



BANK ĊENTRALI TA' MALTA
EUROSISTEMA
CENTRAL BANK OF MALTA



CENTRAL BANK OF MALTA ECONOMIC UPDATE

1/2025

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The cut-off date for information in this note is 17 January 2025 while that for the RPI is 22 January 2025. Figures in tables may not add up due to rounding.

ISSN 2410-8294 (online)

ECONOMIC UPDATE 1/2025

Summary¹

The Bank's Business Conditions Index (BCI) suggests that in December 2024, annual growth in activity stood slightly below its long-term average estimated since January 2000.

The European Commission's confidence surveys show that sentiment in Malta decreased in December, and fell below its long-term average, estimated since November 2002. In month-on-month terms, sentiment deteriorated across all sectors, bar in the retail sector.

Meanwhile, the European Commission's Economic Uncertainty Indicator (EUI) for Malta increased compared with November, indicating higher uncertainty, with the largest increase recorded in industry.

The Bank's Economic Policy Uncertainty (EPU) index stood slightly above its long-term average, reflecting heightened economic and political uncertainty from global factors.

In November, both industrial production and retail trade rose at a faster pace compared to October. In October, services production rose at a more moderate pace when compared with the same month a year ago.

The unemployment rate remained unchanged from October at 3.0% but stood below that of 3.2% in November 2023.

In November, both commercial building and residential permits fell compared to October. When compared with their year ago level, commercial permits were lower, while residential building permits increased. In December, the number of residential promise-of-sale agreements declined marginally on a year earlier, while the number of final deeds of sale increased.

The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) declined to 1.8% in December, from 2.1% in the previous month. HICP excluding energy and food in Malta stood at 2.0%. Both stood firmly below the euro area average. Inflation based on the Retail Price Index (RPI) edged down to 1.2% in December, from 1.3% in November.

In November, Maltese residents' deposits increased above their level a year ago, driven by private non-financial corporations, households and balances belonging to financial intermediaries outside the insurance and pension funds. Credit to Maltese residents also increased in annual terms, reflecting higher lending to both the general government sector and other residents.

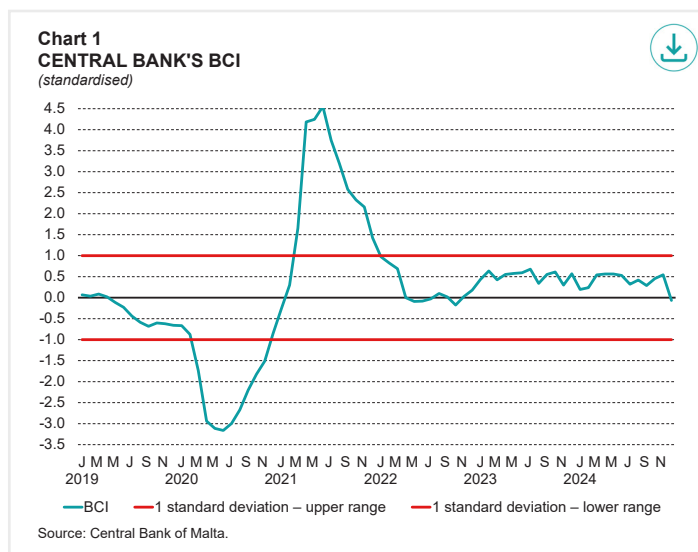
In November, the Consolidated Fund registered a deficit of €199.0 million, €8.0 million more than the deficit registered a year earlier. This was due to a rise in government expenditure which outweighed a rise in government revenue. Between January and November, the Consolidated

¹ The cut-off date for information in this note is 17 January 2025 while that for the RPI is 22 January 2025. Most of the data reported in this issue of the *Economic Update* refer to November 2024. However, European Commission survey data, inflation data, the BCI, the EPU and residential transactions refer to December.

Fund balance registered a deficit of €102.3 million, less than a third of the deficit of €346.6 million recorded in the same period of 2023.

Central Bank's Business Conditions Index²

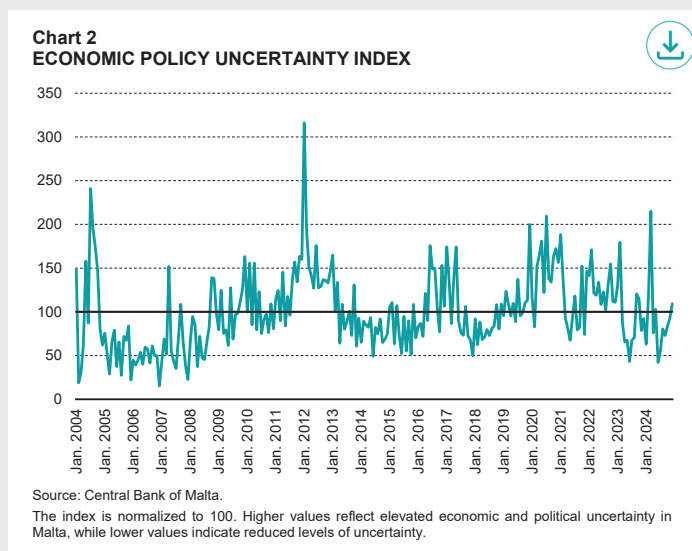
The Bank's BCI indicates that in December, annual growth in business activity declined to just below its long-term average, estimated since January 2000 (see Chart 1). This development reflects the latest fall in the ESI.



BOX 1: ECONOMIC POLICY UNCERTAINTY (EPU) – AN INDEX FOR MALTA³

In 2024, the Bank developed a news-based measure of EPU able to account for local events.⁴ By analysing articles from four Maltese news portals from 2004 onwards, the EPU index captures the fluctuations in economic agents' level of uncertainty surrounding economic policies and their impact on the Maltese economy. It also provides real-time insights, aiding researchers and policymakers in immediate analysis and decision-making.

Chart 2 shows the level of economic uncertainty signalled by the EPU index in the 20-year period between 2004 and 2024. The index shows pronounced spikes during events such as Malta's accession to the European Union, Maltese political developments during 2011, 2012 and 2019, and the COVID-19 pandemic.



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 Prepared by Kurt Sant, Senior Economist in the Fiscal Affairs and Reporting Office within the Economic Analysis Department, and Sarah Spiteri, Senior Research Economist in the Economic Research Office within the Economic Research Department. The views expressed are those of the authors and do not necessarily reflect the views of the Central Bank of Malta. Any errors are the authors' own.

