



BANK ĊENTRALI TA' MALTA  
EUROSISTEMA  
CENTRAL BANK OF MALTA



# CENTRAL BANK OF MALTA ECONOMIC UPDATE

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3/2024

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*The cut-off date for information in this note is 20 March 2024. However, the cut-off date for the RPI is 21 March 2024. Figures in tables may not add up due to rounding.*

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## ECONOMIC UPDATE 3/2024

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

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

*The European Commission confidence surveys show that sentiment in Malta decreased in February, standing well below its long-term average, estimated since November 2002. Sentiment mostly deteriorated in industry.*

*Additional data show that in month-on-month terms, price expectations decreased across almost all sectors. The strongest declines were recorded among consumers and in the construction sector. By contrast, price expectations in industry stood less negative compared with a month earlier.*

*In February, the European Commission's Economic Uncertainty Indicator (EUI) for Malta decreased compared with January, indicating lower uncertainty. Uncertainty fell mostly in the services sector, and to a lesser extent, among consumers.*

*In January, industrial production contracted on a year-on-year basis, while retail trade rose marginally on a year earlier.*

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

*The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) stood at 3.0% in February, down from 3.7% in the previous month. HICP excluding energy and food in Malta remained below the euro area average. Inflation based on the Retail Price Index (RPI) decreased to 2.3%, the lowest rate since September 2021, mainly due to a month-on-month drop in food prices.*

*In January, Maltese resident's deposits increased above their level a year ago, following a few months of declines in the latter half of 2023. Growth over the year to January was mostly driven by balances belonging to households. By contrast, deposits held by financial intermediaries decreased. Meanwhile, annual growth in credit to Maltese residents increased at the same rate compared with a month earlier.*

*In January, the Consolidated Fund recorded a lower deficit compared to a year earlier. This reflects a rise in government revenue which outweighed an increase in government expenditure.*

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

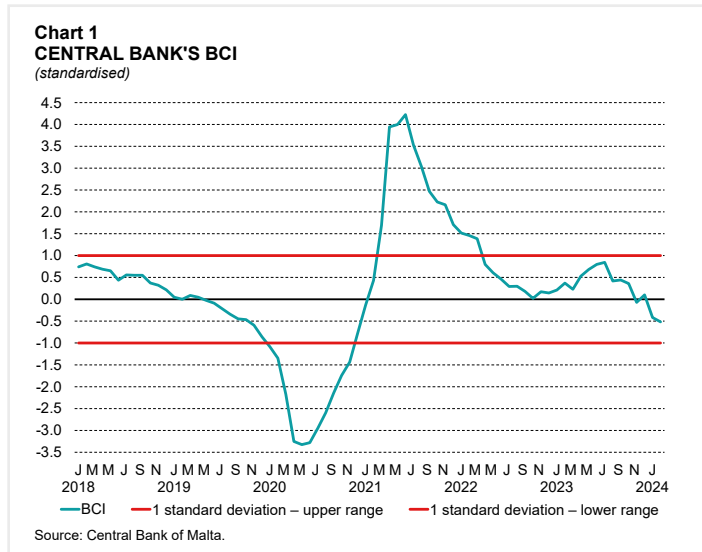
The Bank's BCI indicates that in February, annual growth in business activity marginally decreased and remained below its long-term average, estimated since January 2000 (see Chart 1). In part,

<sup>1</sup> The cut-off date for information in this note is 20 March 2024. However, the cut-off date for the RPI is 21 March 2024. Most of the data reported in this issue of the *Economic Update* refer to January 2024. However, European Commission survey data, inflation data, the BCI and residential transactions refer to February.

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

this reflects a decline in the ESI, which is significantly below its long-run average. Annual growth in tourism also stood marginally below its long-term average. The recent weakness in industrial production and the moderation in GDP growth also contributed. On the other hand, the unemployment rate remained low from a historical perspective.

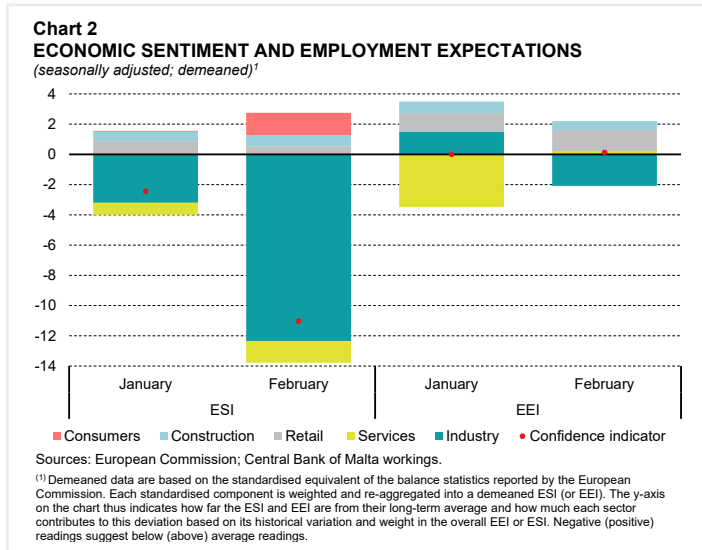
### Business and consumer confidence indicators



In February, the European Commission's Economic Sentiment Indicator (ESI) for Malta decreased to 89.0, from 97.6 in January. As a result, sentiment fell further below its long-term average of around 100.0, estimated since November 2002 (see Table 1).<sup>3,4,5</sup> It also stood below the euro area average of 95.4.

In month-on-month terms, sentiment deteriorated further in industry. It also weakened in the retail and services sectors, while remaining positive. By contrast, sentiment improved among consumers and in the construction sector.

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 February was almost entirely driven by the developments in industry. Sentiment in industry, and to a lesser extent in the services sector, explain why the ESI stood below its long-term average in February (see Chart 2).



In February, sentiment in industry declined sharply to -37.9,

<sup>3</sup> The ESI summarises developments in confidence in five surveyed sectors: industry; services; construction; retail; and consumers. Weights are assigned as follows: industry 40%; services 30%; consumers 20%; construction 5%; and retail trade 5%. From May 2022, the seasonal adjustment method of all survey data has changed. As a result, all seasonally-adjusted past readings were revised slightly. See [BCS User Guide](#) for further details on the methodology used by the European Commission.

