



BANK ĊENTRALI TA' MALTA
EUROSISTEMA
CENTRAL BANK OF MALTA

CENTRAL BANK OF MALTA ECONOMIC UPDATE

10/2026

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The cut-off date for information in this note is 19 October 2026. Figures in tables may not add up due to rounding.

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ECONOMIC UPDATE 10/2026

Summary¹

Economic activity: The Bank estimates business conditions to stand below their long-term average, and to have declined marginally in September. Other economic activity indicators portray a mixed picture. Industrial production accelerated in August while retail trade contracted. Services production grew moderately in July. The tourism sector continued to perform well in August. The unemployment rate in August remained unchanged when compared to the previous month.

Economic sentiment: Consumer confidence continues to strengthen, underpinned by households' expectations of major purchases over the next 12 months. Unemployment expectations decreased from a month earlier but remained above their historic average.

Property market: Following a period of exceptionally strong dynamics, particularly on the supply side, the property market has moderated over the past few months. In September, approved permits for commercial purposes were higher on a month earlier, but residential permits were lower. When compared with the previous year, both residential and commercial permits declined. On the demand side, in September, both final deeds and promise-of-sale agreements were lower than a year earlier as well as on the previous month.

Prices: Malta's inflation rate measured by the Harmonised Index of Consumer Prices (HICP) picked up markedly in September, rising from 2.0% in August to 2.4%. This reflects a strong uptick in services and food inflation. Meanwhile, overall HICP stood below that in the euro area due to unchanged energy prices in Malta. In September, inflation based on the Retail Price Index (RPI) also increased.

Public finance: In August, the Consolidated Fund registered a smaller surplus compared with a year earlier, reflecting stronger growth in government expenditure.

Deposits and credit: In the year to August, growth in both Maltese residents' deposits and credit decelerated, compared with July.

¹ The cut-off date for information in this note is 19 October 2026. Most of the data reported in this issue of the Economic Update refer to August 2026. However, the BCI, consumer confidence data, inflation data, and residential property transactions refer to September.

Central Bank's Business Conditions Index²

The Bank's Business Conditions Index (BCI) indicates that business activity in September remained below its long-term average, (see Chart 1).³ In particular, the below-average readings in recent months mostly reflect declines in permits and a year-on-year increase in the unemployment rate.

Latest economic activity developments

Consumer confidence continues to strengthen, underpinned by favourable expectations for the next 12 months. In September, consumer sentiment rose relative to August, with increases observed across most components of the indicator. The largest increase was recorded in consumers' expectations of major purchases over the next 12 months (see Chart 2).

There were mixed developments in industrial and services production and in retail trade. The index of industrial production rose by 5.1% in August year-on-year – at a faster pace compared with an increase of 4.0% in the previous month. Growth in industrial production has been quite volatile in recent months. In August, the energy sector was one of the main drivers of growth in industrial production – rising at a stronger rate than in the preceding month. This partly reflects the extent of utilisation of domestic energy production. Production rose among firms involved in the printing and reproduction of recorded media, those involved in 'other manufacturing' – which includes firms that produce medical and dental instruments – as well as those that manufacture machinery and equipment, chemicals and chemical products, computer, electronic and optical products, paper and paper products.

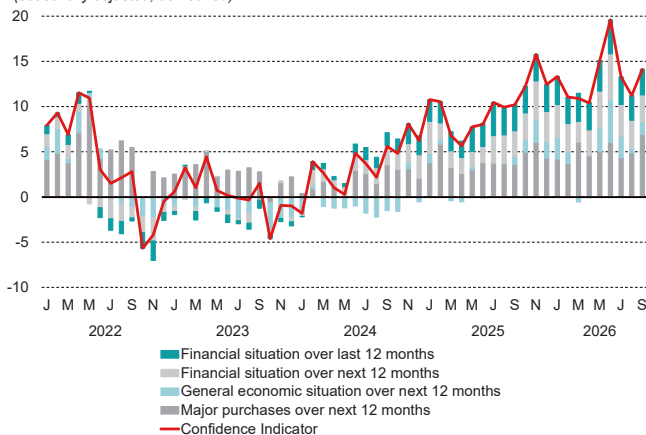
Chart 1
CENTRAL BANK'S BUSINESS CONDITIONS INDEX⁽¹⁾
(standardised)



Source: Central Bank of Malta.

