



BANK ĊENTRALI TA' MALTA  
EUROSISTEMA  
CENTRAL BANK OF MALTA



# CENTRAL BANK OF MALTA ECONOMIC UPDATE

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3/2025

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*The cut-off date for information in this note is 18 March 2025 while that for the RPI is 25 March 2025. Figures in tables may not add up due to rounding.*

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## ECONOMIC UPDATE 3/2025

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

*The Bank's Business Conditions Index (BCI) suggests that in February, annual growth in activity eased slightly, converging to its long-term average estimated since January 2000. In February, the Bank's Economic Policy Uncertainty (EPU) Index increased from its January level but remained below its historical average estimated since 2004.*

*The European Commission's confidence surveys show that sentiment in Malta decreased in February and remained below its long-term average, estimated since November 2002. In month-on-month terms, the largest deterioration was recorded in the services sector.*

*Additionally, the European Commission's Economic Uncertainty Indicator (EUI) for Malta decreased compared with January, indicating lower uncertainty, with the largest decrease recorded in industry.*

*In January, industrial production and retail trade rose at a slower pace compared to December. In December, annual growth in services production turned positive after being negative in the preceding month.*

*The unemployment rate remained unchanged at 3.0% but stood below that of 3.4% in January 2024.*

*In January 2025, both commercial building and residential permits rose compared to December. They were also higher compared with a year earlier. In February, the number of residential promise-of-sale agreements increased on a year earlier, while the number of final deeds of sale was practically unchanged.*

*The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) rose to 2.0% in February, from 1.8% in the previous month. HICP excluding energy and food in Malta stood at 2.0%. Both stood below the euro area average. Inflation based on the Retail Price Index (RPI) rose to 1.9% in February, from 1.4% in January.*

*In January, both Maltese residents' deposits and credit extended to them by monetary and financial institutions (MFIs) increased compared to their level a year ago. Moreover, in both cases, the annual rate of change rose compared to December.*

*In January, the Consolidated Fund registered a wider deficit than that registered a year earlier. This was due to a rise in government expenditure which was coupled by a decline in government revenue.*

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

The Bank's BCI indicates that in February, annual growth in business activity eased slightly, almost converging to its long-term average, estimated since January 2000 (see Chart 1). The

<sup>1</sup> The cut-off date for information in this note is 18 March 2025 while that for the RPI is 25 March 2025. Most of the data reported in this issue of the *Economic Update* refer to January 2025. However, European Commission survey data, the EPU index, inflation data, the BCI and residential property 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.

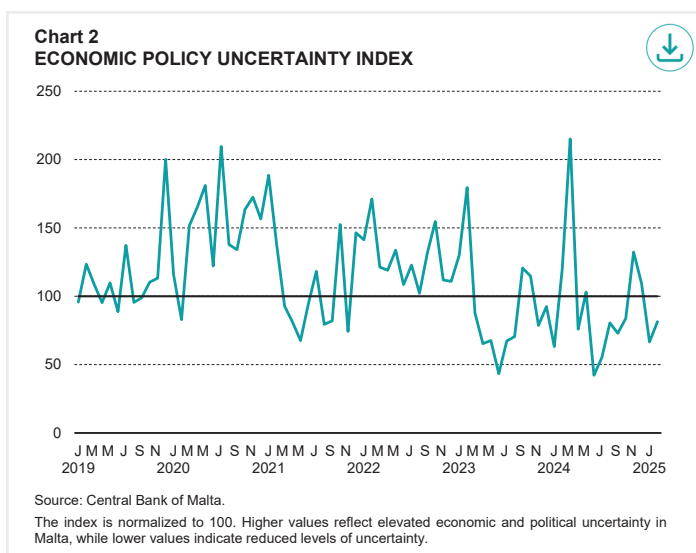
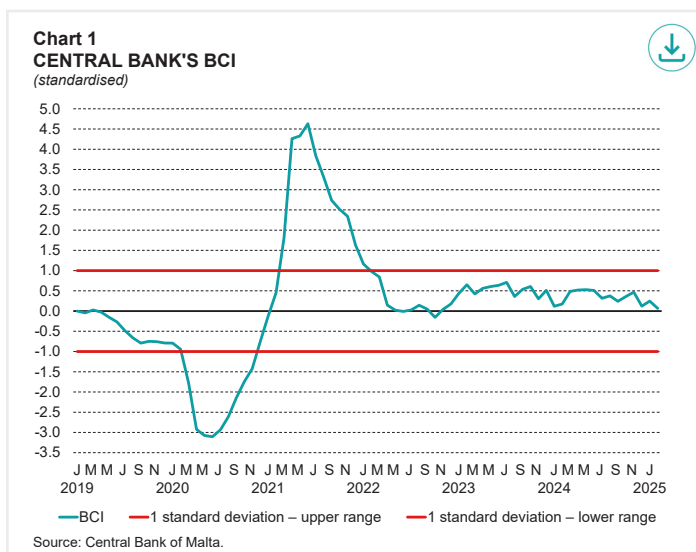
recent dip is mostly attributable to a slowdown in growth of construction activity.

### Central Bank's Economic Policy Uncertainty index<sup>3</sup>

In February 2025, the Bank's EPU index increased to 81.4, up from 66.6 in January, yet remained below its historical average of 100 (see Chart 2). The rise in policy uncertainty was primarily driven by ongoing discussions on a new economic vision for the country, with a particular focus on labour, migration, demographic trends, and birth rates. At the same time, external sources of uncertainty stemmed from concerns over tariffs imposed on the EU and the potential policy response by the bloc.

### Business and consumer confidence indicators

In February, the European Commission's Economic Sentiment Indicator (ESI) for Malta decreased to 95.0, from 99.1 in January. However, it was higher than the value of 89.0 reported a year earlier (see Table 1).<sup>4,5,6</sup> Furthermore, the indicator fell further below its long-term average of around 100.0, estimated since November 2002. In month-on-month terms, sentiment deteriorated in the services sector, as well as in the construction sector and among consumers, while it improved in the remaining sectors. The most significant decline was observed in the services sector.