<sup>4</sup> Long-term averages are calculated over the entire period for which data are available. For the consumer and industrial confidence indicators, data became available in December 2002, while the services and construction confidence indicators' data became available in May 2007 and May 2008, respectively. The long-term average of the retail confidence indicator is calculated as from May 2011, when it was first published. However, the long-term average of the ESI is computed from December 2002.

<sup>5</sup> Past ESI and EEI results were slightly revised due to seasonal adjustment.

**Table 1**  
**BUSINESS AND CONSUMER SURVEYS – MALTA**

*Balances; percentage points; seasonally adjusted*

	2022	2023	2023		2024	
			Feb.	Dec.	Jan.	Feb.
<b>ESI</b>	<b>100.7</b>	<b>105.5</b>	<b>105.9</b>	<b>104.5</b>	<b>97.6</b>	<b>89.0</b>
<b><i>Industrial confidence indicator</i></b>	<b>-9.4</b>	<b>2.4</b>	<b>-3.2</b>	<b>-2.8</b>	<b>-13.6</b>	<b>-37.9</b>
Assessment of order-book levels	-21.5	-12.7	-7.2	-0.2	-28.2	-57.4
Assessment of stocks of finished products	9.1	2.2	19.2	-1.7	14.1	35.5
Production expectations for the months ahead	2.2	22.1	16.8	-10.0	1.5	-20.7
<b><i>Retail trade confidence indicator</i></b>	<b>6.0</b>	<b>9.8</b>	<b>-1.3</b>	<b>15.3</b>	<b>25.6</b>	<b>14.7</b>
Business activity, past 3 months	21.1	25.2	21.8	25.5	35.3	6.3
Stocks of finished goods	-3.2	16.5	22.9	10.0	-1.4	3.4
Business activity, next 3 months	-6.3	20.7	-2.8	30.5	40.1	41.3
<b><i>Services confidence indicator</i></b>	<b>20.5</b>	<b>26.6</b>	<b>37.0</b>	<b>31.2</b>	<b>17.1</b>	<b>13.1</b>
Business situation development over the past 3 months	15.7	24.0	39.6	26.4	15.7	3.9
Evolution of the demand over the past 3 months	26.1	26.0	47.3	32.4	21.8	10.8
Expectation of the demand over the next 3 months	19.7	29.9	24.3	34.9	13.7	24.7
<b><i>Construction confidence indicator</i></b>	<b>7.0</b>	<b>1.2</b>	<b>17.5</b>	<b>-23.4</b>	<b>9.6</b>	<b>14.8</b>
Evolution of your current overall order books	8.7	-9.8	6.3	-43.6	-3.2	10.6
Employment expectations over the next 3 months	5.4	12.2	28.8	-3.2	22.4	19.1
<b><i>Consumer confidence indicator</i></b>	<b>-7.3</b>	<b>-10.9</b>	<b>-6.9</b>	<b>-12.6</b>	<b>-12.1</b>	<b>-4.4</b>
Financial situation past 12 months	-19.7	-20.3	-16.4	-19.9	-17.0	-11.3
Financial situation next 12 months	-11.8	-10.5	-8.8	-11.2	-8.8	1.4
Economic situation next 12 months	-3.5	-12.6	-4.2	-17.7	-15.8	-2.3
Major purchases next 12 months	5.6	-0.3	1.9	-1.5	-6.8	-5.4
<b>EI</b>	<b>105.7</b>	<b>107.2</b>	<b>110.6</b>	<b>111.9</b>	<b>101.7</b>	<b>99.2</b>
Industry	12.0	19.3	13.6	19.8	30.8	-13.2
Construction	5.4	12.2	28.8	-3.2	22.4	19.1
Retail	15.8	17.2	10.6	21.8	13.7	15.0
Services	30.2	30.1	41.7	42.9	11.0	19.8
<b>EUI<sup>(1,2)</sup></b>	<b>28.1</b>	<b>12.1</b>	<b>2.9</b>	<b>4.2</b>	<b>21.1</b>	<b>15.5</b>
Services	20.3	15.2	16.4	-7.5	32.6	0.3
Consumers	13.7	14.4	12.2	10.4	17.0	11.8
Retail	50.8	6.5	14.2	-1.2	1.9	5.2
Industry	39.4	7.6	-14.8	6.9	19.4	29.4
Construction	19.5	24.9	14.5	34.0	1.3	19.3
<b>ESI demeaned</b>	<b>0.7</b>	<b>5.5</b>	<b>5.9</b>	<b>4.5</b>	<b>-2.4</b>	<b>-11.0</b>
<b>EI demeaned</b>	<b>6.0</b>	<b>7.0</b>	<b>11.5</b>	<b>12.3</b>	<b>0.0</b>	<b>0.1</b>

Source: European Commission.

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

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

from -13.6 in January, thus falling further below its long-term average of -4.1.<sup>6</sup> A significant deterioration can be observed across all three components of this index, but in particular in order book levels.<sup>7</sup> Data by sector show that the strongest negative responses were recorded in the printing sector and among firms involved in the manufacturing of electrical equipment.

<sup>6</sup> The industrial confidence indicator is the arithmetic average of the seasonally-adjusted balances (in percentage points) of replies to a subset of survey questions relating to expectations about production over the subsequent three months, to current levels of order books and to stocks of finished goods.

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

Confidence in the retail sector decreased but remained above its long-term average of 0.4.<sup>8</sup> It stood at 14.7, down from 25.6 in the previous month. The recent fall in sentiment was largely driven by respondents' weaker assessment of sales over the past three months. At the same time, and in contrast to January, retailers now assessed their stocks of finished goods to be above normal levels. These developments were partly offset by a slight improvement in participants' expectations of business activity over the next three months.

