



BANK ĊENTRALI TA' MALTA  
EUROSISTEMA  
CENTRAL BANK OF MALTA



# CENTRAL BANK OF MALTA ECONOMIC UPDATE

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5/2024

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*The cut-off date for information in this note is 17 May 2024. However, the cut-off date for the RPI is 23 May 2024. Figures in tables may not add up due to rounding.*

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## ECONOMIC UPDATE 5/2024

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

*The Bank's Business Conditions Index (BCI) indicates that in April 2024, annual growth in business activity declined marginally, and remained slightly below its historical average, estimated since January 2000.*

*The European Commission confidence surveys show that sentiment in Malta decreased in April, and remained below its long-term average, estimated since November 2002. The latest deterioration was mostly driven by developments in industry, construction and among consumers.*

*Additional data show that in month-on-month terms, price expectations increased among consumers, and to a lesser extent in the retail and services sectors, but decreased significantly in the construction sector and, to a lesser extent in industry.*

*In April, the European Commission's Economic Uncertainty Indicator (EUI) for Malta decreased compared with March, indicating lower uncertainty. Uncertainty declined in all sectors except construction.*

*In March, both industrial production and retail trade contracted on a year-on-year basis. The unemployment rate remained unchanged at 3.2% in March but stood below that of 3.4% in March 2023.*

*Commercial and residential building permits in March were lower than a month earlier. Commercial permits were also lower when compared with a year ago, but residential permits were higher. In April, 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 2.4% in April, down from 2.7% in the previous month. Following this decline, HICP inflation in Malta was in line with the euro area average. HICP excluding energy and food in Malta, remained below the euro area average. Inflation based on the Retail Price Index (RPI) decreased to 1.6%, down from 1.9% in March.*

*During the 12 months to March, Maltese residents' deposits increased, mostly due to higher balances belonging to households and non-financial corporations (NFCs). By contrast, deposits held by financial intermediaries decreased. The annual rate of change moderated compared to February. By contrast, growth in credit to Maltese residents increased at a slightly faster rate compared with a month ago.*

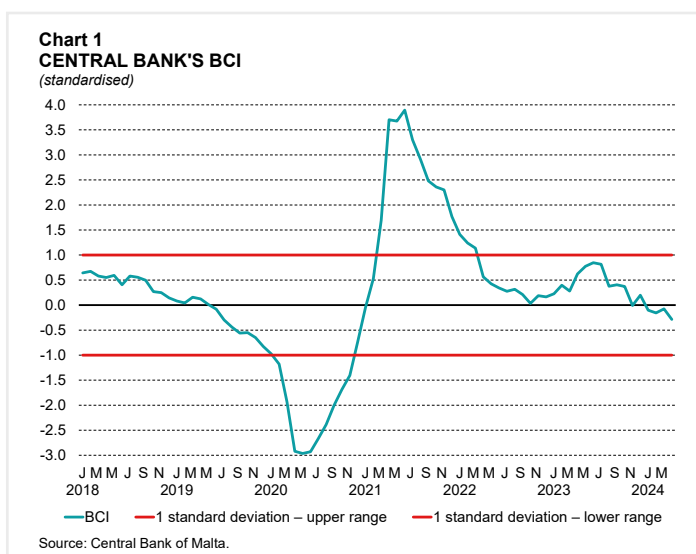
*In March, the Consolidated Fund recorded a lower deficit compared to a year earlier. This reflects a decline in expenditure coupled with an increase in revenue.*

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<sup>1</sup> The cut-off date for information in this note is 17 May 2024. However, the cut-off date for the RPI is 23 May 2024. Most of the data reported in this issue of the *Economic Update* refer to March 2024. However, European Commission survey data, inflation data, the BCI and residential transactions refer to April.

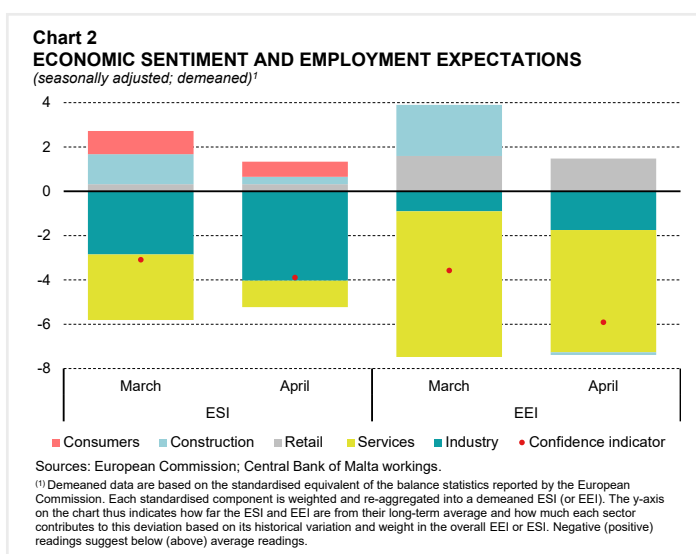
## Central Bank's Business Conditions Index<sup>2</sup>

The Bank's BCI indicates that in April, annual growth in business activity declined marginally, and remained slightly below its long-term average, estimated since January 2000 (see Chart 1). This mainly reflects a below-average ESI and declines in the issuance of development permits for residential buildings in recent months. The recent weakness in industrial production also contributed to the below-average economic conditions. These developments were partly offset by a strong increase in tourism, which was above the average rate.



## Business and consumer confidence indicators

In April, the European Commission's Economic Sentiment Indicator (ESI) for Malta decreased to 96.1, from 96.9 in March. Sentiment thus remained below its long-term average of around 100.0, estimated since November 2002 (see Table 1).<sup>3,4,5</sup> However it stood above the euro area average of 95.6. In month-on-month terms, sentiment deteriorated in the construction sector – although remaining in positive territory – and to a lesser extent among consumers and in industry. By contrast, sentiment turned more positive among retailers and in the services sector.



