

### 3. PRICES, COSTS AND COMPETITIVENESS

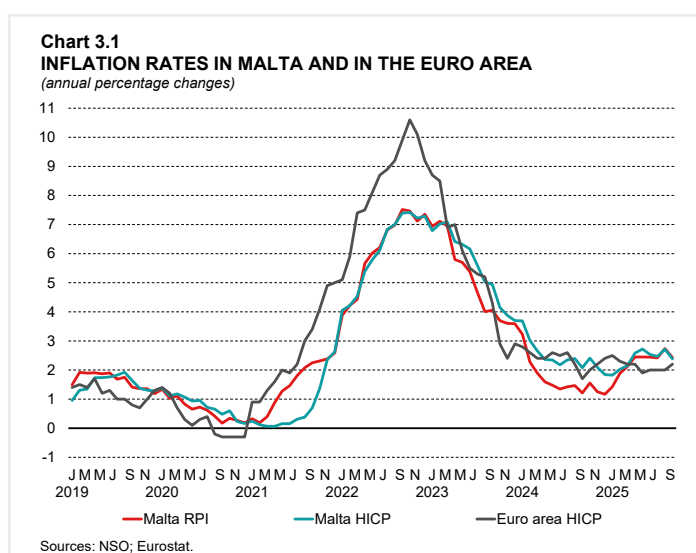
Consumer price inflation declined slightly in the third quarter of 2025. Annual inflation, as measured by the HICP, stood at 2.4% in September, down from 2.5% in June.<sup>1</sup> This was driven by slightly lower contributions from food and services inflation. Annual inflation based on the RPI – which only considers expenditure by Maltese residents – remained unchanged at 2.4%.

When measured over four quarters, ULCs increased at a slower pace in the second quarter of 2025, as growth in CPE moderated while productivity exhibited zero growth. Annual growth in other input cost indicators regularly monitored by the Bank was broadly slower in annual terms.

#### Inflation

##### HICP inflation decreases

Annual HICP inflation decreased slightly to 2.4% in September, from 2.5% in June (see Table 3.1).<sup>2</sup> While inflation in the euro area increased over the same period, it stood at 2.2% in September and thus remained lower than in Malta (see Chart 3.1). This mainly reflects differences in the contribution of food and NEIG inflation (see Chart 3.2). Furthermore, while energy prices in Malta were unchanged, those in the euro area fell slightly in annual terms.



**Table 3.1**  
**HICP INFLATION**

Annual percentage change

	2024					2025						
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.
Unprocessed food	7.0	4.3	-1.2	-0.3	-0.5	1.1	3.8	4.5	5.0	4.1	5.7	3.7
Processed food including alcohol and tobacco	2.5	2.6	2.8	2.4	3.4	3.5	3.5	3.6	3.5	3.4	3.1	3.2
Energy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NEIG	0.7	0.1	0.4	0.6	0.9	1.0	0.7	0.8	0.8	0.8	1.5	1.1
Services (overall index excluding goods)	3.0	3.1	3.0	2.8	2.7	2.7	3.6	3.7	3.3	3.2	3.3	3.0
<b>All Items HICP</b>	<b>2.4</b>	<b>2.1</b>	<b>1.8</b>	<b>1.8</b>	<b>2.0</b>	<b>2.1</b>	<b>2.6</b>	<b>2.7</b>	<b>2.5</b>	<b>2.5</b>	<b>2.7</b>	<b>2.4</b>

Source: Eurostat.

<sup>1</sup> This section is based on the HICP index compiled according to the European Classification of Individual Consumption according to Purpose (ECOICOP 1). As of 4th February 2026, new methodological changes were introduced in the HICP and the index will be compiled according to the new ECOICOP version 2 (ECOICOP 2). This could result in some minor revisions to historical data in some indices, which could lead to minor discrepancies in HICP contributions as reported in this section.

<sup>2</sup> The HICP weights are revised on an annual basis to reflect changes in overall consumption patterns. In 2025, the weight allocated to services stood at 45.1%, while that of NEIG was 27.1%. Food accounted for 21.7% of the index, while the share allocated to energy stood at 6.2%. These were revised from 44.7% for services, 27.5% for NEIG, 21.5% for food and unchanged at 6.2% for energy in 2024.

Turning to inflationary developments in Malta, the slight decrease in HICP inflation since June mainly reflects a lower contribution from food and services inflation. Meanwhile, the contribution of NEIG inflation has increased slightly.