⁴ The EPU index is based on a framework described in Sant, K., and Spiteri, S., (2024), [Economic Policy Uncertainty: An Index for Malta](#), Working Paper WP/07/2024, Central Bank of Malta. See [Economic Policy for Uncertainty Index](#) for the methodology underlying the EPU.

During 2024, several factors contributed to spikes in the EPU index, particularly during the March-May period, which saw heightened political tensions in the run-up to the EU parliamentary elections. Other key drivers of elevated uncertainty during the year include high inflation in the early months of the year, the closure of Air Malta and the establishment of the new national airline between March and April, and the budget in October.

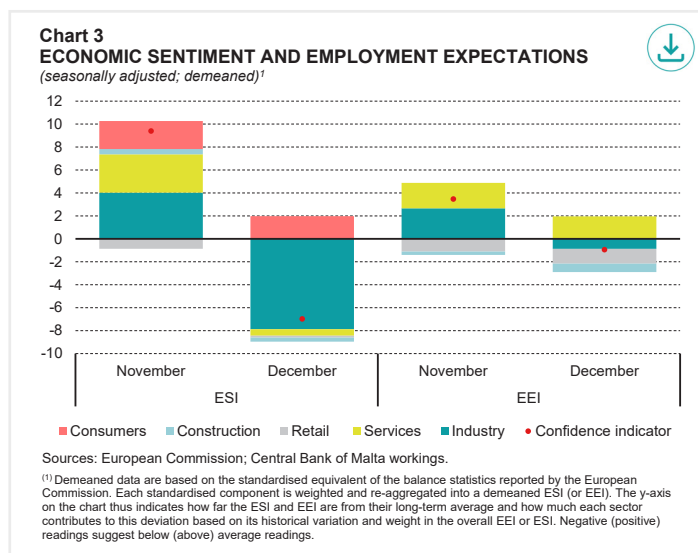
In December, the EPU averaged 109.3, slightly higher than the long-run average. This reflected heightened economic and political uncertainty from global factors, stemming from the US elections and related trade discussions, as well as growing political instability in Europe, particularly in France and Germany.

Business and consumer confidence indicators

In December, the European Commission’s Economic Sentiment Indicator (ESI) for Malta declined to 93.0, from 109.4 in November. Therefore, the indicator fell below its long-term average of around 100.0, estimated since November 2002. It was also lower than the value of 104.7 reported a year earlier (see Table 1).^{5,6,7} In month-on-month terms, sentiment deteriorated across all sectors, bar in the retail sector. The most significant declines were observed in industry, in the construction sector as well as in the services 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 December was mostly driven by developments in industry, and to a lesser extent services sector. Furthermore, industry mainly explains why the ESI stood below its long-term average in December (see Chart 3).

In December, the sentiment indicator in industry stood at -24.3, down from 7.0 in November and stood well below its



⁵ The ESI summarizes 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.

⁶ 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.

⁷ Past ESI and EEI results were slightly revised due to seasonal adjustment.

Table 1															
BUSINESS AND CONSUMER SURVEYS – MALTA															
<i>Balances; percentage points; seasonally adjusted</i>															
	2023	2024	2023					2024							
			Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
ESI	105.5	96.7	104.7	97.4	88.9	96.9	96.1	97.3	97.5	96.7	98.2	86.5	102.8	109.4	93.0
Industrial confidence indicator	2.4	-14.5	-2.8	-13.6	-37.9	-11.0	-12.2	-10.3	-8.7	-8.2	-6.9	-38.0	-10.4	7.0	-24.3
Assessment of order-book levels	-12.7	-30.1	-0.2	-28.2	-57.4	-30.0	-20.2	-56.2	-25.3	-23.9	-10.4	-48.5	-27.3	-16.6	-17.7
Assessment of stocks of finished products	2.2	25.0	-1.7	14.1	35.5	21.0	36.8	2.1	28.2	16.9	33.6	53.8	17.0	2.1	39.3
Production expectations for the months ahead	22.1	11.5	-10.0	1.5	-20.7	17.9	20.4	27.3	27.4	16.1	23.2	-11.8	13.2	39.7	-15.9
Construction confidence indicator	1.2	-5.0	-23.4	9.6	14.8	29.1	3.2	-1.1	-30.4	-40.1	-15.2	-5.7	-14.5	8.4	-18.4
Evolution of your current overall order books	-9.8	-10.7	-43.6	-3.2	10.6	5.3	1.6	-2.1	-67.1	-43.0	-19.3	23.1	-20.4	15.2	-29.6
Employment expectations over the next 3 months	12.2	0.7	-3.2	22.4	19.1	52.9	4.8	-0.1	6.3	-37.1	-11.1	-34.6	-8.7	1.6	-7.2
Services confidence indicator	26.6	17.9	31.8	16.6	12.9	7.1	15.3	13.6	15.8	13.1	19.4	13.3	35.6	33.3	19.1
Business situation development over the past 3 months	24.0	15.9	26.3	15.5	3.9	2.7	19.6	21.8	22.5	12.2	15.5	-4.3	33.2	26.1	21.5
Evolution of the demand over the past 3 months	26.0	19.7	31.6	21.3	10.6	3.9	12.2	15.0	23.1	17.1	18.4	12.9	35.8	34.9	31.5
Expectation of the demand over the next 3 months	29.9	18.2	37.4	13.1	24.1	14.8	14.1	4.1	1.7	9.9	24.4	31.3	37.8	38.9	4.2
Consumer confidence indicator	-10.9	-6.1	-12.6	-12.1	-4.4	-7.4	-9.1	-9.0	-3.8	-6.2	-8.2	-4.6	-5.4	-0.3	-2.3
Financial situation past 12 months	-20.3	-10.2	-20.0	-17.1	-11.3	-13.3	-15.2	-14.5	-8.8	-8.1	-10.1	-8.4	-8.0	-3.2	-3.8
Financial situation next 12 months	-10.5	-1.0	-11.2	-8.8	1.4	-2.8	-5.2	-2.0	3.3	-1.6	-1.9	0.7	-0.7	1.1	4.1
Economic situation next 12 months	-12.6	-10.7	-17.7	-15.8	-2.3	-10.6	-11.6	-11.5	-10.3	-14.8	-17.3	-13.2	-13.7	-0.2	-7.6
Major purchases next 12 months	-0.3	-2.4	-1.5	-6.8	-5.4	-3.0	-4.5	-7.9	0.6	-0.5	-3.6	2.3	0.8	1.1	-2.0
Retail trade confidence indicator	9.8	-0.5	16.1	25.5	14.4	7.7	9.4	2.3	-0.9	-6.9	-10.4	-12.5	0.8	-29.5	-5.5
Business activity, past 3 months	25.2	-0.5	25.5	35.3	6.3	11.1	6.2	1.7	-0.9	-22.1	-19.5	-18.8	22.8	-46.6	19.1
Stocks of finished goods	16.5	6.3	10.0	-1.4	3.4	2.2	10.3	2.7	0.4	-5.1	8.0	26.3	11.3	9.5	8.4
Business activity, next 3 months	20.8	5.4	32.9	39.8	40.4	14.1	32.4	8.1	-1.3	-3.9	-3.7	7.7	-9.1	-32.3	-27.1
EI	109.0	100.6	113.4	103.7	101.4	99.7	96.7	93.3	97.9	95.7	100.6	106.3	105.2	106.5	100.3
Industry	19.3	2.3	19.8	30.8	-13.2	1.2	-9.1	-26.5	18.9	-31.1	13.3	1.0	-3.9	44.9	1.6
Construction	12.2	0.7	-3.2	22.4	19.1	52.9	4.8	-0.1	6.3	-37.1	-11.1	-34.6	-8.7	1.6	-7.2
Retail	17.2	7.3	21.8	13.7	15.0	16.6	15.7	1.7	10.4	8.3	-0.2	15.6	0.5	-4.2	-5.6
Services	30.1	17.8	42.7	10.7	19.5	3.9	6.3	9.5	2.1	20.6	18.9	36.2	37.7	24.5	23.9
EUJ^(1,2)	12.1	14.2	4.2	21.1	15.5	16.6	10.7	10.3	6.3	10.4	13.8	19.7	24.3	5.5	15.6
Industry	7.6	15.5	6.9	19.4	29.4	13.3	3.1	15.9	23.8	13.6	20.3	10.7	35.8	-15.6	16.0
Construction	24.9	18.3	34.0	1.3	19.3	20.9	22.2	13.4	1.9	22.0	1.7	48.6	14.1	13.0	40.8
Consumers	14.4	10.6	10.4	17.0	11.8	14.8	9.8	9.8	2.4	10.2	14.5	6.7	8.3	13.2	9.2
Services	15.2	14.9	-7.5	32.6	0.3	22.0	20.4	3.9	-12.5	5.9	8.1	36.8	22.4	24.0	15.4
Retail	6.5	8.4	-1.2	1.9	5.2	14.1	4.6	2.9	-0.4	0.9	5.5	11.6	17.5	24.4	12.9
ESI demeaned	5.5	-3.3	4.7	-2.6	-11.1	-3.1	-3.9	-2.7	-2.5	-3.3	-1.8	-13.5	2.8	9.4	-7.0
EI demeaned	7.1	-1.4	12.3	-0.1	0.0	-3.5	-5.9	-8.0	-6.0	-4.7	-1.6	5.6	5.2	3.5	-0.9

