6. MONETARY AND FINANCIAL DEVELOPMENTS

According to the Bank's FCI, in the first quarter of 2026, financing conditions were slightly more favourable compared to the previous quarter.

In March 2026, Maltese residents' deposits with MFIs in Malta continued to increase at a relatively strong pace.[1] *Credit to Maltese residents grew at a slower rate compared with the previous quarter, as lending to general government increased at a more muted pace.*

The weighted average interest rate on outstanding deposits stood below its respective level a year earlier, while that for outstanding loans was marginally higher. The spread between the two rates thus widened over this period.

In March, the primary market yield on Treasury bills fell 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 more pronounced than that in the euro area benchmark, the spread between the two widened. The Malta Stock Exchange (MSE) Equity Price Index increased between December 2025 and March 2026 and was also higher compared with a year earlier.

Monetary and financial conditions

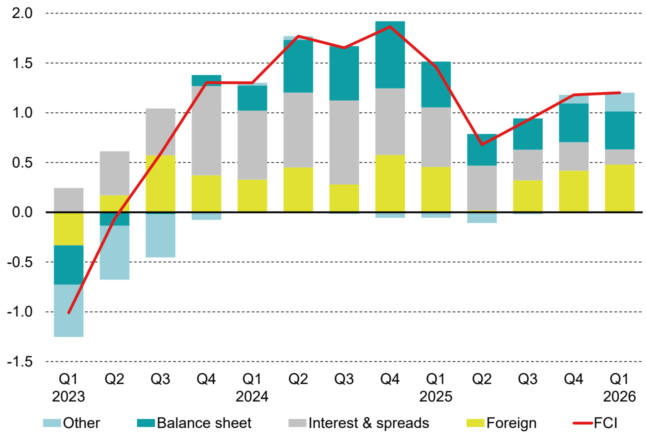
Financial conditions remain loose[2]

In the first quarter of 2026, 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).

This was due to more favourable foreign factors, arising from a more positive contribution from euro area equity prices. Compared to the previous quarter, the contribution of domestic factors was marginally less positive. While the contribution from sovereign spreads (part of the 'interest and spread' component), turned negative during the quarter, this was mostly offset through a more positive contribution from NFC security issues (part of the 'other' component).

Compared with the first quarter of 2025, financial conditions were less favourable. This shift is driven by lower contributions from the deposit interest rate, the lending-to-policy rate spread and the sovereign spread (all part of the 'interest and spread' component).

Chart 6.1
CONTRIBUTIONS TO THE FCI
(contributions to the index)



Source: Central Bank of Malta estimates.

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1 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.

2 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.

Maltese residents' deposits increase at an unchanged pace

In the year to March, total deposits held by Maltese residents with MFIs in Malta increased at an unchanged rate of 7.5% when compared with December 2025 (see Table 6.1). Growth continued to be driven by overnight deposits, which is the largest component of Maltese residents' deposits.

The annual rate of change of Maltese residents' overnight deposits, which are the most liquid component, grew by 10.5%, up from 10.1% in December. Balances held by NFCs increased at a faster pace unlike those belonging to households, which grew at a marginally slower rate. Overnight deposits contributed 8.8 percentage points to overall growth in deposits.

Deposits with an agreed maturity of up to two years, decreased by 10.7% in annual terms, following a 6.9% decline in December, and shed 1.3 percentage points to overall growth.

Deposits with an agreed maturity of up to three months declined after having increased (from a low base) in the previous quarter. Their contribution to overall growth was zero.

Meanwhile, deposits classified outside M3, which are mainly composed of deposits with agreed maturity of over two years, continued to decrease, falling by 0.3% during the year to March, following a year-on-year decline of 0.9% recorded in December. Their contribution to overall growth was also zero.

