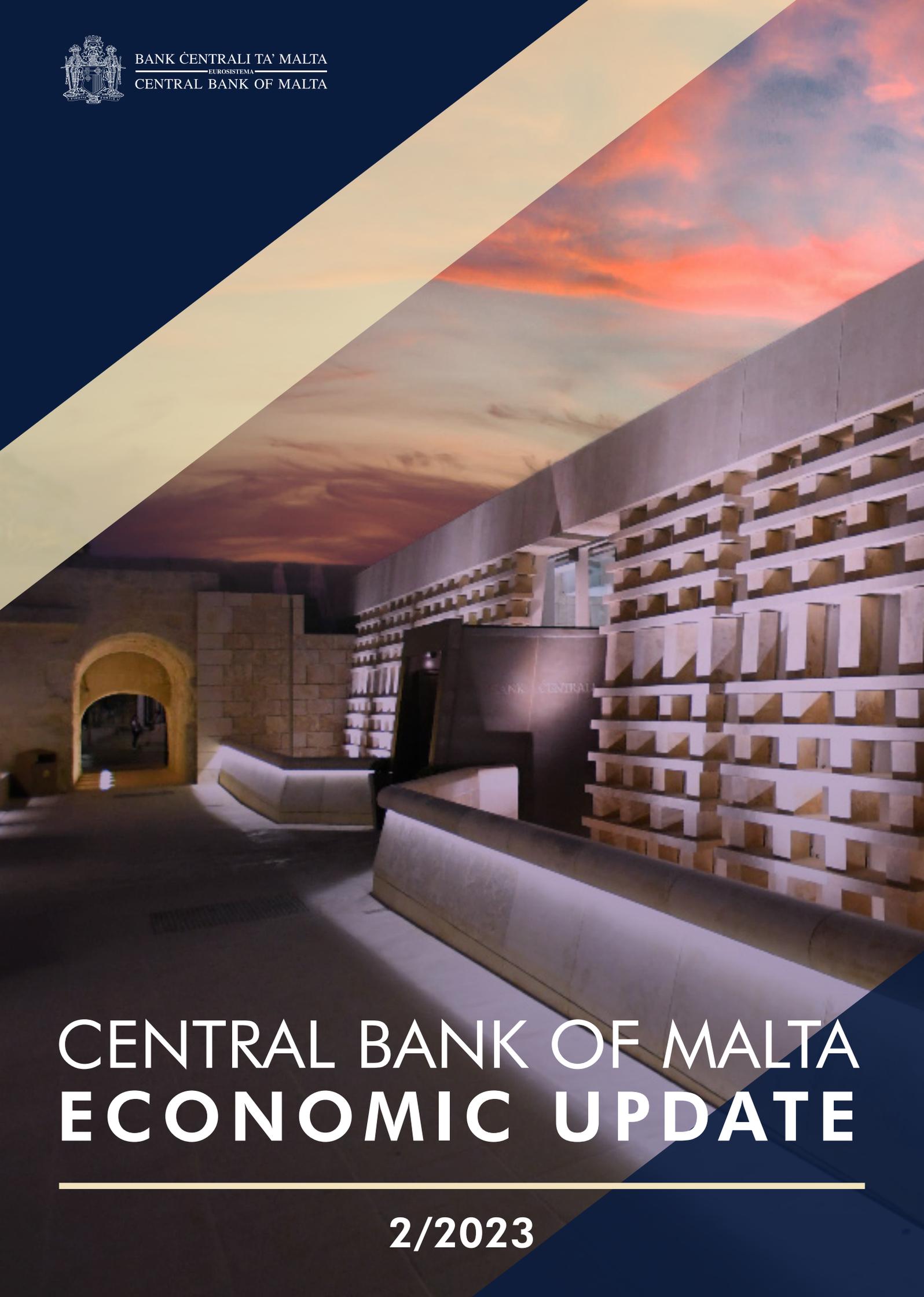




BANK ĊENTRALI TA' MALTA
EUROSISTEMA
CENTRAL BANK OF MALTA



CENTRAL BANK OF MALTA ECONOMIC UPDATE

2/2023

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The cut-off date for information in this note is 13 February 2023. However, the cut-off date for the HICP and RPI is 23 February and 27 February 2023, respectively. Figures in tables may not add up due to rounding.

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ECONOMIC UPDATE 2/2023

Summary¹

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

The European Commission confidence surveys show that in January, sentiment in Malta edged up from a month earlier, and stood above its long-term average, estimated since November 2002. When compared with the previous month, the improvement was largely driven by industry, although sentiment in this sector remained negative.

Additional survey information shows that in month-on-month terms, price expectations decreased in the retail sector but increased across the remaining sectors compared to December.

In January, the European Commission's Economic Uncertainty Indicator (EUI) for Malta decreased when compared with December. Uncertainty fell mostly in the retail sector and in industry, with smaller decreases recorded in the construction sector and in the services sector. By contrast, uncertainty among consumers edged up slightly.

In December, industrial production grew strongly on a year earlier. Meanwhile, retail trade increased at a slower pace in annual terms. The unemployment rate stood at 3.2% in December, unchanged from the previous month but marginally higher than that registered a year earlier.

Commercial building and residential permits decreased in December relative to their year-ago level. In January, the number of promise-of-sale agreements rose on a year-on-year basis while the number of final deeds of sales fell.

