



BANK ĊENTRALI TA' MALTA
EUROSISTEMA
CENTRAL BANK OF MALTA



CENTRAL BANK OF MALTA ECONOMIC UPDATE

2/2024

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The cut-off date for information in this note is 22 February 2024. However, the cut-off date for the RPI is 27 February 2024. Figures in tables may not add up due to rounding.

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ECONOMIC UPDATE 2/2024

Summary¹

The Bank's Business Conditions Index indicates that in January 2024, annual growth in business activity fell marginally below its historical average, estimated since January 2000.

The European Commission confidence surveys show that sentiment in Malta decreased in January, standing below its long-term average, estimated since November 2002. In month-on-month terms, sentiment deteriorated in the services sector, as well as in industry, while it improved in the remaining sectors, notably among construction firms.

In the productive sectors, price expectations rose among retailers and in the construction sector in month-on-month terms but fell strongly in the services sector and in industry.

In January, the European Commission's Economic Uncertainty Indicator (EUI) for Malta increased compared with December, indicating higher uncertainty. Uncertainty increased mostly in the services sector and in industry.

In December, industrial production rose at a faster pace, while retail trade contracted on a year-on-year basis. The unemployment rate remained unchanged at 2.4% and stood below that of 3.0% in December 2022.

Commercial and residential building permits in December were lower than a month earlier. While residential permits were also lower when compared with a year ago, commercial permits were higher on a year-on-year basis. In January, the number of residential promise-of-sale agreements rose on a year earlier.

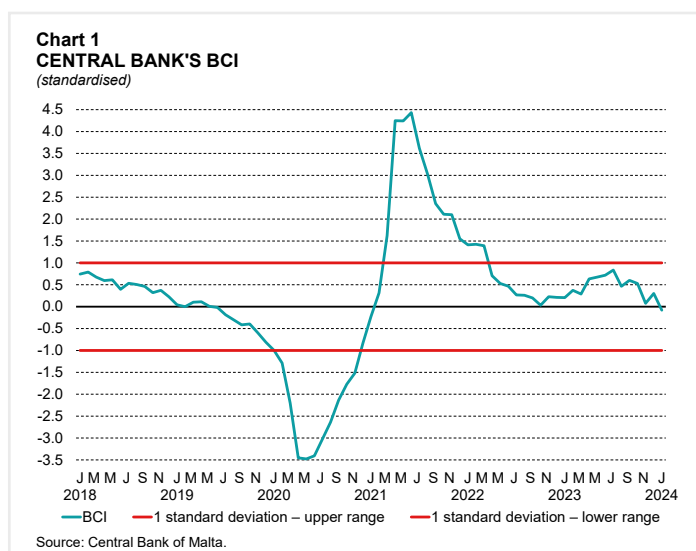
The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) stood at 3.7% in January, unchanged from the previous month. Inflation based on the Retail Price Index (RPI) decreased to 3.2%.

In December, Maltese residents' deposits increased above their year ago level, following a few months of declines. Growth over the year to December was mostly driven by balances belonging to households. By contrast, deposits held by financial intermediaries and firms, decreased. Meanwhile, annual growth in credit to Maltese residents increased at a faster pace compared with a month earlier.

¹ The cut-off date for information in this note is 22 February. However, the cut-off date for the RPI is 27 February. Most of the data reported in this issue of the *Economic Update* refer to December 2023. However, European Commission survey data, inflation data, the BCI and residential transactions refer to January.

Central Bank's Business Conditions Index²

The Bank's BCI indicates that annual growth in business activity continued to slow down and in January fell marginally below its long-term average, estimated since January 2000 (see Chart 1). In part this reflects a decline in the ESI, which fell below its long-run average. Also, in recent months, the issuance of development permits for residential buildings declined strongly in year-on-year terms, while growth in inbound tourism eased recently despite remaining substantial. Besides, the yield spread between ten-year and three-month interest rates has declined in annual terms for the past year reflecting downward movements in long-term rates. On the other hand, higher-than-average growth was recorded in the index of industrial production and GDP, while the unemployment rate remained low from a historical perspective.



Business and consumer confidence indicators

In January, the European Commission's Economic Sentiment Indicator (ESI) for Malta decreased to 97.6, after having increased to 104.5 in December. It thus fell below its long-term average of around 100.0, estimated since November 2002 (see Table 1).^{3,4,5} However, sentiment exceeded the euro area average of 96.2.

In month-on-month terms, sentiment deteriorated in the services sector and in industry. By contrast, it improved strongly in the construction sector, and to a lesser extent, among retail firms. Sentiment among consumers also edged up from the previous month, though marginally.

Demeaned data – which account for the variation in weights assigned to each sector in the overall index – show that the decrease in the overall sentiment in January was almost entirely driven by the developments in industry and in the services sector. Sentiment in industry, and to a

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.