⁽¹⁾ The Business Conditions Index is standardised, which implies that values above (below) 0 imply that conditions are above (below) historical average. The latter is calculated since January 2000.

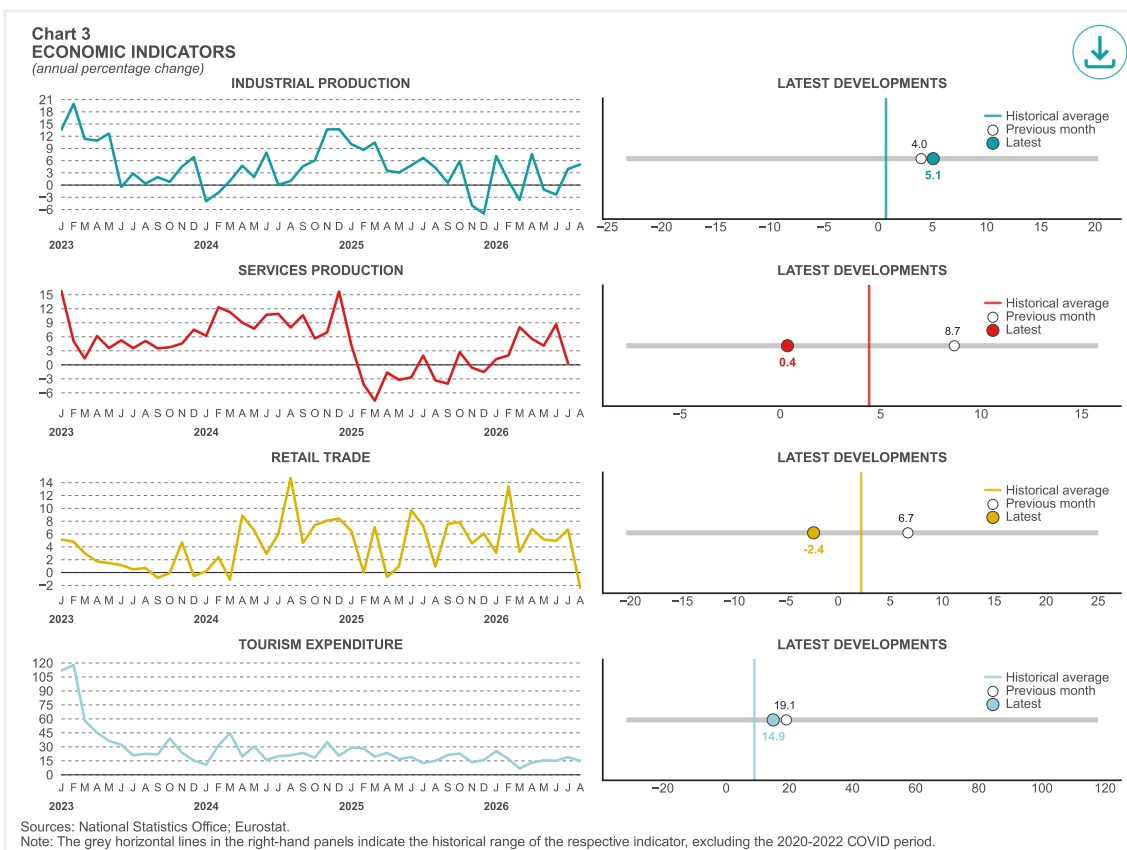
Chart 2
CONSUMER CONFIDENCE INDICATOR
(seasonally adjusted; demeaned)



Source: European Commission.

