



BANK ĊENTRALI TA' MALTA
EUROSISTEMA
CENTRAL BANK OF MALTA



CENTRAL BANK OF MALTA ECONOMIC UPDATE

11/2024

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The cut-off date for information in this note is 19 November 2024. However, the cut-off date for the RPI is 22 November 2024. Figures in tables may not add up due to rounding.

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ECONOMIC UPDATE 11/2024

Summary¹

The Bank's Business Conditions Index (BCI) shows that in October 2024, annual growth in business activity picked up slightly compared to September while standing close to its historical average estimated since January 2000.

The European Commission confidence surveys show that sentiment in Malta increased in October, and rose above its long-term average, estimated since November 2002. The largest improvements were recorded in industry and in the services sector.

Additional data show that in month-on-month terms, movements in price expectations were mixed across sectors, with the largest increase recorded in industry. Nevertheless, price expectations remained above their long-term average in all sectors covered by the survey.

In October, the European Commission's Economic Uncertainty Indicator (EUI) for Malta increased compared with September, indicating higher uncertainty, with the largest increases recorded in industry and in the retail sector.

In September, both industrial production and retail trade rose on a year-on-year basis. In August, services production rose at a more moderate pace when compared with the same month a year ago. The unemployment rate remained the same at 3.0% in September but stood below that of 3.6% in September 2023.

Commercial building permits in September were lower when compared to a year earlier but were higher compared to the previous month. On the other hand, residential building permits increased on an annual basis, but declined over the previous month. In October, the number of residential promise-of-sale agreements increased on a year earlier, but final deeds of sale declined.

The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) rose to 2.4% in October, from 2.1% in the previous month, exceeding the euro area average by 0.4 percentage points. HICP excluding energy and food in Malta increased to 2.2% but remained firmly below the euro area average. Inflation based on the Retail Price Index (RPI) edged up to 1.6% in October, from 1.2% in September.

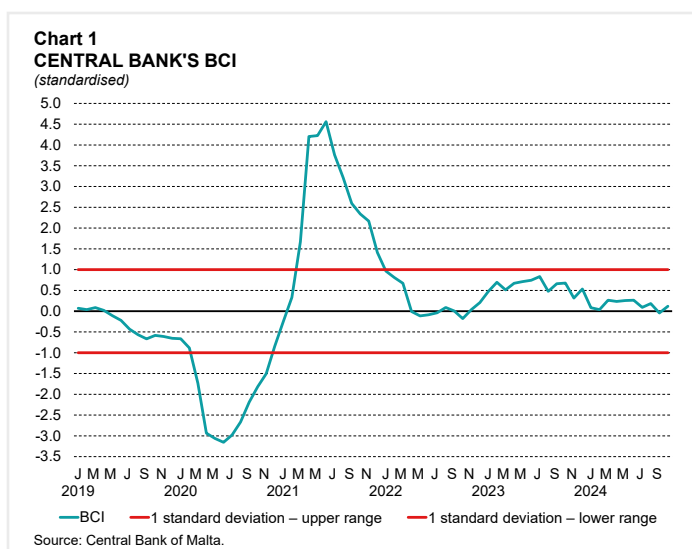
In September, Maltese residents' deposits increased above their level a year ago, driven by balances belonging to households and non-financial corporations. Meanwhile, credit to Maltese residents also increased in annual terms, although the rate of increase slowed down compared to September.

In September, the Consolidated Fund registered a surplus of €43.6 million, €1.3 million more than the surplus registered a year earlier. This was due to a rise in government revenue which slightly outweighed a rise in government expenditure. Between January and September, the Consolidated Fund balance registered a €142.3 million surplus, from a deficit of €47.8 million for the same period a year earlier.

¹ The cut-off date for information in this note is 19 November 2024. However, the cut-off date for the RPI is 22 November 2024. Most of the data reported in this issue of the *Economic Update* refer to September 2024. However, European Commission survey data, inflation data, the BCI and residential transactions refer to October.

Central Bank's Business Conditions Index²

The Bank's BCI indicates that in October, annual growth in business activity improved marginally compared to September and stood slightly above its long-term average, estimated since January 2000 (see Chart 1). The marginal improvement in the BCI partly reflects the significant improvement (in year-on-year terms) in the ESI in October.



Business and consumer confidence indicators

In October, the European Commission's Economic Sentiment Indicator (ESI) for Malta increased to 102.8, from 86.5 in September. Therefore, the indicator rose above its long-term average of around 100.0, estimated since November 2002. It also exceeded the value of 102.0 reported a year earlier (see Table 1).^{3,4,5} In month-on-month terms, sentiment improved in industry, as well as in the services and retail sectors, while it deteriorated in the remaining sectors. The most significant increases were observed in industry and in the services sector.

Demeaned data – which account for the variation in weights assigned to each sector in the overall index – show that the increase in the overall sentiment in October was mostly driven by developments in industry and in the services sector. Furthermore, the services sector, and to a lesser extent consumers explain why the ESI stood above its long-term average in October (see Chart 2).

In October, the sentiment indicator in industry averaged -10.4, up from -38.0 in September. Notwithstanding the recent amelioration, it remained below its long-term average of -4.4.⁶ All three components of the indicator improved significantly in October. However, the largest improvement was reported in the assessment of stocks of finished products, as the net share of respondents

² 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.

³ 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.

⁴ 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.

⁵ Past ESI and EEI results were slightly revised due to seasonal adjustment.