Table 1
BUSINESS AND CONSUMER SURVEYS – MALTA

Balances; percentage points; seasonally adjusted

| | 2022 | 2023 | 2023 | | 2024 |
|---|--------------|--------------|--------------|--------------|--------------|
| | | | Jan. | Dec. | Jan. |
| ESI | 100.7 | 105.5 | 102.0 | 104.5 | 97.6 |
| <i>Services confidence indicator</i> | 20.5 | 26.6 | 23.8 | 31.5 | 17.4 |
| Business situation development over the past 3 months | 15.7 | 24.0 | 23.7 | 26.8 | 16.2 |
| Evolution of the demand over the past 3 months | 26.1 | 26.0 | 22.4 | 32.9 | 22.4 |
| Expectation of the demand over the next 3 months | 19.7 | 29.9 | 25.4 | 34.7 | 13.5 |
| <i>Industrial confidence indicator</i> | -9.4 | 2.4 | -8.6 | -2.8 | -13.6 |
| Assessment of order-book levels | -21.5 | -12.7 | -4.3 | -0.2 | -28.2 |
| Assessment of stocks of finished products | 9.1 | 2.2 | 2.6 | -1.7 | 14.1 |
| Production expectations for the months ahead | 2.2 | 22.1 | -18.8 | -10.0 | 1.5 |
| <i>Consumer confidence indicator</i> | -7.3 | -10.9 | -10.3 | -12.6 | -12.2 |
| Financial situation past 12 months | -19.7 | -20.3 | -19.2 | -20.0 | -17.2 |
| Financial situation next 12 months | -11.8 | -10.5 | -11.3 | -11.2 | -8.8 |
| Economic situation next 12 months | -3.5 | -12.6 | -10.0 | -17.7 | -15.8 |
| Major purchases next 12 months | 5.6 | -0.3 | -0.6 | -1.5 | -6.8 |
| <i>Retail trade confidence indicator</i> | 6.0 | 9.8 | 24.6 | 15.2 | 25.6 |
| Business activity, past 3 months | 21.1 | 25.2 | 41.8 | 25.5 | 35.3 |
| Stocks of finished goods | -3.2 | 16.5 | 15.9 | 10.0 | -1.4 |
| Business activity, next 3 months | -6.3 | 20.7 | 47.9 | 30.3 | 39.9 |
| <i>Construction confidence indicator</i> | 7.0 | 1.2 | 2.9 | -23.4 | 9.6 |
| Evolution of your current overall order books | 8.7 | -9.8 | 2.4 | -43.6 | -3.2 |
| Employment expectations over the next 3 months | 5.4 | 12.2 | 3.4 | -3.2 | 22.4 |
| EI | 105.7 | 107.2 | 111.5 | 112.0 | 101.8 |
| Services | 30.2 | 30.1 | 47.5 | 43.1 | 11.2 |
| Retail | 15.8 | 17.2 | 16.1 | 21.8 | 13.7 |
| Industry | 12.0 | 19.3 | 8.2 | 19.8 | 30.8 |
| Construction | 5.4 | 12.2 | 3.4 | -3.2 | 22.4 |
| EUI^(1,2) | 28.1 | 12.1 | 14.0 | 4.2 | 21.1 |
| Services | 20.3 | 15.2 | 16.4 | -7.5 | 32.6 |
| Industry | 39.4 | 7.6 | 10.9 | 6.9 | 19.4 |
| Consumers | 13.7 | 14.4 | 13.9 | 10.4 | 17.0 |
| Retail | 50.8 | 6.5 | 18.7 | -1.2 | 1.9 |
| Construction | 19.5 | 24.9 | 19.7 | 34.0 | 1.3 |
| ESI demeaned | 0.7 | 5.5 | 2.0 | 4.5 | -2.4 |
| EI demeaned | 6.0 | 7.0 | 12.9 | 12.4 | 0.1 |

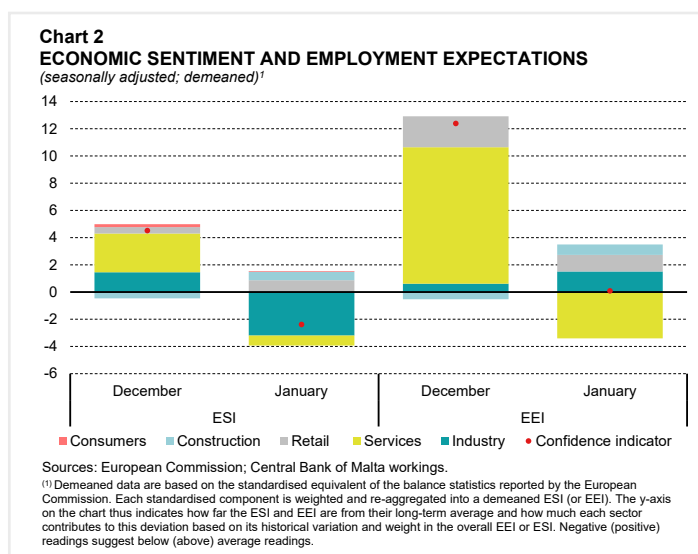
Source: European Commission.

⁽¹⁾ Non-seasonally adjusted data.

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

lesser extent the services sector, explain why the ESI stood below its long-term average in January (see Chart 2).

In January, the sentiment indicator for the services sector fell below its long-term average of 19.6.⁶ It stood at 17.4, down from 31.5 a month earlier, reflecting a deterioration across all sub-components of the indicator. The most significant decrease was observed in firms' expectations of demand over the next three months.



The sentiment indicator in industry decreased to -13.6 in January, from -2.8 in December, thus standing below its long-term average of -4.0.⁷ On balance, the net share of respondents assessing their order book levels to be below normal levels increased significantly. At the same time, and in contrast to the previous month, firms assessed their stock of finished products to be above normal levels.⁸ Meanwhile, production expectations for the months ahead turned positive, following a negative balance in December.

Consumer confidence averaged -12.2, marginally above the -12.6 recorded a month earlier, and thus remained below its long-term average of -10.3.⁹ Consumers' assessment of their financial situation over the last 12 months, and expectations of their finances over the next 12 months were less negative than before. Expectations of the general economic situation also improved somewhat, while remaining negative. These developments were partly offset by a further deterioration in expectations of major purchases over the next 12 months.

