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EUROSISTEMA
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ECONOMIC UPDATE

2/2021

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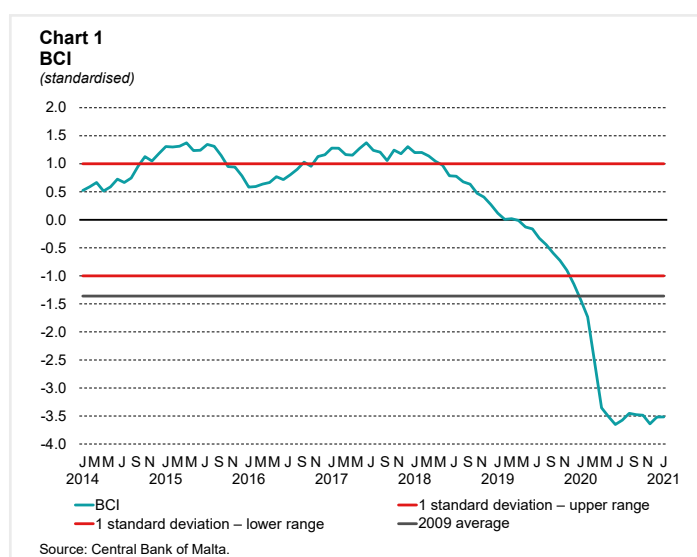
Summary¹

In January, the Central Bank of Malta's Business Conditions Index (BCI) remained unchanged when compared with the previous month and continued to signal low levels of economic activity reflecting the weak economic conditions triggered by COVID-19. The European Commission's Economic Sentiment Indicator (ESI) improved marginally in January when compared with the previous month. Confidence rose in the services sector and, to a more limited extent, in the construction sector and among consumers. On balance, confidence was broadly unchanged in industry but deteriorated considerably among retailers. Notwithstanding these developments across sectors, sentiment was negative in all sectors.

In December, industrial production contracted at a faster pace in annual terms. By contrast, the volume of retail trade expanded in annual terms for the first time since February 2020. The number of registered unemployed decreased compared with November, while the unemployment rate was unchanged from a month earlier. The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) was unchanged at 0.2% in December. Inflation based on the Retail Price Index (RPI) also stood at 0.2%. Maltese residents' deposits expanded at an annual rate of 8.0% in December, from 5.3% in the previous month, while annual growth in credit to Maltese residents rose to 11.1%.

Central Bank's BCI²

In January 2021, the Bank's BCI stood unchanged from its updated value of -3.5 for December 2020 (see Chart 1). The BCI continued to signal low levels of economic activity, reflecting the weak economic environment triggered by COVID-19. The latest reading is slightly higher than that recorded in June, but remains well below its level a year earlier. This reflects weak conditions in the tourism sector, as well as lower economic sentiment and industrial production on a year earlier. Overall business conditions continue



¹ The cut-off date for information in this note is 9 February 2021. Most of the data reported in this issue of the *Economic Update* refer to December 2020 while data for the BCI, ESI and Government Response Index are for January 2021. Tourism data for April, May and June were not collected by the National Statistics Office (NSO) as the airport and ports were closed in those months. Inbound tourism data for July were collected and published as the airport and seaport were reopened. With effect from 22 August, an amber list was added to the red and green travel lists, requiring tourists arriving from countries on this list to present a negative COVID-19 test result before boarding.

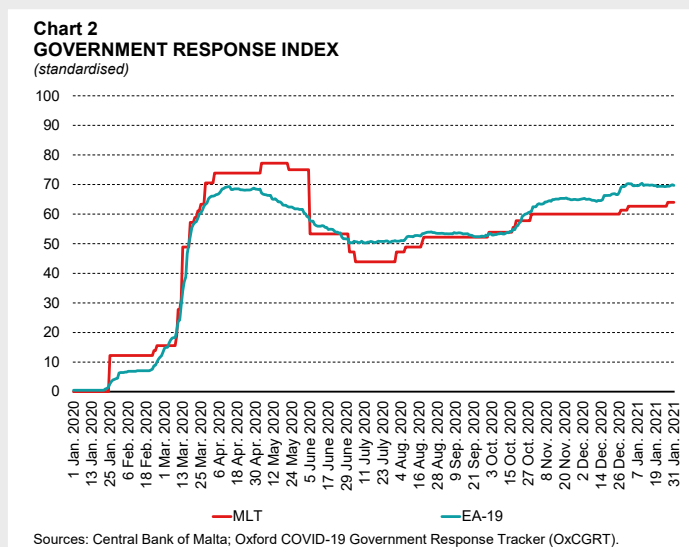
² The methodology underlying the BCI can be found at [here](#). A zero value of the BCI is consistent with average business conditions, which in the case of Malta tends to be consistent with a real GDP growth rate of close to 4%. When the value of the BCI falls repeatedly below -1, economic activity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

to be worse than those observed during 2009, highlighting the severity of the pandemic relative to the Global Financial Crisis.

BOX 1: COVID-19 GOVERNMENT RESPONSE INDEX

Malta's COVID-19 government response index at the end of January 2021 stood at 64.0, up from 61.3 as at end-December (see Chart 2). This increase reflects the expansion of the COVID-19 vaccine distribution programme beyond health-care workers. In January, vaccines became accessible to elderly people living in old people's homes as well as to clinically vulnerable individuals.

Although the euro area average declined slightly from 70.2 as at end-December 2020, to 69.7, Malta's index nevertheless stood at 5.7 points below the euro area average. This reflects the higher level of containment and stringency in the euro area, which offsets a relatively stronger health response in Malta.



Business and consumer confidence indicators

In January, the European Commission's ESI edged up marginally to 85.8, from 85.4 in December 2020 (see Table 1). Notwithstanding this increase, sentiment stood below the level of 102.4 recorded a year earlier and below its long-run average of 100.0.^{3,4,5} The ESI also stood 5.7 points lower than that in the euro area.