⁶ 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							
			Oct.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.
ESI	100.7	105.5	102.0	104.3	97.4	88.9	96.9	96.1	97.3	97.5	96.8	98.3	86.5	102.8
<i>Industrial confidence indicator</i>	<i>-9.4</i>	<i>2.4</i>	<i>0.3</i>	<i>-2.8</i>	<i>-13.6</i>	<i>-37.9</i>	<i>-11.0</i>	<i>-12.2</i>	<i>-10.3</i>	<i>-8.7</i>	<i>-8.2</i>	<i>-6.9</i>	<i>-38.0</i>	<i>-10.4</i>
Assessment of order-book levels	-21.5	-12.7	1.1	-0.2	-28.2	-57.4	-30.0	-20.2	-56.2	-25.3	-23.9	-10.4	-48.5	-27.3
Assessment of stocks of finished products	9.1	2.2	3.1	-1.7	14.1	35.5	21.0	36.8	2.1	28.2	16.9	33.6	53.8	17.0
Production expectations for the months ahead	2.2	22.1	2.9	-10.0	1.5	-20.7	17.9	20.4	27.3	27.4	16.1	23.2	-11.8	13.2
Services confidence indicator	20.5	26.6	23.2	30.5	16.5	12.8	7.1	15.3	13.6	15.8	13.1	19.5	13.4	35.8
Business situation development over the past 3 months	15.7	24.0	8.9	26.2	15.6	3.9	2.7	19.6	21.8	22.4	12.1	15.4	-4.5	33.0
Evolution of the demand over the past 3 months	26.1	26.0	33.5	31.6	21.3	10.5	3.9	12.2	15.0	23.1	17.1	18.4	12.9	35.8
Expectation of the demand over the next 3 months	19.7	29.9	27.2	33.9	12.7	23.9	14.6	14.0	4.2	1.9	10.1	24.7	31.8	38.4
Retail trade confidence indicator	6.0	9.8	0.5	15.2	25.5	14.6	7.8	9.6	2.5	-0.7	-6.7	-10.2	-12.3	1.0
Business activity, past 3 months	21.1	25.2	11.5	25.5	35.3	6.3	11.1	6.2	1.7	-0.9	-22.1	-19.5	-18.8	22.8
Stocks of finished goods	-3.2	16.5	18.9	10.0	-1.4	3.4	2.2	10.3	2.7	0.4	-5.1	8.0	26.3	11.3
Business activity, next 3 months	-6.2	20.8	9.0	30.3	39.9	41.0	14.7	33.0	8.6	-0.7	-3.3	-3.1	8.3	-8.5
Consumer confidence indicator	-7.4	-10.9	-16.2	-12.6	-12.1	-4.4	-7.4	-9.1	-9.0	-3.8	-6.3	-8.3	-4.7	-5.4
Financial situation past 12 months	-19.7	-20.3	-19.9	-19.9	-17.1	-11.3	-13.3	-15.2	-14.5	-8.8	-8.2	-10.2	-8.5	-8.1
Financial situation next 12 months	-11.8	-10.5	-13.2	-11.2	-8.8	1.4	-2.8	-5.2	-2.0	3.3	-1.6	-1.9	0.7	-0.7
Economic situation next 12 months	-3.5	-12.6	-21.7	-17.7	-15.8	-2.3	-10.6	-11.6	-11.5	-10.3	-14.8	-17.3	-13.2	-13.7
Major purchases next 12 months	5.6	-0.3	-9.8	-1.5	-6.8	-5.4	-3.0	-4.5	-7.9	0.6	-0.5	-3.6	2.3	0.8
Construction confidence indicator	7.0	1.2	-11.9	-23.4	9.6	14.8	29.1	3.2	-1.1	-30.4	-40.1	-15.2	-5.7	-14.5
Evolution of your current overall order books	8.7	-9.8	-9.7	-43.6	-3.2	10.6	5.3	1.6	-2.1	-67.1	-43.0	-19.3	23.1	-20.4
Employment expectations over the next 3 months	5.4	12.2	-14.1	-3.2	22.4	19.1	52.9	4.8	-0.1	6.3	-37.1	-11.1	-34.6	-8.7
EI	107.6	109.0	101.1	113.2	103.6	101.3	99.6	96.7	93.3	98.0	95.8	100.7	106.4	105.4
Retail	15.8	17.2	13.9	21.8	13.7	15.0	16.6	15.7	1.7	10.4	8.3	-0.2	15.6	0.5
Industry	12.0	19.3	16.6	19.8	30.8	-13.2	1.2	-9.1	-26.5	18.9	-31.1	13.3	1.0	-3.9
Services	30.2	30.1	13.6	42.2	10.4	19.2	3.8	6.3	9.6	2.2	20.9	19.2	36.5	38.1
Construction	5.4	12.2	-14.1	-3.2	22.4	19.1	52.9	4.8	-0.1	6.3	-37.1	-11.1	-34.6	-8.7
EU I^(1,2)	28.1	12.1	26.9	4.2	21.1	15.5	16.6	10.7	10.3	6.3	10.4	13.8	19.7	24.3
Industry	39.4	7.6	28.7	6.9	19.4	29.4	13.3	3.1	15.9	23.8	13.6	20.3	10.7	35.8
Retail	50.8	6.5	-18.9	-1.2	1.9	5.2	14.1	4.6	2.9	-0.4	0.9	5.5	11.6	17.5
Consumers	13.7	14.4	15.9	10.4	17.0	11.8	14.8	9.8	9.8	2.4	10.2	14.5	6.7	8.3
Services	20.3	15.2	37.7	-7.5	32.6	0.3	22.0	20.4	3.9	-12.5	5.9	8.1	36.8	22.4
Construction	19.5	24.9	37.5	34.0	1.3	19.3	20.9	22.2	13.4	1.9	22.0	1.7	48.6	14.1
ESI demeaned	0.7	5.5	1.9	4.3	-2.6	-11.1	-3.1	-3.9	-2.7	-2.5	-3.3	-1.8	-13.5	2.8
EI demeaned	6.0	7.0	-1.9	12.0	-0.3	-0.1	-3.5	-5.9	-8.0	-5.9	-4.6	-1.5	5.7	5.3

Source: European Commission.

⁽¹⁾ Non-seasonally adjusted data.