Confidence in the retail sector rose further above its long-term average of 0.3.¹⁰ It stood at 25.6, up from 15.2 in the previous month. Contrary to December, retailers now assessed their stocks of finished goods to be below normal levels. At the same time, respondents' assessment of sales over the past three months, and their expectations of business activity over the next three months, stood more positive compared to December.

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 for the subsequent three months.

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.

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

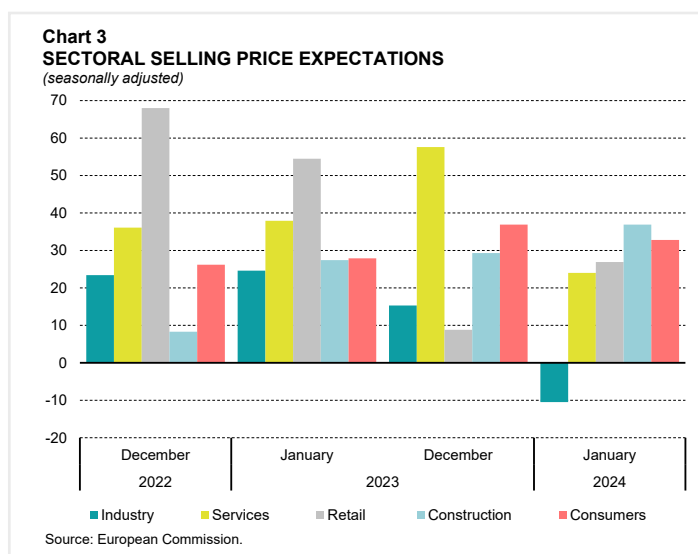
⁹ The consumer confidence indicator is the arithmetic average of the seasonally-adjusted balances (in percentage points) of replies to a subset of survey questions relating to households' assessment and expectations of their financial situation, their expectations about the general economic situation 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](#).

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.

The sentiment indicator for the construction sector reached 9.6, from -23.4 in December, thus standing well above its long-term average of -8.0.¹¹ The amelioration in sentiment was largely driven by a smaller net share of participants who assessed their order book levels to be below normal. At the same time, employment expectations for the months ahead turned strongly positive.

Additional survey information shows that, in month-on-month terms, price expectations rose among retail firms and in the construction sector but fell in the remaining sectors (see Chart 3).

The largest decreases were recorded in the services sector and in industry.



Industry recorded a negative balance, implying that firms anticipate prices to fall in the coming months. In the remaining sectors, the net share of respondents signalling price increases ranged from around 24% in the services sector to around 37% in the construction sector.

Price expectations in January stood well above their long-run average across all sectors, except in industry.

The European Commission's Employment Expectations Indicator (EEI) – which is a composite indicator of employment expectations in industry, services, retail trade and construction – declined sharply to 101.8 in January, from 112.0 in December.¹² Although the indicator remained above its long-term average of around 100.0, it stood below the euro area average of 102.5.

Demeaned data suggest that the decrease in employment expectations was largely driven by the services sector. Meanwhile, industry and the retail sector largely explain 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 – increased, signalling higher uncertainty. It reached 21.1, from 4.2 in December, and stood broadly in line with that of the euro

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.

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*.

area (see Table 1).^{13,14} Contrary to a month earlier, firms in the services sector and to a lesser extent, retailers, reported difficulty in predicting their business situation. Higher uncertainty was also recorded in industry, and among consumers. By contrast, uncertainty in the construction sector decreased.

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

Activity indicators

In December, the index of industrial production – which is a measure of economic activity in the quarrying, manufacturing, and energy sectors – rose by 5.1% on a year-on-year basis, at a faster pace compared to 0.7% in November (see Table 2).¹⁵

In the manufacturing sector, production rose at a faster annual rate of 10.1%, from 4.0% in November. In December, strong increases were recorded among firms involved in the manufacture of computer, electronic and optical products. Output also increased strongly among firms involved in the repair and installation of machinery and equipment, as well as those that produce basic pharmaceutical products,

Table 2
ACTIVITY INDICATORS

Annual percentage changes

| | 2022 | 2023 | 2022 | | 2023 | |
|---|-------|------|------|----------------------|----------------------|--------------------|
| | | | Nov. | Dec. | Nov. | Dec. |
| Industrial production | 2.8 | 5.8 | 11.7 | 14.3 | 0.7 | 5.1 |
| Retail trade | 10.1 | 2.6 | 7.6 | 7.4 | 5.1 | -0.9 |
| Number of tourist arrivals | 136.2 | 30.1 | 37.2 | 80.1 | 24.7 | 16.6 |
| Number of nights stayed | 98.0 | 21.9 | 36.3 | 24.8 | 14.7 | 9.9 |
| Rented accommodation | 111.3 | 24.0 | 29.5 | 35.6 | 22.9 | 11.8 |
| Collective ⁽¹⁾ | 109.9 | 22.3 | 29.7 | 70.3 | 20.3 | 6.1 |
| Other rented ⁽²⁾ | 113.8 | 26.7 | 29.1 | -1.7 | 28.2 | 22.3 |
| Non-rented accommodation ⁽³⁾ | 50.8 | 11.6 | 76.0 | -10.9 ⁽⁴⁾ | -20.4 ⁽⁴⁾ | 0.5 ⁽⁴⁾ |
| Tourist expenditure | 131.1 | 32.7 | 55.8 | 85.0 | 23.6 | 15.0 |
| Package expenditure | 129.8 | 46.5 | 56.6 | 112.9 | 40.9 | 20.4 |
| Non-package expenditure | 145.9 | 35.0 | 65.5 | 109.4 | 24.4 | 10.9 |
| Other | 118.3 | 23.2 | 46.9 | 55.8 | 14.6 | 16.5 |

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⁾ Based on less than 1,500 tourists, should be treated with caution.

