6. MONETARY AND FINANCIAL DEVELOPMENTS

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

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

The weighted average interest rate on outstanding deposits stood below its respective level a year earlier. The rate for outstanding loans remained unchanged. The spread between the two rates thus widened over this period.

In June, the primary market yield on Treasury bills rose from that prevailing three months earlier. On the other hand, domestic secondary market yields on five and ten-year MGS declined. As domestic ten-year yields declined while the yield on the euro area benchmark increased, the spread between the two narrowed. The Malta Stock Exchange (MSE) Equity Price Index increased between March and June and was also higher compared with a year earlier.

Monetary and financial conditions

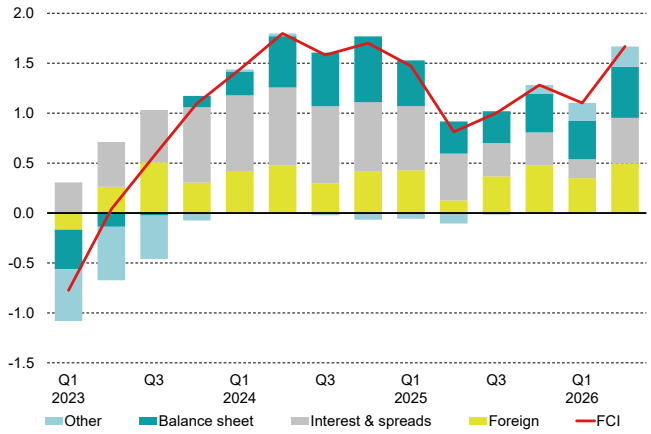
Financial conditions remain loose[2]

In the second quarter of 2026, the Bank's FCI continued to signal loose financial conditions from a historical perspective. Compared with the previous quarter, conditions were more favourable (see Chart 6.1).

Domestic factors had a more positive contribution compared to the previous quarter, mainly reflecting a more positive contribution from sovereign spreads (part of the 'interest and spread' component). Foreign factors also suggested more favourable conditions, owing to a more positive contribution from euro area equity prices and lower uncertainty.

Compared with the second quarter of 2025, financial conditions were also more favourable. This shift is driven by more positive contributions from NFC

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



Source: Central Bank of Malta estimates.

[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.

securities issuance and real credit (part of the 'other' and 'balance sheet' components, respectively).

Maltese residents' deposits increase at a slightly faster pace

In the year to June, total deposits held by Maltese residents with MFIs in Malta increased by 7.7% in June, from 7.5% in March (see Table 6.1). The slight acceleration in growth was mainly driven by deposits with an agreed maturity of up to two years, which declined at a much slower pace and offset lower growth in overnight deposits.

The annual rate of change of Maltese residents' overnight deposits, which are the most liquid component, grew by 9.8%, down from 10.5% three months earlier. Balances held by households increased at a slower pace unlike those belonging to NFCs. Overnight deposits contributed 8.3 percentage points to overall growth in deposits.

Deposits with an agreed maturity of up to two years, decreased by 3.5% in annual terms, following a 10.5% decline in March, and shed 0.4 percentage points to overall growth.

