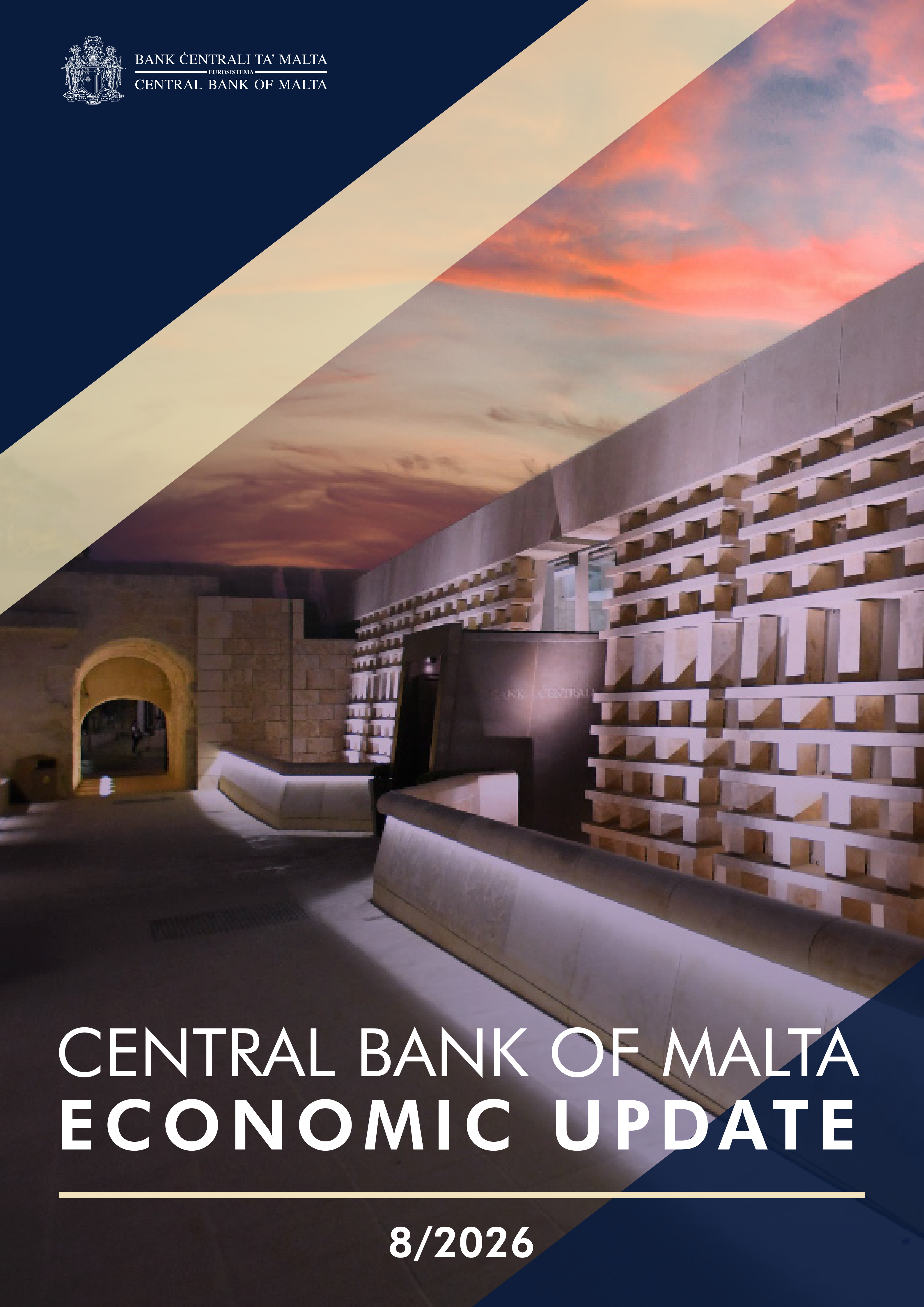
BANK ĊENTRALI TA' MALTA
EUROSISTEMA
CENTRAL BANK OF MALTA



CENTRAL BANK OF MALTA
ECONOMIC UPDATE

8/2026

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

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ECONOMIC UPDATE 8/2026

Summary[1]

Economic activity: The Bank estimates business conditions to stand slightly below their long-term average but improved marginally compared with June. Growth in retail and services production moderated, while industrial production declined in annual terms and retained its volatile pattern. The tourism sector continued to perform well in June. The unemployment rate in June increased from its rate a year earlier.