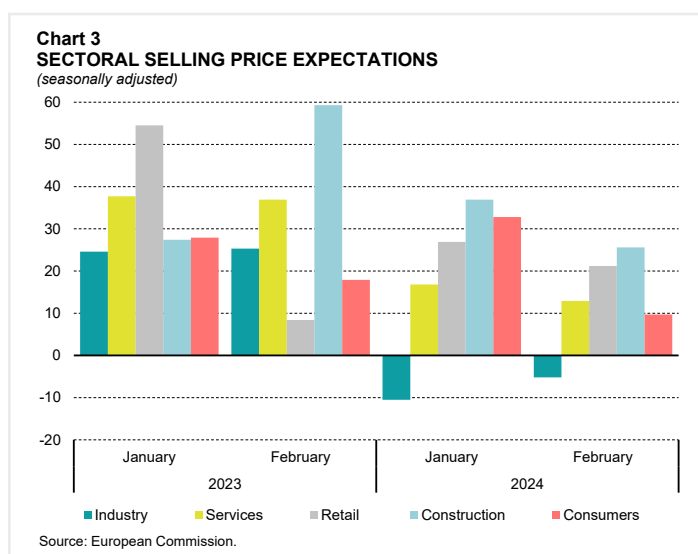
The sentiment indicator for the services sector dipped further below its long-term average of 19.6.<sup>9</sup> It averaged 13.1, compared with 17.1 a month earlier, reflecting a deterioration in firms' assessment of the business situation and of demand over the past three months. By contrast, their expectations of demand for the next three months, stood more positive than a month earlier.

The sentiment indicator for the construction sector reached 14.8, from 9.6 in January, thus rising well above its long-term average of -7.9.<sup>10</sup> Contrary to January, respondents assessed their overall order books to be above normal levels. Meanwhile, employment expectations decreased but remained positive.

Consumer confidence stood less negative in the month under review. It averaged -4.4, up from -12.1 in January, and thus rose above its long-term average of -10.2.<sup>11</sup> The less negative sentiment in February mostly reflected an improvement in consumers' expectations of the general economic situation, and of their finances, over the next 12 months. The latter was the only sub-component which turned slightly positive in February.

Additional survey information shows that, in month-on-month terms, price expectations decreased across all sectors, bar in industry (see Chart 3). The largest decreases were among consumers and in the construction sector.

The balance was negative in industry, implying that firms in



<sup>8</sup> The retail confidence indicator is the arithmetic average of the seasonally-adjusted balances (in percentage points) of replies to survey questions relating to the present and future business situation and stock levels.

<sup>9</sup> The services confidence indicator is the arithmetic average of the seasonally-adjusted balances (in percentage points) of replies to survey questions relating to the business climate, the evolution of demand in the previous three months and demand expectations for the subsequent three months.

<sup>10</sup> The construction confidence indicator is the arithmetic average of the seasonally-adjusted balances (in percentage points) of replies to two survey questions, namely those relating to order books and employment expectations over the subsequent three months.

<sup>11</sup> The consumer confidence indicator is the arithmetic average of the seasonally-adjusted balances (in percentage points) of replies to a subset of survey questions relating to households' assessment and expectations of their financial situation, their expectations about the general economic situation and their intention to make major purchases over the subsequent 12 months. The computation of this indicator was changed as reflected in the [January 2019 release of the European Commission](#).

this sector anticipate prices to fall in the coming months. In the remaining sectors, the net share of respondents signalling price increases ranged from around 10% among consumers to around 26% in the construction sector.

Price expectations in February stood well above their long-run average in the construction sector and to a lesser extent in the services and retail sectors. They were broadly in line for industry and lower among consumers.

The European Commission's Employment Expectations Indicator (EEI) – which is a composite indicator of employment expectations in industry, services, retail trade and construction – fell below its long-term average of around 100.0 in February. It stood at 99.2 in February, down from 101.7 in January.<sup>12</sup> It also stood below the euro area average of 102.5.

Demeaned data suggest that the latest decrease in employment expectations was largely driven by industry. This also explains why the overall EEI stood below its long-term average in February (see Chart 2).

In February, 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, signalling lower uncertainty. It stood at 15.5, down from 21.1 in January, and below that of the euro area (see Table 1).<sup>13,14</sup> Uncertainty decreased sharply in the services sector, following a strong increase in the previous month. Lower uncertainty was also recorded among consumers. By contrast, the remaining sectors reported higher uncertainty.

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

## Activity indicators

In January, the index of industrial production – which is a measure of economic activity in the quarrying, manufacturing, and energy sectors – contracted by 5.5% on a year-on-year basis, after increasing by 9.9% in December (see Table 2).<sup>15</sup>

In the manufacturing sector, production contracted by 6.0% on a year earlier, compared to an increase of 7.3% in December. In January, strong declines were recorded among firms involved in the manufacture of motor vehicles, trailers, and semi-trailers. Output also fell strongly among firms

<sup>12</sup> The EEI is based on question 7 of the industry survey, question 5 of the services and retail trade surveys, and question 4 of the construction survey, which gauge the respondent firms' expectations as regards changes in their total employment over the next three months. Before being summarised in one composite indicator, each balance series is weighted on the basis of the respective sector's importance in overall employment. The weights are applied to the four-balance series expressed in standardised form. Further information on the compilation of the EEI is available in: European Commission (2020), *The Joint Harmonised EU Programme of Business and Consumer Surveys User Guide*.

<sup>13</sup> The EUI is made up of five balances (in percentage points) which summarise managers'/consumers' answers to a question asking them to indicate how difficult it is to make predictions about their future business/financial situation. The series are not seasonally adjusted. The five-balance series are summarised in one composite indicator using the same weights used to construct the ESI. The questions asked correspond to Q51 of the industry survey, Q31 of the services survey, Q41 of the retail trade and construction surveys and Q21 of the consumer survey.

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

<sup>15</sup> The annual growth rates of the overall industrial production, manufacturing and energy sectors indices are based on working-day adjusted data. Unadjusted data, however, are used for the components.

**Table 2**  
**ACTIVITY INDICATORS**

*Annual percentage changes*

	2022	2023	2022 Dec.	2023 Jan.	2023 Dec.	2024 Jan.
Industrial production	1.6	7.5	11.4	14.7	9.9	-5.5
Retail trade	9.7	2.7	5.9	5.6	-0.2	0.6
Number of tourist arrivals	136.2	30.1	80.1	128.0	16.6	26.3
Number of nights stayed	98.0	21.9	24.8	79.0	9.9	-2.1
Rented accommodation	111.3	24.0	35.6	81.8	11.8	-2.0
Collective <sup>(1)</sup>	109.9	22.3	70.3	111.4	6.1	12.7
Other rented <sup>(2)</sup>	113.8	26.7	-1.7	49.3	22.3	-24.8
Non-rented accommodation <sup>(3)</sup>	50.8	11.6	-10.9 <sup>(4)</sup>	68.8	0.5 <sup>(4)</sup>	-2.8
Tourist expenditure	131.1	32.7	85.0	111.1	15.0	10.9
Package expenditure	129.8	46.5	112.9	197.4	20.4	14.7
Non-package expenditure	145.9	35.0	109.4	84.3	10.9	19.8
Other	118.3	23.2	55.8	109.2	16.5	2.3

Sources: National Statistics Office; Eurostat.