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 3
PROPERTY MARKET

Levels

| | 2022 | 2023 | 2022 | | | 2023 | | | 2024 |
|---------------------------------|--------|--------|-------|-------|-------|-------|-------|-------|------|
| | | | Nov. | Dec. | Jan. | Nov. | Dec. | Jan. | |
| Permits | | | | | | | | | |
| Commercial permits | 2,984 | 2,532 | 262 | 137 | 167 | 251 | 169 | - | |
| Residential permits | 9,599 | 8,112 | 894 | 394 | 885 | 466 | 249 | - | |
| Residential transactions | | | | | | | | | |
| Promise of sale | 12,164 | 13,214 | 1,155 | 1,001 | 920 | 1,231 | 1,051 | 1,157 | |
| Final deeds of sale | 14,331 | 12,179 | 1,294 | 1,021 | 1,113 | 1,016 | 1,048 | 1,112 | |

Sources: National Statistics Office; Planning Authority.

furniture and paper products. These offset strong annual decreases among firms that manufacture wearing apparel, and among firms classified in the motor vehicles, trailers and semi-trailers sector.

Meanwhile, production in the energy sector contracted by 17.8% in December – after contracting by 15.2% a month earlier.

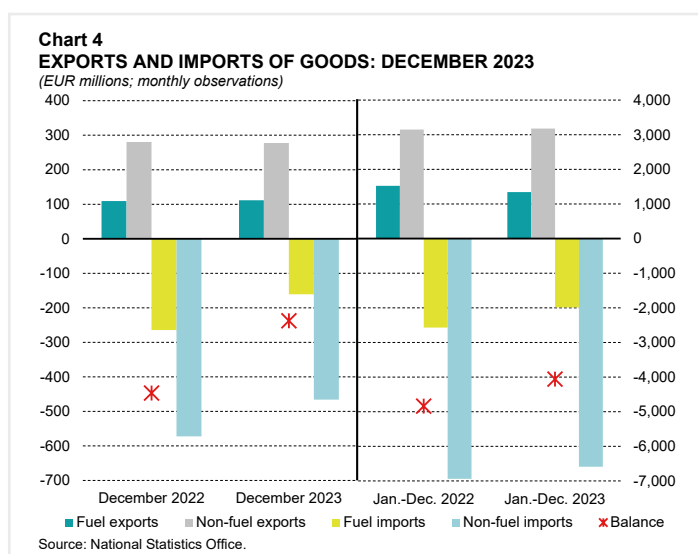
The volume of retail trade – which is a short-term indicator of final domestic demand – contracted by 0.9% in year-on-year terms, following an increase of 5.1% in November.

December was another positive month for the tourism sector. The number of inbound tourists amounted to 159,029, an increase of 16.6% on a year earlier. Guest nights also rose on a year earlier. Total expenditure by tourists in Malta increased by 15.0% over the level recorded in the corresponding period of 2022, with the increase being broad-based across all expenditure categories. Expenditure per capita decreased marginally, reflecting a shorter length of stay.

In December, 169 development permits for commercial buildings were issued, 32 more than the number of permits issued in the same month of 2022 (see Table 3). Meanwhile, 249 new residential building permits were issued, 145 less than the number issued in December 2022. In month-on-month terms, both commercial and residential permits declined.

In January 2024, 1,112 final deeds of sale were concluded, 64 more than a month earlier, but practically unchanged compared with a year earlier. At 1,157, the number of promise-of-sale agreements was 106 less than a month earlier, and 237 more compared with a year earlier.

Customs data show that the merchandise trade deficit narrowed to €237.6 million in December, from a deficit of €446.9 million a year earlier. This was due to a €210.0 million decline in imports outweighing a marginal decrease in exports of €0.7 million (see Chart 4).



Lower imports were mainly on account of a substantial decrease in the registration of aircrafts and imports of fuel. Imports of machinery and mechanical appliances, paper products and fish also decreased, but to a lesser extent. These offset increases in imports of vehicles and imports/registrations of sea vessels.

The marginal decrease in exports mainly reflected lower exports of toys and articles of aluminium. Exports of pharmaceutical products and footwear also declined, but to a lesser extent. These offset higher exports of electrical machinery and fuel re-exports, and to a lesser extent exports of organic chemicals and printed material.

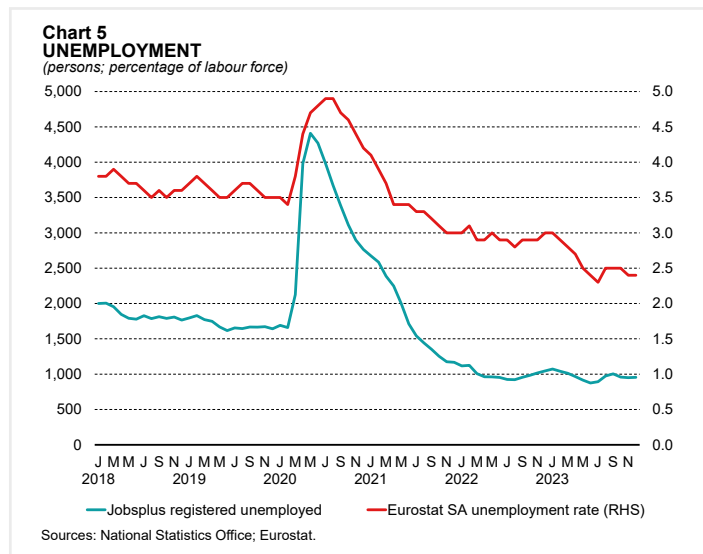
Labour market

Jobsplus data show that the level of engagements in the labour market stood at 10,058 in November, down from 10,954 in October, and down from 11,222 recorded a year earlier (see Table 4). Moreover, the level of terminations stood at 7,101 in November, down from 7,935 in October, and down from 7,742 recorded a year earlier. This level of activity is above the average level of recent years in the case of engagements but below in the case of terminations.¹⁶

Overall, the level of net engagements in November stood at 2,957, down from 3,019 in October, and from 3,480 recorded a year earlier.

