



BANK ĊENTRALI TA' MALTA
EUROSISTEMA
CENTRAL BANK OF MALTA

CENTRAL BANK OF MALTA ECONOMIC UPDATE

4/2025

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Address

Pjazza Kastilja
Valletta VLT 1060
Malta

Telephone

(+356) 2550 0000

Fax

(+356) 2550 2500

Website

www.centralbankmalta.org

Contact

<https://www.centralbankmalta.org/contact-us>

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The cut-off date for information in this note is 16 April 2025 while that for the RPI is 23 April 2025. Figures in tables may not add up due to rounding.

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ECONOMIC UPDATE 4/2025

Summary¹

The Bank's Business Conditions Index (BCI) suggests that in March, annual growth in activity rose slightly, continuing to stand moderately above its long-term average estimated since January 2000.

The European Commission's confidence surveys show that sentiment in Malta improved in March and rose above its long-term average, estimated since November 2002. In month-on-month terms, the largest improvement was recorded in industry.

In March, the Bank's Economic Policy Uncertainty Index (EPU) rose above its historical average estimated since 2004, for the first time this year. Additionally, the European Commission's Economic Uncertainty Indicator (EUI) for Malta increased compared with February, indicating higher uncertainty, with the largest increase recorded in industry where uncertainty returned after a negative reading in February.

In February, industrial production rose at a faster pace compared to January, while annual growth in retail trade turned negative. In January, annual growth in services production was slower compared to the preceding month.

The unemployment rate decreased to 2.7% in February from 2.8% in January and stood below that of 3.4% in February 2024.

In February, commercial building permits rose compared with January, but residential permits declined. Commercial building permits were also higher than a year earlier, while residential permits were lower. In March, the number of residential promise-of-sale agreements decreased on a year earlier, while the number of final deeds of sale was only marginally lower.

The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) rose to 2.1% in March, from 2.0% in the previous month. HICP excluding energy and food in Malta stood at 2.1%. Both stood below the euro area average. Inflation based on the Retail Price Index (RPI) rose to 2.1% in March, from 1.9% in February.

In February, the Consolidated Fund registered a smaller surplus than that registered a year earlier. This was due to a rise in government expenditure and a decline in government revenue brought about by timing issues. As a result, between January and February, the Consolidated Fund balance registered a deficit of €95.0 million, from a surplus of €151.4 million for the same period a year earlier.

During the 12 months to February, Maltese residents' deposits with monetary and financial institutions as well as credit extended by the latter continued to grow at a strong pace. However, while annual growth in credit increased marginally, growth in deposits moderated.

Central Bank's Business Conditions Index²

The Bank's BCI indicates that in March, annual growth in business activity improved slightly from its February level and continued to stand moderately above its long-term average, estimated

¹ The cut-off date for information in this note is 16 April 2025 while that for the RPI is 23 April 2025. Most of the data reported in this issue of the *Economic Update* refer to February 2025. However, European Commission survey data, the EPU index, inflation data, the BCI and residential property transactions refer to March.

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.

since January 2000 (see Chart 1). The BCI reading reflects above average growth in the ESI, tourist arrivals and industrial production.

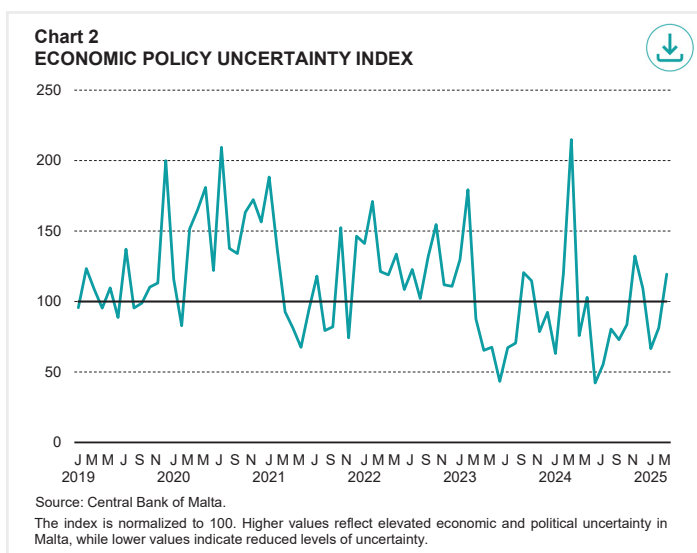
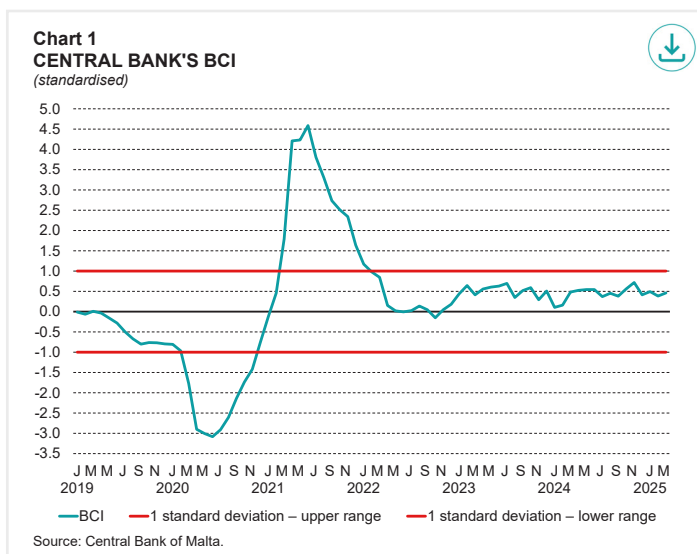
Central Bank's Economic Policy Uncertainty Index³

In March 2025, the Bank's EPU index rose to 119.4, moving above its historical average of 100 for the first time this year (see Chart 2). This increase in uncertainty was largely attributed to heightened global geopolitical tensions, particularly in relation to trade tariffs and defence spending plans related developments. Domestically, a number of other themes contributed to the rise in uncertainty, including ongoing discussions on the implications of artificial intelligence for the economy and discussions surrounding the future of HSBC Malta.