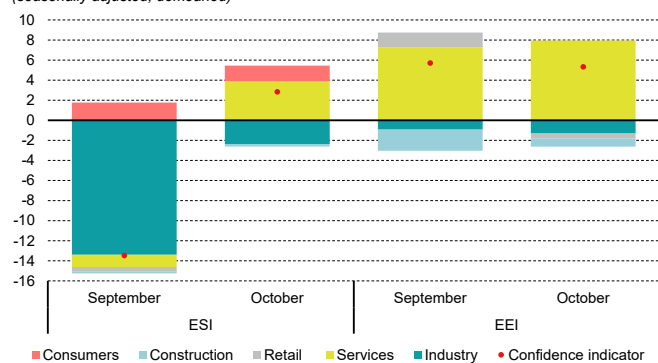
⁽²⁾ Data for Malta are available from May 2021 onwards.

assessing their stocks of finished products to be above normal levels decreased significantly.⁷

The sentiment indicator for the services sector rose well above its long-term average of 19.5.⁸ It stood at 35.8, compared with 13.4 a month earlier, mostly reflecting an improvement in firms' assessment of the business situation over the past three months, which turned positive. Albeit to a lesser extent, firms' assessment of demand over the past three months and their expectations of demand over the next three months also improved; standing more positive than a month earlier.

Chart 2
ECONOMIC SENTIMENT AND EMPLOYMENT EXPECTATIONS

(seasonally adjusted; demeaned)¹



Sources: European Commission; Central Bank of Malta workings.

⁽¹⁾ 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.

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

⁸ 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.

The confidence indicator in the retail sector rose above its long-term average of 0.3.⁹ It stood at 1.0, up from -12.3 in the previous month. Retailers' assessment of sales over the past three months turned positive and showed the largest improvement. Furthermore, the net share of respondents assessing stocks of finished goods to be above normal declined. On the other hand, retailers' expectations of business activity over the next three months, fell into negative territory.

Consumer confidence stood more negative compared to September. It averaged -5.4, down from -4.7 a month earlier, but remained above its long-term average of -10.1.¹⁰ Expectations of major purchases were less positive than before. Furthermore, their expectations of the financial situation over the next 12 months turned negative, while expectations of the general economic situation became slightly more negative. By contrast, households' assessment of their financial situation over the past 12 months was slightly less negative compared to September.

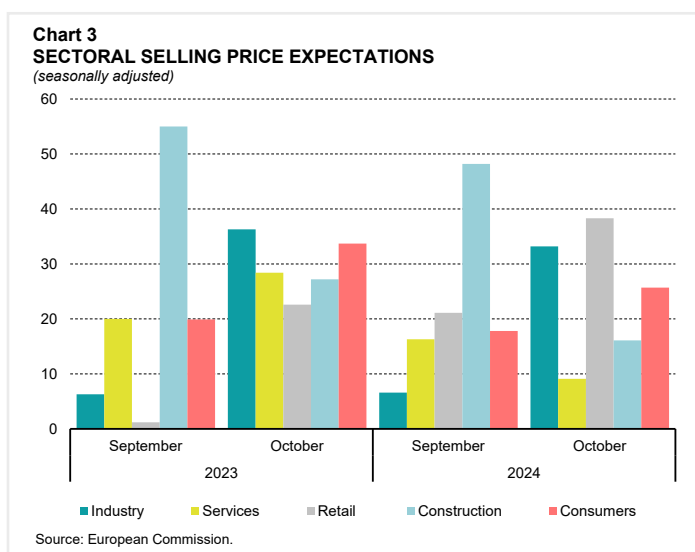
The sentiment indicator for the construction sector decreased to -14.5, from -5.7 in September, and stood below its long-term average of -8.0.¹¹ Contrary to the previous month, respondents assessed their overall order books to be below normal levels. However, employment expectations for the months ahead became significantly less negative.

Additional survey information shows that, in month-on-month terms, price expectations increased in industry and in the retail sector. Consumers' price expectations also increased, although to a lesser extent. On the other hand, price expectations in the construction and services sectors decreased (see Chart 3). The largest increase was recorded in industry.

The net share of respondents signalling price increases ranged from around 9% in the services sector to around 38% in the retail sector.

Price expectations in October stood above their long-run average across all sectors.

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



⁹ 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.

¹⁰ 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.

¹¹ 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 – decreased to 105.4 in October, from 106.4 in September.¹²

Demeaned data suggest that the latest decrease in employment expectations was largely driven by the retail sector, although industry also contributed. The services sector entirely explains why the overall EEI stood above 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 – increased, signalling higher uncertainty. It stood at 24.3, up from 19.7 in September (see Table 1).^{13,14} Uncertainty increased in industry as well as in the retail sector and among consumers, while it decreased in the construction and services sectors. The strongest increase was recorded in industry, which also had the highest prevalence of uncertainty overall.

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

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 1.3% on a year-on-year basis (see Table 2), following a 1.4% increase in August.¹⁵

In the manufacturing sector, production increased by 2.8% on a year earlier, after it had increased by 0.8% in the previous month. In September, production rose strongly among firms that manufacture wearing apparel, certain types of machinery and equipment as well as firms classified in the motor vehicles, trailers and semi-trailers sector. Significant increases were also recorded among firms involved in 'other manufacturing' – which includes medical and dental instruments – as well as among firms producing wood and wood products and furniture. Meanwhile, smaller, but strong increases were recorded among manufacturers of basic pharmaceutical products, textiles, beverages and electrical equipment. Double-digit growth rates were recorded in almost all these sectors.

By contrast, production fell among firms involved in the printing and reproduction of recorded media, those producing paper and chemical products as well as those involved in the repair and installation of machinery and equipment.

¹² 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*.

¹³ 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.