Table 6.1
DEPOSITS OF MALTESE RESIDENTS

	EUR millions	Annual percentage changes				
	2026	2025				2026
	Mar.	Mar.	June	Sep.	Dec.	Mar.
Overnight deposits	**23,777**	**6.2**	**8.2**	**10.8**	**10.1**	**10.5**
of which						
Households	17,314	7.6	9.6	11.7	12.7	12.5
NFCs	3,896	7.0	9.6	6.8	5.7	9.6
Deposits redeemable at notice of up to three months	**76**	**-10.6**	**-3.7**	**-9.4**	**3.0**	**-0.7**
of which						
Households	2	2,039.6	878.4	23.3	-96.9	-79.8
NFCs	46	-34.0	-18.4	-13.1	-9.1	4.9
Deposits with an agreed maturity of up to two years	**2,830**	**24.6**	**9.9**	**-3.0**	**-6.9**	**-10.7**
of which						
Households	2,074	21.4	7.6	-5.7	-11.0	-13.9
NFCs	324	35.5	8.4	-11.5	-21.7	-18.3
Deposits outside M3[1]	**974**	**-1.8**	**-1.9**	**-4.3**	**-0.9**	**-0.3**
of which						
Households	838	-1.2	-1.1	-2.2	-0.1	-4.1
NFCs	20	-15.9	-11.2	-52.8	-35.7	-32.9
Total residents deposits[2]	**27,656**	**7.8**	**7.9**	**8.4**	**7.5**	**7.5**
of which						
Households	20,228	8.8	8.8	8.7	8.9	8.3
NFCs	4,286	8.3	8.9	4.4	2.9	6.5

Source: Central Bank of Malta.

[1] Deposits outside M3 include deposits redeemable at notice of more than three months and deposits with an agreed maturity of over two years.

[2] Total residents deposits exclude deposits belonging to central Government.

Credit to residents grows at a slower rate

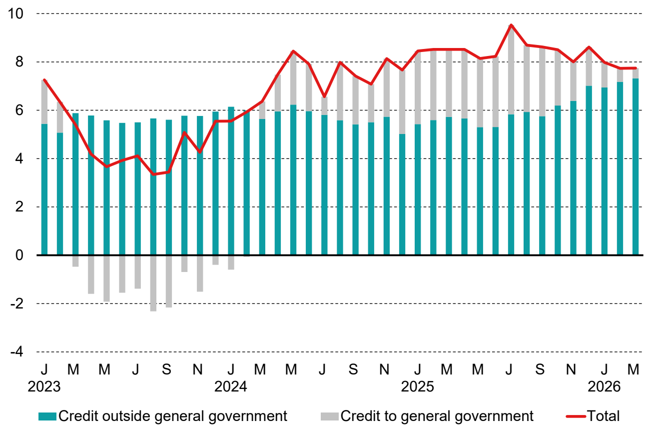
The annual rate of change of credit to Maltese residents slowed down to 7.7% in March from 8.6% three months earlier. This was driven by slower growth in lending to general government (see Table 6.2 and Chart 6.2).

Credit to general government grew annually by 1.7% in March, after increasing by 6.4% in December, due to slower growth in MFI holdings of government stocks.

The annual growth of credit to residents outside general government increased to 9.8% in March, from 9.4% three months earlier. This mainly reflected a faster increase in loans to the private sector.

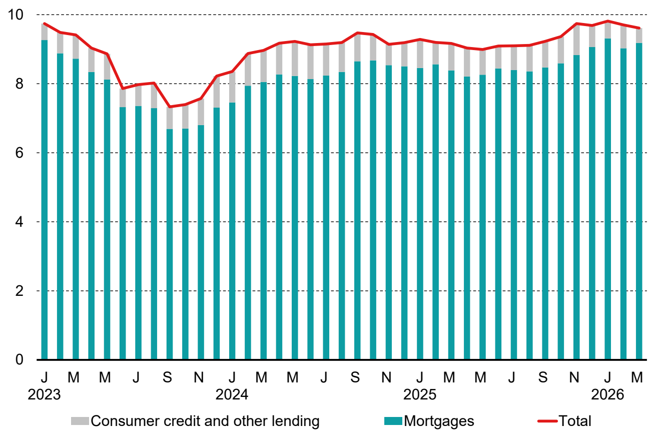
Annual growth in loans to households increased by 9.6%, marginally lower than the rate of 9.7%, three months earlier (see Chart 6.3). This was driven

Chart 6.2
CONTRIBUTIONS TO GROWTH IN CREDIT TO MALTESE RESIDENTS
(percentage points; annual percentage change)



Source: Central Bank of Malta.

Chart 6.3
CONTRIBUTIONS TO GROWTH IN LOANS TO HOUSEHOLDS
(percentage points; annual percentage change)



Source: Central Bank of Malta.

Table 6.2
MFI CREDIT TO MALTESE RESIDENTS

	EUR millions	Annual percentage changes				
	2026	2025				2026
	Mar.	Mar.	June	Sep.	Dec.	Mar.
Credit to general government	**5,485**	**11.3**	**12.0**	**11.9**	**6.4**	**1.7**
Credit to residents outside general government	**17,530**	**7.6**	**7.0**	**7.6**	**9.4**	**9.8**
Securities and equity	273	-4.8	-8.2	-6.0	-6.1	-6.4
Loans	17,257	7.9	7.3	7.8	9.7	10.1
of which:						
Loans to households	10,240	9.2	9.1	9.2	9.7	9.6
Mortgages	9,481	9.1	9.2	9.2	9.8	10.0
Consumer credit and other lending	758	10.2	8.4	9.8	8.1	5.5
Loans to NFCs[1]	5,874	4.7	3.7	6.7	11.6	13.6
Total credit to residents	**23,015**	**8.5**	**8.2**	**8.6**	**8.6**	**7.7**

Source: Central Bank of Malta.
[1] NFCs include sole proprietors and non-profit institutions serving households (NPISH).