Business and consumer confidence indicators

In March, the European Commission's Economic Sentiment Indicator (ESI) for Malta increased to 109.2, from 95.1 in February and from 96.7 a year earlier (see Table 1).^{4,5,6} The indicator thus moved above its long-term average of around 100.0, estimated since November 2002. In month-on-month terms, sentiment improved in industry and in the services sector, while it deteriorated in the remaining sectors. The most significant improvement was observed in industry.

Demeaned data – which account for the variation in weights assigned to each sector in the overall index – show that the increase in the overall sentiment in March was entirely driven by



³ 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.

⁴ 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%. See [BCS User Guide](#) for further details on the methodology used by the European Commission. Sentiment in each sector is gauged from surveys which assess various issues relevant to the respondents. The quality of the data may thus vary depending on the response rate.

⁵ 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.

⁶ 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	
			Mar.	Dec.	Jan.	Feb.	Mar.
ESI	105.7	96.9	96.7	93.3	99.1	95.1	109.2
Industrial confidence indicator	2.4	-14.5	-11.0	-24.3	-26.6	-16.3	15.5
Assessment of order-book levels	-12.7	-30.1	-30.0	-17.7	-41.5	-10.1	-9.1
Assessment of stocks of finished products	2.2	25.0	21.0	39.3	31.8	59.9	5.9
Production expectations for the months ahead	22.1	11.5	17.9	-15.9	-6.5	20.9	61.5
Services confidence indicator	26.6	17.9	5.7	19.2	35.4	8.6	21.8
Business situation development over the past 3 months	24.0	15.9	0.0	23.0	31.0	2.6	20.1
Evolution of the demand over the past 3 months	26.0	19.7	4.3	31.0	36.4	9.0	22.4
Expectation of the demand over the next 3 months	29.9	18.2	12.8	3.7	38.9	14.3	23.0
Construction confidence indicator	1.2	-5.0	29.1	-18.4	6.2	2.6	0.0
Evolution of your current overall order books	-9.8	-10.7	5.3	-29.6	3.1	-33.0	0.0
Employment expectations over the next 3 months	12.2	0.7	52.9	-7.2	9.3	38.2	0.0
Consumer confidence indicator	-10.9	-6.1	-7.4	-2.3	2.8	1.3	-2.4
Financial situation past 12 months	-20.3	-10.2	-13.3	-3.8	-1.7	-1.9	-3.5
Financial situation next 12 months	-10.5	-1.0	-2.6	4.0	8.7	-0.3	-0.5
Economic situation next 12 months	-12.6	-10.7	-10.6	-7.6	1.4	-1.6	-7.0
Major purchases next 12 months	-0.3	-2.4	-3.0	-2.0	3.0	9.0	1.4
Retail trade confidence indicator	9.8	-0.5	7.3	-5.3	-4.7	8.9	-8.8
Business activity, past 3 months	25.2	-0.5	11.1	19.1	-7.7	-1.9	-21.2
Stocks of finished goods	16.5	6.3	2.2	8.4	9.9	5.7	17.6
Business activity, next 3 months	20.8	5.4	13.1	-26.5	3.4	34.5	12.3
E EI	109.2	100.7	99.6	100.9	109.5	101.2	102.3
Industry	19.3	2.3	1.2	1.6	2.7	-36.6	59.8
Retail	17.2	7.3	16.6	-5.6	1.7	6.1	-3.8
Services	30.1	17.8	5.2	24.7	42.2	26.3	10.0
Construction	12.2	0.7	52.9	-7.2	9.3	38.2	0.0
EUI^(1,2)	12.1	14.2	16.6	15.6	16.1	6.7	27.2
Industry	7.6	15.5	13.3	16.0	17.2	-23.8	36.3
Retail	6.5	8.4	14.1	12.9	14.1	25.2	33.4
Consumers	14.4	10.6	14.8	9.2	2.7	7.7	8.6
Services	15.2	14.9	22.0	15.4	22.2	42.3	34.5
Construction	24.9	18.3	20.9	40.8	26.7	14.8	-21.3
ESI demeaned	5.6	-3.1	-3.3	-6.7	-0.9	-4.9	9.2
E EI demeaned	9.1	0.6	-1.5	1.5	11.2	3.3	-0.6

Source: European Commission.

⁽¹⁾ Non-seasonally adjusted data.

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

developments in industry and in the services sector. Industry and, to a lesser extent, sentiment among consumers explain why the ESI stood above its long-term average in March (see Chart 3).