Economic sentiment: Consumer sentiment decreased in July but remained above its historic average. Moreover, unemployment expectations remained below their historical levels even though they increased from a month earlier.

Property market: Overall, supply and demand conditions in the property market remain strong. In July, approved permits for residential and commercial buildings decreased compared with the same month last year, but rose from their level a month earlier. On the demand side, in July, both final deeds and promise-of-sale agreements show similar movements to permits.

Prices: Malta's inflation rate increased slightly during the month of July to stand at 2.1% but 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 July, inflation based on the Retail Price Index (RPI) also increased.

Public finance: In June, the Consolidated Fund registered a smaller deficit compared with a year earlier, on account of stronger growth in government revenue.

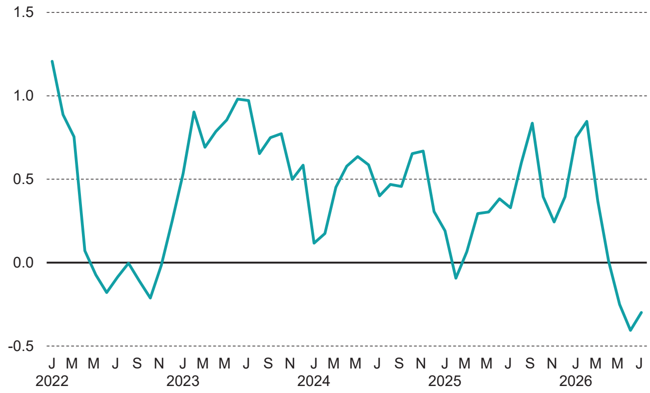
Deposits and credit: In the year to June, the annual rate of change of Maltese residents' deposits and credit increased, compared with May.

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

Central Bank's Business Conditions Index[2]

The Bank's Business Conditions Index (BCI) indicates that in July annual growth in business activity remained slightly below its long-term average, and improved marginally compared with the previous month (see Chart 1).[3] This mainly reflects recent growth in tax revenue and economic sentiment.

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

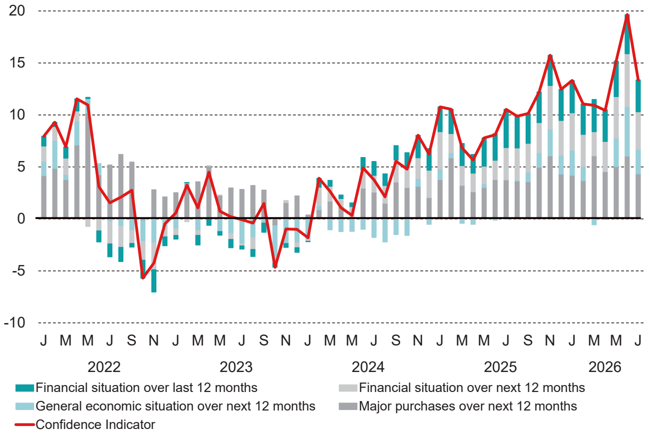


Source: Central Bank of Malta.
(1) The Business Conditions Index is standardised, which implies that values above (below) 0 imply that conditions are above (below) historical average. The latter is calculated since January 2000.

Latest economic activity developments

Consumer confidence moderated but remains elevated. In July, consumer sentiment declined relative to June, with decreases observed across all components of the indicator, particularly consumers' expectations of the general economic situation (see Chart 2). That said, it remains substantially above its long-run average.

Chart 2
CONSUMER CONFIDENCE INDICATOR
(seasonally adjusted; demeaned)



Source: European Commission.

