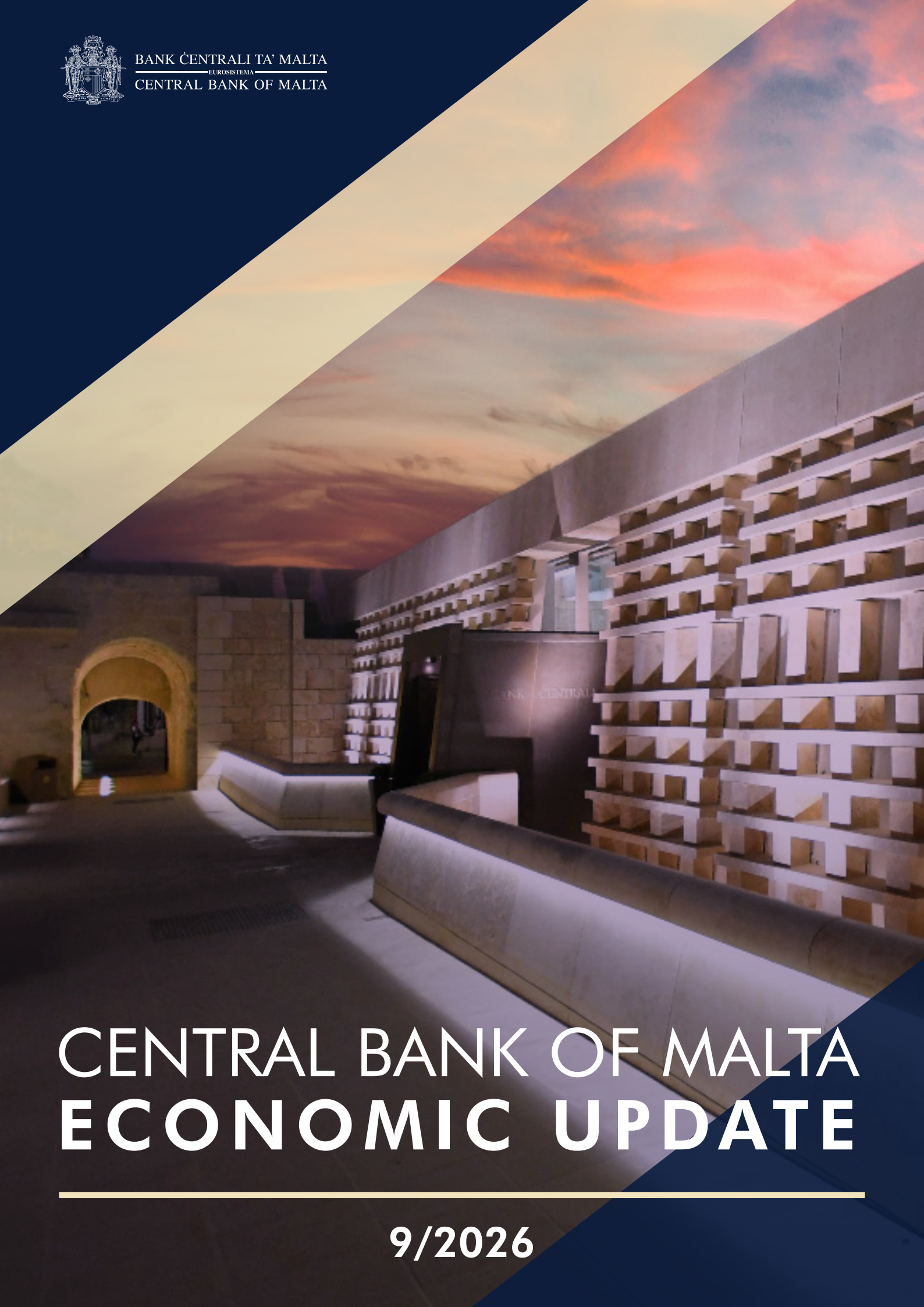




BANK ĊENTRALI TA' MALTA  
EUROSISTEMA  
CENTRAL BANK OF MALTA



# CENTRAL BANK OF MALTA ECONOMIC UPDATE

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9/2026

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

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## ECONOMIC UPDATE 9/2026

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

**Economic activity:** The Bank estimates business conditions to stand slightly below their long-term average, and to have declined marginally in August. On the other hand, industrial production and retail trade grew at a faster pace in July, as did services production in June. The tourism sector also continued to perform well in July. The unemployment rate in July increased from its rate a year earlier.