The month-on-month rise in sentiment was largely driven by a significant increase in confidence in the services sector. This was followed by improved sentiment in the construction sector and among consumers. These developments offset weaker sentiment in the retail sector and, to a limited extent, in industry. Sentiment was negative in all sectors.

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%.

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 indicator 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 Data have been revised for previous periods following the annual updating of country weights and the inclusion of 2020 in the standardisation sample.

**Table 1
BUSINESS AND CONSUMER SURVEYS**

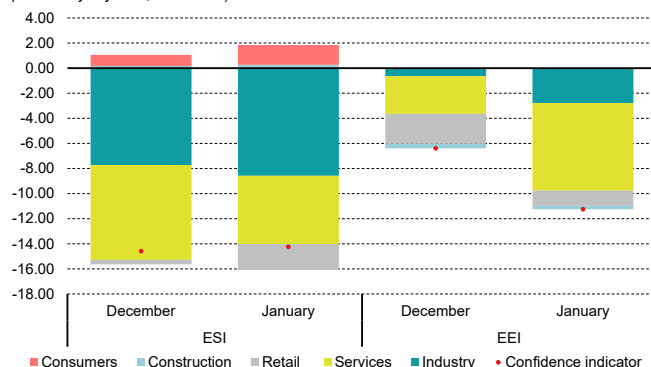
Balances; percentage points; seasonally adjusted

	2019	2020	2020		2021
			Jan.	Dec.	
ESI	102.4	81.4	102.4	85.4	85.8
Services confidence indicator	20.7	-24.9	7.9	-16.9	-5.3
Business situation development over the past 3 months	16.7	-36.3	-3.8	-29.6	-12.3
Evolution of the demand over the past 3 months	21.5	-34.9	3.8	-35.1	-10.5
Expectation of the demand over the next 3 months	24.0	-3.7	23.8	14.0	6.7
Construction confidence indicator	26.2	-5.7	7.9	-4.2	-1.2
Evolution of your current overall order books	19.7	-6.2	4.5	-7.4	-3.4
Employment expectations over the next 3 months	32.6	-5.2	11.3	-1.0	0.9
Consumer confidence indicator	4.5	-5.6	8.4	-3.7	-3.2
Financial situation past 12 months	11.3	-1.6	13.4	-16.3	-15.4
Financial situation next 12 months	11.2	0.8	13.1	5.7	4.3
Economic situation next 12 months	20.9	-0.9	18.0	17.8	8.7
Major purchases next 12 months	-25.1	-20.5	-10.9	-22.2	-10.4
Industrial confidence indicator	-6.7	-25.1	-1.1	-23.9	-24.0
Assessment of order-book levels	-23.0	-48.8	-19.1	-38.6	-41.4
Assessment of stocks of finished products	15.5	27.2	20.0	22.1	36.0
Production expectations for the months ahead	18.4	0.8	35.8	-11.0	5.5
Retail trade confidence indicator	4.2	-31.0	0.0	-14.2	-51.4
Business activity, past 3 months	18.9	-22.2	3.0	8.9	-51.6
Stocks of finished goods	17.4	31.9	7.2	4.7	50.3
Business activity, next 3 months	11.1	-38.8	4.1	-46.7	-52.4
EEI	102.7	86.0	101.6	93.5	88.8
Industry	12.8	-12.5	16.5	7.3	-5.7
Services	17.5	-2.4	6.7	8.5	-1.6
Construction	32.6	-5.2	11.3	-1.0	0.9
Retail	4.7	-11.6	25.2	-12.1	-5.4
ESI demeaned	2.4	-18.6	2.4	-14.6	-14.2
EEI demeaned	2.7	-14.0	1.5	-6.4	-11.2

Source: European Commission.

Demeaned data – which account for the variation in weights assigned to each sector in the overall index – show that most of the increase in overall sentiment in January was driven primarily by improved confidence in the services sector and among consumers. At the same time, the contribution of the construction sector rose slightly (see Chart 3). By contrast, the contribution of industry and the retail sector was more negative in the month under review. Overall,

**Chart 3
ESI and EEI**
(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.

demeaned data suggest that the ESI is mostly being held down by weak sentiment in industry and the services sector.

In January, sentiment within the services sector rose to -5.3, from -16.9 in the previous month. Notwithstanding this recovery, it remained below its long-term average of 19.2.⁶ The rise in sentiment was largely driven by respondents' assessment of demand and of the business situation over the past three months. By contrast, firms' demand expectations for the next three months more than halved, although they remained positive. Additional survey data show that, on balance, the share of firms anticipating prices to fall in the months ahead edged up when compared with December 2020.

Confidence within the construction sector edged up to -1.2, from -4.2 a month earlier. Following this increase, sentiment stood well above its long-term average of -11.3.⁷ The latest increase in sentiment in this sector was notably due to a less negative assessment of order books. Furthermore, employment expectations turned marginally positive in January. Additional survey data indicate that price expectations were slightly more positive relative to December.

Consumer confidence edged up to -3.2 in January, from -3.7 a month earlier, and thus remained above its long-term average of -11.1.⁸ Improved sentiment largely reflected an amelioration in consumers' expectations of major purchases. Furthermore, respondents' assessment of the financial situation over the past 12 months was slightly less negative than in December. By contrast expectations about the economic and financial situation over the next 12 months softened relative to December. Supplementary data show that price expectations were slightly more negative in January. At the same time, unemployment expectations turned positive.

Industrial confidence stood at -24.0, marginally below the -23.9 recorded in the previous month, and thus remained well below its long-term average of -4.5.⁹ A larger share of respondents reported above normal stock levels compared to December. At the same time, participants' assessment of order book levels turned more negative. These developments offset the significant increase in production expectations relative to December 2020. Supplementary data show that a larger share of respondents anticipate a fall in selling prices in the coming months.

