



GOVERNMENT OF MALTA
MINISTRY FOR FINANCE
ECONOMIC POLICY DEPARTMENT

Economic Survey

October 2024

28th October, 2024

CIP Data

Economic Survey October 2024 / Economic Policy Department -
Valletta : Ministry for Finance, 2024.

ISBN: 978-99957-58-84-2

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Printed at the Government Press

Price: **€5.00**

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Section	Description
A	Agriculture, forestry and fishing
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D	Electricity, gas, steam and air conditioning supply
E	Water supply, sewerage, waste management and remediation activities
F	Construction
G	Wholesale and retail trade; repair of motor vehicles and motorcycles
I	Accommodation and food service activities
H	Transportation and storage
J	Information and communication
K	Financial and insurance activities
L	Real estate activities
M	Professional, scientific and technical activities
N	Administrative and support service activities
O	Public Administration and defence; compulsory social security
P	Education
Q	Human health and social work activities
R	Arts, entertainment and recreation
S	Other service activities
T	Activities of households as employers; undifferentiated goods-and services-producing activities of households for own use
U	Activities of extraterritorial organisations and bodies

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Executive Summary

The global economy defied expectations of a recession during 2023, although renewed geopolitical tensions and tight financial conditions led to elevated uncertainty. During the first months of 2024, global economic activity was relatively stable, with mild growth resurfacing in Europe following a period of stagnation. Nevertheless, the European manufacturing sector continued to struggle due to the lingering impact from high interest rates and the post-pandemic pullback in goods demand. Global economic growth is projected to be lower compared to historical standards, with only modest growth in Malta's main trading partners. Global economic activity is then expected to gradually strengthen in 2025, in line with easing financial conditions as inflation converges towards normal levels.

Over the past years, the Maltese economy experienced remarkable economic growth, leading to a rapid convergence in per capita income levels, surpassing the European Union (EU) average. Coupled with a strong labour market, this comes on the back of sustained increases in productivity, enabled by the development of high value-added industries. Consequently, the rise in per capita income levels was accompanied by higher productivity growth, leading to a constant closure of the productivity gap with the EU. However, absolute productivity levels remain lower than the EU average, suggesting further scope for productivity improvements going forward to achieve sustainable economic growth.

The Maltese economy maintained its positive performance during the first half of 2024, proving relatively resilient, amidst a weak external environment. During the first half of 2024, the Maltese economy expanded by 9.6 per cent in nominal terms, and 5.9 per cent in real terms. Domestic demand emerged as the principal driver of growth, propelled by a strong labour market and easing inflation, which contributed to the partial recovery in households' purchasing power. Export activity also contributed positively, bolstered by the strong

performance in the tourism sector, where inbound tourists surpassed 2.4 million between January and August 2024, significantly exceeding expectations. From a sectoral level, growth was predominantly driven by the Services sector, further reinforcing itself as the main source of growth in the Maltese economy. Positive performances were recorded across most sectors, most notably in Real estate, Financial and insurance activities, Construction, and Professional and administrative services. While the global Manufacturing sector experienced a downturn over the past year, the Manufacturing sector in Malta maintained strong growth, albeit mostly driven by domestically oriented manufacturing.

Global inflationary pressures have largely abated, as global commodity prices continued to broadly decline from the peaks observed at the height of the war in Ukraine. At the same time, while supply chain bottlenecks have normalised, new risks emerged centred around geopolitical tensions, as evidenced by the rise in freight costs following disruptions in main shipping lines. In Malta, the harmonised index of consumer prices (HICP) inflation rate reached 2.1 per cent during September, while the twelve-month moving average stood at 3.1 per cent. This indicates that inflation has been declining gradually over the past year, moving close with the EU average. The disinflationary process has been particularly driven by a decline in services inflation in 2023, as well as lower food inflation during the first months of 2024 in line with the decline in global commodity prices.

At the end of 2023, the Maltese population stood at 563,443 individuals, a 33.7 per cent increase when compared to 2012. This growth was largely driven by net migration which amounted to 20,960 individuals in 2023. In terms of employment, activity rates exceeded 80.0 per cent of the working population during this year. The highest employment rate was registered for those aged between 25-54, while the 15-24 age group saw the highest increase in a twelve-month period, according to statistics published for the second quarter of 2024. This increase reversed the trend experienced a year prior where this age cohort registered a decline in its employment rate. Unemployment remained at historically low rates, which is roughly half of the average of the EU Member States.

In the twelve-month period ending April 2024, Malta's full-time employment in the private sector increased by 7.3 per cent, continuing the post-pandemic labour supply recovery. This growth is attributed to the Construction and Manufacturing sectors in direct production and the Accommodation and food services activities and Administrative and support service activities in services employment. The highest share of Maltese employees was registered in the Public administration and defence, compulsory social security sector and the Wholesale and retail trade sector.

Malta's average equivalised household income has shown steady growth, narrowing the gap with the EU27 average. However, income inequality, as measured by the income quintile share (S80/S20) ratio and the Gini coefficient, has increased, remaining higher than the EU average. Despite this, Malta's poverty indicators, including the at risk of poverty and social exclusion (AROPE) rate, shows slight improvement, aided by effective social transfers. Both Severe Material and Social Deprivation (SMSD) and Low Work Intensity (LWI) rates have decreased compared to the rates in 2022, remaining below EU averages. This shows Malta's resilience in addressing poverty and social exclusion relative to other EU countries.

When comparing data from 2022 to 2012, Malta achieved absolute decoupling, with greenhouse gas (GHG) emissions dropping by 23.1 per cent while Gross Domestic Product (GDP) per capita increased by 48.1 per cent. This progress was primarily due to the Government's investments in the energy sector between 2015 and 2016 and further supported by lower emissions due to COVID-19 disruptions in the aviation sector. Conversely, emissions from waste management and domestic fuel combustion increased by 10.4 per cent and 14.7 per cent, respectively in 2022 compared to 2018. Between 2012 and 2022, the share of renewable energy in final consumption rose by 4.1 percentage points. In 2022, road transport remained the largest energy-consuming sector, accounting for 39.3 per cent of total final energy consumption. Energy taxes in 2022 were mostly derived from transport-related energy products, especially petrol and diesel, which made up 75.1 per cent of total energy taxes. Annual road tax collections accounted for about 70.6 per cent of total transport taxes, which are distinct from energy (fuel) taxes. Although pollution taxes represent the smallest

category, they nearly doubled since 2014, representing 11.1 per cent of total environmental taxes in 2022.

In 2023, Malta's total imports amounted to €8,719.2 million, while total exports reached €4,586.5 million, both marking declines compared to 2022 by 8.9 per cent and 2.8 per cent, respectively. The trade deficit improved to €4,132.7 million, primarily due to a reduction in capital goods imports. In the first eight months of 2024, exports increased by 11.3 per cent, while imports grew by 1.4 per cent, contributing to a trade deficit of €2,879.3 million. The export rise of €322.5 million was driven by increased exports of fuels and lubricants, while imports grew by €81.2 million due to higher fuel and industrial supplies. Excluding volatile transactions, imports fell by €15.3 million, while exports decreased by €33.7 million, primarily due to declines in electrical machinery and seafood. Malta continues to maintain a significant trade deficit with EU countries, particularly Italy, Spain, and France.

Malta's current account balance registered an improvement during the first half of 2024, increasing to a surplus of 5.5 per cent of GDP compared to 3.9 per cent in 2023. This improvement was largely driven by higher exports of services, particularly in travel and financial services, which helped offset the goods deficit. Malta continues to rely heavily on service exports, which are crucial to maintaining a positive current account balance, as the country remains a net importer of goods. The services surplus, particularly in travel and cultural services, has been a key factor in bolstering the current account. The capital account also showed signs of recovery during the first half of 2024, with a rise in capital transfers and disposals of non-financial assets. This growth reflects an increase in foreign investment and a recovery in capital inflows, reversing the downward trend observed in previous years. The improved capital account balance signals a better investment climate and higher foreign investor confidence in Malta's economy. In the financial account, Malta continued to maintain a net lending position, with net lending increasing by 43.2 per cent in the first half of 2024, reaching €1,163.2 million. This positive financial flow was driven by robust portfolio investments and a narrowing of the net borrowing position in financial derivatives. In the first half of 2024, Malta's savings-to-investment gap widened, with savings rising by 1.1 percentage points of GDP, while investment decreased by 0.5 percentage points. This

suggests that domestic savings were once again sufficient to cover investment needs, reducing the need for external borrowing. The savings and investment gap remains a critical factor in Malta's external balance, with sufficient domestic savings ensuring financial stability.

Exchange rate fluctuations played an important role in shaping Malta's trade competitiveness in 2023 and 2024. The euro experienced significant volatility, particularly against the US dollar and the British pound. In 2023, the euro appreciated by 3.6 per cent against the dollar, closing the year at \$1.11. However, in early 2024, the euro depreciated by 2.2 per cent against the dollar before recovering in the second half of the year to \$1.12. Similarly, the euro experienced depreciation against the British pound, reaching £0.84 by September 2024, reflecting stronger economic performance in the UK. Against the Japanese yen, the euro appreciated significantly, reaching a historic high of ¥175.39 in mid-2024, before slightly decreasing later in the year. Despite these fluctuations, Malta's Real Effective Exchange Rate (REER) appreciated by 1.9 per cent in the first half of 2024, indicating that Malta's export competitiveness weakened slightly as its goods became relatively more expensive. Nevertheless, Malta's trade competitiveness remains stronger than the EU average, as the REER remains below the EU's levels, reflecting more favourable cost conditions for Maltese exports. In the first seven months of this year, Maltese monetary financial institutions' (MFIs) increased the Euro Area Broad Money (M3) stock by 2.1 per cent. This positive contribution was driven mainly by an increase in currency issued. Albeit to a lesser extent, overnight deposits and deposits with an agreed maturity of up to two years also contributed positively, outweighing the minimal adverse contribution towards M3 from three-month deposits redeemable at notice. Net claims on non-residents of the Euro Area had a negligible contribution towards M3, while the 'Other counterparts' element contributed negatively. These developments were offset by a strong positive contribution from the credit counterpart. Given the recent interest rate environment, depositors continued to prefer holding more long-term, less liquid deposits.

Between January to July 2024, the credit counterpart balance reached €26,607.5 million, increasing by 5.9 per cent in comparison to the level registered in December 2023. Such development was mainly driven by

positive contributions from credit to both local residents and to other Euro Area residents. In fact, in July 2024, credit to other Euro Area residents reached €6,656.4 million reflecting an increase of 16.2 per cent compared to December 2023, while credit to Maltese residents increased by 2.9 per cent, standing at €19,951.1 million in July 2024.

In recent years, the Maltese Government has adjusted its fiscal policies to cope with global economic shifts and geopolitical factors, focusing on balancing economic growth and fiscal sustainability. Notably, inflationary pressures prompted changes in public spending to sustain economic expansion and stabilise prices.

In 2023, Malta's Consolidated Fund recorded a deficit of €808.0 million, a €76.9 million improvement from the previous year. Recurrent revenue grew by €545.1 million, though this was partially offset by a €468.3 million rise in expenditure. By year-end, central Government debt reached €9,739.9 million, an increase of €909.9 million over 2022. According to the European System of Accounts (ESA 2010), Malta's general Government deficit was €938.9 million, representing 4.5 per cent of GDP. The deficit improved by €15.5 million, despite increased spending. Government revenue, buoyed by strong private consumption and a robust labour market, grew by 10.5 per cent, while expenditure increased due to higher capital transfers. Meanwhile, the general Government debt-to-GDP ratio decreased by 1.9 percentage points to 47.4 per cent, remaining comfortably below the EU's 60.0 per cent threshold.

In the first half of 2024, the general Government deficit decreased from 1.3 per cent of GDP in the first half of 2023 to 1.1 per cent in the corresponding period of 2024. The Government's debt-to-GDP ratio increased to €10,083.9 million, reflecting higher borrowing requirements.

Malta's fiscal health remains stable, supported by strong revenue growth and prudent expenditure management. Indeed, the Consolidated Fund posted a surplus of €142.3 million during the January-September 2024 period, reflecting higher revenue and controlled expenditure. Recurrent revenue increased by 15.8 per cent, driven by increased

tax and non-tax revenues, particularly from income taxes and social security contributions. Meanwhile, Government spending grew by €557.7 million, largely due to increased recurrent expenditures, driven by increased outlays in social security benefits and operational costs, higher interest on public debt and capital spending.

CHAPTER 1

Macroeconomic Developments

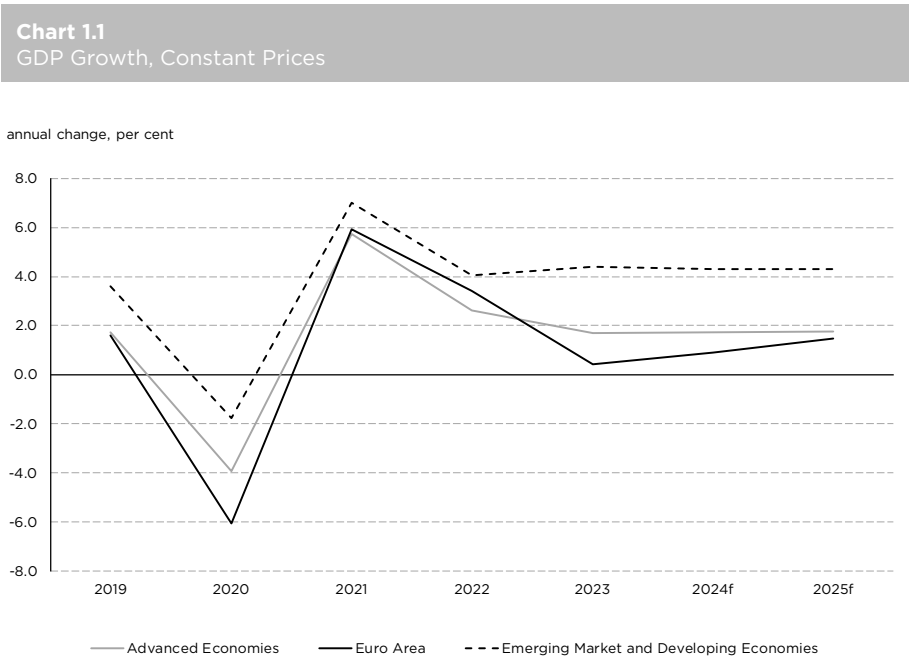


Chapter 1

Macroeconomic Developments

1.1 International Context

The global economy defied expectations of a recession during 2023, remaining relatively resilient amidst persistent challenges. Although renewed geopolitical tensions and tight financial conditions led to elevated uncertainty, global economic activity increased by 3.3 per cent in 2023, according to the International Monetary Fund (IMF). This strength was underpinned by a solid recovery in the services sector and favourable demand conditions, supported by healthy labour markets and faster than expected disinflationary process. However, economic



Source: IMF World Economic Outlook, July 2024

momentum varied across economies. In the European Union (EU), economic activity largely stagnated in 2023, with some countries entering into a mild recession. Subdued performance in EU economies is attributed to the lingering impact from the energy price shock, and corresponding high interest rates aimed at curtailing aggregate demand to lower inflation, leading to weakened consumer sentiment and subdued manufacturing.