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

¹⁵ 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		
			July	Aug.	Sep.	July	Aug.	Sep.
Industrial production	1.5	7.2	3.2	0.8	2.0	-1.7	1.4	1.3
Production in services	14.5	4.6	2.7	4.0	2.4	15.6	9.4	-
Retail trade	9.7	1.7	0.4	0.8	-0.8	2.8	2.3	2.5
Number of tourist arrivals	136.2	30.1	17.5	18.3	20.2	18.5	15.5	20.7
Number of nights stayed	98.0	21.9	10.0	13.0	8.0	9.8	9.9	15.6
Rented accommodation	111.3	24.0	11.2	13.7	8.9	16.2	13.9	21.5
Collective ⁽¹⁾	109.9	22.3	6.3	15.0	17.1	9.8	7.1	15.0
Other rented ⁽²⁾	113.8	26.7	17.9	11.9	-1.8	24.1	23.5	31.7
Non-rented accommodation ^(3,4)	50.8	11.6	4.3	9.6	-	-24.4	-9.6	-
Tourist expenditure	131.1	32.7	20.8	22.4	21.9	20.7	22.1	24.1
Package expenditure	129.8	46.5	35.9	29.1	18.5	15.5	23.0	26.8
Non-package expenditure	145.9	35.0	22.6	28.0	32.6	19.2	19.5	20.8
Other	118.3	23.2	10.5	12.6	13.1	26.2	24.8	26.2

Sources: National Statistics Office; Eurostat.

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

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

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

⁽⁴⁾ The absolute and percentage changes between one survey estimate and another are based on less than 1,500 tourists. Hence, these should be treated with caution and are represented with a dash symbol.

Meanwhile, production in the energy sector contracted by an annual 22.1% in September. This contrasts with an annual increase that was recorded in the preceding month.

The volume of retail trade – which is a short-term indicator of final domestic demand – rose by 2.5% in year-on-year terms, following an increase of 2.3% in August.

In August, the index of services production – which is a business indicator that measures the production volume of the services industries (excluding trade, financial and public services) – rose by 9.4% on an annual basis – at a more moderate pace when compared with a 15.6% increase recorded in July.

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 transportation and storage, information and communication, accommodation and food services activities as well as services related to professional, scientific and technical activities. By contrast, production of services related to real estate activities contracted.

In September, the number of inbound tourists amounted to 361,015, an increase of 20.7% on a year earlier. Guest nights rose by 15.6% on the previous year, due to an increase in nights stayed in rented accommodation. Total expenditure by tourists in Malta increased by 24.1% 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 a 7.4% increase in expenditure per night.

In September, 211 development permits for commercial buildings were issued, 43 less than the number of permits issued in the same month of 2023 (see Table 3). Meanwhile, 474 new residential building permits were issued, 39 more than the number issued in September 2023. In month-on-month terms, permits for commercial buildings increased while those for residential buildings declined.

In October, 1,121 final deeds of sale were concluded, 16 less than a year earlier, but 112 more compared with September. At 1,282, the number of promise-of-sale agreements was 61 more than a year earlier, and 236 more compared with the preceding month.

Customs data show that the merchandise trade deficit increased to €301.1 million in September, from €270.8 million a year earlier. This was due to a €91.3 million increase in imports which offset a €60.9 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 €44.4 million to €139.5 million (see Chart 4).

Imports excluding specific chapters decreased, mainly due to lower imports of fish and electrical machinery. These offset higher imports of precious stones and imitation jewellery, organic chemicals and machinery and mechanical appliances.

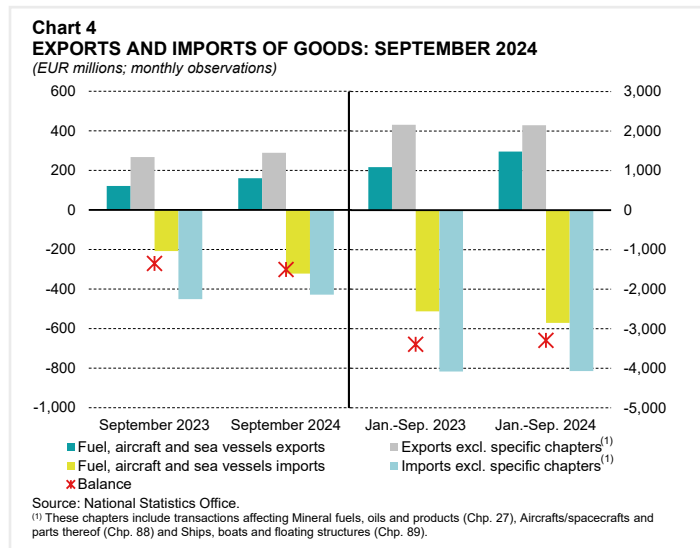


Table 3
PROPERTY MARKET

Levels

	2022	2023	2023			2024		
			Aug.	Sep.	Oct.	Aug.	Sep.	Oct.
Permits								
Commercial permits	2,984	2,532	146	254	257	127	211	-
Residential permits	9,599	8,112	716	435	577	799	474	-
Residential transactions								
Promise of sale	12,164	13,187	968	1,024	1,221	1,000	1,046	1,282
Final deeds of sale	14,331	12,180	991	836	1,137	958	1,009	1,121

Sources: National Statistics Office; Planning Authority.

Exports excluding specific chapters increased due to higher exports of printed material and precious stones and imitation jewellery. These offset lower exports of electrical machinery and rubber.

Labour market

Jobsplus data show that the level of engagements in the labour market stood at 9,254 in August, down from 15,620 in July, and from 10,522 recorded a year earlier. Moreover, the level of terminations stood at 9,295 in August, up from 8,373 in July, but down from 9,469 recorded a year earlier. This level of activity is below the average level of recent years in the case of engagements but above in the case of terminations.¹⁶

Overall, there were 41 net terminations in August 2024, in contrast to net engagements of 7,247 in July. This contrasts with the 1,053 net engagements recorded a year earlier (see Table 4).

Jobsplus data show that the number of persons on the unemployment register stood at 1,109 in September, down from 1,138 in August, but up from 1,004 a year earlier (see Chart 5).

The seasonally-adjusted unemployment rate, remained unchanged from August at 3.0%, but stood lower than 3.6% in September 2023 (see Chart 5).