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

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

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

<sup>(4)</sup> Based on less than 1,500 tourists, should be treated with caution.

involved in the printing and reproduction of recorded media, as well as those involved in 'other manufacturing' – which includes medical and dental instruments. Other significant decreases were recorded among firms that manufacture certain non-metallic mineral products and those involved in the manufacturing of beverages.

Falling production in these sectors offset strong annual increases among firms that manufacture wearing apparel, rubber, and plastics, as well as wood and paper products. Significant increases were also recorded among those involved in the production of food, pharmaceuticals, and furniture. All these sectors recorded double-digit increases.

Meanwhile, production in the energy sector contracted by an annual 17.0% in January. This marked the third consecutive month of large year-on year declines.

The volume of retail trade – which is a short-term indicator of final domestic demand – rose marginally by 0.6% in year-on-year terms, following a contraction of 0.2% in December.

In January 2024, the number of inbound tourists amounted to 172,021, an increase of 26.3% on a year earlier. On the other hand, guest nights fell by 2.1% on the previous year, mainly because of a decline in nights stayed in 'other' rented accommodation. This was the first year-on-year decline post-pandemic. Nights in non-rented accommodation also decreased on a year earlier, although to a much lesser extent. Notwithstanding these declines, total expenditure by tourists in Malta increased by 10.9% over the level recorded in the corresponding month of 2023, with the increase



being broad-based across all expenditure categories. Expenditure per capita decreased, reflecting a shorter length of stay. However, expenditure per night rose by 13.3%.

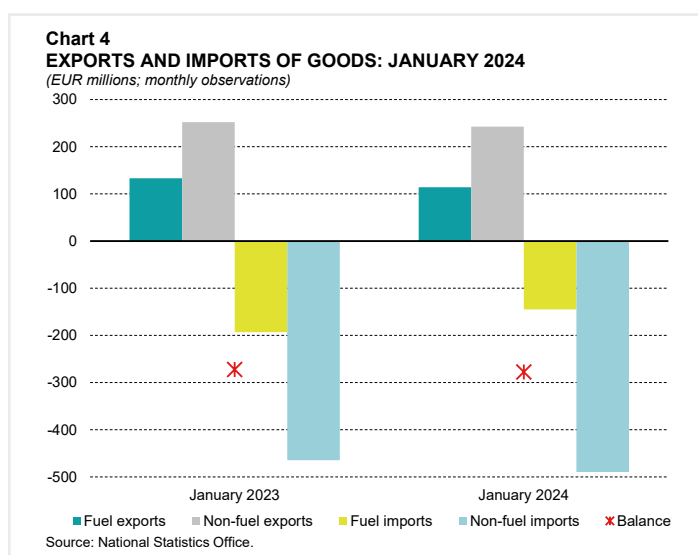
In January, 238 development permits for commercial buildings were issued, 71 more than the number of permits issued in the same month of 2023 (see Table 3). Meanwhile, 689 new residential building permits were issued, 196 less than the number issued in January 2023. In month-on-month terms, both commercial and residential permits increased.

In February, 1,012 final deeds of sale were concluded, 100 less than a month earlier, but 73 more compared with a year earlier. At 1,164, the number of promise-of-sale agreements was just six more than a month earlier, but 131 more compared with a year earlier.

Customs data show that the merchandise trade deficit stood at €277.4 million in January, slightly larger than a deficit of €272.3 million a year earlier. This was due to a €28.5 million decline in exports which outweighed a €23.3 million decrease in imports (see Chart 4).

Lower imports were mainly on account of a decrease in imports of vehicles and fuel. Aircrafts, and sea vessels and parts thereof, as well as imports of iron also decreased, but to a lesser extent. These offset higher imports of electrical machinery, knitted clothing and pharmaceutical products.

The decrease in exports mainly reflected lower exports of printed material. Exports of electrical machinery and machinery and mechanical appliances also declined, but to a lesser extent.



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

Levels

	2022	2023	2022		2023		2024	
			Dec.	Jan.	Feb.	Dec.	Jan.	Feb.
<b>Permits</b>								
Commercial permits	2,984	2,532	137	167	196	169	238	-
Residential permits	9,599	8,112	394	885	932	249	689	-
<b>Residential transactions</b>								
Promise of sale	12,164	13,204	1,001	920	1,033	1,051	1,158	1,164
Final deeds of sale	14,331	12,179	1,021	1,113	939	1,048	1,112	1,012

Sources: National Statistics Office; Planning Authority.

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

*Levels*

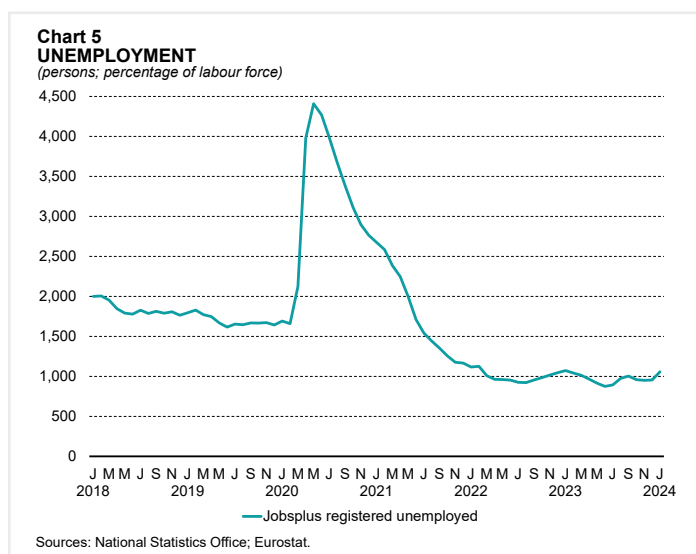
	2021	2022	2023	2022			2023		
				Oct.	Nov.	Dec.	Oct.	Nov.	Dec.
Engagements	113,659	131,327	127,620	12,338	11,248	7,221	11,365	10,655	6,317
Terminations	93,410	102,930	98,649	8,148	7,769	9,768	8,159	7,449	7,063
<b>Net Engagements</b>	<b>20,249</b>	<b>28,397</b>	<b>28,971</b>	<b>4,190</b>	<b>3,479</b>	<b>-2,547</b>	<b>3,206</b>	<b>3,206</b>	<b>-746</b>

Source: Jobsplus.