Demeaned data – which account for the variation in

<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.

<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		
			Apr.	Dec.	Jan.	Feb.	Mar.	Apr.
<b>ESI</b>	<b>100.7</b>	<b>105.5</b>	<b>113.8</b>	<b>104.4</b>	<b>97.5</b>	<b>88.9</b>	<b>96.9</b>	<b>96.1</b>
<b>Construction confidence indicator</b>	<b>7.0</b>	<b>1.2</b>	<b>24.7</b>	<b>-23.4</b>	<b>9.6</b>	<b>14.8</b>	<b>29.1</b>	<b>3.2</b>
Evolution of your current overall order books	8.7	-9.8	3.6	-43.6	-3.2	10.6	5.3	1.6
Employment expectations over the next 3 months	5.4	12.2	45.7	-3.2	22.4	19.1	52.9	4.8
<b>Consumer confidence indicator</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>	<b>-7.5</b>	<b>-9.2</b>
Financial situation past 12 months	-19.7	-20.3	-21.4	-19.9	-17.1	-11.3	-13.4	-15.3
Financial situation next 12 months	-11.8	-10.5	-8.6	-11.2	-8.8	1.4	-2.8	-5.2
Economic situation next 12 months	-3.5	-12.6	-4.7	-17.7	-15.8	-2.3	-10.6	-11.6
Major purchases next 12 months	5.6	-0.3	6.8	-1.5	-6.8	-5.4	-3.0	-4.5
<b>Industrial confidence indicator</b>	<b>-9.4</b>	<b>2.4</b>	<b>8.5</b>	<b>-2.8</b>	<b>-13.6</b>	<b>-37.9</b>	<b>-11.0</b>	<b>-12.2</b>
Assessment of order-book levels	-21.5	-12.7	-49.0	-0.2	-28.2	-57.4	-30.0	-20.2
Assessment of stocks of finished products	9.1	2.2	-3.6	-1.7	14.1	35.5	21.0	36.8
Production expectations for the months ahead	2.2	22.1	70.9	-10.0	1.5	-20.7	17.9	20.4
<b>Retail trade confidence indicator</b>	<b>6.0</b>	<b>9.8</b>	<b>35.3</b>	<b>15.4</b>	<b>25.7</b>	<b>14.8</b>	<b>8.0</b>	<b>9.8</b>
Business activity, past 3 months	21.1	25.2	55.2	25.5	35.3	6.3	11.1	6.2
Stocks of finished goods	-3.2	16.5	1.1	10.0	-1.4	3.4	2.2	10.3
Business activity, next 3 months	-6.2	20.8	51.8	30.8	40.4	41.5	15.2	33.5
<b>Services confidence indicator</b>	<b>20.5</b>	<b>26.6</b>	<b>41.7</b>	<b>31.0</b>	<b>16.8</b>	<b>12.9</b>	<b>7.1</b>	<b>15.1</b>
Business situation development over the past 3 months	15.7	24.0	36.7	26.4	15.7	3.9	2.7	19.6
Evolution of the demand over the past 3 months	26.1	26.0	37.5	32.2	21.6	10.6	3.8	11.9
Expectation of the demand over the next 3 months	19.7	29.9	50.9	34.5	13.2	24.2	14.8	13.9
<b>EEI</b>	<b>105.7</b>	<b>107.2</b>	<b>121.8</b>	<b>111.8</b>	<b>101.5</b>	<b>99.0</b>	<b>97.2</b>	<b>94.0</b>
Construction	5.4	12.2	45.7	-3.2	22.4	19.1	52.9	4.8
Industry	12.0	19.3	57.1	19.8	30.8	-13.2	1.2	-9.1
Retail	15.8	17.2	20.8	21.8	13.7	15.0	16.6	15.7
Services	30.2	30.1	49.6	42.5	10.5	19.3	3.7	6.2
<b>EUJ<sup>(1,2)</sup></b>	<b>28.1</b>	<b>12.1</b>	<b>19.4</b>	<b>4.2</b>	<b>21.1</b>	<b>15.5</b>	<b>16.6</b>	<b>10.7</b>
Industry	39.4	7.6	35.8	6.9	19.4	29.4	13.3	3.1
Retail	50.8	6.5	7.3	-1.2	1.9	5.2	14.1	4.6
Consumers	13.7	14.4	19.8	10.4	17.0	11.8	14.8	9.8
Services	20.3	15.2	-1.7	-7.5	32.6	0.3	22.0	20.4
Construction	19.5	24.9	25.2	34.0	1.3	19.3	20.9	22.2
<b>ESI demeaned</b>	<b>0.7</b>	<b>5.5</b>	<b>13.8</b>	<b>4.4</b>	<b>-2.5</b>	<b>-11.1</b>	<b>-3.1</b>	<b>-3.9</b>
<b>EEI demeaned</b>	<b>6.0</b>	<b>7.0</b>	<b>20.5</b>	<b>12.2</b>	<b>-0.2</b>	<b>-0.1</b>	<b>-3.6</b>	<b>-5.9</b>

Source: European Commission.

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

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

weights assigned to each sector in the overall index – show that the decrease in the overall sentiment in April was largely driven by developments in industry and in the construction sector. Sentiment in industry, and to a lesser extent the services sector, explain why the ESI stood below its long-term average in April (see Chart 2).

In April, the sentiment indicator for the construction sector decreased to 3.2, from 29.1 in March, thus remaining well above its long-term average of -7.7.<sup>6</sup> Contrary to March, employment expect-

<sup>6</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.

tations decreased significantly – though remaining positive. Additionally, fewer respondents assessed their overall order books to be above normal levels.

Consumer confidence stood more negative in the month under review. It averaged -9.2, down from -7.5 in March, but remained above its long-term average of -10.2.<sup>7</sup> The more negative sentiment in April reflected a deterioration across all sub-components of the indicator.