<sup>3</sup> 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.

<sup>4</sup> 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.

<sup>5</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>6</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*

	2023	2024	2024		2025	
			Feb.	Dec.	Jan.	Feb.
<b>ESI</b>	<b>105.6</b>	<b>96.9</b>	<b>89.0</b>	<b>93.3</b>	<b>99.1</b>	<b>95.0</b>
<b>Services confidence indicator</b>	<b>26.6</b>	<b>17.9</b>	<b>13.3</b>	<b>19.0</b>	<b>35.1</b>	<b>8.3</b>
Business situation development over the past 3 months	24.0	15.9	1.7	22.7	30.7	2.2
Evolution of the demand over the past 3 months	26.0	19.7	12.4	30.5	35.9	8.5
Expectation of the demand over the next 3 months	29.9	18.2	25.6	3.7	38.9	14.2
<b>Construction confidence indicator</b>	<b>1.2</b>	<b>-5.0</b>	<b>14.8</b>	<b>-18.4</b>	<b>6.2</b>	<b>2.6</b>
Evolution of your current overall order books	-9.8	-10.7	10.6	-29.6	3.1	-33.0
Employment expectations over the next 3 months	12.2	0.7	19.1	-7.2	9.3	38.2
<b>Consumer confidence indicator</b>	<b>-10.9</b>	<b>-6.1</b>	<b>-4.8</b>	<b>-2.3</b>	<b>2.9</b>	<b>1.3</b>
Financial situation past 12 months	-20.3	-10.2	-11.3	-3.7	-1.7	-1.9
Financial situation next 12 months	-10.4	-1.0	-0.3	4.1	8.8	-0.2
Economic situation next 12 months	-12.6	-10.7	-2.3	-7.6	1.4	-1.6
Major purchases next 12 months	-0.3	-2.4	-5.4	-2.0	3.0	9.0
<b>Industrial confidence indicator</b>	<b>2.4</b>	<b>-14.5</b>	<b>-37.9</b>	<b>-24.3</b>	<b>-26.6</b>	<b>-16.3</b>
Assessment of order-book levels	-12.7	-30.1	-57.4	-17.7	-41.5	-10.1
Assessment of stocks of finished products	2.2	25.0	35.5	39.3	31.8	59.9
Production expectations for the months ahead	22.1	11.5	-20.7	-15.9	-6.5	20.9
<b>Retail trade confidence indicator</b>	<b>9.8</b>	<b>-0.4</b>	<b>13.6</b>	<b>-5.2</b>	<b>-4.7</b>	<b>9.0</b>
Business activity, past 3 months	25.2	-0.5	6.3	19.1	-7.7	-1.9
Stocks of finished goods	16.5	6.3	3.4	8.4	9.9	5.7
Business activity, next 3 months	20.8	5.4	37.9	-26.4	3.4	34.6
<b>E EI</b>	<b>109.2</b>	<b>100.7</b>	<b>101.2</b>	<b>101.1</b>	<b>109.7</b>	<b>101.4</b>
Industry	19.3	2.3	-13.2	1.6	2.7	-36.6
Services	30.1	17.8	18.4	25.1	42.6	26.9
Retail	17.2	7.3	15.0	-5.6	1.7	6.1
Construction	12.2	0.7	19.1	-7.2	9.3	38.2
<b>EUI<sup>(1,2)</sup></b>	<b>12.1</b>	<b>14.2</b>	<b>15.5</b>	<b>15.6</b>	<b>16.1</b>	<b>6.7</b>
Industry	7.6	15.5	29.4	16.0	17.2	-23.8
Construction	24.9	18.3	19.3	40.8	26.7	14.8
Consumers	14.4	10.6	11.8	9.2	2.7	7.7
Retail	6.5	8.4	5.2	12.9	14.1	25.2
Services	15.2	14.9	0.3	15.4	22.2	42.3
<b>ESI demeaned</b>	<b>5.6</b>	<b>-3.1</b>	<b>-11.0</b>	<b>-6.7</b>	<b>-0.9</b>	<b>-5.0</b>
<b>E EI demeaned</b>	<b>9.1</b>	<b>0.6</b>	<b>1.7</b>	<b>1.7</b>	<b>11.4</b>	<b>3.6</b>

Source: European Commission.

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

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

Demeaned data – which account for the variation in weights assigned to each sector in the overall index – show that the decrease in overall sentiment in February was mostly driven by the services sector. Industry and, to a lesser extent, the services sector entirely explain why the ESI stood below its long-term average in February (see Chart 3).



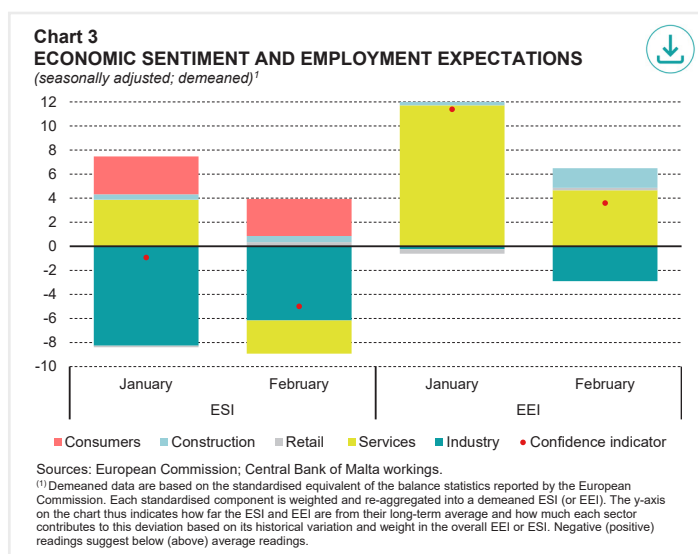
In February, the sentiment indicator for the services sector decreased and fell below its long-term average of 19.6.<sup>7</sup> It stood at 8.3, compared with 35.1 a month earlier, reflecting a significant deterioration across all three components.