Confidence within the retail sector declined to -51.4, from -14.2 in December.¹⁰ The recent fall in sentiment was broad-based across all sub-components of the index but largely reflected retailers' negative assessment about sales over previous months and a significant increase in the share of firms reporting above normal stock levels relative to December. Although business activity

⁶ 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 in the subsequent three months.

⁷ 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.

⁸ 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.

⁹ 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.

¹⁰ 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.

expectations also decreased, the deterioration was more moderate.¹¹ Supplementary data indicate that the share of retailers anticipating selling prices to rise over the next three months almost doubled in the month under review.

The European Commission's Employment Expectations Indicator (EEI) – which is a composite indicator of employment expectations in industry, services, retail trade and construction – edged down in January.¹² The EEI fell to 88.8 from 93.5 in December. Although the indicator remained below its long-run average of around 100.0, it stood in line with the euro area average.

Employment expectations turned negative in industry and in the services sector. By contrast, positive expectations were recorded in the construction sector. Meanwhile, the retail sector showed less negative employment expectations compared to December. The evolution of employment expectations in industry and in the retail sector largely explains why the overall EEI remained below its long-term average in January, though expectations were below the long-term average in all sectors (see Chart 3).

Activity indicators

In December, the index of industrial production, which is a measure of economic activity in the quarrying, manufacturing and energy sectors, continued to decline. The index fell by 4.2% in annual terms, following a contraction of 1.8% in November (see Table 2).¹³

	2019	2020	2019					2020 ⁽³⁾							
			Dec.	Jan.	Feb.	Mar. ⁽¹⁾	Apr. ⁽²⁾	May ⁽²⁾	June ⁽²⁾	July	Aug.	Sep.	Oct.	Nov.	Dec.
Industrial production	1.2	-0.2	9.6	12.1	13.3	6.1	-7.3	-6.7	-6.8	-1.9	-2.6	-1.2	0.5	-1.8	-4.2
Commercial permits	-2.5	-29.3	-8.1	-24.2	-31.9	-56.8	-8.2	-25.2	-26.2	-9.8	-45.6	6.7	-23.3	-11.7	-10.7
Residential permits	-3.1	-37.2	34.4	-24.2	-23.3	-19.6	-73.3	-53.6	-60.2	-8.1	27.0	-61.5	-31.1	-27.7	-51.8
Retail trade	7.1	7.1	6.9	5.1	9.2	-4.3	-24.6	-16.6	-7.5	-11.9	-8.7	-12.3	-7.7	-3.7	3.3
Number of tourist arrivals	5.9	-76.1	19.3	16.8	16.5	-56.5	-	-	-	-84.0	-66.0	-82.4	-83.4	-92.2	-91.1
Number of nights stayed	4.1	-73.0	15.1	3.5	10.1	-60.2	-	-	-	-75.3	-62.6	-77.4	-78.6	-82.3	-77.2
Rented accommodation	4.6	-76.8	13.9	7.7	11.1	-62.2	-	-	-	-84.3	-67.4	-81.8	-82.5	-88.0	-86.6
Collective ⁽⁴⁾	-0.1	-76.5	9.9	11.0	14.9	-61.7	-	-	-	-85.4	-66.9	-81.2	-81.9	-91.6	-91.9
Other rented ⁽⁵⁾	13.5	-77.3	19.7	1.0	3.1	-63.5	-	-	-	-82.7	-67.9	-82.9	-83.5	-80.6	-79.5
Non-rented accommodation ⁽⁶⁾	1.6	-52.8	20.8	-8.3	3.9	-47.7	-	-	-	-31.4	-38.3	-57.1	-53.3	-53.8	-33.5
Tourist expenditure	5.7	-79.5	25.4	11.2	22.0	-62.6	-	-	-	-88.1	-71.3	-84.5	-84.5	-90.3	-86.6
Package expenditure	-8.2	-84.5	7.9	-7.8	25.8	-69.8	-	-	-	-93.5	-79.5	-90.5	-89.8	-	-
Non-package expenditure	17.1	-79.6	41.3	33.1	22.8	-58.8	-	-	-	-88.7	-71.5	-86.0	-85.1	-90.2	-86.4
Other	5.9	-75.9	22.0	4.7	19.1	-60.2	-	-	-	-83.7	-65.3	-78.7	-79.8	-86.5	-82.0

Sources: National Statistics Office; Eurostat.

⁽¹⁾ Tourism data for March 2020 should be interpreted in the context of the unprecedented containment measures and travel restrictions introduced in response to COVID-19.

⁽²⁾ As a result of the COVID-19 situation, it was not possible for the NSO to issue the April, May and June 2020 news releases for Inbound Tourism.

⁽³⁾ The inbound tourism news release was issued since July following the reopening of Malta International Airport in the beginning of July.

⁽⁴⁾ Collective accommodation comprises hotels, guesthouses, hostels, tourist villages, holiday complex, bed & breakfast and campsites.

⁽⁵⁾ Other rented accommodation comprises holiday furnished premises (farmhouses, flats and villas), host families, marinas, paid-convents, rented yachts and student dormitories.

⁽⁶⁾ Non-rented accommodation includes own private residence, staying with friends or relatives and other private accommodation (e.g. free-convents or timeshare).

¹¹ Above normal stocks of finished goods have a negative effect on the overall indicator. Thus, a rise in the balance of firms reporting above normal stock levels has a negative effect on the overall indicator.

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 annual growth rates of the overall industrial production index are based on working-day adjusted data. Unadjusted data, however, are used for the components.

The recent decline in industrial production primarily reflected a fall in the output of firms specialising in the repair and installation of machinery and equipment as well as those involved in printing and reproduction of recorded media. Smaller falls in the production of beverages and food also contributed. These declines offset higher output among firms producing pharmaceutical goods as well as those manufacturing rubber and plastic products. Higher production was also registered among firms within the motor vehicles, trailers and semi-trailers sector as well as firms producing computer, electronic and optical products. Smaller increases were also recorded among firms within the 'other manufacturing' sector, which includes firms involved in the production of medical and dental instruments, toys and related products.