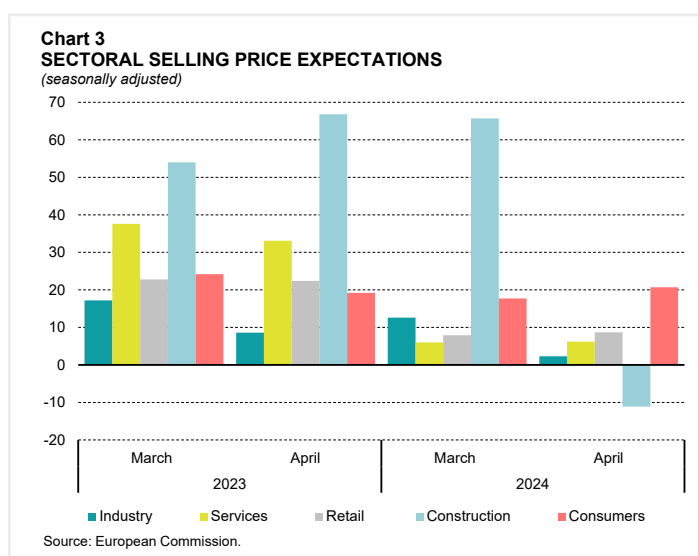
Sentiment in industry averaged -12.2, down from -11.0 in March, thus remaining below its long-term average of -4.2.<sup>8</sup> On balance, the net share of respondents assessing their stocks of finished products to be above normal levels increased.<sup>9</sup> This was partly offset by an improvement in production expectations for the months ahead. At the same time, less firms assessed their order book levels to be below normal levels.

The confidence indicator for the retail sector increased to 9.8, from 8.0 in the previous month. It thus remained well above its long-term average of 0.5.<sup>10</sup> The recent rise in sentiment was largely driven by an increase in participants' expectations of business activity over the next three months. These developments offset a deterioration in the respondents' assessment of sales over the past three months and of stock levels.

The sentiment indicator for the services sector stood below its long-term average of 19.5.<sup>11</sup> However, it rose to 15.1 from 7.1 a month earlier, reflecting an amelioration in the firm's 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 slightly less positive than a month earlier.

Additional survey information shows that, in month-on-month terms, price expectations increased among consumers and to a lesser extent in the retail and services sectors (see Chart 3). By contrast, they decreased significantly in the construction sector and somewhat in industry.

In the construction sector, firms anticipate prices to fall in the



<sup>7</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.

<sup>8</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>9</sup> Above normal stocks of finished goods have a negative effect on the overall indicator, and vice versa.

<sup>10</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>11</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.

coming months. In the remaining sectors, the net share of respondents signalling price increases ranged from around 21% among consumers to around 2% in industry.

Price expectations in April stood below 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 – remained below its long-term average in April of around 100.0. It stood at 94.0 in April, down from 97.2 in March.<sup>12</sup> It also stood below the euro area average of 101.8.

Demeaned data suggest that the latest decrease in employment expectations was largely driven by the construction sector, although industry also contributed. The services sector mostly explains why in April the overall EEI stood below its long-term average (see Chart 2).

In April, 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 10.7, down from 16.6 in March, and remained below that of the euro area (see Table 1).<sup>13,14</sup> When compared with March, lower uncertainty was recorded across all sectors bar the construction sector. The strongest declines were recorded in industry and in the retail sector.

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

## Activity indicators

In March, the index of industrial production – which is a measure of economic activity in the quarrying, manufacturing, and energy sectors – contracted by 3.3% on a year-on-year basis. While this marks the third consecutive decline, the contraction was smaller compared to that of 5.7% in the preceding month (see Table 2).<sup>15</sup>

In the manufacturing sector, production contracted by 2.6% on a year earlier, compared to a larger decline of 5.9% a month earlier. In March, strong declines were recorded among firms involved in 'other manufacturing' – which includes medical and dental instruments. Output also fell strongly among firms involved in the manufacture of wood and wood products, as well as those involved in the production of electrical equipment. Smaller decreases were also recorded among those involved in the printing and reproduction of recorded media, the manufacture of motor vehicles,

<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	2023			2024		
			Jan.	Feb.	Mar.	Jan.	Feb.	Mar.
Industrial production	1.5	7.1	14.7	20.7	12.7	-5.2	-5.7	-3.3
Retail trade	9.7	2.6	5.6	5.1	3.1	1.4	3.9	-1.2
Number of tourist arrivals	136.2	30.1	128.0	105.1	57.2	26.3	27.5	38.1
Number of nights stayed	98.0	21.9	79.0	57.0	43.1	-2.1	24.0	32.2
Rented accommodation	111.3	24.0	81.8	72.7	45.7	-2.0	21.2	38.5
Collective <sup>(1)</sup>	109.9	22.3	111.4	85.5	47.4	12.7	24.5	33.3
Other rented <sup>(2)</sup>	113.8	26.7	49.3	50.4	42.0	-24.8	14.1	50.6
Non-rented accommodation <sup>(3,4)</sup>	50.8	11.6	68.8	-0.3	29.5	-2.8	41.5	-
Tourist expenditure	131.1	32.7	111.1	117.4	57.7	10.9	31.5	44.8
Package expenditure	129.8	46.5	197.4	198.5	139.2	14.7	43.7	35.2
Non-package expenditure	145.9	35.0	84.3	124.5	61.6	19.8	35.7	69.0
Other	118.3	23.2	109.2	117.4	25.9	2.3	21.0	29.7

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

trailers, and semi-trailers, paper and paper products as well as food products. In all these sectors, production fell at double-digit rates.

Falling production in these sectors offset annual increases among firms that manufacture furniture, textiles, computer electronic and optical products, as well as basic pharmaceutical products.

Meanwhile, production in the energy sector contracted by an annual 12.9% in March. This marked the fifth consecutive month of year-on year declines, with the rate of contraction in March being almost twice that recorded a month earlier.

