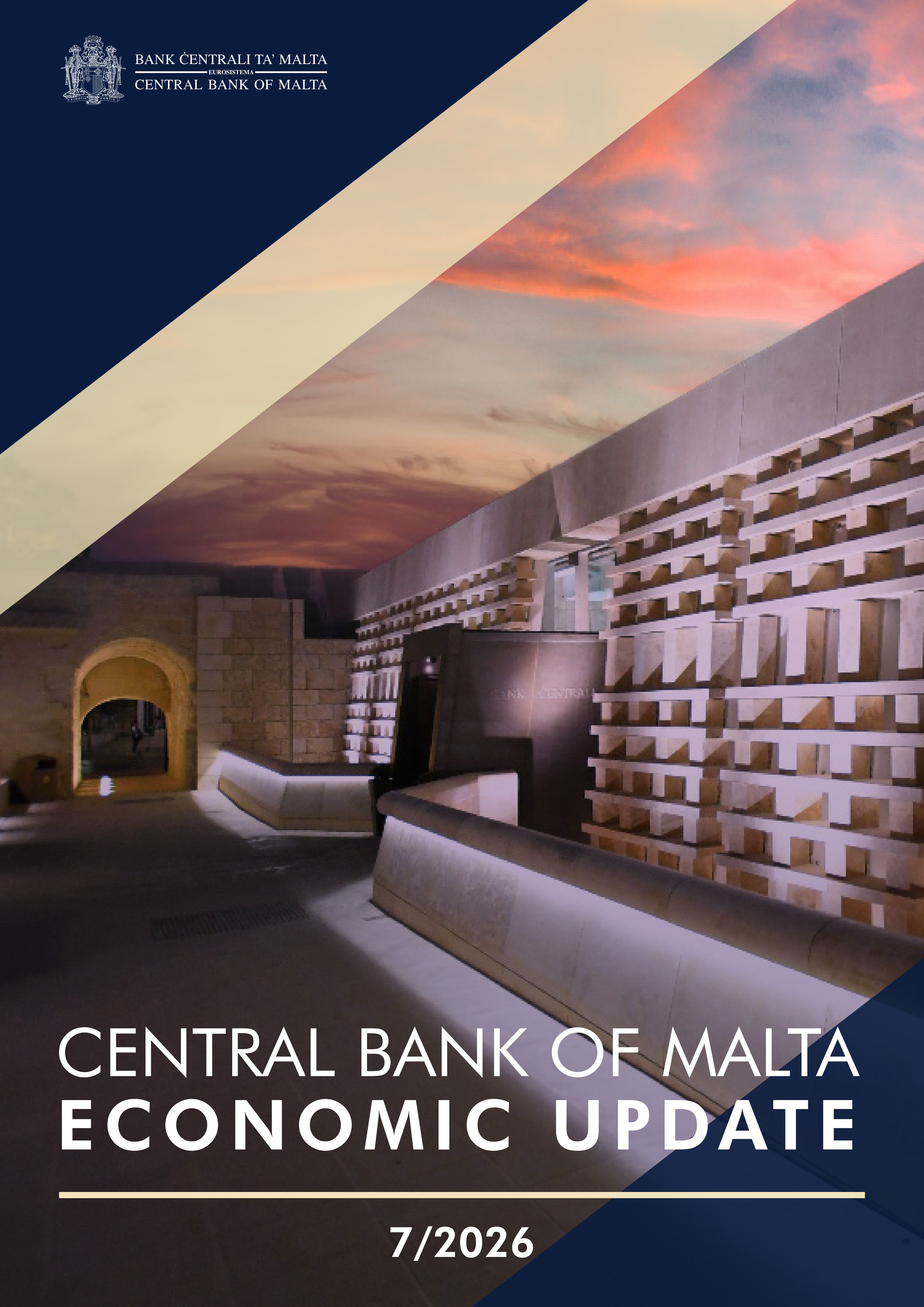
BANK ĊENTRALI TA' MALTA
EUROSISTEMA
CENTRAL BANK OF MALTA



CENTRAL BANK OF MALTA
ECONOMIC UPDATE

7/2026

Address
Pjazza Kastilja
Valletta VLT 1060
Malta

Telephone
(+356) 2550 0000

Fax
(+356) 2550 2500

Website
www.centralbankmalta.org

Contact
www.centralbankmalta.org/contact-us

The cut-off date for information in this note is 17 July 2026. Figures in tables may not add up due to rounding.