Meanwhile, production in the energy sector decreased.

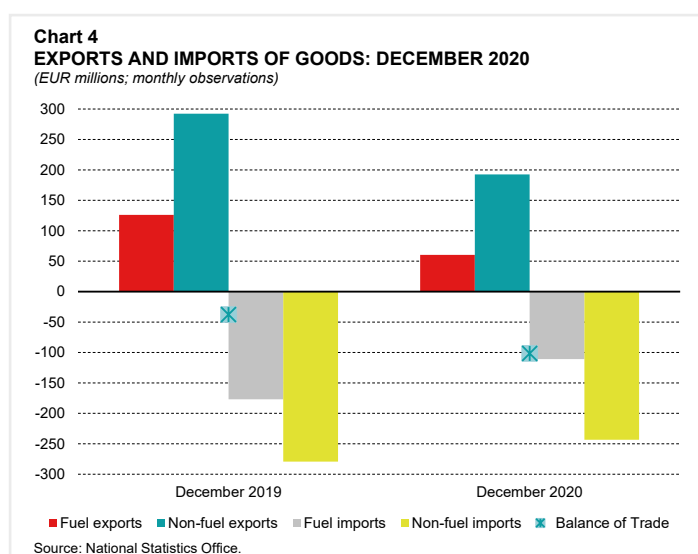
In December, development permits for commercial buildings declined by 10.7% in annual terms, after falling by 11.7% in November. Moreover, residential permits contracted by 51.8% in annual terms, a sharper decline than the 27.7% contraction registered in November.

The volume of retail trade, which is a short-term indicator of final domestic demand, increased for the first time since February, rising by 3.3% in December on an annual basis, after falling by 3.7% in November.

Travel-related restrictions continued to severely impact the tourism sector. The number of inbound tourists stood at 12,940 in December, a 91.1% drop compared with the same month a year earlier. Guest nights declined by 77.2%, with collective accommodation registering the sharpest decline in absolute terms. Similarly, total expenditure fell by 86.6% over the corresponding period in 2019.

Customs data show that the merchandise trade deficit stood at €101.5 million in December, up from €37.7 million a year earlier. The larger deficit reflected a €165.6 million fall in exports, which was greater than the €101.8 million decline in imports (see Chart 4). The decline in exports partly reflected a significant fall in re-exports of mineral fuel and related products. However, lower exports of fish, organic chemicals, aircraft parts and, to a lower extent, printed material also contributed. Together, these more than offset a rise in exports of pharmaceutical products and electrical machinery.

Lower imports continued to be observed across most broad economic categories. Nonetheless, over half of the decrease in imports reflected a significantly lower fuel import bill. A fall in the imports of electric machinery, other machinery and mechanical appliances,



paper and organic chemicals also contributed. These outweighed higher imports of pharmaceutical products.

In the 12 months to December, the visible trade gap narrowed to €2,159.8 million from €3,622.1 million in the corresponding period of 2019, driven by a sharp fall in imports, which was more than three times the drop in exports (see Chart 5).

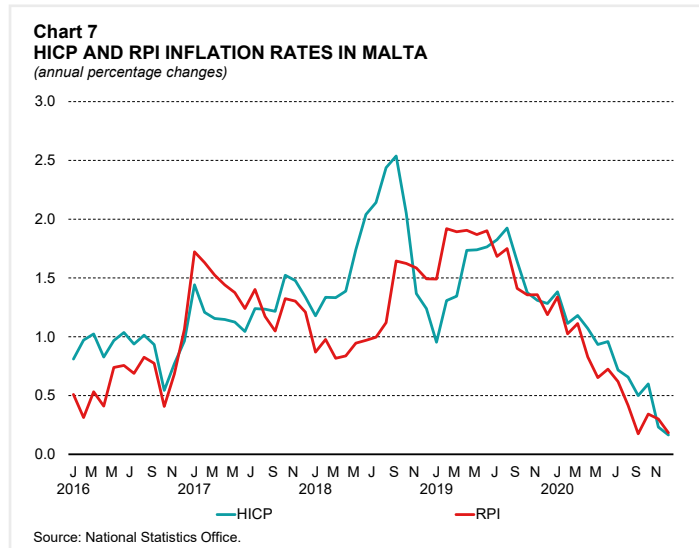
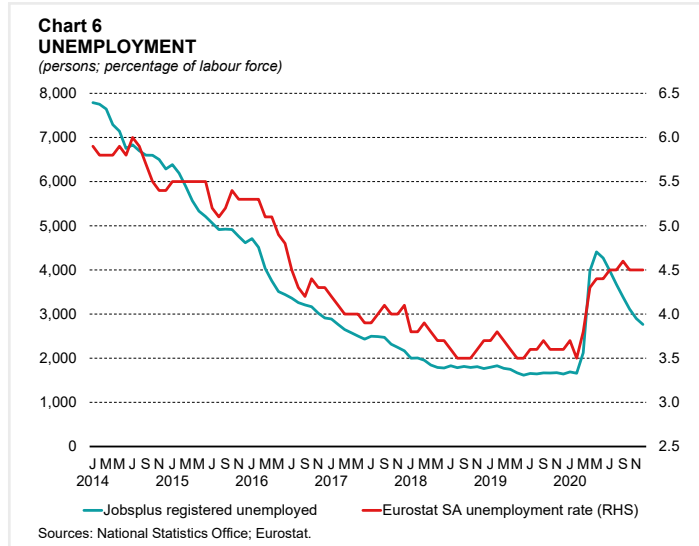
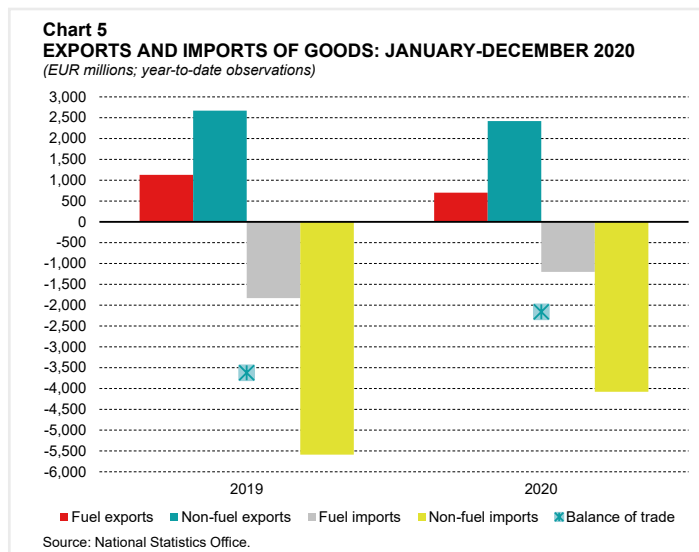
Labour market