Jobsplus data show that the number of persons on the unemployment register stood at 955 in December, up slightly from 950 in November, but down from 1,046 recorded a year earlier (see Chart 5).

The seasonally-adjusted unemployment rate, remained unchanged at 2.4% in December, and stood lower than 3.0% in December 2022 (see Chart 5).



**Table 4
NET ENGAGEMENTS**

Levels

| | 2021 | 2022 | 2022 | | | 2023 | | |
|------------------------|---------------|---------------|---------------|--------------|--------------|---------------|--------------|--------------|
| | | | Sep. | Oct. | Nov. | Sep. | Oct. | Nov. |
| Engagements | 113,532 | 130,979 | 11,230 | 12,290 | 11,222 | 10,870 | 10,954 | 10,058 |
| Terminations | 93,279 | 102,615 | 13,307 | 8,126 | 7,742 | 12,592 | 7,935 | 7,101 |
| Net Engagements | 20,253 | 28,364 | -2,077 | 4,164 | 3,480 | -1,722 | 3,019 | 2,957 |

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 3.7% in January, unchanged from the previous month (see Chart 6). NEIG inflation eased to 1.6% from 2.2% a month earlier. On the other hand, food inflation rose to 8.7% in January, from 8.3% a month earlier, as both processed food and unprocessed food prices rose at a faster rate. While processed food inflation increased to 7.4%, from 7.1% a month earlier, unprocessed food inflation rose to 13.4%, from 12.2%

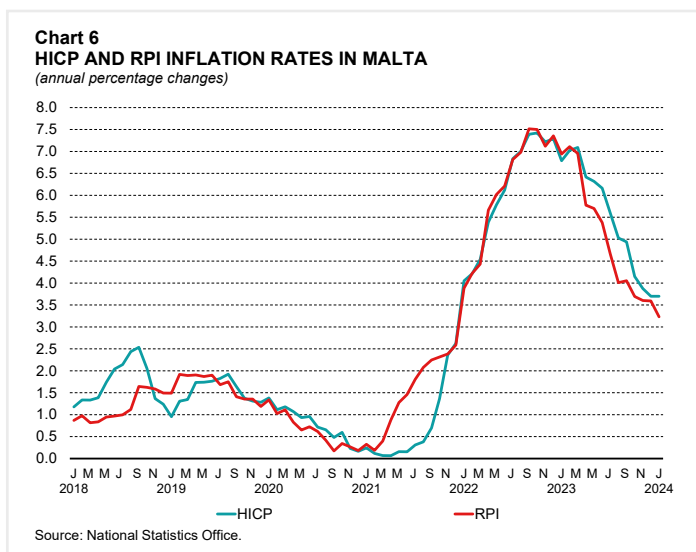
in December. At the same time, services inflation stood at 3.1% in January, up slightly from 3.0% in the previous month. Meanwhile energy inflation remained unchanged, due to government measures aimed at shielding consumers from international energy price pressures.

Annual inflation according to the RPI dropped to 3.2% in January, from 3.6% in December (see Chart 6).¹⁷ The slowdown in inflation reflects a drop in several subcomponents. In particular, housing inflation fell to 2.7%, from 5.1% in December. Similarly, inflation in furnishings and household equipment slowed down to 3.3%, from 4.1% in the previous month. At the same time, transport and communication inflation stood at -1.6%, down from -1.4% in December. Recreation and culture inflation turned negative during the month, standing at -0.2%. On the other hand, food inflation rose to 9.1% in January, from 8.7% in December. Energy prices remained unchanged.

Producer output inflation, as measured by the industrial producer price index, continued to ease, standing at 0.3% in December, from 0.6% in November.¹⁸ This partly reflects a 4.6% fall in producer prices of intermediate goods. At the same time, producer prices for capital goods grew by 3.7%, a slower pace compared with the previous month's 5.0% increase. The annual rate of change for producer prices of consumer goods remained unchanged at 5.8% while domestic energy producer price inflation stood unchanged at zero, and thus had no impact on overall producer prices.