ISSN 2410-8294 (online)

ECONOMIC UPDATE 7/2026

Summary[1]

Economic activity: The Bank estimates business conditions to stand slightly below their long-term average, driven by the profile of tax revenue which was subject to timing issues. Although growth in manufacturing and retail trade moderated in May, as did services production in April, in each case growth stood above the respective historical average. Meanwhile, the tourism sector continued to perform well in May. The unemployment rate in May increased from its rate a year earlier.

Economic sentiment: Consumer sentiment has increased markedly in June and stood around historic highs. Moreover, unemployment expectations have declined below their historic average.

Property market: Overall, supply and demand conditions in the property market remain strong. In May, approved permits for residential buildings increased compared with the same month last year. In June, however, approved commercial permits were lower compared with the same month a year earlier. On the demand side, final deeds agreements signed in June were higher compared with a year earlier, while promise-of-sale agreements were lower.

Prices: Malta's inflation rate decreased during the month of June to stand at 2.0% and remained well below that in the euro area. Harmonised Index of Consumer Prices (HICP) excluding energy and food in Malta was also lower than in the euro area. In June, inflation based on the Retail Price Index (RPI) also decreased.

Public finance: In May, the Consolidated Fund registered a deficit, in contrast to the surplus registered a year earlier. This reflected the timing of receipt of income taxes and a surge in capital spending.

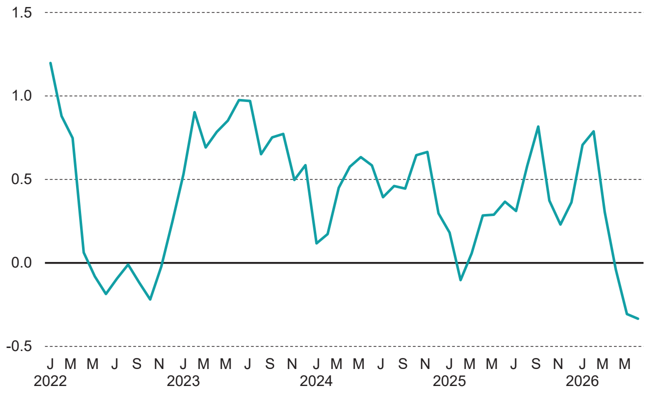
Deposits and credit: The annual rate of change of Maltese residents' deposits increased while credit growth remained broadly unchanged, compared with April.

[1] The cut-off date for information in this note is 17 July 2026. Most of the data reported in this issue of the *Economic Update* refer to May 2026. However, the BCI, consumer confidence data, inflation data, and residential property transactions refer to June.

Central Bank's Business Conditions Index[2]

The Bank's Business Conditions Index (BCI) indicates that in June annual growth in business activity stood slightly below its long-term average, driven by the profile of tax revenue (see Chart 1).[3] The latter was primarily affected by the timing of receipt of corporate taxes (see below). On the other hand, other components for BCI, such as sentiment, remained strong and above their long-term average.

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

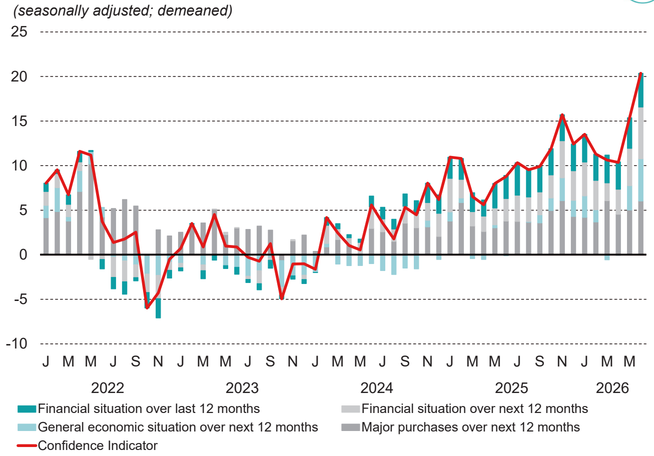


Source: Central Bank of Malta.
(1) The Business Conditions Index is standardised, which implies that values above (below) 0 imply that conditions are above (below) historical average. The latter is calculated since January 2000.

Latest economic activity developments

Consumer confidence remained strong in June. In June, consumer sentiment improved relative to May, with increases observed across all components of the indicator, particularly consumers' expectations of the general economic situation and of their financial situation over the next 12 months (see Chart 2). Currently, the indicator is around its historic highs.