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.

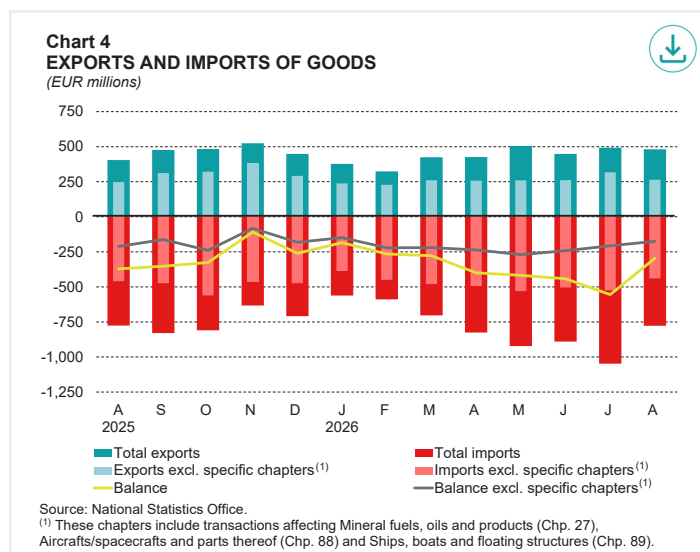
³ The Commission has suspended the publication of the Economic Sentiment Indicator for Malta, which is used in the estimation of the BCI, as from the reference period May 2026. From this point onwards, the BCI instead incorporates information from available consumer confidence indicators. A forthcoming discussion paper will explain in detail the change in methodology.



Meanwhile, the index of services production grew by a marginal 0.4% in July after growing strongly throughout most of the year (see Chart 3). Growth within the sectors related to accommodation and food service activities, real estate, transportation and storage, administrative and support services and information and communication offset a contraction in the production of services related to professional, scientific and technical activities. In August, retail activity contracted for the first time since April 2025.

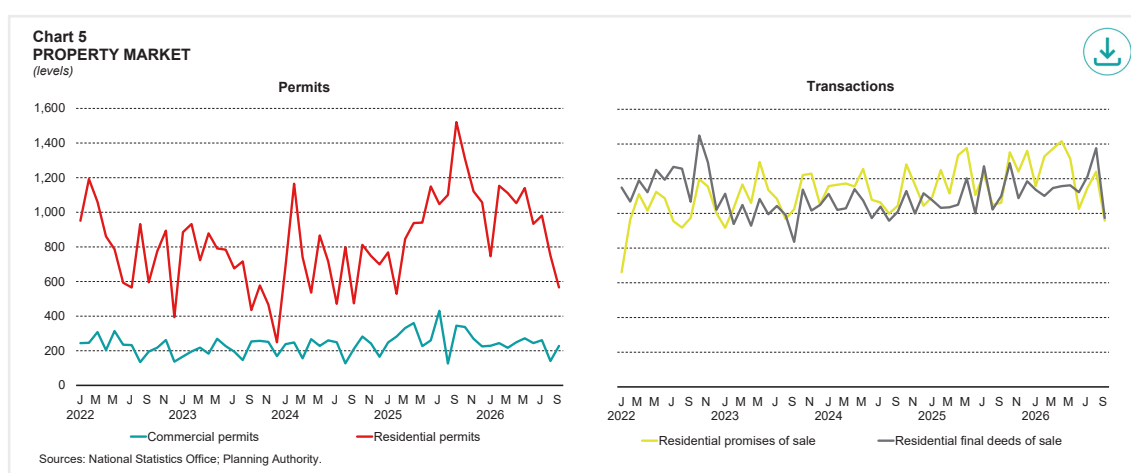
The tourism sector continued to perform well. Total tourist expenditure in Malta increased by 14.9% in August, as all expenditure categories reported gains (see Chart 3). Higher expenditure reflects an increase in spending per night stayed and a marginal rise in expenditure per capita, as the average length of stay declined.