The sentiment indicator for the construction sector declined to 2.6, from 6.2 in January, but remained above its long-term average of -7.8.<sup>8</sup> Contrary to the previous month, respondents assessed their overall order books to be below normal levels. On the other hand, employment expectations for the months ahead became more positive.

Consumer confidence declined slightly in February, though remaining positive. It averaged 1.3, down from 2.9 a month earlier, but remained above its long-term average of -10.0.<sup>9</sup> Consumers' expectations of their finances and of the general economic situation turned negative in the month under review. Consumers' assessment of their financial situation over the last 12 months deteriorated marginally. By contrast, consumers' expectations of their major purchases over the next 12 months improved, reaching a 30-month high.

The sentiment indicator in industry stood at -16.3, up from -26.6 in January but remained well below its long-term average of -4.5.<sup>10</sup> On balance, a smaller share of firms assessed their order book levels to be below normal levels. At the same time, firms' production expectations for the months ahead turned positive. On the other hand, a larger share of firms assessed their stocks of finished products to be above normal levels.<sup>11</sup>

The confidence indicator in the retail sector turned positive and rose above its long-term average of 0.1.<sup>12</sup> Sentiment averaged 9.0 compared with -4.7 a month earlier, reflecting an improvement across all its three components, especially in near term business expectations.



<sup>7</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>8</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>9</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>10</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>11</sup> Above normal stocks of finished goods have a negative effect on the overall indicator, and vice versa.

<sup>12</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.

The European Commission's Employment Expectations Indicator (EEI) for Malta – which is a composite indicator of employment expectations in industry, services, retail trade, and construction – decreased to 101.4 in February, from 109.7 in January.<sup>13</sup>

Demeaned data suggest that the latest decrease in employment expectations was driven by the services sector, and to a lesser extent by industry. The services sector and, to a lesser extent, the construction sector largely explain why the overall EEI stood above its long-term average in February (see Chart 3).

In February, the European Commission's EUI for Malta – 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 6.7, down from 16.1 in January (see Table 1).<sup>14,15</sup> Uncertainty decreased significantly in industry and to a lesser extent in the construction sector, while it increased in the remaining sectors. The strongest decrease was recorded in industry, which became the only subcomponent to report negative uncertainty, thereby signalling confidence in their ability to predict their future situation.

When accounting for the variation in weights of each sector, the services sector 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 – rose by 3.4% on a year-on-year basis, following a 14.8% increase in December (see Table 2).<sup>16</sup>

In the manufacturing sector, production increased by 3.9% on a year earlier, a more moderate pace than that of 15.0% in the previous month. Output increased significantly among firms producing motor vehicles, trailers and semi-trailers, those classified in the 'other manufacturing' sector – which includes medical and dental instruments – as well as manufacturers of beverages. Smaller but still significant increases were recorded among firms that produce machinery and equipment, wood and chemical products. Meanwhile, smaller increases were recorded by firms involved in the printing and reproduction of recorded media, the repair and installation of machinery and equipment, and the production of rubber, plastic and basic pharmaceutical products.

<sup>13</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>14</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>15</sup> Data on consumer uncertainty became available in October 2020, while data for industry, services, retail, and construction became available in May 2021.

<sup>16</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*

	2023	2024	2023		2024			2025
			Nov.	Dec.	Jan.	Nov.	Dec.	
Industrial production	7.0	4.1	4.6	7.4	-4.4	14.6	14.8	3.4
Production in services	5.3	-	5.8	6.7	5.2	-2.2	6.9	-
Retail trade	1.7	4.1	4.7	-0.8	0.3	5.0	6.6	3.8
Number of tourist arrivals	30.4	19.5	24.9	17.0	26.1	20.7	20.5	12.6
Number of nights stayed	22.2	13.0	15.0	10.4	-2.2	23.5	14.1	11.4
Rented accommodation	24.2	16.4	23.1	12.1	-2.0	27.7	14.4	19.5
Collective <sup>(1)</sup>	22.5	13.8	20.5	6.5	12.6	20.5	18.2	17.0
Other rented <sup>(2)</sup>	27.0	20.6	28.4	22.7	-24.8	41.2	8.2	25.3
Non-rented accommodation <sup>(3,4)</sup>	12.2	-6.1	-	-	-3.0	-	-	-19.6
Tourist expenditure	32.9	23.1	23.8	15.3	10.8	35.1	20.2	29.4
Package expenditure	46.6	24.9	41.0	20.7	14.6	47.5	33.2	36.9
Non-package expenditure	35.1	21.5	24.5	11.1	19.7	22.6	15.5	33.6
Other	23.5	23.6	14.8	16.9	2.1	41.4	18.2	21.9

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.

By contrast, production fell significantly among firms manufacturing wearing apparel and textiles, computer electronic and optical products as well as furniture. Smaller contractions were recorded by firms producing paper and food products, electrical equipment and fabricated metal products.

Meanwhile, production in the energy sector contracted by an annual 4.9%. This follows a 13.1% increase in the preceding month.

The volume of retail trade – which is a short-term indicator of final domestic demand – rose by 3.8% in year-on-year terms, following an increase of 6.6% in December.

In December, 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 6.9% on an annual basis compared with a contraction of 2.2% recorded in November.

Services production increased in the sector comprising information and communication, professional, scientific and technical activities as well as accommodation and food services activities. By contrast, production contracted among firms offering administrative and support services, transportation and storage, and real estate activities.