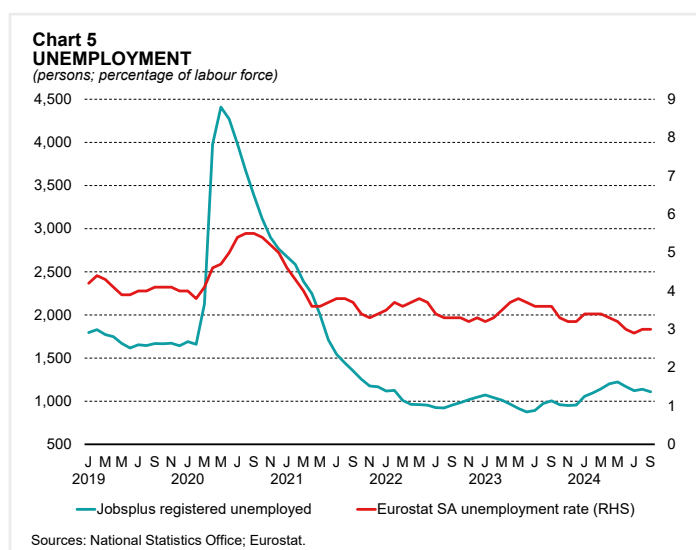


Table 4
NET ENGAGEMENTS

Levels

	2021	2022	2023	2023			2024		
				June	July	Aug.	June	July	Aug.
Engagements	114,200	132,639	133,748	11,467	15,557	10,522	10,590	15,620	9,254
Terminations	94,052	104,228	103,844	8,618	8,293	9,469	8,187	8,373	9,295
Net engagements	20,148	28,411	29,904	2,849	7,264	1,053	2,403	7,247	-41

Source: Jobsplus.

Data are provisional and thus subject to change.

¹⁶ Averages are estimated since January 2020.

Prices, costs and competitiveness

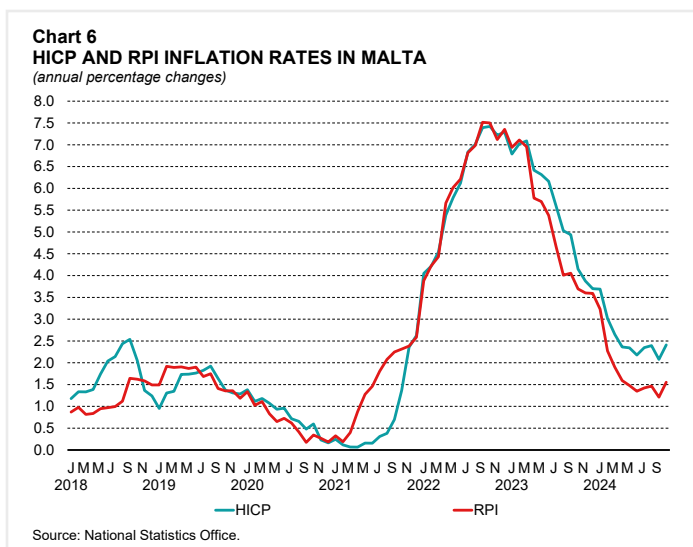
Annual HICP inflation stood at 2.4% in October, up from 2.1% in the previous month, reflecting an increase in most sub-components (see Chart 6). Food inflation (including alcohol and tobacco) edged up to 3.5%, from 3.2% in September, on the back of higher unprocessed food inflation. Indeed, the latter increased to 7.0%, from 4.5% a month earlier following higher prices of fruit and vegetables.

On the other hand, processed food inflation eased to 2.5%, from 2.7% in September. Meanwhile, services inflation rose to 3.0%, from 2.7% in September, on the back of higher transport inflation, namely passenger transport services by air. At the same time, NEIG inflation increased to 0.7%, from 0.2% in the previous month, as inflation of semi-durables turned positive, while the inflation rate for durable goods was less negative compared with September. 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 2.0%. On the other hand, HICP inflation excluding food and energy stood at 2.2% in Malta as compared to 2.7% in the euro area.

Annual inflation according to the RPI edged up to 1.6% in October, from 1.2% in September (see Chart 6).¹⁷ Clothing and footwear inflation experienced the strongest increase, turning positive at 0.6% from -0.4% in the previous month. Similarly, food inflation, which remains the strongest contributor to RPI inflation, increased from 2.1% to 3.0%. At the same time, inflation on recreation and culture also increased to 1.9%, while transport and communication inflation turned less negative, standing at -0.3%. Meanwhile, personal care and health inflation edged down marginally to 3.2%. Similarly housing inflation decreased slightly from 0.4% to 0.3%, while energy inflation remained unchanged at 0%.

Producer output inflation, as measured by the industrial producer price index, edged up to -0.8% in September, from -1.3% in August.¹⁸ This reflects a less pronounced drop in producer prices of intermediate goods. The latter, contracted by 4.4%, following a drop of 6.2% in the previous month. At the same time, the annual rate of change in producer prices of capital goods stood at 3.3% in September, slightly lower than the previous month's 3.4% increase. Meanwhile, producer



¹⁷ 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.

¹⁸ 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.

prices of consumer goods slowed down to 0.5% from 0.8% in the previous month. Energy producer price inflation remained stable at zero, and thus had no impact on overall producer prices.

Public finance

In September 2024, the Consolidated Fund recorded a surplus of €43.6 million, €1.3 million more than the surplus registered a year earlier (see Table 5). This was due to a rise in government revenue which slightly outweighed a rise in government expenditure. The primary balance showed a surplus of €64.7 million, €1.3 million higher from the primary surplus registered in September 2023.

Government revenue increased by €51.1 million, or 9.4%, mostly due to a €38.5 million rise in direct tax revenue stemming from higher inflows from income taxes. In turn, growth in the latter stemmed mainly from taxes paid by companies. Furthermore, non-tax revenue increased by €17.0 million, mostly due to higher inflows from sales and from fees from citizenship programmes. On the other hand, inflows from indirect taxes declined by €4.3 million due to a decline in VAT receipts which outweighed a rise in licences, taxes and fines.