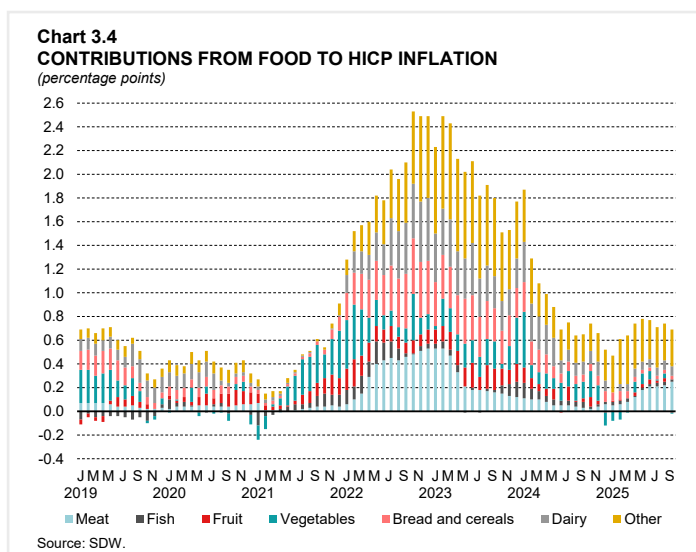
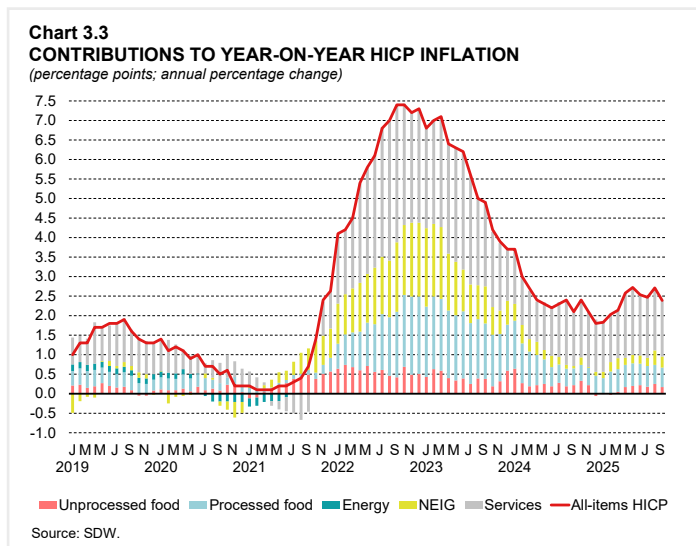
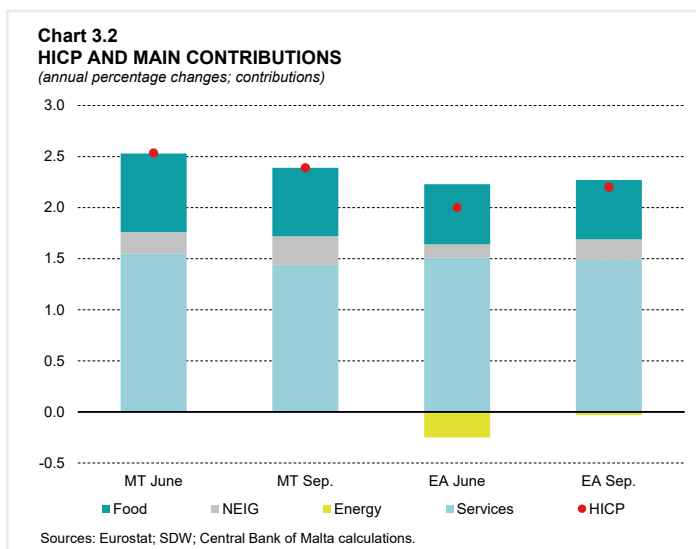
### Main components of inflation

The slight decrease in Malta's HICP inflation between June and September stemmed from lower food and services inflation (see Chart 3.3).

Unprocessed food prices increased by an annual 3.7% in September, after rising by 5.0% in June. This resulted from a decline in the prices of fruit and vegetables in September (see Chart 3.4). Consequently, the contribution of unprocessed food to HICP inflation remained the same at 0.2 percentage points over this period.

Meanwhile, processed food inflation (including alcohol and tobacco) decreased to 3.2% in September from 3.5% in June, with its contribution decreasing slightly from 0.6 percentage points to 0.5 percentage points in September. Overall, food inflation including alcohol and tobacco decreased to 3.3% in September when compared to 3.8% in June.

