared to the previous month, but stood below the rate recorded a year earlier.*

*Commercial building permits in September were higher than a month earlier and were also higher when compared with a year earlier. On the other hand, residential building permits fell compared with both month-ago and year-ago levels. In October, the number of residential 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 4.2% in October, down from 4.9% in the previous month. Inflation based on the Retail Price Index (RPI) eased to 3.7%, from 4.1% in September.*

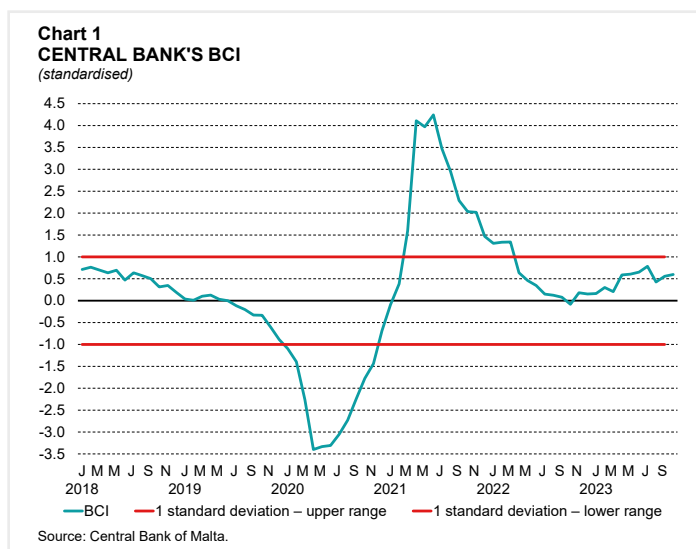
*The level of Maltese residents' deposits decreased from their year ago level. This decline reflects lower balances belonging to financial intermediaries and, to a lesser extent, those belonging to firms, while household deposits increased. Meanwhile, annual growth in credit to Maltese residents edged up slightly compared with a month earlier.*

*In September, the Consolidated Fund recorded a surplus, compared with a substantial deficit a year earlier, reflecting a surge in government revenue and a decline in government expenditure.*

<sup>1</sup> The cut-off date for information in this note is 10 November 2023. However, the cut-off date for the HICP and the RPI is 17 and 22 November 2023, respectively. Most of the data reported in this issue of the *Economic Update* refer to September 2023. However, European Commission survey data, inflation data, the BCI, residential transactions and liquidity support measures refer to October.

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

The Bank's BCI indicates that in October, annual growth in business activity increased marginally, and remained slightly above its long-term average, estimated since January 2000 (see Chart 1). The ESI and tax revenues experienced strong year-on-year growth, and contributed to the above-average BCI level. Furthermore, the unemployment rate remained at low levels, indicating positive business conditions. On the other hand, issuance of development permits for residential buildings stood below their year-ago levels. Furthermore, growth in tourist arrivals and gross domestic product (GDP) stood below their long-run average, thus bringing the BCI closer to its historical average.



## Business and consumer confidence indicators

In October, the European Commission's Economic Sentiment Indicator (ESI) for Malta decreased to 102.9, from its all-time high of 119.6 in September. It however remained 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 deteriorated across all sectors, bar the services sector. The strongest decline 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 indicators for industry and services explain why the ESI stood above its long-term average in October (see Chart 2).

In October, sentiment in industry decreased to 0.3, after surging to 44.4 in the previous month. It remained above its long-term average of -3.9.<sup>6</sup> In contrast to the previous month, firms now