**Economic sentiment:** Consumer sentiment decreased in August but remained above its historic average. Unemployment expectations increased from a month earlier and stood above their historic average.

**Property market:** Demand for property remains relatively strong. In August, final deeds and promise-of-sale agreements were higher when compared with a year earlier, and on the previous month. On the supply side, approved permits for residential and commercial buildings decreased compared with the previous month. When compared with the previous year, residential permits declined while commercial permits remained broadly unchanged.

**Prices:** Malta's inflation rate decreased slightly during the month of August 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 August, inflation based on the Retail Price Index (RPI) also decreased.

**Public finance:** In July, the Consolidated Fund registered a larger deficit compared with a year earlier, on account of stronger growth in government expenditure.

**Deposits and credit:** In the year to July, the annual rate of change of Maltese residents' deposits increased, compared with June. Meanwhile, credit to residents grew at a slower pace.

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<sup>1</sup> The cut-off date for information in this note is 17 September 2026. Most of the data reported in this issue of the *Economic Update* refer to July 2026. However, the BCI, consumer confidence data, inflation data, and residential property transactions refer to August.

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

The Bank's Business Conditions Index (BCI) indicates that in August annual growth in business activity remained slightly below its long-term average, and stood slightly lower than in the previous month (see Chart 1).<sup>3</sup> This mainly reflects a decline in economic sentiment.

## Latest economic activity developments

**Consumer confidence moderated but remains elevated.** In August, consumer sentiment declined relative to July, with decreases observed across most components of the indicator. The largest decline was recorded in consumers' expectations of the general economic situation (see Chart 2). That said, confidence remains above average.

**Industrial production, services and retail trade grew at a faster pace.** The index of services production grew by an

annual 6.7% in June following an increase of 4.0% a month earlier (see Chart 3). Growth was driven within the sectors related to administrative and support services activities, information and communication, accommodation and food services, as well as transportation and storage. Retail activity grew at a faster pace in July compared with the preceding month and remained above its long-run average.

Meanwhile, the index of industrial production rose by 2.2% in July year-on-year compared with a contraction of 2.3% in the previous month. Growth in industrial production has been quite volatile in recent months. In July, the energy sector was one of the main drivers of growth in industrial production, which partly reflects the extent of utilisation of domestic energy production. Production

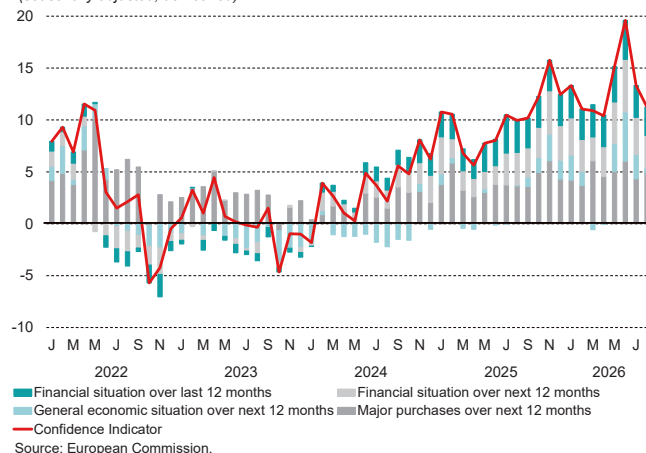
**Chart 1**  
**CENTRAL BANK'S BUSINESS CONDITIONS INDEX<sup>(1)</sup>**  
(standardised)



Source: Central Bank of Malta.

<sup>(1)</sup> 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.

