

## 6. MONETARY AND FINANCIAL DEVELOPMENTS

According to the Bank's FCI, in the first quarter of 2025, financing conditions in Malta were slightly more favourable compared to the previous quarter.

In September 2025, Maltese residents' deposits with MFIs in Malta increased from their year-ago level, mostly reflecting higher balances belonging to households.<sup>1</sup> The annual rate of change exceeded that recorded in June. Credit to Maltese residents grew at a faster pace, reflecting faster growth in credit to residents outside general government.

The weighted average interest rate on both outstanding deposits and outstanding loans, stood below their respective level a year earlier. The spread between the two rates was broadly stable compared to June and to September 2024.

In September, the primary market yield on Treasury bills declined from that prevailing three months earlier. On the other hand, secondary market yields on five and ten-year MGS rose. As the increase in the domestic ten-year yield was only marginally smaller than that in the euro area benchmark, the spread between the two narrowed by just one basis point. The MSE Equity Price Index fell between June and September and was also lower compared with a year earlier.

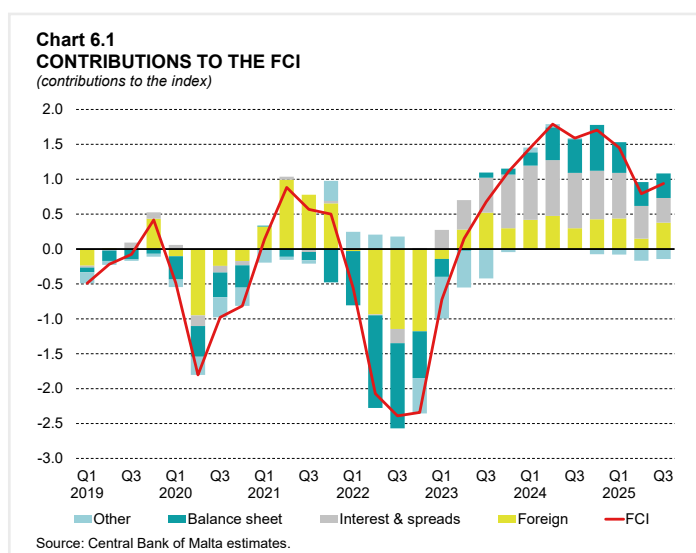
### Monetary and financial conditions

#### Financial conditions remain loose<sup>2</sup>

In the third quarter of 2025, the Bank's FCI continued to signal loose financial conditions from a historical perspective. Compared with the previous quarter, conditions were slightly more favourable (see Chart 6.1).

The more favourable financial conditions were mainly brought about by foreign factors, through a more positive contribution from uncertainty and euro-area equity prices. By contrast, domestic factors signalled marginally less favourable conditions compared to the previous quarter.

The small decrease in the contribution of domestic factors is predominantly driven by a lower positive contribution from deposit interest rates, part of the 'interest and



<sup>1</sup> Monetary data analysed in this chapter are compiled on the basis of the statistical standards found in the Statistics section of the Bank's website.

<sup>2</sup> This index is composed of various financial indicators, which are available at a high frequency. This section is based on quarterly averages for each indicator.

spreads' component. Movements in the 'balance sheet' and 'other' component were minimal, reflecting offsetting factors.

Compared with the third quarter of 2024, financial conditions were substantially less favourable. This shift is driven by domestic components, as the foreign component registered a more positive contribution compared to its level a year ago. Across domestic factors, the less favourable conditions are driven by the deposit interest rate and the lending-to-policy rate spread (both part of the 'interest and spread' component), from banks' return on equity (part of the 'balance sheet' component) and issues of NFC securities (part of the 'other' component).

### *Maltese residents' deposits increase at a faster rate*

Total deposits held by Maltese residents with MFIs in Malta increased by 8.4% in the year to September, a faster rate than the 7.9% growth observed in the year to June (see Table 6.1). Faster growth in overnight deposits, the largest component of Maltese residents' deposits, offset weaker dynamics in other deposit categories. Furthermore, while total deposits belonging to households and NFCs slowed down, those belonging to financial intermediaries outside the MFI sector rose at a faster pace.