NEIG inflation increased to 1.1% from 0.8% in June, driven by faster growth in the prices of durable goods, in particular clothing. Prices of durable goods rose by 0.6%, after



remaining constant in June. The prices of semi-durables grew by 0.8% in annual terms, slightly less than the 0.9% registered three months earlier. By contrast, non-durables prices inflation remained unchanged at 1.7%. The contribution of NEIG inflation to HICP inflation stood at 0.3 percentage points, up slightly from 0.2 percentage points in June.

Services inflation decreased from 3.3% in June to 3.0% in September. Services inflation contributed 1.4 percentage points to overall HICP inflation, compared with 1.6 percentage points in June (see Chart 3.5). This mainly reflected slower growth in the prices of transport services.

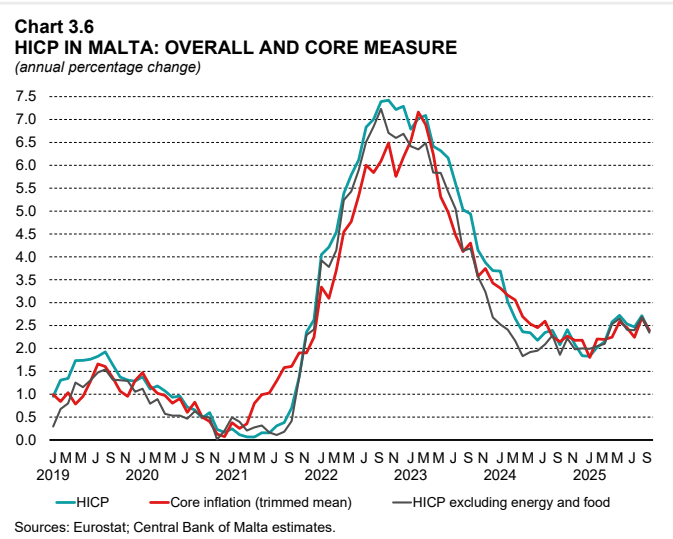
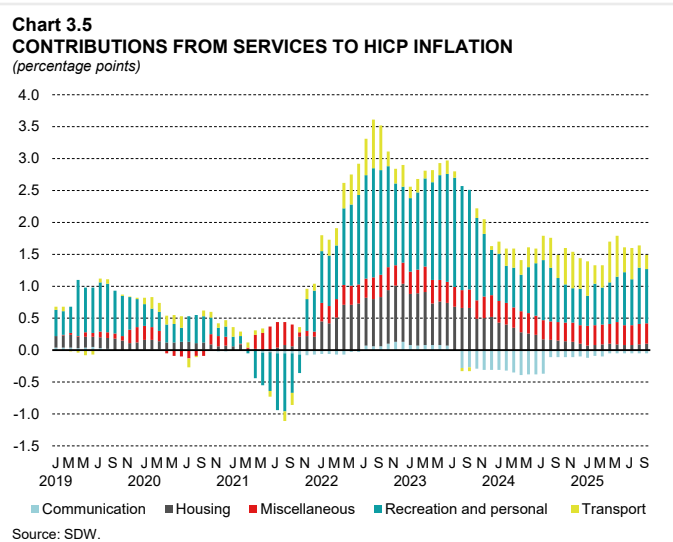
Energy inflation remained at 0.0% in September, as electricity, gas, and transport fuel prices remained unchanged from their level a year earlier, through continued government subsidies on retail utility prices.

### Core HICP inflation decreases slightly

The Bank's measure of core inflation, which excludes the more volatile items in each month, decreased to 2.4% in September from 2.5% in June (see Chart 3.6).<sup>3</sup> An alternative measure of underlying inflationary pressures – HICP excluding energy and food – declined slightly, ending the quarter at 2.3%. In recent quarters, both measures of core inflation were in line with overall HICP.

### RPI inflation remains stable

Annual inflation based on the RPI index remained unchanged at 2.4% in September. The contribution of household equipment and maintenance costs and transport and communication inflation increased by 0.1 percentage points. At the same



<sup>3</sup> The Bank uses a 'trimmed mean' approach to measure core inflation, whereby the more volatile subcomponents of the index are removed from the basket of consumer goods so as to exclude extreme movements from the headline inflation rate. See Gatt, W. (2014), An Evaluation of Core Inflation Measures for Malta, *Quarterly Review* 2014(3), pp. 39-45, Central Bank of Malta.