Global economic activity surprised on the upside in early 2024, driven by positive trade developments, although economic activity in the United States (US) and Japan slowed down. This was compensated by the recovery in European economies led by services, marking the end of a prolonged period of economic stagnation. Nevertheless, the European manufacturing sector remains sluggish due to high interest rates and the post-pandemic pullback in goods demand. Moreover, emerging markets and developing economies also registered positive growth, supported by rising domestic demand and exports, whereas weak consumer and business confidence weighed on growth of the Chinese economy.

Supply chain bottlenecks have largely abated following trade disruptions induced by the pandemic and exacerbated by the war in Ukraine. The resolve in supply chain bottlenecks comes on the back of easing shortages in goods, amidst a pullback in manufacturing demand. At the same time, new risks have emerged centred around geopolitical tensions in the Middle East. The tensions in the Red Sea led to shipping lines disruptions, as maritime traffic was re-directed from the Suez Canal leading to steep increases in global container freight rates. Downward price pressures in industrial goods have so far offset the impact of higher transportation costs on consumer prices, although uncertainty remains elevated.

While renewed geopolitical tensions caused some volatility in commodity markets, prices of key commodities remained broadly stable compared to the peaks observed at the height of the war in Ukraine. Future markets also indicate a continuous decline in oil prices due to weak industrial demand and production increases from non-OPEC+ exporting countries. European initiatives to diversify energy supply, coupled with mild winters and lower consumer demand were

sufficient to hold European gas prices stable, offsetting the impact from supply disruptions. High gas-storage levels are expected to maintain gas prices stable and reduce the risks of price spikes. Moreover, food prices maintained a downward trend, weighed down by strong crop yields and the waning effects of extreme weather events.

Central banks around the world have adopted tight monetary policies to control inflation during 2022 and 2023. Such monetary tightening, coupled with the transmission of lower commodity prices, brought down elevated global inflation. The return of inflation towards normal levels has already prompted central banks to start normalising monetary policy, including in the Euro Area, and more recently in the US. This reversal in the cost of borrowing should incentivise investment and consumption activities, boding well for economic activity in the short- to medium-term. At the same time, central banks remain cautious to ease monetary policy, in the face of high inflation uncertainty due to elevated price pressures in services.

Against this backdrop, global economic activity is forecasted to expand by 3.2 per cent in 2024 and 3.3 per cent in 2025, according to the IMF's World Economic Outlook July 2024. This pace of growth is below historical standards (2000-2019), where global economic growth increased by an annual average of 3.8 per cent, reflecting the waning effects of tight monetary policies, the withdrawal of fiscal support, as well as low productivity growth. On the upside, inflation is expected to slowly converge towards the target by the end of 2025, despite price pressures in services. For advanced economies, the US is expected to slow down as labour market and consumption cools following robust expansion in recent years. This should be compensated by an improvement in economic conditions in the Euro Area, led by a rebound in consumption with the recovery in real incomes. Emerging market and developing economies are expected to maintain a stable pace in 2024 and 2025, although inflation is expected to remain higher than in advanced economies.

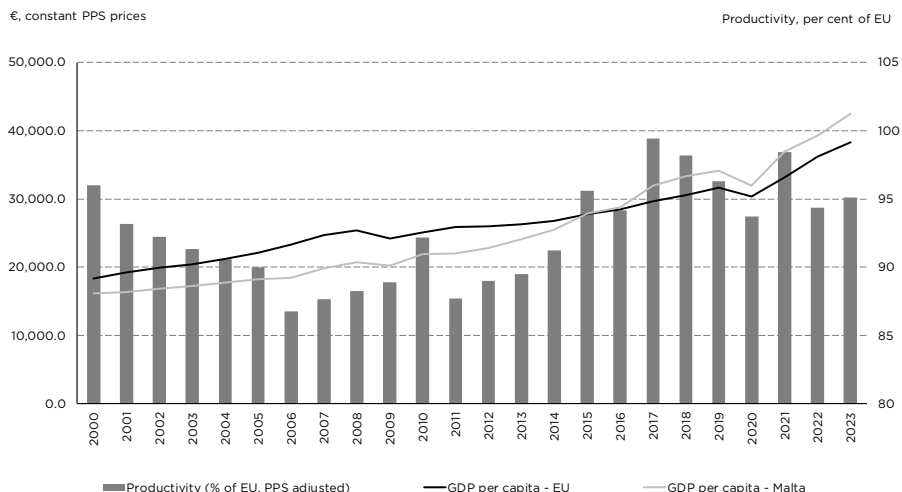
The European Commission's Spring Forecast projects Gross Domestic Product (GDP) growth in the Euro Area to accelerate from 0.4 per cent in 2023, to 0.8 per cent in 2024 and 1.4 per cent in 2025. Harmonised Index of Consumer Prices (HICP) inflation is projected to

fall from 5.4 per cent in 2023 to 2.5 per cent in 2024 and 2.1 per cent in 2025. Easing inflation should support the recovery in real wages, positioning consumption as the primary driver of growth, whereas investment is expected to recover at a slower pace, despite improved financial conditions. The European Commission notes that almost all Member States are expected to return to growth in 2024, following mild recessions in the previous year. However, growth is expected to diverge across countries, with Member States in southern Europe showing stronger economic momentum than northern regions, thereby fostering economic convergence within the EU.

1.2 GDP Per Capita and Labour Productivity

Real GDP per capita provides a measure of economic output per person and is usually representative of the prosperity within a particular economy. It is also a key indicator of convergence in terms of living standards and economic well-being across countries.¹ Over the past years, the Maltese economy experienced remarkable economic growth, leading to a rapid convergence in per capita income levels, surpassing the EU average. This is evidenced in Chart 1.2, which compares GDP per capita of Malta with the EU average. Per capita income levels are expressed in common currency and adjusted for price levels by using purchasing power standards (PPS). In 2010, per capita income levels in Malta stood at 87.4 per cent of the EU average, and surpassed the EU average in 2015, reflecting the resilience of the Maltese economy in the face of the global financial crisis, which had a scarring effect and a more pronounced impact on growth prospects in other European economies. Moreover, the remarkable increase in per capita income levels was accompanied with higher productivity growth, driven by the expansion of high value-added industries which contributed to the economy's diversification. Indeed, the rapid rise in per capita income levels after the financial crisis was mirrored in a constant closure of the productivity gap (GDP per worker, adjusted for price levels) with the EU. This is coupled with a strong labour market, including significant increases in employment rates driven by labour market reforms, which also supported the rise in per capita incomes. At the same time, GDP per capita levels declined more significantly in Malta during the 2020

Chart 1.2
GDP per capita and productivity compared to the EU



Source: Eurostat, Ministry for Finance

pandemic crisis, albeit the ensuing recovery maintained the previous upward trend as per capita income levels increased further to 110.9 per cent of the EU average in 2023.

Labour productivity is fundamental in determining output, employment and wages. As such, the rise in per capita income levels achieved over the past decade can be partly attributed to consistent productivity gains. Between 2010 and 2023, aggregate real labour productivity increased by 21.8 per cent. On average, real labour productivity grew by 1.9 per cent annually, significantly outpacing the EU average of 0.8 per cent. During this period, productivity growth was underpinned by a shift towards higher value-added sectors, in addition to labour market reforms that fostered the necessary skills to cater for the rapid development of new industries. Nonetheless, labour productivity in absolute terms remains below the EU average, suggesting further scope for productivity improvements going forward. In the context of a tight labour market and already high labour utilisation, coupled by an ageing population, boosting labour productivity will become critical to maintain per capita income levels.

Chart 1.3
Productivity Growth

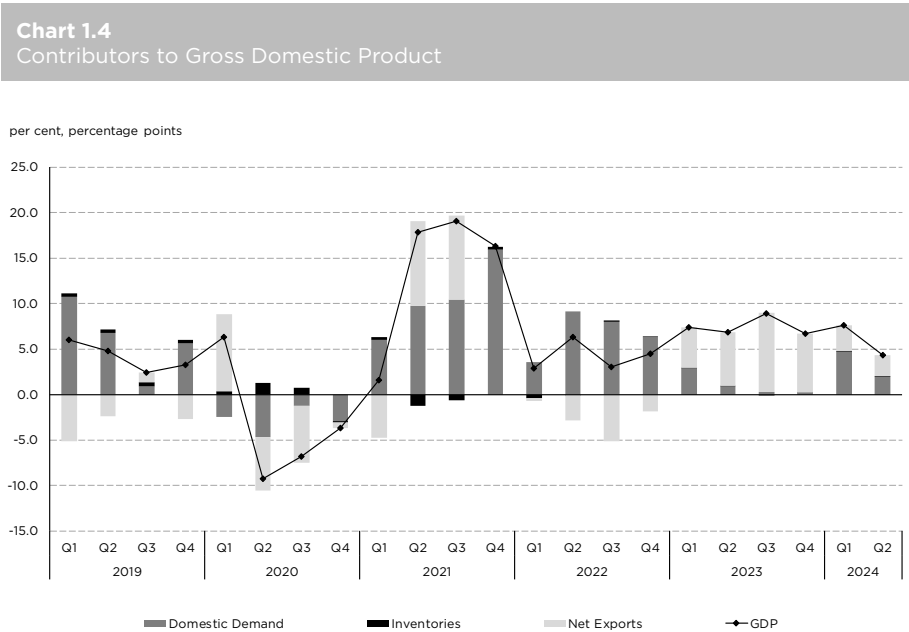


Source: National Statistics Office, Ministry for Finance

Labour productivity experienced a significant downturn during the COVID-19 pandemic, as output was constrained by containment measures, yet the impact on the labour market was cushioned through a number of Government measures, including the wage supplement scheme. As a result, an element of labour hoarding led to a sizable drop in labour productivity, which then quickly recovered in 2021, increasing by 10.4 per cent, as pandemic-related restrictions were lifted. In 2022, real labour productivity declined by 0.8 per cent, before recovering by 1.3 per cent in 2023. In the first half of 2024, real labour productivity maintained similar growth of 1.3 per cent. While still managing positive productivity gains, such growth is lower than the pre-pandemic average of 2.2 per cent (2010-2019), reflecting sectoral performances and lower productivity gains from structural shifts in the economy.

1.3 Gross Domestic Product: Expenditure Approach

The Maltese economy maintained its positive performance in the first half of 2024, growing by 9.6 per cent in nominal terms and 5.9 per cent in real terms. Growth significantly outpaced the 0.7 per cent growth rate registered in the EU and 0.5 per cent recorded in the Euro Area during the same period. This performance was underpinned by strong domestic demand driven by private consumption which remained supported by a strong labour market. In this context, in the first half of 2024, domestic demand emerged as the principal driver of growth, contributing 3.3 percentage points. Export activity also contributed positively, as net exports contributed 2.6 percentage points to growth, remaining relatively unaffected from the broader external slowdown.



Source: National Statistics Office, Ministry for Finance

Private consumption expenditure, encompassing both household final consumption expenditure and consumption expenditure of non-profit institutions serving households (NPISH), recorded a growth rate of 5.2 per cent. The strong labour market, along with easing inflation, contributed to the partial recovery in households' purchasing power, thereby supporting private consumption. Public consumption expenditure increased marginally by 0.3 per cent in the first half of 2024. Moreover, Gross Fixed Capital Formation (GFCF) recovered by 4.9 per cent, driven by investments in intellectual property products and housing construction. From the external side, exports grew by 6.8 per cent, while imports increased by 5.5 per cent, reflecting strong domestic demand, including the recovery in investment. Further details on exports and imports can be found in Chapter 3.

Table 1.1 offers detailed data on the growth of different components of GDP.

Table 1.1: Main Macroeconomic Indicators

	2021	2022	2023	2023 Jan-June	2024 Jan-June
GDP growth at current market prices (%)	16.2	9.4	13.2	13.1	9.6
GDP growth at Chain Linked Volumes by period (Reference year 2015) (%) ⁽¹⁾	13.5	4.1	7.5	7.1	5.9
Expenditure Components of GDP					
at Current Market Prices by period (%)					
Private final consumption expenditure ⁽²⁾	13.1	16.8	18.0	18.6	9.3
General Government final consumption expenditure	8.1	3.9	7.8	4.8	4.7
Gross fixed capital formation	26.8	15.7	-12.9	-6.7	6.8
Exports of goods and services	1.2	18.6	8.1	9.8	9.9
Imports of goods and services	-1.7	23.4	3.0	6.2	8.6
Expenditure Components of GDP					
at Chain Linked Volumes by period (Reference year 2015) (%)					
Private final consumption expenditure ⁽²⁾	11.9	10.9	11.2	11.3	5.2
General Government final consumption expenditure	5.9	0.4	2.9	-0.1	0.3
Gross fixed capital formation	20.5	9.7	-18.2	-13.2	4.9
Exports of goods and services	-0.4	13.7	4.7	6.1	6.8
Imports of goods and services	-3.1	18.5	-0.4	2.2	5.5
Inflation rate (%)	0.7	6.1	5.6	6.6	2.7
Employment growth (National Accounts Definition) (%)	2.7	4.9	6.1	6.6	4.6
Unemployment rate (Harmonised definition, Eurostat) (%)	3.8	3.5	3.5	3.6	3.3
Compensation per employee (% change)	5.0	4.0	1.9	2.2	4.5
Real Labour productivity (% change)	10.4	-0.8	1.3	0.5	1.3
Nominal Unit Labour Cost (% change)	-4.9	4.8	0.6	1.6	3.1
Real Unit Labour Costs (% change)	-7.2	-0.3	-4.5	-3.7	-0.3

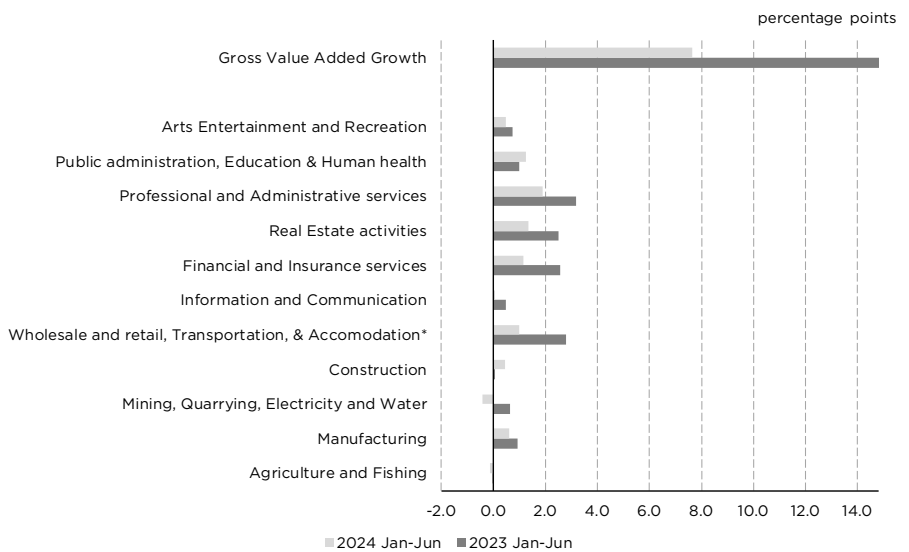
⁽¹⁾ Users should note that chain-linking gives rise to components of GDP not adding up to the aggregate real GDP series. This non-additivity, similar to that in other countries' national accounts, is due to mathematical reasons and reflects the fact that chain-linked volumes are calculated by separately extrapolating both totals and their sub-components.