Chart 2
CONSUMER CONFIDENCE INDICATOR
(seasonally adjusted; demeaned)



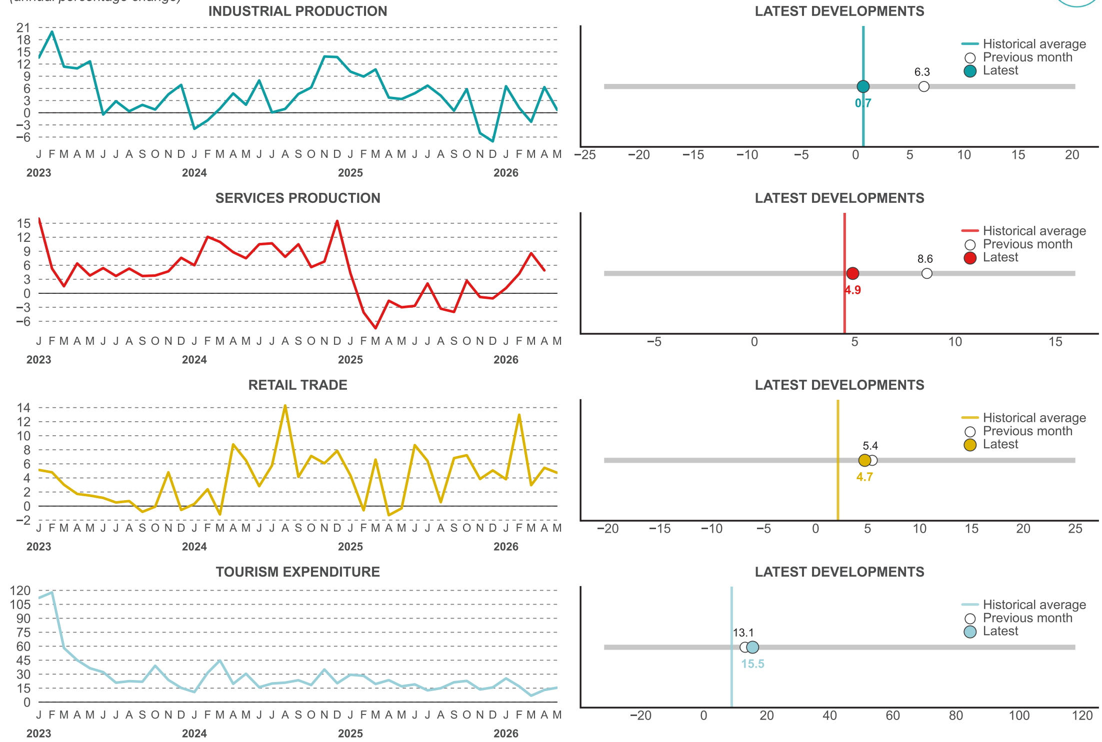
Source: European Commission.

Growth in services and manufacturing production moderated while remaining broadly in line with their historic average. In May, the index of industrial production rose by 0.7% year-on-year compared with an increase of 6.3% in the previous month. Growth in industrial production has however been rather volatile in recent months (see Chart 3). This moderation largely reflects slower growth in manufacturing output and a contraction in energy production on a year-on-year basis. Production rose among firms involved in the printing and reproduction of recorded media, those that manufacture computer, electronic and optical products, wood products, wearing apparel, machinery and equipment, basic pharmaceutical products and furniture. Meanwhile, the index of services production grew

[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.

Chart 3
ECONOMIC INDICATORS
(annual percentage change)



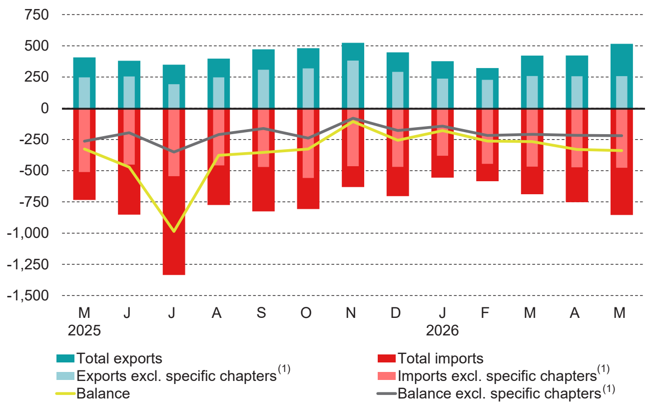
Sources: NSO; Eurostat.
Note: The grey horizonal lines in the right-hand panels indicate the historical range of the respective indicator, excluding the 2020-2022 COVID period.

by 4.9% in April after rising by 8.6% a month earlier. Growth in retail activity grew at a slightly slower, but above-average pace.