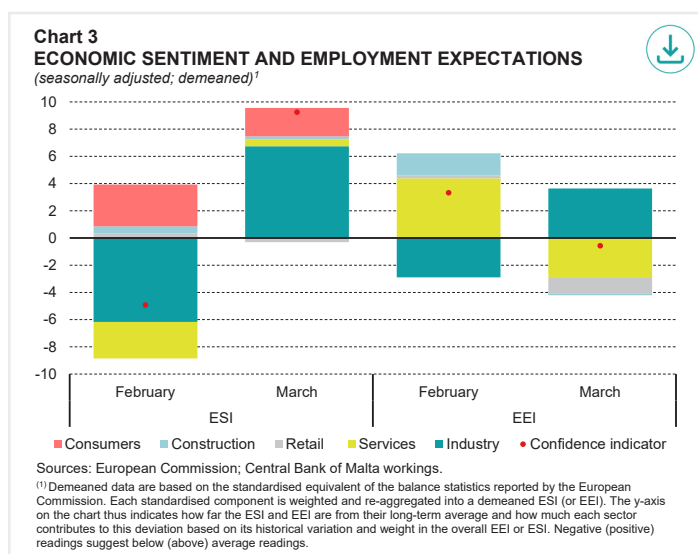
In March, the sentiment indicator in industry stood at 15.5, up from -16.3 in February and rose well above its long-term average of -4.5.⁷ An improvement can be observed across all three sub-components of this indicator. However, the largest improvements were reported in the assessment of stocks of finished products and in the firms' production expectations for the months ahead.⁸

⁷ The industrial confidence indicator is the arithmetic average of the seasonally-adjusted balances (in percentage points) of replies to a subset of survey questions relating to expectations about production over the subsequent three months, to current levels of order books and to stocks of finished goods.

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

The sentiment indicator for the services sector increased and rose above its long-term average of 19.6.⁹ It stood at 21.8, compared with 8.6 a month earlier, reflecting an improvement across all three components, especially in firms' assessment of the business situation over the past three months.

The sentiment indicator for the construction sector declined to 0.0, from 2.6 in February, but remained above its long-term average of -7.8.¹⁰ Sentiment for this sector ought to be interpreted with caution, due to a low response rate among enterprises.



Consumer confidence fell into negative territory in March. It averaged -2.4, down from 1.3 a month earlier, but remained above its long-term average of -9.9.¹¹ A deterioration can be observed across all components of the confidence indicator. Nevertheless, the largest deteriorations were reflected in consumers' expectations of major purchases over the next 12 months and in their expectations about the general economic situation.

The confidence indicator in the retail sector turned negative and fell below its long-term average of 0.1.¹² Sentiment averaged -8.8 compared with 8.9 a month earlier, reflecting a deterioration across all its three components, in particular in retailers' expectations of business activity over the next three months and in their assessment of sales over the past three months.

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 – increased slightly to 102.3 in March, from 101.2 in February.¹³

⁹ 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.

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 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](#).

¹² 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.

¹³ 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*.

Demeaned data suggest that employment expectations were slightly below their long-term average in March, mainly due to a deterioration in expectations in employment in the services sector (see Chart 3). This offset above average expectations in industry.

In March, 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 – increased, signalling higher uncertainty. It stood at 27.2, up from 6.7 in February (see Table 1).^{14,15} Uncertainty increased significantly in industry, and to a lesser extent in the retail sector and among consumers, while it decreased in the remaining sectors.

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

Activity indicators

In February, the index of industrial production – which is a measure of economic activity in the quarrying, manufacturing, and energy sectors – rose by 5.7% on a year-on-year basis, following a 3.2% increase in January (see Table 2).¹⁶

This reflects faster growth in the manufacturing sector, where production increased by 6.6% on a year earlier, after a 3.7% increase in the previous month. Output increased markedly among firms classified in the 'other manufacturing' sector – which includes medical and dental instruments – as well as those classified in the sector that produces motor vehicles, trailers and semi-trailers. Other significant increases were recorded among firms that produce fabricated metal products, computer, electronic and optical products and certain types of machinery and equipment. Meanwhile, smaller increases were recorded in various other sectors, including those involved in the production of food products, furniture, rubber and plastic products and wearing apparel.

By contrast, production fell significantly among firms that manufacture chemical products and beverages. Output also contracted among those involved in the printing and reproduction of recorded media, pharmaceutical products, textiles, paper products and electrical equipment.

Meanwhile, production in the energy sector contracted by an annual 6.2%, after having declined by 4.9% in the preceding month.

The volume of retail trade – which is a short-term indicator of final domestic demand – contracted by 0.7% in year-on-year terms, following an increase of 3.1% in January.

In January, 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 4.5% on an annual basis – at a moderate pace compared with an increase of 10.2% recorded in December.

¹⁴ 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.

¹⁵ Data on consumer uncertainty became available in October 2020, while data for industry, services, retail, and construction became available in May 2021.

¹⁶ 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	
			Dec.	Jan.	Feb.	Dec.	Jan.	Feb.
Industrial production	7.1	3.8	7.6	-4.4	-3.5	14.0	3.2	5.7
Production in services	5.2	9.6	6.8	4.8	16.5	10.2	4.5	-
Retail trade	1.7	4.2	-0.7	0.4	2.7	7.4	3.1	-0.7
Number of tourist arrivals	30.4	19.5	17.0	26.1	27.5	20.5	12.6	24.2
Number of nights stayed	22.2	13.0	10.4	-2.2	24.0	14.1	11.4	21.8
Rented accommodation	24.2	16.4	12.1	-2.0	21.3	14.4	19.5	30.0
Collective ⁽¹⁾	22.5	13.8	6.5	12.6	24.6	18.2	17.0	19.0
Other rented ⁽²⁾	27.0	20.6	22.7	-24.8	14.2	8.2	25.3	55.8
Non-rented accommodation ^(3,4)	12.2	-6.1	-	-3.0	-	-	-19.6	-
Tourist expenditure	32.9	23.1	15.3	10.8	31.5	20.2	29.4	28.2
Package expenditure	46.6	24.9	20.7	14.6	43.7	33.2	36.9	23.8
Non-package expenditure	35.1	21.5	11.1	19.7	35.7	15.5	33.6	26.0
Other	23.5	23.6	16.9	2.1	21.1	18.2	21.9	33.3

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.