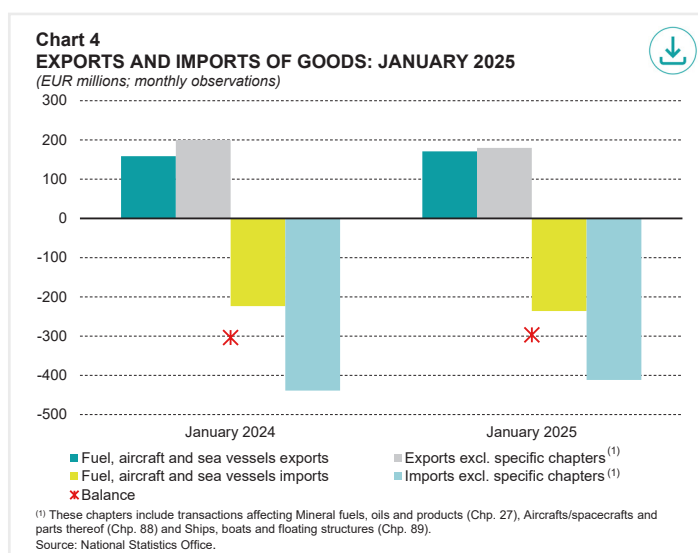
In January 2025, the number of inbound tourists amounted to 194,157, a rise of 12.6% on the previous year. Guest nights rose by 11.4% on a year earlier, solely due to an increase in nights stayed in rented accommodation. Total expenditure by tourists in Malta increased by 29.4% over this period, with the increase being broad-based across all expenditure categories. Expenditure per capita increased, reflecting a 16.2% increase in expenditure per night. By contrast, the average length of stay stood marginally below that for January 2024.

In January, 248 development permits for commercial buildings were issued, ten more than the number of permits issued in the same month of 2024 (see Table 3). Meanwhile, 768 new residential building permits were issued, 79 more than the number issued January 2024. In month-on-month terms, permits for both commercial and residential buildings increased.

In February, 1,021 final deeds of sale were concluded, just one more than a year earlier, but 55 less compared with January. At 1,253, the number of promise-of-sale agreements was 87 more than a year earlier and 157 more compared with the preceding month.

Customs data show that the merchandise trade deficit stood at €296.9 million in January, down from €303.6 million a year earlier. This was due to a €14.6 million decrease in imports which offset a €7.8 million decrease in exports.

When excluding specific chapters representing transactions in fuels, sea vessels, as well as aircrafts and parts thereof, the trade deficit narrowed by a similar amount, to €231.9 million (see Chart 4).



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

Levels

	2023	2024	2023		2024		2025	
			Dec.	Jan.	Dec.	Jan.	Dec.	Jan.
<b>Permits</b>								
Commercial permits	2,532	2,673	169	238	248	165	248	-
Residential permits	8,112	8,713	249	689	1,165	699	768	-
<b>Residential transactions</b>								
Promise of sale	13,185	13,586	1,051	1,158	1,166	1,044	1,096	1,253
Final deeds of sale	12,180	12,597	1,049	1,112	1,020	1,116	1,076	1,021

Sources: National Statistics Office; Planning Authority.

Imports excluding specific chapters decreased, mainly due to lower imports of machinery and mechanical appliances, and vehicles and their parts, and to a lesser extent, knitted clothing and plastic. These offset higher imports of pharmaceutical products, and tanning/dyeing extracts and paint.

Exports excluding specific chapters also decreased, albeit to a lesser extent when compared with the corresponding import categories. The latest decrease was mainly due to lower exports of electrical machinery and fish. These offset higher exports of printed material and precious stones.

## Labour market

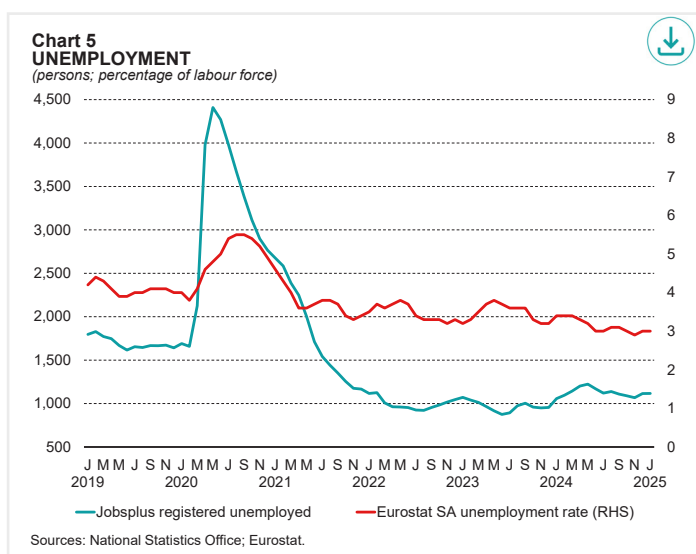
Jobsplus data show that the level of engagements in the labour market stood at 6,054 in December, down from 9,109 in November, and from 7,116 a year earlier (see Table 4). Additionally, the level of terminations stood at 4,406 in December, down from 6,490 in November, and from 8,753 recorded a year earlier. This level of activity is below the average level of recent years.<sup>17</sup>

Overall, the level of net engagements in December stood at 1,648. This contrasts with 1,637 net terminations in December 2023.

Over 2024 as a whole, net engagements stood at 28,831, down from 29,787 in 2023.

Jobsplus data show that the number of persons on the unemployment register stood at 1,117 in January, slightly up from 1,115 in December, and from 1,057 a year earlier (see Chart 5).

The seasonally-adjusted unemployment rate remained unchanged from December at 3.0%, but stood lower than 3.4% recorded in January 2024 (see Chart 5).



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

Levels

	2022	2023	2024	2023			2024		
				Oct.	Nov.	Dec.	Oct.	Nov.	Dec.
Engagements	133,255	135,034	129,624	12,571	11,831	7,116	11,131	9,109	6,054
Terminations	104,832	105,247	100,793	8,881	8,223	8,753	8,404	6,490	4,406
<b>Net engagements</b>	<b>28,423</b>	<b>29,787</b>	<b>28,831</b>	<b>3,690</b>	<b>3,608</b>	<b>-1,637</b>	<b>2,727</b>	<b>2,619</b>	<b>1,648</b>

Source: Jobsplus.

Data are provisional and thus subject to change.

<sup>17</sup> Averages are estimated since January 2020.