Meanwhile, the tourism sector continued to perform well. Total tourist expenditure in Malta increased by 15.5% in May, reflecting increases in all expenditure categories (see Chart 3). This was brought about primarily by an increase in inbound tourist arrivals, as expenditure per night and expenditure per capita declined.

The merchandise trade balance decreased in May when compared to the same month last year, as a rise in imports outpaced that in exports. However, the trade deficit narrowed after excluding specific chapters (see Chart 4). Exports excluding specific chapters increased in May when compared to a year earlier, mainly due to higher exports of electrical machinery and to a lesser extent, footwear, gaiters and related parts. At the same time,

Chart 4
EXPORTS AND IMPORTS OF GOODS
(EUR millions)

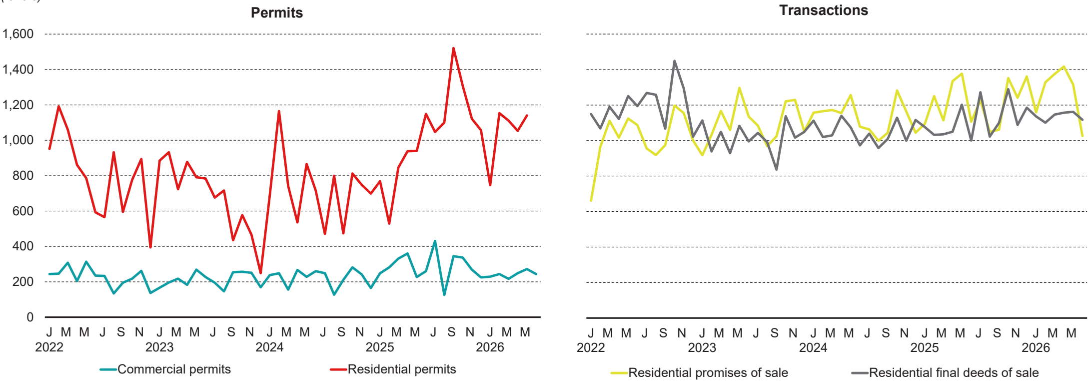


Source: National Statistics Office.
(1) These chapters include transactions affecting Mineral fuels, oils and products (Chp. 27), Aircrafts/spacecrafts and parts thereof (Chp. 88) and Ships, boats and floating structures (Chp. 89).

imports excluding specific chapters declined, mostly due to lower imports of organic chemicals, electrical machinery, and vehicles and parts thereof.

Overall, supply and demand conditions in the property market remain relatively strong. In May, permits issued for residential purpose were higher on a year earlier. Commercial permits issued in June were however lower when compared with last year (see Chart 5). Residential final deeds agreements signed in June were higher compared with a year earlier, while promise-of-sale agreements were lower.

Chart 5
PROPERTY MARKET
(levels)

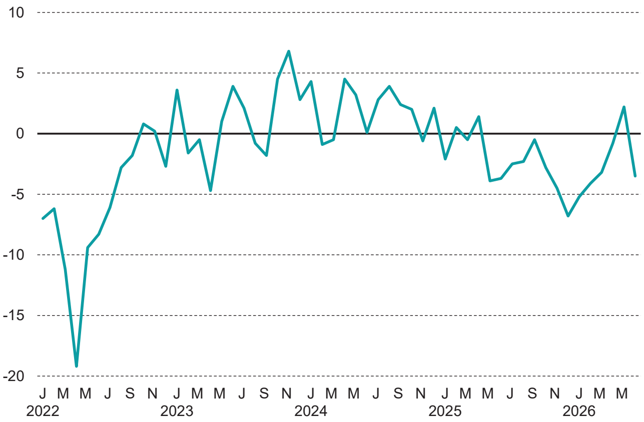


Sources: National Statistics Office; Planning Authority.

Labour market

In June, unemployment expectations declined to stand below their historical levels following a brief increase in May (see Chart 6).[4] A decrease in the index represents expectations of lower unemployment in the next 12 months.