Services production increased in the sectors comprising professional, scientific and technical activities, information and communication as well as transportation and storage. By contrast, production contracted among firms involved in real estate and administrative and support service activities. Production in services related to accommodation and food service activities was largely unchanged.

In February, the number of inbound tourists amounted to 210,305, a rise of 24.2% on the previous year. Guest nights rose by 21.8% on a year earlier, solely due to an increase in nights stayed in rented accommodation. Total expenditure by tourists in Malta increased by 28.2% over this period, with the increase being broad-based across all expenditure categories. Expenditure per capita rose by 3.3%, reflecting a 5.3% increase in expenditure per night. By contrast, the average length of stay stood marginally below that for February 2024.

In February, 282 development permits for commercial buildings were issued, 34 more than the number of permits issued in the same month of 2024 (see Table 3). Meanwhile, 529 new residential building permits were issued, 636 less than the number issued in February 2024. In month-on-month terms, permits for commercial buildings increased while those for residential buildings declined.

In March, 1,026 final deeds of sale were concluded, three less than a year earlier, and six less compared with February. At 1,119, the number of promise-of-sale agreements was 54 less than a year earlier and 134 less compared with the preceding month.

Table 3
PROPERTY MARKET

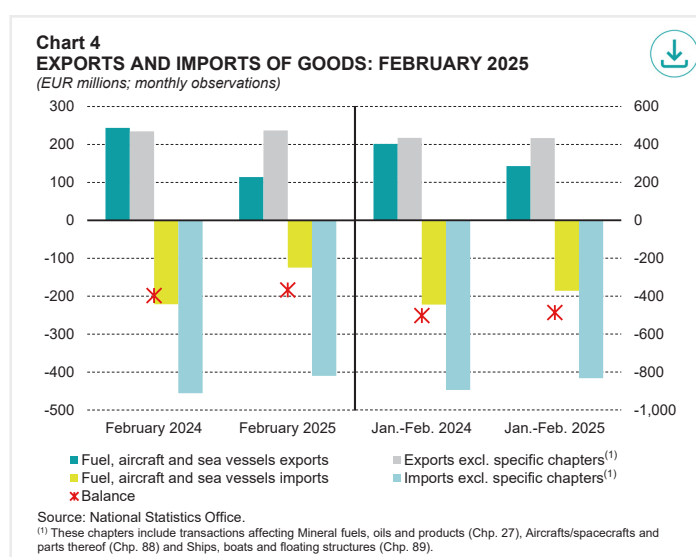
Levels

	2023	2024	2024			2025		
			Jan.	Feb.	Mar.	Jan.	Feb.	Mar.
Permits								
Commercial permits	2,532	2,673	238	248	156	248	282	-
Residential permits	8,112	8,713	689	1,165	741	768	529	-
Residential transactions								
Promise of sale	13,185	13,585	1,157	1,166	1,173	1,096	1,253	1,119
Final deeds of sale	12,180	12,597	1,112	1,020	1,029	1,076	1,032	1,026

Sources: National Statistics Office; Planning Authority.

Customs data show that the merchandise trade deficit stood at €183.5 million in February, slightly down from €198.3 million a year earlier. This was due to a €142.1 million decrease in imports which offset a €127.2 million fall in exports.

When excluding specific chapters representing transactions in fuels, sea vessels, as well as aircrafts and parts thereof, the trade deficit narrowed to €173.0 million from €221.0 million a year earlier (see Chart 4).



Imports excluding specific chapters decreased mainly due to lower imports of electrical machinery, and machinery and mechanical appliances. These offset higher imports of organic chemicals, precious stones, and articles of iron and steel.

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

Labour market

Jobsplus data show that the level of engagements in the labour market stood at 10,850 in January, up from 6,242 in December, but down from 13,351 a year earlier (see Table 4). Additionally, the level of terminations stood at 2,736 in January, down from 4,779 in December, and from 8,338 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.¹⁷

¹⁷ Averages are estimated since January 2020.

Table 4
NET ENGAGEMENTS

Levels

	2022	2023	2024	2023			2024		2025
				Nov.	Dec.	Jan.	Nov.	Dec.	Jan.
Engagements	133,369	135,271	130,870	11,859	7,134	13,351	9,292	6,242	10,850
Terminations	104,981	105,545	102,106	8,259	8,794	8,338	6,618	4,779	2,736
Net engagements	28,388	29,726	28,764	3,600	-1,660	5,013	2,674	1,463	8,114

Source: Jobsplus.

Data are provisional and thus subject to change.