<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						
			Oct.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.
<b>ESI</b>	<b>104.8</b>	<b>100.9</b>	<b>89.3</b>	<b>97.8</b>	<b>102.1</b>	<b>105.2</b>	<b>111.5</b>	<b>114.1</b>	<b>103.2</b>	<b>100.2</b>	<b>107.8</b>	<b>102.7</b>	<b>119.6</b>	<b>102.9</b>
<b>Industrial confidence indicator</b>	<b>2.1</b>	<b>-9.4</b>	<b>-20.9</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>	<b>0.3</b>
Assessment of order-book levels	-28.2	-21.5	-5.4	-10.1	-4.3	-7.2	-50.3	-49.0	-39.6	-36.8	-15.9	-1.8	40.5	1.1
Assessment of stocks of finished products	-3.2	9.1	51.9	2.2	2.6	19.2	3.6	-3.6	4.6	6.0	1.7	3.2	-43.5	3.1
Production expectations for the months ahead	31.3	2.2	-5.4	-58.1	-18.8	16.8	74.1	70.9	9.9	-17.3	49.4	32.3	49.1	2.9
<b>Retail trade confidence indicator</b>	<b>-8.4</b>	<b>6.0</b>	<b>15.2</b>	<b>27.4</b>	<b>25.5</b>	<b>-0.4</b>	<b>23.8</b>	<b>36.2</b>	<b>-9.0</b>	<b>-16.5</b>	<b>23.5</b>	<b>18.3</b>	<b>9.6</b>	<b>0.1</b>
Business activity, past 3 months	-13.6	21.1	37.8	57.7	41.8	21.8	47.2	55.2	-0.1	-4.2	40.4	34.3	21.3	11.5
Stocks of finished goods	12.8	-3.2	-0.4	3.1	15.9	22.9	1.9	1.1	19.6	24.9	10.8	16.2	11.5	18.9
Business activity, next 3 months	1.2	-6.2	7.5	27.5	50.6	-0.2	26.2	54.5	-7.2	-20.4	40.8	36.6	19.0	7.6
<b>Construction confidence indicator</b>	<b>7.3</b>	<b>7.0</b>	<b>-0.3</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>	<b>-11.9</b>
Evolution of your current overall order books	1.4	8.7	13.5	-6.6	2.4	6.3	-15.9	3.6	-0.3	16.1	-29.9	-20.5	-3.4	-9.7
Employment expectations over the next 3 months	13.2	5.4	-14.1	-2.0	3.4	28.8	15.5	45.7	45.2	0.7	6.4	-7.7	-2.1	-14.1
<b>Consumer confidence indicator</b>	<b>3.4</b>	<b>-7.3</b>	<b>-17.9</b>	<b>-11.8</b>	<b>-10.3</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>	<b>-16.2</b>
Financial situation past 12 months	-8.9	-19.7	-28.3	-22.7	-19.1	-16.2	-22.9	-21.4	-19.3	-21.4	-18.7	-21.8	-23.1	-19.9
Financial situation next 12 months	7.3	-11.8	-19.1	-13.4	-11.3	-8.8	-12.0	-8.6	-7.4	-8.4	-10.6	-16.0	-10.1	-13.2
Economic situation next 12 months	18.6	-3.5	-16.0	-9.2	-10.0	-4.2	-11.0	-4.7	-11.5	-12.6	-18.3	-14.8	-6.5	-21.7
Major purchases next 12 months	-3.4	5.6	-8.4	-1.8	-0.6	1.9	2.4	6.8	-1.4	0.7	0.3	1.4	0.1	-9.8
<b>Services confidence indicator</b>	<b>13.8</b>	<b>20.6</b>	<b>6.9</b>	<b>25.3</b>	<b>22.9</b>	<b>32.8</b>	<b>44.0</b>	<b>41.9</b>	<b>35.1</b>	<b>36.9</b>	<b>24.1</b>	<b>6.5</b>	<b>15.9</b>	<b>25.8</b>
Business situation development over the past 3 months	4.9	15.7	4.6	16.7	25.1	38.4	47.3	35.6	31.1	35.7	20.1	-5.2	12.9	11.2
Evolution of the demand over the past 3 months	10.9	26.2	7.5	17.6	17.9	37.4	30.2	37.4	39.5	32.4	19.0	8.9	24.6	35.9
Expectation of the demand over the next 3 months	25.5	19.8	8.7	41.4	25.8	22.8	54.4	52.7	34.5	42.7	33.3	15.7	10.2	30.4
<b>E EI</b>	<b>103.5</b>	<b>106.4</b>	<b>115.4</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>	<b>99.3</b>
Industry	14.8	12.0	0.4	-37.4	8.2	13.6	60.2	57.1	-2.7	7.8	53.6	4.8	-1.2	16.6
Retail	4.4	15.8	61.8	26.7	16.1	10.6	38.9	20.8	5.0	4.4	22.3	30.9	8.6	13.9
Services	25.1	30.2	41.9	56.8	46.5	41.1	46.1	49.5	38.3	36.8	6.3	17.6	12.4	13.0
Construction	13.2	5.4	-14.1	-2.0	3.4	28.8	15.5	45.7	45.2	0.7	6.4	-7.7	-2.1	-14.1
<b>EUI<sup>(1,2)</sup></b>	<b>21.3</b>	<b>28.1</b>	<b>38.3</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>	<b>26.9</b>
Industry	21.0	39.4	51.1	32.0	10.9	-14.8	-10.8	35.8	-13.6	6.3	-21.7	7.1	32.6	28.7
Retail	48.8	50.8	54.4	40.4	18.7	14.2	9.0	7.3	27.9	22.0	-9.8	-8.5	4.1	-18.9
Services	32.2	20.3	39.3	17.2	16.4	16.4	17.2	-1.7	-6.8	10.1	20.4	9.4	35.8	37.7
Consumers	-3.5	13.7	12.2	13.5	13.9	12.2	11.9	19.8	12.3	19.2	16.3	17.8	11.6	15.9
Construction	30.1	19.5	19.1	35.2	19.7	14.5	36.6	25.2	9.0	10.1	29.5	28.4	32.5	37.5
<b>ESI demeaned</b>	<b>4.8</b>	<b>0.9</b>	<b>-10.7</b>	<b>-2.2</b>	<b>2.1</b>	<b>5.2</b>	<b>11.5</b>	<b>14.1</b>	<b>3.2</b>	<b>0.2</b>	<b>7.8</b>	<b>2.7</b>	<b>19.6</b>	<b>2.9</b>
<b>E EI demeaned</b>	<b>3.4</b>	<b>6.2</b>	<b>14.8</b>	<b>9.0</b>	<b>11.2</b>	<b>10.8</b>	<b>23.8</b>	<b>23.3</b>	<b>7.2</b>	<b>5.7</b>	<b>5.5</b>	<b>2.3</b>	<b>-3.8</b>	<b>-0.6</b>

Source: European Commission.

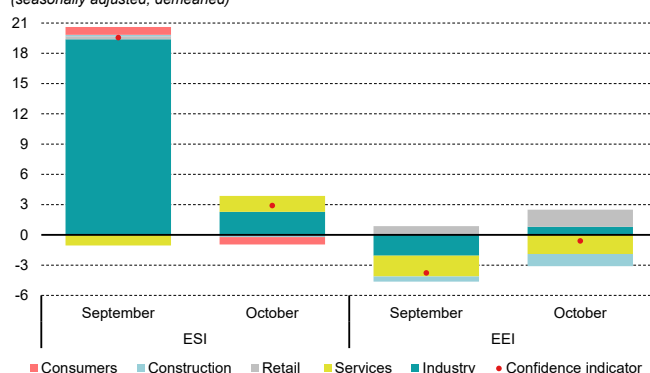
<sup>(1)</sup> Non-seasonally adjusted data.