Chart 6
UNEMPLOYMENT EXPECTATIONS
(seasonally adjusted; demeaned)



Sources: European Commission; Central Bank of Malta workings.

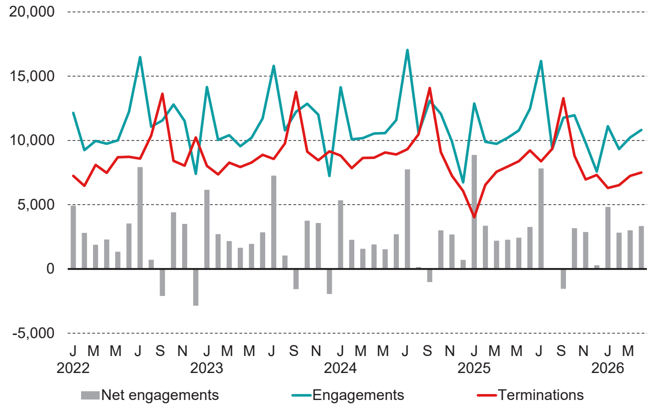
Administrative data up to April indicate higher net engagements compared to the same month last year. This reflects an annual increase in engagements and an annual decline in terminations over the same period (see Chart 7). Except for a spike in January, the number of

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

terminations was lower in each month of 2026.

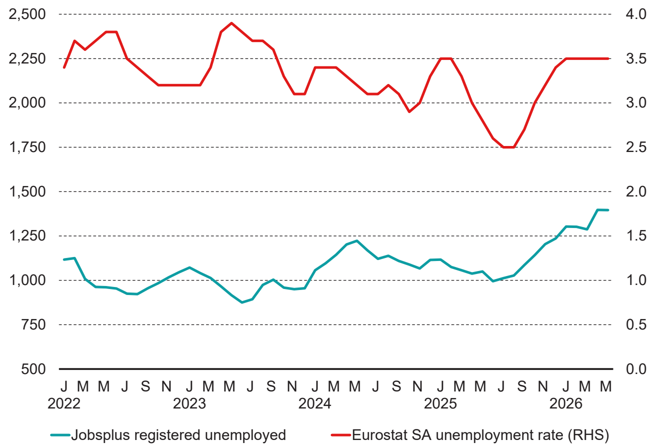
The unemployment rate in May increased compared with a year earlier. The seasonally-adjusted unemployment rate remained unchanged for five consecutive months at 3.5% but stood higher than 2.8% recorded in May 2025. Jobsplus data show that the number of persons on the unemployment register stood at 1,396 in May, representing an increase of 346 persons compared with a year earlier (see Chart 8).

Chart 7
ENGAGEMENTS AND TERMINATIONS
(levels)



Source: Jobsplus.
Note: Data are provisional and thus subject to change.

Chart 8
UNEMPLOYMENT
(persons; percentage of labour force)



Sources: National Statistics Office; Eurostat.

Prices, costs and competitiveness

Malta's inflation rate in June stood at 2.0%, slightly lower than 2.1% in May and 0.8 percentage points lower than the euro area average. 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. HICP excluding energy and food was 2.2% in Malta, while this stood at 2.4% in the euro area.

When compared to May, a decline in Maltese food inflation (including alcohol and tobacco) was observed. This was driven by lower inflation in unprocessed food and especially reflects declining prices for fruits and nuts. Meanwhile, services inflation decreased due to lower inflation for package holidays and accommodation services and recreational services. At the same time non-energy industrial goods (NEIG) inflation increased slightly reflecting higher inflation for both durable and non-durable goods.

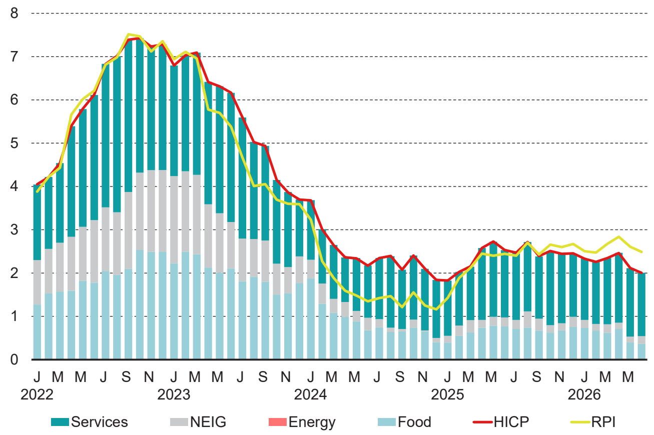
Annual inflation according to the RPI stood at 2.5% in June, down from 2.6% in May (see Chart 9).[5] This was mainly driven by lower inflation for transport and communication, food and

5 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.

other goods and services. At the same time, inflation on beverages, household equipment and maintenance, and recreation and culture increased.