The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) stood at 6.8% in January, down from 7.3% in the previous month. Inflation based on the Retail Price Index (RPI) also decreased, standing at 6.9% in January, down from 7.4% in December.

Maltese residents' deposits expanded at an annual rate of 4.0% in December, following an increase of 7.0% in the previous month, while annual growth in credit to Maltese residents moderated to 7.6% from 8.0% a month earlier.

Central Bank's Business Conditions Index²

The Bank's BCI indicates that annual growth in business activity has normalised from its exceptional highs registered in the first half of 2021, standing slightly above its long-term average estimated since January 2020 (see Chart 1). Among BCI components, tourist arrivals, industrial

¹ The cut-off date for information in this note is 13 February 2023. However, the cut-off date for the HICP and RPI is 23 February and 27 February 2023, respectively. Most of the data reported in this issue of the *Economic Update* refer to December 2022. However, the latest data for the European Commission's confidence and uncertainty indicators, HICP, RPI, and the Bank's BCI refer to January 2023.

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.

production, tax revenue, and GDP experienced strong year-on-year growth in recent months. The ESI also increased from its year-ago level. Meanwhile, the unemployment rate edged up slightly.

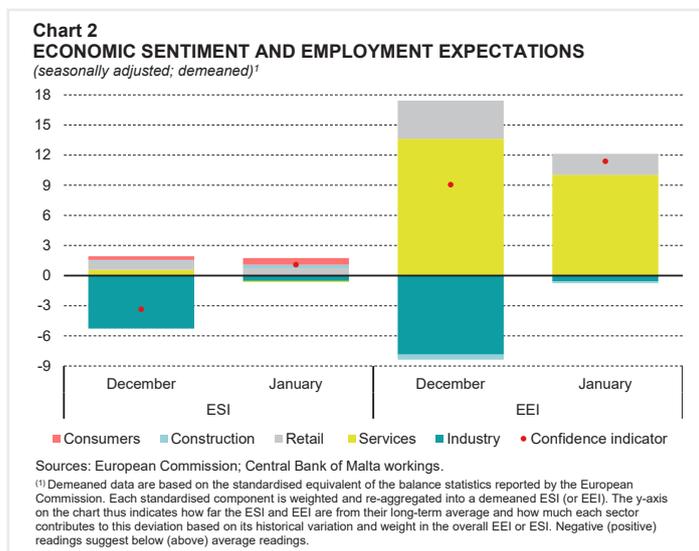
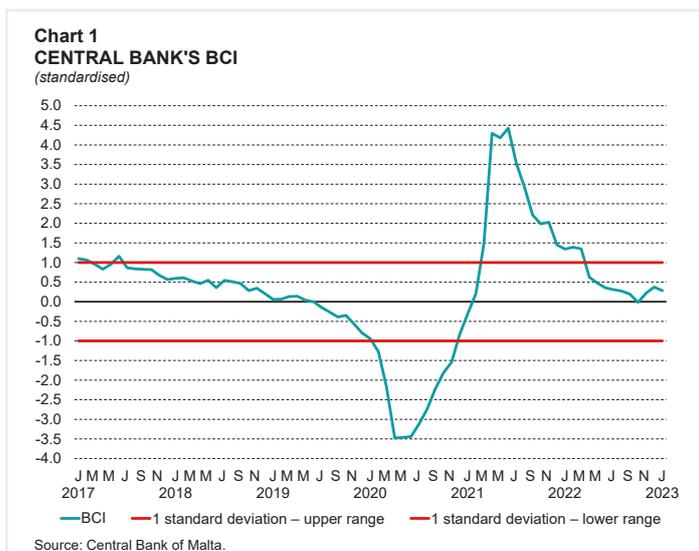
Business and consumer confidence indicators

In January, the European Commission's Economic Sentiment Indicator (ESI) for Malta reached a six month-high of 101.1, up from 96.7 in December, and slightly above its level in January 2022 (see Table 1).^{3,4,5,6} Following the recent increase, sentiment was marginally above its long-term average of around 100.0, estimated since November 2002, and stood above the euro area average of 99.9.

In month-on-month terms, sentiment increased strongly in industry, albeit from a negative level. It also improved in the construction sector, and to a lesser extent, among consumers. By contrast, sentiment deteriorated in the services and retail sectors.

In January, sentiment stood positive in the services, retail and construction sectors. However, it was negative in industry, and among consumers.

Demeaned data – which account for the variation in weights assigned to each sector in the overall index – show that most of the increase in the overall sentiment in January was driven by developments in industry, although its contribution remained negative (see Chart 2). Furthermore, the



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 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 In January 2022, data were revised for previous periods following the annual updating of country weights and the inclusion of 2021 in the standardisation sample.

⁶ 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.