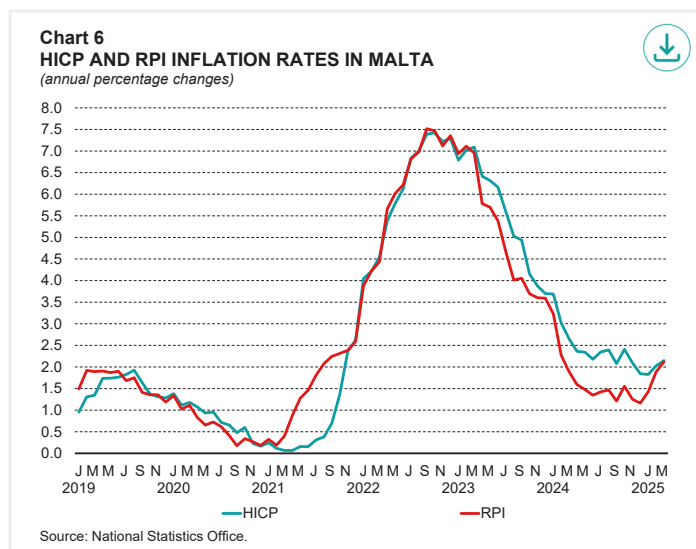
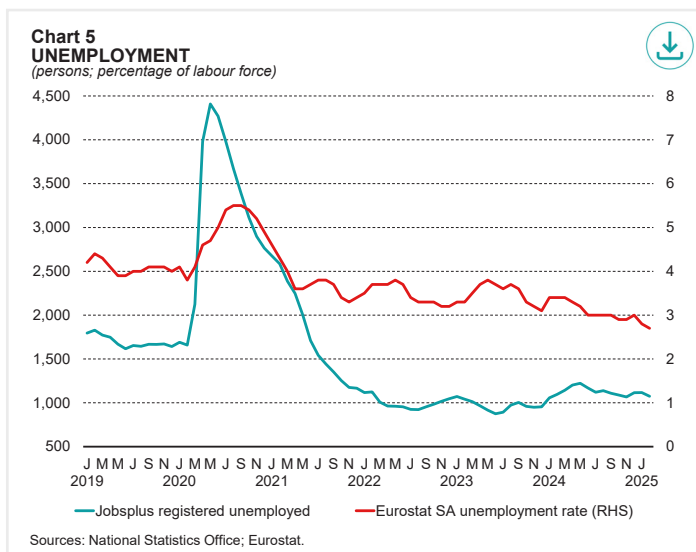
Overall, the level of net engagements in January stood at 8,114, up from 1,463 in December, and from 5,013 recorded a year earlier.

Jobsplus data show that the number of persons on the unemployment register stood at 1,075 in February, down from 1,117 in January, and from 1,096 a year earlier (see Chart 5).

The seasonally-adjusted unemployment rate declined slightly to 2.7% in February from 2.8% in January, and stood lower than 3.4% recorded in February 2024 (see Chart 5).

Prices, costs and competitiveness

Annual HICP inflation stood at 2.1% in March, up from 2.0% in the previous month, mainly due to higher food inflation (see Chart 6). Food inflation (including alcohol and tobacco) rose to 3.0%, from 2.5% in February, following higher unprocessed food inflation (including alcohol and tobacco). Indeed, the latter



increased to 1.1% as opposed to -0.5% a month earlier, mostly on the back of faster growth in the prices of vegetables and meat products. At the same time, processed food prices increased slightly to an annual 3.5%, after increasing by 3.4% in February. Meanwhile, non-energy industrial goods inflation edged up to 1.0%, from 0.9% in February, driven by higher inflation in semi-durable goods and a smaller contraction in the prices of durable goods. Meanwhile, services inflation stood at 2.7%, unchanged from the previous month. Energy inflation remained unchanged due to ongoing government measures.

Overall HICP inflation in Malta stood 0.1 percentage points below that in the euro area, with the latter standing at 2.2%. The difference in terms of HICP inflation excluding food and energy was more significant, as this stood at 2.1% in Malta and 2.4% in the euro area.

Annual inflation according to the RPI rose to 2.1% in March, from 1.9% in February (see Chart 6).¹⁸ The rise stemmed mainly from higher clothing and footwear inflation which accelerated to 4.3%, from 2.7% in the previous month. At the same time, transport and communication inflation edged up to 1.0% from 0.5% in February. Moreover, inflation on beverages and tobacco as well as food inflation increased marginally, standing at 3.8% and 2.6%, respectively, in March. On the other hand, inflation on recreation and culture eased to 1.7%, while personal care and health inflation remained unchanged at 3.1%. Energy inflation remained unchanged at 0%.

Producer output prices, as measured by the industrial producer price index, contracted by 0.5% in February, after a contraction of 0.9% in January.¹⁹ This reflects an uptick across most components. The annual rate of change in producer prices of consumer goods reached 1.4% in February, up from the previous month's 0.8%. At the same time, producer prices of capital goods rose at annual rate of 1.4% in February, after increasing by 1.0% in January. Meanwhile, intermediate goods contracted at a slightly slower pace of 3.5%, following a drop of 4.1% in the previous month. Energy producer price inflation remained stable at zero and thus had no impact on overall producer prices.

Public finance

In February 2025, the Consolidated Fund recorded a surplus of €90.6 million, €143.0 million less than the surplus registered a year earlier (see Table 5). This was due to a rise in government expenditure and a decline in government revenue. The primary surplus stood at €115.0 million, €140.1 million less than that registered in February 2024.

Government revenue declined by €60.1 million, or 8.7%, due to a decline of €183.6 million in direct tax revenue. This reflects the timing of inflows from income taxes paid by companies, as significant receipts were posted in December 2024 instead. Meanwhile, indirect taxes increased by €95.4 million mostly due to higher VAT receipts, while non-tax revenue increased by €28.1 million.

¹⁸ 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 hence are not affected by such changes.

¹⁹ 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

	2024	2025	2024	2025	Change	
	Jan.-Feb.	Jan.-Feb.	Feb.	Feb.	Amount	%
Revenue	1,139.6	1,013.1	693.6	633.5	-60.1	-8.7
Direct tax	708.1	540.6	438.6	255.0	-183.6	-41.9
Income tax	541.1	362.1	356.4	176.0	-180.3	-50.6
Social security contributions ⁽¹⁾	167.0	178.5	82.2	79.0	-3.2	-3.9
Indirect tax	347.0	396.8	220.7	316.1	95.4	43.2
Value Added Tax	245.8	278.2	180.9	257.8	76.9	42.5
Customs and excise duties	38.0	48.0	12.4	21.9	9.5	76.7
Licences, taxes and fines	63.1	70.6	27.4	36.4	9.0	32.8
Non-tax⁽²⁾	84.5	75.8	34.3	62.4	28.1	81.9
Expenditure	988.2	1,108.1	460.0	542.9	83.0	18.0
Recurrent	926.1	1,069.6	418.9	516.1	97.2	23.2
Personal emoluments	193.5	224.8	97.7	115.1	17.4	17.8
Operational and maintenance	52.4	60.7	19.9	33.5	13.6	68.4
Programmes and initiatives	560.9	601.5	233.7	269.7	36.0	15.4
Contributions to entities	78.0	135.2	46.2	73.4	27.2	59.0
Interest payments	41.2	47.4	21.5	24.4	2.9	13.5
Capital	62.2	38.6	41.0	26.8	-14.2	-34.7
Primary balance⁽³⁾	192.6	-47.6	255.1	115.0	-140.1	-
Consolidated Fund balance	151.4	-95.0	233.6	90.6	-143.0	-