⁽²⁾ Includes NPISH final consumption expenditure.

1.4 Maltese Economy – Sectoral Analysis (Gross Value Added)

During the first half of 2024, nominal Gross Value Added (GVA) grew by 7.7 per cent over the same period in 2023, totalling €9.9 billion. This growth was predominantly driven by the Services sector, contributing 7.6 percentage points, followed by the Industrial sector which contributed 0.2 percentage points, while the Primary sector had a marginal negative impact of 0.1 percentage point. This further reinforced the prominence of the Services sector in Malta, which generated 91.5 per cent of total GVA in the economy during the first half of the year. GVA growth was broad-based across most sectors, with the highest growth recorded in the Real estate sector (17.1 per cent), followed by the Financial and insurance activities sector (12.4

Chart 1.5
Sectoral Contribution to Growth in Gross Value Added



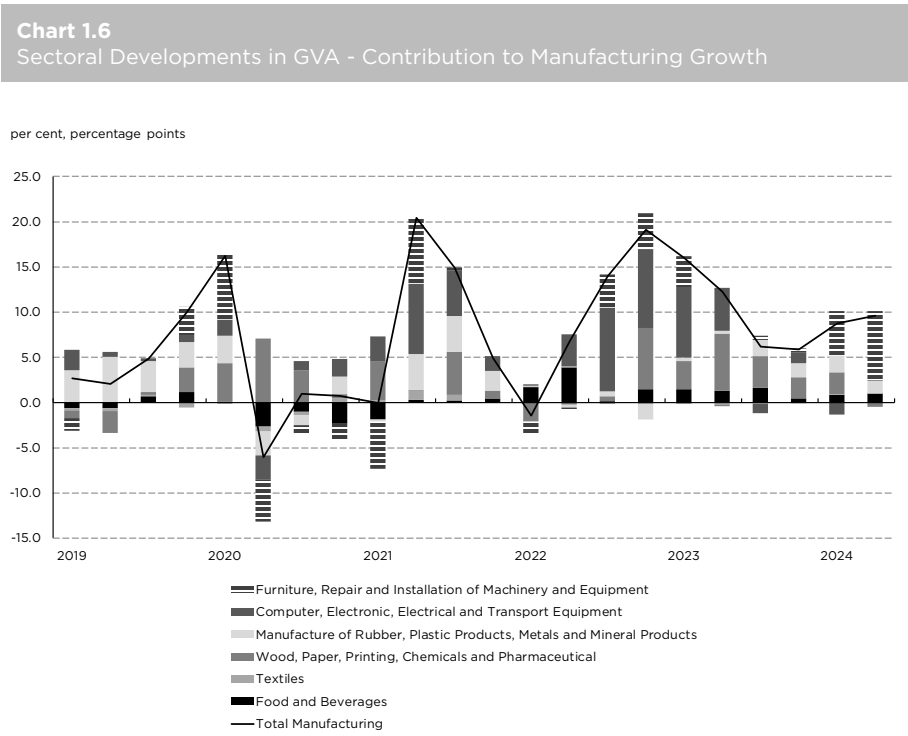
* Includes food services activities

Source: National Statistics Office

per cent), the Construction sector (11.1 per cent), and the Professional and administrative services sector (10.2 per cent). The only two sectors which experienced a contraction were Agriculture and fishing (-23.2 per cent) and the Non-manufacturing industrial (-22.0 per cent) sectors. Chart 1.5 summarises the sectoral contributions to GVA growth.

1.4.1 Manufacturing Performance

Despite a global industrial slowdown, the Manufacturing sector in Malta maintained strong growth during the first half of 2024, increasing by 9.2 per cent in terms of GVA. This growth was broad-based, with notable increases in most sub-sectors. Large increases were recorded in the Furniture, repair and installation of machinery and equipment sub-sector with an increase of 31.1 per cent, driving almost two-thirds



Source: National Statistics Office, Ministry for Finance

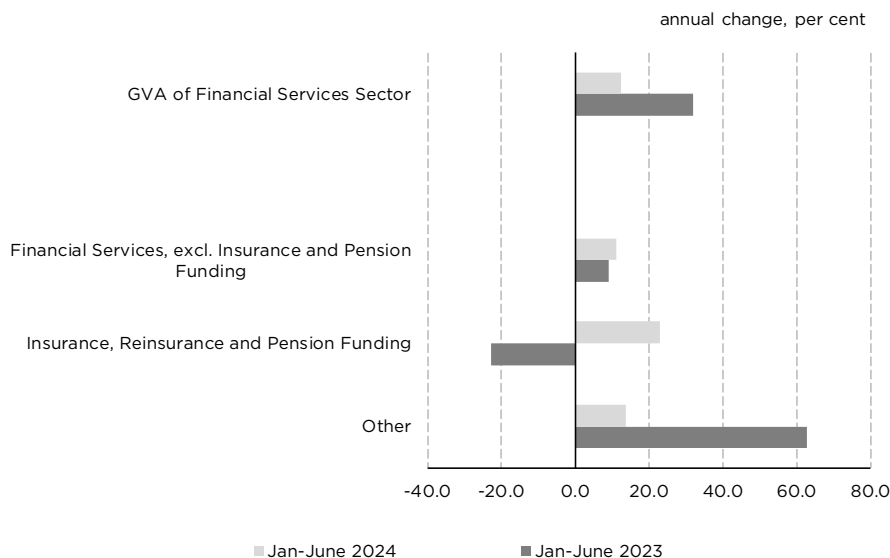
of total growth in the entire Manufacturing sector. This was followed by manufacturing of Rubber, plastic products, metals and other non-metallic mineral products, which increased by 8.9 per cent, Food and beverages (7.2 per cent), and Wood, paper, printing, chemicals and pharmaceutical products (4.6 per cent). Employment in the Manufacturing sector increased by 2.3 per cent during the first half of 2024, implying nominal productivity gains of 6.8 per cent.

The only sub-sector which experienced a contraction was the manufacturing of Computer, electronic, electrical equipment and transport equipment (-2.2 per cent), reflecting a normalisation in international demand for semiconductors, a prominent industry in Malta. This comes after a surge in demand for electronics during the pandemic, owing to an increased uptake of digitalised products, creating a shortage of semiconductors, and leading to large inventory build-up. Excess inventories amidst a slowdown in global demand, implied a subdued short-term outlook for this year, albeit the GVA generated by the sector stood at 59.6 per cent higher than pre-pandemic levels during the first half of 2024. Moreover, the sector is expected to recuperate going forward, driven by an increasing shift towards electric vehicles and digitalisation of economies, which will increase demand for semiconductors, as well as the expansion of local production operations.

1.4.2 Financial Services

Over the past decade, the Financial services sector has grown significantly, becoming a prominent sector of the Maltese economy. In 2023, the sector generated 9.0 per cent of Malta's total GVA, while employing 5.1 per cent of its workforce, marking it as a highly productive sector. Factors contributing to the success of the Financial services sector include Malta's skilled and multilingual workforce, reputable legacy in providing services to support businesses, specifically in auditing and legal spheres, improved tax competitiveness, as well as a strong regulatory and supervisory framework. Moreover, the sector benefits from access to the EU market and the adoption of a stable currency, further attracting foreign investors.

Chart 1.7
Sectoral Developments in GVA - Financial Services



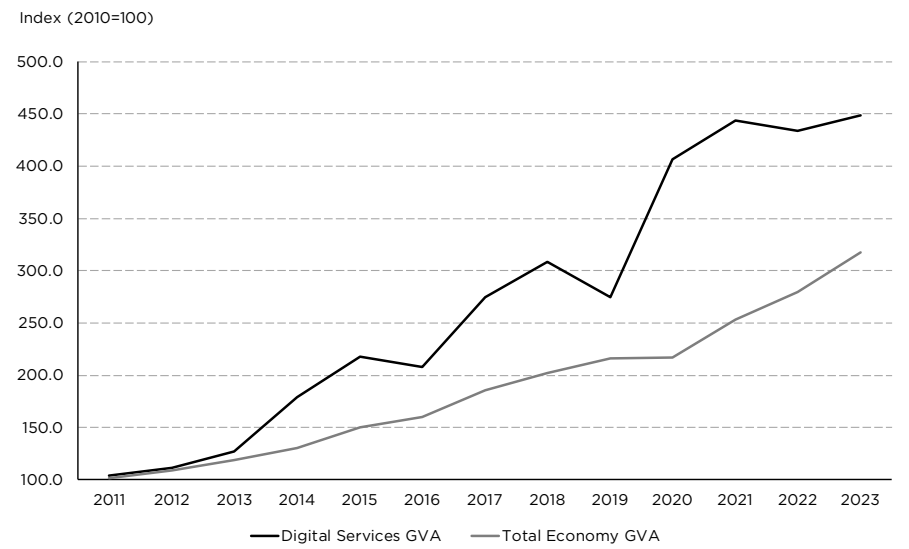
Source: National Statistics Office

During the first half of 2024, the Financial services sector registered an increase in GVA of 12.4 per cent compared to the same period a year ago. This figure is higher than the long-term annual average, which stood at 9.5 per cent, reflecting recent financial market developments due to the tightening of monetary policy. It is important to note that as the monetary policy stance starts to reverse, GVA in the Financial services sector could experience a corresponding correction following strong increases in 2023 and the first half of 2024. During the first half of 2024, growth was particularly strong in Insurance, reinsurance and pension funding, registering an increase in GVA of 23.0 per cent. Employment in the sector continued to grow steadily, increasing by 3.2 per cent (National Accounts definition) between January and June 2024 relative to the corresponding period in 2023.

1.4.3 Digital services

Digital services sectors² have been a primary source of growth for the Maltese economy over the past decade. The share in the total economy as measured by GVA, increased from 11.7 per cent in 2010 to 16.6 per cent in 2023, as growth in digital service significantly outpaced other sectors. Importantly, during the COVID-19 pandemic where most sectors observed declines, Digital services sectors grew by 47.9 per cent, driven by a change in consumption patterns and a shift towards digitalised products. These sectors also induce indirect effects, as take-up of digitalised products also lead to productivity gains and innovation in other sectors of the economy. Over the years, growth in these services was particularly propelled by the Gambling and betting activities, which has close interlinkages with other services within the Information and communication sector.

Chart 1.8
Sectoral Developments in GVA - Digital Services

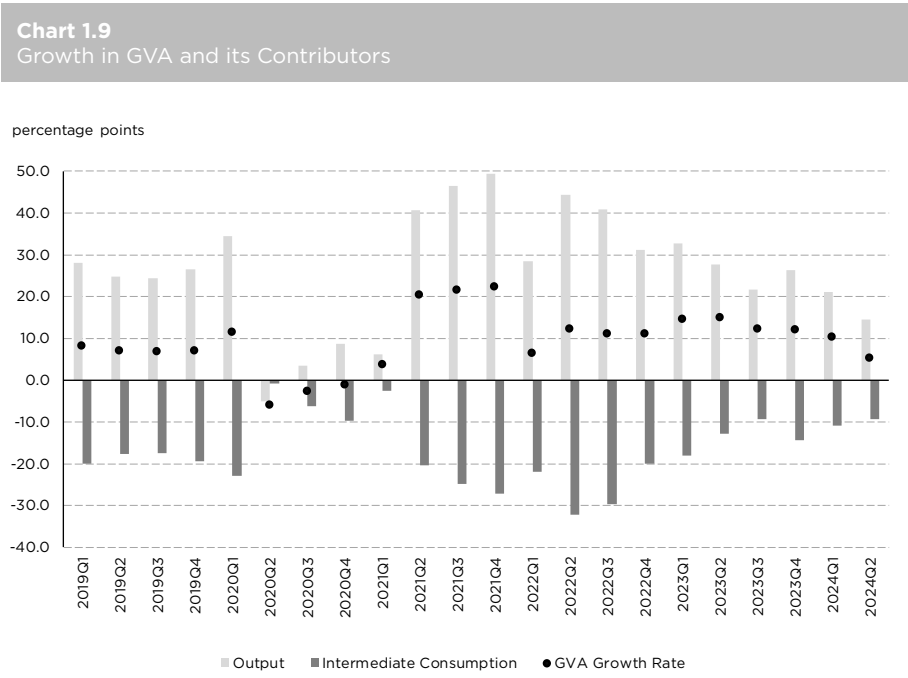


Source: National Statistics Office, Ministry for Finance

Nevertheless, during the first half of 2024, Digital services sectors registered only a small nominal increase in GVA of 2.3 per cent, prolonging the slowdown observed in the previous year. While such slowdown could be a result of large base effects experienced during the pandemic, tepid growth may be indicative of a general slowdown in the Gambling and betting sector which appears to have entered its maturity stage, as most of the largest operators within the market are already established in Malta. This means that the sector may require further diversification, while intensifying presence in already linked industries, in order to augment productivity gains and spur innovation.

1.4.4 Contributors to GVA

From the output side, GVA measures the value of the amount of goods and services produced (output) in an economy, less the costs of inputs directly attributable to that production (intermediate consumption).