**Table 3.2**  
**CONTRIBUTIONS TO YEAR-ON-YEAR RPI INFLATION<sup>(1)</sup>**

Percentage points

	2024						2025					
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.
Food	0.7	0.5	0.3	0.3	0.5	0.6	0.7	0.8	1.0	0.8	0.9	0.8
Beverages and tobacco	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Clothing and footwear	0.0	-0.1	0.0	0.1	0.2	0.3	0.1	0.1	0.1	0.1	0.2	0.0
Housing	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Water, electricity, gas and fuels	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Household equipment and house maintenance costs	-0.1	-0.2	-0.1	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.1
Transport and communications	-0.1	0.1	0.1	0.2	0.1	0.2	0.5	0.3	0.2	0.4	0.4	0.3
Personal care and health	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2
Recreation and culture	0.2	0.2	0.3	0.1	0.2	0.2	0.2	0.2	0.3	0.3	0.2	0.2
Other goods and services	0.3	0.3	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.3	0.3
<b>RPI (annual percentage change)</b>	<b>1.6</b>	<b>1.3</b>	<b>1.2</b>	<b>1.4</b>	<b>1.9</b>	<b>2.1</b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>	<b>2.7</b>	<b>2.4</b>

Source: NSO.

<sup>(1)</sup> Contributions may not add up due to rounding and methodological issues.

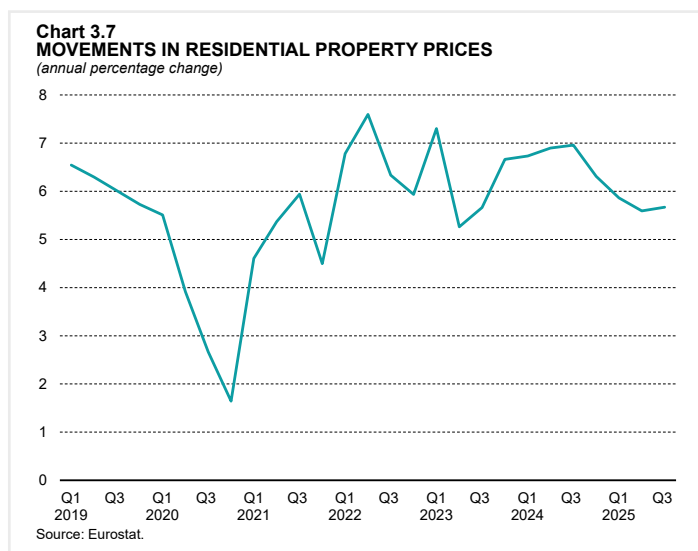
time, this was offset by a lower positive contribution from food prices (see Table 3.2).<sup>4</sup> Most of the remaining components had an unchanged contribution.

## The housing market

### Residential property prices increase at a slightly faster rate

The NSO's Residential Property Price Index (RPPI) – which is based on actual transactions involving apartments, maisonettes, and houses – continued to show increases in annual terms. The annual rate of change rose to 5.7% in the third quarter of 2025, from 5.6% in the previous quarter (see Chart 3.7).<sup>5</sup> Growth was recorded across all residential property types. Meanwhile, in the euro area, prices on average increased at an annual rate of 5.1%.

Residential property prices in Malta continue to be supported by a number of Government schemes supporting demand for property, including the first-time and second-time buyers' schemes, the purchase of properties located



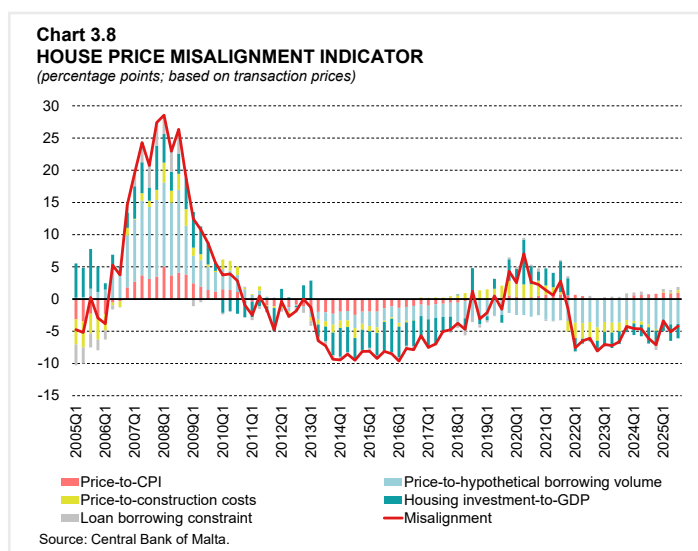
<sup>4</sup> The RPI index differs from the HICP index in that RPI weights are based on expenditure by Maltese households, while HICP weights also reflect expenditure patterns by tourists in Malta, such as accommodation services. See Darmanin, J. (2018), Household Expenditure in Malta and the RPI Inflation Basket, *Quarterly Review* 2018(3), pp. 33-40, Central Bank of Malta.