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 €83.0 million, or 18.0%, due to a €97.2 million rise in recurrent expenditure. The latter partly reflects higher spending on programmes and initiatives, which rose by €36.0 million due to increased outlays on health and residential care as well as transfers to church schools. Spending on contributions to entities rose by €27.2 million, while outlays on personal emoluments rose by €17.4 million. The latter is impacted by the collective agreement for the civil service, which came into force this year. Outlays on operations and maintenance increased by €13.6 million due to increased spending on contractual services. Additionally, interest payments rose by €2.9 million. On the other hand, capital expenditure fell by €14.2 million, mainly due to lower spending on domestically-funded capital projects.

Overall, the Consolidated Fund balance between January and February registered a deficit of €95.0 million, contrasting with a surplus of €151.4 million in the same period a year earlier. Revenue fell by 11.1% driven by the timing of income tax receipts. Meanwhile, expenditure increased by 12.1%, mainly due to higher outlays on contributions to entities and programmes and initiatives.

In February 2025, the total stock of outstanding government debt amounted to €10,935.2 million, €372.7 million more than in the previous month (see Chart 7). This mostly reflects new

issues of Malta Government Stocks which outweighed net redemptions of Treasury Bills.

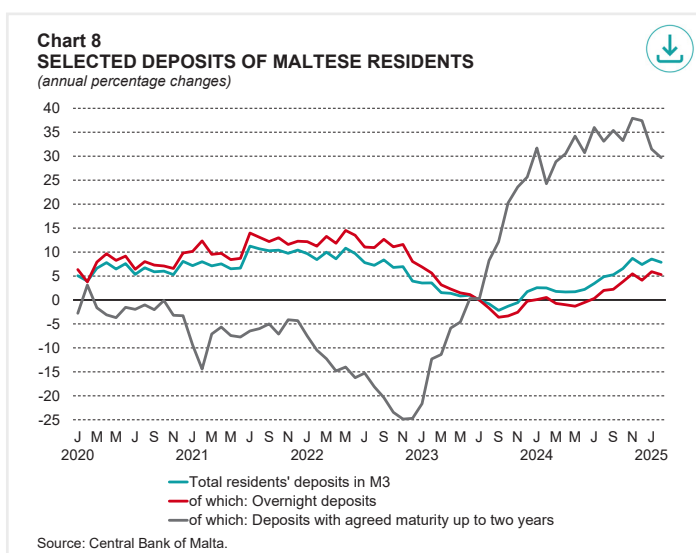
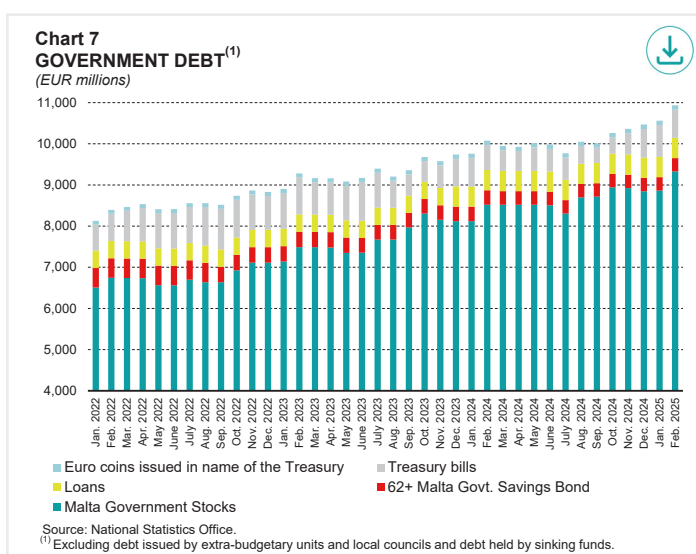
Deposits, credit and financial markets

During the year to February, residents' deposits held with MFIs and forming part of broad money (M3) increased by 7.9% (see Chart 8). This follows an 8.5% increase over the 12 months ending in January. The increase in M3 deposits over the 12 months to February was driven by higher balances belonging to households and non-financial corporations. Deposits belonging to financial intermediaries, including insurances and pension funds, decreased.

Overnight deposits remained the largest component of residents' M3 deposits, comprising 86.7% of M3 balances. These deposits – which are the most liquid – increased by 5.3% in the year to February, following an increase of 5.9% 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 February, these deposits increased by 29.7%, following an increase of 31.5% recorded a month earlier. This growth was mainly driven by deposits belonging to households, although deposits from NFCs also increased, albeit to a lower extent.

Growth in credit to Maltese residents increased to 8.5% in the year to February, from 8.4% a month earlier (see Chart 9). Credit to general government moderated to 11.8% in the year to February compared to 12.4% a month earlier. Credit to other residents increased at a faster pace, growing by an annual 7.4% compared with 7.1% in the previous month.