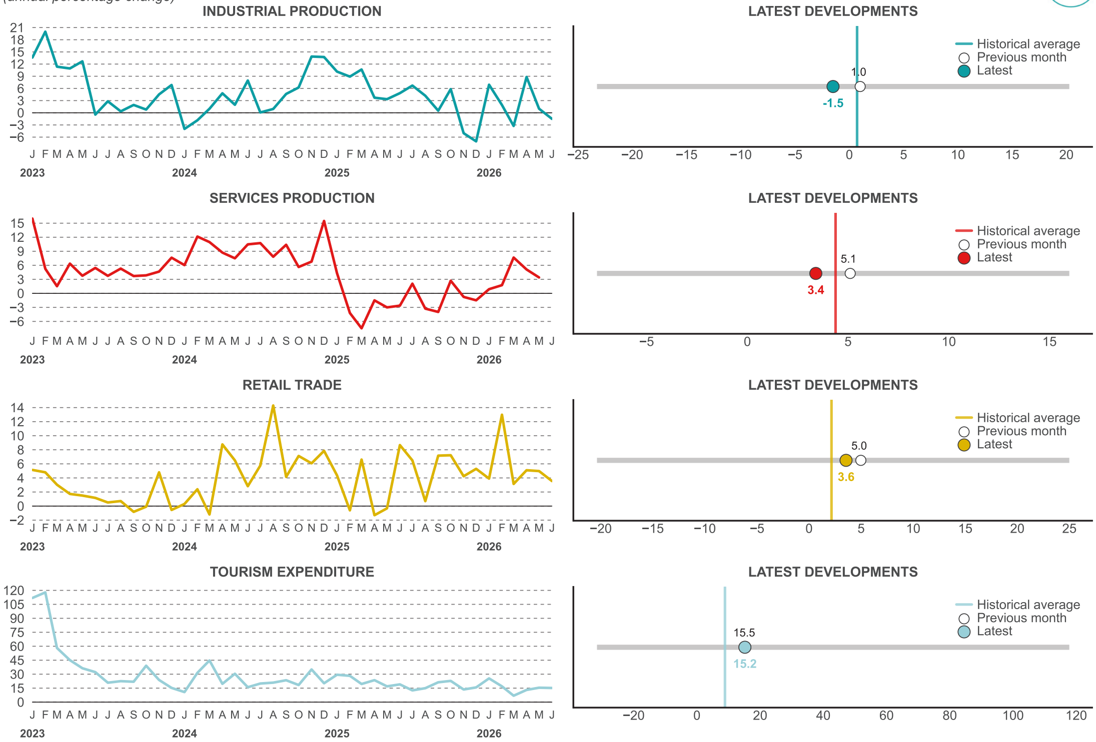
Growth in output was driven by services and retail trade. The index of services production grew by 3.4% in May after rising by 5.1% a month earlier (see Chart 3). Growth was driven by increases in the production of services related to transportation and storage, accommodation and food services, information and communication as well as administrative and support services activities. Retail activity grew at a slower pace in June compared with the preceding month but remained above its long-run average.

Meanwhile, the index of industrial production contracted by 1.5% in June year-on-year compared with an increase of 1.0% in the previous month. Growth in industrial production has been quite volatile in recent months. Production fell among firms that manufacture textiles and wearing apparel, 'other manufacturing' – which includes firms that produce medical and dental instruments – as

[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)



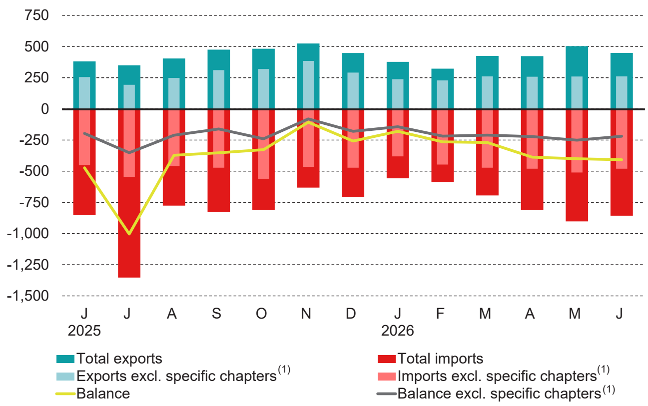
Sources: National Statistics Office; Eurostat.
Note: The grey horizontal lines in the right-hand panels indicate the historical range of the respective indicator, excluding the 2020-2022 COVID period.

well as those that manufacture motor vehicles, trailers and semi-trailers, furniture, food products and electrical equipment.

The tourism sector continued to perform well. Total tourist expenditure in Malta increased by 15.2% in June, reflecting increases in all expenditure categories (see Chart 3). This reflects an increase in spending per night stayed, as the average length of stay and expenditure per capita declined.