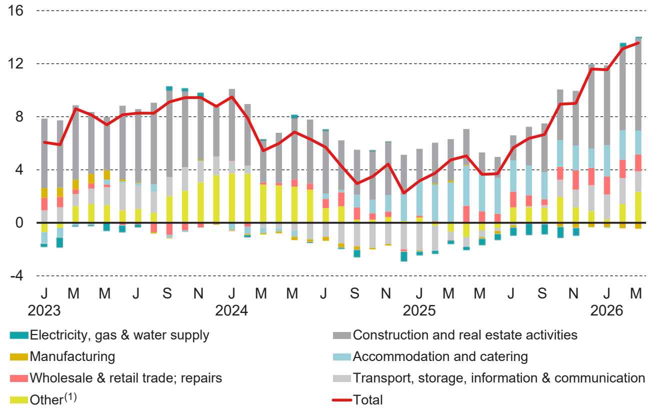
by slower growth in consumer credit and other lending. On the other hand, mortgage lending grew at a faster pace.

Meanwhile loans to NFCs grew at an annual rate of 13.6%, following an 11.6% increase in the year to December.

Sectoral data show that in absolute terms, the increase in loans to NFCs compared to the previous quarter, was largely driven by increased lending to the sector comprising accommodation and food services activities and the construction and real estate sector (see Chart 6.4). Higher lending was also reported in the trade and vehicle repair sector and the energy sector. These increases more than offset a decline in credit to the manufacturing sector.

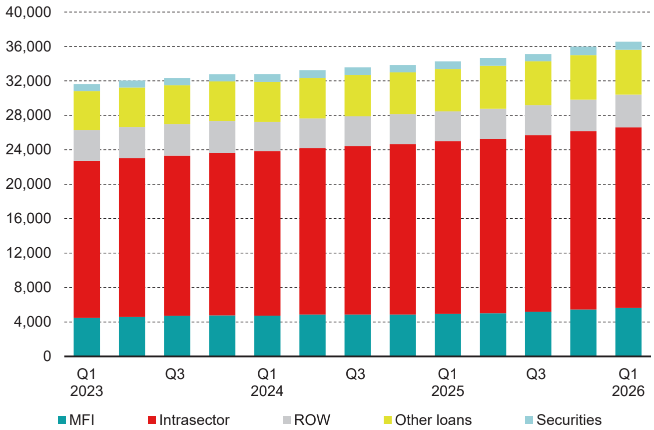
Financial accounts data show that the share of bank lending in total NFC debt in March 2026, increased to 15.4%, compared to 15.1% in December and 14.4% a year earlier (see Chart 6.5).

Chart 6.4
LOANS TO NFCs BY SECTOR
(percentage points; annual percentage change)



Source: Central Bank of Malta.
(1) Mainly includes entertainment, health, education, professional services, and administration.

Chart 6.5
NFC DEBT BY SOURCE
(end-of-period stocks in EUR millions)



Source: Financial Accounts.

The share of intra-sectoral lending in total NFC debt decreased to 57.3%, compared to 57.6% in the fourth quarter of 2025. Nonetheless, this component continued to account for most of NFCs external financing.

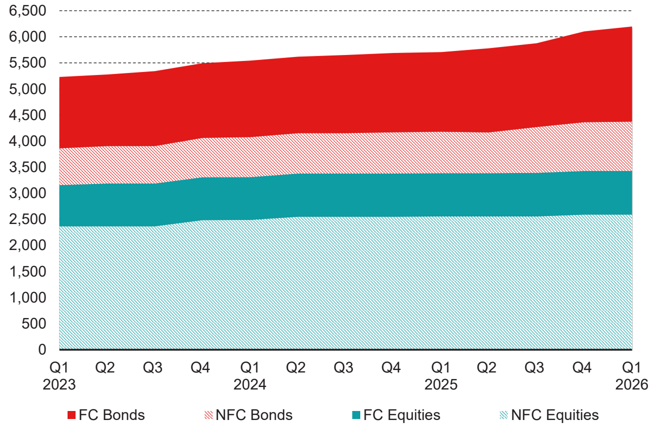
The share of debt financing sourced from non-residents increased to 10.4%, compared to 10.2% recorded in the previous quarter and a year earlier. Meanwhile, the share of 'other loans' decreased marginally to 14.3% during the first quarter of 2026, compared to 14.4% in the previous quarter. This component largely reflects loans from financial institutions other than MFIs and households.