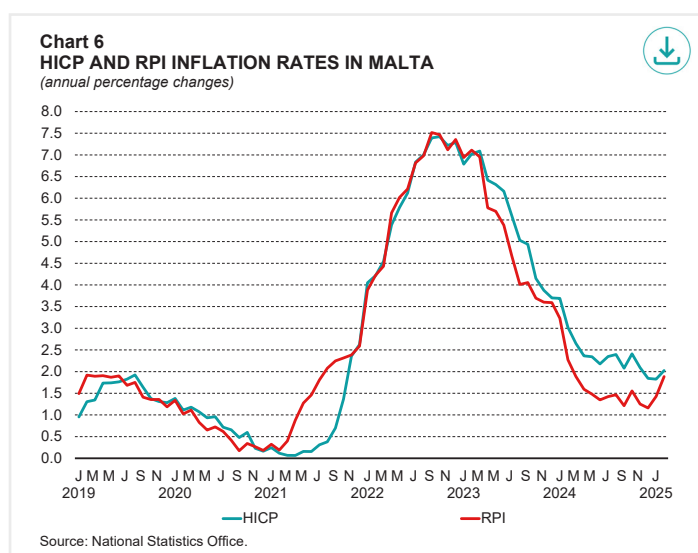
## Prices, costs and competitiveness

Annual HICP inflation stood at 2.0% in February, up from 1.8% in the previous month, mainly due to higher food inflation (see Chart 6). Food inflation (including alcohol and tobacco) rose to 2.5%, from 1.8% in January, following higher processed food inflation (including alcohol and tobacco). Indeed, the latter increased to 3.4% as opposed to 2.4% a month earlier, mostly on the back of higher prices of dairy products. On the other hand, unprocessed food prices contracted by an annual 0.5%, after falling by 0.3% in January. Meanwhile, non-energy industrial goods inflation edged up to 0.9%, from 0.6% in January, driven by higher inflation in semi-durable goods and a smaller contraction in durable goods. On the other hand, services inflation fell marginally reaching 2.7%, from 2.8% in January, mainly due to lower inflation for transport services. Energy inflation remained unchanged due to ongoing government measures.

Overall HICP inflation in Malta stood 0.3 percentage points below that in the euro area, with the latter standing at 2.3%. At the same time, HICP inflation excluding food and energy stood at 2.0% in Malta as compared to 2.6% in the euro area.

Annual inflation according to the RPI rose to 1.9% in February, from 1.4% in January (see Chart 6).<sup>18</sup> The rise stemmed mainly from higher food inflation which accelerated to 2.4%, from 1.4% in the previous month. At the same time, household equipment and maintenance inflation turned positive, after five consecutive months of contraction, standing at 1.1%, from -0.6% in January. Moreover, inflation on recreation and culture edged up to 2.0%, from 1.2% in January. On the other hand, inflation on personal care and health eased to 3.1%, while transport and communication inflation edged down to 0.5%. Energy inflation remained unchanged at 0%.

Producer output prices, as measured by the industrial producer price index, contracted by 1.3% in January, after a 0.2% increase in December.<sup>19</sup> Producer prices of capital goods recorded the first year-on-year decrease in over a year, and contracted by an annual 2.0% in January. Furthermore, producer prices of intermediate goods contracted at a faster pace of 4.1%, following a drop of 1.8% in the previous month. Meanwhile, the annual rate of change in producer prices of consumer goods stood at 0.8% in January, down from 1.2% in December. Energy producer price inflation remained stable at zero and thus had no impact on overall producer prices.



<sup>18</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 2025 set of weights applied to the HICP index have been revised compared with the 2024 weights. The weights of the RPI are not updated annually and are hence not affected by such changes.

<sup>19</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.

## Public finance

In January 2025, the Consolidated Fund recorded a deficit of €185.7 million, €103.4 million more than the deficit registered a year earlier (see Table 5). This was due to a rise in government expenditure and a decline in government revenue. The primary deficit stood at €162.6 million, €100.1 million higher than the primary deficit registered in January 2024.

Government revenue fell by €66.5 million, or 14.9%, mostly due to a €45.6 million decline in indirect tax revenue, reflecting lower inflows from VAT. Furthermore, non-tax revenue decreased by €36.9 million, partly due to lower inflows from grants. Meanwhile, inflows from direct taxes rose by €16.0 million reflecting higher inflows from social security contributions.

Government expenditure increased by €36.9 million, or 7.0%, due to a €46.3 million rise in recurrent expenditure. The latter partly reflects higher contributions to entities, which rose by €29.9 million, and on personal emoluments, which rose by €13.8 million and partly reflects the impact of a new collective agreement for the civil service. Outlays on programmes and initiatives increased by €4.6 million due to increased spending on retirement pensions, in line with measures announced

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

EUR millions

	2024	2025	Change	
	Jan.	Jan.	Amount	%
<b>Revenue</b>	<b>446.0</b>	<b>379.6</b>	<b>-66.5</b>	<b>-14.9</b>
<b>Direct tax</b>	<b>269.6</b>	<b>285.6</b>	<b>16.0</b>	<b>5.9</b>
Income tax	184.8	186.1	1.3	0.7
Social security contributions <sup>(1)</sup>	84.8	99.5	14.7	17.3
<b>Indirect tax</b>	<b>126.3</b>	<b>80.6</b>	<b>-45.6</b>	<b>-36.1</b>
Value Added Tax	64.9	20.4	-44.5	-68.6
Customs and excise duties	25.6	26.1	0.5	1.8
Licences, taxes and fines	35.7	34.2	-1.6	-4.3
<b>Non-tax<sup>(2)</sup></b>	<b>50.2</b>	<b>13.3</b>	<b>-36.9</b>	<b>-73.4</b>
<b>Expenditure</b>	<b>528.3</b>	<b>565.2</b>	<b>36.9</b>	<b>7.0</b>
<b>Recurrent</b>	<b>507.2</b>	<b>553.4</b>	<b>46.3</b>	<b>9.1</b>
Personal emoluments	95.8	109.6	13.8	14.5
Operational and maintenance	32.5	27.1	-5.3	-16.4
Programmes and initiatives	327.2	331.8	4.6	1.4
Contributions to entities	31.9	61.7	29.9	93.7
Interest payments	19.8	23.1	3.3	16.7
<b>Capital</b>	<b>21.1</b>	<b>11.8</b>	<b>-9.4</b>	<b>-44.3</b>
<b>Primary balance<sup>(3)</sup></b>	<b>-62.5</b>	<b>-162.6</b>	<b>-100.1</b>	<b>-</b>
<b>Consolidated Fund balance</b>	<b>-82.3</b>	<b>-185.7</b>	<b>-103.4</b>	<b>-</b>

Source: National Statistics Office.