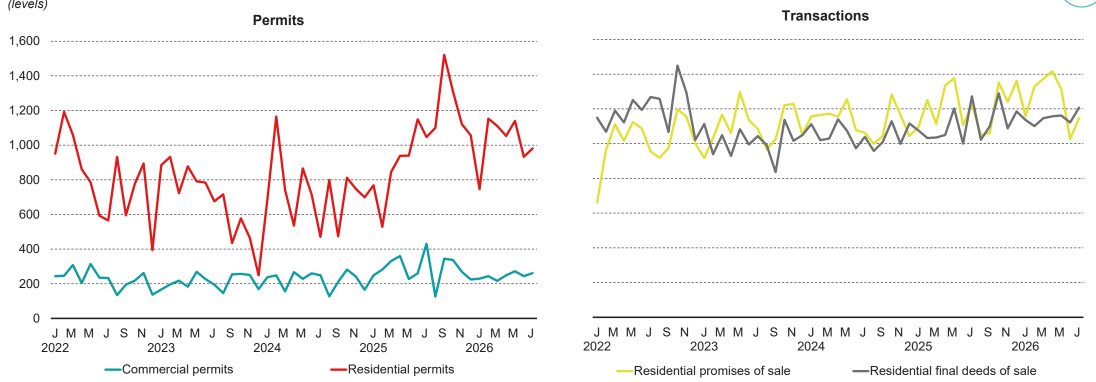
The merchandise trade deficit narrowed in June on a year earlier, but widened slightly after accounting for large re-exports (see Chart 4). Exports excluding specific chapters increased marginally in June when compared to a year earlier, mainly due to higher exports of electrical machinery and to a lesser extent, footwear, gaiters and related parts. At the same time, imports excluding specific chapters increased, mostly due to higher imports of machinery and mechanical appliances, and electrical machinery.

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).

Chart 5
PROPERTY MARKET
(levels)



Sources: National Statistics Office; Planning Authority.

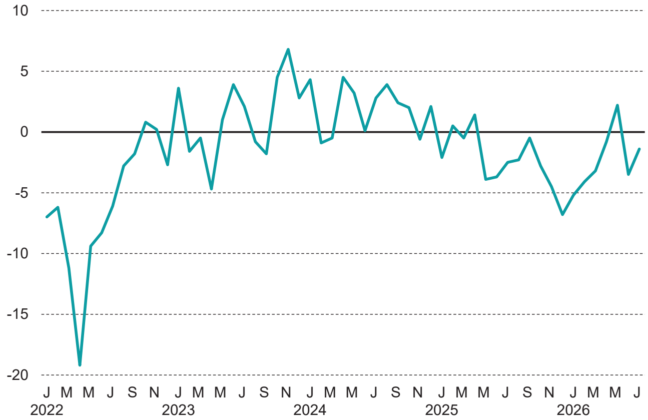
Overall, supply and demand conditions in the property market remain relatively strong. In July, permits issued for both residential and commercial purposes were lower on a year earlier, but higher compared with previous month (see Chart 5). Residential final deeds and promise-of-sale agreements signed in July were also slightly lower compared with a year earlier, but higher than in the previous month.

Labour market

In July, unemployment expectations by households continue to signal low unemployment in the next 12 months (see Chart 6).[4] Overall, unemployment expectations were below their historical levels, though slightly higher than the previous month.

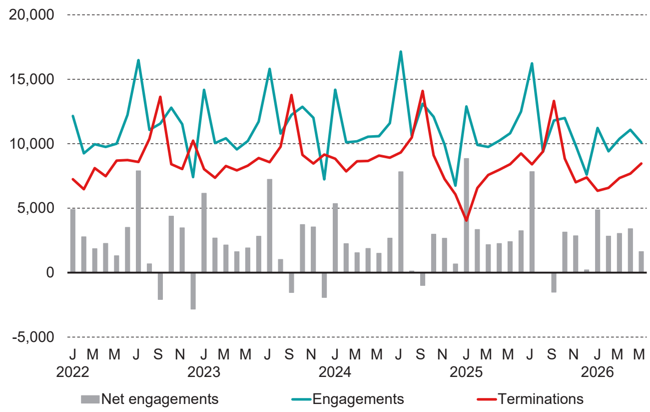
Administrative data up to May indicate lower net engagements compared to the same month last year. This reflects an annual decrease in engagements and a slight annual increase in terminations over the same period (see Chart 7).