The share of securities moderated during the first quarter, decreasing to 2.6%, form 2.7% recorded three months earlier.

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

By March 2026, around €2,769.4 million in outstanding corporate debt securities were listed on the MSE, 19.3% higher than the amount listed a year earlier (see Chart 6.6).[3] 65.8% of this amount was issued by financial entities other than credit institutions.

Chart 6.6
OUTSTANDING SECURITIES OF NFCs AND FCs LISTED ON MSE
(EUR millions outstanding as at end-period)



Sources: MSE; Central Bank of Malta estimates.

Meanwhile, the outstanding amount of equity listed by NFCs and FCs on the MSE increased by 1.3% in annual terms, to reach €3,427.6 million. Over three fourths of this volume was issued by NFCs, with FCs playing a secondary role. The increase over the year to March, was mostly driven by NFCs that operated within the information technology sector. The total outstanding listed equity as of March 2026, exceeded that of bonds by 23.8%.[4]

Spread between deposit and lending rate on outstanding amounts widens

The weighted average deposit rate on outstanding balances belonging to households and NFCs decreased by 13 basis points over the year to March, to 0.25% (see Table 6.3). This was primarily driven by lower rates on 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 rose by just around one basis point to 3.31%. This marginal increase reflected higher rates charged to NFCs.

The spread between the weighted average lending rate and the deposit rate on outstanding balances ended March at 306 basis points, above the spread of 292 points recorded a year earlier.

Compared with the fourth quarter of 2025, interest rates on outstanding deposits with MFIs decreased by three basis points, as did the rate on outstanding loans. As a result, the spread between the two rates was unchanged.

During the year to March, the deposit rate offered on new balances held by households and NFCs in Malta decreased, while the lending rate increased. These closed the quarter at 2.09%, and 3.46%, respectively.

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[3] 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 6.6 are based on the official MSE list and thus exclude securities listed through Prospects. Chart 6.6 includes data on NFCs and FCs other than MFIs.

[4] Apart from the official MSE platform, small and medium-sized enterprises (SMEs) can also obtain finance through the specifically-geared platform – Prospects.

Table 6.3
INTEREST RATES ON DEPOSITS AND LOANS
Percentages per annum to residents of Malta; weighted average rates as at end of period

	2023 Mar.	2024 Mar.	2025 Mar.	2025 June	Sep.	Dec.	2026 Mar.
Total deposits[(1)]	**0.19**	**0.35**	**0.37**	**0.33**	**0.30**	**0.27**	**0.25**
of which							
Overnight deposits							
Households	0.03	0.05	0.05	0.05	0.05	0.05	0.05
NFCs	0.07	0.10	0.08	0.03	0.03	0.03	0.03
Savings deposits redeemable at notice							
Households	0.16	0.31	0.16	0.22	0.25	0.27	0.58
NFCs	0.06	0.74	0.30	0.32	0.22	0.22	0.24
Time deposits (less than two years)							
Households	0.95	2.05	2.04	1.87	1.72	1.64	1.43
NFCs	0.95	2.28	1.79	1.50	1.47	1.35	1.25
Time deposits (more than two years)							
Households	1.73	1.82	2.11	2.12	2.16	2.08	2.09
NFCs	1.49	1.83	1.84	1.88	2.56	2.83	2.93
Total loans[(1)]	**3.41**	**3.52**	**3.29**	**3.30**	**3.36**	**3.34**	**3.31**
of which							
Households and NPISH	2.84	2.82	2.72	2.70	2.77	2.75	2.69
NFCs	4.46	4.83	4.41	4.49	4.53	4.45	4.46
Spread[(2)]	**3.21**	**3.16**	**2.92**	**2.98**	**3.07**	**3.06**	**3.06**
Memo Item: ECB's deposit facility rate	3.00	4.00	2.50	2.00	2.00	2.00	2.00

Source: Central Bank of Malta.
[(1)] Annualised agreed rates on outstanding euro-denominated amounts belonging to households (incl. NPISH) and NFCs.
[(2)] Difference between composite lending rate and composite deposit rate.