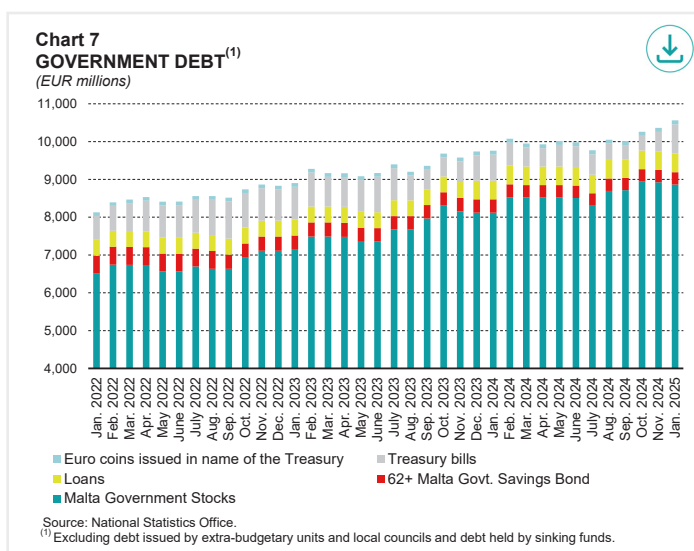
<sup>(1)</sup> Government contributions to the social security account in terms of the Social Security Act 1987 are netted out from both revenue and expenditure.

<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.

in the budget. Interest payments increased by €3.3 million. On the other hand, spending on operations and maintenance declined by €5.3 million. Capital expenditure fell by €9.4 million, due to the timing of spending on road construction and improvements.

In January 2025, the total stock of outstanding government debt amounted to €10,562.5 million, €199.8 million more compared with November 2024 (see Chart 7).<sup>20</sup> This mostly reflects new issues of Treasury Bills.

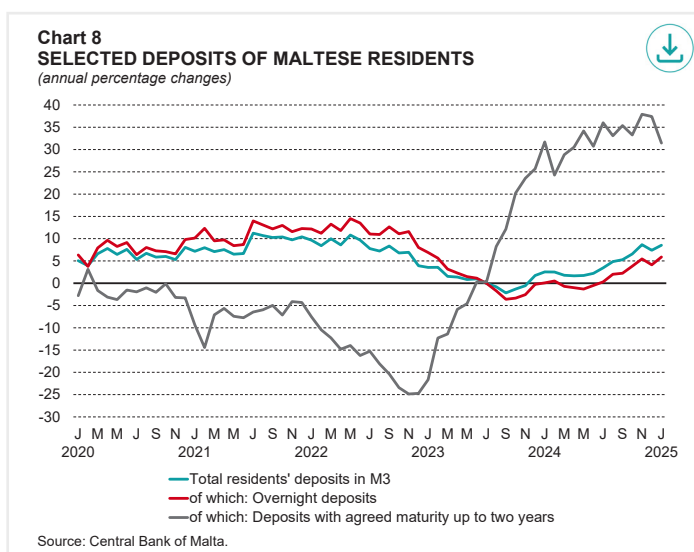


## Deposits, credit and financial markets

During the year to January, residents' deposits held with MFIs and forming part of broad money (M3) increased by 8.5% (see Chart 8). This follows a 7.4% increase over the 12 months ending in December 2024. The increase in M3 deposits over the 12 months to January was driven by higher balances belonging to households and non-financial corporations. Deposits belonging to financial intermediaries outside the insurance and pension fund sector decreased.

Overnight deposits remained the largest component of residents' M3 deposits, comprising 86.9% of M3 balances. These deposits – which are the most liquid – increased by 5.9% in the year to January, following an increase of 4.1% in the previous month.

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 January, these deposits increased by 31.5%, following an increase of 37.4% recorded a month earlier. The latest increase was driven by an increase in deposits belonging to households, although deposits belonging to NFCs also increased substantially.



<sup>20</sup> December 2024 data were not available by the cut-off date for this issue of the *Economic Update*.