Source: European Commission.

⁽¹⁾ Non-seasonally adjusted data.

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

long-term average of -4.4.⁸ All three components of the indicator deteriorated in December. However, the largest declines were reported in the firms' production expectations for the months ahead, which turned negative, and in the assessment of stocks of finished products.⁹

The sentiment indicator for the construction sector decreased to -18.4, from 8.4 in November, and fell below its long-term average of -7.9.¹⁰ Contrary to the previous month, respondents assessed their overall order books to be below normal levels. Furthermore, employment expectations for the months ahead also turned negative.

The sentiment indicator for the services sector declined and fell slightly below its long-term average of 19.5.¹¹ It stood at 19.1, compared with 33.3 a month earlier, reflecting a deterioration across all its three components, but in particular in expectations of demand over the next three months, though these remained positive.

⁸ 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.

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

¹⁰ 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.

¹¹ The services confidence indicator is the arithmetic average of the seasonally-adjusted balances (in percentage points) of replies to survey questions relating to the business climate, the evolution of demand in the previous three months and demand expectations for the subsequent three months.

Consumer confidence stood more negative compared to November. It averaged -2.3, down from -0.3 a month earlier, but remained above its long-term average of -10.1.¹² The more negative sentiment in December mostly reflected a deterioration in consumers' expectations of the general economic situation and in expectations of major purchases over the next 12 months.

The confidence indicator in the retail sector improved but remained below its long-term average of 0.1.¹³ Sentiment averaged -5.5, compared with -29.5 a month earlier, reflecting an improvement across all three components of this index, in particular in the retailers' assessment of sales over the past three months, which turned positive.

The European Commission's Employment Expectations Indicator (EEI) – which is a composite indicator of employment expectations in industry, services, retail trade, and construction – decreased to 100.3 in December, from 106.5 in November.¹⁴

Demeaned data suggest that the latest decrease in employment expectations was driven by all business sectors and in particular by industry. The services sector entirely explains why the overall EEI stood above its long-term average in December (see Chart 3).

In December, 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 stood at 15.6, up from 5.5 in November (see Table 1).^{15,16} Uncertainty increased significantly in industry and in the construction sector, while it decreased in the remaining sectors. The strongest increase was recorded in industry.

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

Activity indicators

In November, the index of industrial production – which is a measure of economic activity in the quarrying, manufacturing, and energy sectors – rose by 13.5% on a year-on-year basis, following a 6.1% increase in October (see Table 2).¹⁷

¹² 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.

¹³ 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.

¹⁴ 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*.

¹⁵ 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.

¹⁶ Data on consumer uncertainty became available in October 2020, while data for industry, services, retail, and construction became available in May 2021.

¹⁷ 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		
			Sep.	Oct.	Nov.	Sep.	Oct.	Nov.
Industrial production	1.5	7.1	1.8	1.1	4.6	5.8	6.1	13.5
Production in services	14.6	4.5	2.5	3.4	5.0	9.1	1.6	-
Retail trade	10.5	1.7	-0.8	-0.1	4.7	2.6	2.7	3.3
Number of tourist arrivals	136.2	30.4	20.2	31.3	24.9	19.7	13.2	20.7
Number of nights stayed	98.0	22.2	8.0	30.9	15.0	14.4	7.3	23.5
Rented accommodation	111.3	24.2	8.9	34.1	23.1	20.6	9.8	27.7
Collective ⁽¹⁾	109.9	22.5	17.1	26.9	20.5	14.1	9.6	20.5
Other rented ⁽²⁾	113.8	27.0	-1.8	48.1	28.4	30.8	10.1	41.2
Non-rented accommodation ^(3,4)	50.8	12.2	-	-	-	-	-	-
Tourist expenditure	131.1	32.9	21.9	39.1	23.8	23.5	18.4	35.1
Package expenditure	129.8	46.6	18.5	54.2	41.0	26.4	21.3	47.5
Non-package expenditure	145.9	35.1	32.7	33.0	24.5	20.4	21.9	22.6
Other	118.3	23.5	13.2	36.8	14.8	25.3	12.6	41.4

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⁾ 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.