Chart 6
UNEMPLOYMENT EXPECTATIONS
(seasonally adjusted; demeaned)



Sources: European Commission; Central Bank of Malta workings.

Chart 7
ENGAGEMENTS AND TERMINATIONS
(levels)

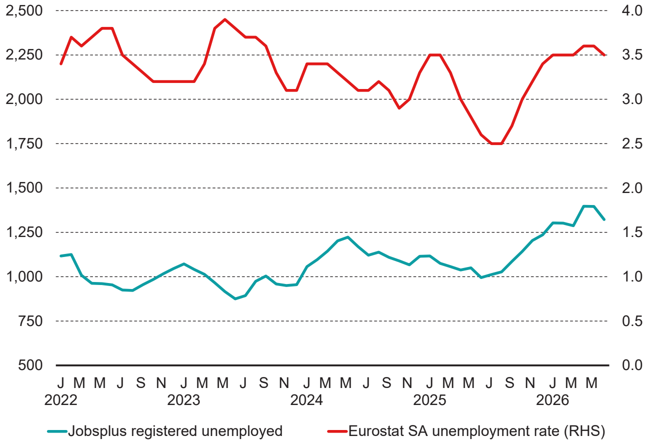


Source: Jobsplus.
Note: Data are provisional and thus subject to change.

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

The unemployment rate in June increased compared with a year earlier. The seasonally-adjusted unemployment rate decreased slightly to 3.5% in June from 3.6% in May but stood higher than 2.6% recorded in June 2025. Jobsplus data show that the number of persons on the unemployment register stood at 1,322 in June, representing an increase of 327 persons compared with a year earlier (see Chart 8).

Chart 8
UNEMPLOYMENT
(persons; percentage of labour force)



Sources: National Statistics Office; Eurostat.

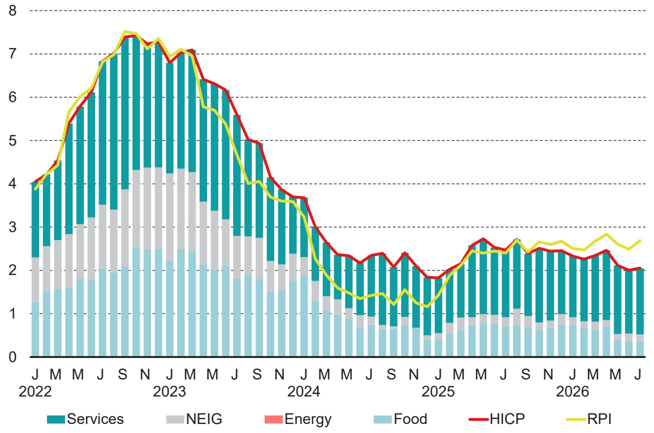
Prices, costs and competitiveness

Malta's inflation rate in July stood at 2.1%, slightly higher than 2.0% in June 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 2.3% in Malta, while this stood at 2.5% in the euro area.

When compared to June, Maltese food inflation (including alcohol and tobacco) declined slightly. This was driven by lower inflation in unprocessed food and especially reflects declining prices for fruits and nuts. This was offset by slightly higher services inflation across most subcomponents. Meanwhile, NEIG inflation remained unchanged.

Annual inflation according to the RPI stood at 2.7% in July, up from 2.5% in June (see Chart 9).[5] This was mainly driven by higher inflation for food, household equipment and maintenance, personal care and health and housing. Meanwhile, inflation on clothing and footwear contracted further while that of other goods and services, transport and communication and recreation and culture decreased.

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



Sources: National Statistics Office; Statistical Data Warehouse.

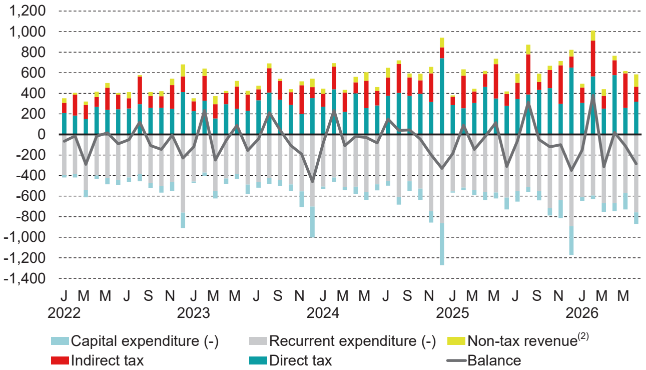
Growth in producer output prices, as measured by the industrial producer price

[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.

index, remained unchanged. It stood at 1.5% in June, as in the previous month.[6] A small decline in inflation for capital and intermediate goods compared with May was offset by an increase in prices for consumer goods. Inflation for the latter stood at 0% in June, after having contracted for the past five months.