Jobsplus data show that the number of persons on the unemployment register stood at 2,765 in December, down from 2,898 in November, but higher than the 1,642 recorded a year earlier (see Chart 6).

The seasonally-adjusted unemployment rate stood at 4.5% in December, the same level as that registered in the previous month. Although higher than the rate of 3.6% registered in the same month of 2019, the unemployment rate remained relatively low from a historical perspective.

Prices, costs and competitiveness

Annual HICP inflation stood at 0.2% in December, as in November (see Chart 7). While unprocessed food inflation and, to a limited extent, processed food inflation fell, prices of non-energy industrial goods fell at



a slower rate and services inflation edged up slightly. Energy inflation remained negative but unchanged from November.

Annual RPI inflation edged down to 0.2% in December, from 0.3% in November (see Chart 7).¹⁴ Weaker growth in food prices was partly offset by smaller decreases in the prices of clothing and footwear, and household equipment.

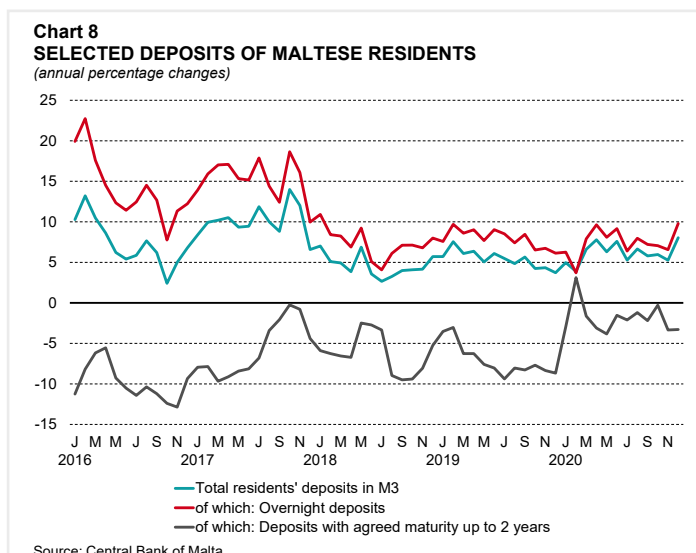
Producer output inflation, measured by the producer price index, edged up to -0.1% in December, from -0.5% in November.¹⁵ This reflected a smaller annual decline in intermediate goods prices when compared with the previous month, as well as a marginally faster rate of growth in producer prices of capital goods, which offset a marginal decrease in consumer goods inflation. Energy inflation remained nil.

Malta's nominal harmonised competitiveness indicator (HCI) increased by 3.9% in the year to December, up from 3.3% in November.¹⁶ This suggests a continued deterioration in the country's international competitiveness due to an appreciation in the euro exchange rate against currencies of trading partners. The real HCI, which also takes into account relative price changes, rose by 3.6%, suggesting that the effect of a stronger euro was partly offset by favourable developments in relative prices vis-à-vis trading partners.

Deposits, credit and financial markets

In December, residents' deposits held with monetary financial institutions (MFI) and forming part of broad money (M3) expanded at an annual rate of 8.0%, up from 5.3% in November (see Chart 8).

Overnight deposits remained the largest component of residents' M3 deposits, comprising over 85% of their M3 balances. This deposit category – which is the most liquid – grew by 9.8% in the year to December, after adding 6.6% in the previous month. Meanwhile, time deposits with a maturity of up to two years – the second largest deposit category – fell by 3.3%



¹⁴ 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.

¹⁵ 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.

¹⁶ HCIs act as an effective exchange rate measure for countries operating within the euro area monetary union. The nominal HCI tracks movements in the euro exchange rate against the currencies of Malta's main trading partners, weighted according to the direction of trade in manufactured goods. On top of this, the real HCI also takes into account the relative inflation rate of Malta vis-à-vis its main trading partners. A higher (or lower) score in the HCI indicates a deterioration (or improvement) in Malta's international price competitiveness.