The merchandise trade deficit narrowed in August when compared to the same month last year, as exports increased while imports remained broadly unchanged (see Chart 4). Exports excluding specific



chapters increased in August when compared to a year earlier, mainly due to higher exports of machinery and mechanical appliances, electrical machinery, and printed materials. At the same time, imports excluding specific chapters decreased, mostly due to lower imports of organic chemicals and, to a lesser extent, pharmaceutical products.

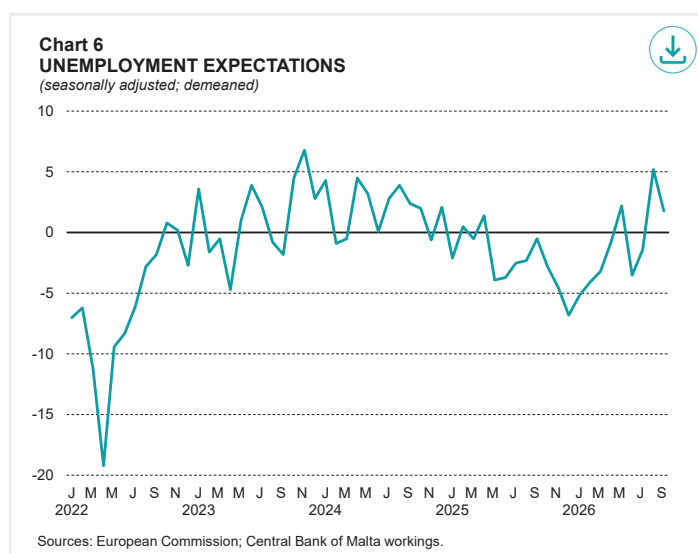
Following a period of exceptionally strong dynamics, particularly on the supply side, the property market has moderated in the last few months. In September, permits issued for commercial purposes increased month-on-month, while residential permits fell markedly. The latter extended the downward trend observed from the higher levels earlier this year, bringing residential permits broadly back in line with their average level over the past five years (see Chart 5). Residential final deeds and promise-of-sale agreements signed in September were lower when compared with a year earlier, and on the preceding month.



Labour market

In September, unemployment expectations by households decreased but remained above the historic average (see Chart 6).⁴ A decrease in the index represents expectations of lower unemployment in the next 12 months. This index has been volatile in recent months but has hovered around zero.

Administrative data up to July indicate higher net engagements compared to the same month last year. This reflects an increase in the number of



⁴ The European Commission has suspended publication of the Employment Expectations Indicator. However, data on consumer expectations about unemployment remain available.

engagements, which offset a slight decline in terminations over the same period (see Chart 7). Over the first seven months of the year, net engagements edged down slightly compared with the same period last year, pointing to signs of stabilisation in the labour market.

The unemployment rate in August remained stable when compared to July. In August, the seasonally adjusted unemployment rate stood at 3.4%, unchanged when compared with the previous month but stood higher than that recorded in August 2025. Jobsplus data show that the number of persons on the unemployment register stood at 1,328 in August, representing an increase of 301 persons compared with a year earlier (see Chart 8).