Public finance

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.

In June, the Consolidated Fund reported a deficit of €285.5 million, down from the €311.4 million shortfall recorded in the previous year (see Chart 10). This improvement reflected stronger growth in government revenue relative to government expenditure.

Government revenue increased primarily due to higher non-tax revenue. This mostly reflects stronger inflows from grants, compared with the same period a year earlier. Tax revenue also increased, led by higher intakes from VAT and income taxes.

The increase in government expenditure reflects higher recurrent outlays. This was largely driven by increased spending on programmes and initiatives, particularly on waste treatment, as well as social benefits and transfers to the EU budget. Operational and maintenance expenditure also increased on a year earlier.

For the year to June, the Consolidated Fund was in deficit by €463.5 million, slightly higher than the €457.4 million deficit recorded a year earlier.

The total stock of outstanding government debt amounted to €11,929.3 million in June 2026, an increase of €88.4 million from the previous month. This mostly reflects a rise in outstanding Treasury bills.

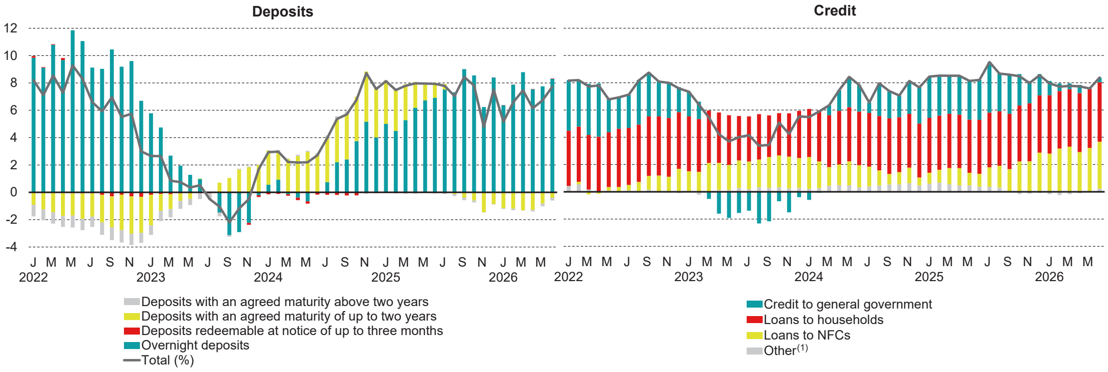
Deposits and credit

During the year to June, residents' deposits held with MFIs rose by 7.7%, following a 6.7% 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.

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.

Chart 11
DEPOSITS OF AND 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.

In June, credit to residents grew by 8.4%, from 7.6% in May (see Chart 11). This was mainly attributable to faster growth in loans outside general government.

Loans to NFCs rose by 14.2%, from 13.3% 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 by 10.0%, 0.1 percentage points more compared with the previous month. Consumer credit and other lending grew at a marginally stronger rate, while growth in mortgage lending was unchanged.

In June, the spread between Maltese residents' outstanding deposits and loans was unchanged at 303 basis points compared with May. The spread between new deposits and lending stood at 201 basis points in June, widening from 157 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	16.4	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	3.2	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	2.8
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	4.6	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	-	-	-	-	-	-	-	3.5	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	2.5
Sep.	2.4	2.4	-	-	-	-	-	-	-	4.0	2.7
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	3.4
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	-	-	-	-	-	-	-	-	3.6
May	2.1	2.6	-	-	-	-	-	-	-	-	3.6
June	2.0	2.5	-	-	-	-	-	-	-	-	3.5
July	2.1	2.7	-	-	-	-	-	-	-	-	-

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 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
Q2	9.8	-3.5	7.7	1.3	10.7	8.4
2025 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	6.2	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	10.7	8.4

Source: Central Bank of Malta.