Table 5
CONSOLIDATED FUND BALANCE

EUR millions

	2023	2024	2023	2024	Change	
	Jan.-Sep.	Jan.-Sep.	Sep.	Sep.	Amount	%
Revenue	4,440.9	5,160.2	541.5	592.6	51.1	9.4
Direct tax	2,561.3	3,020.7	337.4	375.9	38.5	11.4
Income tax	1,892.8	2,274.0	265.0	300.3	35.2	13.3
Social security contributions ⁽¹⁾	668.5	746.7	72.4	75.6	3.3	4.5
Indirect tax	1,481.9	1,685.0	183.1	178.8	-4.3	-2.3
Value Added Tax	972.2	1,130.6	128.3	112.3	-16.0	-12.5
Customs and excise duties	221.6	234.6	27.4	26.0	-1.5	-5.4
Licences, taxes and fines	288.2	319.8	27.4	40.5	13.2	48.0
Non-tax⁽²⁾	397.7	454.5	21.0	37.9	17.0	80.8
Expenditure	4,488.8	5,017.9	499.2	549.0	49.9	10.0
Recurrent	4,006.7	4,507.5	442.9	455.3	12.4	2.8
Personal emoluments	823.2	922.5	95.9	111.5	15.6	16.3
Operational and maintenance	221.5	252.1	22.0	28.4	6.3	28.7
Programmes and initiatives	2,236.2	2,530.2	219.3	254.3	34.9	15.9
Contributions to entities	571.5	608.4	84.6	40.1	-44.5	-52.6
Interest payments	154.2	194.3	21.0	21.1	0.1	0.3
Capital	482.1	510.4	56.3	93.7	37.4	66.5
Primary balance⁽³⁾	106.4	336.5	63.4	64.7	1.3	-
Consolidated Fund balance	-47.8	142.3	42.4	43.6	1.3	-

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.

Government expenditure increased by €49.9 million, or 10.0%, due to a rise in both recurrent and capital expenditure. Recurrent spending increased by €12.4 million largely on account of higher outlays on programmes and initiatives, which rose by €34.9 million mainly due to the timing of spending on energy support measures and higher transfers to the EU budget. Meanwhile, outlays on personal emoluments rose by €15.6 million due to higher spending on allowances, mostly in the education sector. Spending on operations and maintenance and interest payments increased at a more moderate pace, by €6.3 million and €0.1 million, respectively. On the other hand, outlays on contributions to entities declined by €44.5 million due to the timing of payments to various government entities. Capital expenditure rose by €37.4 million, mainly due to higher outlays on EU-funded projects.

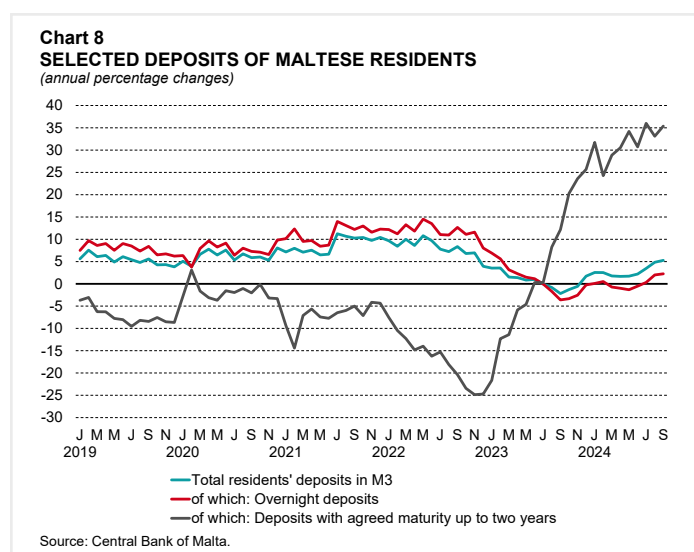
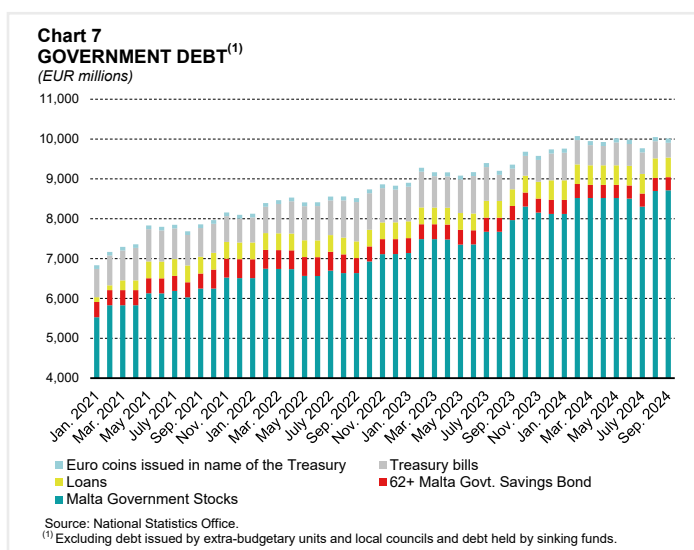
Overall, the Consolidated Fund balance between January and September registered a surplus of €142.3 million, compared with a deficit of €47.8 million in the same period a year earlier. Revenue rose by 16.2% driven by higher tax revenue, particularly income tax receipts. Meanwhile, expenditure increased by 11.8%, mainly due to higher outlays on programmes and initiatives.

In September 2024, the total stock of outstanding government debt amounted to €10,012.6 million, €37.7 million less than the level in August 2024 (see Chart 7). This reflects a decrease in the level of outstanding Treasury Bills.