Source: National Statistics Office

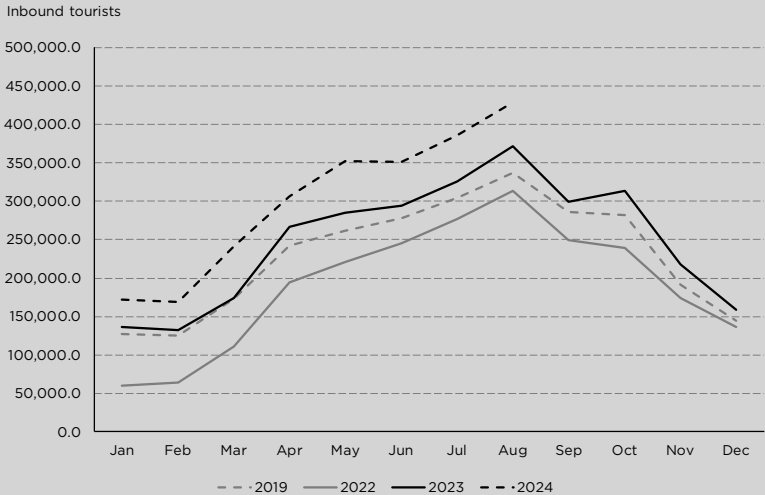
In national accounts, GVA constitute an important metric to measure the contribution to total economic activity from a specific sector. Chart 1.9 shows the year-on-year growth rates in GVA, and the contribution from output and intermediate consumption over time. During the first half of 2024, output contributed 17.7 percentage points, which was partly offset by a negative contribution of 10.0 percentage points from intermediate consumption. This reflects a slowdown in intermediate consumption, following strong increases during the recent inflationary shock where shortages in certain sectors led to inventory build-up.

Box 1.1

Tourism Developments

In 2023, the tourism sector exceeded pre-pandemic levels with inbound tourists amounting to 3.0 million, a 30.1 per cent increase on the previous year, and an 8.1 per cent increase on 2019 levels. The tourism sector continued to exceed expectations during the first months of 2024. Between January and August 2024, inbound tourism surpassed 2.4 million, representing a 21.1 per cent increase over the previous year. The positive performance also reflects ongoing efforts to increase tourism in off-peak months, with total inbound tourists in the first three months of 2024 being 36.6 per cent

Chart 1
Inbound Tourism



Note: 2020 and 2021 excluded due to COVID-19

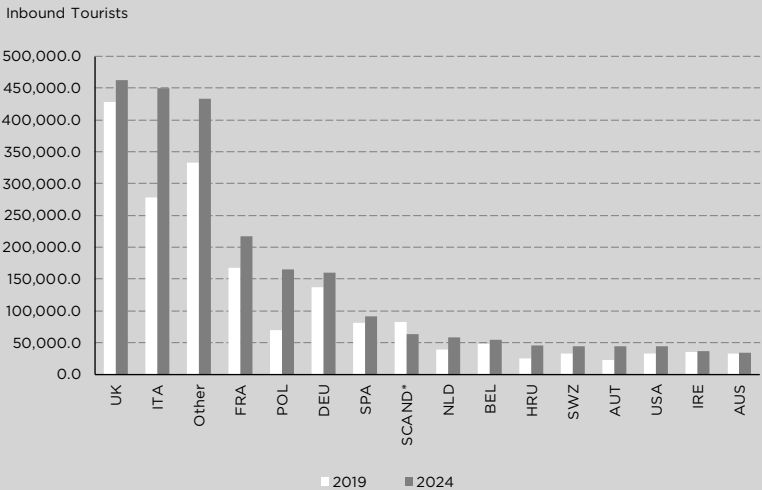
Source: National Statistics Office

higher than pre-pandemic levels, compared to 26.8 per cent for the summer period (June-August).

Between January and August 2024, tourism was particularly underpinned by holiday travellers, which increased by 22.7 per cent. After a timid rebound in 2023, business and professional travel has only recovered to pre-pandemic levels during the first months of 2024, reflecting the lingering impact of COVID-19 with the increased adoption of virtual meetings and teleconferencing. Looking at the age group of the tourist profile, Malta remained an attractive destination for younger generations, where inbound tourists aged up to 24 increased by 34.7 per cent between January and August 2024. This continues a trend observed since the pandemic, where the share of younger tourists increased from 22.4 per cent in 2019 to 27.4 per cent in 2024, while the share of those aged between 25-44 declined from 40.2 per cent to 36.1 per cent, although remaining the most important age group for inbound tourism. Moreover, the lowest share remained for those aged 65 or more, constituting 8.5 per cent of total tourists.

Malta remains a popular destination amongst European Union (EU) countries, constituting 68.2 per cent of total tourists. Moreover, growth in inbound tourism in the first eight months of the year was mostly underpinned by visitors from the United Kingdom (UK), a traditional market for Malta's tourism sector, exceeding pre-pandemic levels. This recovery follows a sluggish performance in the previous year, which was hindered by connectivity bottlenecks created during the pandemic. Subsequently, tourism increases were also driven by visitors from Italy and Poland, with both markets growing significantly over the past years, outperforming other traditional markets. By contrast, tourism from Scandinavian countries remains lagging, with total visitors still falling short of pre-pandemic levels.

Chart 2
Inbound Tourism by Country
Jan-Aug 2024

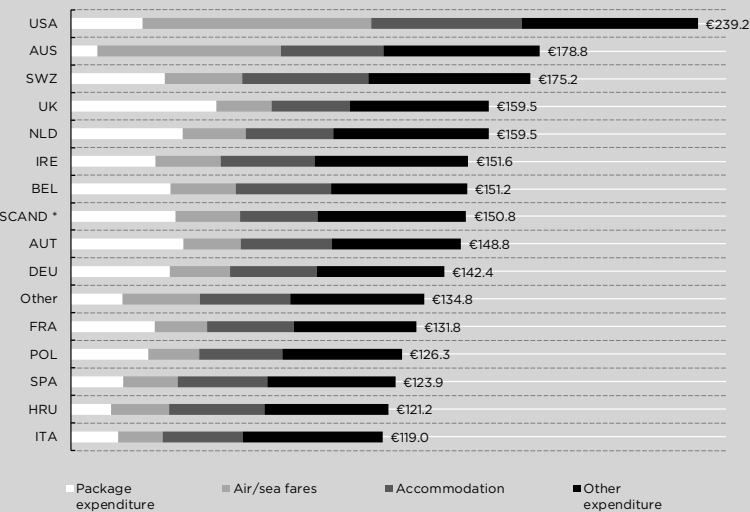


* Scandinavia includes Denmark, Finland, Norway and Sweden

Source: National Statistics Office

On average, tourists stayed 6.4 nights in Malta between January and August 2024, marking a decrease from 6.8 nights in the previous year, and from 7.1 nights in 2019. Such decline maintains previous trends of shorter stays, enabled by low-cost airlines making it possible for shorter trips and more frequent connections. During the same period, the estimated total expenditure by tourists totalled €2.2 billion, which translates to an average of €904.4 per tourist in nominal terms. Chart 3 shows the average expenditure per night across different source markets, providing an indication of differences in spending patterns. For each night in Malta, on average, expenditure was highest for tourists from the USA and Australia, both reflecting higher air and sea fares due to long distances, but also above-average expenditure on accommodation and other expenditure. By contrast,

Chart 3
Average Expenditure per Night
Jan-Aug 2024



* Scandinavia includes Denmark, Finland, Norway and Sweden

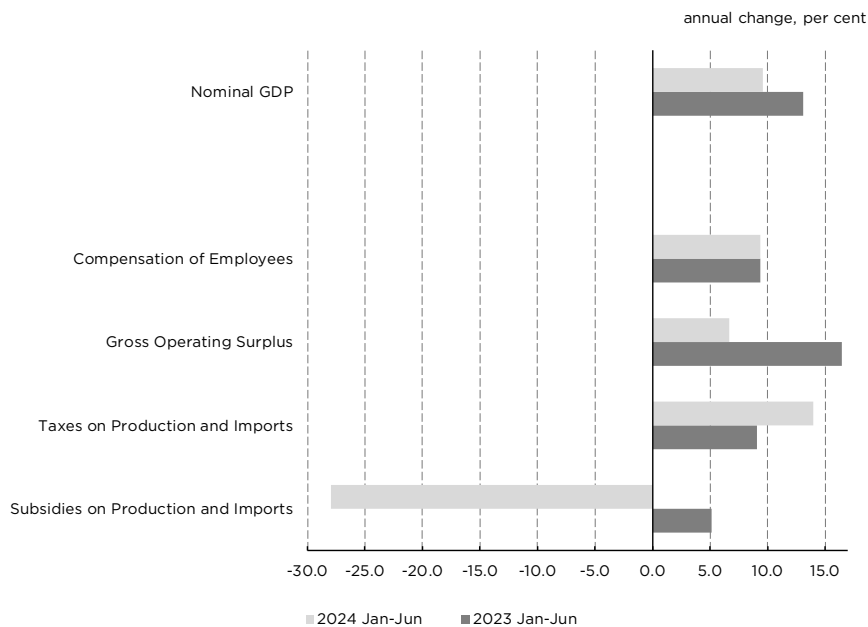
Source: National Statistics Office

visitors from Poland, Spain, Hungary and Italy spent relatively less at an average of €122.6 per night.

1.5 Gross Domestic Product: Income Approach

In the first half of 2024, the distribution of income gains favoured compensation per employees, as they grew by €376.1 million (9.3 per cent), compared to the €343.9 million (6.7 per cent) increase in gross operating surplus. Consequently, profits constituted 51.3 per cent of GDP, slightly down from 52.7 per cent in the previous year. Compensation of employees as a share of GDP was stable at 41.0 per cent during the first half of 2024. The wage share remains below pre-pandemic levels, reflecting the strong performance of profits during the recent period as well as a longer adjustment of wages to higher prices. Over the same period, taxes on production and imports increased by €130.5 million or 14.0 per cent, whilst subsidies on production

Chart 1.10
Factor Distribution of Income Gains

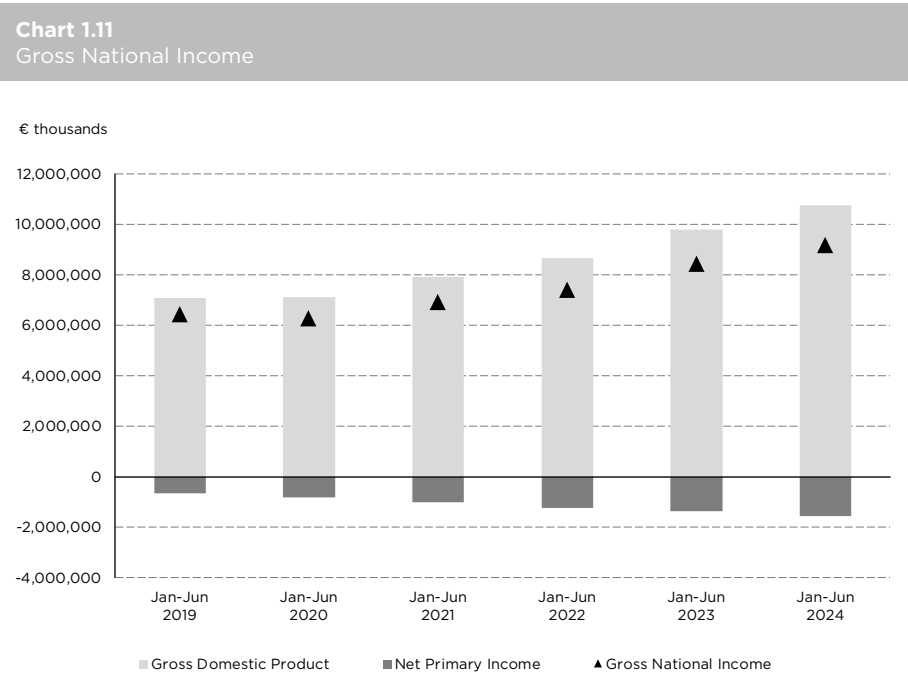


Source: National Statistics Office

and imports decreased by €90.9 million (-28.0 per cent). Chart 1.10 illustrates the developments in the factor distribution of income throughout the first six months of both 2023 and 2024.

1.5.1 Gross National Income

Gross National Income (GNI) is a measure of a country’s total economic output that takes into account the income earned by its residents and businesses both domestically and abroad. It is calculated as GDP plus net property income earned from foreign investments minus net income earned by foreign residents and businesses within the country. The GNI has been consistently below nominal GDP throughout the past decade as foreign investors’ returns on domestic investments outpaced the returns generated by domestic residents in foreign countries. In the first half of 2024, net property income paid abroad amounted to €11,050.7 million, marking a 0.6 per cent increase compared to the first half of 2023.



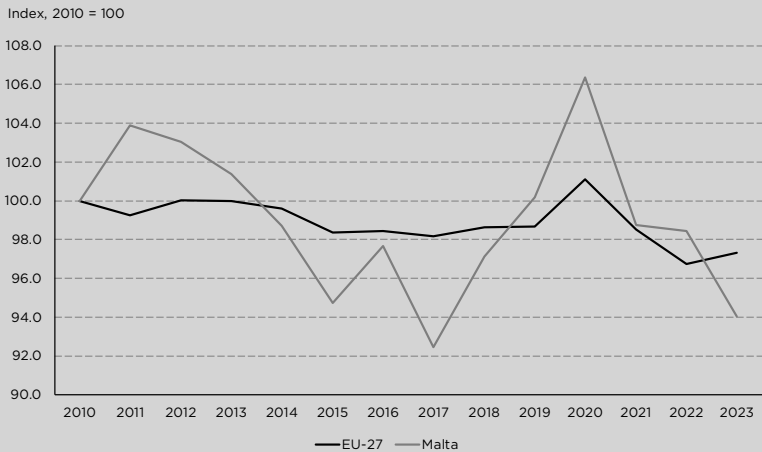
Source: National Statistics Office

Box 1.2

Unit Labour Cost and Competitiveness

This section assesses Malta’s price competitiveness, focusing on unit labour costs. Unit labour cost represents the average cost of labour to produce one unit of production. An increase in real unit labour costs would indicate that wages are increasing at a faster pace than productivity gains, leading to a deterioration in competitiveness. Between 2010 and 2017, Malta observed a decline in real unit labour costs, which subsequently picked up in the years leading to the pandemic as productivity slowed down. At the same time, the productivity recovery following the pandemic, in addition to contained labour costs, led to a strong decline in real unit labour costs, reverting back previous increases. By contrast, unit labour costs in the European Union (EU) remained

Chart 1
Developments in Real Unit Labour Costs

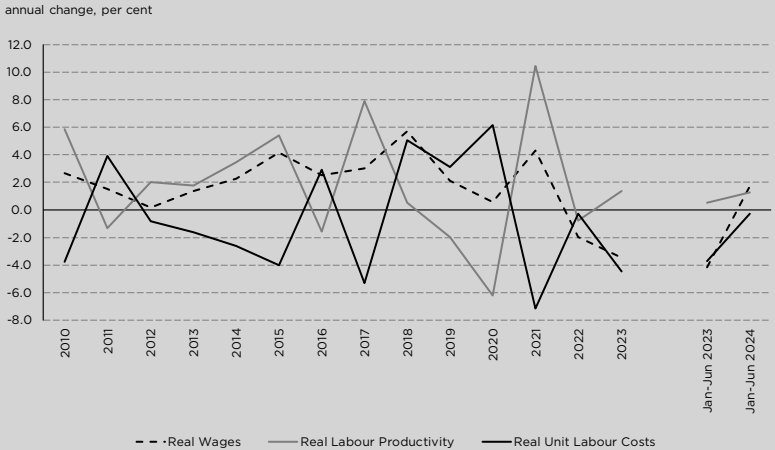


Source: Eurostat, Ministry for Finance

broadly stable throughout the entire period, with a slight decline following the pandemic. Compared to 2010, real unit labour costs in Malta are 6.0 per cent lower than they were in 2010, while labour costs in the EU are 2.7 per cent lower. This indicates that competitiveness from the labour cost side was maintained over the review period.