Data are provisional and thus subject to change.

## Labour market

Jobsplus data show that the level of engagements in the labour market stood at 6,317 in December, down from 10,655 in November, and down from 7,221 recorded a year earlier (see Table 4). Moreover, the level of terminations stood at 7,063 in December, down from 7,449 in November, and down from 9,768 recorded a year earlier. This level of activity is below the average level of recent years.<sup>16</sup>



Overall, there were 746 net terminations in December 2023, in contrast to net engagements of 3,206 in November. Nevertheless, net terminations were still lower than those of 2,547 recorded a year earlier. In 2023, there were only two months during which net terminations was recorded. This is similar to developments in 2022.

Jobsplus data show that the number of persons on the unemployment register stood at 1,057 in January, up from 955 in December, but down from 1,072 recorded a year earlier (see Chart 5).

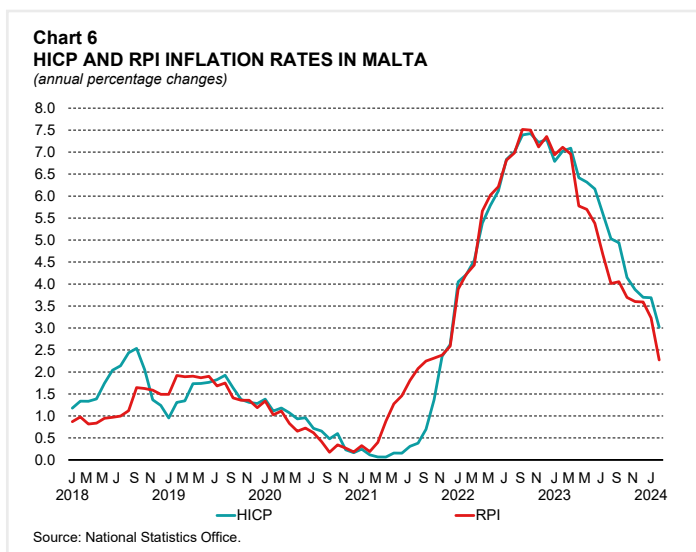
## Prices, costs and competitiveness

Annual HICP inflation stood at 3.0% in February, down from 3.7% in the previous month (see Chart 6). Food inflation (including alcohol and tobacco) decreased significantly to 5.9% during the month, from 8.7% a month earlier, as both processed food and unprocessed food prices rose at a slower rate. While processed food inflation slowed down to 6.1%, the lowest rate observed since April 2022, unprocessed food inflation eased to 5.2%, from 13.4% in January. The latter was mostly driven by a fall in prices of fresh vegetables. At the same time, services inflation moderated to 2.8% in February, from 3.1% in the previous month. On the other hand, NEIG inflation rose marginally to 1.7% in February, as compared to 1.6% in January. Meanwhile energy inflation remained unchanged due to government measures.

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

HICP inflation excluding food and energy in Malta stood at 2.4%, well below the 3.1% observed in the euro area.

Annual inflation according to the RPI dropped to 2.3% in February, from 3.2% in January (see Chart 6).<sup>17</sup> The slowdown in inflation stemmed mainly from a drop in food inflation, which slowed down to 5.5%, from 9.1% in the previous month. Similarly, housing inflation and inflation in furnishings and household equipment slowed down to 2.5% and 3.0%, respectively. At the same time, inflation in transport and communication stood at -2.3%, from -1.6% in January. On the other hand, clothing and footwear inflation turned positive during the month, standing at 1.4%. Energy prices remained unchanged.



Producer output inflation, as measured by the industrial producer price index, continued to ease, standing at 0.9% in January, unchanged from December.<sup>18</sup> This partly reflects a slower growth of 0.9% in producer prices of consumer goods compared with the previous month's 5.5% increase. Meanwhile, producer prices of capital goods grew at a faster rate of 4.0% in January, from 2.8% in December. At the same time, producer prices of intermediate goods grew by 0.1%, following a drop of 3.4% in the previous month. Energy producer price inflation stood unchanged at zero, and thus had no impact on overall producer prices.

## Public finance

During the first month of 2024, the Consolidated Fund recorded a deficit of €82.3 million, a €38.7 million improvement when compared with the deficit registered a year earlier (see Table 5). This was due to a strong rise in government revenue, which outweighed an increase in government expenditure. The primary balance registered a deficit of €62.5 million, €43.9 million lower than the deficit registered in January 2023.

Government revenue increased by €94.1 million, or 26.7%. This mostly reflected higher receipts from direct taxes, which rose by €42.8 million, due to a rise in income tax receipts. Meanwhile, inflows from indirect taxes rose by €30.7 million, mainly due to increases in licenses, taxes, and fines, which was partly driven by the timing of annual circulation tax receipts, and customs and excise duties. Non-tax revenue also increased by €20.6 million mainly due to higher grants from the EU.

Government expenditure increased by €55.4 million, or 11.7%, due to an increase in both recurrent and capital expenditure. Recurrent spending increased by €49.3 million, mainly due to higher expenditure

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

<sup>18</sup> The industrial producer price index measures the prices of goods at the factory gate and is commonly used to monitor inflationary pressures at the production stage.