Table 1
BUSINESS AND CONSUMER SURVEYS – MALTA

Balances; percentage points; seasonally adjusted

	2021	2022	2022		2023
			Jan.	Dec.	
ESI	104.9	100.9	99.9	96.7	101.1
Industrial confidence indicator	2.1	-9.4	-4.2	-23.5	-8.6
Assessment of order-book levels	-28.2	-21.5	-9.4	-10.1	-4.3
Assessment of stocks of finished products	-3.2	9.1	-10.4	2.2	2.6
Production expectations for the months ahead	31.3	2.2	-13.7	-58.1	-18.8
Construction confidence indicator	7.3	7.0	9.8	-4.3	2.9
Evolution of your current overall order books	1.4	8.7	9.1	-6.6	2.4
Employment expectations over the next 3 months	13.2	5.4	10.6	-2.0	3.4
Consumer confidence indicator	3.4	-7.3	-1.1	-11.8	-10.2
Financial situation past 12 months	-8.8	-19.7	-10.8	-22.7	-19.1
Financial situation next 12 months	7.3	-11.8	-1.0	-13.4	-11.3
Economic situation next 12 months	18.6	-3.5	3.4	-9.2	-10.0
Major purchases next 12 months	-3.4	5.6	4.1	-1.8	-0.6
Services confidence indicator	13.7	20.4	-1.6	19.6	18.4
Business situation development over the past 3 months	4.9	15.7	-18.1	1.6	12.4
Evolution of the demand over the past 3 months	10.7	26.0	18.9	16.7	17.4
Expectation of the demand over the next 3 months	25.4	19.6	-5.7	40.6	25.3
Retail trade confidence indicator	-8.4	6.0	4.9	27.3	25.4
Business activity, past 3 months	-13.6	21.1	-17.6	57.7	41.8
Stocks of finished goods	12.8	-3.2	-36.0	3.1	15.9
Business activity, next 3 months	1.2	-6.3	-3.6	27.2	50.3
EEI	103.5	106.4	105.5	110.8	112.0
Industry	14.8	12.0	13.4	-37.4	8.2
Construction	13.2	5.4	10.6	-2.0	3.4
Services	25.1	30.2	34.0	56.8	46.7
Retail	4.4	15.8	-2.0	26.7	16.1
EUI^(1,2)	21.3	28.1	25.1	24.4	14.0
Retail	48.8	50.8	59.0	40.4	18.7
Industry	21.0	39.4	20.8	32.0	10.9
Construction	30.1	19.5	5.5	35.2	19.7
Services	32.2	20.3	45.1	17.2	16.4
Consumers	-3.5	13.7	-0.1	13.5	13.9
ESI demeaned	4.9	0.9	-0.1	-3.4	1.1
EEI demeaned	3.4	6.2	5.2	9.1	11.4

Source: European Commission.

⁽¹⁾ Non-seasonally adjusted data.

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

confidence indicators for retailers and consumers largely explain why the ESI stood above its long-term average in January.

In January, sentiment in industry averaged -8.6, up from -23.5 in December. Notwithstanding this increase, sentiment remained below its long-term average of -4.3.⁷ The latest increase was largely

⁷ 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.

driven by a sharp increase in production expectations, although these remained negative. At the same time, fewer firms assessed order book levels to be below normal. By contrast, the share of respondents assessing their stocks of finished products to be above normal increased slightly.⁸

The confidence indicator for the construction sector turned positive in the month under review. It stood at 2.9, from -4.3 in December, and remained well above its long-term average of -8.7.⁹ In contrast to the previous month, respondents assessed order book levels to be above normal levels. Furthermore, employment expectations for the coming months turned positive.

Consumer confidence stood broadly in line with its long-term average of -10.2.¹⁰ Sentiment edged up to -10.2, up from -11.8 recorded a month earlier, reflecting improved assessment of their financial situation over the last 12 months, and improved expectations of their finances in the coming months. At the same time, expectations of major purchases over the next 12 months stood less negative compared to December. On the other hand, expectations about the general economic situation over the next 12 months weakened, remaining negative.

The sentiment indicator for the services sector eased to 18.4, from 19.6 in the previous month. Following the latest decline, sentiment fell slightly below its long-term average of 19.2.¹¹ The decrease in confidence reflects a sharp deterioration in firms' expectations of demand over the next three months. This offset an improvement in consumers' assessment of the business situation, and to a lesser extent, of demand over the past three months.

The confidence indicator for the retail sector edged down to 25.4, from 27.3 in December, but remained well above its long-term average of -0.5.¹² The recent fall in sentiment reflected a weaker assessment of sales in recent months and an increase in the share of retailers assessing their stock levels to be above normal. These developments offset improved expectations of business activity over the next three months.

Additional survey information shows that, in month-on-month terms, selling price expectations decreased significantly in the retail sector, but increased across the remaining sectors. The largest increases were recorded in the construction and services sectors (see Chart 3). Differences across sectors narrowed but remained wide – while the net share of firms signalling price increases exceeded 50% and 40% in the retail and services sectors, respectively, while that in other sectors ranged between 24% and 27%.

Price expectations stood below or around their year-ago level in all sectors, bar the services sector. The strongest decrease was recorded in the retail sector.

⁸ Above normal stocks of finished goods have a negative effect on the overall indicator, and vice versa.

⁹ 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.

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 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.

¹² 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 European Commission's Employment Expectations Indicator (EEI) – which is a composite indicator of employment expectations in industry, services, retail trade and construction – stood at 112.0 in January, up from 110.8 a month earlier.¹³ The indicator thus rose further above its long-term average of around 100.0 and exceeded the euro area average of 110.1.

Demeaned data suggest that the amelioration in employment expectations was almost entirely driven by a sharp increase in industry. Employment expectations in the construction sector also improved, albeit by a smaller degree. By contrast, expectations in the services and retail sectors stood less positive relative to December.



The services sector largely explains why the overall EEI stood above its long-term average in January (see Chart 2).