Moreover, as evidenced in Chart 2, movements in real unit labour costs largely reflected productivity developments, given that real wage growth (nominal wages deflated by the Harmonised Index of Consumer Prices (HICP)) remained stable. While real unit labour costs increased sharply in 2020, the subsequent recovery in productivity, amidst contained wages, led to a decline in real unit labour costs. Labour costs declined slightly in 2022 by 0.3 per cent, before falling by 4.5 per cent in 2023. The decline in real unit labour costs is attributable to elevated price pressures,

Chart 2
Productivity and Unit Labour Costs for Malta



Source: National Statistics Office, Ministry for Finance

as wages lagged behind in adjusting to higher prices. As a result, competitiveness was not impacted, with the variance between real unit labour costs in Malta and the EU reverting back to pre-pandemic levels. Compensation per employee picked up pace in the first half of 2024, increasing by 4.5 per cent, in line with historical trends, while also enabling a recovery from lost purchasing power. In turn, this has stabilised unit labour costs, which declined slightly by 0.3 per cent in the first half of the year.

Apart from labour costs, competitiveness can be determined by other factors. The Harmonised Competitiveness Indicator (HCI) provides an overview of cost competitiveness.¹ Cost competitiveness is derived through weighted averages of bilateral exchange rates, weighted according to Malta's main trading partners for manufactured goods. Since the HCI shown in Chart 3 is deflated by consumer prices, the indicator also provides a measure of competitiveness in terms of price levels relative to trading partners. A decrease in the HCI indicator suggests an improvement in the overall cost and price competitiveness of a country. In the years leading to the pandemic, the HCI showed a deterioration in competitiveness for Malta, as a result of a stronger euro against partner countries' currencies. This trend was reversed in 2020, where the HCI points towards an improvement in Malta's international competitiveness, reflecting a depreciation of the euro. The euro remained weak with the energy-price shock in 2022, which had a disproportionate impact on European growth prospects. Moreover, lower inflation in Malta compared to its European peers, a result of the Government's measures to maintain stable energy prices, also led to an improvement in competitiveness during 2022. However, between the end of 2022 and the first half of 2023, cost and price competitiveness deteriorated, driven by an appreciation of the euro against currencies of Malta's main trading partners. Since then, the HCI indicator remained unchanged, and during the third quarter of 2024, the HCI

Chart 3
Harmonised Competitiveness Indicator



Source: European Central Bank

remains lower than the long-term pre-pandemic average, indicating that cost and price competitiveness remains broadly stable.

Footnote

¹ It is important to note that this analysis only captures competitiveness vis-à-vis currency value and price levels. However, it does not capture non-price characteristics, such as product quality and technological developments, which are important determinants of a country's competitiveness.

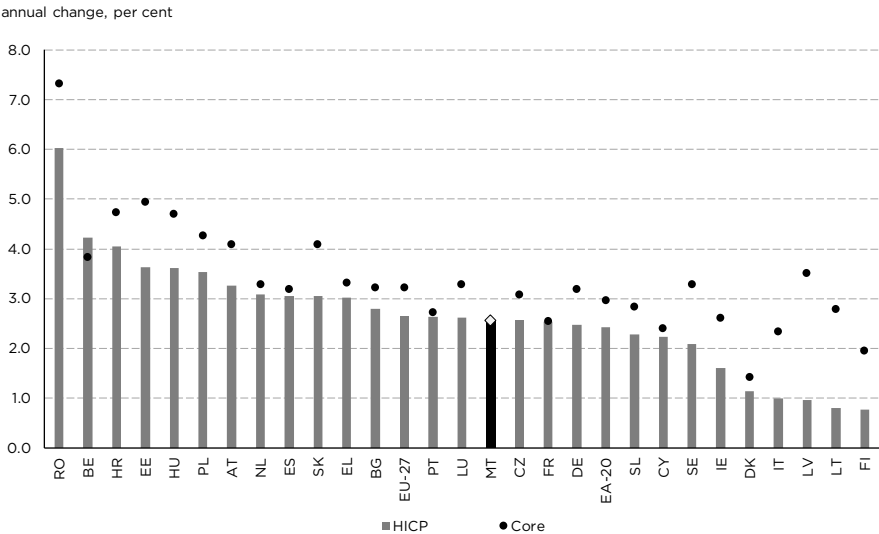
1.6 Inflation

Global inflation is broadly converging towards normal levels, remaining stable in the first months of 2024. Improved supply-side dynamics, helped by a slowdown in manufacturing activity, and lower energy prices contributed towards a sustained decline in global inflation. Prices in goods and food products have stabilised, reflecting the decline in key commodity prices. However, services inflation in advanced economies continues to show some persistence as wages catch up with lost purchasing power, thus pushing costs upwards. This, coupled with on-going geopolitical tensions, including the impact these may have on global commodity prices and transportation costs, pose some risks to the disinflationary process.

Inflation in the EU, as measured by the HICP remained stable in the first months of 2024, declining to 2.1 per cent in September 2024, down from a peak of 11.5 per cent during the energy price shock in 2022. Similarly, inflation in the Euro Area has also stabilised, reaching 1.7 per cent in September, below the 2.0 per cent target for price stability. The gradual decline in inflation comes on the back of stable commodity prices and weak demand which continued to push inflation down in industrial goods and food products. The return of inflation towards stable levels implies the possibility of further interest rate cuts in the second half of the year, improving external demand conditions especially from European counterparts. At the same time, the disinflationary process in some countries is partially impeded by persistent inflation in services due to increased labour costs, as evidenced by somewhat higher core inflation (HICP excluding energy and unprocessed foods) in most Member States in Chart 1.12. The high core inflation in some Member States also reflects the lagged passthrough of high energy costs, experienced over the past years, to prices of other products.

In Malta, the HICP inflation rate reached 2.1 per cent during September, while the twelve-month moving average stood at 3.1 per cent. This indicates that inflation has been declining gradually over the past year, moving close with the EU average. Chart 1.13 shows that the decline in headline inflation during 2023 has been particularly driven by lower services inflation, although the disinflationary process in

Chart 1.12
 Harmonised Index of Consumer Prices (HICP) and Core Inflation
 Jan - Sep 2024

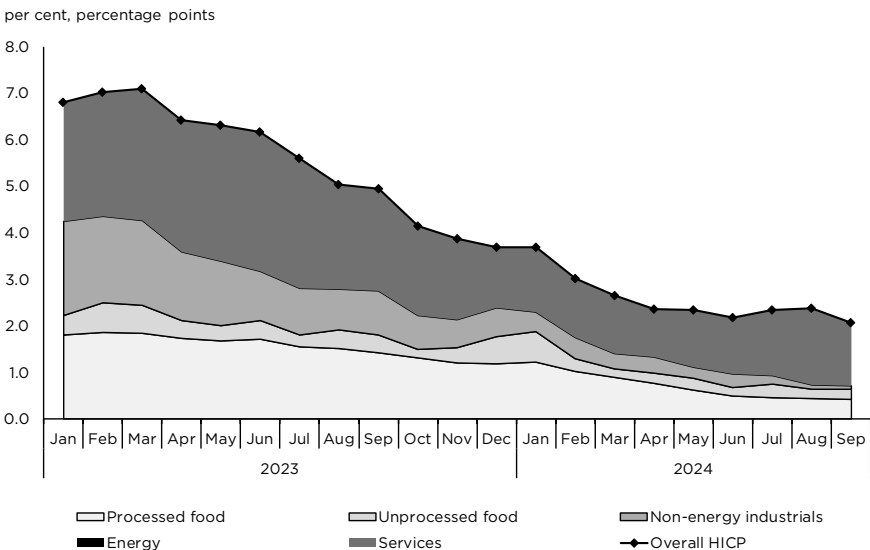


Source: Eurostat

services moderated during the first months of 2024. In fact, services inflation has shown an uptick in recent months, increasing from 2.3 per cent in June to 3.2 and 2.7 per cent in August and September, reflecting an increase in prices in travel-related services during the peak summer months, as well as base effects in communication and transport services. Upward pressures in services are outweighed by lower inflation in food, which detracted 1.1 percentage points from headline inflation between January and September.

While services inflation in Malta showed some signs of resurgence in recent months, it remains below the Euro Area average. Chart 1.14 shows that Malta observed lower inflation in most services categories when compared to the Euro Area average in the first nine months of the year. Specifically, Communication services experienced deflation due to lower prices in wireless telephony services since mid-2023, although its impact on headline inflation is expected to ease in the coming months due to base effects. Moreover, despite moving in

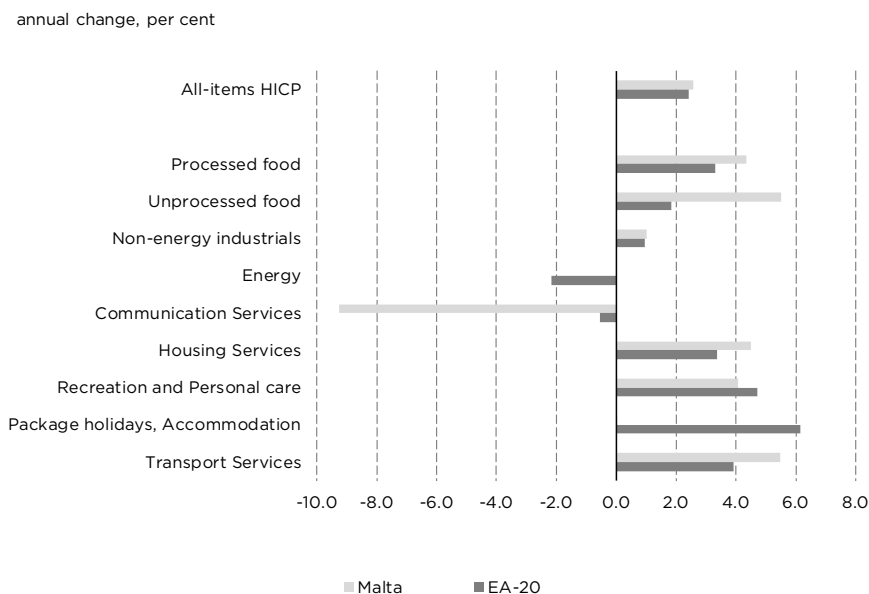
Chart 1.13
Contributions to Year-on-Year HICP Inflation - Malta



Source: Eurostat, Ministry for Finance

positive territory in recent months due to increased demand amidst a strong performance in the tourism sector, inflation in package holidays and accommodation was well-below Euro Area average. By contrast, food inflation, especially unprocessed food, continues to outpace the Euro Area average. Higher food inflation is in line with historical trends due to Malta's dependency on importation, making it more susceptible to international prices and increased freight rates in view of limited alternative transportation systems, as well as its small market. Higher domestic inflation is also observed in transport services, a result of higher prices in air transport, as well as in housing services.

Chart 1.14
HICP by Component: Jan-Sep



Source: Eurostat

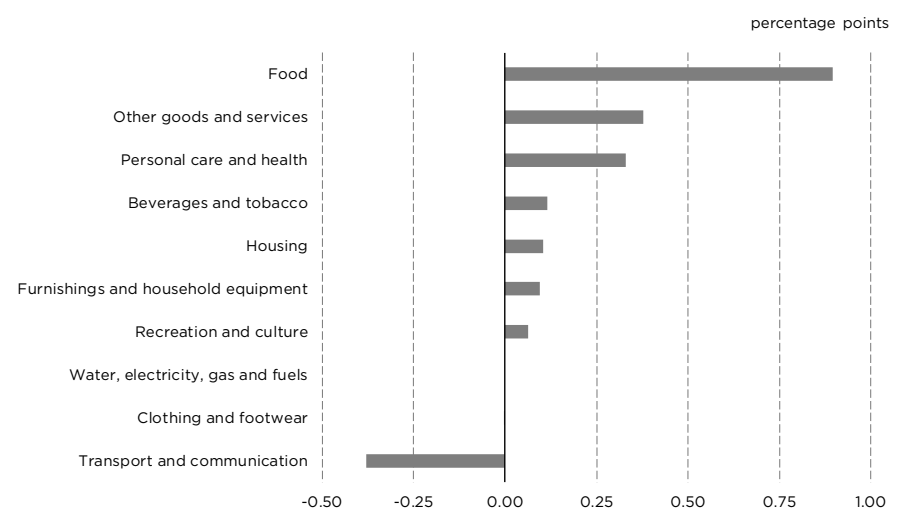
1.6.1 Retail Price Index

The Retail Price Index (RPI) tracks the cost of a representative basket of goods and services consumed by private households. This is the primary metric for indexing wages, social benefits, rents and certain excise taxes. It is also used to compute the Cost-of-Living Adjustment (COLA). One should note that the weight composition of the HICP, which is a standard methodology across EU Member States, are updated annually thus capturing changes in consumption patterns over time, while RPI weights depend on latest Household Budgetary Survey. Moreover, the RPI only captures consumption by private households, while HICP also encompasses purchasing behaviour of institutional household and tourists in Malta.

The RPI also showed moderation in price growth over the first eight months of 2024, declining from 3.2 per cent in January to 1.2 per cent

in September. This decline in inflation was mostly driven by the Food category, detracting around 1.5 percentage points on average, as Food inflation observed a continuous decline across each month of the year. Despite the strong disinflationary force, the Food category was still the leading driver to headline RPI inflation, with a contribution of 0.9 percentage points, followed by Other goods and services (0.4 percentage points) and Personal care and health (0.3 percentage points).