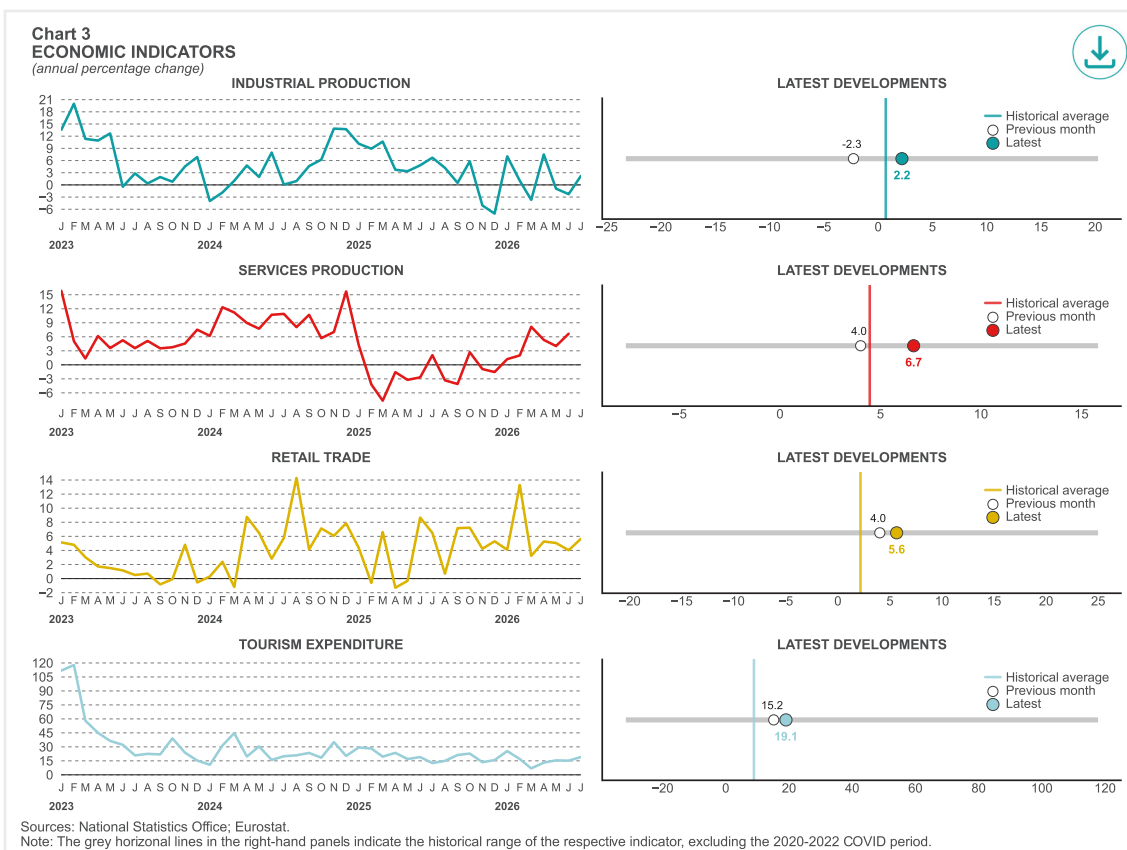
**Chart 2**  
**CONSUMER CONFIDENCE INDICATOR**  
(seasonally adjusted; demeaned)



Source: European Commission.

<sup>2</sup> The methodology underlying the BCI can be found [here](#). A zero value of the BCI is consistent with average business conditions, which in the case of Malta tends to be consistent with a real GDP growth rate of close to 4%. When the value of the BCI falls repeatedly below -1, economic activity would be significantly below normal. From June 2020, the BCI methodology was updated to include a new variable: monthly development permits.

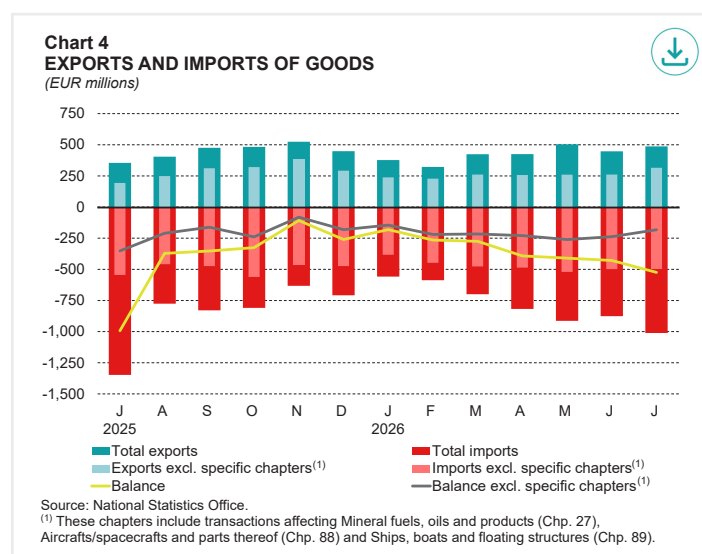
<sup>3</sup> The Commission has suspended the publication of the Economic Sentiment Indicator for Malta, which is used in the estimation of the BCI, as from the reference period May 2026. From this point onwards, the BCI instead incorporates information from available consumer confidence indicators.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