Table 6.1
DEPOSITS OF MALTESE RESIDENTS

	EUR millions	Annual percentage changes				
	2026	2025			2026	
	June	June	Sep.	Dec.	Mar.	June
Overnight deposits	**24,152**	**8.2**	**10.8**	**10.1**	**10.5**	**9.8**
of which						
Households	17,503	9.6	11.7	12.7	12.5	10.5
NFCs	4,137	9.6	6.8	5.7	9.6	14.6
Deposits redeemable at notice of up to three months	**83**	**-3.7**	**-9.4**	**3.0**	**-0.7**	**9.2**
of which						
Households	2	878.4	23.3	-96.9	-79.8	-31.4
NFCs	52	-18.4	-13.1	-9.1	4.9	4.4
Deposits with an agreed maturity of up to two years	**2,889**	**9.9**	**-3.0**	**-6.9**	**-10.5**	**-3.5**
of which						
Households	2,202	7.6	-5.7	-11.0	-13.9	-3.6
NFCs	263	8.4	-11.5	-21.7	-18.3	-23.6
Deposits outside M3[(1)]	**940**	**-1.9**	**-4.3**	**-0.9**	**-1.1**	**-5.3**
of which						
Households	813	-1.1	-2.2	-0.1	-4.1	-8.8
NFCs	19	-11.2	-52.8	-35.7	-32.9	-36.3
Total residents deposits[(2)]	**28,064**	**7.9**	**8.4**	**7.5**	**7.5**	**7.7**
of which						
Households	20,519	8.8	8.7	8.9	8.3	7.9
NFCs	4,471	8.9	4.4	2.9	6.5	10.9

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.

Deposits with an agreed maturity of up to three months increased after having somewhat declined in the previous quarter. Their contribution to overall growth remained zero.

Meanwhile, deposits classified outside M3, which are mainly composed of deposits with agreed maturity of over two years, continued to decrease, falling by 5.3% during the year to June, following a year-on-year decline of 1.1% recorded in March. They shed 0.2 percentage points to overall growth.

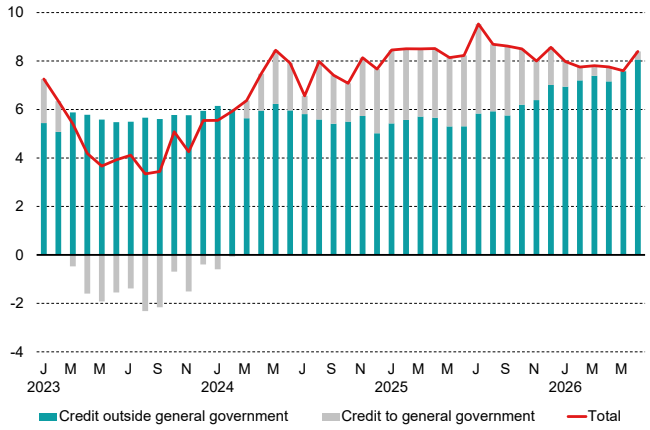
Credit to residents grows at a faster rate

The annual rate of change of credit to Maltese residents accelerated to 8.4% in June from 7.8% three months earlier. This was driven by faster growth in lending to residents outside general government (see Table 6.2 and Chart 6.2).

Credit to general government grew annually by 1.3% in June, after increasing by 1.6% in March, due to slower growth in MFI holdings of Treasury bills.

The annual growth of credit to residents outside general government increased to 10.8% in June, from 9.9% three months earlier. This mainly reflected a faster increase in loans to the private sector.

Chart 6.2
CONTRIBUTIONS TO GROWTH IN CREDIT TO MALTESE RESIDENTS
(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	
	June	June	Sep.	Dec.	Mar.	June
Credit to general government	**5,535**	**12.0**	**11.9**	**6.2**	**1.6**	**1.3**
Credit to residents outside general government	**18,004**	**7.0**	**7.6**	**9.4**	**9.9**	**10.8**
Securities and equity	281	-8.2	-6.0	-6.2	-6.4	0.5
Loans	17,723	7.3	7.8	9.7	10.2	11.0
of which:						
Loans to households	10,478	9.1	9.2	9.6	9.7	9.9
Mortgages	9,699	9.2	9.2	9.8	10.0	10.2
Consumer credit and other lending	779	8.4	9.8	6.9	5.9	6.2
Loans to NFCs[(1)]	6,032	3.7	6.7	11.8	13.7	14.4
Total credit to residents	**23,539**	**8.2**	**8.6**	**8.6**	**7.8**	**8.4**

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

Annual growth in loans to households increased by 9.9%, from 9.7% in June (see Chart 6.3). This was driven by faster growth in both mortgage lending and consumer credit and other lending.