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

Results from the April BLS show that credit standards, terms and conditions on loans to NFCs in Malta were unchanged in the first quarter of 2026. Credit standards were also expected to remain unchanged in the second quarter. Furthermore, half of the surveyed banks saw an increase in demand for this type of credit while surveyed banks were not expecting any changes in the second quarter.

Credit standards for house purchases and consumer credit and other lending were also unchanged and were expected to remain so in the second quarter. Terms and conditions for these credit categories were also generally unchanged during the first quarter of 2026. Demand for mortgages and consumer credit and other lending was unchanged, with no changes expected in the following quarter either.

The money market

During the first quarter of 2026, the Government issued €458.7 million in Treasury bills, €255.1 million less than the amount issued in the fourth quarter of 2025 but €56.9 million more compared with the amount issued a year earlier.

In the domestic primary market, the yield on three-month Treasury bills declined to 2.05% by the end of March, from 2.10% at end-December.

The capital market

There were no new MGS issues in the first quarter of 2026.

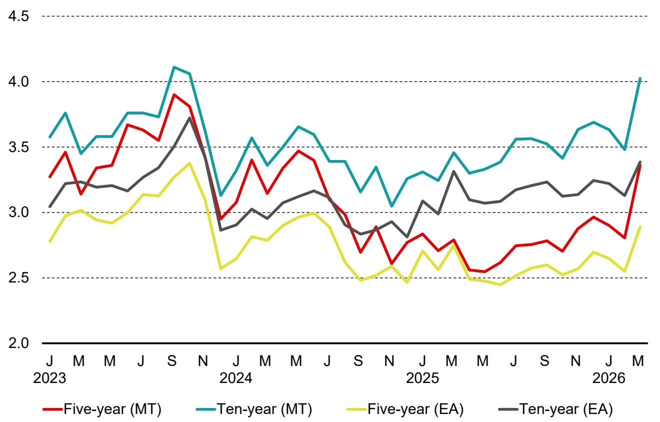
Four institutions launched new bond issues on the MSE, totalling €140.8 million. These included €70.0 million in secured bonds and €70.8 million in unsecured bonds.

By the end of March, 15 firms had bonds that were listed on the MSE through Prospects, two less compared with three months earlier.[5]

In the secondary market, turnover in government bonds decreased to €32.6 million, from €58.3 million in the fourth quarter of 2025. On the other hand, turnover in corporate bonds more than doubled, increasing to €42.2 million from €20.3 million, previously.

The yield on five-year Government bonds rose to 3.36% at the end of March, from 2.97% three months earlier (see Chart 6.7). The yield on ten-year bonds also increased, to reach 4.03% from 3.69% in December. Meanwhile, the euro area benchmark yield on five-year bonds reached 2.89% from 2.70%, while the ten-year rate rose to 3.39% from 3.24%. As the increase in the domestic ten-year yield was larger than that in the euro area benchmark, the spread between the two widened to 64 basis points in March from 44 basis points in December.

Chart 6.7
GOVERNMENT BOND YIELDS
(percentages per annum; end of month)



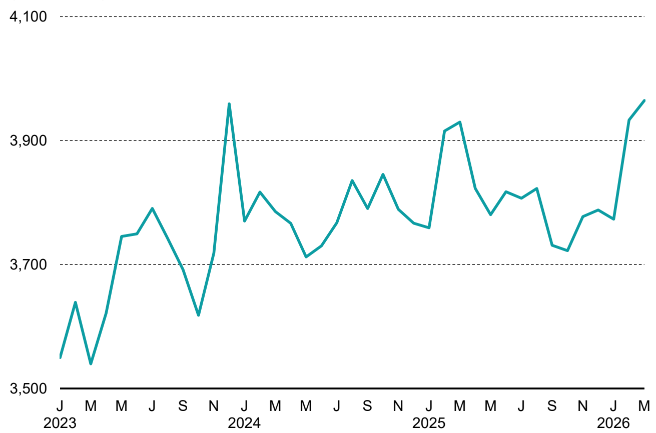
Sources: Central Bank of Malta; ECB.

MSE Equity Price Index rose during the quarter

Share prices in Malta rose during the first quarter of 2026. The MSE Equity Price Index ended the quarter 4.7% above its level at end-December and was also 0.9% above its reading a year earlier (see Chart 6.8). The MSE Equity Total Return Index, which accounts for changes in equity prices and dividends, rose by 5.1% since end-December and gained 6.1% compared with a year earlier.

Equity turnover increased to €23.4 million during the first quarter of 2026, from €11.7 million in the previous quarter.

Chart 6.8
MSE EQUITY PRICE INDEX
(end of month)



Source: MSE.

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