	EUR millions 2025 Sep.	Annual percentage changes				
		2024		2025		
		Sep.	Dec.	Mar.	June	Sep.
<b>Overnight deposits</b>	<b>22,631</b>	<b>2.8</b>	<b>4.7</b>	<b>6.2</b>	<b>8.2</b>	<b>10.8</b>
<i>of which</i>						
Households	16,179	3.8	4.2	7.6	9.6	11.7
NFCs	3,820	4.0	13.9	7.0	9.6	6.8
<b>Deposits redeemable at notice of up to three months</b>	<b>63</b>	<b>-43.2</b>	<b>-16.8</b>	<b>-10.6</b>	<b>-3.7</b>	<b>-9.4</b>
<i>of which</i>						
Households	1	-98.0	1,202.6	2,039.6	878.4	23.3
NFCs	45	-7.5	-19.7	-34.0	-18.4	-13.1
<b>Deposits with an agreed maturity of up to two years</b>	<b>2,890</b>	<b>35.4</b>	<b>37.4</b>	<b>24.6</b>	<b>9.9</b>	<b>-3.0</b>
<i>of which</i>						
Households	2,212	35.2	34.4	21.4	7.6	-5.7
NFCs	281	52.1	62.6	35.5	8.4	-11.5
<b>Deposits outside M3<sup>(1)</sup></b>	<b>979</b>	<b>3.9</b>	<b>-0.3</b>	<b>-1.8</b>	<b>-1.9</b>	<b>-4.3</b>
<i>of which</i>						
Households	886	-1.6	-2.4	-1.2	-1.1	-2.2
NFCs	20	31.3	-9.4	-15.9	-11.2	-52.8
<b>Total residents deposits<sup>(2)</sup></b>	<b>26,564</b>	<b>5.7</b>	<b>7.6</b>	<b>7.8</b>	<b>7.9</b>	<b>8.4</b>
<i>of which</i>						
Households	19,278	6.5	7.1	8.8	8.8	8.7
NFCs	4,166	6.8	16.2	8.3	8.9	4.4

Source: Central Bank of Malta.

<sup>(1)</sup> Deposits outside M3 include deposits redeemable at notice of more than three months and deposits with an agreed maturity of over two years.

<sup>(2)</sup> Total residents deposits exclude deposits belonging to Central Government.

The annual rate of change of Maltese residents' overnight deposits, which are the most liquid component, grew by 10.8%, from 8.2% in June (see Chart 6.2). The pickup in growth was driven by balances held by households. The share of overnight deposits in total deposits increased to 85.2% in September, from 84.4% three months prior.

Deposits with an agreed maturity of up to two years, decreased by 3.0% in annual terms, following a 9.9% increase in June. Over this period, their share in overall deposits decreased to 10.9%, from 11.5%. The reversed dynamic of fixed deposits may reflect the fact that these deposits are becoming less attractive following cuts in the ECB policy rate, although transmission to retail deposit rates remains partial.

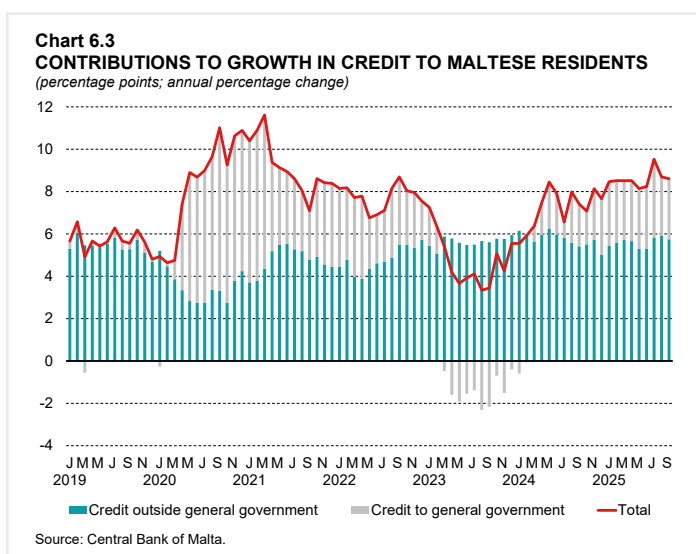
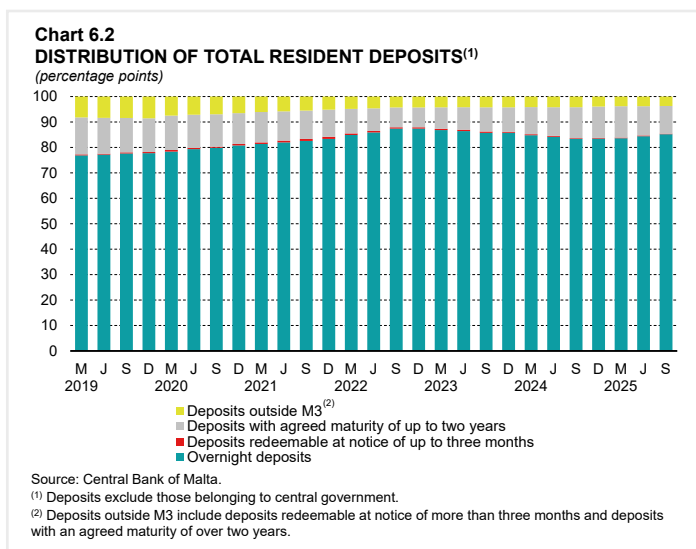
Deposits with an agreed maturity of up to three months (the smaller component) continued to decline, with their share of total deposits down to 0.2%.