Chart 1.15
Contributions to RPI Annual Change (Jan - Sep)



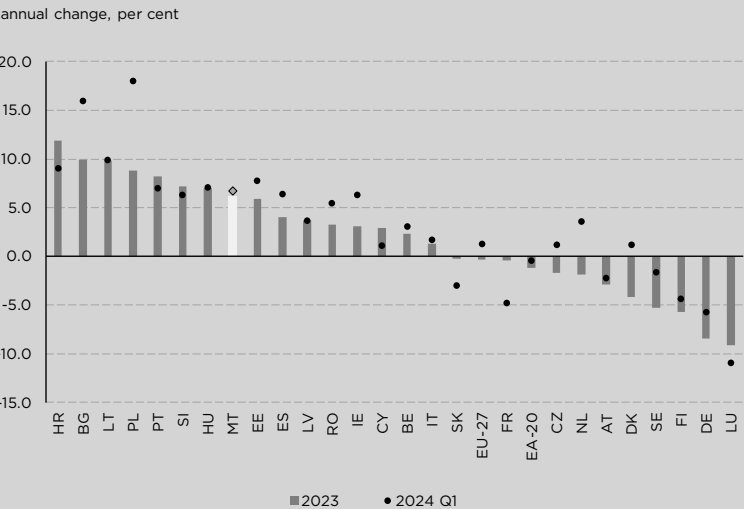
Source: National Statistics Office

Box 1.3

Residential Property Prices

Based on the Property Price Index (PPI), gathered from official administrative records and compiled by the National Statistics Office (NSO), property prices in Malta recorded an increase of 6.2 per cent in 2023 compared to the previous year. One should note that the average rate of change is higher than the average rate of change in property prices across the European Union (EU), which registered a decline of 0.3 per cent. The decline is attributable to the impact of tight monetary policy on the European housing market, whereas the passthrough of monetary policy was rather limited in Malta.

Chart 1
Property Price Index



Source: Eurostat

Over the past year, Croatia registered the highest growth rate in property prices at 11.9 per cent, followed by Bulgaria at 9.9 per cent and Lithuania at 9.8 per cent. Conversely, ten countries recorded a decline in the rate of change in the PPI, with Luxembourg recording the largest decline of 9.1 per cent. Chart 1 illustrates developments in the property market across the EU in 2023. Moreover, property prices continued to increase in Malta during the first quarter of 2024, with the PPI increasing by 6.7 per cent compared to the same quarter of the previous year. At the same time, the EU average showed a tepid recovery while average annual growth in the Euro Area remained in negative territory driven by declines in property prices in Luxembourg, Germany and France.

Footnotes

¹ While being an important indicator, GDP per capita also has a number of weaknesses especially when used to compare economic well-being across countries. Importantly, it does not take into account the income distribution. If income inequality rises compared to GDP per capita, economic well-being may deteriorate even if average income is increasing. For more detail on income distribution, refer to Chapter 2.

² In this section digital services sectors are defined as per NACE classification: Computer programming, consultancy and related activities; Gambling and betting activities; Information service activities; telecommunications.

CHAPTER 2

Labour Market and Social Developments



Chapter 2

Labour Market and Social Developments

2.1 Introduction

Despite the current international economic context, Malta's labour market has continued to be resilient, with high activity rates and historically low unemployment rates. Nonetheless, Malta continues to face challenges related to its ageing population and declining birth rate. These challenges are highlighted by the dependency ratios discussed in this chapter.

In terms of social well-being, Malta experienced a steady growth in average equivalised household income, narrowing the gap with the European Union (EU) average. Although income inequality, measured by the income quintile share (S80/S20) ratio and Gini coefficient, has slightly increased and remains above the EU average, poverty indicators, such as the at-risk-of-poverty-or-social-exclusion (AROPE) rate, have improved. This shows Malta's ability to effectively address poverty and social exclusion.

From 2012 to 2022, Malta sustained economic growth while reducing its emissions, illustrating clear evidence of absolute decoupling. Notably, the share of renewable energy in final energy consumption has steadily increased, underscoring the impact of the Government's initiatives aimed at encouraging investments in renewable energy sources.

Sustainable development is achieved by balancing economic, social, and environmental objectives. Central to this is a labour market that is flexible and responsive, a social system that maintains fiscal discipline, and an environmental approach that prioritises the well-being of society. This chapter will examine and evaluate the current status and trends of these essential components in fostering a sustainable economic framework.

2.2 Labour Supply

Labour supply is the backbone of a nation's economic and social structure. It refers to the number and skill level of workers available for employment, significantly influencing a country's economic strength and growth. This section explores the different aspects of Malta's labour supply, aiming to understand the key factors shaping the nation's workforce trends.

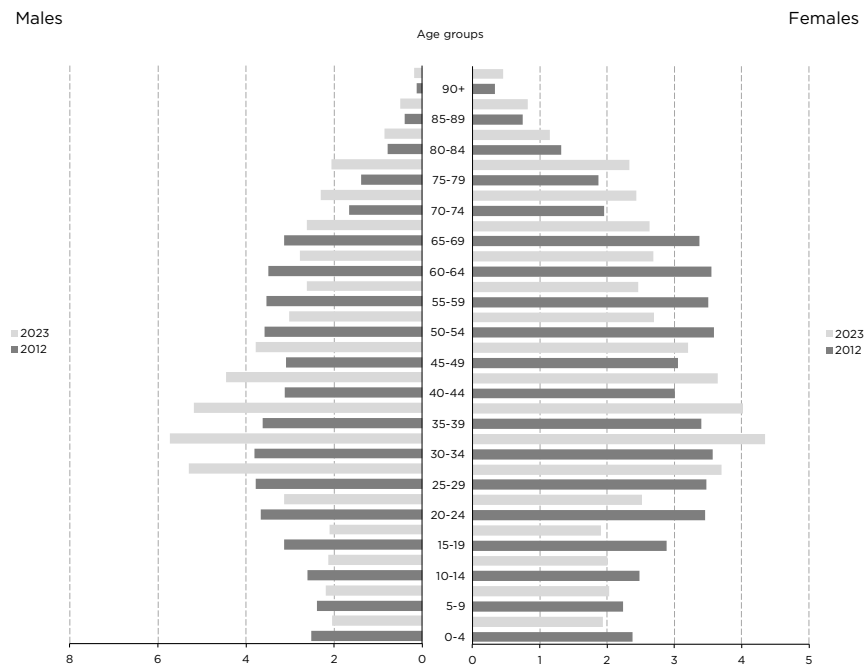
2.2.1 Dependency Ratios

As at the end of 2023, Malta's population stood at 563,443 individuals, reflecting a 33.7 per cent increase when compared to 2012, a growth primarily driven by an increase in net migration. In addition, Malta's demographics are heavily shaped by rising life expectancy and lower fertility rates, inducing a shift in the age structure of the population over time. The ageing phenomenon is evident by the increase in the share of individuals at the higher end of the population spectrum. In fact, in 2023, people aged 65 years and over accounted for 18.4 per cent of the population, a 1.3 percentage point increase when compared to the 17.1 per cent share in 2012. Eurostat data shows that in 2023, Malta's life expectancy at birth stood at 83.6 years, higher than the EU27 average of 81.5 years. This gap between Malta and the EU27 average has widened since 2012, when Malta's life expectancy was 80.9 years, slightly above the EU27 average of 80.2 years.

The working population in Malta (15-64) accounted for 69.3 per cent of total population, 1.0 percentage point higher than the 68.3 per cent share in 2012, attributable to the inflow of working age migrants. On the other hand, the proportion of those aged 14 and less, decreased from 14.6 per cent in 2012 to 12.3 per cent in 2023, reflecting the declining birth rates.

The combination of low birth rates, low death rates, and increased life expectancies is evident in the population pyramid's narrow base, wider middle section, and tapered top in Chart 2.1.

Chart 2.1
 MT - Population by Age Groups and Sex as a Share of Total Population

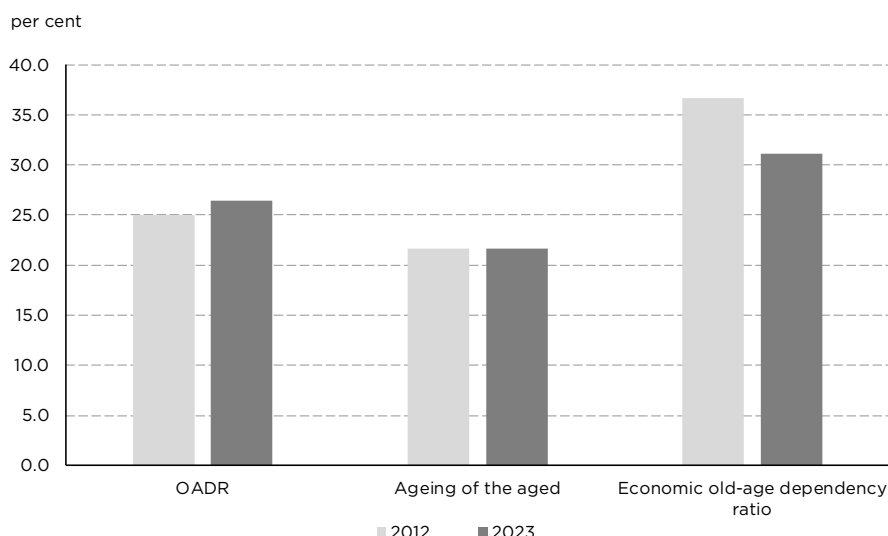


Source: National Statistics Office

The developments in the dependency ratios (Chart 2.2) further explain the dynamics of the ageing process by linking the number of youth and the elderly that are likely to be ‘dependent’ on the support of others for their daily living, to the number of individuals who can provide such support. Key indicators of age dependency are: the old-age-dependency ratio (OADR - which shows persons aged 65+ in relation to the number of individuals aged between 15-64 years), the ageing of the aged ratio (80+ age bracket as a percentage of the 65+ age bracket) and the economic old-age dependency ratio (inactive population aged 65+ as a percentage of the employed population 15 to 64).

The OADR for 2023 increased by 1.5 percentage points to 26.5 per cent compared to 2012, meaning that the elderly population is increasing more than proportionately in comparison to the working age

Chart 2.2
Dependency Ratios (%)



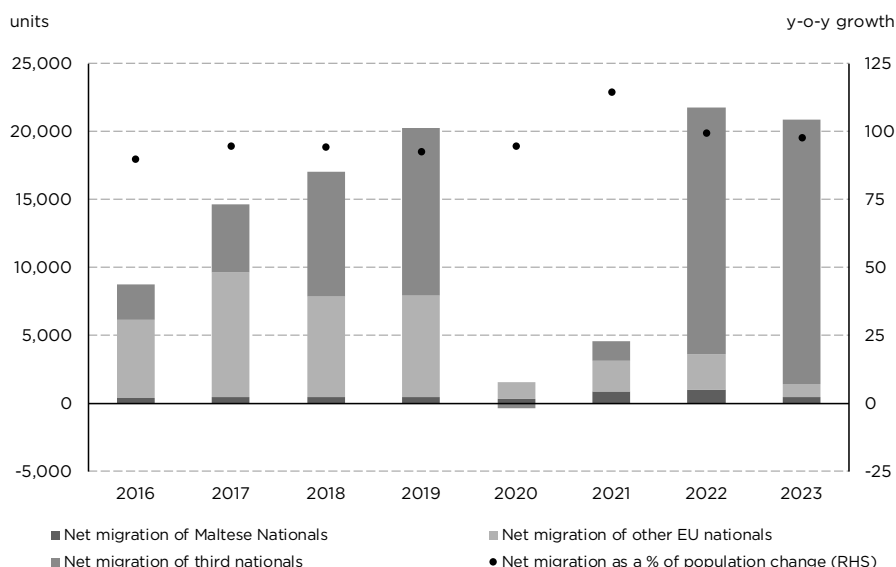
Source: National Statistics Office

population. On the other hand, the ageing of the aged ratio remained stable at 21.6 per cent when compared to 2012, indicating that although the elderly population is increasing, the 80+ cohort is not growing at the same rate. Lastly, the economic old-age-dependency ratio decreased by 5.5 percentage points to 31.2 per cent when compared to the 36.7 per cent registered in 2012, suggesting changes in the labour force participation. Specifically, the decline in this metric suggests that those aged 65 and over are more inclined to continue participating in the labour market, thus highlighting the effectiveness of the current labour market policies.

2.2.2 Regional Overview

Gozo's share of population in relation to the total population in the Maltese islands stood at 7.3 per cent in 2023. The share of the population in Gozo aged 65+ stood at 22.4 per cent, 4.4 percentage points higher than the share for Malta.

Chart 2.3
Net Migration Flows



Source: National Statistics Office

2.2.3 Net Migration

Positive net migration (immigration less emigration) of working age can ease the natural demographic pressures. In Malta, where the native workforce has been unable to keep up with the labour market's growing demands, immigration has played a vital role. Overall, as illustrated in Chart 2.3, net migration declined by 838 individuals between 2022 and 2023. Nonetheless, the level in 2023 was still slightly higher than the levels reached before the pandemic.

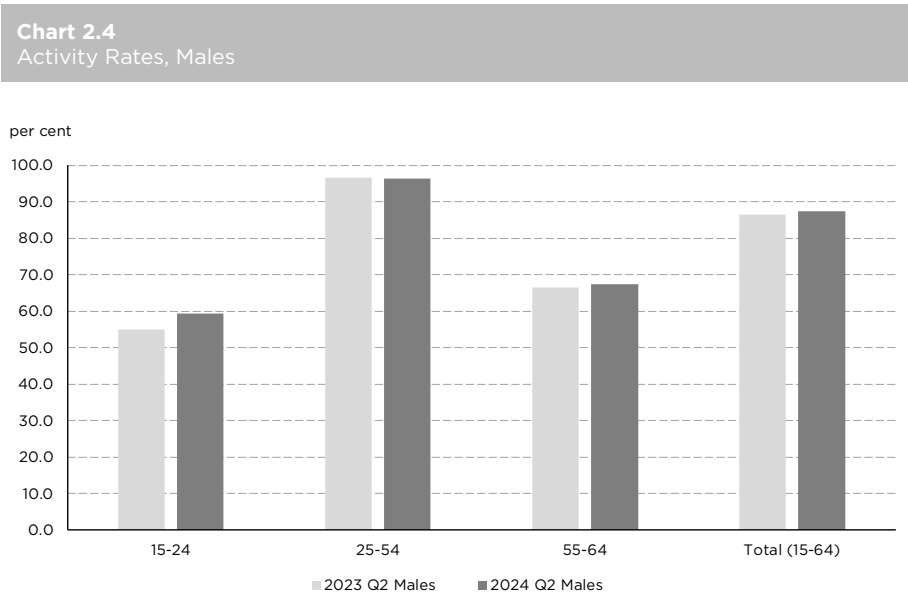
2.2.4 Activity Rates

According to Labour Force Survey (LFS) data, activity rates for the working age cohort, i.e. those aged 15 to 64, stood at 81.1 per cent in the second quarter of 2024, an increase of 1.2 percentage points when compared to the same quarter in 2023. Positive improvements were

recorded in both male and female activity rates which increased by 1.1 and 1.3 percentage points, respectively.