<sup>5</sup> 'Apartments' are defined as dwellings with self-contained rooms or a suite of rooms that have a separate entrance accessible from a common passageway, landing or stairway. 'Maisonettes' have a separate entrance that is accessible from the street and are either at ground-floor level with overlying habitation, or at first-floor level with underlying habitation. 'Houses' are dwellings with at least two floors, own access at street level and airspace, and with no underlying structures that are not part of the house itself. They are attached to other structures on both sides.

in Urban Conservation Areas (UCA) and in Gozo, as well as refund schemes for restoration expenses. Moreover, a dynamic tourism sector, and continued migrant worker flows continue to support demand for accommodation and hence, property prices.

### Misalignment indicator continues to suggest prices are below fundamentals

As part of its ongoing macro-economic analysis, the Bank calculates a house price misalignment index to provide an indication of the evolution of house prices against fundamentals.<sup>6,7</sup> This indicator consists of five sub-indices that capture household, investor, and system-wide factors, with the weights being derived using principal component analysis.



According to this indicator, house prices, as measured by the NSO's RPPI, were below the level consistent with fundamentals in the third quarter of 2025, but by less when compared with the previous quarter (see Chart 3.8).<sup>8</sup>

The negative readings in this indicator continue to be driven by the house price-to-hypothetical borrowing volume ratio and the housing investment-to-GDP ratios. The former represents households' affordability, while the latter indicator represents the relative level of dwelling investment compared against economic activity. These offset positive contributions from the house price-to-CPI ratio, the loan borrowing constraint and the house price-to-construction ratio.

### Number of final deeds increases both in quarterly terms and in annual terms

NSO data on residential property transactions show that 3,395 final deeds of sale were registered in the quarter under review, an increase of 4.4% compared to the number of sales concluded in the previous quarter (see Table 3.3). When compared to the number of deeds registered in the same quarter of 2024, final deeds of sale increased by 12.9%. Most transactions (around 90%) concluded in the third quarter of 2025 involved purchases by individuals.

The year-on-year increase in deeds in the third quarter of 2025 reflected a larger number of transactions in all districts with the biggest increases being recorded in the South Eastern, Northern Harbour

<sup>6</sup> See Micallef, B. (2018), "Constructing an index to examine house price misalignment with fundamentals in Malta", *International Journal of Housing Markets and Analysis*, 11(2), pp. 315-334.

<sup>7</sup> The actual numerical results presented in this section should not be overstated given the limitations in the construction of this indicator. For example, relevant variables such as foreign capital inflows are not included, and the unavailability of a long time series for the Housing Authority's rental index precludes the use of the price-to-rent ratio in the indicator.

<sup>8</sup> A separate assessment based on advertised house prices can be found in Gatt, W., Micallef, B. and Rapa, N. (2018), "A macro-economic model of the housing market in Malta", *Annual Research Bulletin*, Central Bank of Malta, pp. 11-18.

**Table 3.3**  
**RESIDENTIAL PROPERTY**

Levels

	2023		2024				2025	
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<b>Residential transactions</b>								
Promise of sale	3,501	3,494	3,489	3,106	3,490	3,462	3,819	3,340
Final deeds of sale	3,202	3,161	3,187	3,006	3,244	3,143	3,251	3,395

Source: NSO.

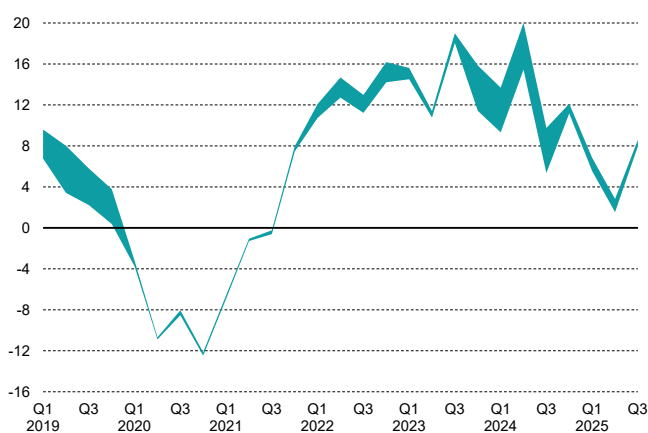
and Western districts. In value terms, there was a year-on-year increase of 26.2%, although the increase in the case of individual buyers was less significant, at 11.6%.