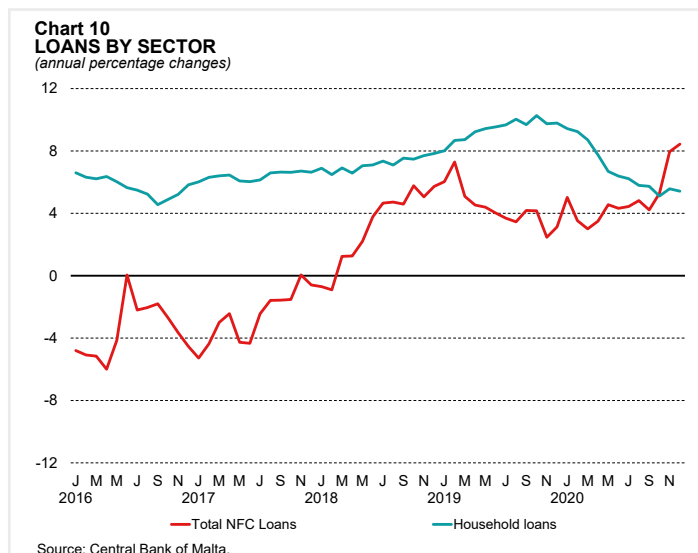
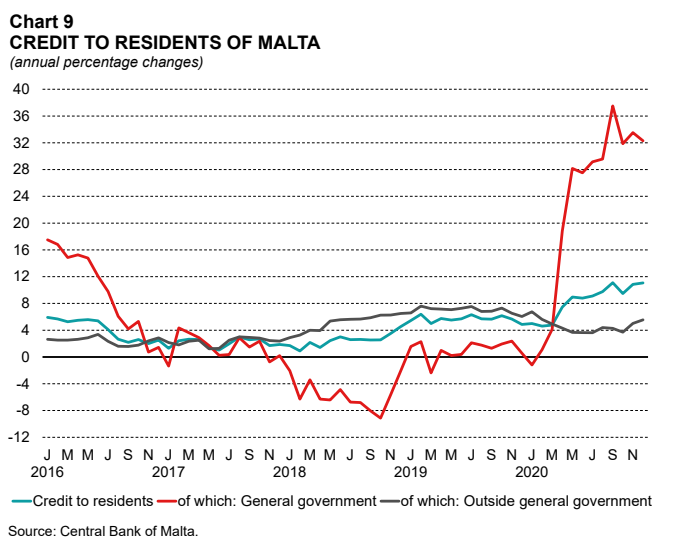
in annual terms, unchanged from the previous month.

Credit to Maltese residents grew at an annual rate of 11.1% in December, up from 10.8% a month earlier (see Chart 9). The acceleration in credit during December was driven by faster growth of credit outside general government. This reached 5.6% in December from 5.0% in the previous month. At the same time, growth in credit to general government rose by 32.3% in December, down from 33.5% in November.

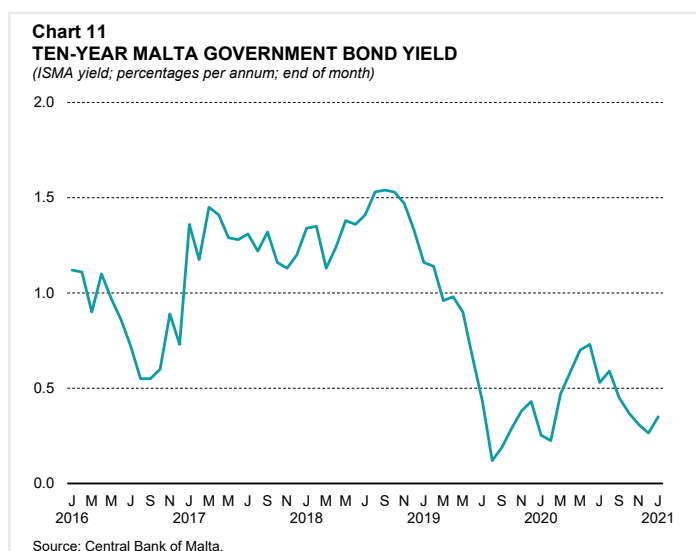
The annual rate of change in loans to non-financial corporations stood at 8.4%, up from the 8.0% registered in November (see Chart 10). The acceleration in growth was largely driven by a significantly smaller contraction in loans to the wholesale and retail sectors and, to a lesser extent, an increase in credit to the ICT sector. These developments were partly offset by a slower increase in loans to the transportation and storage sector. This was followed by a smaller

expansion in loans to the energy sector. Meanwhile, the annual rate of change of loans to households edged down to 5.4%, from 5.6% in November. This reflected a larger contraction in consumer credit and other lending, which fell by 6.2%, following a decline of 4.9% in November. At the same time, mortgage lending grew by 6.7% in December, unchanged for the third consecutive month.

As regards interest rates, the composite interest rate paid by MFIs on Maltese residents' outstanding deposits remained unchanged from a month earlier, standing at 0.21% in December. The composite rate charged on outstanding loans eased marginally to 3.36%, from 3.37% in November. Hence, the spread between the two rates was broadly the same at 315 basis points.



In the capital market, the secondary market yield on 10-year Maltese government bonds increased by 9 basis points from a month earlier, to 0.35% at the end of January (see Chart 11). Meanwhile, the Malta Stock Exchange (MSE) Equity Price Index fell by 2.4% during the same period. Similar movements were recorded in the MSE Total Return Index, which accounts for dividends as well as changes in equity prices.



BOX 2 – LIQUIDITY SUPPORT MEASURES RELATED TO COVID-19

In response to the outbreak of COVID-19 and the subsequent containment measures, several businesses and households were faced with liquidity challenges, and thus applied with MFIs in Malta for a moratorium on loan repayments (see Table 3).¹⁷

As at end-December, there were 2,373 loans subject to a moratorium on repayments.¹⁸ The total value of loans subject to a moratorium in December edged down when compared with November. These declined by around €185 million and stood at €748.7 million, or 6.4% of total outstanding loans to Maltese residents. Loans subject to a moratorium declined for the fourth consecutive time since March 2020, suggesting that some businesses and households have recommenced regular loan repayments, signalling a recovery in income flows.¹⁹ When compared with a month earlier, the largest declines in euro and volume terms were observed in the household, wholesale and retail as well as real estate sectors.

The largest number of loans covered by moratoria was held by households, with the sector accounting for 64.3% of the total volume of loans subject to a moratorium. Maltese households held €137.6 million, or 18.4%, of the total value of loans subject to a moratorium, equivalent to 2.2% of outstanding household loans.

¹⁷ The loans subject to moratorium include both pre and post the Legal Notice 142 of 2020 on the Moratorium on Credit Facilities Regulations in Exceptional Circumstances (see <http://www.justiceservices.gov.mt/DownloadDocument.aspx?app=lp&itemid=30087&l=1>) and Central Bank of Malta [Directive No. 18](#). The latter entered into force on 13 April 2020. A number of banks had already started to provide moratorium facilities voluntarily in March 2020.