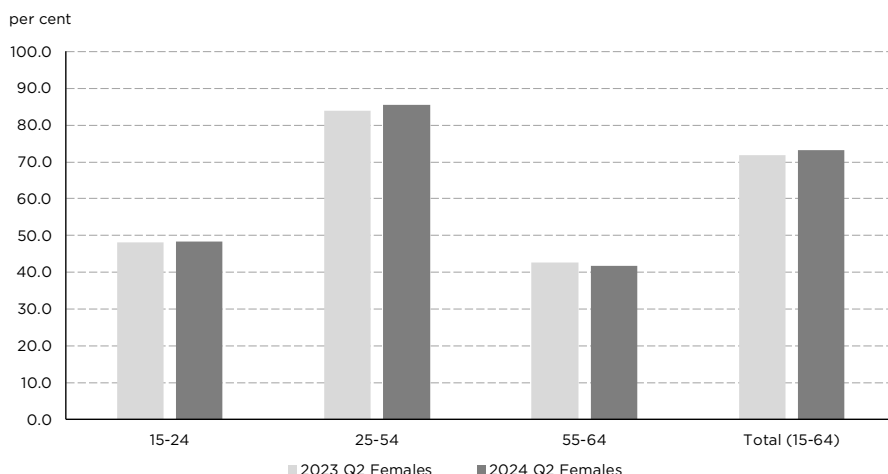
A closer analysis of recent trends shows that the 25-54 age group maintains the highest activity rates among all age cohorts, recording a rate of 91.7 per cent in the second quarter of 2024. This marks an increase of 0.7 percentage points when compared to the corresponding quarter of the previous year. Meanwhile, the 15-24 age cohort, experienced the most significant growth in activity, rising by 2.4 percentage points from the second quarter of 2023 to reach 54.2 per cent. For the 55-64 age cohort, a marginal yet positive increase of 0.1 percentage point was registered, bringing their activity rate to 54.9 per cent in 2024.

With reference to Charts 2.4 and 2.5, analysis by gender shows that improvements were seen for both males and females across all age groups, except for the 25-54 male cohort and the 55-64 female cohort which reported declines of 0.1 and 0.8 percentage points, respectively.



Source: National Statistics Office

Chart 2.5
Activity Rates, Females



Source: National Statistics Office

2.3 Labour Market Outcomes

During the twelve-month period ending in the second quarter of 2024, the number of employed individuals (aged 15-64), increased by around 18,417 individuals reaching an employment rate of 78.4 per cent, an increase of 2.0 percentage points. Employment rates in Malta as at end June 2024 remained significantly higher than the EU27 average, with a gap of 7.5 percentage points. These positive labour market outcomes are a result of both demand and supply-side factors, which in turn influenced the principles set out by the new National Employment Policy for 2021-2030, including the fostering of flexible skills, active employment, and the attraction and retention of foreign workers.

The highest employment rates observed are for individuals aged 25 to 54, where out of 100 individuals, around 89 are in employment, an improvement of 1.0 percentage point on the same quarter of the previous year. On the other hand, whilst the 15-24 age cohort had the lowest employment rate at 49.4 per cent, they experienced the largest annual increase, with a rise of 2.7 percentage points from the previous

Chart 2.6
Employment Growth and Employment Rate



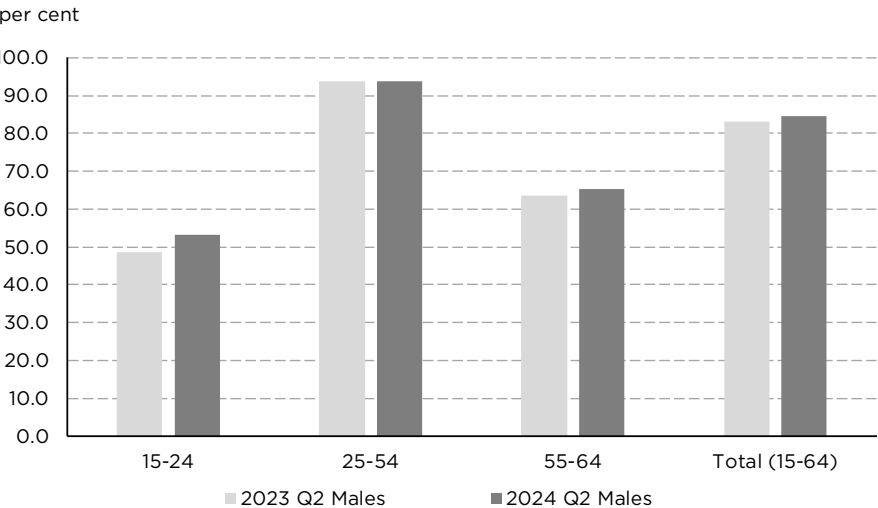
Source: National Statistics Office

year. This increase is mainly a result of a 4.7 percentage point increase in employment rates for males in this age cohort (Chart 2.7).

Significant improvements have been recorded in the female employment rates (Chart 2.8), with overall rates increasing by 1.8 percentage points when comparing the second quarter of 2024 with that in the previous year. Nevertheless, they remain lower than those for males by 13.4 percentage points. The gender gap is observed to widen with age, starting from a gap of 8.3 percentage points for the 15-24 age group and increasing to 24.1 percentage points for those aged 55-64.

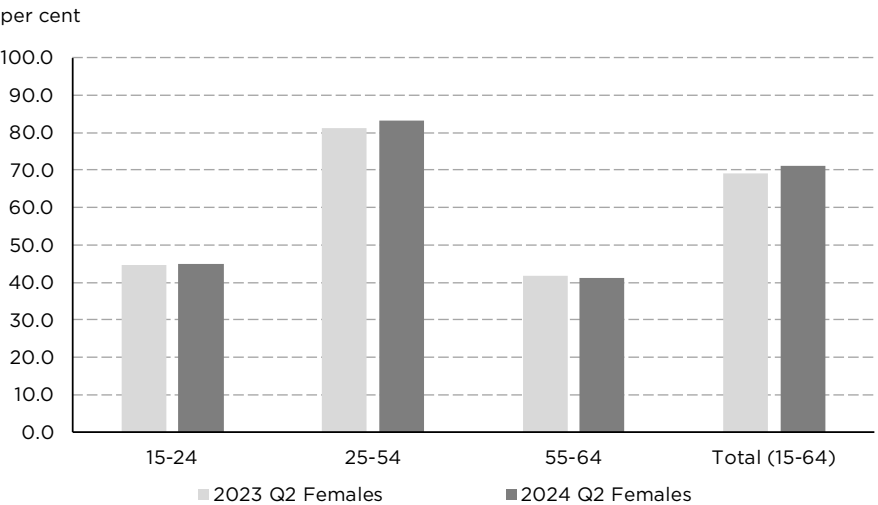
Full-time employment in the private sector as at end of April 2024 increased by 7.3 per cent compared to twelve months prior. This is mainly driven by a 5.2 percentage point increase in employment in direct production and an increase of 7.3 percentage point in market services in market services.

Chart 2.7
Employment Rates, Males



Source: National Statistics Office

Chart 2.8
Employment Rates, Females



Source: National Statistics Office

As outlined in Table 2.1, growth in direct production is mainly driven by employment growth in the Construction sector (2.6 percentage points) followed by the Manufacturing sector (2.2 percentage points). On the other hand, increase in employment in the market services, is attributed to the Accommodation and food services activities (1.5 percentage points), Administrative and support service activities (1.5 percentage points), Wholesale and retail trade (including repair of motor vehicles and motorcycles) (1.3 percentage points), Professional,

Table 2.1: Contribution to Growth in Private Sector Employment*

		percentage points		
		Dec 2022/ Dec 2021	Dec 2023/ Dec 2022	April 2024/ April 2023
Direct Production		6.7	6.2	5.2
F	Construction	4.5	3.0	2.6
C	Manufacturing	1.8	2.5	2.2
A	Agriculture, forestry and fishing	-0.0	0.1	0.1
E	Water supply; sewerage, waste management and remediation activities	0.4	0.5	0.3
B	Mining and quarrying	0.0	0.0	0.0
D	Electricity, gas, steam and air conditioning supply	0.1	0.0	0.0
Market Services		11.9	9.9	7.3
I	Accommodation and food service activities	2.1	2.1	1.5
M	Professional, scientific and technical activities	1.5	1.1	0.8
R	Arts, entertainment and recreation	0.9	0.2	0.3
N	Administrative and support service activities	2.6	2.0	1.5
J	Information and Communication	0.4	0.5	0.1
H	Transportation and storage	1.3	0.9	0.5
K	Financial and insurance activities	0.7	0.4	0.3
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	1.3	1.5	1.3
Q	Human health and social work activities	0.5	0.5	0.4
P	Education	0.2	0.2	0.2
S	Other service activities	0.3	0.3	0.2
L	Real estate activities	0.2	0.2	0.1
T	Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	0.0	0.1	0.0
U	Activities of extraterritorial organisations and bodies	0.0	0.0	0.0

* including temporary employment

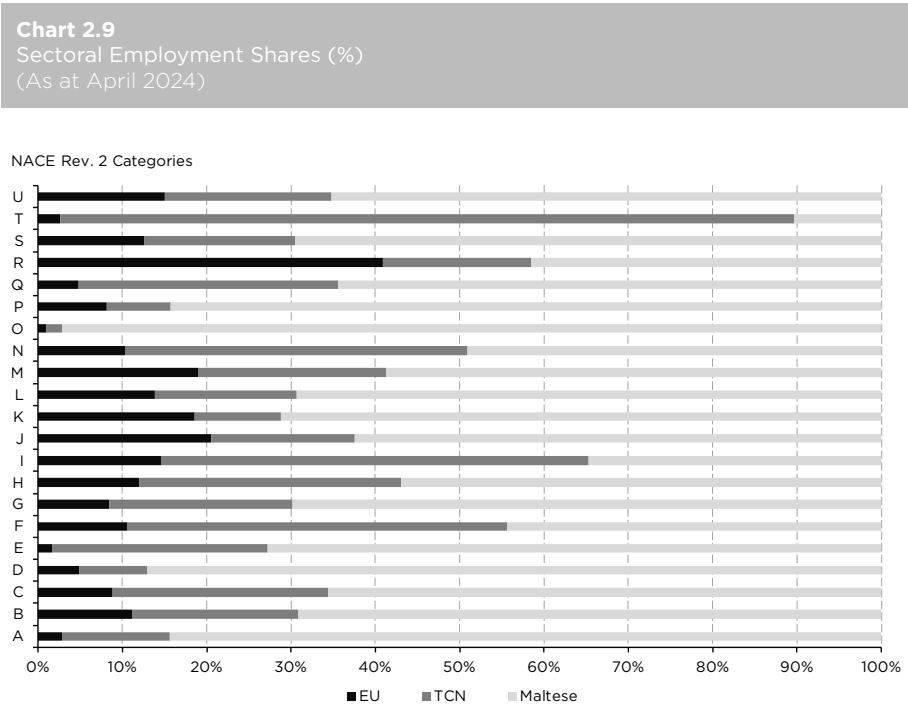
Source: National Statistics Office

scientific, and technical activities (0.8 percentage points) followed by the Transportation and storage sector (0.5 percentage points).

Administrative records from Jobsplus shows that foreign employees made up 37.1 per cent of full-time and part-time employees as of April 2024, an increase of 3.4 percentage points when compared to the April 2023, tangibly representing 16,959 individuals.

A sectoral analysis, as presented in Chart 2.9, shows that the sectors with the highest shares of total foreign workers include the Administrative and support services activities (15.7 per cent), Accommodation and food service activities (14.4 per cent), Construction sector (9.8 per cent) and Arts, entertainment and recreation (7.9 per cent).

The largest shares of European citizens are employed in the Arts, entertainment and recreation sector (17.3 per cent) followed by



Source: National Statistics Office

Chart 2.10
Unemployment Rate (15-74)



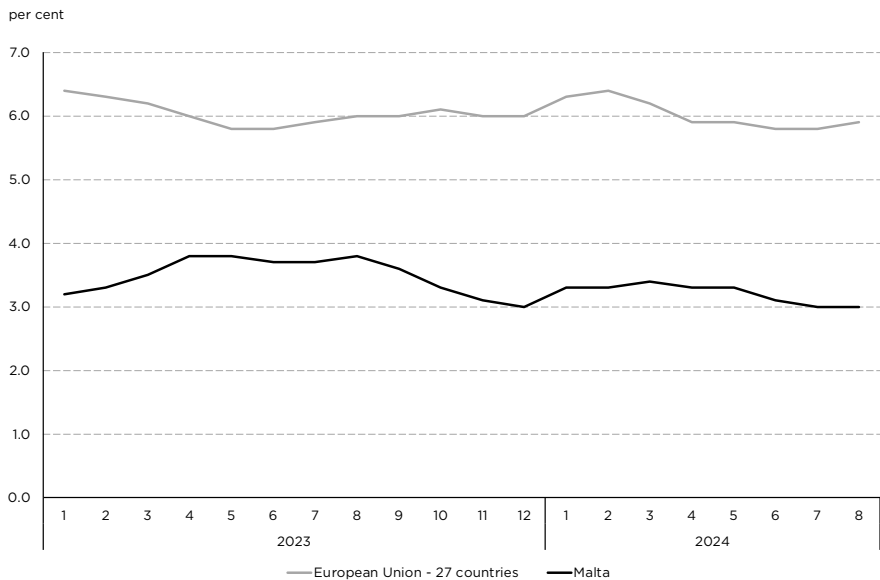
Source: National Statistics Office

the Professional, scientific and technical sector (12.8 per cent). The Administrative and support service activities and the Accommodation and food service activities employ the highest shares of third-country nationals (TCNs) with shares of 18.5 and 16.4 per cent, respectively.

The sectors with the highest shares of Maltese employees are the Public administration and defence, compulsory social security sector (17.4 per cent) and the Wholesale and retail trade (including repair of motor vehicles and motorcycles) sector (14.1 per cent).

Unemployment rates have continued to decline even further reaching 3.2 per cent at the end of the second quarter of 2024, 0.6 percentage points lower than the corresponding period in 2023 (Chart 2.10). As evidenced in Chart 2.11, Malta continued to outperform its European peers, reaching a low unemployment rate of 3.0 per cent in August 2024.

Chart 2.11
Monthly Unemployment Rate



Source: Eurostat

2.4 Negotiated Wages

The following section describes the development in the average weekly wage rates based on the collective agreements deposited with the Department of Industrial and Employment Relations (DIER), covering the period between August 2023 and August 2024. This analysis focuses exclusively on basic wage rates and does not include additional earnings like overtime, allowances, bonuses, or other incentives. Furthermore, the wages shown in the tables below reflect the weekly basic wage rates for full-time employment. The basic wages, classified by NACE codes, are further divided into three distinct skill levels. Box 2.1 offers a comprehensive explanation of the methodology and assumptions used.

As outlined in the 2024 Budget, the Cost-of-Living Adjustment (COLA) for 2024 was set at €12.81, a notable increase compared to

previous years. This significant rise has led to some private collective agreements reflecting an annual basic wage increase lower than the specified COLA. Consequently, as explained in Box 2.1, due to limited data on revised collective agreements for 2024, in instances where collective agreements result in a basic wage increase that is lower than the 2024 COLA, it is assumed that the basic wage increase is adjusted to match the COLA increase of €12.81 across all skill levels.¹ It is to be noted that in such cases, the impact of this assumed increase expressed in percentage terms is more pronounced for the lower skilled levels despite assuming equal increases for all skill levels. This is because the basic wages for Level 2 and Level 3 are higher than those at Level 1, so the percentage increase has a more significant base effect on the lower skill levels.