In the manufacturing sector, production increased by 14.2% on a year earlier, after it had increased by 6.9% in the previous month. In November, production increased significantly among firms classified in the subsector associated with the production of motor vehicles, trailers and semi-trailers and in the 'other manufacturing' sector – which includes medical and dental instruments. Other significant increases were recorded among firms that produce computer, electronic and optical products, fabricated metal products, and wearing apparel. Smaller but nevertheless strong increases were also recorded in the production of machinery and equipment, furniture and rubber and plastic products. Meanwhile, a smaller increase was recorded by firms involved in the repair and installation of machinery and equipment. Double-digit growth rates were recorded in all these sectors.

By contrast, production fell among firms manufacturing chemical products, certain non-metallic mineral products, beverages and wood products. Smaller contractions were recorded by firms producing paper and food products.

Meanwhile, production in the energy sector rose by 9.5%. This follows a contraction of 4.3% in the preceding month.

The volume of retail trade – which is a short-term indicator of final domestic demand – rose by 3.3% in year-on-year terms, following an increase of 2.7% in October.

In October, the index of services production – which is a business indicator that measures the production volume of the services industries (excluding trade, financial and public services) – rose

by 1.6% on an annual basis – a slower pace when compared with the 9.1% increase recorded in September.

Services production increased strongly in the sector comprising administrative and support services, as well as in the transportation and storage sector. Meanwhile, a smaller annual increase was recorded in the professional, scientific and technical activities. Production of services related to accommodation and food service activities rose marginally. By contrast, production of services related to information and communication as well as real estate activities declined.

In November, the number of inbound tourists amounted to 262,896, a rise of 20.7% on the previous year. Guest nights rose by 23.5% on a year earlier, due to an increase in nights stayed in rented accommodation. Total expenditure by tourists in Malta increased by 35.1% over the same period a year earlier, with the increase being broad-based across all expenditure categories. Expenditure per capita increased, reflecting a 9.4% increase in expenditure per night and a marginal increase in the number of nights that tourists spent in Malta.

In November, 242 development permits for commercial buildings were issued, nine less than the number of permits issued in the same month of 2023 (see Table 3). Meanwhile, 748 new residential building permits were issued, 282 more than the number issued in November 2023. In month-on-month terms, permits for both commercial and residential buildings declined.

In December, 1,113 final deeds of sale were concluded, 64 more than a year earlier, and 115 more compared with November. At 1,044, the number of promise-of-sale agreements was seven less than a year earlier and was also 121 less compared with the preceding month.

Customs data show that the merchandise trade deficit stood at €136.3 million in November, down from €186.6 million a year earlier. This was due to a €39.5 million decrease in imports and a €10.8 million increase in exports.

When excluding specific chapters representing transactions in fuels, sea vessels, as well as aircrafts and parts thereof, the trade deficit narrowed by €96.9 million to €47.9 million (see Chart 4).

Imports excluding specific chapters decreased, mainly due to lower imports of electrical machinery, organic chemicals and vehicles. These offset higher imports of precious stones and pharmaceutical products.

Table 3
PROPERTY MARKET

Levels

	2023	2024	2023			2024		
			Oct.	Nov.	Dec.	Oct.	Nov.	Dec.
Permits								
Commercial permits	2,532	-	257	251	169	282	242	-
Residential permits	8,112	-	577	466	249	812	748	-
Residential transactions								
Promise of sale	13,185	13,588	1,221	1,229	1,051	1,282	1,165	1,044
Final deeds of sale	12,180	12,594	1,137	1,016	1,049	1,129	998	1,113

Sources: National Statistics Office; Planning Authority.

Exports excluding specific chapters increased due to higher exports of organic chemicals, precious stones and fish. These offset lower exports of electrical machinery and pharmaceutical products.

Labour market

Jobsplus data show that the level of engagements in the labour market stood at 10,270 in October, down from 11,828 in September, and from 12,503 a year earlier (see Table 4). Meanwhile, the level of terminations stood at 8,154 in October, down from 13,035 in September, and from 8,842 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.¹⁸

Overall, there were 2,116 net engagements in October 2024, in contrast to net terminations of 1,207 in September. This contrasts with the 3,661 net engagements recorded a year earlier.

The seasonally-adjusted unemployment rate, remained unchanged from October at 3.0%, but stood lower than 3.2% in November 2023 (see Chart 5).

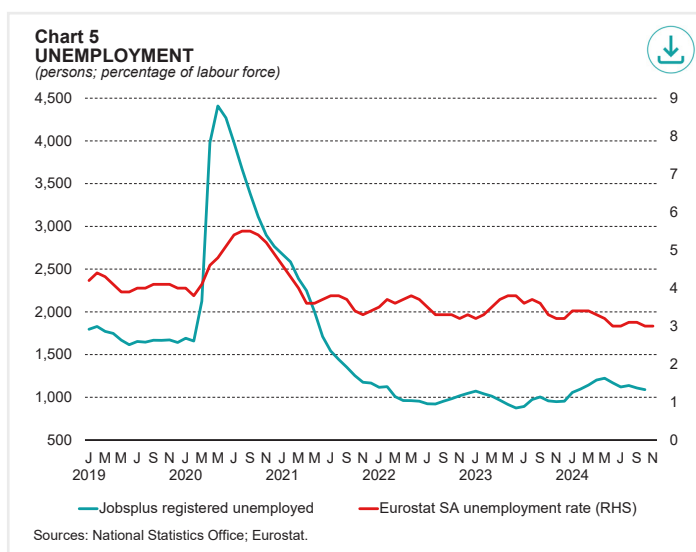
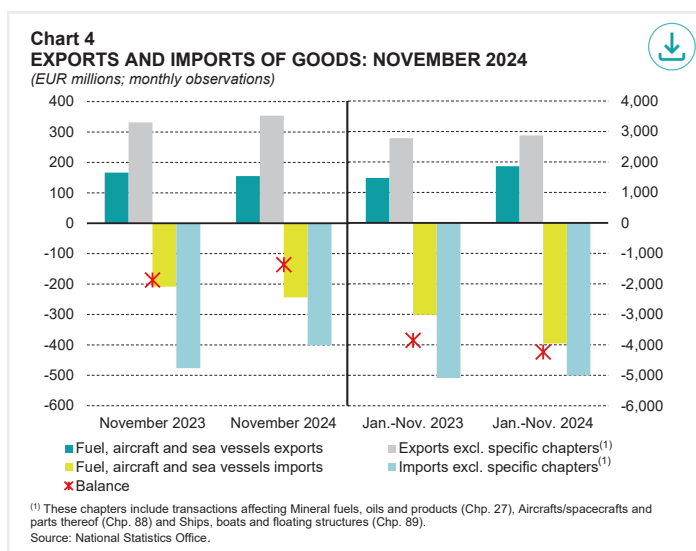