Meanwhile, deposits classified outside M3, which are mainly composed of deposits with agreed maturity of over two years, decreased by 4.3% during the 12 months to September, following a year-on-year decline of 1.9% recorded in June. Their share in total resident deposits decreased to 3.7%, from 3.8% in the previous quarter.

### Credit to residents grows at a faster pace

The annual rate of change of credit to Maltese residents reached 8.6% in September, from 8.2% in June. This reflects faster growth in lending outside general government (see Table 6.2 and Chart 6.3).

Credit to general government grew annually by 11.9% in September, following a growth rate of 12.0% over the year to June. MFI holdings of both government stocks and Treasury bills increased in the quarter under review.



**Table 6.2**  
**MFI CREDIT TO MALTESE RESIDENTS**

	EUR millions	Annual percentage changes				
		2025 Sep.	2024			2025
		Sep.	Dec.	Mar.	June	Sep.
<b>Credit to general government</b>	<b>5,450</b>	<b>8.4</b>	<b>10.8</b>	<b>11.3</b>	<b>12.0</b>	<b>11.9</b>
<b>Credit to residents outside general government</b>	<b>16,581</b>	<b>7.1</b>	<b>6.6</b>	<b>7.6</b>	<b>7.0</b>	<b>7.6</b>
Securities and equity	278	-7.7	-5.0	-4.8	-8.2	-6.0
Loans	16,303	7.4	6.9	7.9	7.3	7.8
<i>of which:</i>						
Loans to households	9,752	9.5	9.2	9.2	9.1	9.2
Mortgages	8,998	9.4	9.2	9.1	9.2	9.2
Consumer credit and other lending	754	10.8	8.8	10.2	8.4	9.5
Loans to NFCs <sup>(1)</sup>	5,419	3.0	2.2	4.7	3.7	6.7
<b>Total credit to residents</b>	<b>22,031</b>	<b>7.4</b>	<b>7.7</b>	<b>8.5</b>	<b>8.2</b>	<b>8.6</b>

Source: Central Bank of Malta.

<sup>(1)</sup> NFCs include sole proprietors and non-profit institutions serving households (NPISH).

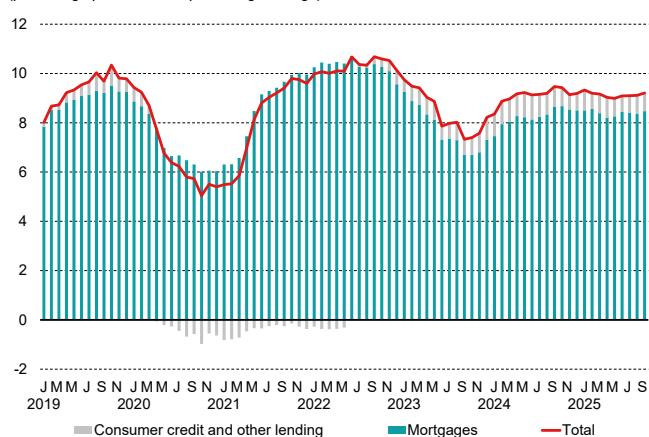
The annual growth of credit to residents outside general government increased to 7.6% in September, from 7.0% three months prior. This reflects a faster increase in loans to the private sector and a smaller contraction in MFI holdings of securities issued by the private sector.