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

assessed their stocks of finished products to be above normal levels.<sup>7</sup> At the same time, production expectations for the months ahead as well as orders weakened, although both remained positive on balance.

Confidence in the retail sector fell to reach its long-term average of 0.1.<sup>8</sup> Retailers' expectations of business activity over the next three months, and their assessment of sales in recent months, were less positive 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 EEI). The y-axis on the chart thus indicates how far the ESI and EEI 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 EEI 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 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.

the month under review. At the same time, the share of respondents assessing their stock levels to be above normal, increased compared with September.

The confidence indicator for the construction sector fell below its long-term average of -8.1.<sup>9</sup> It stood at -11.9, down from -2.7 in September, reflecting a more negative assessment of employment expectations over the next three months, and of the current overall order book levels.

Consumer confidence stood at -16.2, well below the -9.9 recorded in the previous month, and its long-term average of -10.2.<sup>10</sup> Consumers' expectations of the general economic situation, and to a lesser extent, of their financial situation over the next 12 months, stood more negative compared with September. At the same time, respondents' expectations of major purchases fell into negative territory. These developments were partly offset by a less negative assessment of their financial situation over the last 12 months.

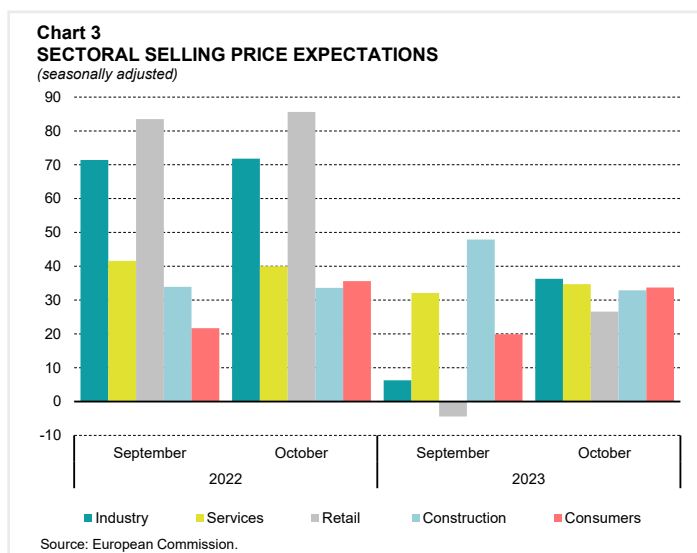
The sentiment indicator for the services sector reached 25.8 in October, from 15.9 a month earlier, standing above its long-term average of 19.7.<sup>11</sup> Firms' expectations of demand over the next three months, and their assessment of demand in recent months, improved significantly. By contrast, their assessment of the business situation over the past three months eased slightly.

Additional survey information shows that, in month-on-month terms, price expectations increased across all sectors, except in the construction sector (see Chart 3). The most significant increases were recorded in the retail sector and in industry, although remaining close to readings recorded in July and August in both cases.

The net share of firms signalling price increases ranged from 27% in the retail sector to 36% in industry.

Price expectations stood below their year-ago level across all sectors, notably in the retail sector and in industry. However, they stood above their long-run average in all sectors.

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



<sup>9</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.

<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 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.

services, retail trade and construction – edged up to 99.3 in October, from 96.4 in September.<sup>12</sup> Notwithstanding this increase, the indicator stood below its long-term average of around 100.0, and the euro area average of 102.8.

Demeaned data suggest that the increase in employment expectations largely reflected developments in industry, and to a smaller extent, in the retail sector. At the same time, the contribution of the services sector stood less negative compared to September.

The services and construction sectors largely explain why the overall EEI stood below its long-term average in October (see Chart 2).

In October, 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 – edged down. It stood at 26.9, down from 27.9 in September, signalling marginally lower uncertainty (see Table 1). Following this decrease, the uncertainty indicator stood well below its level recorded in October 2022, when the index averaged 38.3. However, it exceeded that of the euro area.<sup>13,14</sup>

In month-on-month terms, the decrease in Malta's uncertainty indicator was largely driven by the retail sector. In contrast to September, respondents in this sector reported an ability to forecast their business situation with ease. Uncertainty also decreased in industry, albeit to a lesser degree. By contrast, a higher net share of consumers and respondents in the construction and services industries signalled higher uncertainty.

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

## Activity indicators

In September, the index of industrial production – which is a measure of economic activity in the quarrying, manufacturing, and energy sectors – rose by 0.4% on a year-on-year basis, following a contraction of 0.6% in August (see Table 2).<sup>15</sup>

In the manufacturing sector, strong increases were recorded among firms involved in the printing and reproduction of recorded media, and those that manufacture furniture, wood products and basic pharmaceutical products. Output also increased significantly among firms involved in the production of machinery and equipment. These offset annual decreases in the production of textiles and wearing apparel, as well as the repair and installation of machinery and equipment.