Table 4
NET ENGAGEMENTS

Levels

	2021	2022	2023	2023			2024		
				Aug.	Sep.	Oct.	Aug.	Sep.	Oct.
Engagements	114,315	132,986	134,431	10,564	11,957	12,503	9,755	11,828	10,270
Terminations	94,210	104,649	104,841	9,546	13,499	8,842	9,745	13,035	8,154
Net engagements	20,105	28,337	29,590	1,018	-1,542	3,661	10	-1,207	2,116

Source: Jobsplus.

Data are provisional and thus subject to change.

¹⁸ Averages are estimated since January 2020.

Prices, costs and competitiveness

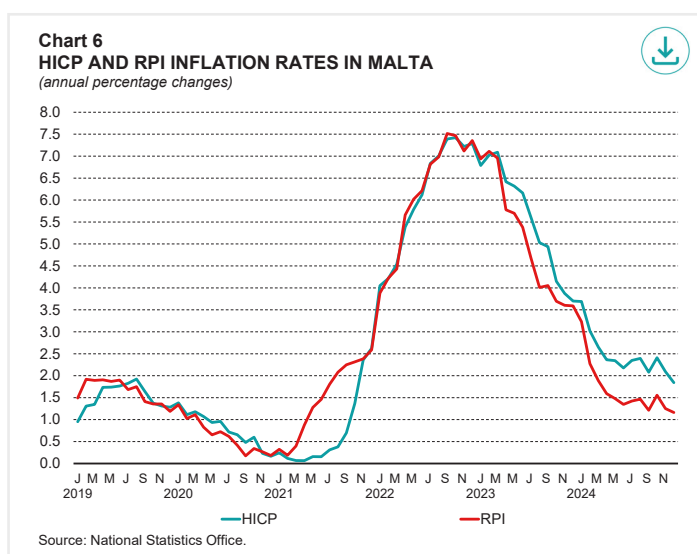
Annual HICP inflation stood at 1.8% in December, down from 2.1% in the previous month, mainly due to lower food inflation (see Chart 6). Food inflation (including alcohol and tobacco) declined to 1.9%, from 3.0% in November, following a fall in unprocessed food inflation. Indeed, the latter turned negative at -1.2% as opposed to 4.3% a month earlier, on the back of lower vegetable and fruit prices. On the other hand, processed food inflation (including alcohol and tobacco) edged up to 2.8%, from 2.6% in November. Meanwhile, ser-

services inflation fell marginally reaching 3.0%, from 3.1% in November, mainly due to lower inflation for transport and housing services. Conversely, NEIG inflation rose to 0.4%, from 0.1% in the previous month, mainly driven by higher inflation in semi-durable goods. Energy inflation remained unchanged due to ongoing government measures.

Overall HICP inflation in Malta stood 0.6 percentage points below that in the euro area, with the latter standing at 2.4%. At the same time, HICP inflation excluding food and energy stood at 2.0% in Malta as compared to 2.7% in the euro area.

Annual inflation according to the RPI declined to 1.2% in December, from 1.3% in November (see Chart 6).¹⁹ The easing stemmed mainly from lower food inflation which declined to 1.2%, from 2.1% in the previous month. At the same time, housing inflation turned negative, standing at -0.1%, from 0.1% in November. On the other hand, household equipment and maintenance inflation turned less negative, standing at -1.4%, from -2.2% in November, while clothing and footwear inflation turned positive and stood at 0.6%, from -1.3%. At the same time, inflation on recreation and culture edged up to 2.6%. Meanwhile, inflation on personal care and health and transport and communication remained unchanged at 3.1% and 0.3%, respectively. Energy inflation remained unchanged at 0%.

Producer output prices, as measured by the industrial producer price index, contracted at a slower rate of 0.3% in November, after falling by 1.2% in October.²⁰ This reflects a less pronounced drop in producer prices of intermediate goods. The latter contracted by 2.8%, following a drop of 5.8% in the previous month. Furthermore, the annual rate of change in producer prices of capital goods



¹⁹ 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.

²⁰ 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.

stood at 2.7% in November, slightly lower than the previous month's 3.3% increase. Meanwhile, producer price inflation of consumer goods remained broadly unchanged at 0.7%. Energy producer price inflation remained stable at zero, and thus had no impact on overall producer prices.

Public finance

In November 2024, the Consolidated Fund recorded a deficit of €199.0 million, €8.0 million more than the deficit registered a year earlier (see Table 5). This was due to a rise in government expenditure which outweighed a rise in government revenue. The primary deficit stood at €179.0 million, €5.8 million higher than the primary deficit registered in November 2023.

Government revenue increased by €141.1 million, or 27.3%, mostly due to a €117.3 million rise in direct tax revenue, reflecting higher inflows from income taxes. In turn, growth in the latter stemmed mainly from taxes paid by companies. Furthermore, non-tax revenue increased by €25.4 million, partly due to higher inflows from grants. Meanwhile, inflows from indirect taxes declined slightly by €1.5 million, as lower inflows from licences, taxes and fines and from customs and excise duties outweighed a rise in VAT receipts.