At 3,340 the number of promise-of-sale agreements was 12.5% lower than the number registered in the previous quarter but 7.5% more than those concluded a year earlier. Year-on-year increases in the number of promise-of-sale agreements were recorded across all districts with the exception of the Southern Harbour and Western districts. The largest increases were recorded in Gozo and in the Northern district.

### Advertised rents grow at a faster pace

The annual rate of change of advertised rents collected by the Bank from internet sources accelerated in the third quarter of 2025.<sup>9</sup> The range of estimates from various methods indicate that rents have increased at annual rates of between 8.0% and 8.6% in the quarter under review (see Chart 3.9). Compared with previous quarters, the range of estimated rent inflation is narrower.

**Chart 3.9**  
**ADVERTISED RENTAL PRICES**  
(annual percentage change)



Source: Central Bank of Malta.

## Cost indices

### Most producer cost indicators signal slower price growth

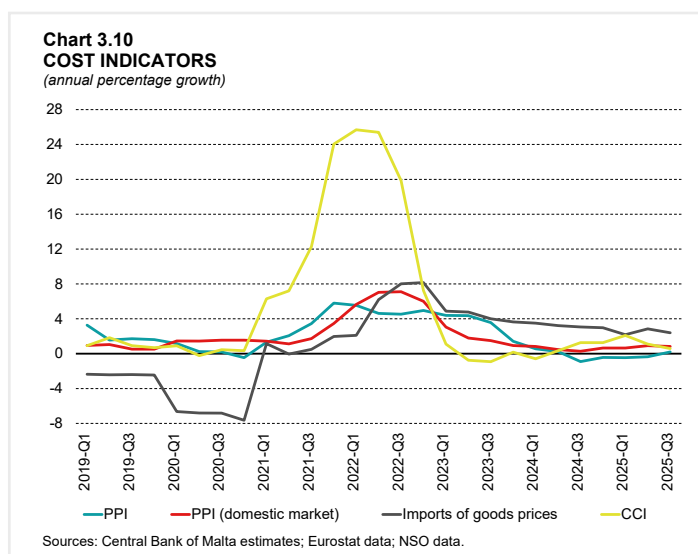
The industrial producer price index (PPI) is a measure of the prices of goods sold by producers in the industrial sector. Annual inflation according to this index stood at 0.2% on average in the quarter under review, after having declined in the previous four quarters (see Chart 3.10).<sup>10</sup> The annual rate of change of producer prices of intermediate goods became less negative,

<sup>9</sup> The empirical analysis is based on hedonic regression models as described in Debono et al., (2020) and different indices are constructed using alternative methodologies, namely the time dummy method, the rolling time dummy method with a window length of two periods (Q=2) and the average characteristics method chained using the Laspeyres, Paasche and Fisher methods. The properties considered in this analysis include apartments, maisonettes, and penthouses. This index is available from 2017Q4.

<sup>10</sup> The industrial PPI measures the prices of goods at the factory gate and is commonly used to monitor inflationary pressures at the production stage. The index used here refers to the B-E36 aggregate of the EU's statistical classification of economic activities.

standing at -2.1% in the third quarter of 2025, compared to -3.6% in the second. By contrast, producer prices of capital goods increased at a much faster rate of 3.5%, from 1.3% over this period, while the annual rate of change of producer prices of consumer goods stood at 1.2% from 1.9% previously. Energy producer price inflation remained unchanged.

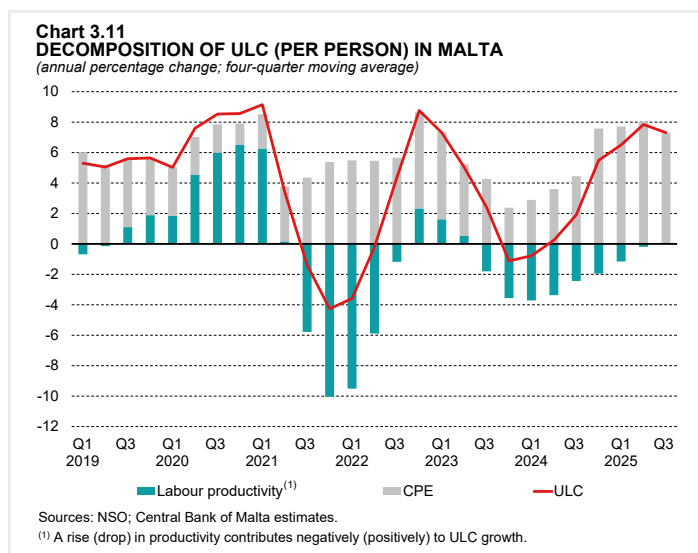
Meanwhile, annual growth in the domestic PPI declined slightly to 0.8% from 0.9% in the previous quarter.<sup>11</sup> The imports of goods deflator shows weaker growth of 2.4%, from 2.8% in the second quarter of 2025.<sup>12</sup> The construction cost index (CCI) for new residential buildings published by Eurostat increased at slower rate in the third quarter of 2025, standing at 0.6% after it had increased by 1.1% in the previous quarter.