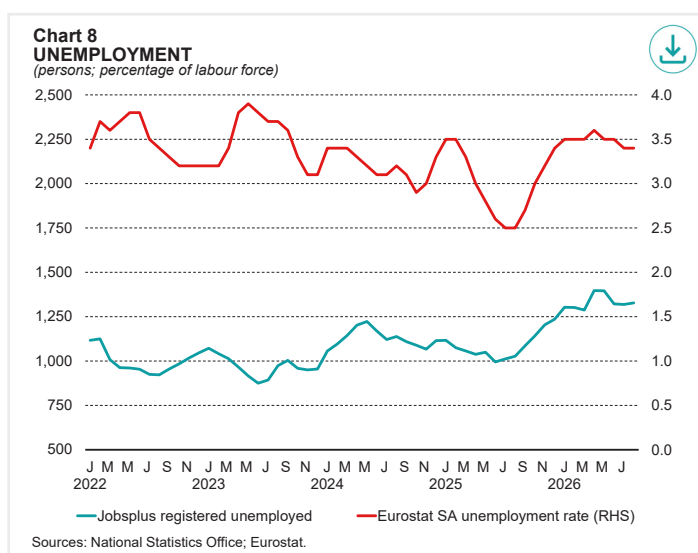
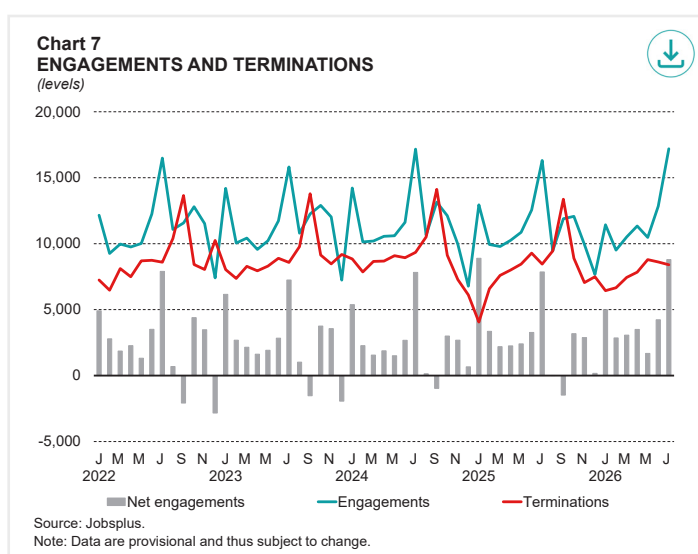
Prices, costs and competitiveness

Malta's inflation rate picked up markedly in September, rising from 2.0% in August to 2.4%. The uptick in inflation was

mainly driven by higher services and food inflation. The acceleration in services inflation contributed to higher core inflation, which stood at 2.5% in September. This largely reflected higher inflation across most sub-components in services, with the highest increase registered for services related to transport and housing. At the same time, higher vegetable prices was the primary contributor to the pick-up in food inflation.

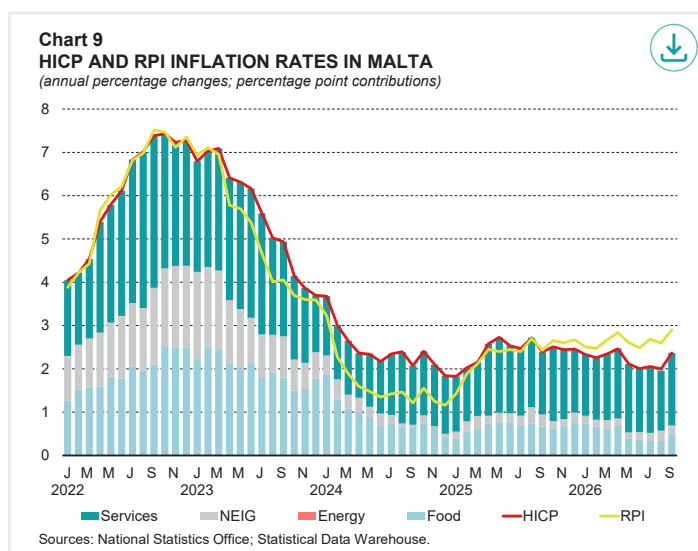
Despite the uptick in inflation in Malta, it remained well below that in the euro area. While energy inflation in the euro area continued to contribute strongly to its inflation, Malta's energy prices remained unchanged as government measures continue to shield consumers and businesses.

Annual RPI inflation remained above HICP inflation, standing at 2.9% in September from 2.6% in August (see Chart 9). 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 2026 set of weights applied to the HICP index have been revised



compared with the 2025 weights. The weights of the RPI are not updated annually and are hence not affected by such changes.