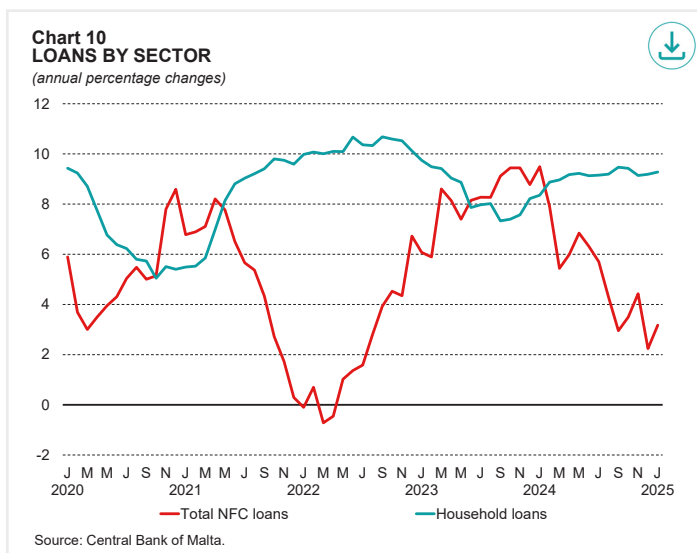
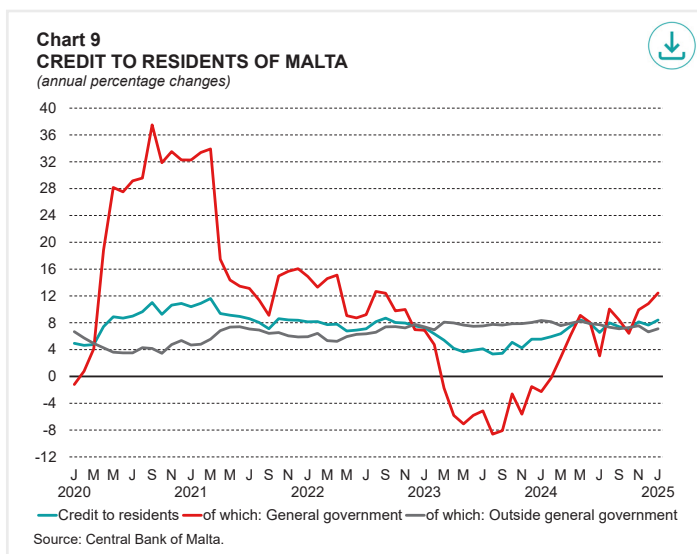
Growth in credit to Maltese residents increased to 8.4% in the year to January, from 7.7% a month earlier (see Chart 9). Credit to general government grew by 12.4% in the year to January compared to 10.8% a month earlier. Credit to other residents also increased at a faster pace, as this component grew by an annual 7.1% compared to 6.6% in the previous month.

In January, the annual rate of change of loans to households remained broadly unchanged from a month earlier, at 9.3% (see Chart 10). Growth in mortgage lending moderated slightly to 9.3%, from 9.4% in December. By contrast, growth in consumer credit grew by 8.9% from 7.0% in the previous month.

Meanwhile, the annual rate of change in loans to NFCs increased to 3.2% in January, following a 2.2% growth registered in December. A sectoral breakdown of loans to NFC indicates that the latest growth was driven by increase in lending to the accommodation and food services sector, and the construction and real estate sectors. A smaller increase was recorded in the wholesale and retail trade sector. On the other hand, credit to the sector comprising information, communication, transport and storage decreased. Smaller decreases were also recorded in lending to the manufacturing and the energy sectors.

In January, the composite interest rate paid by MFIs on Maltese residents' outstanding deposits decreased by 1 basis point compared to December, to 0.38%. Meanwhile, the composite rate charged on outstanding loans decreased by 2 basis points to 3.34%. As a result, the spread between the two rates narrowed by 1 basis point to 296 basis points.

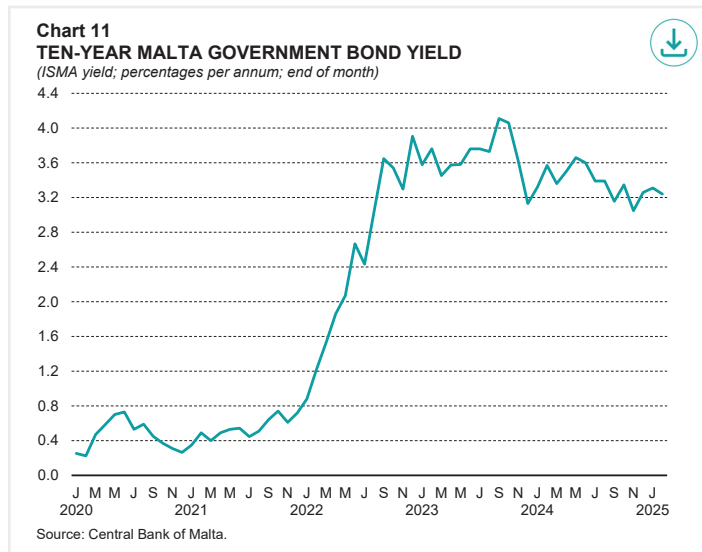
The composite rate on new deposits stood at 2.58% in January, up by 13 basis points relative to December. The composite rate charged on new loans decreased by 28 basis points, compared to a month earlier, standing at 2.92%. It was also 47 basis points lower than the rate recorded a year earlier. The spread between the two rates stood at 34 basis points, narrowing from 75 basis points



in December and from 77 basis points a year earlier.

In the capital market, the secondary market yield on ten-year Maltese government bonds fell to 3.24% at the end of February, from 3.31% at end-January. It was also 33 basis points below its year-ago level (see Chart 11).

Meanwhile, the Malta Stock Exchange (MSE) Equity Price Index increased by 4.2%, compared with its end-January level. The MSE Total Return Index, which accounts for dividends as well as changes in equity prices, also rose by 4.2%.