The volume of retail trade – which is a short-term indicator of final domestic demand – contracted by 1.2% in year-on-year terms, after increasing by an annual 3.9% in February.

In March, the number of inbound tourists amounted to 240,851, an increase of 38.1% on a year earlier. Guest nights rose by 32.2% on the previous year, due to an increase in nights stayed in rented accommodation. On the other hand, nights in non-rented accommodation were lower compared with a year earlier. Total expenditure by tourists in Malta increased by 44.8% over the level recorded in the corresponding month of 2023, with the increase being broad-based across all expenditure categories. Expenditure per capita increased, notwithstanding a shorter length of stay. However, expenditure per night rose by 9.6% (see Table 2).



In March, 156 development permits for commercial buildings were issued, 62 less than the number of permits issued in the same month of 2023 (see Table 3). Meanwhile, 741 new residential building permits were issued, 18 more than the number issued in March 2023. In month-on-month terms, both commercial and residential permits fell, though the decline in the latter was much more pronounced.

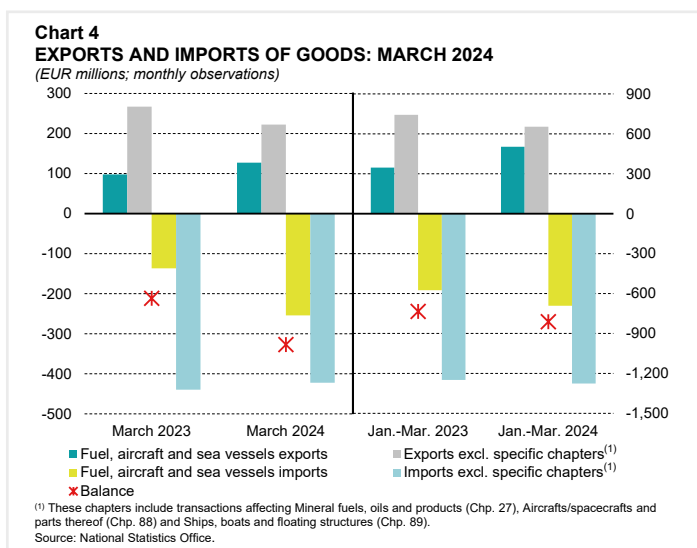
In April, 1,139 final deeds of sale were concluded, 210 more than a year earlier, and 109 more than March. At 1,157, the number of promise-of-sale agreements was 97 more than a year earlier, but 19 less compared with March.

Customs data show that the merchandise trade deficit widened to €327.1 million in March, from €211.4 million a year earlier. This was due to a €100.1 million increase in imports and a €15.5 million decrease in exports.

When excluding specific chapters representing transactions in fuels, sea vessels as well as aircrafts and parts thereof, the trade deficit widened by €27.4 million to €200.0 million over this period, as on this basis exports declined at a faster pace than imports (see Chart 4).

Exports excluding specific chapters decreased mainly due to lower exports of fish, printed material and certain types of electric machinery. These outweighed higher exports of pharmaceutical products.

Imports excluding specific chapters increased due to higher imports of machinery and mechanical appliances as well as chemical and pharmaceutical products. These offset lower imports of paper products.



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

Levels

	2022	2023	2023			2024		
			Feb.	Mar.	Apr.	Feb.	Mar.	Apr.
<b>Permits</b>								
Commercial permits	2,984	2,532	196	218	183	248	156	-
Residential permits	9,599	8,112	932	723	878	1,165	741	-
<b>Residential transactions</b>								
Promise of sale	12,164	13,200	1,033	1,167	1,060	1,167	1,176	1,157
Final deeds of sale	14,331	12,180	939	1,049	929	1,020	1,030	1,139

Sources: National Statistics Office; Planning Authority.

## Labour market

Jobsplus data show that the level of engagements in the labour market stood at 8,508 in February, down from 11,427 in January, and from 9,746 recorded a year earlier (see Table 4). Moreover, the level of terminations stood at 6,608 in February, down from 7,345 in January, and from 7,075 recorded a year earlier. This level of activity is below the average level of recent years.<sup>16</sup>

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

Levels

	2021	2022	2023	2022		2023		2024	
				Dec.	Jan.	Feb.	Dec.	Jan.	Feb.
Engagements	113,805	131,678	130,077	7,253	13,619	9,746	6,678	11,427	8,508
Terminations	93,600	103,311	100,623	9,830	7,634	7,075	7,706	7,345	6,608
<b>Net Engagements</b>	<b>20,205</b>	<b>28,367</b>	<b>29,454</b>	<b>-2,577</b>	<b>5,985</b>	<b>2,671</b>	<b>-1,028</b>	<b>4,082</b>	<b>1,900</b>

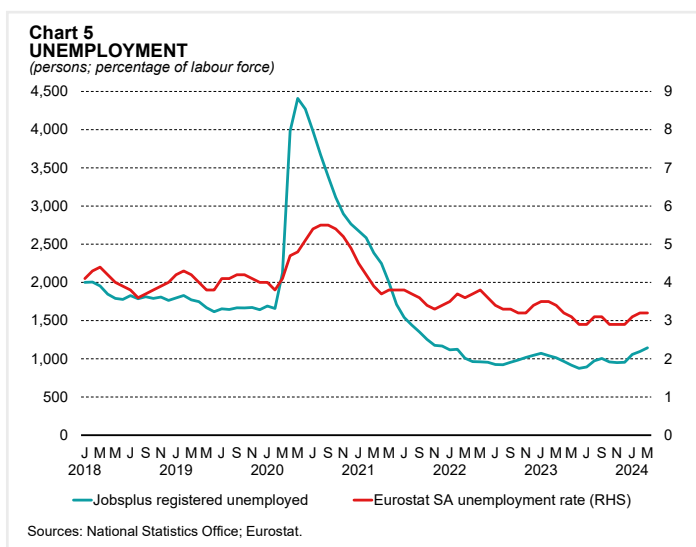
Source: Jobsplus.