Table 5
CONSOLIDATED FUND BALANCE

EUR millions

	2023	2024	2023	2024	Change	
	Jan.-Nov.	Jan.-Nov.	Nov.	Nov.	Amount	%
Revenue	5,397.6	6,408.5	516.1	657.2	141.1	27.3
Direct tax	3,046.1	3,731.7	198.7	316.0	117.3	59.0
Income tax	2,211.9	2,800.0	117.7	222.6	104.9	89.1
Social security contributions ⁽¹⁾	834.2	931.7	80.9	93.4	12.4	15.4
Indirect tax	1,886.3	2,094.2	279.9	278.4	-1.5	-0.6
Value Added Tax	1,237.0	1,413.9	209.8	217.4	7.6	3.6
Customs and excise duties	279.9	290.2	31.9	28.2	-3.6	-11.3
Licences, taxes and fines	369.4	390.1	38.2	32.7	-5.5	-14.4
Non-tax⁽²⁾	465.2	582.7	37.5	62.9	25.4	67.7
Expenditure	5,744.3	6,510.9	707.1	856.3	149.2	21.1
Recurrent	5,046.7	5,777.8	554.2	744.2	190.0	34.3
Personal emoluments	1,002.3	1,185.4	89.5	161.2	71.7	80.1
Operational and maintenance	285.4	321.8	31.7	32.6	1.0	3.0
Programmes and initiatives	2,831.6	3,222.3	318.4	407.2	88.9	27.9
Contributions to entities	734.7	813.1	97.0	123.1	26.2	27.0
Interest payments	192.7	235.1	17.7	20.0	2.3	12.9
Capital	697.6	733.1	152.9	112.1	-40.8	-26.7
Primary balance⁽³⁾	-153.9	132.7	-173.2	-179.0	-5.8	-
Consolidated Fund balance	-346.6	-102.3	-191.0	-199.0	-8.0	-

Source: National Statistics Office.

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

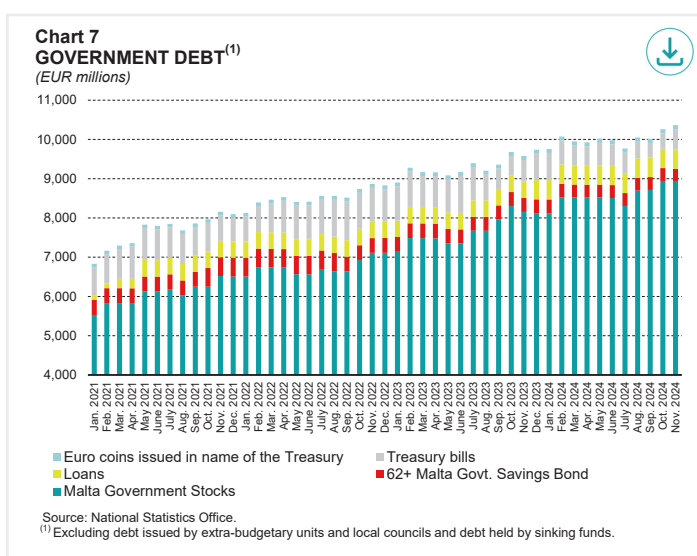
⁽²⁾ Includes grants but excludes proceeds from sale of assets, sinking funds of converted loans and borrowings.

⁽³⁾ Revenue less expenditure excluding interest payments.

Government expenditure increased by €149.2 million, or 21.1%, due to a €190.0 million rise in recurrent expenditure. The latter partly reflects higher spending on programmes and initiatives, which rose by €88.9 million due to increased transfers to church schools and to the EU budget and the timing of the payment on energy support measures. Meanwhile, personal emoluments rose by €71.7 million due to higher spending on allowances on the back of recently concluded collective agreements. Spending on contributions to entities rose by €26.2 million, while interest payments and outlays on operations and maintenance increased by €2.3 million and €1.0 million, respectively. On the other hand, capital expenditure fell by €40.8 million, mainly due to lower spending on domestically-funded capital projects.

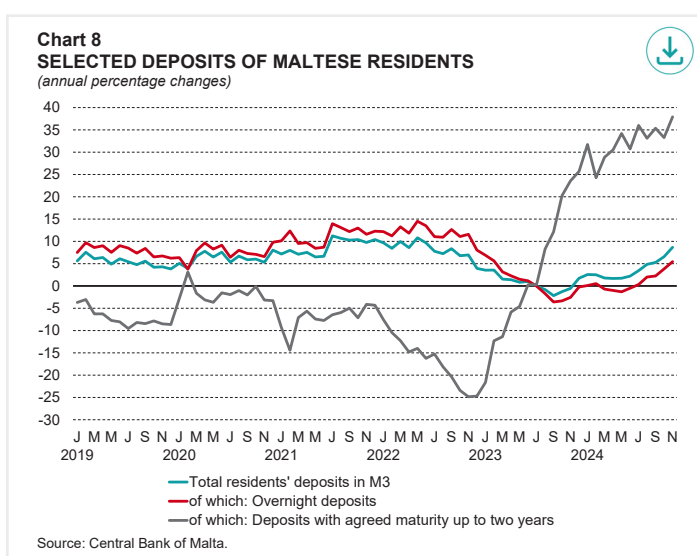
Overall, the Consolidated Fund balance between January and November registered a deficit of €102.3 million, which is less than a third of the deficit of €346.6 million in the same period a year earlier. Revenue rose by 18.7% driven by higher tax revenue, particularly income tax receipts. Meanwhile, expenditure increased by 13.3%, mainly due to higher outlays on programmes and initiatives.

In November 2024, the total stock of outstanding government debt amounted to €10,362.7 million, €101.9 million more than in the previous month (see Chart 7). This mostly reflects new issues of Treasury Bills.



Deposits, credit and financial markets

During the year to November, residents' deposits held with monetary financial institutions (MFI) and forming part of broad money (M3) increased by 8.7% (see Chart 8). This follows a 6.6% increase in October. The increase in M3 deposits over the 12 months to November was driven by higher balances belonging to private non-financial corporations, households and financial intermediaries



outside the insurance and pension funds. These sectors were also the main drivers behind the acceleration in M3 deposits.