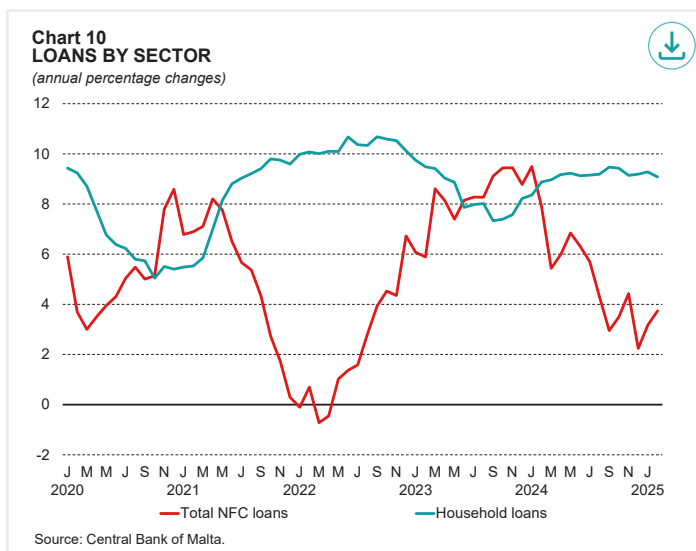
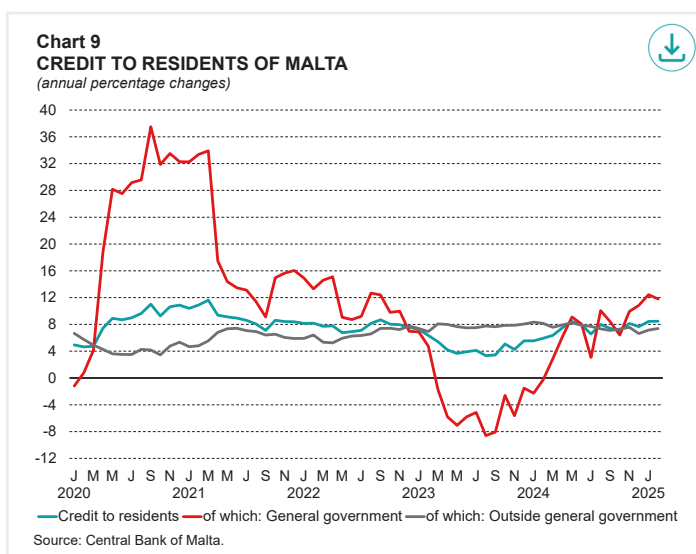


In February, the annual rate of change of loans to households decreased marginally from a month earlier, to 9.1% (see Chart 10). Growth in mortgage lending moderated slightly to 9.2%, from 9.3% in December. Moreover, growth in consumer credit also decreased to 7.3% from 8.9% in the previous month.

Meanwhile, the annual rate of change in loans to NFCs increased to 3.7% in February, following a 3.2% growth registered in January. A sectoral breakdown of loans to NFC shows that the latest increase was driven by higher lending to the accommodation and food services sector, and the construction and real estate sectors. A minor increase was recorded in loans to the wholesale and retail trade sector and the manufacturing sector. On the other hand, loans to the sector comprising information, communication, transport and storage decreased. Smaller decreases were also recorded in lending to the energy sector.

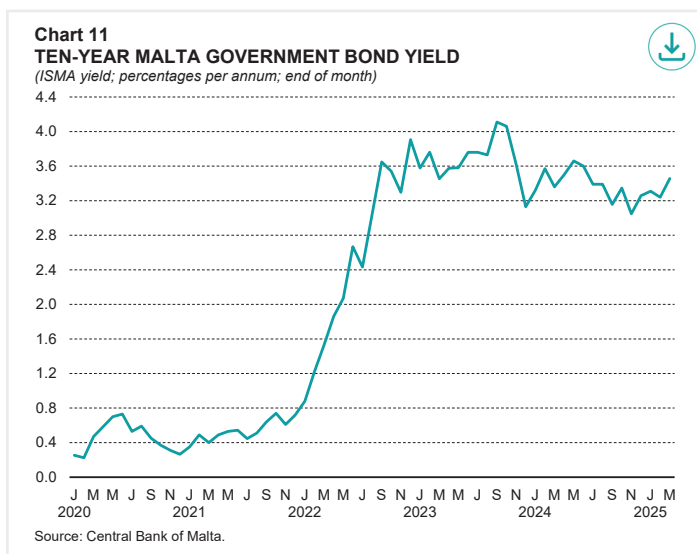
In February, the composite interest rate paid by MFIs on Maltese residents' outstanding deposits remained unchanged for the second month in a row, at 0.38%. Meanwhile, the composite rate charged on outstanding loans decreased by 2 basis point to 3.32%. As a result, the spread between the two rates also narrowed by 2 basis points to 294 basis points.

The composite rate on new deposits stood at 2.37% in February, down by 21 basis points relative to January. The lending rate increased by 1 basis point, compared to a month earlier, reaching 2.94%. It was also 19 basis points lower than the rate recorded a year earlier. The spread between the two rates stood at 57 basis points, widening from 35 basis points in January, and from 42 basis points a year earlier.



In the capital market, the secondary market yield on ten-year Maltese government bonds rose to 3.46% at the end of March, from 3.24% at end-February. It was also 10 basis points above its year-ago level (see Chart 11).

Meanwhile, the Malta Stock Exchange (MSE) Equity Price Index increased by 0.4%, compared with its end-February level. The MSE Total Return Index, which accounts for dividends as well as changes in equity prices, also rose by 0.4%.