### ULCs increase at a slower rate

In the third quarter of 2025, Malta's ULC index – measured as the ratio of CPE to labour productivity – decreased both in annual terms and on a quarter-on-quarter basis.

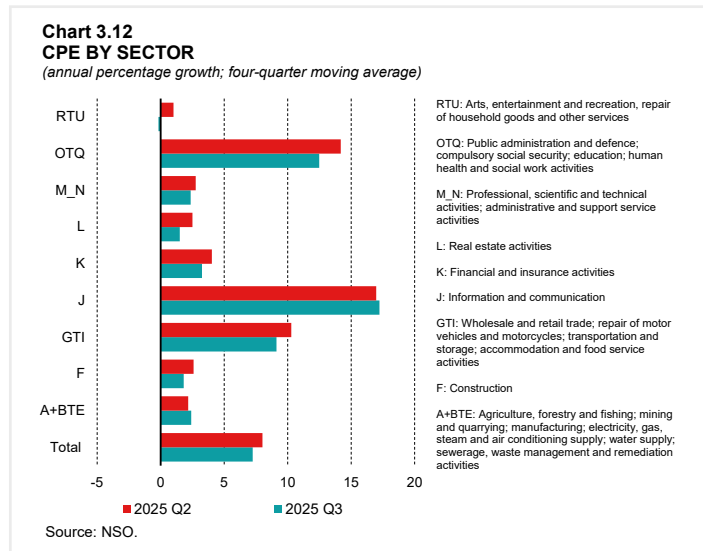
When measured on a four-quarter moving average basis in headcount terms, ULCs in Malta rose at an annual rate of 7.3%. This followed an increase of 7.8% in the previous quarter (see Chart 3.11). The decline in ULC growth partly reflects slower growth in CPE. The latter rose by 7.2%, from 8.0% in the second quarter. Meanwhile, productivity per person experienced no growth in annual terms, after having grown by 0.2% in the second quarter.



<sup>11</sup> The domestic PPI refers to the producer prices relating to the domestic market only, whilst the PPI relates to the total market, i.e., including both the domestic and non-domestic markets.

<sup>12</sup> This index is derived from national accounts data published by the NSO.

When measured on a four-quarter moving average basis, growth in CPE was fastest in the information and communication sector (see Chart 3.12). Wage growth was also significant in a number of other sectors, including the public administration sector and the sector comprising wholesale and retail trade. Overall, compared with the previous quarter, CPE grew at similar rates in most sectors, with the exception of the arts and entertainment sector, where CPE contracted slightly.



## BOX 2: THE CENTRAL BANK OF MALTA'S REAL ESTATE LOANS STATISTICS<sup>1</sup>

### Introduction

The Central Bank of Malta (the Bank) launched its 'Real Estate Template' in 2021. Collecting data from all credit institutions licensed in Malta, this template covers the whole population of loans granted to finance real estate as well as those backed by real estate. This return consolidates under one harmonised framework several national and European reporting obligations including requirements stemming from the European Systemic Risk Board, Central Bank Directive No. 16, and the Bank's survey on Residential and Commercial Real Estate Lending Practices.

The Real Estate template is based on a granular loan-by-loan reporting framework. It comprises of a quarterly flows sheet that captures new loans, drawdowns and renegotiations.

These data are to be submitted by the reporting credit institutions within 30 calendar days post reference period-end.

The [data](#) collected covers granular borrower, property, and loan-level information.

Now that the data collection process has matured and a number of data points have been accumulated, the Central Bank of Malta is publishing a series of aggregated statistical tables and an accompanying dashboard, as described hereunder.