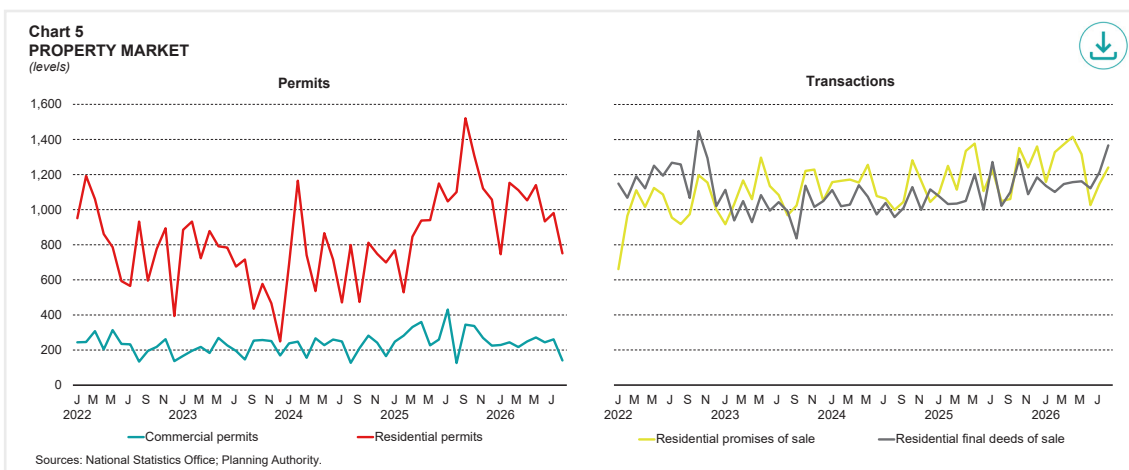


rose among firms involved in the printing and reproduction of recorded media, those involved in 'other manufacturing' – which includes firms that produce medical and dental instruments – as well as those that manufacture and repair machinery and equipment, the manufacture of computer, electronic and optical products, and firms that manufacture rubber and plastic products.

**The tourism sector continued to perform well.** Total tourist expenditure in Malta increased by 19.1% in July, 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 July when compared to the same month last year due to higher exports and lower imports (see Chart 4).** Exports excluding specific chapters increased in July when compared to a year earlier, mainly due to higher exports of





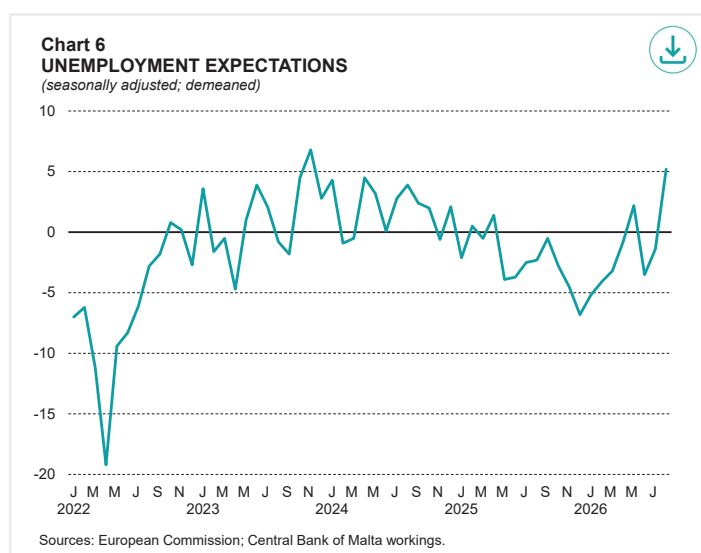
pharmaceutical products and, to a lesser extent, electrical machinery, and printed materials. At the same time, imports excluding specific chapters decreased, mostly due to lower imports of fish and crustaceans, and vehicles and parts thereof.