Annex 1

MACROECONOMIC INDICATORS FOR MALTA																					
Annual percentage changes; non-seasonally adjusted data																					
	2023	2024	2023	2024	2024	2024	2024	2025	2024	2024	2024	2024	2024	2024	2024	2024	2024	2025	2025	2025	
			Q4	Q1	Q2	Q3	Q4	Q1	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Prices and costs																					
HICP inflation	5.6	2.4	3.9	3.1	2.3	2.3	2.1	2.0	2.7	2.4	2.3	2.2	2.3	2.4	2.1	2.4	2.1	1.8	1.8	2.0	2.1
RPI inflation	5.1	1.7	3.6	2.5	1.5	1.4	1.3	1.8	1.9	1.6	1.5	1.3	1.4	1.5	1.2	1.6	1.3	1.2	1.4	1.9	2.1
Industrial producer price inflation	3.4	-0.1	1.4	0.6	0.2	-0.9	-0.4	-	0.0	0.9	0.3	-0.4	-0.6	-1.3	-0.8	-1.2	-0.3	0.2	-0.9	-0.5	-
HCI (nominal)	3.3	1.0	3.3	2.1	1.2	0.7	0.1	-0.2	2.0	1.2	1.6	1.0	0.6	0.6	0.9	0.7	-0.1	-0.1	-0.4	-0.5	0.4
HCI (real)	3.1	0.2	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	-1.5	-0.6
Unit labour costs, whole economy ⁽¹⁾	2.3	5.0	2.3	2.0	1.6	2.3	5.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Compensation per employee ⁽¹⁾	2.3	5.8	2.3	2.6	3.1	3.5	5.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Labour productivity (per person) ⁽¹⁾	0.0	0.8	0.0	0.6	1.4	1.0	0.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property Price Index (Eurostat)	6.2	6.4	6.7	6.7	6.9	7.0	5.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Economic activity																					
Nominal GDP	12.4	9.4	11.2	12.7	11.6	8.1	5.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Real GDP	6.8	6.0	6.3	8.4	8.1	5.0	2.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Real private consumption	12.2	5.7	11.8	8.8	6.0	4.4	4.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Real government consumption	3.1	7.3	7.7	1.3	5.5	9.4	12.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Real gross fixed capital formation	-17.0	2.4	-22.2	7.5	5.7	7.3	-9.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Real exports of goods and services	5.6	5.3	7.2	8.0	5.9	3.9	3.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Real imports of goods and services	2.0	4.7	2.9	6.8	3.7	4.4	4.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Labour market developments⁽²⁾																					
LFS unemployment rate (% of labour force)	3.5	3.0	3.1	2.9	3.2	3.1	2.9	-	3.4	3.3	3.3	3.1	3.0	3.1	3.0	2.9	2.8	2.9	2.7	2.6	-
LFS employment	6.7	4.8	5.8	4.6	6.2	5.0	4.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Jobsplus registered employed	8.0	-	7.5	6.8	5.8	4.8	-	-	6.2	6.3	5.8	5.3	5.3	4.6	4.6	4.2	3.5	-	-	-	-
Balance of payments																					
Current account (as a % of GDP) ⁽³⁾	6.4	-	6.4	6.3	7.0	6.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit and financial indicators																					
Maltese residents' deposits and loans																					
Overnight deposits	-0.2	4.1	-0.2	-0.7	-0.5	2.2	4.1	-	-0.7	-1.0	-1.3	-0.5	0.3	2.0	2.2	3.8	5.5	4.1	5.9	5.3	-
Deposits with agreed maturity up to two years	25.7	37.4	25.7	28.9	30.7	35.4	37.4	-	28.9	30.5	34.2	30.7	36.0	33.1	35.4	33.3	37.9	37.4	31.5	29.7	-
Total residents' deposits in M3	1.7	7.4	1.7	1.8	2.2	5.3	7.4	-	1.8	1.7	1.7	2.2	3.4	4.8	5.3	6.6	8.7	7.4	8.5	7.9	-
Credit to general government	-1.5	10.8	-1.5	2.9	8.0	8.4	10.8	-	2.9	6.1	9.1	8.0	3.1	10.1	8.4	6.4	9.9	10.8	12.4	11.8	-
Credit to residents (excl. general government)	8.0	6.6	8.0	7.6	7.9	7.1	6.6	-	7.6	7.9	8.2	7.9	7.7	7.3	7.1	7.3	7.6	6.6	7.1	7.4	-
Total credit	5.5	7.7	5.5	6.4	7.9	7.4	7.7	-	6.4	7.5	8.4	7.9	6.6	8.0	7.4	7.1	8.1	7.7	8.4	8.5	-
Ten-year interest rate (%) ⁽⁴⁾	3.1	3.3	3.1	3.4	3.6	3.2	3.3	3.5	3.4	3.5	3.7	3.6	3.4	3.4	3.2	3.3	3.0	3.3	3.3	3.2	3.5
Stock prices: Malta Stock Exchange Equity Price Index ⁽⁵⁾	11.4	-4.9	7.2	-4.4	-1.5	1.6	-0.6	4.3	-0.8	-0.5	-1.4	0.5	1.0	1.8	-1.2	1.5	-1.5	-0.6	-0.2	4.2	0.4
General government finances (% of GDP)																					
Surplus (+) / deficit (-) ⁽³⁾	-4.7	-3.7	-4.7	-3.9	-3.5	-3.0	-3.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross debt ⁽⁶⁾	47.9	47.4	47.9	47.5	46.5	45.9	47.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

⁽¹⁾ Four-quarter moving averages.

⁽²⁾ Annual figure for 2024 is a CBM estimate based on quarterly LFS data as published by the NSO.

⁽³⁾ Four-quarter moving sums.

⁽⁴⁾ End of period.

⁽⁵⁾ Period-on-period percentage changes, based on end-of-month data.

⁽⁶⁾ GDP data are four-quarter moving sums.