Annual growth in loans to households increased marginally to 9.2%, compared to 9.1% three months earlier (see Chart 6.4). This was driven by faster growth in consumer credit and other lending. Growth in mortgage lending remained unchanged at 9.2%.

Meanwhile loans to NFCs grew at an annual rate of 6.7%, following a 3.7% increase in the year to June (see Chart 6.5).

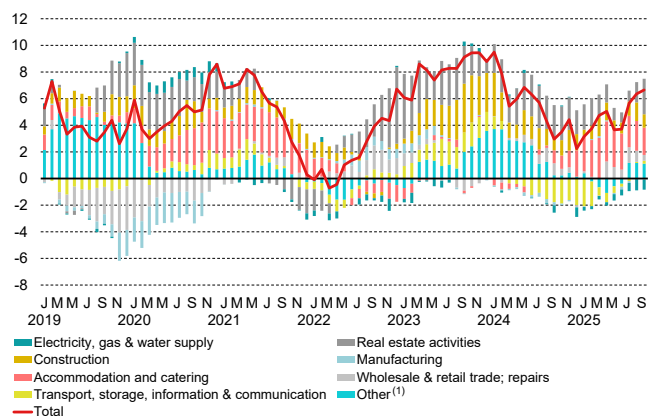
Sectoral data show that in absolute terms, the increase in loans to NFCs in the year to September, was largely driven by increased lending to the real estate sector, the accommodation and food services sector and

**Chart 6.4**  
**CONTRIBUTIONS TO GROWTH IN LOANS TO HOUSEHOLDS**  
(percentage points; annual percentage change)



Source: Central Bank of Malta.

**Chart 6.5**  
**LOANS TO NFCs BY SECTOR**  
(percentage points; annual percentage change)

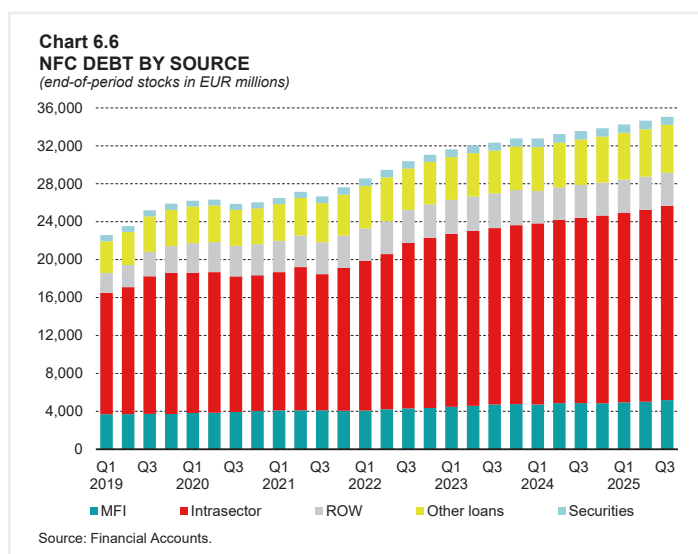


Source: Central Bank of Malta.

<sup>(1)</sup> Mainly includes entertainment, health, education, professional services, and administration.

the construction sector. Smaller increases in lending were also reported within trade and vehicle repair sector and the sector comprising information, communication, transport and storage. These increases more than offset decreases in credit to the energy sector, and to a smaller extent the manufacturing sector.

Financial accounts data show that the share of bank lending in total NFC debt in September 2025, increased to 14.8%, compared to 14.5% both in June and a year earlier (see Chart 6.6).



The share of intra-sectoral lending in total NFC debt remained unchanged over the third quarter of 2025, at 58.4%. This component continued to account for most of NFCs external financing.