Producer output prices, as measured by the industrial producer price index, increased. These increased by an annual 1.4% in May, higher than 0.9% in the previous month.[6] This reflected a significant increase in capital goods inflation as well as an increase in intermediate goods inflation.

Chart 9
HICP AND RPI INFLATION RATES IN MALTA
(annual percentage changes; percentage point contributions)

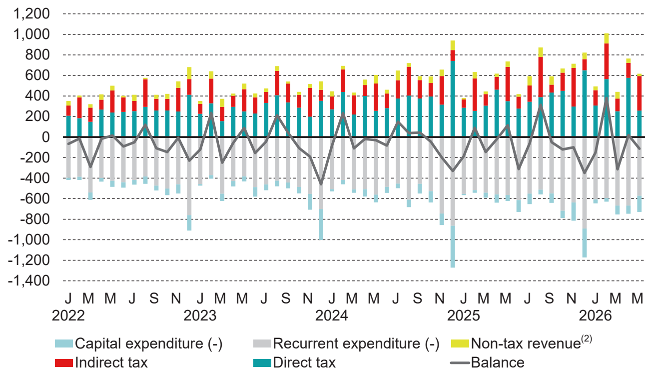


Sources: National Statistics Office; SDW.

Public finance

In May, the Consolidated Fund reported a deficit of €112.5 million, a significant reversal from the €115.4 million surplus recorded in the previous year (see Chart 10). This was attributable to a surge in government expenditure together with a sharp decline in government revenue.

Chart 10
CONSOLIDATED FUND BALANCE[(1)]
(EUR millions)



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.

Government revenue fell primarily due to the timing of direct tax receipts. This mostly reflects a drop in the level of income tax paid by companies, compared with the same period a year earlier. Such inflows are typically quite volatile; the level of inflows received each month depend not just on the number of tax submissions by companies, but also on the value of refunds claimed back on initial tax assessments. Other forms of tax revenue remained broadly unchanged from a year earlier.

The increase in government expenditure reflects a surge in capital outlays. This mostly reflects payment for the termination of the concession for Manoel island and fort Tigne. At the same time, outlays on EU-funded projects such as the second electricity interconnector increased on year earlier.

For the year to May, the Consolidated Fund had a €178.0 million deficit, higher than the €146.1 million deficit recorded a year prior. During this period, expenditure growth outpaced revenue increases, driven partly by the aforementioned rise in capital spending.

[6] 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.

The total stock of outstanding government debt amounted to €11,840.9 million in May 2026, a decrease of €133.2 million from the previous month. This mostly reflects a decline in outstanding Treasury bills.

Deposits and credit

During the year to May, residents' deposits held with MFIs rose by 6.7%, following a 6.1% increase in the previous month (see Chart 11). This was primarily driven by higher balances belonging to households.

Year-on-year growth continues to be driven by overnight deposits, which make up the majority of total residents' deposits. On the other hand, time deposits with maturity up to and above two years continued to contribute negatively to growth.

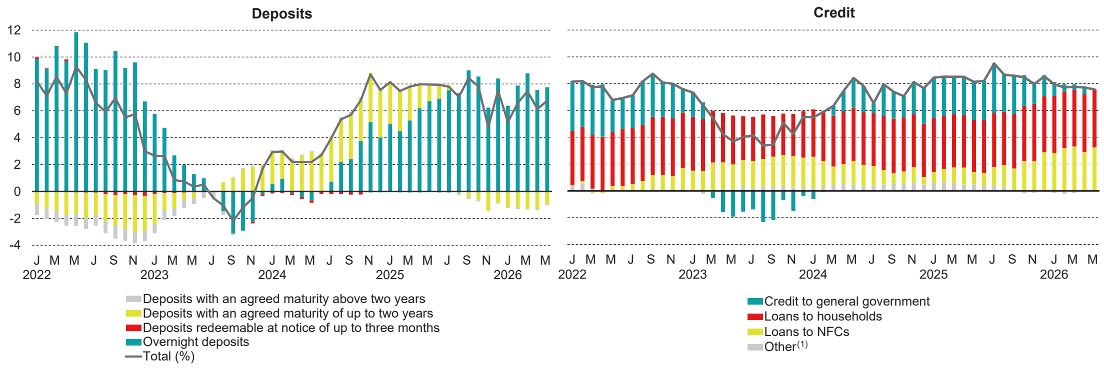
In May, credit to residents grew by 7.6%, just 0.1 percentage point less compared with April (see Chart 11). Faster growth in loans outside general government was offset by lower growth in credit to general government.