Deposits, credit and financial markets

During the 12 months to December, residents' deposits held with monetary financial institutions (MFI) and forming part of broad money (M3) increased by 1.7%. This marks the first year-on-year increase since June (see Chart 7). The latest increase was mostly driven by balances

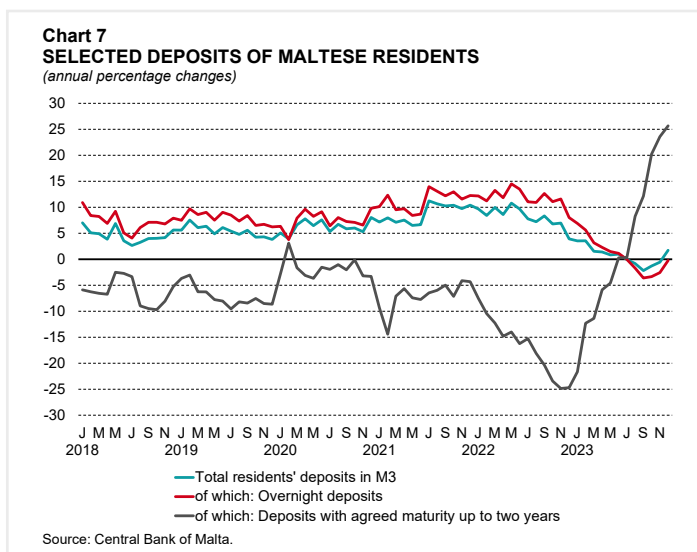


¹⁷ The RPI and the HICP both measure changes in consumer prices but through different methodologies. The HICP index weights are based on total expenditure in Malta, including that by tourists. In contrast, RPI weights only take into account expenditure by Maltese households. Moreover, the 2024 set of 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.

belonging to households. By contrast, M3 deposits belonging to financial intermediaries and firms decreased.

Overnight deposits remained the largest component of residents' M3 deposits, comprising just under 90% of their M3 balances. These deposits – which are the most liquid – fell by 0.2% in the year to December, following a contraction of 2.6% in the previous month. This decrease reflects a shift in behaviour – following years of growth – in response to the tightening of monetary policy.

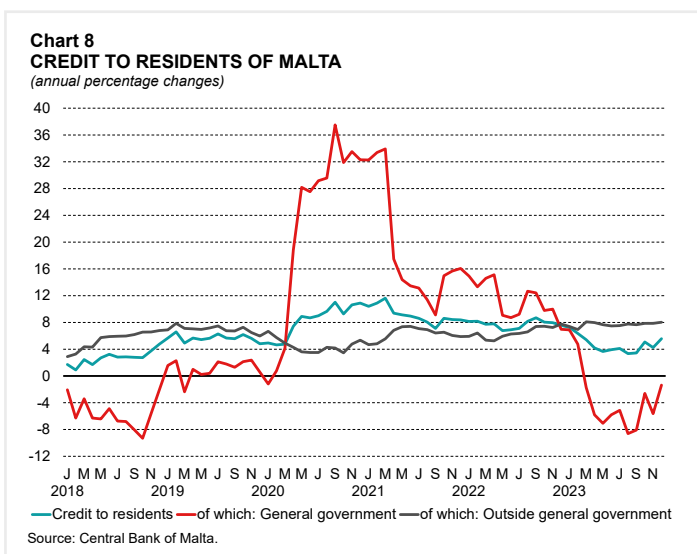


Meanwhile, growth in time deposits with agreed maturity of up to two years – the second largest deposit category – remained robust at 25.7%, above the 23.6% registered in the year to November. This outcome reflects more attractive terms on fixed deposit accounts by certain credit institutions. The latest increase was driven by higher balances belonging to households, as balances held by NFCs increased to a lesser extent.

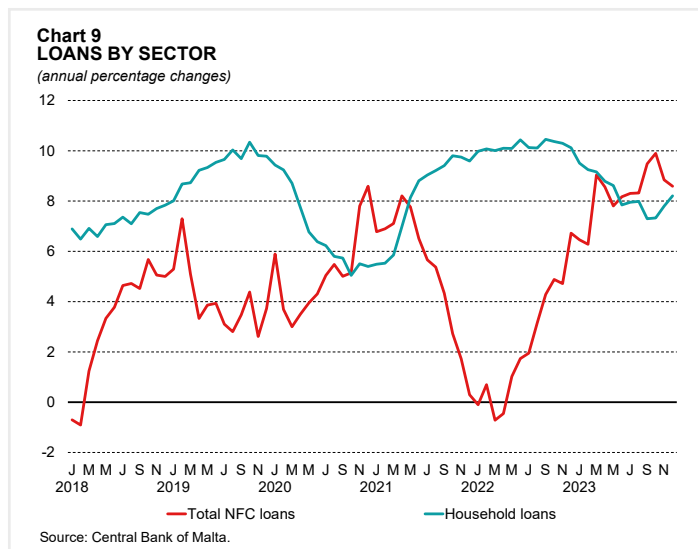
Credit to Maltese residents grew by 5.6% in December, compared with 4.2% a month earlier (see Chart 8). In part, this reflected a smaller contraction in credit to general government. This credit component fell by 1.4% over the 12 months to December, following a year-on-year contraction of 5.6% in November. At the same time, annual growth in credit to residents outside general government reached 8.0% in December, slightly above the 7.9% recorded a month earlier.

The annual rate of change in loans to households reached 8.2% in December, up from 7.8% in the previous month (see Chart 9). Growth in mortgage lending stood at 7.8%, above the 7.6% recorded in the year to November. Furthermore, growth in consumer credit and other lending edged up to 13.3%, from 10.2% in the previous month.

Meanwhile, the annual rate of change in loans to non-financial corporations eased to



8.6% in December, following an 8.8% increase in November. A sectoral breakdown of loans to NFCs suggests that growth in the year to December was driven by a strong increase in loans to the construction sector. This was followed by increased lending in the sector comprising professional, scientific and technical activities. Banks also expanded their loans to the real estate sector, the sector comprising transportation, storage, information and communication, and, to a more limited extent, the accommodation and food services sector, as well as the energy sector. By contrast, loans to the manufacturing sector, and the trades and repair sector declined.