¹⁸ Data on moratoria refer to loans that were issued before the onset of the pandemic and which became subject to a moratorium as a result of COVID-19 pre Central Bank of Malta [Directive No. 18](#) of 2020 or in terms of the same Directive. Revised back data are reported in the Annex.

¹⁹ In view of the protracted impact of the COVID-19 pandemic, on 14 January 2021, the Minister for Health, in consultation with the Ministry for Finance issued [Legal Notice \(LN\) 15 of 2021 on 'Moratorium on Credit Facilities in Exceptional Circumstances'](#), which relates to the reactivation of moratoria in Malta. This reactivation allows borrowers to submit their applications for new moratoria or to extend their existing moratoria subject to a number of conditions, before 31 March 2021.

Table 3
LOANS SUBJECT TO MORATORIUM – AS AT END DECEMBER 2020

Number of loans; EUR millions; percentage

	Volume of loans ⁽¹⁾	Outstanding amounts ⁽²⁾	Share in sector's outstanding loans ⁽³⁾
Households	1,526	137.6	2.2
Manufacturing	50	8.5	3.9
Construction	31	18.3	2.9
Wholesale and retail trade; repair of motor vehicles and motor cycles	135	31.0	4.7
Transportation and storage and information and communication	52	18.6	6.3
Accommodation and food service activities	224	213.1	42.1
Real estate activities	146	188.9	18.5
Other ⁽⁴⁾	210	132.6	6.6
Total	2,373	748.7	6.4

Source: Central Bank of Malta.

⁽¹⁾ The number of loans subject to moratorium.

⁽²⁾ Outstanding amounts of loans subject to moratorium as at end of month, in EUR millions.

⁽³⁾ The percentage of loans subject to moratorium in total outstanding loans held by the sector as at end of month.

⁽⁴⁾ Includes loans to agriculture and fishing, mining and quarrying, public administration, education, health and social work, financial and insurance activities (including interbank loans), professional, scientific and technical activities, administrative and support service activities, arts, entertainment and recreation, other services activities and extra-territorial bodies & organisations, and the electricity, gas & water supply sector.

Meanwhile, the accommodation and food services activities sector held €213.1 million in loans subject to a moratorium. This is the sector most affected by the containment measures and, indeed, 42.1% of the loans held by this sector were subject to a moratorium by the end of December. The real estate sector held €188.9 million in loans subject to a moratorium, or around 25.2% of such loans – equivalent to slightly less than a fifth of the sector's outstanding loans. Moreover, as at end-December, the wholesale and retail trade sector held €31.0 million in loans subject to a moratorium, making up 4.1% of loans subject to a moratorium, or 4.7% of loans held by the sector.

To further alleviate liquidity challenges, the Government launched the Malta Development Bank (MDB) COVID-19 Guarantee Scheme (CGS) for the purpose of guaranteeing new loans granted by commercial banks for working capital purposes to businesses facing liquidity shortfalls as a result of the pandemic. The scheme enables credit institutions to leverage government guarantees up to a total portfolio volume of €777.8 million.²⁰

By end December, 537 facilities were approved under the CGS, covering total sanctioned lending of €408.1 million (see Table 4). As the scheme provides loans for working capital, only €287.1 million were disbursed by the end of December, up from the €252.7 million disbursed by the end of November. Thus, by the end of 2020, slightly more than half of the scheme was sanctioned, while slightly more than a third was disbursed.

²⁰ The CGS was approved by the European Commission on 2 April 2020. See <https://mdb.org.mt/en/Schemes-and-Projects/Pages/MDB-Working-Capital-Guarantee-Scheme.aspx> for further details.

Table 4
MDB COVID-19 GUARANTEE SCHEME – AS AT DECEMBER 2020

Number of facilities; EUR millions

	Total number of facilities ⁽¹⁾	Sanctioned amount ⁽²⁾
Manufacturing	45	19.2
Construction	29	39.1
Wholesale and retail trade; repair of motor vehicles and motor cycles	155	95.1
Transportation and storage and information and communication	34	39.4
Accommodation and food service activities	122	93.1
Professional, scientific and technical activities	28	16.6
Administrative and support service activities	35	11.9
Real estate	17	6.4
Other ⁽³⁾	72	87.4
Total	537	408.1

Source: Malta Development Bank.

⁽¹⁾ The number of facilities taken by various sectors.

⁽²⁾ The total number of loans sanctioned under the scheme as at end month, in EUR millions.

⁽³⁾ Includes loans to education, health and social work, financial and insurance activities, arts, entertainment and recreation and other services activities, activities of households, electricity, gas & water supply sector and agriculture, forestry and fishing.

In terms of the number of facilities, the sector comprising wholesale and retail activities applied for the largest number of facilities and had the largest value of sanctioned loans at €95.1 million. This was followed by accommodation and food services activities, with 122 facilities making up a total of €93.1 million in sanctioned loans, and the sector comprising transportation and ICT, which had a total sanctioned amount of €39.4 million.