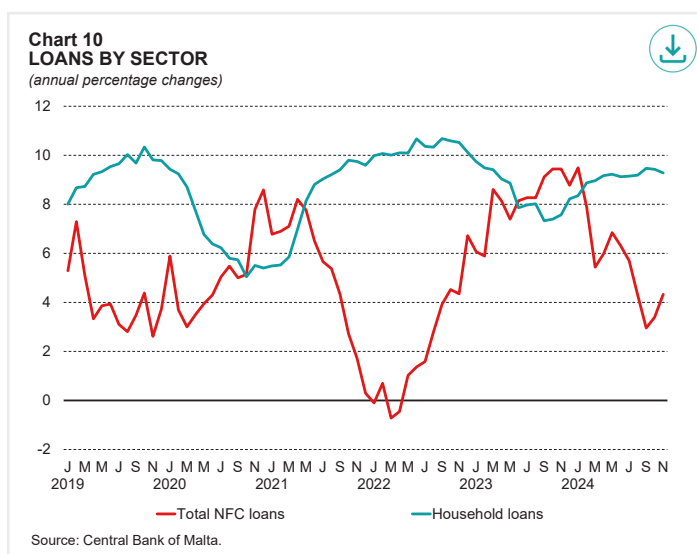
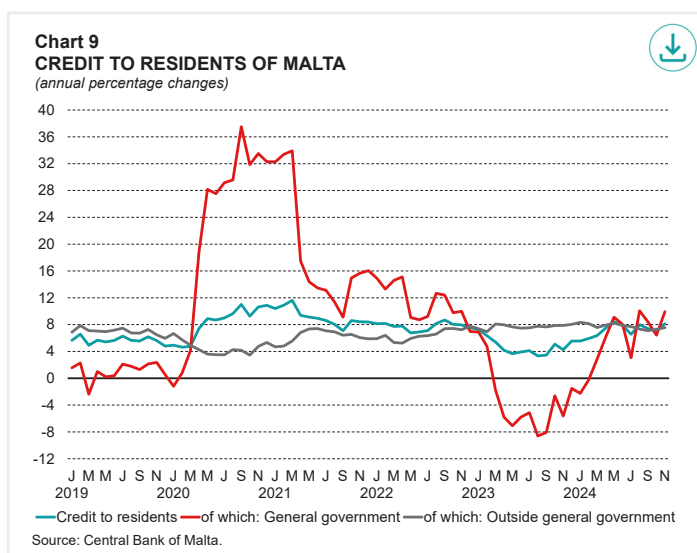
Overnight deposits remained the largest component of residents' M3 deposits, comprising 86.8% of M3 balances. These deposits – which are the most liquid – increased by 5.4% in the year to November, following an increase of 3.8% in the previous month. Recent weak dynamics in this component, compared to historical data, partly reflect a shift in behaviour in response to the tightening of monetary policy in 2022-2023, 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. Over the year to November, these deposits increased by 37.9%, following an increase of 33.3% recorded a month earlier. The latest increase was spread across main institutions but around three-fourths of this increase was driven by robust growth in balances belonging to households.

Growth in credit to Maltese residents increased to 8.1% in the year to November, from 7.1% a month earlier (see Chart 9). Credit to general government grew by 9.9% in the year to November compared to 6.4% a month earlier. Growth in credit to other residents also increased at a faster pace, growing by 7.6% compared to 7.3% in the previous month. Although both components rose at a faster pace, in level terms, the expansion in credit over the 12 months to November was driven by the private sector.

In November, the annual rate of change of loans to households moderated slightly to 9.3%, from 9.4% a month earlier (see Chart 10). Growth in consumer credit eased to 9.7%, from 9.9% in the previous month. Growth in mortgage lending slightly moderated to 9.3%, from 9.4% in October.

Meanwhile, the annual rate of change in loans to NFCs



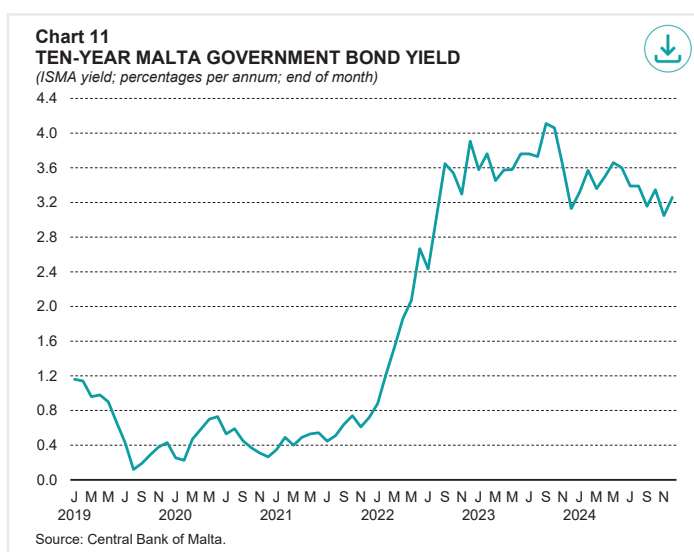
increased to 4.3% in November, following a 3.4% growth registered in October. A sectoral breakdown of loans to NFC indicates that the latest increase was mainly supported by the extension of credit to the real estate, construction and accommodation and food services sectors. Credit to the wholesale and retail trade sectors and the energy sector also increased in the year to November, though marginally. On the other hand, credit to the sector comprising information, communication, transport and storage and to the manufacturing sector decreased compared with November 2023.

In November, the composite interest rate paid by MFIs on Maltese residents' outstanding deposits remained unchanged at 0.40%, marking the second consecutive month of no change. The composite rate charged on outstanding loans, decreased by 22 basis points to 3.17%. As a result, the spread between the two rates narrowed by 22 basis points to 277 basis points.

The composite rate paid by MFIs on Maltese residents' new deposits stood at 2.46% in November, down from 2.62% in October and from 2.50% recorded in November 2023. The composite rate charged on new loans decreased by 31 basis points, compared to a month earlier, standing at 2.87%. This was 4 basis points higher than the rate recorded a year earlier. The spread between the two rates stood at 41 basis points, narrowing from 56 basis points in October, albeit higher than 33 basis points recorded a year earlier.

In the capital market, the secondary market yield on ten-year Maltese government bonds rose to 3.26% at the end of December, from 3.05% at end-November. It also stood 13 basis points above its year-ago level (see Chart 11).

Meanwhile, the Malta Stock Exchange (MSE) Equity Price Index decreased by 0.6%, compared with end-November. Similarly, the MSE Total Return Index, which accounts for dividends as well as changes in equity prices, fell by 0.5%.