In January, 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 – decreased to 14.0, from 24.4 in December, signalling lower uncertainty (see Table 1). The uncertainty indicator stood well below its level recorded in January 2022, when the index averaged 25.1, and it was also below that of the euro area.^{14,15}

In month-on-month terms, the decrease in Malta's uncertainty indicator was mainly driven by the retail sector and industry, although uncertainty also decreased in the construction sector, and to a lesser extent, in the services sector. By contrast, uncertainty among consumers edged up marginally from the previous month.

When accounting for the variation in weights of each sector, industry and services accounted for most of the uncertainty in January.

¹³ 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*.

¹⁴ 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.

¹⁵ Data on consumer uncertainty became available in October 2020, while data for industry, services, retail and construction became available in May 2021.

Activity indicators

In December, annual growth in the index of industrial production – which is a measure of economic activity in the quarrying, manufacturing and energy sectors – stood at 16.3%. This followed a rise of 12.9% in November (see Table 2).¹⁶

The recent increase in industrial production largely reflected a strong expansion in the output of firms that produce pharmaceutical products. Firms that print and reproduce recorded media, and those that manufacture computer, electronic and optical products, also saw strong increases in their output in annual terms. Other increases in production were registered among firms that produce and repair machinery and equipment, as well as firms that produce chemicals and chemical products. By contrast, firms that produce textiles, wearing apparel and wood products decreased. Production also fell among firms that specialise in ‘other manufacturing’ – which includes medical and dental instruments, toys and related products.

Meanwhile, production in the energy sector increased in December, albeit at a slower pace compared to November.

In December, the volume of retail trade – which is a short-term indicator of final domestic demand – increased by 5.7% in year-on-year terms, after rising by 6.9% in November.

In December, the tourism sector continued to report gains. While tourist arrivals and tourist nights were still somewhat below pre-pandemic levels, tourist expenditure remained above the

Table 2
ACTIVITY INDICATORS

Annual percentage changes

	2021	2022	2021		2022	
			Nov.	Dec.	Nov.	Dec.
Industrial production	-0.3	3.2	-4.7	-5.6	12.9	16.3
Retail trade	9.0	9.0	9.6	3.6	6.9	5.7
Number of tourist arrivals	47.0	136.2	751.5	485.3	37.2	80.1
Number of nights stayed	60.5	98.0	312.9	239.7	36.3	24.8
Rented accommodation	73.8	111.3	524.2	437.7	29.5	35.6
Collective ⁽¹⁾	74.3	109.9	783.9	705.7	29.7	70.3
Other rented ⁽²⁾	72.9	113.8	291.1	296.0	29.1	-1.7
Non-rented accommodation ⁽³⁾	26.5	50.8	38.6	53.7	76.0	-10.9
Tourist expenditure	91.3	131.1	598.5	316.6	55.8	85.0
Package expenditure	108.7	129.8	1,403.5	877.3	56.6	112.9
Non-package expenditure	89.4	145.9	591.3	265.1	65.5	109.4
Other	85.4	118.3	466.9	277.7	46.9	55.8

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).

¹⁶ 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.

pre-pandemic level. The number of inbound tourists amounted to 136,423, up from 75,738 a year earlier. Nonetheless, it was still 5.7% below the number of inbound tourists in December 2019. Guest nights also rose on a year earlier but were 3.5% below those registered in December 2019. Total expenditure by tourists in Malta increased significantly over the level recorded in the corresponding period of 2021 and was 3.3% more than its pre-pandemic level.

In December 2022, 137 development permits for commercial buildings were issued, 59 less than the number of permits issued in the same month a year earlier (see Table 3). Meanwhile, 394 new residential permits were issued, 59 less than the number issued in December 2021. Both residential and commercial permits, however, increased in month-on-month terms.

Data on residential property transactions show that 1,097 final deeds of sale were concluded in January 2023, 76 more than the number concluded a month earlier, and 52 less than a year earlier. At 921, the number of promise-of-sale agreements was 81 less than a month earlier but 258 more compared with a year earlier.

Customs data show that the merchandise trade deficit stood at €406.1 million in December, up from €286.2 million a year earlier. The increase in the deficit was due to a €149.9 million rise in imports which offset a €30.0 million rise in exports (see Chart 4).

Higher imports were mainly on account of a substantial increase in the fuel import bill. An increase in the registrations of aircraft as well as higher imports of electrical machinery, machinery and mechanical appliances, fish and paper products also contributed but to a lesser extent. These offset

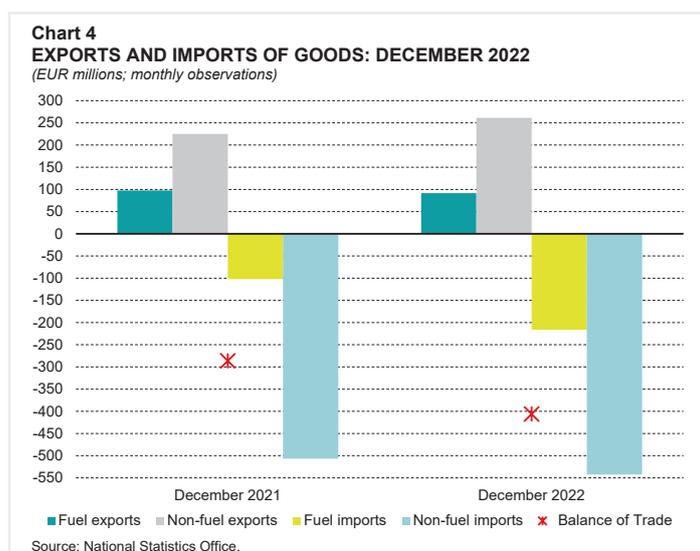


Table 3
PROPERTY MARKET

Levels

	2021	2022	2021 Dec.	2022 Jan.	2021 Nov.	2022 Dec.	2023 Jan.
Permits							
Commercial permits	2,770	2,984	196	244	262	137	-
Residential permits	7,578	9,599	453	951	894	394	-
Residential transactions							
Promise of sale	15,639	12,177	2,273	663	1,156	1,002	921
Final deeds of sale	14,368	14,331	1,409	1,149	1,294	1,021	1,097

Sources: National Statistics Office; Eurostat.

lower imports of organic chemicals, pharmaceutical products, and vehicle parts as well as a decrease in registrations of sea vessels.