MACROECONOMIC INDICATORS FOR MALTA																									
Annual percentage changes: non-seasonally adjusted data																									
	2018	2019	2019	2020	2020	2020	2019	2019	2019	2019	2019	2019	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2021		
			Q4	Q1	Q2	Q3	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.
Prices and costs																									
HICP inflation	1.7	1.5	1.3	1.2	1.0	0.6	1.8	1.9	1.6	1.4	1.3	1.3	1.4	1.1	1.2	1.1	0.9	1.0	0.7	0.7	0.5	0.6	0.2	0.2	-
RPI inflation	1.2	1.6	1.3	1.2	0.7	0.4	1.7	1.7	1.4	1.4	1.4	1.2	1.3	1.0	1.1	0.8	0.7	0.7	0.6	0.4	0.2	0.3	0.3	0.2	-
Industrial producer price inflation	4.4	2.2	1.8	1.2	0.2	0.2	1.8	1.6	2.1	2.3	1.4	1.6	1.8	1.7	0.0	0.6	0.3	-0.3	1.2	0.5	-1.0	-0.6	-0.5	-0.1	-
HCI (nominal)	2.6	-0.7	-1.1	-0.2	1.2	2.8	-0.7	-0.5	-1.7	-1.1	-1.0	-1.3	-1.1	-1.0	1.7	1.3	0.9	1.3	2.3	2.7	3.3	3.3	3.3	3.9	-
HCI (real)	2.1	-1.1	-1.6	-0.9	1.2	2.4	-0.9	-0.5	-1.8	-1.4	-1.4	-2.0	-2.0	-2.0	1.2	1.4	1.0	1.3	1.9	2.5	2.9	3.1	2.9	3.6	-
Unit labour costs, whole economy ⁽¹⁾	4.5	3.5	3.5	4.9	9.2	10.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Compensation per employee ⁽¹⁾	3.3	2.8	2.8	2.7	1.5	-0.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Labour productivity (per person) ⁽¹⁾	-1.1	-0.7	-0.7	-1.9	-6.5	-9.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property Price Index (Eurostat)	5.8	6.1	5.7	5.5	3.9	2.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Economic activity																									
Nominal GDP	7.1	7.6	8.0	2.5	-14.8	-8.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Real GDP	4.8	5.3	5.5	0.8	-16.1	-9.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Real private consumption	8.4	4.8	3.8	-2.6	-21.6	-7.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Real government consumption	11.4	13.9	9.2	4.4	15.5	17.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Real gross fixed capital formation	3.1	9.3	2.6	-9.9	-8.6	-5.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Real exports of goods and services	-0.6	6.2	5.4	3.2	-10.3	-12.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Real imports of goods and services	0.4	7.9	4.8	0.7	-4.4	-6.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Labour market developments																									
LFS unemployment rate (% of labour force)	3.7	3.5	3.2	3.6	4.4	4.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
LFS employment	7.8	6.6	5.4	7.7	2.8	1.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Jobsplus gainfully occupied	6.9	6.0	6.0	8.6	-	-	5.4	5.2	5.7	5.7	5.9	6.3	7.8	9.2	8.8	7.6	6.7	-	-	-	-	-	-	-	-
Balance of payments																									
Current account (as a % of GDP) ⁽²⁾	5.7	4.6	4.6	5.1	0.9	-2.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit and financial indicators																									
Maltese residents' deposits and loans																									
Overnight deposits	8.0	6.1	6.1	7.9	9.2	7.2	8.5	7.4	8.5	6.5	6.7	6.1	6.3	3.7	7.9	9.6	8.1	9.2	6.4	8.0	7.2	7.1	6.6	9.8	-
Deposits with agreed maturity up to 2 years	-5.2	-8.7	-8.7	-1.6	-1.5	-2.2	-9.4	-8.0	-8.3	-7.7	-8.3	-8.7	-2.9	3.1	-1.6	-3.1	-3.8	-1.5	-2.1	-1.2	-2.2	-0.3	-3.3	-3.3	-
Total residents' deposits in M3	5.7	3.6	3.7	6.6	7.6	5.8	5.5	4.8	5.7	4.2	4.3	3.7	5.0	3.9	6.6	7.8	6.3	7.6	5.3	6.6	5.8	6.0	5.3	8.0	-
Credit to general government	-2.0	0.6	0.6	4.1	27.5	37.5	2.1	1.8	1.3	1.9	2.4	0.6	-1.2	1.1	4.1	18.8	28.2	27.5	29.2	29.6	37.5	31.9	33.5	32.3	-
Credit to residents (excl. general government)	6.5	6.0	6.0	4.9	3.6	4.3	7.5	6.8	6.8	7.3	6.5	6.0	6.8	5.6	4.9	4.3	3.7	3.6	3.6	4.4	4.3	3.7	5.0	5.6	-
Total credit	4.5	4.9	4.9	4.8	8.8	11.1	6.3	5.7	5.6	6.2	5.7	4.9	5.0	4.6	4.8	7.5	9.0	8.8	9.1	9.8	11.1	9.5	10.8	11.1	-
10-year interest rate (%) ⁽³⁾	1.3	0.4	0.4	0.5	0.7	0.5	0.4	0.1	0.2	0.3	0.4	0.4	0.3	0.2	0.5	0.6	0.7	0.7	0.5	0.6	0.5	0.4	0.3	0.3	0.4
Stock prices: Malta Stock Exchange Index ⁽⁴⁾	0.1	4.4	-4.0	-19.5	6.8	12.6	0.7	-1.0	2.4	-1.6	-2.5	0.0	-1.2	-0.6	-18.0	6.1	-1.1	1.7	-3.5	-5.9	-3.8	-2.1	6.9	11.4	-2.4
Liquidity support measures related to COVID-19																									
Outstanding loans subject to a moratorium ⁽⁵⁾	-	-	-	493.5	1,691.1	1,572.6	-	-	-	-	-	-	-	-	493.5	1,260.4	1,548.5	1,691.1	1,790.4	1,757.6	1,572.6	1,165.1	933.4	748.7	-
Sanctioned amount under the MDB COVID-19 Guarantee Scheme ⁽⁵⁾	-	-	-	-	161.1	343.7	-	-	-	-	-	-	-	-	-	-	68.5	161.1	238.0	285.1	343.7	351.1	388.5	408.1	-
Disbursed amount under the MDB COVID-19 Guarantee Scheme ⁽⁵⁾	-	-	-	-	64.9	165.6	-	-	-	-	-	-	-	-	-	-	7.4	64.9	88.9	121.4	165.6	204.6	252.7	287.1	-
General government finances (% of GDP)																									
Surplus (+) / deficit (-) ⁽²⁾	2.0	0.5	0.5	-1.5	-5.1	-8.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross debt ⁽⁶⁾	45.1	42.4	42.4	43.9	51.0	53.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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⁾ Stock in EUR millions.⁽⁶⁾ GDP data are four-quarter moving sums.