Loans to NFCs rose by 13.4%, from 11.9% a month earlier. A sectoral breakdown of loans to NFCs show that the latest expansion in credit was mainly driven by higher lending to the construction and real estate sector followed by the accommodation and food services sector. On the other hand, loans to the manufacturing sector decreased in annual terms.

Loans to households grew at an unchanged rate of 9.9% compared with the previous month. Consumer credit and other lending grew at a stronger rate, while growth in mortgage lending was unchanged.

In May, the spread between Maltese residents' outstanding deposits and loans declined from 305 basis points in April to 303 basis points. The spread between new deposits and lending stood at 149 basis points in May, widening from 141 basis points a month earlier.

Chart 11
DEPOSITS OF & CREDIT TO MALTESE RESIDENTS
(contribution to growth; percentage points)



Source: Central Bank of Malta.
(1) Composed of loans to financial and insurance companies, securities and equity.

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	16.4	10.6	12.8	3.7	-15.8	5.2	-1.9	8.0	3.5
2024	2.4	1.7	10.6	6.2	5.8	4.8	4.0	6.3	5.2	4.8	3.2
2025	2.4	2.4	6.2	4.0	3.6	5.0	0.2	4.5	4.4	3.9	3.1
2024 Q4	2.1	1.3	8.4	2.8	4.8	4.5	-1.8	5.7	6.2	3.3	3.1
2025 Q1	2.0	1.8	5.8	3.1	3.7	7.2	-3.2	0.8	0.6	3.3	3.4
Q2	2.6	2.4	5.1	2.5	3.1	4.8	2.1	6.8	8.7	4.0	2.9
Q3	2.5	2.5	6.3	3.8	4.2	4.1	0.8	4.3	4.4	4.1	2.7
Q4	2.5	2.7	7.5	6.5	3.4	4.0	1.0	6.0	3.7	4.5	3.4
2026 Q1	2.3	2.6	7.0	3.9	3.7	8.5	3.6	4.9	5.6	-	3.5
Q2	2.2	2.6	-	-	-	-	-	-	-	-	-
2025 Jan.	1.8	1.4	-	-	-	-	-	-	-	2.9	3.5
Feb.	2.0	1.9	-	-	-	-	-	-	-	3.2	3.4
Mar.	2.2	2.1	-	-	-	-	-	-	-	3.7	3.3
Apr.	2.6	2.4	-	-	-	-	-	-	-	3.8	3.0
May	2.7	2.4	-	-	-	-	-	-	-	3.9	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	-	-	-	-	-	-	-	-	3.5
Apr.	2.5	2.8	-	-	-	-	-	-	-	-	3.5
May	2.1	2.6	-	-	-	-	-	-	-	-	3.5
June	2.0	2.5	-	-	-	-	-	-	-	-	-

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
	Annual % change					
2023	-0.2	25.7	1.7	-1.5	8.0	5.5
2024	4.7	37.4	7.6	10.8	6.6	7.7
2025	10.1	-6.9	7.5	6.2	9.4	8.6
2025 Q2	8.2	9.9	7.9	12.0	7.0	8.2
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	-10.7	7.5	1.7	9.9	7.8
2025 Jan.	5.9	31.5	8.1	12.4	7.2	8.5
Feb.	5.3	29.7	7.5	11.8	7.4	8.5
Mar.	6.2	24.6	7.8	11.3	7.6	8.5
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	8.6
2026 Jan.	7.6	-9.4	5.2	4.1	9.3	8.0
Feb.	9.4	-9.6	6.6	2.2	9.7	7.7
Mar.	10.5	-10.7	7.5	1.7	9.9	7.8
Apr.	9.0	-10.7	6.1	2.4	9.5	7.7
May	9.2	-7.7	6.7	0.1	10.1	7.6

Source: Central Bank of Malta.