Meanwhile loans to NFCs grew at an annual rate of 14.4%, following a 13.7% increase in the year to March.

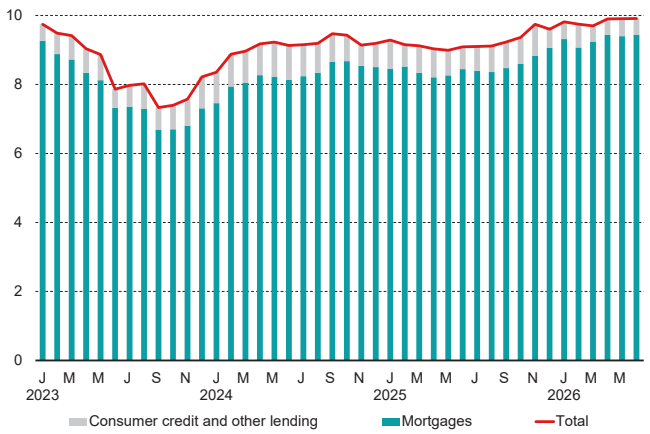
Sectoral data show that in absolute terms, the increase in loans to NFCs compared to the previous quarter, was largely driven by higher lending to the sector comprising construction and real estate and the trade and vehicle repair sector (see Chart 6.4). Higher lending was also reported in the accommodation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

Financial accounts data show that the share of bank lending in total NFC debt was unchanged at 13.6% in June 2026 compared with March, but was higher than a year earlier, when it stood at 12.9% (see Chart 6.5).

The share of intra-sectoral lending in total NFC debt edged up to 60.9% from 60.8% in the first quarter of 2026. This component thus continued to account for the bulk of NFCs' external financing.

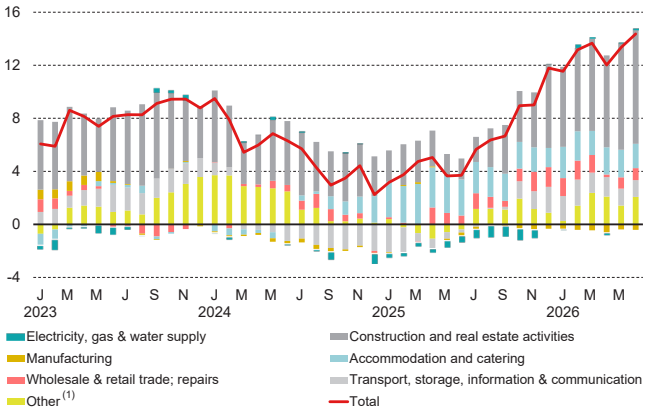
The remaining components were also stable, with the share of 'other loans' (largely from

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



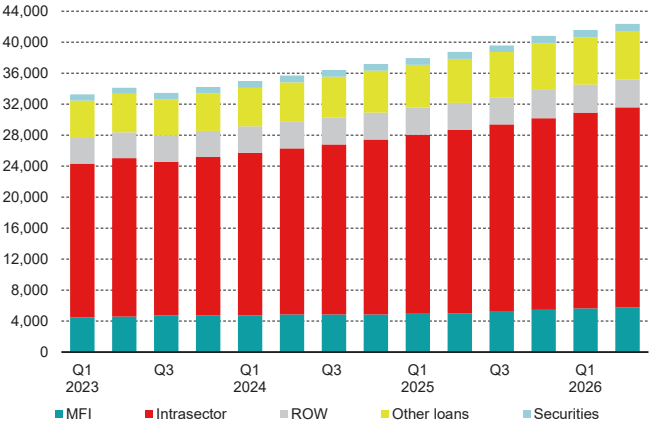
Source: Central Bank of Malta.