Annex 1

MACROECONOMIC INDICATORS FOR MALTA																							
Annual percentage changes; non-seasonally adjusted data																							
	2021	2022	2023	2023	2023	2023	2024	2024	2024	2023	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
Prices and costs																							
HICP inflation	0.7	6.1	5.6	7.0	6.3	5.2	3.9	3.1	2.3	2.3	3.7	3.7	3.0	2.7	2.4	2.3	2.2	2.3	2.4	2.1	2.4	2.1	1.8
RPI inflation	1.5	6.2	5.1	7.0	5.6	4.2	3.6	2.5	1.5	1.4	3.6	3.2	2.3	1.9	1.6	1.5	1.3	1.4	1.5	1.2	1.6	1.3	1.2
Industrial producer price inflation	3.2	4.9	3.4	4.4	4.4	3.6	1.4	0.6	0.2	-0.9	0.9	1.2	0.5	0.0	0.9	0.2	-0.4	-0.6	-1.3	-0.8	-1.2	-0.3	-
HCI (nominal)	0.3	-1.4	3.3	1.4	3.4	5.0	3.3	2.1	1.2	0.7	2.5	2.4	1.9	2.0	1.2	1.6	1.0	0.6	0.6	0.9	0.7	-0.1	-0.1
HCI (real)	-1.9	-3.6	3.1	0.5	3.6	4.9	3.5	1.5	0.0	-0.2	2.4	2.3	1.3	1.0	0.1	0.3	-0.3	-0.5	-0.2	0.1	0.1	-1.1	-1.4
Unit labour costs, whole economy ⁽¹⁾	-4.8	4.4	1.7	4.1	4.1	3.4	1.7	1.5	1.4	2.3	-	-	-	-	-	-	-	-	-	-	-	-	-
Compensation per employee ⁽¹⁾	5.0	3.8	1.9	3.7	3.2	3.3	1.9	2.4	3.0	3.7	-	-	-	-	-	-	-	-	-	-	-	-	-
Labour productivity (per person) ⁽¹⁾	10.2	-0.6	0.2	-0.4	-0.9	-0.1	0.2	0.9	1.6	1.4	-	-	-	-	-	-	-	-	-	-	-	-	-
Property Price Index (Eurostat)	5.1	6.7	6.2	7.3	5.3	5.7	6.7	6.7	6.9	6.9	-	-	-	-	-	-	-	-	-	-	-	-	-
Economic activity																							
Nominal GDP	16.0	9.6	12.5	13.4	11.9	13.3	11.2	12.5	11.5	8.0	-	-	-	-	-	-	-	-	-	-	-	-	-
Real GDP	13.2	4.3	6.7	7.3	6.0	7.4	6.0	8.1	8.0	4.9	-	-	-	-	-	-	-	-	-	-	-	-	-
Real private consumption	11.7	11.0	12.2	11.9	12.3	12.4	12.1	9.0	6.6	5.0	-	-	-	-	-	-	-	-	-	-	-	-	-
Real government consumption	5.9	0.2	3.1	1.8	-1.3	4.2	7.8	1.2	5.4	10.5	-	-	-	-	-	-	-	-	-	-	-	-	-
Real gross fixed capital formation	22.2	9.8	-17.2	-8.7	-14.5	-20.7	-22.5	5.8	3.9	5.3	-	-	-	-	-	-	-	-	-	-	-	-	-
Real exports of goods and services	-0.4	13.7	4.2	7.6	3.9	1.4	4.6	7.6	5.6	3.8	-	-	-	-	-	-	-	-	-	-	-	-	-
Real imports of goods and services	-2.8	18.3	0.4	5.3	0.6	-3.6	0.4	6.3	3.3	4.4	-	-	-	-	-	-	-	-	-	-	-	-	-
Labour market developments																							
LFS unemployment rate (% of labour force)	3.7	3.5	3.5	3.4	3.8	3.7	2.8	2.9	3.2	3.1	3.0	3.3	3.3	3.4	3.3	3.3	3.1	3.0	3.1	3.1	3.0	2.9	-
LFS employment	3.1	6.6	6.7	6.8	6.7	6.9	3.4	4.6	6.2	5.0	-	-	-	-	-	-	-	-	-	-	-	-	-
Jobsplus registered employed	2.6	6.1	8.1	8.6	8.2	7.8	7.8	6.8	5.8	-	7.6	7.3	6.8	6.2	6.3	5.8	5.3	5.3	4.6	-	-	-	-
Balance of payments																							
Current account (as a % of GDP) ⁽²⁾	9.4	-0.8	6.4	0.8	3.6	6.1	6.4	6.3	7.0	6.3	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit and financial indicators																							
Maltese residents' deposits and loans																							
Overnight deposits	12.3	8.0	-0.2	3.2	1.1	-3.6	-0.2	-0.7	-0.5	2.2	-0.2	0.1	0.5	-0.7	-1.0	-1.3	-0.5	0.3	2.0	2.2	3.8	5.4	-
Deposits with agreed maturity up to two years	-4.3	-24.7	25.7	-11.4	0.3	12.1	25.7	28.9	30.7	35.4	25.7	31.7	24.3	28.9	30.5	34.2	30.7	36.0	33.1	35.4	33.3	37.9	-
Total residents' deposits in M3	10.4	3.9	1.7	1.5	1.0	-2.2	1.7	1.8	2.2	5.3	1.7	2.5	2.5	1.8	1.7	1.7	2.2	3.4	4.8	5.3	6.6	8.7	-
Credit to general government	16.1	7.0	-1.5	-1.7	-5.8	-8.1	-1.5	2.9	8.0	8.4	-1.5	-2.3	-0.3	2.9	6.1	9.1	8.0	3.1	10.1	8.4	6.4	9.9	-
Credit to residents (excl. general government)	5.9	7.8	8.0	8.1	7.5	7.7	8.0	7.6	7.9	7.1	8.0	8.3	8.2	7.6	7.9	8.2	7.9	7.7	7.3	7.1	7.3	7.6	-
Total credit	8.4	7.5	5.5	5.4	3.9	3.4	5.5	6.4	7.9	7.4	5.5	5.6	5.9	6.4	7.5	8.4	7.9	6.6	8.0	7.4	7.1	8.1	-
Ten-year interest rate (%) ⁽³⁾	0.7	3.9	3.1	3.5	3.8	4.1	3.1	3.4	3.6	3.2	3.1	3.3	3.6	3.4	3.5	3.7	3.6	3.4	3.4	3.2	3.3	3.0	3.3
Stock prices: Malta Stock Exchange Equity Price Index ⁽⁴⁾	-4.5	-9.9	11.4	-0.4	5.9	-1.5	7.3	-4.4	-1.5	1.6	6.5	-4.8	1.2	-0.8	-0.5	-1.4	0.5	1.0	1.8	-1.2	1.5	-1.5	-0.6
General government finances (% of GDP)																							
Surplus (+) / deficit (-) ⁽²⁾	-7.0	-5.2	-4.6	-4.5	-4.1	-3.4	-4.6	-3.8	-3.5	-2.9	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross debt ⁽⁵⁾	49.6	49.3	47.7	49.2	47.4	47.1	47.7	47.3	46.4	45.3	-	-	-	-	-	-	-	-	-	-	-	-	-

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.