Deposits, credit and financial markets

During the year to September, residents' deposits held with monetary financial institutions (MFIs) and forming part of broad money (M3) increased by 5.3% (see Chart 8). This follows a 4.8% increase in August. This increase was driven by balances belonging to households and non-financial corporations (NFCs). By contrast, M3 deposits belonging to financial corporations and insurance companies decreased.

Overnight deposits remained the largest component of resident's M3 deposits, comprising



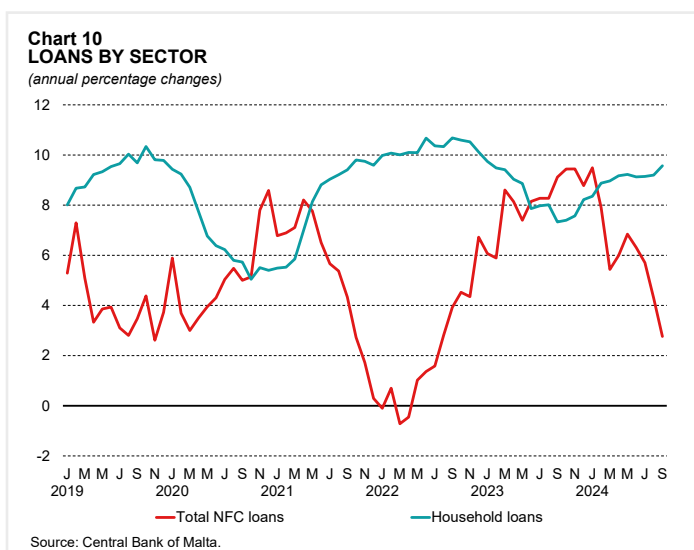
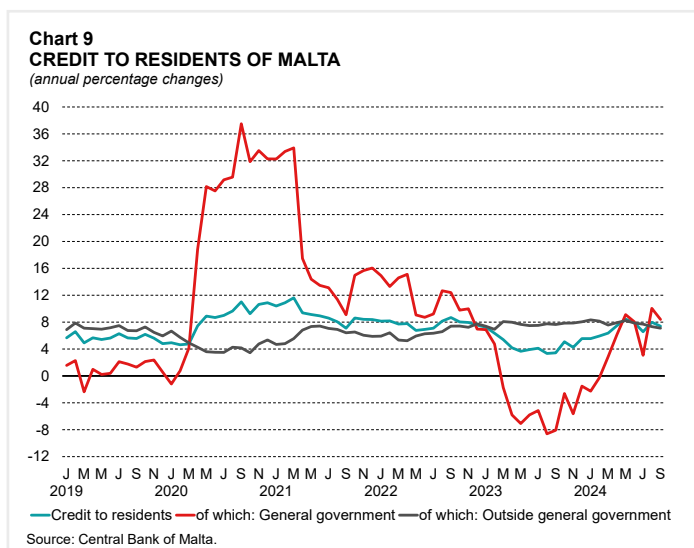
86.9% of M3 balances. These deposits – which are the most liquid – increased by 2.2% in the year to September, following an increase of 2.0% in the previous month. Weak dynamics in this component, compared to historical data, partly reflects a shift in behaviour in response to the tightening of monetary 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 September, these deposits increased by 35.4%, following an increase of 33.1% recorded a month earlier. The latest increase was driven by balances belonging to households, although those belonging to NFCs also increased.

Growth in credit to Maltese residents moderated to 7.4% in the year to September, from 8.0% a month earlier (see Chart 9). This partly reflected slower growth in credit to general government, which grew by 8.4% in the year to September compared to 10.1% in August. Growth in credit to other residents moderated slightly to 7.1% compared to 7.3% a month earlier.

The annual rate of change to loans to households increased to 9.6%, from 9.2% in the previous month (see Chart 10). Growth in mortgage lending stood at 9.6%, higher than the growth rate of 9.0% recorded in the previous month. Contrastingly, growth in consumer credit and other lending moderated to 9.5% compared to 11.3% a month earlier.

Meanwhile, the annual rate of change in loans to NFCs slowed down to 2.8% in September, following a 4.3% growth registered in August. A sectoral breakdown of loans to NFCs indicates that this moderation reflects a faster rate of decline in lending to the sector comprising of information, communication, transport and storage and in lending to the energy sector. At the same time lending to the construction sector and the sector comprising wholesale and retail trade rose at a slower pace compared to August. On the other hand,



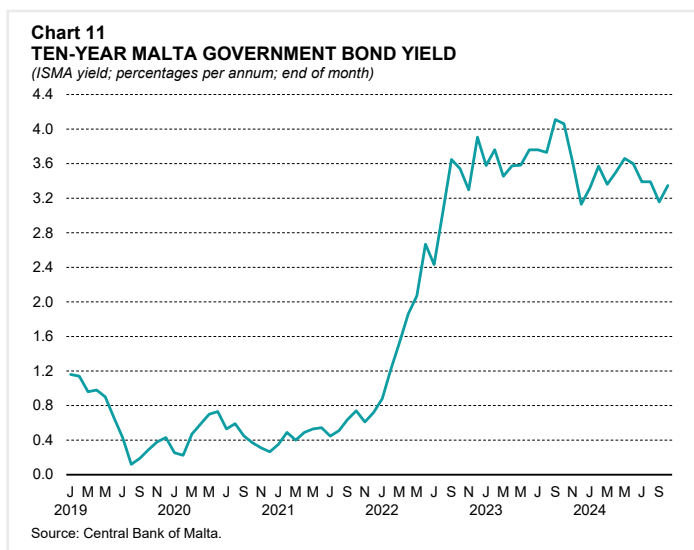
credit to the accommodation and food services sector picked up while lending to the manufacturing sector decreased at a slower pace.

In September, the composite interest rate paid by MFIs on Maltese residents' outstanding deposits increased by one basis point compared to August, to stand at 0.40%, while the composite rate charged on outstanding loans, decreased by 1 basis point to 3.41%. As a result, the spread between the two rates narrowed by 2 basis points to 301 basis points.