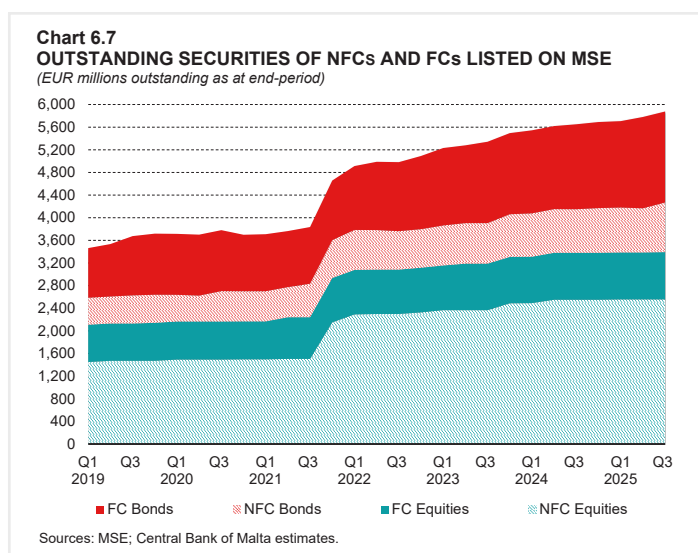
The share of debt financing sourced from non-residents moderated to 10.0% in September, from 10.1% in June, and from 10.3% recorded a year earlier. Meanwhile, the share of 'other loans' remained unchanged during the quarter, at 14.4%. This component largely reflects loans from financial institutions other than MFIs and households.

The share of securities decreased to 2.4%, from 2.6% in June.

### Stock of listed securities of NFCs and financial corporations (FCs) increases

By September 2025, around €2,484.8 million in outstanding corporate debt securities were listed on the MSE, 9.4% higher than the amount listed a year earlier (see Chart 6.7).<sup>3</sup> Almost two thirds of this amount was issued by financial entities other than credit institutions.

Meanwhile, the outstanding amount of equity listed by NFCs and FCs on the MSE increased by 0.4% in annual terms, to



<sup>3</sup> MSE data may differ from financial accounts data due to differences in valuation methodology and coverage. In particular, financial accounts data are at market value and include both listed and privately-placed securities. MSE data on corporates presented in Chart 6.7 are based on the official MSE list and thus exclude securities listed through Prospects. Chart 6.7 includes data on NFCs and FCs other than MFIs.

reach €3.391.5 million. Over three fourths of this volume was issued by NFCs, with FCs playing a secondary role. The increase over the year to September, was mostly driven by NFCs that operated within the information technology sector. The total outstanding listed equity as of September 2025, was around a third larger than that of bonds.<sup>4</sup>

### *Spread between deposit and lending rate on outstanding amounts broadly stable*

The weighted average deposit rate on outstanding balances belonging to households and NFCs decreased by 10 basis points over the year to September, to reach 0.30% (see Table 6.3). This was driven by lower rates on all forms of deposits, in particular time deposits with agreed maturity of up to two years.

At the same time, the weighted average lending rate paid by households and NFCs on outstanding loans decreased by 13 basis points to 3.28%. This decrease reflected lower rates charted to both NFCs and households, with the decrease to NFCs being more significant.

The spread between the weighted average lending rate and the deposit rate on outstanding balances ended September at 298 basis points, only marginally below the spread of 301 points recorded a year earlier.

**Table 6.3**

### **INTEREST RATES ON DEPOSITS AND LOANS**

*Percentages per annum to residents of Malta; weighted average rates as at end of period*

	2022	2023	2024	2024		2025	
	Sep.	Sep.	Sep.	Dec.	Mar.	June	Sep.
<b>Total deposits<sup>(1)</sup></b>	<b>0.16</b>	<b>0.27</b>	<b>0.40</b>	<b>0.39</b>	<b>0.37</b>	<b>0.33</b>	<b>0.30</b>
<i>of which</i>							
<b>Overnight deposits</b>							
Households	0.04	0.05	0.05	0.05	0.05	0.05	0.05
NFCs	0.06	0.07	0.10	0.05	0.08	0.03	0.03
<b>Savings deposits redeemable at notice</b>							
Households	0.17	0.15	0.28	0.18	0.16	0.22	0.25
NFCs	0.05	0.45	0.57	0.73	0.30	0.32	0.22
<b>Time deposits (less than two years)</b>							
Households	0.54	1.58	2.15	2.17	2.04	1.87	1.72
NFCs	0.59	1.58	2.26	2.18	1.79	1.50	1.47
<b>Time deposits (more than two years)</b>							
Households	1.77	1.77	1.98	2.07	2.11	2.12	2.16
NFCs	1.60	1.38	1.92	1.81	1.84	1.88	2.56
<b>Total loans<sup>(1)</sup></b>	<b>3.25</b>	<b>3.61</b>	<b>3.41</b>	<b>3.36</b>	<b>3.29</b>	<b>3.30</b>	<b>3.28</b>
<i>of which</i>							
Households and NPISH	2.94	2.87	2.75	2.75	2.72	2.70	2.68
NFCs	3.82	4.98	4.69	4.54	4.41	4.49	4.45
<b>Spread<sup>(2)</sup></b>	<b>3.09</b>	<b>3.34</b>	<b>3.01</b>	<b>2.97</b>	<b>2.92</b>	<b>2.98</b>	<b>2.98</b>
Memo Item: ECB's DFR	0.75	4.00	3.50	3.00	2.50	2.00	2.00