<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	
			Aug.	Sep.	Aug.	Sep.
Industrial production	0.1	2.8	9.5	10.5	-0.6	0.4
Retail trade	9.6	10.2	2.9	7.5	2.6	-0.1
Number of tourist arrivals	47.0	134.4	89.2	56.3	18.3	20.2
Number of nights stayed	60.5	96.3	79.2	59.0	13.0	8.0
Rented accommodation	73.8	110.0	82.0	62.1	13.7	8.9
Collective <sup>(1)</sup>	74.3	108.6	60.5	31.6	15.0	17.1
Other rented <sup>(2)</sup>	72.9	112.4	123.3	132.8	11.9	-1.8
Non-rented accommodation <sup>(3)</sup>	26.5	48.1	66.9	46.6	9.6	3.8
Tourist expenditure	91.3	130.0	89.8	69.6	22.4	21.9
Package expenditure	108.7	128.9	76.2	63.3	29.1	18.5
Non-package expenditure	89.4	145.0	108.7	83.0	28.0	32.6
Other	85.4	116.8	79.9	61.6	12.6	13.1

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 6.6% in September – contrasting a decline of 1.1% a month earlier. Likewise, activity in the quarrying sector increased on an annual basis.

In September, the volume of retail trade – which is a short-term indicator of final domestic demand – contracted by 0.1% in year-on-year terms, after rising by 2.6% in August. This marks the first year-on-year decline since February 2021.

During September, the tourism sector reported further gains. The number of inbound tourists amounted to 299,190, around a fifth more than a year earlier. Guest nights also rose on a year earlier. Total expenditure by tourists in Malta increased by almost 22% 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 September 2022, while expenditure per capita increased.

In September, 254 development permits for commercial buildings were issued, 59 more than the number of permits issued in the same month of 2022 (see Table 3). Meanwhile, 435 new residential building permits were issued, 160 less than the number issued in September 2022. In month-on-month terms, commercial permits increased while residential permits declined.

Data on residential property transactions show that 1,125 final deeds of sale were concluded in October, 289 more than the number concluded a month earlier, but 324 less than a year earlier. At 1,225, the number of promise-of-sale agreements was 198 more than a month earlier, and 28 more compared with a year earlier.



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

Levels

	2021	2022	2022			2023		
			Aug.	Sep.	Oct.	Aug.	Sep.	Oct.
<b>Permits</b>								
Commercial permits	2,770	2,984	134	195	218	146	254	-
Residential permits	7,578	9,599	932	595	776	716	435	-
<b>Residential transactions</b>								
Promise of sale	15,639	12,164	918	974	1,197	970	1,027	1,225
Final deeds of sale	14,368	14,331	1,258	1,067	1,449	991	836	1,125

Sources: National Statistics Office; Planning Authority.

Customs data show that the merchandise trade deficit stood at €231.6 million in September, down from a deficit of €321.8 million a year earlier. This was due to a €91.6 million decline in imports which offset a €1.4 million decrease in exports (see Chart 4).

Lower imports were mainly on account of a substantial decrease in imports of fuel. Imports of fish, machinery and mechanical appliances, and precious stones also decreased but to a lesser extent. These

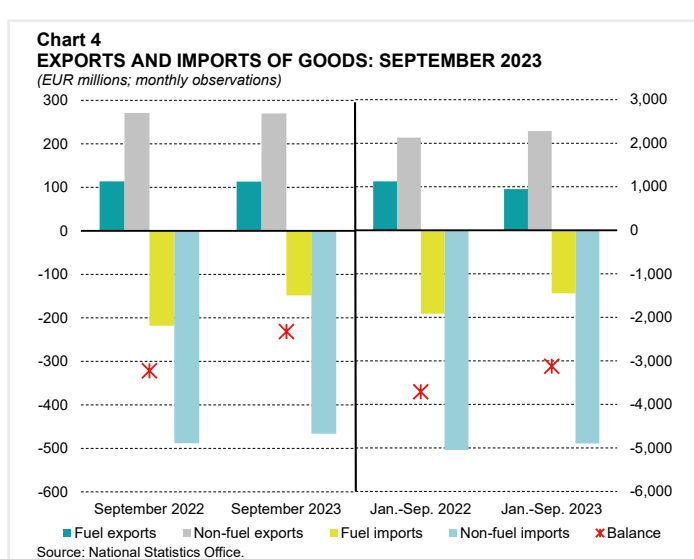
offset higher registrations of sea vessels, and to a lesser extent, higher imports of vehicles and vehicle parts, pharmaceutical products, and printed material.

The marginal decrease in exports mainly reflected lower exports of organic chemicals. Exports of printed material and electrical machinery also decreased, but by smaller amounts. These offset higher exports of pharmaceutical products, and to a lesser extent, exports of rubber articles and miscellaneous edible preparations.

## Labour market

Jobsplus data show that the level of engagements in the labour market stood at 8,711 in August, down from 14,282 in July, and from 10,725 recorded a year earlier (see Table 4). Moreover, the level of terminations stood at 8,293 in August, up from 7,475 in July, but down from 9,896 recorded a year earlier. The average level of engagements exceeds the average recorded in recent years, while that of terminations stands lower.<sup>16</sup>

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



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

Levels

	2021	2022	2022			2023		
			June	July	Aug.	June	July	Aug.
Engagements	113,293	130,236	11,997	16,115	10,725	10,553	14,282	8,711
Terminations	92,907	101,587	8,367	8,222	9,896	7,868	7,475	8,293
<b>Net Engagements</b>	<b>20,386</b>	<b>28,649</b>	<b>3,630</b>	<b>7,893</b>	<b>829</b>	<b>2,685</b>	<b>6,807</b>	<b>418</b>

Source: Jobsplus.

Data are provisional and thus subject to change.

Overall, the level of net engagements in August stood at 418, down from 6,807 in July, and from 829 recorded a year earlier.