**Demand for property remains relatively strong.** Final deeds and promise-of-sale agreements signed in August were higher when compared with a year earlier, and on the preceding month (see Chart 5). Permits issued for both residential and commercial buildings were lower on a month earlier. When compared with the previous year, residential permits declined while commercial permits remained broadly unchanged.

## Labour market

**In August, unemployment expectations by households increased to stand above the historic average (see Chart 6).<sup>4</sup>** An increase in the index represents expectations of higher unemployment in the next 12 months. This index has been volatile in recent months but has hovered around zero.

**Administrative data up to June indicate higher net engagements compared to the same month last year.** This reflects a sharp decrease in the number of terminations, which offset a



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

decline in engagements over the same period (see Chart 7). Latest data continue to confirm a general decline in labour turnover.

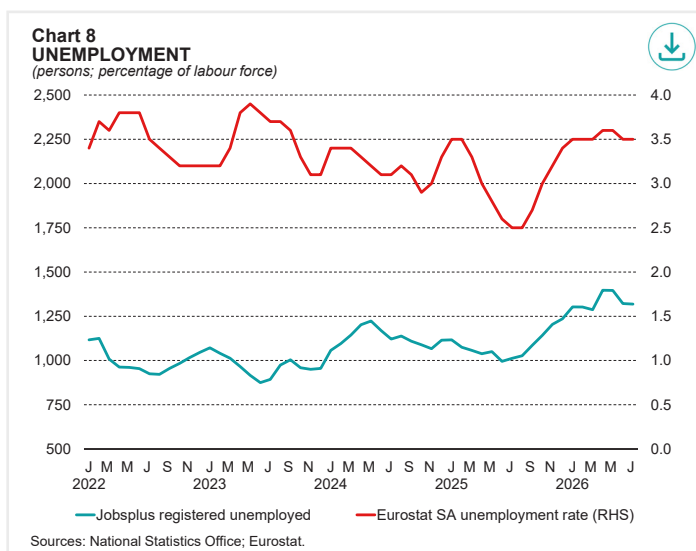
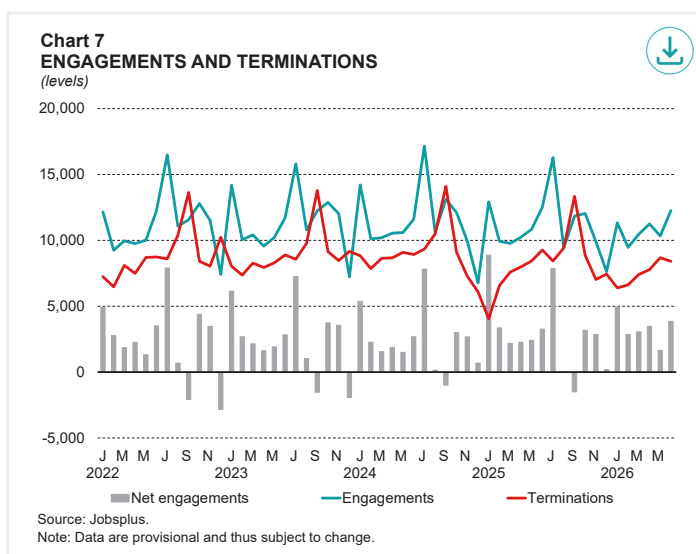
**The unemployment rate in July increased compared with a year earlier.** In July, the seasonally adjusted unemployment rate remained unchanged at 3.5% compared with the previous month, but stood higher than the 2.5% recorded in July 2025. Jobsplus data show that the number of persons on the unemployment register stood at 1,319 in July, representing an increase of 307 persons compared with a year earlier (see Chart 8).

## Prices, costs and competitiveness

**Malta's inflation rate in August stood at 2.0%, slightly lower than 2.1% in July and 1.2 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. However, even when excluding energy and food, Malta's inflation rate stands at 2.2%, which is below the 2.4% in the euro area.

When compared to July, Maltese NEIG inflation edged up. This was driven by higher inflation in semi-durable goods, which has turned positive after contracting for the past 10 months. This was offset by lower services inflation, reflecting lower inflation for services related to recreation and a more pronounced contraction in communication services. Meanwhile, food inflation remained broadly unchanged.

**Annual RPI inflation stood above HICP inflation, standing at 2.6% in August from 2.7% in July, compared with HICP inflation of 2.0% (see Chart 9).** Such differences emanate mainly due to different methodologies. 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.