Source: Central Bank of Malta.

<sup>(1)</sup> Annualised agreed rates on outstanding euro-denominated amounts belonging to households (incl. NPISH) and NFCs.

<sup>(2)</sup> Difference between composite lending rate and composite deposit rate.

<sup>4</sup> Apart from the official MSE platform, small and medium-sized enterprises can also obtain finance through the specifically-g geared platform – Prospects.

During the year to September, both the deposit rate offered on new balances held by households and NFCs in Malta, and the lending rate of these sectors decreased. These closed the quarter at 1.93%, and 2.79%, respectively.

Compared to the second quarter of 2025, the interest rates on outstanding deposits and loans decreased by 3 basis points, and thereby the spread remained unchanged.

*The Bank Lending Survey (BLS) indicates unchanged credit standards in the third quarter*

According to the October BLS, in the third quarter of 2025 all participating banks reported unchanged credit standards for lending to NFCs, and lending to households. The majority also reported unchanged credit terms and conditions. For the fourth quarter of 2025, no changes in credit standards were expected – for all types of credit.

As regards demand, surveyed banks did not report any changes in the third quarter. Demand for the different types of credit was also expected to remain unchanged in the fourth quarter of 2025.

The October BLS also posed ad hoc questions on changes in banks' access to wholesale and retail funding, and in their risk transfer capability as a result of the prevailing situation in financial markets. No impacts were reported as regards access to interbank unsecured money markets, securitisation, debt securities and the ability to transfer risks off balance sheet in the preceding three months. Most banks also reported access to retail funding to have remained unaffected by market conditions. For the fourth quarter, the majority of banks expected no changes, although there was some indication of a slight deterioration in access to retail funding, wholesale bond markets, and the unsecured interbank money market.

Respondent banks were also asked whether the ECB's monetary asset portfolio has led to a change in their assets, or affected their cost of funds and balance sheet constraints. Banks reported no changes in their cost of funds and balance sheet constraints, while there were some isolated increases in total assets. This assessment was expected to hold also for the six months ahead. With regards to the effects on profitability and banks' capital position, no changes were reported and no changes were expected for the coming six months.

Participating banks reported no changes in credit standards and terms and conditions, as a result of the ECB's monetary policy portfolio. Banks also assessed that there was no impact on their lending volumes. For the following six months, banks also expected no impact.

Participating banks claimed that their non-performing loan (NPL) ratio and other indicators of credit quality had not affected their lending policies in the preceding three-month period and expect no effects in the three months ahead.

Finally, participating banks were asked whether the ECB key interest rates decisions (both those already taken and those expected) led to a change in their interest and non-interest income. In this regard, while non-interest income was assessed to have been unaffected, mixed responses were collected for interest income. Responses were also mixed for the six months ahead.

## The money market

During the third quarter of 2025, the Government issued €377.3 million in Treasury bills, €186.0 million less than the amount issued in the second quarter of 2025 but €100.1 million more compared with the amount issued a year earlier.

In the domestic primary market, the yield on three-month Treasury bills declined to 1.95% by the end of September, from 2.00% at end-June.