## Annex 1

### MACROECONOMIC INDICATORS FOR MALTA

Annual percentage changes; non-seasonally adjusted data

	2021	2022	2023	2024	2023	2023	2023	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2025	2025	
					Q2	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	2.4	6.3	5.2	3.9	3.1	2.3	2.3	2.3	3.0	2.7	2.4	2.3	2.2	2.3	2.4	2.1	2.4	2.1	1.8	1.8	2.0
RPI inflation	1.5	6.2	5.1	1.7	5.6	4.2	3.6	2.5	1.5	1.4	1.3	2.3	1.9	1.6	1.5	1.3	1.4	1.5	1.2	1.6	1.3	1.2	1.4	1.9
Industrial producer price inflation	3.2	4.9	3.4	-0.1	4.4	3.6	1.4	0.6	0.2	-0.9	-0.4	0.5	0.0	0.9	0.3	-0.4	-0.6	-1.3	-0.8	-1.2	-0.3	0.2	-1.3	-
HCI (nominal)	0.3	-1.4	3.3	1.0	3.4	5.0	3.3	2.1	1.2	0.7	0.1	1.9	2.0	1.2	1.6	1.0	0.6	0.6	0.9	0.7	-0.1	-0.1	-0.4	-
HCI (real)	-1.9	-3.6	3.1	0.2	3.6	4.9	3.5	1.6	0.1	-0.2	-0.7	1.3	1.1	0.2	0.3	-0.2	-0.5	-0.1	0.1	0.2	-1.0	-1.3	-1.7	-
Unit labour costs, whole economy <sup>(1)</sup>	-4.8	5.6	2.3	5.0	5.1	4.3	2.3	2.0	1.6	2.3	5.0	-	-	-	-	-	-	-	-	-	-	-	-	-
Compensation per employee <sup>(1)</sup>	4.9	5.0	2.3	5.8	4.0	3.9	2.3	2.6	3.1	3.5	5.8	-	-	-	-	-	-	-	-	-	-	-	-	-
Labour productivity (per person) <sup>(1)</sup>	10.2	-0.6	0.0	0.8	-1.1	-0.3	0.0	0.6	1.4	1.0	0.8	-	-	-	-	-	-	-	-	-	-	-	-	-
Property Price Index (Eurostat)	5.1	6.7	6.2	-	5.3	5.7	6.7	6.7	6.9	6.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Economic activity</b>																								
Nominal GDP	16.1	9.6	12.4	9.4	11.9	13.3	11.2	12.7	11.6	8.1	5.7	-	-	-	-	-	-	-	-	-	-	-	-	-
Real GDP	13.3	4.3	6.8	6.0	6.1	7.5	6.3	8.4	8.1	5.0	2.8	-	-	-	-	-	-	-	-	-	-	-	-	-
Real private consumption	11.8	11.1	12.2	5.7	12.4	12.4	11.8	8.8	6.0	4.4	4.1	-	-	-	-	-	-	-	-	-	-	-	-	-
Real government consumption	6.0	0.1	3.1	7.3	-1.1	4.1	7.7	1.3	5.5	9.4	12.5	-	-	-	-	-	-	-	-	-	-	-	-	-
Real gross fixed capital formation	22.2	9.8	-17.0	2.4	-14.4	-20.6	-22.2	7.5	5.7	7.3	-9.3	-	-	-	-	-	-	-	-	-	-	-	-	-
Real exports of goods and services	-0.4	13.7	5.6	5.3	4.1	3.4	7.2	8.0	5.9	3.9	3.9	-	-	-	-	-	-	-	-	-	-	-	-	-
Real imports of goods and services	-2.8	18.4	2.0	4.7	1.0	-1.3	2.9	6.8	3.7	4.4	4.0	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Labour market developments</b>																								
LFS unemployment rate (% of labour force)	3.7	3.5	3.5	-	3.8	3.7	3.1	2.9	3.2	3.1	2.9	3.3	3.4	3.3	3.3	3.1	3.0	3.1	3.1	2.9	2.8	2.8	2.8	-
LFS employment	3.1	6.6	6.7	-	6.7	6.9	5.8	4.6	6.2	5.0	4.2	-	-	-	-	-	-	-	-	-	-	-	-	-
Jobsplus registered employed	2.6	6.1	8.0	-	8.2	7.7	7.6	6.8	5.8	4.8	-	6.8	6.2	6.3	5.8	5.3	5.3	4.6	4.6	4.2	-	-	-	-
<b>Balance of payments</b>																								
Current account (as a % of GDP) <sup>(2)</sup>	9.4	-0.8	6.4	-	3.6	6.1	6.4	6.3	7.0	6.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Credit and financial indicators</b>																								
<b>Maltese residents' deposits and loans</b>																								
Overnight deposits	12.3	8.0	-0.2	4.1	1.1	-3.6	-0.2	-0.7	-0.5	2.2	4.1	0.5	-0.7	-1.0	-1.3	-0.5	0.3	2.0	2.2	3.8	5.4	4.1	5.9	-
Deposits with agreed maturity up to two years	-4.3	-24.7	25.7	37.4	0.3	12.1	25.7	28.9	30.7	35.4	37.4	24.3	28.9	30.5	34.2	30.7	36.0	33.1	35.4	33.3	37.9	37.4	31.5	-
Total residents' deposits in M3	10.4	3.9	1.7	7.4	1.0	-2.2	1.7	1.8	2.2	5.3	7.4	2.5	1.8	1.7	1.7	2.2	3.4	4.8	5.3	6.6	8.7	7.4	8.5	-
Credit to general government	16.1	7.0	-1.5	10.8	-5.8	-8.1	-1.5	2.9	8.0	8.4	10.8	-0.3	2.9	6.1	9.1	8.0	3.1	10.1	8.4	6.4	9.9	10.8	12.4	-
Credit to residents (excl. general government)	5.9	7.8	8.0	6.6	7.5	7.7	8.0	7.6	7.9	7.1	6.6	8.2	7.6	7.9	8.2	7.9	7.7	7.3	7.1	7.3	7.6	6.6	7.1	-
Total credit	8.4	7.5	5.5	7.7	3.9	3.4	5.5	6.4	7.9	7.4	7.7	5.9	6.4	7.5	8.4	7.9	6.6	8.0	7.4	7.1	8.1	7.7	8.4	-
Ten-year interest rate (%) <sup>(3)</sup>	0.7	3.9	3.1	3.3	3.8	4.1	3.1	3.4	3.6	3.2	3.3	3.6	3.4	3.5	3.7	3.6	3.4	3.4	3.2	3.3	3.0	3.3	3.3	3.2
Stock prices: Malta Stock Exchange Equity Price Index <sup>(4)</sup>	-4.5	-9.9	11.4	-4.9	5.9	-1.5	7.3	-4.4	-1.5	1.6	-0.6	1.2	-0.8	-0.5	-1.4	0.5	1.0	1.8	-1.2	1.5	-1.5	-0.6	-0.2	4.2
<b>General government finances (% of GDP)</b>																								
Surplus (+) / deficit (-) <sup>(2)</sup>	-7.0	-5.2	-4.6	-	-4.1	-3.4	-4.6	-3.8	-3.5	-2.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross debt <sup>(5)</sup>	49.6	49.3	47.7	-	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.

<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.