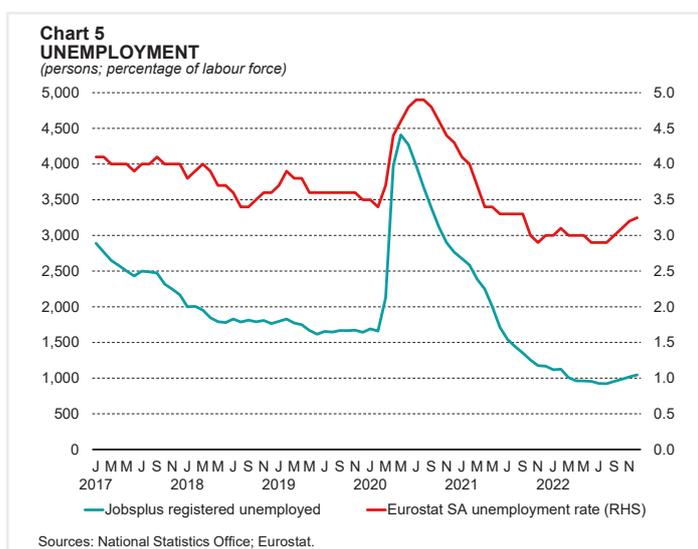
The increase in exports was due to significantly higher exports of electrical machinery and, to a lesser extent, higher exports of aluminium and fish. These outweighed lower exports of aircraft parts, pharmaceutical products, fuel re-exports and iron and steel.

In 2022, the visible trade gap widened to €4,753.2 million from €3,110.3 million in 2021, as the increase in imports was almost three times that in exports. The increase in imports was in large part driven by higher imports of fuels and higher registrations of aircraft.

Labour market

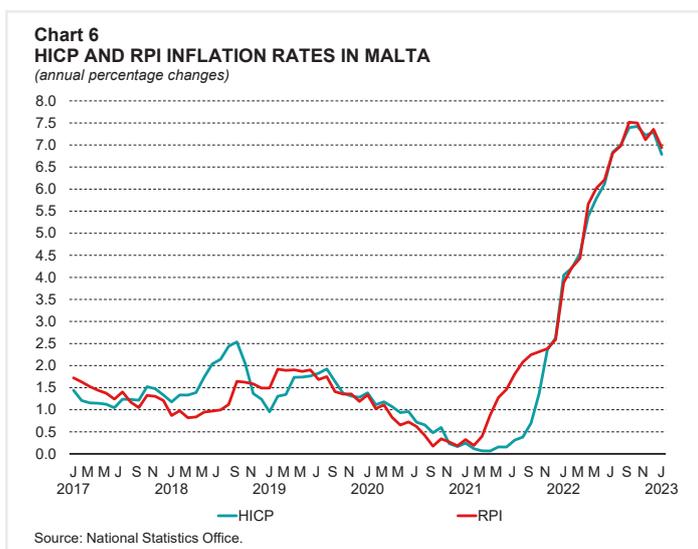
Jobsplus data show that the number of persons on the unemployment register stood at 1,046 in December, up from 1,017 in November, but lower than 1,167 recorded a year earlier – when the labour market was still impacted by pandemic-related restrictions (see Chart 5). The number of registered unemployed has now stood below pre-pandemic levels since mid-2021.

The seasonally-adjusted unemployment rate stood at 3.2% in December, the same rate registered in the previous month, but slightly higher than the 3.0% registered in December 2021.



Prices, costs and competitiveness

Annual HICP inflation was 6.8% in January, down from 7.3% in the previous month (see Chart 6). The fall in inflation reflects developments in food and services inflation. Indeed, food inflation stood at 10.1% in January, down from 11.5% in December. This was in turn driven by both unprocessed and processed food inflation which declined by 1.8 and 1.2 percentage points, respectively. Unprocessed food inflation stood at 8.5% in January, while processed food inflation stood



at 10.6%. Services inflation also decreased to 5.8% in January, down from 6.7% a month earlier. This was largely driven by lower inflation in services related to transport, housing and communication. On the other hand, NEIG inflation reached 7.3%, up from 6.7% registered in the previous two months. As in recent months, energy prices remained unchanged, reflecting government measures aimed at shielding such prices from foreign price pressures.

Annual inflation according to the RPI stood at 6.9% in January, down from 7.4% in December (see Chart 6).¹⁷ This decrease was largely driven by lower inflation in food, which fell to 10.6%, down from 12.7% in December. Housing inflation also declined when compared to December, although it remained relatively elevated at 16.0% in January. Similarly, prices of household equipment and house maintenance as well as transport and communication rose at a slower pace in January, when compared to a month earlier. On the other hand, inflation of clothing and footwear rose strongly to 7.0%, up from 0.5% in the previous month. Inflation of the personal care and health, beverage and tobacco sector as well as that of recreation and culture also edged up, while prices remained unchanged in the energy sector.