Data are provisional and thus subject to change.

Overall, the level of net engagements in February stood at 1,900, down from 4,082 in January, and from 2,671 recorded a year earlier.

Jobsplus data show that the number of persons on the unemployment register stood at 1,144 in March, up from 1,096 in February, and from 1,013 recorded a year earlier (see Chart 5).

The seasonally-adjusted unemployment rate remained unchanged at 3.2% in March, but stood lower than 3.4% in March 2023 (see Chart 5).



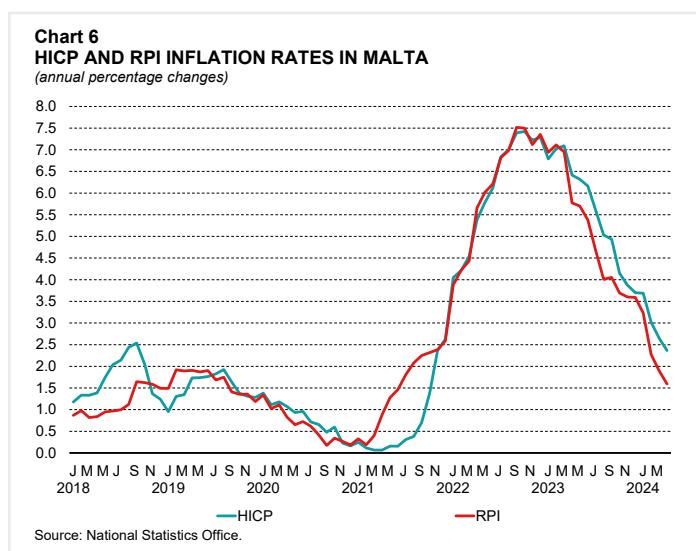
## Prices, costs and competitiveness

Annual HICP inflation stood at 2.4% in April, down from 2.7% in the previous month (see Chart 6). Food inflation (including alcohol and tobacco) eased further during the month to 4.7%, from 5.0% in March, on the back of lower processed food inflation. The latter moderated to 4.7% from 5.4% in the previous month. The decline was broad-based across most products. On the other hand, unprocessed food prices rose at a faster pace in April, standing at 4.3% from 3.5% in March.

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

This was driven by higher price increases of fruit and vegetables. At the same time, services inflation eased to 2.1%, as compared to 2.7% in March, following a slowdown in most subcomponents. On the other hand, NEIG inflation rose marginally to 1.3%, compared to 1.2% in March. Energy inflation remained unchanged due to the government measures in place.

Overall HICP inflation in Malta converged to that in the euro area in April, while HICP inflation excluding food and energy, stood at 1.8%, well below the 2.7% observed in the euro area.



Annual inflation according to the RPI dropped to 1.6% in April, from 1.9% in March (see Chart 6).<sup>17</sup> The slowdown in inflation stemmed partly from a continued drop in transport and communication inflation which stood at -3.4%, from -2.6% in March. At the same time, food inflation slowed down to 4.5%, from 5.1% in the previous month. Similarly, housing inflation and inflation in furnishings and household equipment slowed down to 1.2% and 1.7%, respectively. On the other hand, clothing and footwear inflation stood at -0.1%, as opposed to -2.3% in March. Energy prices remained unchanged.

Producer output inflation, as measured by the industrial producer price index, fell to -0.3% in March, from 0.3% in February.<sup>18</sup> Producer prices of capital goods grew at a slower rate of 1.7% compared with the previous month's 3.1% increase. At the same time, producer prices of intermediate goods recorded a steeper decline of 2.6%, following a drop of 1.1% in the previous month. Meanwhile, producer prices of consumer goods grew at a faster rate of 1.1% in March, up from 0.7% in February. Energy producer price inflation stood unchanged at zero, and thus had no impact on overall producer prices.

## Public finance

In March 2024, the Consolidated Fund recorded a deficit of €109.8 million, an improvement of €139.9 million when compared with the deficit registered a year earlier (see Table 5). This was due to a decline in government expenditure coupled with a rise in government revenue. The primary deficit stood at €88.8 million, €141.4 million lower than the deficit registered in March 2023.

<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	2023	2024	Change	
	Jan.-Mar.	Jan.-Mar.	Mar.	Mar.	Amount	%
<b>Revenue</b>	<b>1,364.5</b>	<b>1,572.7</b>	<b>372.3</b>	<b>433.1</b>	<b>60.8</b>	<b>16.3</b>
<b>Direct tax</b>	<b>710.4</b>	<b>928.3</b>	<b>155.2</b>	<b>220.2</b>	<b>65.0</b>	<b>41.8</b>
Income tax	504.1	690.2	87.8	149.1	61.3	69.8
Social security contributions <sup>(1)</sup>	206.3	238.1	67.4	71.1	3.7	5.4
<b>Indirect tax</b>	<b>475.3</b>	<b>533.9</b>	<b>139.0</b>	<b>187.0</b>	<b>47.9</b>	<b>34.4</b>
Value Added Tax	320.2	377.3	82.5	131.5	49.0	59.4
Customs and excise duties	68.4	53.6	22.0	15.6	-6.4	-29.0
Licences, taxes and fines	86.7	103.0	34.6	39.9	5.3	15.2
<b>Non-tax<sup>(2)</sup></b>	<b>178.8</b>	<b>110.5</b>	<b>78.0</b>	<b>26.0</b>	<b>-52.1</b>	<b>-66.7</b>
<b>Expenditure</b>	<b>1,500.0</b>	<b>1,531.1</b>	<b>622.0</b>	<b>542.9</b>	<b>-79.1</b>	<b>-12.7</b>
<b>Recurrent</b>	<b>1,379.3</b>	<b>1,434.9</b>	<b>551.5</b>	<b>508.8</b>	<b>-42.7</b>	<b>-7.7</b>
Personal emoluments	272.9	296.8	96.2	103.4	7.1	7.4
Operational and maintenance	74.4	79.3	27.9	26.9	-0.9	-3.4
Programmes and initiatives	794.4	841.8	319.2	280.8	-38.4	-12.0
Contributions to entities	192.2	154.6	88.7	76.6	-12.1	-13.6
Interest payments	45.4	62.3	19.5	21.1	1.5	7.7
<b>Capital</b>	<b>120.7</b>	<b>96.2</b>	<b>70.5</b>	<b>34.1</b>	<b>-36.4</b>	<b>-51.6</b>
<b>Primary balance<sup>(3)</sup></b>	<b>-90.1</b>	<b>103.9</b>	<b>-230.2</b>	<b>-88.8</b>	<b>141.4</b>	<b>-</b>
<b>Consolidated Fund balance</b>	<b>-135.5</b>	<b>41.6</b>	<b>-249.7</b>	<b>-109.8</b>	<b>139.9</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.