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)



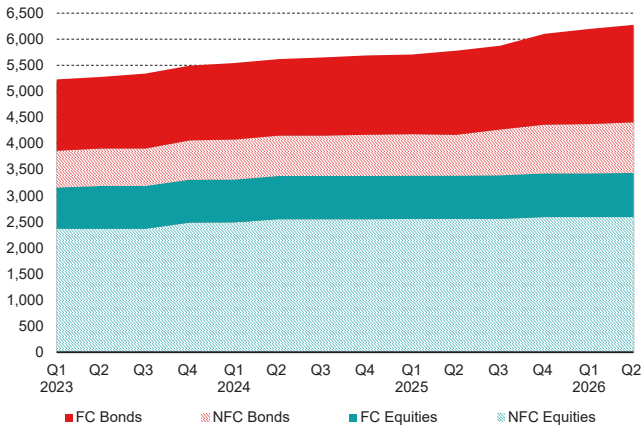
Source: Financial Accounts.

non-MFIs and households) at 14.7% and that of securities at 2.2%.

Stock of listed securities of NFCs and financial corporations' (FC) increases

By June 2026, around €2,838.7 million in outstanding corporate debt securities were listed on the MSE, 18.5% 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 FC on the MSE increased by 1.5% in annual terms, to reach €3.436.4 million. Over three fourths of this volume was issued by NFCs, with FC playing a secondary role. The total outstanding listed equity as of June 2026, exceeded that of bonds by 21.1%.[4]

Spread between rates on outstanding deposit and lending balances widens

The weighted average deposit rate on outstanding balances belonging to households and NFCs decreased by six basis points over the year to June, to 0.27% (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 on outstanding loans was unchanged at 3.31%.

The spread between the weighted average lending rate and the deposit rate on outstanding balances ended June at 303 basis points, above the spread of 299 points recorded a year earlier.

Compared with the first quarter of 2026, interest rates on outstanding deposits with MFIs fell marginally, as did the rate on outstanding loans. As a result, the spread between the two narrowed slightly.

During the year to June, 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 1.88%, and 3.90%, respectively.

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

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

[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 FC 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	2024	2025	2025		2026	
	June	June	June	Sep.	Dec.	Mar.	June
Total deposits[1]	**0.24**	**0.37**	**0.33**	**0.30**	**0.27**	**0.28**	**0.27**
of which							
Overnight deposits							
Households	0.04	0.05	0.05	0.05	0.05	0.06	0.05
NFCs	0.07	0.12	0.03	0.03	0.03	0.03	0.04
Savings deposits redeemable at notice							
Households	0.15	0.30	0.22	0.25	0.27	0.63	0.68
NFCs	0.72	0.60	0.32	0.22	0.22	0.93	0.86
Time deposits (less than two years)							
Households	1.32	2.07	1.87	1.72	1.64	1.66	1.64
NFCs	1.15	1.80	1.50	1.47	1.35	1.44	1.56
Time deposits (more than two years)							
Households	1.76	1.89	2.12	2.16	2.08	2.25	2.33
NFCs	1.26	1.38	1.88	2.56	2.83	2.93	2.62
Total loans[1]	**3.58**	**3.51**	**3.31**	**3.36**	**3.34**	**3.32**	**3.31**
of which							
Households and NPISH	2.90	2.81	2.70	2.77	2.75	2.71	2.69
NFCs	4.87	4.81	4.52	4.53	4.45	4.46	4.46
Spread[2]	**3.34**	**3.14**	**2.99**	**3.07**	**3.06**	**3.04**	**3.03**
Memo Item: ECB's deposit facility rate	3.50	3.75	2.00	2.00	2.00	2.00	2.25

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.

Credit standards for house purchases and consumer credit and other lending were generally unchanged and were expected to remain so in the third quarter. Terms and conditions for these credit categories were also mostly unchanged during the second 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 second quarter of 2026, the Government issued €637.8 million in Treasury bills, €179.1 million more than the amount issued in the first quarter and €74.5 million more compared with the amount issued a year earlier.