Producer output inflation, as measured by the industrial producer price index, stood at 4.3% in December, down from 6.0% in November.¹⁸ The moderation largely reflects slower growth in the prices of intermediate goods. Producer prices of consumer goods also rose at a slightly slower pace when compared to November, reflecting developments in producer prices for non-durables. By contrast, producer prices for capital goods rose at a marginally faster pace. As in recent months, energy prices remained unchanged, having no impact on producer prices.

Malta's nominal harmonised competitiveness indicator (HCI) increased by 1.4% in the year to January 2023, up from 0.8% at the end of 2022.¹⁹ The real HCI, which considers relative price changes, fell by 0.6% in annual terms in January, suggesting that the loss in international competitiveness arising from a stronger euro was 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 4.0%, below the 7.0% recorded a month earlier (see Chart 7).

Overnight deposits remained the largest component of residents' M3 deposits, comprising around 91% of their M3 balances. This deposit category – which is the most liquid – grew by 8.1% in the year to December, slowing from 11.6% in the previous month. At the same time, time deposits with a maturity of up to two years – the second largest deposit category – fell by 24.7% in annual terms, following a contraction of 24.9% in the year to November. This may reflect

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. Due to the strong impact of the pandemic on tourist expenditure, the two measures are expected to deviate significantly as weights in the HICP have changed significantly while those of the RPI have not been adjusted.

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.

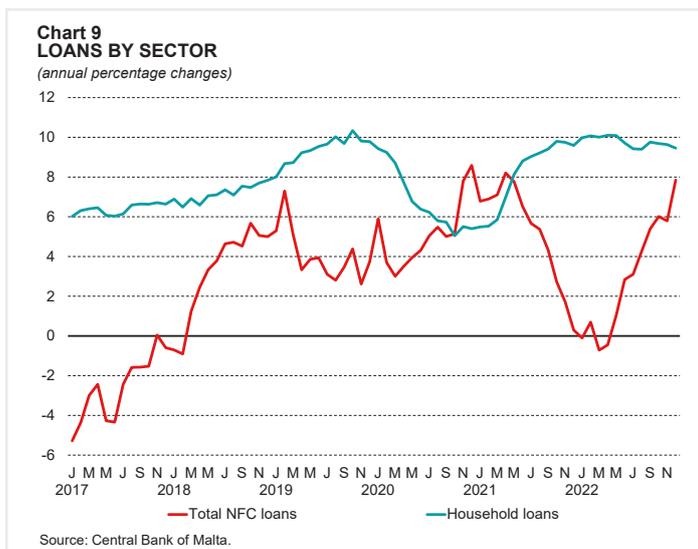
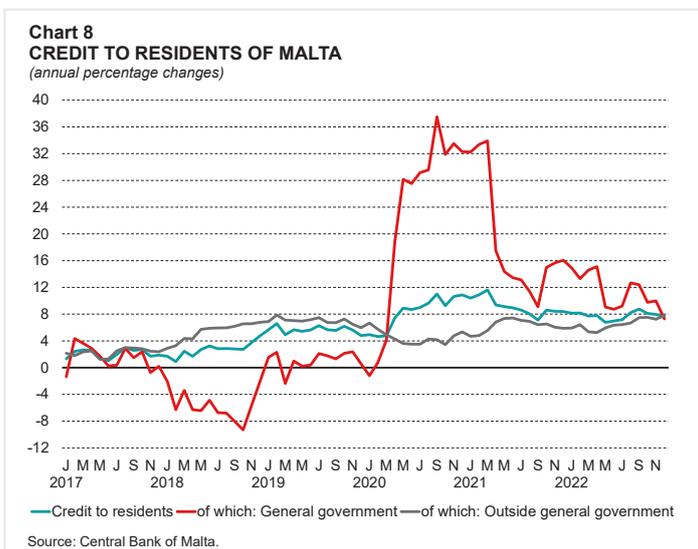
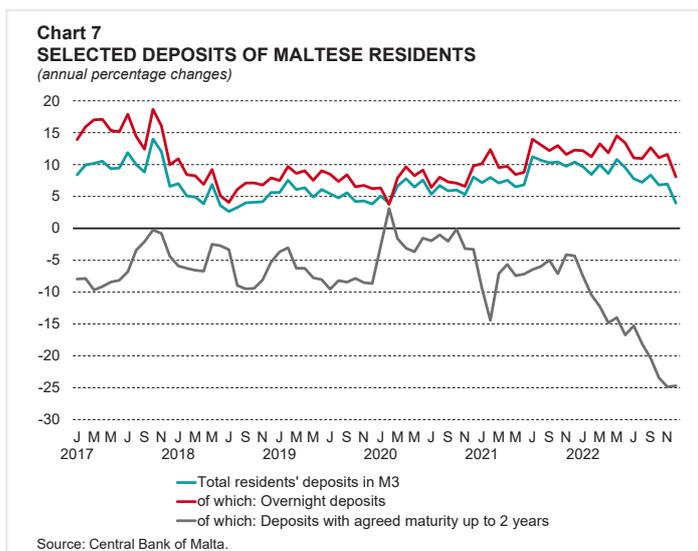
¹⁹ HCIs act as an effective exchange rate measure for countries operating within the euro area monetary union. The nominal HCI tracks movements in the euro exchange rate against the currencies of Malta's main trading partners, weighted according to the direction of trade in manufactured goods. On top 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.

efforts by certain credit institutions to reduce the number of fixed term deposit accounts.