Jobsplus data show that the number of persons on the unemployment register stood at 1,004 in September, up from 974 in August, and from 955 recorded a year earlier (see Chart 5).

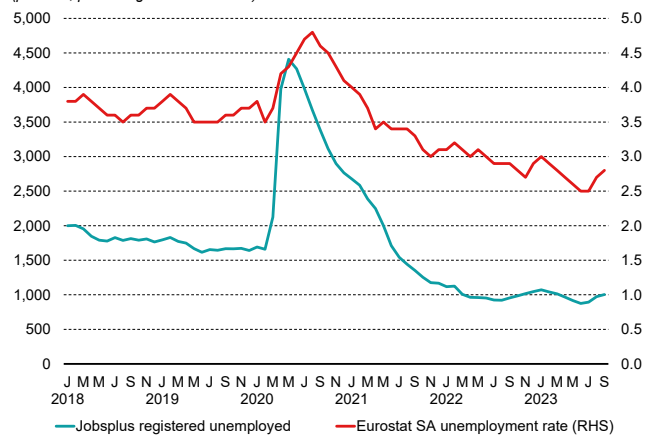
The seasonally-adjusted unemployment rate increased slightly to 2.8% in September, up from 2.7% in the previous month, but down from 2.9% in September 2022.

### Prices, costs and competitiveness

Annual HICP inflation eased to 4.2% in October, from 4.9% a month earlier (see Chart 6). This was driven by slower growth in all main sub-components, except for energy inflation, which remained unchanged at zero. The latter reflects government measures aimed at shielding consumers from international energy price pressures.

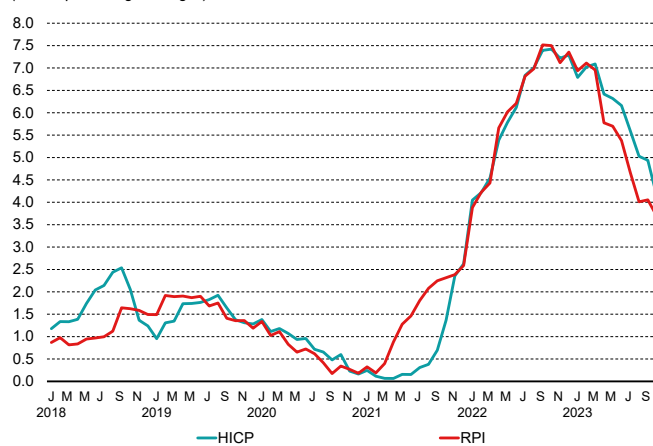
Food inflation decreased to 7.2%, from 8.8% a month earlier, reflecting a drop in both unprocessed food inflation as well as processed food inflation. While inflation in the former dropped to 4.0% from 8.2% a month earlier, processed

**Chart 5**  
**UNEMPLOYMENT**  
(persons; percentage of labour force)



Sources: National Statistics Office; Eurostat.

**Chart 6**  
**HICP AND RPI INFLATION RATES IN MALTA**  
(annual percentage changes)



Source: National Statistics Office.

food inflation eased to 8.2% from 9.0%. Meanwhile, NEIG inflation slowed down to 2.6%, from 3.6% in September, mainly on the back of lower price increases of semi-durables' goods. At the same time, services inflation eased to 4.0%. This was largely due to housing services, reflecting slower growth in fees for the maintenance and repair of buildings.

Annual inflation according to the RPI stood at 3.7% in October, 0.4 percentage point lower than the 4.1% recorded in September (see Chart 6). The easing in inflation was driven by lower inflation in several sub-components. Food inflation moderated to 6.8%, from 8.8% a month earlier. At the same time, inflation in beverages and tobacco slowed down to 5.0%, from 6.3% in September. Furthermore, housing inflation eased to 5.8%, from 8.1% in the previous month. Inflation in household equipment and house maintenance services declined marginally, as did personal care and health inflation. Meanwhile, prices of clothing and footwear fell by 1.4%, mainly reflecting lower prices of garments. On the other hand, transport and communication inflation returned to positive territory, at 0.1%. This reflects the end of a base effect from the introduction of free public transport services in October 2022. 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.<sup>17</sup> 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, slowed down to 3.0% in September, from 4.4% in August.<sup>18</sup> This mostly reflects slower growth in producer prices of intermediate goods, which grew by 1.5% in September, after increasing by 4.5% in August. Producer prices of capital and consumer goods also rose at a slower pace. The former rose by 4.8% from 5.0% in August. The annual rate of change of consumer goods prices decreased from 6.3% to 6.1%. In the absence of changes in domestic energy prices, these continued to have no impact on producer prices.

## Public finance

In September 2023, the Consolidated Fund recorded a surplus of €38.2 million, a significant improvement compared with the deficit of €108.5 million registered a year earlier (see Table 5). This was due to a surge in government revenue, coupled by a decline in government expenditure. The primary balance registered a surplus of €59.2 million, €153.9 million more than the balance registered in September 2022.

Government revenue increased by €125.8 million, or 30.6%, due to higher tax revenue. This reflected significantly higher receipts from direct taxes, driven by income taxes from companies. It also reflected a strong increase in revenue from indirect taxes, led by inflows from VAT. Meanwhile, non-tax revenue decreased, mainly due to lower EU grants.

Government expenditure decreased by €20.8 million, or 4.0%, due to a decrease in recurrent expenditure, which outweighed a rise in capital expenditure. Recurrent spending fell by €29.6 million. This was mainly due to lower expenditure on programmes and initiatives, which declined by €51.4 million, mostly owing to the timing of spending on energy support measures. Meanwhile,

<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.