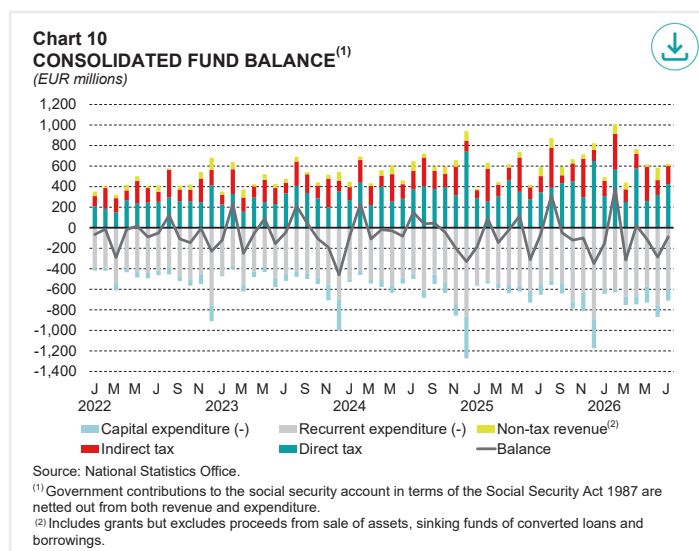
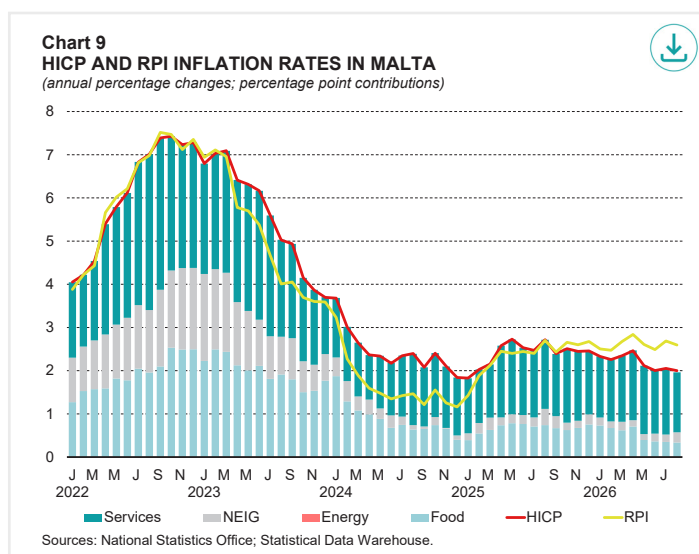
Recent differences between HICP and RPI inflation rates have been driven in part by variations in the composition and weighting of items within certain expenditure categories, notably housing, furnishings and household equipment, and other goods and services. As a result, price movements for particular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

The decrease in RPI inflation was mainly driven by lower inflation for household equipment and maintenance and recreation and culture. Meanwhile, inflation on clothing and footwear contracted at a slower pace while that of transport and communication, other goods and services and beverages and tobacco increased.

**Growth in producer output prices, as measured by the industrial producer price index, remained unchanged.** It stood at 1.5% in July, as in the previous month.<sup>5</sup> A decline in inflation for intermediate goods was offset by a month-on-month increase in prices for capital and consumer goods.

## Public finance

**In July, the Consolidated Fund was in deficit by €88.6 million, higher than the €60.5 million deficit recorded in the previous year (see Chart 10).** This reflected a stronger increase in government expenditure relative to government revenue.



<sup>5</sup> The industrial producer price index measures the prices of goods at the factory gate and is commonly used to monitor inflationary pressures at the production stage.

**Government revenue increased due to higher tax revenue.** This mostly reflects stronger inflows from income tax paid by companies. Higher income from taxes offset a decline in non-tax revenue.

**The increase in government expenditure mainly reflects higher recurrent outlays.** This was largely driven by increased spending on personal emoluments, and on operational and maintenance expenditure. The latter reflects higher outlays on contractual services.

For the year to July, the Consolidated Fund was in deficit by €552.2 million, higher than the €518.0 million deficit recorded a year earlier.

**The total stock of outstanding government debt amounted to €11,702.7 million in July 2026, €226.6 million lower from the previous month.** This mostly reflects a decline in outstanding Malta Government Stocks.