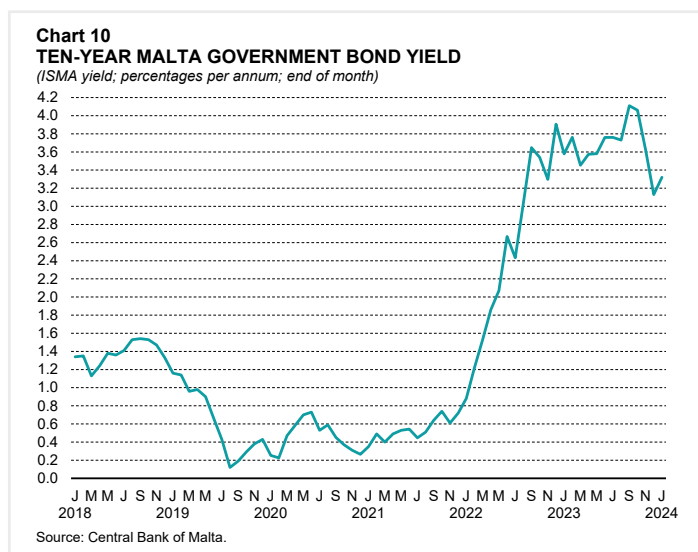


As regards interest rates, in December, the composite interest rate paid by MFIs on Maltese residents' outstanding deposits edged up by 1 basis point compared to November, standing at 0.31%. Meanwhile, the composite rate charged on outstanding loans fell by 2 basis points from that recorded a month earlier, standing at 3.58%. As a result, the spread between the two rates decreased slightly to 328 basis points in December.

The composite rate paid by MFIs on Maltese residents' new deposits stood at 2.41% in December, below the 2.49% recorded in November. However, it exceeded the rate recorded for December 2022, which stood at 1.30%. Meanwhile, the composite rate charged on new loans increased by 19 basis points on a month earlier, standing at 2.92%, but stood below the rate recorded a year earlier. As a result, the spread between the two rates increased to 51 basis points.

In the capital market, at the end of January, the secondary market yield on ten-year Maltese government bonds increased from its end-December level and stood at 3.32%. However, it stood 26 basis points below its year-ago level (see Chart 10).

Meanwhile, the Malta Stock Exchange (MSE) Equity Price Index decreased when compared with end-December, falling by 4.8%. Similar movements were recorded in the MSE Total Return Index, which accounts for dividends as well as changes in equity prices.