<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

	2022	2023	2022	2023	Change	
	Jan.-Sep.	Jan.-Sep.	Sep.	Sep.	Amount	%
<b>Revenue</b>	<b>3,795.0</b>	<b>4,436.8</b>	<b>411.5</b>	<b>537.3</b>	<b>125.8</b>	<b>30.6</b>
<b>Direct tax</b>	<b>2,098.3</b>	<b>2,561.3</b>	<b>259.1</b>	<b>337.4</b>	<b>78.3</b>	<b>30.2</b>
Income tax	1,481.7	1,892.8	187.5	265.0	77.6	41.4
Social security contributions <sup>(1)</sup>	616.6	668.5	71.6	72.4	0.7	1.0
<b>Indirect tax</b>	<b>1,372.2</b>	<b>1,481.9</b>	<b>113.1</b>	<b>183.1</b>	<b>70.1</b>	<b>62.0</b>
Value Added Tax	902.9	972.2	60.2	128.3	68.1	113.3
Customs and excise duties	209.9	221.6	27.1	27.4	0.4	1.3
Licences, taxes and fines	259.4	288.2	25.8	27.4	1.6	6.1
<b>Non-tax<sup>(2)</sup></b>	<b>324.5</b>	<b>393.5</b>	<b>39.4</b>	<b>16.8</b>	<b>-22.6</b>	<b>-57.4</b>
<b>Expenditure</b>	<b>4,297.8</b>	<b>4,488.8</b>	<b>520.0</b>	<b>499.2</b>	<b>-20.8</b>	<b>-4.0</b>
<b>Recurrent</b>	<b>3,862.6</b>	<b>4,006.7</b>	<b>472.5</b>	<b>442.9</b>	<b>-29.6</b>	<b>-6.3</b>
Personal emoluments	783.9	823.2	92.8	95.9	3.1	3.3
Operational and maintenance	174.6	221.5	19.4	22.0	2.6	13.4
Programmes and initiatives	2,262.0	2,236.2	270.7	219.3	-51.4	-19.0
Contributions to entities	516.0	571.5	75.7	84.6	8.8	11.7
Interest payments	126.2	154.2	13.8	21.0	7.2	52.3
<b>Capital</b>	<b>435.2</b>	<b>482.1</b>	<b>47.4</b>	<b>56.3</b>	<b>8.8</b>	<b>18.6</b>
<b>Primary balance<sup>(3)</sup></b>	<b>-376.7</b>	<b>102.2</b>	<b>-94.7</b>	<b>59.2</b>	<b>153.9</b>	<b>-</b>
<b>Consolidated Fund balance</b>	<b>-502.9</b>	<b>-52.0</b>	<b>-108.5</b>	<b>38.2</b>	<b>146.6</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.

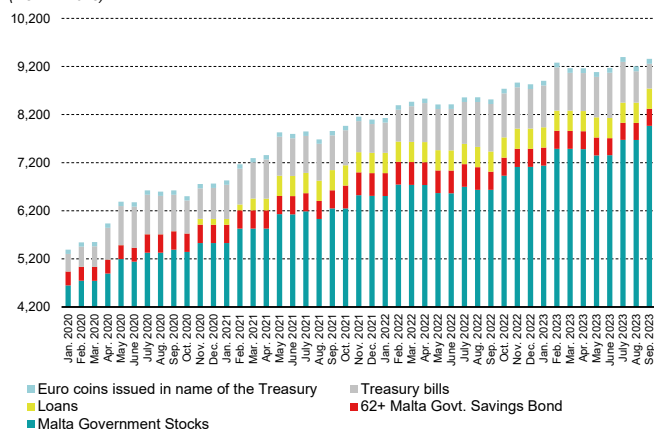
<sup>(2)</sup> Includes grants but excludes proceeds from sale of assets, sinking funds of converted loans and borrowings.

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

contributions to government entities, interest payments, personal emoluments, and operations and maintenance each rose, albeit by relatively lower levels. At the same time, capital expenditure increased by €8.8 million, mainly reflecting assistance to the national airline and outlays on road construction.

In September 2023, the total stock of outstanding government debt amounted to €9,358.9 million, €155.8 million more than the level in August 2023 (see Chart 7). This mainly reflects a higher level of outstanding Malta Government Stocks which outweighed a decline in outstanding Treasury Bills.

**Chart 7**  
**GOVERNMENT DEBT<sup>(1)</sup>**  
(EUR millions)

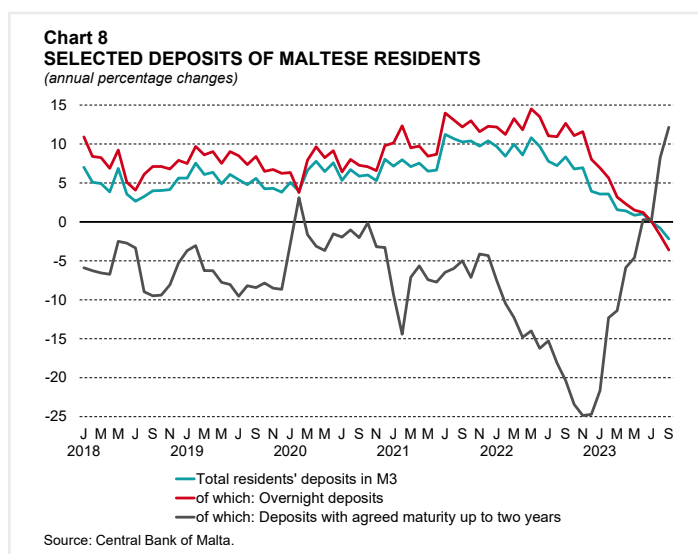


Source: National Statistics Office.