## Deposits and credit

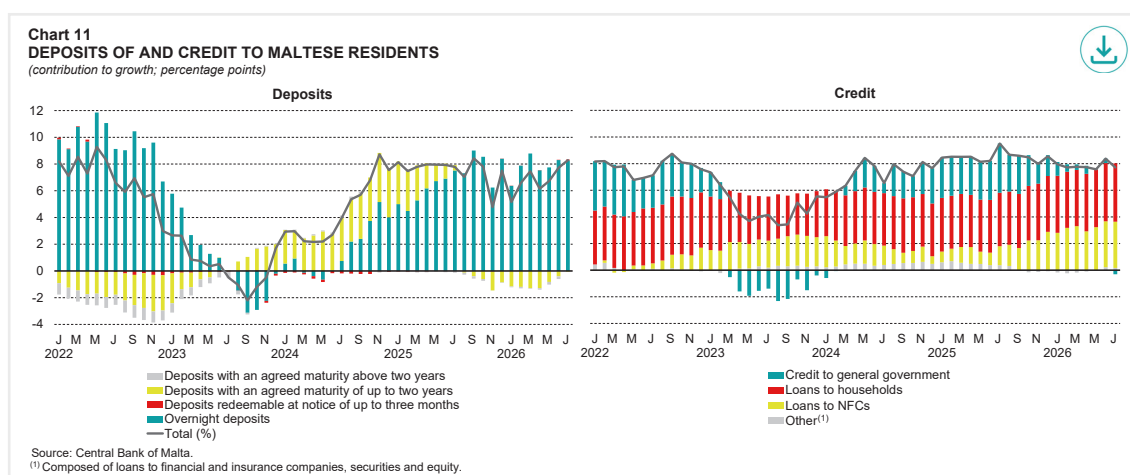
**During the year to July, residents' deposits held with MFIs rose by 8.3%, following a 7.7% increase in the previous month (see Chart 11).** This was driven by higher balances belonging to households.

**Year-on-year growth continues to be driven by overnight deposits, which make up the majority of total residents' deposits.** Time deposits with maturity up to two years contributed negatively to growth.

**In July, credit to residents grew by 7.7%, from 8.4% in June (see Chart 11).** This deceleration was driven by a decline in credit to general government.

**Loans to NFCs rose at an unchanged rate of 14.2%.** 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 by 10.0%, unchanged from the previous month.** Mortgage lending grew at a marginally stronger rate, while growth in consumer credit and other lending decelerated.



In July, the spread between Maltese residents' outstanding deposits and loans fell marginally to 302 basis points from 303 basis points in June. The spread between new deposits and lending stood at 147 basis points in July, narrowing from 201 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 <sup>(1)</sup> |
|           | 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                                | 4.0                          | 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 | -                              | -        | -                        | -                           | -                                  | -                                  | -                                  | 3.9                          | 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 | -                              | -        | -                        | -                           | -                                  | -                                  | -                                  | 4.7                          | 3.5                                  |
| Apr.      | 2.5             | 2.8 | -                              | -        | -                        | -                           | -                                  | -                                  | -                                  | 4.9                          | 3.6                                  |
| May       | 2.1             | 2.6 | -                              | -        | -                        | -                           | -                                  | -                                  | -                                  | -                            | 3.6                                  |
| June      | 2.0             | 2.5 | -                              | -        | -                        | -                           | -                                  | -                                  | -                                  | -                            | 3.5                                  |
| July      | 2.1             | 2.7 | -                              | -        | -                        | -                           | -                                  | -                                  | -                                  | -                            | 3.5                                  |
| Aug.      | 2.0             | 2.6 | -                              | -        | -                        | -                           | -                                  | -                                  | -                                  | -                            | -                                    |

Sources: National Statistics Office; Eurostat.

<sup>(1)</sup> 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                       | 10.8                         | 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                                  | -10.5                                         | 7.5                       | 1.7                          | 9.9                                            | 7.8          |
| Q2        | 9.8                                   | -3.5                                          | 7.7                       | 1.3                          | 10.7                                           | 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                                            | 8.6          |
| 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                                  | -10.5                                         | 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          |
| July      | 9.8                                   | -0.5                                          | 8.3                       | -1.2                         | 10.7                                           | 7.7          |

Source: Central Bank of Malta.