In the domestic primary market, the yield on three-month Treasury bills rose to 2.27% by the end of June, from 2.05% at end-March.

The capital market

During the second quarter of 2026, the Government issued two new MGS with a total value of €499.3 million.

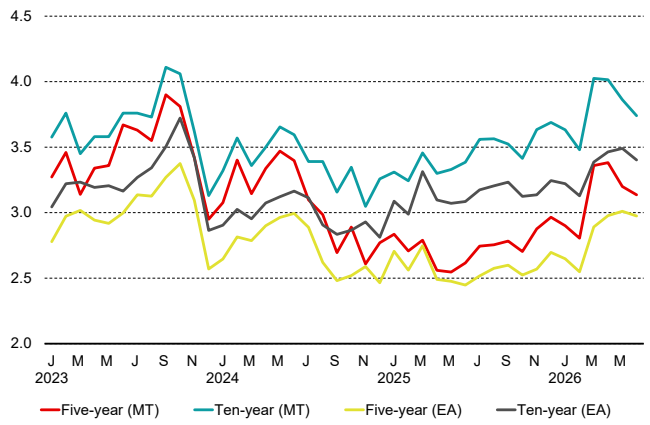
Five institutions launched new bond issues on the MSE, totalling €120.7 million. These included €63.7 million in secured bonds and €57.0 million in unsecured bonds.

By the end of June, 14 firms had bonds that were listed on the MSE through Prospects, one less compared with three months earlier.[5]

In the secondary market, turnover in government bonds increased to €57.2 million, from €32.6 million in the first quarter of 2026. On the other hand, turnover in corporate bonds was largely unchanged, standing at €42.9 million from €42.2 million, previously.

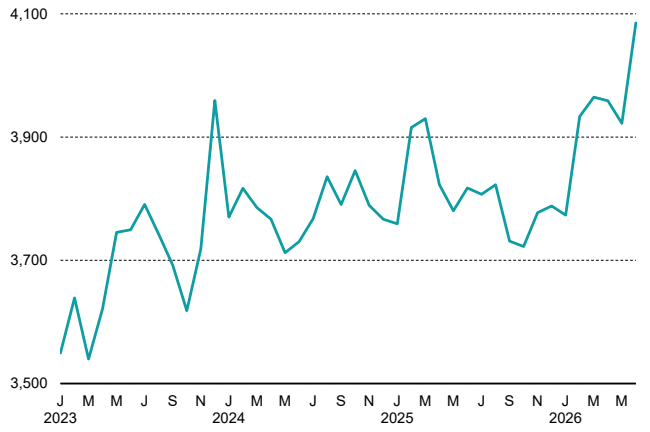
The yield on five-year Government bonds declined to 3.14% at the end of June, from 3.36% three months earlier (see Chart 6.7). The yield on ten-year bonds also decreased, to reach 3.74% from 4.03% in March. Meanwhile, the euro area benchmark yield on five-year bonds reached 2.98% from 2.89%, while the ten-year rate rose marginally to 3.40% from 3.39%. As domestic ten-year yields declined while the yield on the euro area benchmark increased, the spread between the two narrowed to 34 basis points in June from 64 basis points in March.

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



Sources: Central Bank of Malta; ECB.

Chart 6.8
MSE EQUITY PRICE INDEX
(end of month)



Source: MSE.

MSE Equity Price Index rose during the quarter

Share prices in Malta rose during the second quarter of 2026. The MSE Equity Price Index ended the quarter 3.0% above its level at end-March and was also 7.0% above its reading a year earlier (see Chart 6.8). The MSE Equity Total Return Index, which accounts for changes in

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

equity prices and dividends, rose by 5.9% since end-March and gained 12.6% compared with a year earlier.

Equity turnover decreased to €17.4 million during the second quarter of 2026, from €23.4 million in the previous quarter.