Recent differences between HICP and RPI inflation rates have been driven in part by variations in the composition and weighting of items within certain expenditure categories, notably housing, furnishings and household equipment, and other goods and services. As a result, price movements for particular products may exert a stronger influence on one index than on the other.



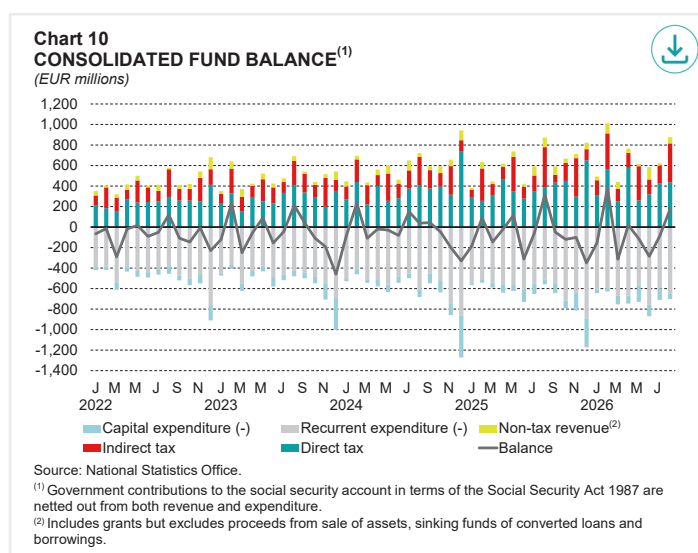
The increase in RPI inflation was mainly driven by higher inflation in food, recreation and culture and housing. Inflation in clothing and footwear returned to positive territory, after having declined for 9 consecutive months. Meanwhile, inflation in other goods and services, transport, and personal care moderated slightly.

Growth in producer output prices, as measured by the industrial producer price index, increased in August but remained contained. It stood at 2.2%, up from 1.5% in the previous month.⁵ This reflected an increase in inflation for both intermediate and consumer goods. Meanwhile, inflation for capital goods declined.

Public finance

In August, the Consolidated Fund registered a surplus of €176.0 million, down from the €314.6 million surplus recorded in the previous year (see Chart 10). This reflected a stronger increase in government expenditure relative to government revenue.

Government revenue increased slightly due to higher tax revenue. This reflects an increase in direct taxes,



⁵ 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.

particularly income tax paid by companies and individuals, which offset a decline in indirect tax and non-tax revenue.

The increase in government expenditure mainly reflects higher recurrent outlays. This was largely driven by increased spending on programmes and initiatives, mostly reflecting higher outlays on energy support measures and transfers to the EU budget.

For the year to August, the Consolidated Fund was in deficit by €376.2 million, higher than the €203.4 million deficit recorded a year earlier. Strong growth in tax receipts was outweighed by higher spending on social benefits, health care, energy support measures and capital projects.

The total stock of outstanding government debt stood at €12,002.3 million in August 2026, €299.5 million higher from the previous month. This mostly reflects an increase in outstanding Malta Government Stocks, following a new issue in August.