Annex 1

MACROECONOMIC INDICATORS FOR MALTA

Annual percentage changes; non-seasonally adjusted data

| | 2020 | 2021 | 2022 | 2022 | 2022 | 2023 | 2023 | 2023 | 2023 | 2023 | 2023 | 2023 | 2023 | 2023 | 2023 | 2023 | 2023 | 2023 | 2023 | 2023 | 2023 | 2024 | |
|--|-------|------|-------|-------|-------|-------|-------|-------|------|-------|-------|-------|------|------|------|------|------|------|------|------|------|------|---|
| | | | | Q3 | 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 | 7.1 | 7.3 | 7.0 | 6.3 | 5.2 | 3.9 | 6.8 | 7.0 | 7.1 | 6.4 | 6.3 | 6.2 | 5.6 | 5.0 | 4.9 | 4.2 | 3.9 | 3.7 | 3.7 | |
| RPI inflation | 0.6 | 1.5 | 6.2 | 7.1 | 7.3 | 7.0 | 5.6 | 4.2 | 3.6 | 6.9 | 7.1 | 7.0 | 5.8 | 5.7 | 5.4 | 4.7 | 4.0 | 4.1 | 3.7 | 3.6 | 3.6 | 3.2 | |
| Industrial producer price inflation | 0.3 | 3.2 | 5.5 | 4.6 | 5.3 | 4.5 | 4.8 | 4.1 | 1.1 | 3.7 | 5.1 | 4.6 | 5.1 | 4.5 | 4.7 | 4.5 | 4.6 | 3.2 | 2.4 | 0.6 | 0.3 | - | |
| HCI (nominal) | 1.8 | 0.3 | -1.4 | -2.3 | -0.1 | 1.4 | 3.4 | 5.0 | 3.3 | 1.2 | 1.2 | 1.8 | 3.6 | 3.3 | 3.2 | 5.0 | 5.5 | 4.5 | 3.9 | 3.6 | 2.5 | - | |
| HCI (real) | 1.5 | -1.9 | -3.6 | -4.6 | -2.1 | 0.4 | 3.5 | 4.9 | 3.3 | -0.6 | -0.1 | 1.8 | 3.3 | 3.5 | 3.8 | 5.1 | 4.9 | 4.5 | 4.0 | 3.8 | 2.3 | - | |
| Unit labour costs, whole economy ⁽¹⁾ | 10.3 | -4.8 | 1.2 | -1.4 | 1.2 | 2.4 | 3.0 | 3.1 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Compensation per employee ⁽¹⁾ | -1.6 | 4.1 | 3.3 | 2.9 | 3.3 | 3.3 | 2.7 | 3.0 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Labour productivity (per person) ⁽¹⁾ | -10.7 | 9.4 | 2.0 | 4.3 | 2.0 | 0.8 | -0.3 | 0.0 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Property Price Index (Eurostat) | 3.4 | 5.1 | 6.7 | 6.3 | 5.9 | 6.6 | 4.5 | 4.6 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Economic activity | | | | | | | | | | | | | | | | | | | | | | | |
| Nominal GDP | -6.6 | 14.8 | 13.9 | 12.7 | 13.8 | 12.5 | 12.1 | 13.3 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Real GDP | -8.1 | 12.6 | 8.2 | 6.4 | 7.3 | 6.4 | 5.9 | 7.1 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Real private consumption | -10.7 | 8.1 | 10.8 | 9.3 | 6.8 | 8.9 | 7.6 | 7.5 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Real government consumption | 14.9 | 6.5 | 2.4 | 2.7 | -2.3 | 1.8 | -3.7 | 0.7 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Real gross fixed capital formation | -5.9 | 12.5 | 31.4 | 35.2 | 42.7 | -14.8 | -18.1 | -26.8 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Real exports of goods and services | -1.8 | 7.7 | 7.1 | 9.7 | 2.4 | 9.7 | 11.9 | 5.6 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Real imports of goods and services | 1.5 | 4.9 | 10.1 | 14.4 | 5.3 | 7.0 | 7.8 | -0.7 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Labour market developments | | | | | | | | | | | | | | | | | | | | | | | |
| LFS unemployment rate (% of labour force) | 4.4 | 3.4 | 2.9 | 2.9 | 2.9 | 2.9 | 2.5 | 2.5 | 2.4 | 3.0 | 2.9 | 2.8 | 2.7 | 2.5 | 2.4 | 2.4 | 2.5 | 2.6 | 2.5 | 2.4 | 2.4 | - | |
| LFS employment | 2.6 | 3.1 | 5.2 | 5.1 | 5.5 | 5.3 | 4.9 | 5.9 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Jobsplus registered employed | 4.2 | 2.6 | 6.1 | 6.4 | 7.9 | 8.5 | 7.9 | 7.6 | - | 8.6 | 8.4 | 8.4 | 8.2 | 8.0 | 7.6 | 7.5 | 7.3 | 8.0 | - | - | - | - | - |
| Balance of payments | | | | | | | | | | | | | | | | | | | | | | | |
| Current account (as a % of GDP) ⁽²⁾ | 2.2 | 1.2 | -2.9 | -2.1 | -2.9 | -2.8 | -1.3 | 1.2 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Credit and financial indicators | | | | | | | | | | | | | | | | | | | | | | | |
| Maltese residents' deposits and loans | | | | | | | | | | | | | | | | | | | | | | | |
| Overnight deposits | 9.8 | 12.3 | 8.0 | 12.7 | 8.0 | 3.2 | 1.1 | -3.6 | -0.2 | 6.9 | 5.6 | 3.2 | 2.3 | 1.5 | 1.1 | 0.0 | -1.7 | -3.6 | -3.3 | -2.6 | -0.2 | - | |
| Deposits with agreed maturity up to two years | -3.3 | -4.3 | -24.7 | -20.4 | -24.7 | -11.4 | 0.3 | 12.1 | 25.7 | -21.6 | -12.3 | -11.4 | -5.9 | -4.6 | 0.3 | 0.3 | 8.3 | 12.1 | 20.3 | 23.6 | 25.7 | - | |
| Total residents' deposits in M3 | 8.0 | 10.4 | 3.9 | 8.4 | 3.9 | 1.5 | 1.0 | -2.2 | 1.7 | 3.5 | 3.6 | 1.5 | 1.4 | 0.8 | 1.0 | 0.0 | -0.8 | -2.2 | -1.3 | -0.6 | 1.7 | - | |
| Credit to general government | 32.3 | 16.1 | 7.0 | 12.4 | 7.0 | -1.7 | -5.8 | -8.1 | -1.4 | 6.9 | 4.7 | -1.7 | -5.8 | -7.1 | -5.8 | -5.1 | -8.6 | -8.1 | -2.6 | -5.6 | -1.4 | - | |
| Credit to residents (excl. general government) | 5.3 | 5.9 | 7.8 | 7.4 | 7.8 | 8.1 | 7.5 | 7.7 | 8.0 | 7.4 | 6.9 | 8.1 | 8.0 | 7.7 | 7.5 | 7.5 | 7.8 | 7.7 | 7.9 | 7.9 | 8.0 | - | |
| Total credit | 10.9 | 8.4 | 7.5 | 8.7 | 7.5 | 5.4 | 3.9 | 3.4 | 5.6 | 7.3 | 6.3 | 5.4 | 4.2 | 3.7 | 3.9 | 4.1 | 3.3 | 3.4 | 5.1 | 4.2 | 5.6 | - | |
| Ten-year interest rate (%) ⁽³⁾ | 0.3 | 0.7 | 3.9 | 3.6 | 3.9 | 3.5 | 3.8 | 4.1 | 3.1 | 3.6 | 3.8 | 3.5 | 3.6 | 3.6 | 3.8 | 3.8 | 3.7 | 4.1 | 4.1 | 3.6 | 3.1 | 3.3 | |
| Stock prices: Malta Stock Exchange Equity Price Index ⁽⁴⁾ | -12.4 | -4.5 | -9.9 | -0.7 | -2.2 | -0.4 | 5.9 | -1.5 | 7.2 | -0.1 | 2.5 | -2.7 | 2.3 | 3.4 | 0.1 | 1.1 | -1.3 | -1.3 | -2.0 | 2.8 | 6.5 | -4.8 | |
| General government finances (% of GDP) | | | | | | | | | | | | | | | | | | | | | | | |
| Surplus (+) / deficit (-) ⁽²⁾ | -9.6 | -7.4 | -5.6 | -5.3 | -5.6 | -4.8 | -4.2 | -3.4 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Gross debt ⁽⁵⁾ | 52.2 | 53.9 | 51.6 | 51.5 | 51.6 | 51.5 | 49.6 | 49.3 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

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.