**Table 5**  
**CONSOLIDATED FUND BALANCE**

EUR millions

	2023	2024	Change	
	Jan.	Jan.	Amount	%
<b>Revenue</b>	<b>352.0</b>	<b>446.0</b>	<b>94.1</b>	<b>26.7</b>
<b>Direct tax</b>	<b>226.8</b>	<b>269.6</b>	<b>42.8</b>	<b>18.9</b>
Income tax	153.4	184.8	31.3	20.4
Social security contributions <sup>(1)</sup>	73.4	84.8	11.4	15.6
<b>Indirect tax</b>	<b>95.6</b>	<b>126.3</b>	<b>30.7</b>	<b>32.1</b>
Value Added Tax	57.2	64.9	7.8	13.6
Customs and excise duties	14.6	25.6	11.0	75.7
Licences, taxes and fines	23.9	35.7	11.9	49.7
<b>Non-tax<sup>(2)</sup></b>	<b>29.6</b>	<b>50.2</b>	<b>20.6</b>	<b>69.7</b>
<b>Expenditure</b>	<b>472.9</b>	<b>528.3</b>	<b>55.4</b>	<b>11.7</b>
<b>Recurrent</b>	<b>457.8</b>	<b>507.2</b>	<b>49.3</b>	<b>10.8</b>
Personal emoluments	88.5	95.8	7.3	8.2
Operational and maintenance	21.3	32.5	11.2	52.6
Programmes and initiatives	279.7	327.2	47.5	17.0
Contributions to entities	53.7	31.9	-21.9	-40.7
Interest payments	14.5	19.8	5.3	36.2
<b>Capital</b>	<b>15.1</b>	<b>21.1</b>	<b>6.0</b>	<b>40.1</b>
<b>Primary balance<sup>(3)</sup></b>	<b>-106.4</b>	<b>-62.5</b>	<b>43.9</b>	<b>-</b>
<b>Consolidated Fund balance</b>	<b>-120.9</b>	<b>-82.3</b>	<b>38.7</b>	<b>-</b>

Source: National Statistics Office.

<sup>(1)</sup> Government contributions to the social security account in terms of the Social Security Act 1987 are netted out from both revenue and expenditure.

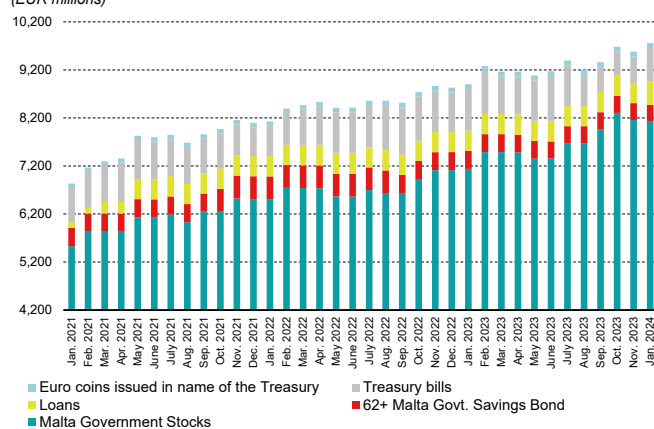
<sup>(2)</sup> Includes grants but excludes proceeds from sale of assets, sinking funds of converted loans and borrowings.

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

on programmes and initiatives, which increased by €47.5 million. The latter mostly reflects increased spending on retirement pensions and the timing of spending on energy support measures. Spending on operations and maintenance also increased, albeit at a lower extent, rising by €11.2 million. Meanwhile, spending on personal emoluments and interest payments rose by €7.3 million and €5.3 million, respectively. Capital expenditure increased by €6.0 million, mainly due to expenditure on road construction and improvements.

In January 2024, the total stock of outstanding government debt amounted to €9,759.4 million, an increase of €181.4 million when compared with the level of November 2023 (see Chart 7).<sup>19</sup> This primarily reflects an increase in the level of outstanding Treasury Bills. The outstanding level of foreign loans also increased.

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



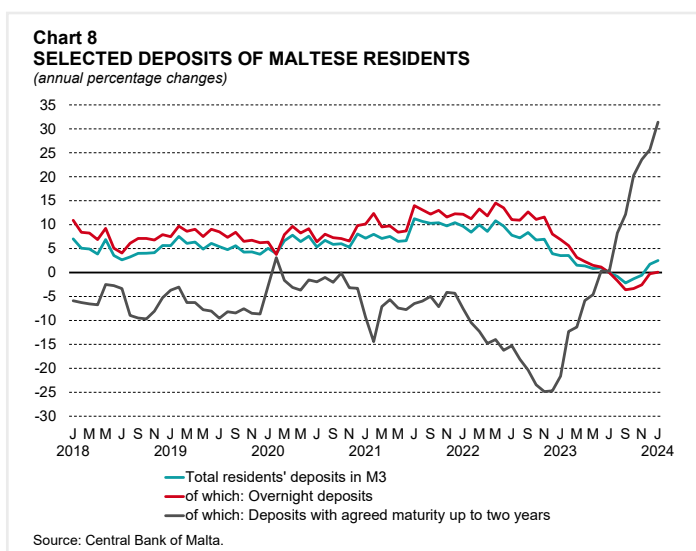
Source: National Statistics Office.

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

<sup>19</sup> December 2023 data was not available by the cut-off date for this issue of the *Economic Update*.

## Deposits, credit and financial markets

During the 12 months to January, residents' deposits held with monetary financial institutions (MFI) and forming part of broad money (M3) increased by 2.5%. This marks the second month with year-on-year increases, following a period of declines in the final months of 2023 (see Chart 8). The latest increase was mostly driven by balances belonging to households. By contrast, M3 deposits belonging to financial intermediaries decreased.

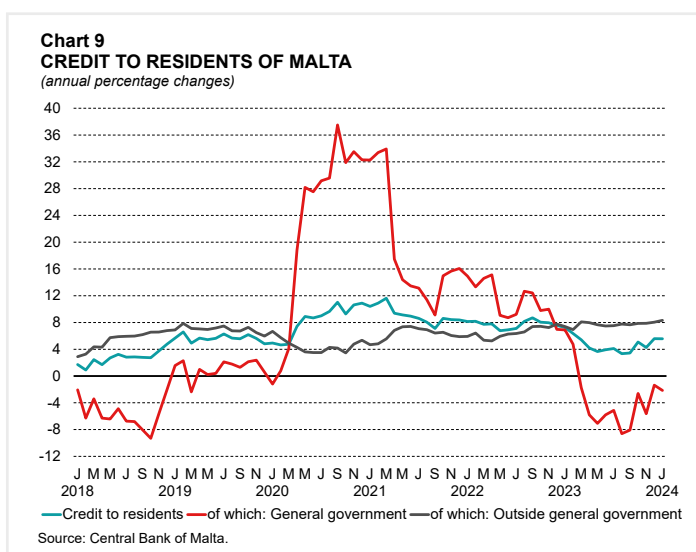


Overnight deposits remained the largest component of residents' M3 deposits, comprising over 89% of their M3 balances. These deposits – which are the most liquid – increased by 0.1% in the year to January, following a contraction of 0.2% in the previous month. Weak dynamics in this component in recent months reflect a shift in behaviour in response to the tightening of monetary policy in 2023, which encouraged a shift to deposits offering higher remuneration.