Deposits and credit

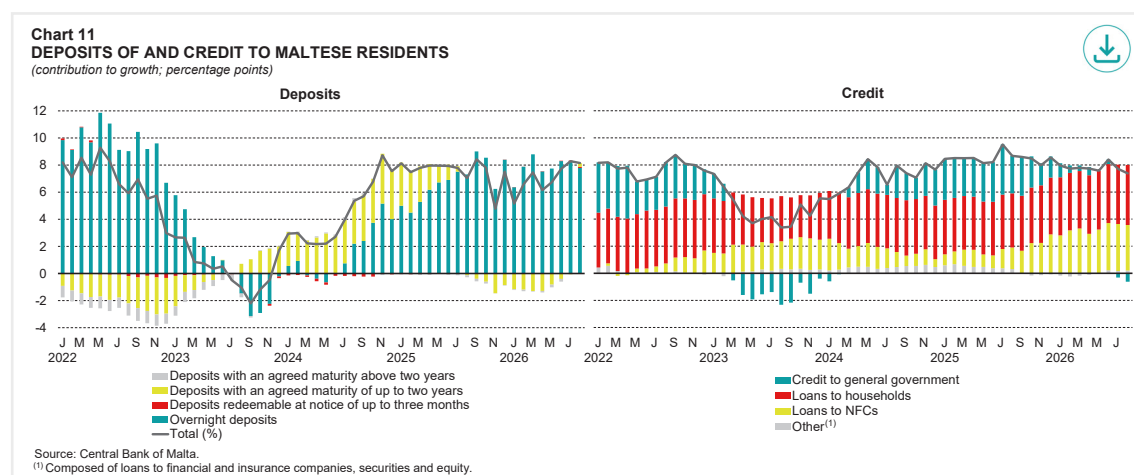
During the year to August, residents' deposits held with MFIs rose by 8.1%, following an 8.3% increase in the previous month (see Chart 11). This was driven by slower growth in overnight deposits. Meanwhile, time deposits with maturity up to two years also registered a marginal positive contribution to growth for the first time in 12 consecutive months.

In August, credit to residents grew by 7.4%, from 7.7% in July (see Chart 11). This deceleration was driven by a steeper decline in credit to general government.

Loans to NFCs rose by 13.7%, from 14.2% in July. A sectoral breakdown of loans to NFCs shows that lending to the construction and real estate sector increased in annual terms, as did loans granted to the accommodation and food services sector. On the other hand, loans to the manufacturing sector decreased on a year earlier.

Loans to households grew at 10.1%, from 10.0% previously. Mortgage lending grew at a marginally stronger rate, offsetting lower growth in consumer credit and other lending.

In August, the spread between Maltese residents' outstanding deposits and loans stood unchanged at 302 basis points compared with July. The spread between new deposits and lending stood at 82 basis points in August, narrowing from 145 basis points a month earlier.



Annex

ECONOMIC ACTIVITY											
	PRICES		GDP AND EXPENDITURE COMPONENTS							LABOUR MARKET	
	HICP	RPI	Nominal GDP	Real GDP	Real private consumption	Real government consumption	Real gross fixed capital formation	Real exports of goods and services	Real imports of goods and services	Jobsplus registered employed	LFS unemployment rate ⁽¹⁾
	Annual % change										% of labour force
2023	5.6	5.1	16.0	7.1	9.4	3.3	-14.3	10.2	5.9	8.0	3.5
2024	2.4	1.7	10.4	5.3	5.5	5.2	5.9	7.6	7.9	4.8	3.2
2025	2.4	2.4	6.9	4.7	5.3	4.4	0.4	0.3	-0.5	3.9	3.1
2024 Q4	2.1	1.3	8.3	2.9	6.1	5.8	-0.4	5.6	6.9	3.3	3.1
2025 Q1	2.0	1.8	6.0	3.3	4.8	6.8	-5.6	-2.9	-3.9	3.2	3.4
Q2	2.6	2.4	5.5	2.8	5.3	4.1	5.3	2.0	3.8	3.9	2.7
Q3	2.5	2.5	7.3	4.9	6.7	2.9	0.1	-0.7	-1.7	4.1	2.7
Q4	2.5	2.7	8.6	7.8	4.2	4.1	1.5	2.6	-0.4	4.5	3.4
2026 Q1	2.3	2.6	6.9	4.2	3.1	10.7	11.9	-0.6	0.2	4.6	3.5
Q2	2.2	2.6	6.8	4.5	3.7	14.7	5.1	3.0	4.1	-	3.3
2025 Jan.	1.8	1.4	-	-	-	-	-	-	-	2.9	3.5
Feb.	2.0	1.9	-	-	-	-	-	-	-	3.2	3.4
Mar.	2.2	2.1	-	-	-	-	-	-	-	3.5	3.3
Apr.	2.6	2.4	-	-	-	-	-	-	-	3.6	3.0
May	2.7	2.4	-	-	-	-	-	-	-	3.8	2.8
June	2.5	2.4	-	-	-	-	-	-	-	4.2	2.6
July	2.5	2.4	-	-	-	-	-	-	-	4.1	2.5
Aug.	2.7	2.7	-	-	-	-	-	-	-	4.1	2.6
Sep.	2.4	2.4	-	-	-	-	-	-	-	4.0	2.8
Oct.	2.5	2.7	-	-	-	-	-	-	-	4.2	3.0
Nov.	2.4	2.6	-	-	-	-	-	-	-	4.4	3.2
Dec.	2.5	2.7	-	-	-	-	-	-	-	4.8	3.3
2026 Jan.	2.3	2.5	-	-	-	-	-	-	-	4.7	3.5
Feb.	2.3	2.5	-	-	-	-	-	-	-	4.4	3.5
Mar.	2.3	2.7	-	-	-	-	-	-	-	4.7	3.5
Apr.	2.5	2.8	-	-	-	-	-	-	-	4.9	3.6
May	2.1	2.6	-	-	-	-	-	-	-	4.8	3.5
June	2.0	2.5	-	-	-	-	-	-	-	-	3.4
July	2.1	2.7	-	-	-	-	-	-	-	-	3.4
Aug.	2.0	2.6	-	-	-	-	-	-	-	-	3.4
Sep.	2.4	2.9	-	-	-	-	-	-	-	-	-