<sup>(1)</sup> Excluding debt issued by extra-budgetary units and local councils and debt held by sinking funds.

## Deposits, credit and financial markets

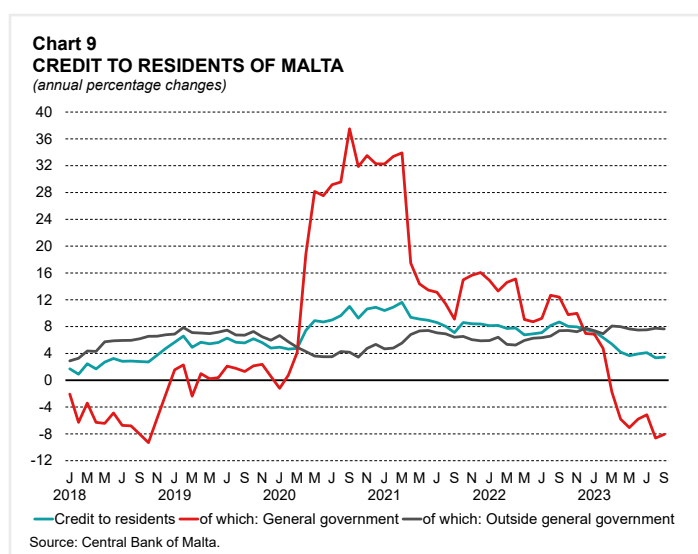
During the 12 months to September, residents' deposits held with monetary financial institutions (MFI) and forming part of broad money (M3) decreased by 2.2%. This follows a decline of 0.8% during the year to August (see Chart 8). The latest contraction was mostly driven by balances belonging to financial intermediaries, and to a lesser extent, those belonging to NFCs. By contrast, M3 deposits belonging to households increased.



Overnight deposits remained the largest component of residents' M3 deposits, comprising around 90% of their M3 balances. These deposits – which are the most liquid – fell by 3.6% in the year to September, following a decrease of 1.7% in the previous month. This decrease reflects a shift in behaviour, in response to the recent tightening of monetary policy.

Meanwhile, time deposits with agreed maturity of up to two years – the second largest deposit category – registered a strong increase of 12.1%, compared with 8.3% in the year to August. This outcome reflects more attractive terms on fixed deposit accounts by certain credit institutions. The latest increase was driven by higher balances belonging to households, which offset decreases in the balances held by other sectors, including NFCs.

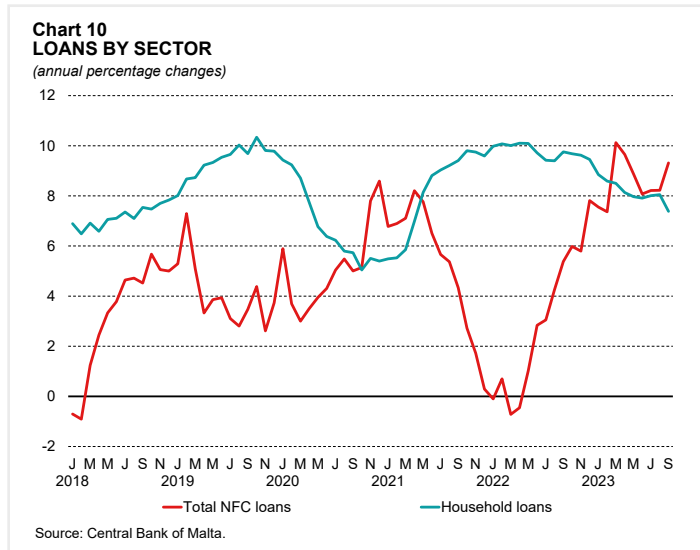
Credit to Maltese residents grew by 3.4% in September, marginally up from 3.3% a month earlier (see Chart 9). In part, this reflected a smaller contraction in credit to general government. This credit component fell by 8.1% over the 12 months to September, following a year-on-year contraction of 8.6% in August. Meanwhile, annual growth in credit to residents outside general government eased marginally to 7.7%, from 7.8% a month earlier.



The annual rate of change in loans to households stood at 7.4% in September, down from 8.1% in the previous month

(see Chart 10). Growth in consumer credit and other lending reached 11.2%, above the 11.0% recorded in the year to August. By contrast, growth in mortgage lending eased to 7.1% in the 12 months to September, compared with 7.8% in the previous month.

Meanwhile, the annual rate of change in loans to non-financial corporations stood at 9.3% in September, above the 8.2% recorded a month earlier. Loans to the construction sector, the sector comprising professional, scientific and technical activities, and the food and accommodation services sector rose at a faster pace. Furthermore, loans to the energy sector recovered from a small contraction in August. At the same time, the manufacturing sector recorded a smaller contraction in loans. These developments were partly offset by a sharper contraction in loans to the wholesale and retail trade sector and slower growth in lending to the real estate sector. Growth in lending to the sector comprising transportation, storage and information and communication activities also moderated, but from very strong rates.



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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-October, three facilities were approved, with total sanctioned lending of €14.2 million. The outstanding value of loans from this scheme stood at €4.4 million, down from €5.1 million in September.