Government expenditure decreased by €79.1 million, or 12.7%, due to a decrease in both recurrent and capital expenditure. Recurrent spending decreased by €42.7 million, mainly due to lower expenditure on programmes and initiatives and contributions to entities, which declined by €38.4 million and €12.1 million, respectively. The former mostly reflects the timing of outlays on retirement pensions and energy support measures. Spending on operations and maintenance decreased by €0.9 million. Meanwhile, personal emoluments and interest payments increased at a relatively moderate pace, by €7.1 million and €1.5 million respectively. Capital expenditure decreased by €36.4 million, as a result of lower outlays on various projects, some of which are co-funded by the European Union.

Government revenue increased by €60.8 million, or 16.3%. This reflected higher receipts from direct and indirect taxes, which rose by €65.0 million and €47.9 million, respectively. The former is due to a rise in income tax receipts, mainly stemming from those paid by companies, and the latter is mainly due to a rise in inflows from VAT receipts. Meanwhile, non-tax revenue decreased by €52.1 million mainly due to lower grants from the European Union.

In March 2024, the total stock of outstanding government debt amounted to €9,949.6 million, a decrease of €126.5 million when compared with the level of February 2024 (see Chart 7). This

primarily reflects a decrease in the level of outstanding Treasury Bills and 62+ Savings Bonds.

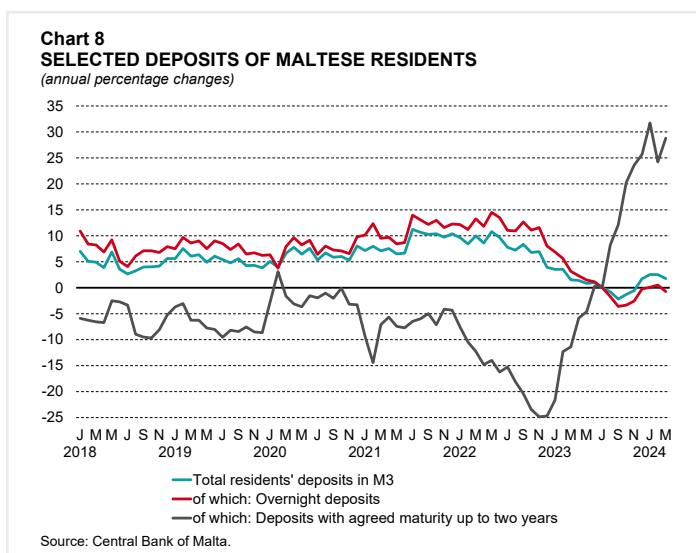
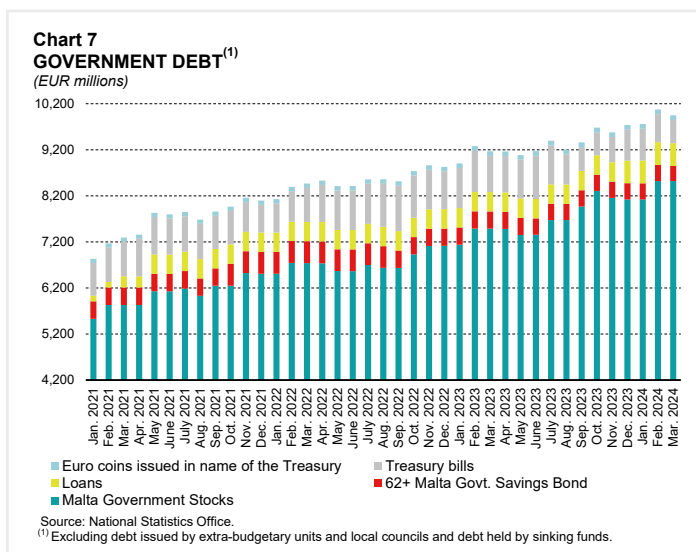
## Deposits, credit and financial markets

During the 12 months to March, residents' deposits held with monetary financial institutions (MFI) and forming part of broad money (M3) increased by 1.8% (see Chart 8). The latest increase was mostly driven by balances belonging to households and NFCs. By contrast, M3 deposits belonging to financial intermediaries decreased.

Overnight deposits remained the largest component of residents' M3 deposits, comprising around 89% of their M3 balances. These deposits – which are the most liquid – decreased by 0.7% in the year to March, following an increase of 0.5% 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 28.8% over the year to March, following an increase of 24.2% in the year to February. This marks the seventh 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 buoyant growth in balances belonging to both households and NFCs.

Credit to Maltese residents grew by 6.1% in March, higher than the 5.9% growth recorded in February (see Chart 9). Credit to general government fell by 0.6% over the 12 months to March, following a 0.3% decrease a month earlier. By contrast, annual growth in credit to residents outside general government picked up, reaching 8.5% in March, from 8.1% month earlier.