Credit to Maltese residents grew at a slower rate of 7.6% in December, after increasing by an annual 8.0% a month earlier (see Chart 8). This deceleration was driven by a smaller increase in credit to general government. Annual growth in this component eased to 7.3%, from 10.0% in November. Meanwhile, growth in credit to residents outside general government accelerated, rising by 7.8%, above the 7.2% registered in the year to November.

The annual rate of change in loans to households eased slightly to 9.5% in December, from 9.6% in the previous month (see Chart 9). Growth in mortgage lending stood at 9.8%, below the 10.2% recorded in the year to November. On the other hand, consumer credit and other lending rose at a faster rate of 4.8%, following an increase of 2.9% a month earlier.

Meanwhile, the annual rate of change in loans to non-financial corporations rose to 7.8% in December, from 5.8% in November. The acceleration was largely driven by an increase in loans to the energy sector, following a decline in the year to November. Faster growth in loans to real estate and construction also contributed. By contrast, loans to the manufacturing, and the sector



comprising transportation, storage, information and communication activities, increased at a slower pace.

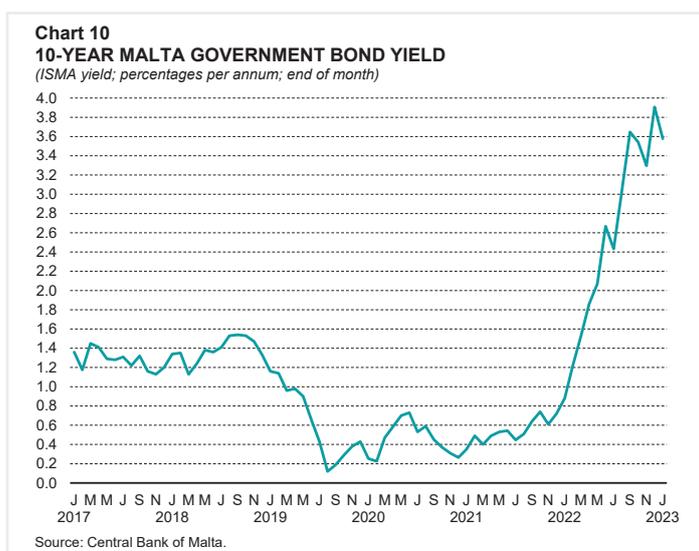
By end-December, 622 facilities were approved and still outstanding under the COVID-19 Guarantee Scheme (CGS), covering total sanctioned lending of €482.6 million.²⁰ The number and value of facilities approved and still outstanding was unchanged from the previous month. Overall, €470.2 million were disbursed, an unchanged amount from that disbursed by the end of November.

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) 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. By end-December, three facilities were approved, with total sanctioned lending of €14.2 million. The outstanding level of disbursements in terms of this scheme stood at €11.8 million.

In June 2022, the MDB launched the Liquidity Support Guarantee Scheme (LSGS), which 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. By the end of December 2022 one facility amounting to €24.5 million was approved but not taken up under LSGS-A. By contrast, no facilities under LSGS-B were approved by the end of the year.

As regards interest rates, in December, the composite interest rate paid by MFIs on Maltese residents' outstanding deposits stood at 0.15%, unchanged from a month earlier. Meanwhile, the composite rate charged on outstanding loans edged up by 2 basis points, to 3.32% in December. As a result, the spread between the two rates widened slightly, standing at 316 basis points.

On the capital market, the secondary market yield on 10-year Maltese government bonds decreased to 3.58% at the end of January, 33 basis points less than at the end of December. Nonetheless, it remained elevated compared to its year-ago level, exceeding it by 270 basis points (see Chart 10). This



²⁰ The CGS is administered by the MDB for the purpose of guaranteeing new loans granted by commercial banks for working capital purposes to businesses facing liquidity shortfalls 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. It 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.

reflects the recent increases in ECB policy rates, and expectations of further rate increases in light of expected persistent, albeit declining, inflation above target.