## The capital market

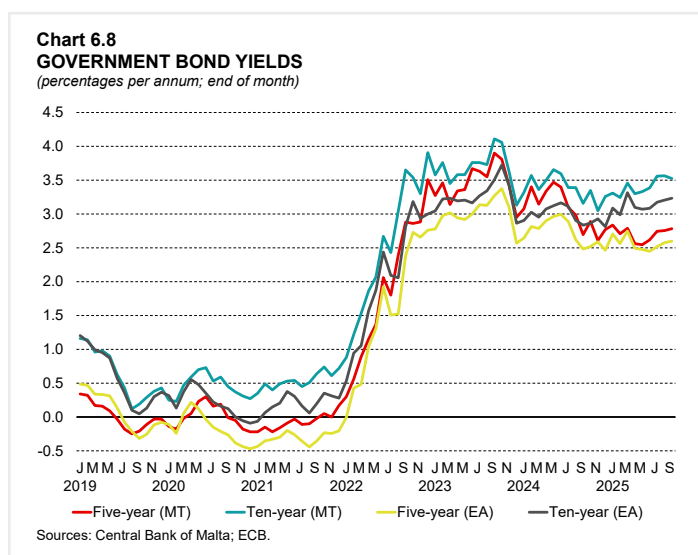
During the third quarter of 2025, the Government issued two new MGS with a total value of €388.0 million.

Two banks and three other institutions launched new bond issues on the MSE totalling €222.8 million. Bank of Valletta plc and Lidion Bank plc issued €150.0 million and €5.0 million, respectively, in unsecured subordinated bonds. QLZH Holding plc issued €6.8 million in secured callable bonds. Golden Triangle plc issued €42.0 million in secured bonds, while ACMUS plc issued €19.0 million in such bonds.

By the end of September, 17 firms had bonds that were listed on the MSE through Prospects, one less compared with three months earlier.<sup>5</sup>

In the secondary market, turnover in government bonds decreased to €42.0 million, from €56.9 million in the second quarter of 2025. Meanwhile, turnover in corporate bonds also declined, falling to €27.5 million from €32.5 million, previously.

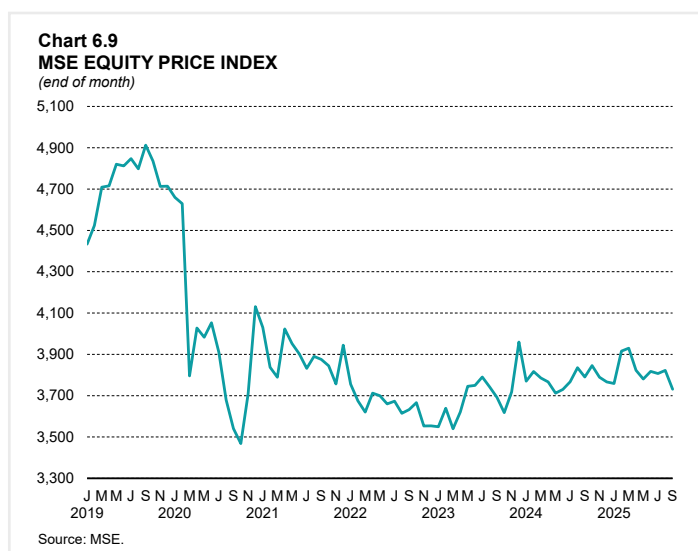
The yield on five-year Government bonds rose to 2.78% at the end of September, from 2.62% three months earlier (see Chart 6.8). The yield on ten-year bonds also increased, to reach 3.52% from 3.39% in June. Meanwhile, the euro area benchmark yield on five-year bonds reached 2.60% from 2.45%, and the ten-year rate rose to 3.23% from 3.08%. As the increase in the domestic ten-year yield was only marginally smaller than that in the euro area benchmark, the spread between the two narrowed by just one basis point to 29 basis points in September from 30 basis points in June.



<sup>5</sup> Prospects is a multi-lateral trading facility operated by the MSE with the aim of facilitating access to capital markets for SMEs.

### *MSE Equity Price Index fell during the quarter*

Share prices in Malta fell during the third quarter of 2025. The MSE Equity Price Index ended the quarter 2.3% below its level at end-June and was also 1.6% lower than its reading a year earlier (see Chart 6.9). The MSE Equity Total Return Index, which accounts for changes in equity prices and dividends, fell by 0.5% since end-June but gained 4.1% compared to a year earlier.



Equity turnover was down to €11.8 million during the third quarter of 2025, from €13.0 million in the previous quarter.