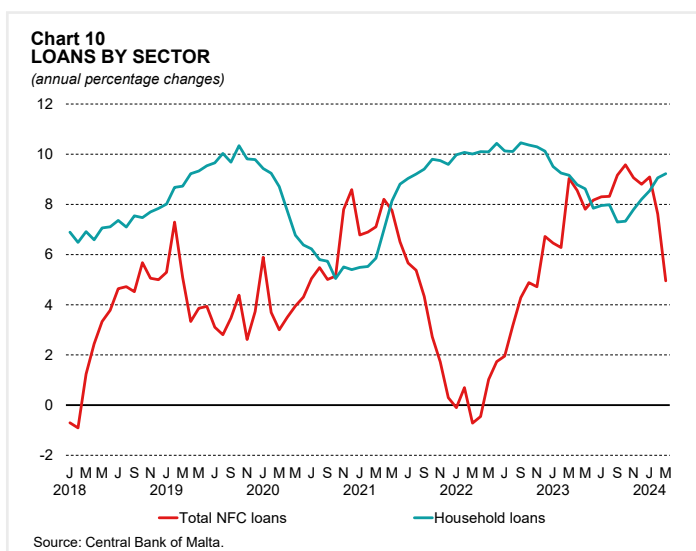
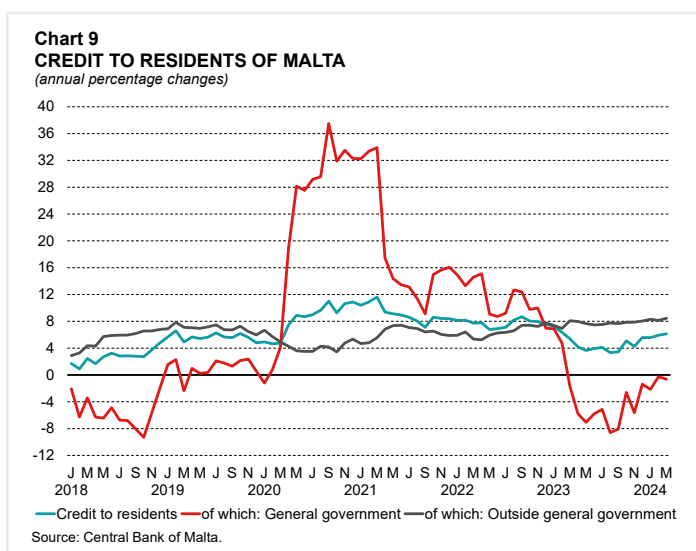


The annual rate of change in loans to households reached 9.2% in March, up from 9.1% in the previous month (see Chart 10). Growth in mortgage lending stood at 9.0%, above the 8.8% recorded in the year to February. Furthermore, growth in consumer credit and other lending increased by 12.4% year-on-year.

Meanwhile, the annual rate of change in loans to NFCs increased by 5.0% in March, following a 7.6% increase in February. A sectoral breakdown of loans to NFCs indicates that the growth in the year to March was driven by increased lending to the sector comprising of real estate activities. This was followed by increased lending toward the sector comprising professional, scientific and technical activities, and the construction sector. Banks also expanded their loans to the trade and repair and energy sectors. By contrast, loans to the manufacturing sector, information, communication, transport and storage and the accommodation and food services sectors declined.

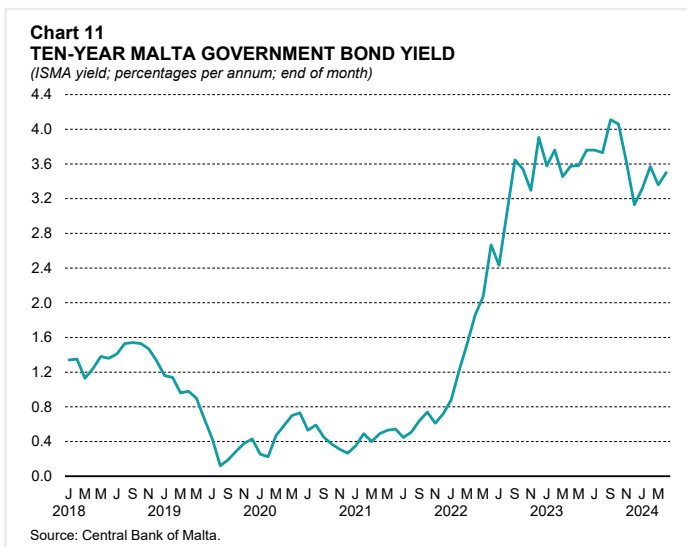
Regarding interest rates, in March, the composite interest rate paid by MFIs on Maltese residents' outstanding deposits edged up by 2 basis points compared to February, standing at 0.35%. Meanwhile, the composite rate charged on outstanding loans decreased by 2 basis points from the rate recorded a month earlier, standing at 3.51%. As a result, the spread between the two rates narrowed to 316 basis points.

The composite rate paid by MFIs on Maltese residents' new deposits stood at 2.88% in March, above the 2.71% recorded in February. It also exceeded the rate of 1.63% recorded for March 2023. Meanwhile, the composite rate charged on new loans increased by 23 basis points from a month earlier, standing at 3.22%. This was, however, 27 basis points lower than the rate recorded a year earlier. As a result, the spread between the two rates increased to 33 basis points.



In the capital market, the secondary market yield on ten-year Maltese government bonds increased from its end-March level and stood at 3.50% in April. It however stood eight basis points below its year-ago level (see Chart 11).

Meanwhile, the Malta Stock Exchange (MSE) Equity Price Index decreased by 0.5%, compared with end-March. On the other hand, the MSE Total Return Index, which accounts for dividends as well as changes in equity prices, increased by 0.8%.