Meanwhile, the Malta Stock Exchange (MSE) Equity Price Index edged down by 0.1% when compared with December. 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	2021	2022	2022	2022	2022	2022	2022	2022	2022	2022	2022	2022	2022	2022	2022	2022	2023	
				Q4	Q1	Q2	Q3	Q4	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.
Prices and costs																					
HICP inflation	0.8	0.7	6.1	2.1	4.3	5.8	7.1	7.3	4.1	4.2	4.5	5.4	5.8	6.1	6.8	7.0	7.4	7.4	7.2	7.3	6.8
RPI inflation	0.6	1.5	6.2	2.4	4.2	6.0	7.1	7.3	3.9	4.2	4.4	5.7	6.0	6.2	6.8	7.0	7.5	7.5	7.1	7.4	6.9
Industrial producer price inflation	0.3	3.2	5.6	6.5	7.1	5.5	4.6	5.3	7.4	6.8	7.2	5.8	5.5	5.2	5.3	3.9	4.6	5.7	6.0	4.3	-
HCI (nominal)	1.8	0.4	-1.5	-1.7	-1.3	-2.2	-2.4	-0.1	-1.7	-1.0	-1.1	-2.3	-2.4	-1.8	-2.5	-2.6	-2.1	-1.0	0.0	0.8	1.4
HCI (real)	1.5	-1.9	-3.7	-4.5	-3.2	-4.7	-4.7	-2.3	-3.1	-2.7	-3.6	-4.8	-4.9	-4.5	-4.8	-4.9	-4.5	-3.6	-2.2	-0.9	-0.6
Unit labour costs, whole economy ⁽¹⁾	12.1	-4.1	-	-4.1	-5.0	-3.3	-1.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Compensation per employee ⁽¹⁾	-0.4	4.1	-	4.1	3.6	2.9	2.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Labour productivity (per person) ⁽¹⁾	11.1	-8.5	-	8.5	9.0	6.5	3.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property Price Index (Eurostat)	3.4	5.1	-	4.5	6.8	7.6	6.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Economic activity																					
Nominal GDP	-7.2	13.8	-	16.0	12.1	15.3	11.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Real GDP	-8.6	11.7	-	13.4	8.3	9.4	5.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Real private consumption	-10.5	8.0	-	10.3	11.6	12.8	7.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Real government consumption	15.7	6.5	-	4.6	-2.0	13.7	-1.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Real gross fixed capital formation	-6.5	10.6	-	12.7	4.6	-7.0	-0.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Real exports of goods and services	-1.6	6.3	-	7.2	7.8	8.2	10.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Real imports of goods and services	2.0	3.8	-	4.7	6.4	7.2	10.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Labour market developments																					
LFS unemployment rate (% of labour force)	4.4	3.4	3.0	3.0	2.9	2.9	2.9	3.2	2.9	3.0	2.9	2.9	3.0	2.9	2.9	2.9	3.0	3.1	3.2	3.2	-
LFS employment	2.6	3.2	-	5.6	5.0	4.9	5.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Jobsplus registered employed	4.2	2.7	-	3.9	5.1	5.5	-	-	4.6	5.3	5.3	5.2	5.4	5.9	6.1	6.2	-	-	-	-	-
Balance of payments																					
Current account (as a % of GDP) ⁽²⁾	4.6	4.3	-	4.3	3.6	2.8	2.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit and financial indicators																					
Maltese residents' deposits and loans																					
Overnight deposits	9.8	12.3	8.1	12.3	13.3	13.4	12.7	8.1	12.2	11.2	13.3	11.8	14.5	13.4	11.0	10.9	12.7	11.1	11.6	8.1	-
Deposits with agreed maturity up to 2 years	-3.3	-4.3	-24.7	-4.3	-12.3	-16.7	-20.4	-24.7	-7.5	-10.5	-12.3	-14.8	-14.0	-16.7	-15.3	-18.1	-20.4	-23.4	-24.9	-24.7	-
Total residents' deposits in M3	8.0	10.4	4.0	10.4	10.0	9.5	8.4	4.0	9.7	8.4	10.0	8.6	10.8	9.5	7.8	7.2	8.4	6.8	7.0	4.0	-
Credit to general government	32.3	16.1	7.3	16.1	14.6	8.7	12.4	7.3	14.9	13.3	14.6	15.1	9.1	8.7	9.2	12.7	12.4	9.8	10.0	7.3	-
Credit to residents (excl. general government)	5.3	5.9	7.8	5.9	5.3	6.3	7.5	7.8	5.9	6.4	5.3	5.2	5.9	6.3	6.4	6.7	7.5	7.5	7.2	7.8	-
Total credit	10.9	8.4	7.6	8.4	7.7	7.0	8.8	7.6	8.1	8.2	7.7	7.8	6.8	7.0	7.2	8.2	8.8	8.1	8.0	7.6	-
10-year interest rate (%) ⁽³⁾	0.3	0.7	3.9	0.7	1.5	2.7	3.6	3.9	0.9	1.2	1.5	1.9	2.1	2.7	2.4	3.0	3.6	3.5	3.3	3.9	3.6
Stock prices: Malta Stock Exchange Index ⁽⁴⁾	-12.4	-4.5	-9.9	1.8	-8.2	1.1	-0.7	-2.2	-4.8	-2.1	-1.5	2.5	-0.3	-1.1	0.4	-1.6	0.5	0.9	-3.1	0.0	-0.1
Liquidity support measures related to COVID-19																					
Outstanding loans subject to a moratorium ⁽⁵⁾	691.9	14.1	-	14.1	-	-	-	-	0.0	-	-	-	-	-	-	-	-	-	-	-	-
Sanctioned amount under the MDB CGS ⁽⁵⁾	408.1	505.9	482.6	505.9	489.3	482.6	482.6	482.6	505.5	497.8	489.3	489.1	486.6	482.6	482.6	482.6	482.6	482.6	482.6	482.6	-
Disbursed amount under the MDB CGS ⁽⁵⁾	287.1	453.0	470.2	453.0	459.6	468.9	470.2	470.2	457.4	459.6	465.5	467.4	466.4	468.9	469.5	469.7	470.2	470.2	470.2	470.2	-
General government finances (% of GDP)																					
Surplus (+) / deficit (-) ⁽²⁾	-9.3	-7.5	-	-7.5	-7.5	-6.7	-5.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross debt ⁽⁶⁾	53.0	55.2	-	55.2	56.2	53.9	53.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

⁽¹⁾ 4-quarter moving averages.

⁽²⁾ 4-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 4-quarter moving sums.