### Launching the publication of the aggregated statistics on the Bank's website and in a related dashboard

Following the submission of the required data by the credit institutions, the Bank follows internal procedures to compile aggregated statistics. The [aggregated statistics](#) will be launched on the Bank's *Statistics* part of the website in MS Excel© format. To facilitate accessible insights, the Bank will also be releasing a related [Dashboard](#) launched on the Bank's website. It provides an annual aggregation of key metrics derived from the Flows data, focusing on new loans granted to natural persons for owner-occupied residential purposes. The key metrics displayed are:

1. The total number of new loan contracts signed during the year;
2. The median credit limit granted at loan contract inception (in EUR);
3. The median market value of loan-financed properties at loan contract inception (in EUR);
4. The median market value of loan-financed properties once completed (in EUR);
5. The median transaction value of the loan-financed properties at loan contract inception (in EUR).

<sup>1</sup> Prepared by Ms Sarah Axiaq, Senior Economist Statistician, at the Central Bank of Malta. The author would like to thank Ms Karen Caruana, Deputy Head, within the Statistics Department for her valid contribution. The author would also like to show her appreciation to Mr Alexander Demarco, Mr Oliver Bonello, Mr Alan Cassar, and Mr Jesmond Pule for their comments. The views expressed are those of the author and do not necessarily reflect the views of the Central Bank of Malta or any other institutions. Any errors are the author's own.

The statistics in the dashboard are categorized into four main property-type groups of loans:

1. Apartments and penthouses;
2. Maisonettes;
3. Houses (Terraced houses, town houses, houses of character, farmhouses, villas/ bungalows);
4. Total value for all property types.

The dashboard will be updated annually, reflecting aggregated statistics from the preceding year. A metadata section is also being made available to provide further definitions and classification details.

The dashboard provides a comprehensive segmentation across the following categories, allowing for multi-dimensional insights:

The Borrower Characteristics table (see Table 2a) presents the categories available on the applicants. The Age Group dimension segments borrowers into four brackets: 18-25, 25-35, 35-50, and over 50 years, allowing for age-based analysis of lending patterns. In the case of multiple borrowers, the average age is considered. Gross Annual Income is divided into five income ranges: less than €30,000, €30,000-€40,000, €40,000-€50,000, €50,000-€70,000, and greater than €70,000, providing insight into the borrower's earning capacity. In the case of multiple borrowers, the gross annual income of all customers is reported. The Occupational Status dimension captures employment type and stability, distinguishing between full-time employed, self-employed, and other statuses such as part-time, retired, unemployed, or miscellaneous. In the case of multiple borrowers, the Occupational Status of the first customer is considered. The table also includes a First-time Buyer indicator, specifying whether the borrower has previously owned property, and a Primary Residence flag, which denotes whether the financed property will serve as the borrower's main dwelling.

**Table 2a**  
**BORROWER CHARACTERISTICS**

Dimension	Categories
Age group	18–25, 25–35, 35–50, 50+ years
Gross annual income	< €30k, €30-40k, €40-50k, €50-70k, > €70k
Occupational status	Full-time employed, self-employed, other (part-time, retired, unemployed, other)
First-time buyer	Yes/No (indicates ownership of previous property)
Primary residence	Yes/No (indicates whether the property is the main dwelling)

Source: Central Bank of Malta.

The Property Characteristics table (see Table 2b) outlines the categories available for the properties involved in the loan agreements. Property State reflects the development stage or condition of the property, categorized as Finished, Furnished, On Plan/Under Development, or Shell. The District of Property identifies the geographical location, including Gozo and Comino, Northern Harbour, Northern, South-eastern, Southern Harbour, and Western districts, facilitating regional analysis. Collateral Type specifies whether the loan is secured against the property being financed or other forms of collateral, such as non-financed real estate, non-real estate assets, or other guarantees. Lastly, Property Size, measured in square meters, is grouped into four categories: less than 100 m<sup>2</sup>, 100-200 m<sup>2</sup>, 200-300 m<sup>2</sup>, and greater than 300 m<sup>2</sup>, enabling evaluation of loan distribution based on property dimensions. For apartments, penthouses and maisonettes, the size of the property is calculated as the internal and external parts if any. For town houses, houses of character, farmhouses, terraced houses, villas/bungalows/palazzos, the size of the property is calculated on the footprint of the plot inclusive of all internal and external parts adding with it the internal area of each additional built-up floor and to include the area of garages.

**Table 2b**  
**PROPERTY CHARACTERISTICS**

Dimension	Categories
Property state	Finished, furnished, on plan/under development, shell
District of property	Gozo & Comino, Northern Harbour, Northern, South-eastern, Southern Harbour, Western
Collateral type	Property being financed by the loan, Other (real estate not being financed by the loan, other assets excluding real estate, other guarantees)
Property size (m <sup>2</sup> )	< 100, 100-200, 200-300, > 300

Source: Central Bank of Malta.