## Annex 1

### MACROECONOMIC INDICATORS FOR MALTA

Annual percentage changes; non-seasonally adjusted data

	2021	2022	2023	2022	2023	2023	2023	2023	2024	2023	2023	2023	2023	2023	2023	2023	2023	2023	2024	2024	2024	2024	
				Q4	Q1	Q2	Q3	Q4	Q1	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	
<b>Prices and costs</b>																							
HICP inflation	0.7	6.1	5.6	7.3	7.0	6.3	5.2	3.9	3.1	6.4	6.3	6.2	5.6	5.0	4.9	4.2	3.9	3.7	3.7	3.0	2.7	2.4	
RPI inflation	1.5	6.2	5.1	7.3	7.0	5.6	4.2	3.6	2.5	5.8	5.7	5.4	4.7	4.0	4.1	3.7	3.6	3.6	3.2	2.3	1.9	1.6	
Industrial producer price inflation	3.2	5.0	3.4	5.0	4.4	4.3	3.5	1.4	0.3	4.6	4.1	4.3	4.1	3.7	2.8	2.2	1.1	0.9	0.9	0.3	-0.3	-	
HCI (nominal)	0.3	-1.4	3.3	-0.1	1.4	3.4	5.0	3.3	2.1	3.6	3.3	3.2	5.0	5.5	4.5	3.9	3.6	2.5	2.4	1.9	2.0	1.2	
HCI (real)	-1.9	-3.6	3.1	-2.1	0.5	3.6	4.9	3.5	1.5	3.4	3.5	3.8	5.2	5.0	4.6	4.1	3.9	2.4	2.3	1.3	1.0	0.1	
Unit labour costs, whole economy <sup>(1)</sup>	-4.8	1.0	2.4	1.0	2.2	2.9	3.0	2.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Compensation per employee <sup>(1)</sup>	4.1	3.1	1.5	3.1	3.0	2.1	2.3	1.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Labour productivity (per person) <sup>(1)</sup>	9.4	2.0	-0.8	2.0	0.7	-0.8	-0.6	-0.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Property Price Index (Eurostat)	5.1	6.7	5.3	5.9	6.6	4.5	4.6	5.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Economic activity</b>																							
Nominal GDP	14.8	13.8	11.2	13.5	12.1	10.7	12.8	9.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Real GDP	12.5	8.1	5.6	7.0	6.3	4.9	7.0	4.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Real private consumption	8.2	10.9	7.7	6.9	8.4	7.1	7.9	7.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Real government consumption	6.8	1.9	3.3	-1.0	0.8	-0.3	5.6	7.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Real gross fixed capital formation	14.2	31.4	-22.2	44.5	-13.4	-17.3	-25.3	-30.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Real exports of goods and services	7.6	8.6	8.7	7.5	9.8	11.5	6.2	7.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Real imports of goods and services	5.1	11.7	4.6	11.6	7.1	8.5	0.9	2.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Labour market developments</b>																							
LFS unemployment rate (% of labour force)	3.7	3.5	3.1	3.2	3.4	3.1	3.1	2.8	-	3.3	3.1	3.0	3.0	3.1	3.1	2.9	2.8	2.8	3.0	3.1	3.2	-	
LFS employment	3.1	6.6	5.1	8.4	6.8	5.4	4.9	3.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Jobsplus registered employed	2.6	6.1	7.9	8.0	8.5	7.9	7.6	7.8	-	8.2	8.0	7.6	7.5	7.3	8.0	8.0	7.7	7.6	-	-	-	-	
<b>Balance of payments</b>																							
Current account (as a % of GDP) <sup>(2)</sup>	5.9	-3.9	0.9	-3.9	-3.8	-1.4	0.5	0.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Credit and financial indicators</b>																							
<b>Maltese residents' deposits and loans</b>																							
Overnight deposits	12.3	8.0	-0.2	8.0	3.2	1.1	-3.6	-0.2	-0.7	2.3	1.5	1.1	0.0	-1.7	-3.6	-3.3	-2.6	-0.2	0.1	0.5	-0.7	-	
Deposits with agreed maturity up to two years	-4.3	-24.7	25.7	-24.7	-11.4	0.3	12.1	25.7	28.8	-5.9	-4.6	0.3	0.3	8.3	12.1	20.3	23.6	25.7	31.7	24.2	28.8	-	
Total residents' deposits in M3	10.4	3.9	1.7	3.9	1.5	1.0	-2.2	1.7	1.8	1.4	0.8	1.0	0.0	-0.8	-2.2	-1.3	-0.6	1.7	2.5	2.5	1.8	-	
Credit to general government	16.1	7.0	-1.4	7.0	-1.7	-5.8	-8.1	-1.4	-0.6	-5.8	-7.1	-5.8	-5.1	-8.6	-8.1	-2.6	-5.6	-1.4	-2.2	-0.3	-0.6	-	
Credit to residents (excl. general government)	5.9	7.8	8.0	7.8	8.1	7.5	7.7	8.0	8.5	8.0	7.7	7.5	7.5	7.8	7.7	7.9	7.9	8.0	8.3	8.1	8.5	-	
Total credit	8.4	7.5	5.6	7.5	5.4	3.9	3.4	5.6	6.1	4.2	3.7	3.9	4.1	3.3	3.4	5.1	4.3	5.6	5.6	5.9	6.1	-	
Ten-year interest rate (% <sup>(3)</sup> )	0.7	3.9	3.1	3.9	3.5	3.8	4.1	3.1	3.4	3.6	3.6	3.8	3.8	3.7	4.1	4.1	3.6	3.1	3.3	3.6	3.4	3.5	
Stock prices: Malta Stock Exchange Equity Price Index <sup>(4)</sup>	-4.5	-9.9	11.4	-2.2	-0.4	5.9	-1.5	7.2	-4.4	2.3	3.4	0.1	1.1	-1.3	-1.3	-2.0	2.8	6.5	-4.8	1.2	-0.8	-0.5	
<b>General government finances (% of GDP)</b>																							
Surplus (+) / deficit (-) <sup>(2)</sup>	-7.6	-5.5	-4.9	-5.5	-4.8	-4.3	-3.7	-4.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Gross debt <sup>(5)</sup>	53.9	51.6	50.4	51.6	51.6	49.8	49.6	50.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

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.