In June 2022, the MDB launched the Liquidity Support Guarantee Scheme (LSGS).<sup>20</sup> By the end of October 2023, a total of €24.5 million was approved under one of these schemes, and unchanged from a month earlier. The outstanding value of loans stood at €24.1 million.

As regards interest rates, in September, the composite interest rate paid by MFIs on Maltese residents' outstanding deposits edged up by 1 basis point compared to August, standing at 0.27%. Meanwhile, the composite rate charged on outstanding loans stood at 3.62% in September, 3 basis points higher than that recorded a month earlier. As a result, the spread between the two rates widened to 335 basis points in September.

The composite rate paid by MFIs on Maltese residents' new deposits stood at 2.17% in September, above the 2.09% recorded in August. It was also higher than the rate recorded for September

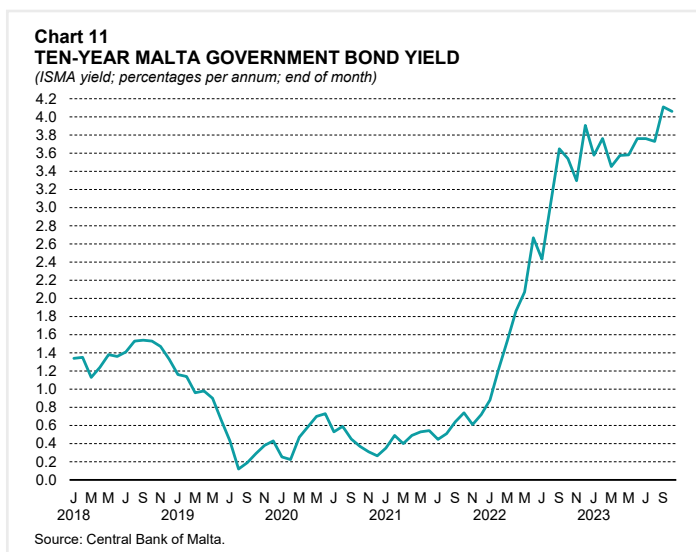
<sup>19</sup> The SLS provides temporary urgent liquidity support, backed by government guarantees, to importers and wholesalers of grains and animal feed, thereby ensuring the security of supply of such products. The total portfolio allocated for this scheme is €30.0 million.  
<sup>20</sup> The LSGS 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.

2022, which stood at 0.97%. Meanwhile, the composite rate charged on new loans decreased by 47 basis points on a month earlier, standing at 2.58%. It was also below the rate recorded a year earlier. As a result, the spread between the two rates decreased to 41 basis points.

In the capital market, at the end of October, the secondary market yield on ten-year Maltese government bonds decreased from its end-September level,

and stood at 4.06%. However, it stood 52 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 2.00%. 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	2023	2023	2023	2023	2023	2023	2023	2023	2023	2023	
				Q1	Q2	Q3	Q4	Q1	Q2	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.
<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	4.2
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	3.7
Industrial producer price inflation	0.3	3.2	5.5	6.8	5.4	4.6	5.3	4.5	4.7	6.0	4.3	3.7	5.1	4.6	5.1	4.5	4.5	4.3	4.4	3.0	-	-
HCI (nominal)	1.8	0.3	-1.4	-1.2	-2.0	-2.3	-0.1	1.4	3.4	0.0	0.6	1.2	1.2	1.8	3.6	3.3	3.2	5.0	5.5	4.5	3.9	-
HCI (real)	1.5	-1.9	-3.6	-3.0	-4.5	-4.6	-2.1	0.4	3.5	-2.1	-0.8	-0.6	-0.1	1.8	3.3	3.5	3.8	5.1	5.0	4.5	4.4	-
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	3.0	2.9	2.8	2.6	2.5	2.4	2.5	2.7	2.8	-	-
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	5.2	6.2	7.9	8.5	-	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>																						
Maltese residents' deposits and loans																						
Overnight deposits	9.8	12.3	8.1	13.3	13.5	12.7	8.0	3.2	1.2	11.6	8.0	6.9	5.7	3.2	2.3	1.5	1.2	0.1	-1.7	-3.6	-	-
Deposits with agreed maturity up to two years	-3.3	-4.3	-24.7	-12.3	-16.2	-20.4	-24.7	-11.4	0.3	-24.9	-24.7	-21.6	-12.3	-11.4	-5.9	-4.6	0.3	0.3	8.3	12.1	-	-
Total residents' deposits in M3	8.0	10.4	4.0	10.0	9.7	8.4	3.9	1.6	1.0	7.0	3.9	3.6	3.6	1.6	1.4	0.9	1.0	0.0	-0.8	-2.2	-	-
Credit to general government	32.3	16.1	7.0	14.6	8.7	12.4	7.0	-1.7	-5.8	10.0	7.0	6.9	4.7	-1.7	-5.8	-7.1	-5.8	-5.1	-8.6	-8.1	-	-
Credit to residents (excl. general government)	5.3	5.9	7.8	5.3	6.3	7.4	7.8	8.1	7.5	7.2	7.8	7.4	6.9	8.1	8.0	7.7	7.5	7.5	7.8	7.7	-	-
Total credit	10.9	8.4	7.5	7.7	6.9	8.7	7.5	5.4	3.9	8.0	7.5	7.3	6.3	5.4	4.2	3.7	3.9	4.1	3.3	3.4	-	-
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	3.3	3.9	3.6	3.8	3.5	3.6	3.6	3.8	3.8	3.7	4.1	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	-3.1	0.0	-0.1	2.5	-2.7	2.3	3.4	0.1	1.1	-1.3	-1.3	-2.0	-
<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.