In fact, time deposits with agreed maturity of up to two years – the second largest deposit category – continued to show very strong growth. These rose by 31.4% over the year to January, above the 25.7% recorded in the year to December. This marks the fifth consecutive period with double-digit growth and 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 non-financial corporations (NFCs) increased to a lower extent.

Credit to Maltese residents grew by 5.6% in January, the same growth rate recorded in December (see Chart 9). Credit to general government fell by 2.2% over the 12 months to January, after decreasing by 1.4% a month earlier. At the same time, annual growth in credit to residents outside general government reached 8.3% in January, above the 8.0% recorded a month earlier.

The annual rate of change in loans to households reached 8.5% in January, up from 8.2%



in the previous month (see Chart 10). Growth in mortgage lending stood at 8.0%, above the 7.8% recorded in the year to December. Furthermore, growth in consumer credit and other lending edged up to 15.1%, from 13.3% in the previous month.

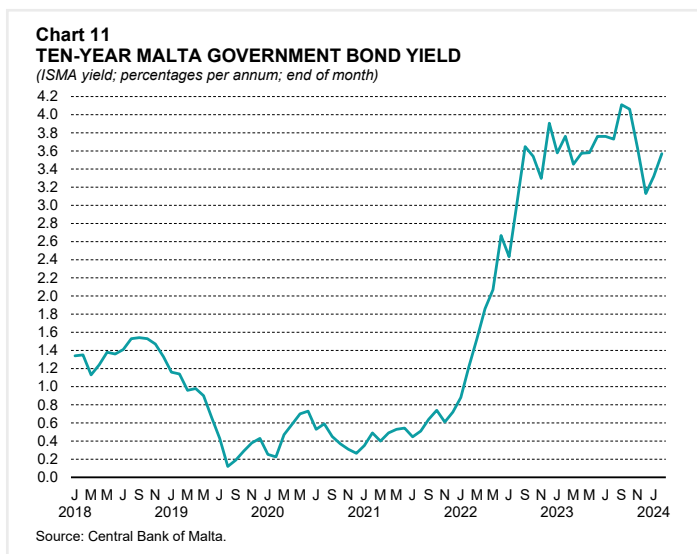
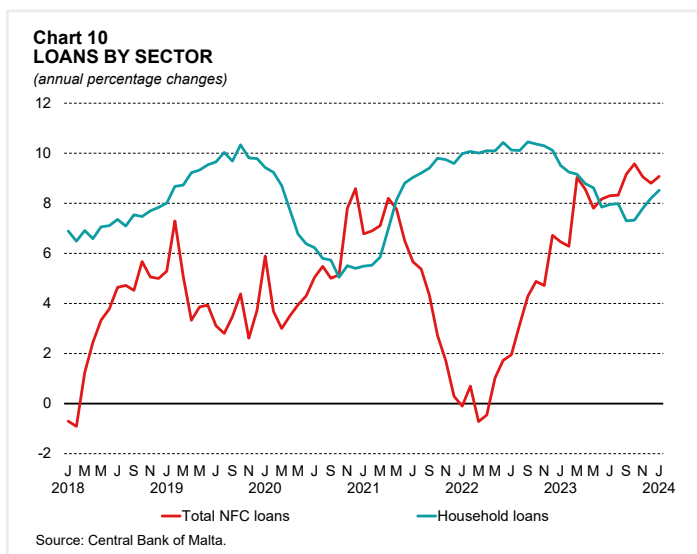
Meanwhile, the annual rate of change in loans to NFCs increased to 9.1% in January, following an 8.8% increase in December. A sectoral breakdown of loans to NFCs suggests that the growth in the year

to January 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 studies. Banks also expanded their loans to the real estate sector, and the sectors including information and communication, transport and storage. Smaller increases were also recorded in the accommodation and food services sector, as well as trade and repair sector. By contrast, loans to the manufacturing sector and to the energy sector declined.

As regards interest rates, in January, the composite interest rate paid by MFIs on Maltese residents' outstanding deposits edged up by 2 basis points compared to December, standing at 0.32%. Meanwhile, the composite rate charged on outstanding loans fell by 2 basis points from that recorded a month earlier, standing at 3.56%. As a result, the spread between the two rates decreased slightly to 324 basis points in January.

The composite rate paid by MFIs on Maltese residents' new deposits stood at 2.64% in January, above the 2.41% recorded in December. It also exceeded the rate recorded for January 2023, which stood at 1.47%. Meanwhile, the composite rate charged on new loans decreased by 29 basis points on a month earlier, standing at 2.73%. It was also 63 basis points below the rate recorded a year earlier. As a result, the spread between the two rates decreased to 9 basis points.

In the capital market, the secondary market yield on ten-year Maltese government bonds



increased from its end-January level and stood at 3.57% in February. However, it was 19 basis points below its year-ago level (see Chart 11).