Sources: National Statistics Office; Eurostat.

⁽¹⁾ Annual figure for 2025 is a CBM estimate based on quarterly LFS data as published by the NSO.

DEPOSITS AND CREDIT

	Maltese residents' deposits and loans					
	Overnight deposits	Deposits with agreed maturity up to two years	Total residents' deposits	Credit to general government	Credit to residents (excl. general government)	Total credit
	<i>Annual % change</i>					
2023	-0.2	25.7	1.7	-1.5	8.0	5.5
2024	4.7	37.4	7.6	10.9	6.6	7.7
2025	10.1	-6.9	7.5	6.2	9.4	8.6
2025 Q3	10.8	-3.0	8.4	11.9	7.6	8.6
Q4	10.1	-6.9	7.5	6.2	9.4	8.6
2026 Q1	10.5	-10.5	7.5	1.6	9.9	7.8
Q2	9.8	-3.5	7.7	1.3	10.8	8.4
2025 Apr.	7.3	17.0	8.0	11.6	7.5	8.5
May	8.0	11.1	8.0	11.6	7.0	8.1
June	8.2	9.9	7.9	12.0	7.0	8.2
July	9.0	3.4	7.8	15.6	7.6	9.5
Aug.	8.7	-0.9	7.0	11.4	7.8	8.7
Sep.	10.8	-3.0	8.4	11.9	7.6	8.6
Oct.	10.2	-4.8	7.8	9.4	8.2	8.5
Nov.	7.5	-11.5	4.8	6.6	8.5	8.0
Dec.	10.1	-6.9	7.5	6.2	9.4	8.0
2026 Jan.	7.6	-9.4	5.2	4.1	9.3	8.0
Feb.	9.4	-9.6	6.6	2.1	9.7	7.8
Mar.	10.5	-10.5	7.5	1.6	9.9	7.8
Apr.	9.0	-10.7	6.2	2.4	9.6	7.8
May	9.2	-7.0	6.7	0.1	10.1	7.6
June	9.8	-3.5	7.7	1.3	10.8	8.4
July	9.8	-0.5	8.3	-1.2	10.7	7.7
Aug.	9.2	2.4	8.1	-2.5	10.7	7.4

Source: Central Bank of Malta.