The composite rate paid by MFIs on Maltese residents' new deposits stood at 2.63% in September, above the 2.52% recorded in August. It also exceeded the rate of 2.17% recorded in September 2023. The composite rate charged on new loans increased by 28 basis points, compared to a month earlier, standing at 3.23%. This was also 43 basis points higher than the rate recorded a year earlier. The spread between the two rates stood at 60 basis points, wider than the 43 basis points recorded in August but marginally lower than 63 basis points recorded a year earlier.

In the capital market, the secondary market yield on ten-year Maltese government bonds rose to 3.35% at the end of October, from 3.16% at end-September. It, however, stood 71 basis points below its year-ago level (see Chart 11).

Meanwhile, the Malta Stock Exchange (MSE) Equity Price Index increased by 1.5%, compared with end-September. Similarly, the MSE Total Return Index, which accounts for dividends as well as changes in equity prices, also rose by 1.5%.



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	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	
				Q4	Q1	Q2	Q3	Q4	Q1	Q2	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	
Prices and costs																								
HICP inflation	0.7	6.1	5.6	7.3	7.0	6.3	5.2	3.9	3.1	2.3	4.2	3.9	3.7	3.7	3.0	2.7	2.4	2.3	2.2	2.3	2.4	2.1	2.4	
RPI inflation	1.5	6.2	5.1	7.3	7.0	5.6	4.2	3.6	2.5	1.5	3.7	3.6	3.6	3.2	2.3	1.9	1.6	1.5	1.3	1.4	1.5	1.2	1.6	
Industrial producer price inflation	3.2	4.9	3.4	5.0	4.4	4.4	3.6	1.4	0.6	0.2	2.3	1.1	0.9	1.2	0.5	0.0	0.9	0.3	-0.4	-0.6	-1.3	-0.8	-	
HCI (nominal)	0.3	-1.4	3.3	-0.1	1.4	3.4	5.0	3.3	2.1	1.2	3.9	3.6	2.5	2.4	1.9	2.0	1.2	1.6	1.0	0.6	0.6	0.9	0.7	
HCI (real)	-1.9	-3.6	3.1	-2.1	0.5	3.6	4.9	3.5	1.5	0.0	4.1	3.9	2.4	2.3	1.3	1.0	0.1	0.3	-0.3	-0.6	-0.2	0.0	0.0	
Unit labour costs, whole economy ⁽¹⁾	-4.9	4.7	0.7	4.7	4.3	3.9	2.8	0.7	0.6	1.4	-	-	-	-	-	-	-	-	-	-	-	-	-	
Compensation per employee ⁽¹⁾	5.0	4.0	2.0	4.0	3.9	3.3	3.4	2.0	2.5	3.1	-	-	-	-	-	-	-	-	-	-	-	-	-	
Labour productivity (per person) ⁽¹⁾	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	-	-	-	-	-	-	-	-	-	-	-	-	-	
Economic activity																								
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Labour market developments																								
LFS unemployment rate (% of labour force)	3.7	3.5	3.5	3.2	3.4	3.8	3.1	2.8	2.9	3.2	3.3	3.1	3.0	3.3	3.3	3.4	3.3	3.3	3.1	3.0	3.0	3.0	-	
LFS employment	3.1	6.6	6.7	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	8.2	7.6	7.8	6.8	5.8	8.0	7.7	7.6	7.3	6.8	6.2	6.3	5.8	5.3	-	-	-	-	-
Balance of payments																								
Current account (as a % of GDP) ⁽²⁾	9.4	-0.8	6.4	-0.8	0.8	3.6	6.1	6.4	6.3	7.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit and financial indicators																								
Maltese residents' deposits and loans																								
Overnight deposits	12.3	8.0	-0.2	8.0	3.2	1.1	-3.6	-0.2	-0.7	-0.5	-3.3	-2.6	-0.2	0.1	0.5	-0.7	-1.0	-1.3	-0.5	0.3	2.0	2.2	-	
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	20.3	23.6	25.7	31.7	24.3	28.9	30.5	34.2	30.7	36.0	33.1	35.4	-	
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	-1.3	-0.6	1.7	2.5	2.5	1.8	1.7	1.7	2.2	3.4	4.8	5.3	-	
Credit to general government	16.1	7.0	-1.5	7.0	-1.7	-5.8	-8.1	-1.5	2.9	8.0	-2.6	-5.6	-1.5	-2.3	-0.3	2.9	6.1	9.1	8.0	3.1	10.1	8.4	-	
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	7.9	7.9	8.0	8.3	8.2	7.6	7.9	8.2	7.9	7.7	7.3	7.1	-	
Total credit	8.4	7.5	5.5	7.5	5.4	3.9	3.4	5.5	6.4	7.9	5.1	4.3	5.5	5.6	5.9	6.4	7.5	8.4	7.9	6.6	8.0	7.4	-	
Ten-year interest rate (%) ⁽³⁾	0.7	3.9	3.1	3.9	3.5	3.8	4.1	3.1	3.4	3.6	4.1	3.6	3.1	3.3	3.6	3.4	3.5	3.7	3.6	3.4	3.4	3.2	3.3	
Stock prices: Malta Stock Exchange Equity Price Index ⁽⁴⁾	-4.5	-9.9	11.4	-2.2	-0.4	5.9	-1.5	7.3	-4.4	-1.5	-2.0	2.8	6.5	-4.8	1.2	-0.8	-0.5	-1.4	0.5	1.0	1.8	-1.2	1.5	
General government finances (% of GDP)																								
Surplus (+) / deficit (-) ⁽²⁾	-7.0	-5.2	-4.5	-5.2	-4.5	-4.0	-3.4	-4.5	-3.8	-3.4	-	-	-	-	-	-	-	-	-	-	-	-	-	
Gross debt ⁽⁵⁾	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.

⁽¹⁾ Four-quarter moving averages.

⁽²⁾ Four-quarter moving sums.

⁽³⁾ End of period.

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

⁽⁵⁾ GDP data are four-quarter moving sums.