Meanwhile, the Malta Stock Exchange (MSE) Equity Price Index rose by 1.2% when compared with end January. 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																						
	2021	2022	2023	2022	2022	2023	2023	2023	2023	2023	2023	2023	2023	2023	2023	2023	2023	2023	2023	2024	2024	
				Q3	Q4	Q1	Q2	Q3	Q4	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.
<b>Prices and costs</b>																						
HICP inflation	0.7	6.1	5.6	7.1	7.3	7.0	6.3	5.2	3.9	7.0	7.1	6.4	6.3	6.2	5.6	5.0	4.9	4.2	3.9	3.7	3.7	3.0
RPI inflation	1.5	6.2	5.1	7.1	7.3	7.0	5.6	4.2	3.6	7.1	7.0	5.8	5.7	5.4	4.7	4.0	4.1	3.7	3.6	3.6	3.2	2.3
Industrial producer price inflation	3.2	5.0	3.4	4.6	5.0	4.4	4.3	3.5	1.4	4.9	4.5	4.6	4.1	4.3	4.1	3.7	2.8	2.2	1.1	0.9	0.9	-
HCI (nominal)	0.3	-1.4	3.3	-2.3	-0.1	1.4	3.4	5.0	3.3	1.2	1.8	3.6	3.3	3.2	5.0	5.5	4.5	3.9	3.6	2.5	2.4	2.0
HCI (real)	-1.9	-3.6	3.1	-4.6	-2.1	0.4	3.6	4.9	3.4	0.0	1.9	3.4	3.5	3.8	5.2	5.0	4.6	4.0	3.9	2.4	2.2	1.7
Unit labour costs, whole economy <sup>(1)</sup>	-4.8	1.0	2.4	-1.6	1.0	2.2	2.9	3.0	2.4	-	-	-	-	-	-	-	-	-	-	-	-	-
Compensation per employee <sup>(1)</sup>	4.1	3.1	1.5	2.7	3.1	3.0	2.1	2.3	1.5	-	-	-	-	-	-	-	-	-	-	-	-	-
Labour productivity (per person) <sup>(1)</sup>	9.4	2.0	-0.8	4.2	2.0	0.7	-0.8	-0.6	-0.8	-	-	-	-	-	-	-	-	-	-	-	-	-
Property Price Index (Eurostat)	5.1	6.7	-	6.3	5.9	6.6	4.5	4.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Economic activity</b>																						
Nominal GDP	14.8	13.8	11.2	12.8	13.5	12.1	10.7	12.8	9.3	-	-	-	-	-	-	-	-	-	-	-	-	-
Real GDP	12.5	8.1	5.6	6.6	7.0	6.3	4.9	7.0	4.3	-	-	-	-	-	-	-	-	-	-	-	-	-
Real private consumption	8.2	10.9	7.7	9.4	6.9	8.4	7.1	7.9	7.3	-	-	-	-	-	-	-	-	-	-	-	-	-
Real government consumption	6.8	1.9	3.3	1.5	-1.0	0.8	-0.3	5.6	7.1	-	-	-	-	-	-	-	-	-	-	-	-	-
Real gross fixed capital formation	14.2	31.4	-22.2	31.8	44.5	-13.4	-17.3	-25.3	-30.4	-	-	-	-	-	-	-	-	-	-	-	-	-
Real exports of goods and services	7.6	8.6	8.7	10.2	7.5	9.8	11.5	6.2	7.4	-	-	-	-	-	-	-	-	-	-	-	-	-
Real imports of goods and services	5.1	11.7	4.6	14.4	11.6	7.1	8.5	0.9	2.4	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Labour market developments</b>																						
LFS unemployment rate (% of labour force)	3.8	3.5	3.1	3.4	3.2	3.4	3.1	3.1	2.9	-	-	-	-	-	-	-	-	-	-	-	-	-
LFS employment	3.1	6.6	5.1	8.0	8.4	6.8	5.4	4.9	3.4	-	-	-	-	-	-	-	-	-	-	-	-	-
Jobsplus registered employed	2.6	6.1	-	6.4	8.0	8.5	7.9	7.6	-	8.4	8.4	8.2	8.0	7.6	7.5	7.3	8.0	8.0	-	-	-	-
<b>Balance of payments</b>																						
Current account (as a % of GDP) <sup>(2)</sup>	1.2	-3.0	-	-2.2	-3.0	-2.9	-1.3	1.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Credit and financial indicators</b>																						
Maltese residents' deposits and loans																						
Overnight deposits	12.3	8.0	-0.2	12.7	8.0	3.2	1.1	-3.6	-0.2	5.6	3.2	2.3	1.5	1.1	0.0	-1.7	-3.6	-3.3	-2.6	-0.2	0.1	-
Deposits with agreed maturity up to two years	-4.3	-24.7	25.7	-20.4	-24.7	-11.4	0.3	12.1	25.7	-12.3	-11.4	-5.9	-4.6	0.3	0.3	8.3	12.1	20.3	23.6	25.7	31.4	-
Total residents' deposits in M3	10.4	3.9	1.7	8.4	3.9	1.5	1.0	-2.2	1.7	3.6	1.5	1.4	0.8	1.0	0.0	-0.8	-2.2	-1.3	-0.6	1.7	2.5	-
Credit to general government	16.1	7.0	-1.4	12.4	7.0	-1.7	-5.8	-8.1	-1.4	4.7	-1.7	-5.8	-7.1	-5.8	-5.1	-8.6	-8.1	-2.6	-5.6	-1.4	-2.2	-
Credit to residents (excl. general government)	5.9	7.8	8.0	7.4	7.8	8.1	7.5	7.7	8.0	6.9	8.1	8.0	7.7	7.5	7.5	7.8	7.7	7.9	7.9	8.0	8.3	-
Total credit	8.4	7.5	5.6	8.7	7.5	5.4	3.9	3.4	5.6	6.3	5.4	4.2	3.7	3.9	4.1	3.3	3.4	5.1	4.3	5.6	5.6	-
Ten-year interest rate (%) <sup>(3)</sup>	0.7	3.9	3.1	3.6	3.9	3.5	3.8	4.1	3.1	3.8	3.5	3.6	3.6	3.8	3.8	3.7	4.1	4.1	3.6	3.1	3.3	3.6
Stock prices: Malta Stock Exchange Equity Price Index <sup>(4)</sup>	-4.5	-9.9	11.4	-0.7	-2.2	-0.4	5.9	-1.5	7.2	2.5	-2.7	2.3	3.4	0.1	1.1	-1.3	-1.3	-2.0	2.8	6.5	-4.8	1.2
<b>General government finances (% of GDP)</b>																						
Surplus (+) / deficit (-) <sup>(2)</sup>	-7.4	-5.6	-	-5.3	-5.6	-4.8	-4.3	-3.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross debt <sup>(5)</sup>	53.9	51.6	-	51.5	51.6	51.6	49.8	49.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

<sup>(1)</sup> Four-quarter moving averages.

<sup>(2)</sup> Four-quarter moving sums.

<sup>(3)</sup> End of period.

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

<sup>(5)</sup> GDP data are four-quarter moving sums.