According to our sample of collective agreements, the aggregate weighted average basic weekly wage as of August 2023 was €419.27

Table 2.2: Average Basic Weekly Wages (August 2023)

€				
Statistical classification of economic activities (NACE)	Level 1	Level 2	Level 3	Weighted Average
C Manufacturing	321.28	378.80	464.32	395.46
E Water supply; sewerage, waste management and remediation activities	247.49	363.08	520.85	363.35
F Construction	291.93	327.59	356.31	321.04
H Transportation and storage	323.50	372.90	605.02	423.34
I Accommodation and food service activities	263.01	291.56	323.88	294.17
J Information and communication	259.82	338.02	420.18	399.94
K Financial and insurance activities	307.15	476.66	800.08	645.10
M Professional, scientific and technical activities	268.26	384.01	572.81	499.54
N Administrative and support service activities	218.58	321.92	585.75	339.77
O Public administration and defence; compulsory social security	251.48	374.24	555.71	468.96
P Education	276.88	385.57	594.21	515.70
QB* Residential care and social work activities	255.37	326.54	497.68	385.49
R Arts, entertainment and recreation	292.65	394.64	509.97	439.31
S Other service activities	286.62	379.18	553.47	426.95
All sectors	264.55	361.67	539.40	419.27
Direct production	299.56	360.66	434.64	365.36
Services	251.34	361.97	553.30	431.83

*Sector QB is part of sector Q Human health and social work activities

Source: Economic Policy Department using data provided by the Department of Industrial and Employment Relations and Jobsplus

(see Table 2.2). The weighted average basic wage for those employed in direct production was €365.36, while for those in the Services sector it was €431.83, resulting in a sectoral wage gap of €66.47 between direct production and services. As shown in Table 2.3, as of August 2024, the weighted average weekly wage across all sectors increased to €435.54. The Financial and insurance sector reported the highest weighted average weekly wage at €663.68, followed by the Education sector at €529.82. In contrast, the Accommodation and food service activities sector recorded the lowest weighted average weekly wage at €307.85. The lowest weighted average basic wage reported was at Level 1 within the Administrative and support service activities sector, at €232.11, which is €18.57 (or 8.7 per cent) above the national minimum wage for 2024. Conversely, the highest weighted average basic wage was recorded by the Financial and insurance sector at Level 3, totalling €821.78.

Table 2.3: Average Basic Weekly Wages (August 2024)

					€
Statistical classification of economic activities (NACE)		Level 1	Level 2	Level 3	Weighted Average
C	Manufacturing	338.27	396.44	482.45	413.15
E	Water supply; sewerage, waste management and remediation activities	261.54	375.89	533.69	376.56
F	Construction	305.55	340.88	370.41	334.60
H	Transportation and storage	340.05	388.17	633.08	442.17
I	Accommodation and food service activities	276.55	305.28	337.65	307.85
J	Information and communication	274.80	352.90	437.62	416.81
K	Financial and insurance activities	320.20	491.81	821.78	663.68
M	Professional, scientific and technical activities	281.07	397.30	593.57	517.77
N	Administrative and support service activities	232.11	337.83	601.50	354.87
O	Public administration and defence; compulsory social security	264.32	389.36	576.91	487.39
P	Education	289.69	398.38	609.03	529.82
QB*	Residential care and social work activities	269.72	342.21	515.61	401.91
R	Arts, entertainment and recreation	305.46	407.45	523.93	452.60
S	Other service activities	299.68	393.07	566.37	440.36
All sectors		278.59	376.65	557.88	435.54
Direct production		314.43	376.60	451.33	381.25
Services		265.06	376.66	572.02	448.19

*Sector QB is part of sector Q Human health and social work activities

Source: Economic Policy Department using data provided by the Department of Industrial and Employment Relations and Jobsplus

Table 2.4 shows the percentage changes in average weekly wages between August 2023 and August 2024, and Chart 2.12 illustrates the contributions to the sectoral growth rates. The overall weighted average increase for all firms amounted to 3.9 per cent, with the growth primarily driven by increases in Level 2 wages. In direct production, the average basic wage increased by €15.88 (4.3 per cent), with Level 2 wages contributing 2.2 percentage points to this increase. In the Services sector, the average basic wage increased by €16.36 (3.8 per cent), with Level 3 wages contributing 1.7 percentage points to this rise. The Accommodation and food service activities sector registered the highest percentage increase at 4.7 per cent. This notable increase in basic weekly wages for this sector compared to others may be the result of a base effect as a result of the large increases in wages due to COLA. The Transportation and storage sector experienced the largest increase in Level 3 wages at 4.6 per cent. Meanwhile, the Administrative and support service activities sector recorded the highest percentage

Table 2.4: Percentage Change in Average Basic Weekly Wages (August 2023 - August 2024)

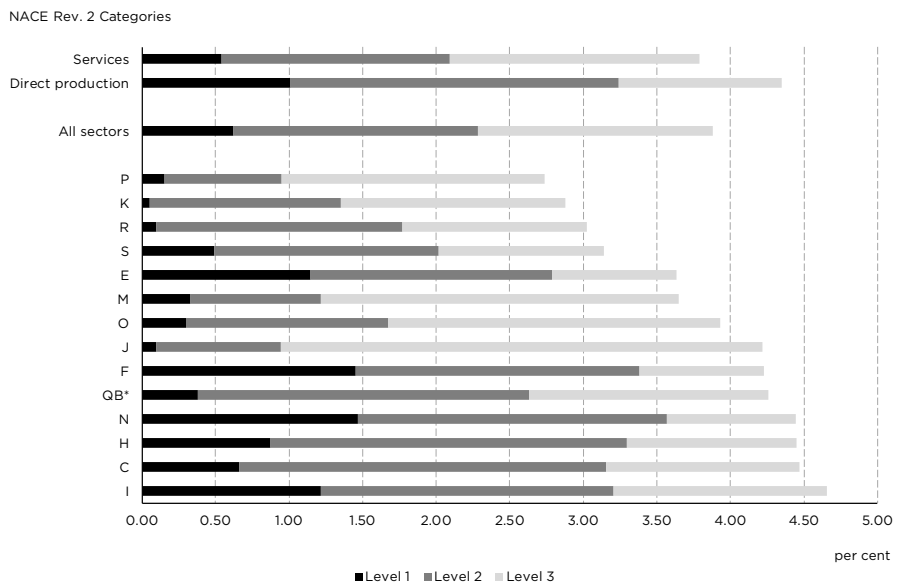
per cent				
Statistical classification of economic activities (NACE)	Level 1	Level 2	Level 3	Weighted Average
C Manufacturing	5.3	4.7	3.9	4.5
E Water supply; sewerage, waste management and remediation activities	5.7	3.5	2.5	3.6
F Construction	4.7	4.1	4.0	4.2
H Transportation and storage	5.1	4.1	4.6	4.4
I Accommodation and food service activities	5.1	4.7	4.3	4.7
J Information and communication	5.8	4.4	4.2	4.2
K Financial and insurance activities	4.2	3.2	2.7	2.9
M Professional, scientific and technical activities	4.8	3.5	3.6	3.7
N Administrative and support service activities	6.2	4.9	2.7	4.4
O Public administration and defence; compulsory social security	5.1	4.0	3.8	3.9
P Education	4.6	3.3	2.5	2.7
QB* Residential care and social work activities	5.6	4.8	3.6	4.3
R Arts, entertainment and recreation	4.4	3.2	2.7	3.0
S Other service activities	4.6	3.7	2.3	3.1
All sectors	5.3	4.1	3.4	3.9
Direct production	5.0	4.4	3.8	4.3
Services	5.5	4.1	3.4	3.8

*Sector QB is part of sector Q Human health and social work activities

Source: Economic Policy Department using data provided by the Department of Industrial and Employment Relations and Jobsplus

increases in Level 2 and Level 1 wages, at 4.9 per cent and 6.2 per cent, respectively.

Chart 2.12
Contribution to the Weighted Average Growth Rate in Basic Weekly Wages
(August 2023-August 2024)



* Sector QB [Residential care and social work activities] is part of sector Q

Source: Economic Policy Department using data provided by the Department of Industrial and Employment Relations and Jobsplus

Box 2.1

Collective Agreements Methodology

The sample under review includes 178 firms employing a total of 87,573 full-time employees. Of these, 35 firms are engaged in direct production, employing 10,280 individuals, while the remaining 143 firms operate in the services sector with 77,293 employees. The sample represents approximately 37.0 per cent of total employment. The basic weekly wages are categorized into three distinct levels according to the International Standard Classification of Occupations (ISCO-08) ten-skill level groups, excluding military occupations. ISCO is a system developed by the International Labour Office (ILO) for classifying and aggregating occupational information. Level 1 corresponds to ISCO major group 9, which includes elementary occupations. Level 2 encompasses ISCO major groups 4 to 8, which cover clerical support, service and sales workers, skilled agricultural and fishery workers, craft and related trades workers, and plant and machine operators and assemblers. Level 3 includes ISCO major groups 1 to 3, which consist of managers, professionals, technicians, and associate professionals. Employment data by ISCO level is provided by Jobsplus.

This analysis excludes definite contracts of employment and does not take into account any employment benefits beyond the basic wage, such as production bonuses, overtime payments, social security, allowances, and other forms of non-wage income. This source of non-wage income can be quite significant for some sectors of employment, such that the employees' actual average weekly remuneration may be significantly higher than the average weekly basic wages reported in this study.

The results presented, comparing the 2024 figures with those of 2023, are directly comparable because the analysis uses the same employment weighting structure and sample of firms. Therefore, the difference represents the actual change in wages over the year. However, the wage estimates published in previous editions of the Economic Survey are not directly comparable to these estimates. This lack of comparability is primarily due to differences in methodology and sampling procedures, such as the inclusion of additional firms and the exclusion of others, which alter the weighting of individual firms in each category as employment levels change. Additionally, the average basic wage rate may be affected by the reclassification of grades within new collective agreements and the reclassification of NACE codes for certain businesses.

The methodology involves compiling collective agreements according to each entity's NACE code, which organizes statistical data by economic activity. The average wage is then calculated for each of the three skill levels within individual collective agreements. If a collective agreement excludes the Cost-of-Living Adjustment (COLA) and the increases for 2024 are lower than COLA, the figures are adjusted accordingly. For agreements where the basic wage increase is less than the 2024 COLA (€12.81 per week), it is assumed that the basic wage increment matches this amount across all skill levels. However, it is important to note that this assumption does not apply to all NACE categories, as some recently agreed collective agreements in certain sectors already take into account the recent high increases in COLA. On the other hand, information on some recently agreed collective agreements was not available at hand on time for such agreements to be updated for this exercise and hence, assumptions on their wages increases for 2024 were based on the wage increases for 2023.

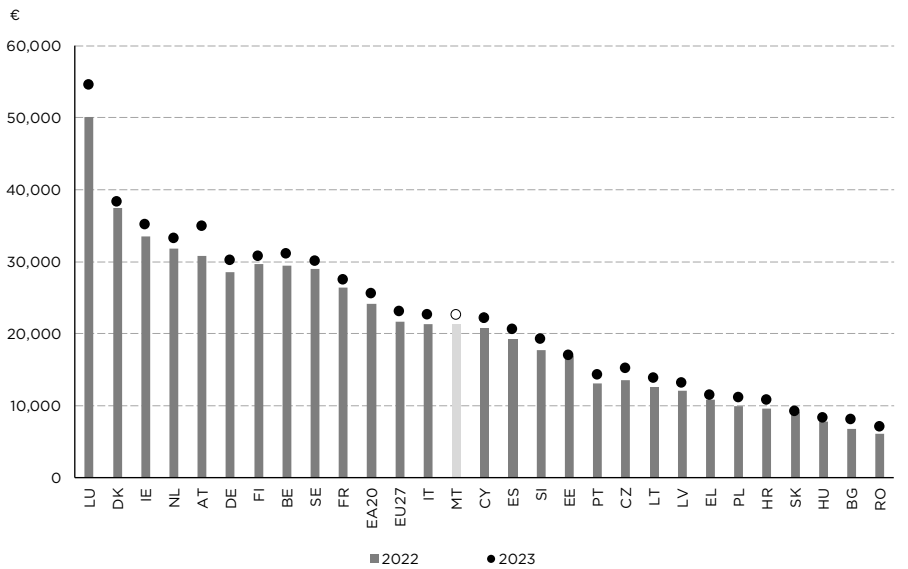
2.5 Social Conditions

This following section examines how the average equivalised disposable income of Maltese households compares with that of other EU countries. It also explores recent changes in poverty and social exclusion and delves into income inequality in Malta by analysing several indicators such as the Gini coefficient and the S80/S20 ratio.

2.5.1 Average Equivalised Household Income

In 2023, the average equivalised household income² in Malta amounted to €22,654, as shown in Chart 2.13. This figure reflects an increase of 6.1 per cent from that of 2022, maintaining a positive upward trend observed in recent years. Subsequently, Malta's average equivalised household disposable income is steadily approaching the EU27

Chart 2.13
Average Equivalised Household Income



Source: Eurostat

average. The gap between the average disposable income in 2023 for the EU27 and Malta is approximately €488, a slight increase from the €310 difference recorded in 2022. Over the nine-year period from 2015 to 2023, Malta's average household income surged by 49.3 per cent. When assessed as a proportion to the Euro Area, average household income has increased by 12.8 percentage points over the same period, rising from 75.6 per cent in 2015 to 88.3 per cent in 2023, a slight decrease from the 88.5 per cent recorded in the previous year. This still indicates that the gap between Malta's average equivalised household income and that of the Euro Area is decreasing.

2.5.2 Income Distribution

The distribution of income in Malta can be analysed using two key metrics: the S80/S20 ratio and the Gini coefficient. The latest available data for these indicators is based on 2023, using 2022 as the income reference year. Consequently, any income redistribution measures or policies introduced from 2023 onwards are not reflected in these indicators of income inequality. The S80/S20 ratio measures income inequality by comparing the income of households in the 80th percentile to those in the 20th percentile, calculated by dividing the former by the latter.

Over the past year, the S80/S20 indicator has risen, with the ratio increasing from 4.8 in 2022 to 5.3 in 2023. This implies that in 2023, households in the top 20th percentile earned, on average, 5.3 times more than those in the 80th percentile. When compared to the EU27, which recorded an S80/S20 ratio of 4.7 in 2023, income inequality in the EU has decreased, whereas inequality in Malta has increased. Breaking down this indicator by age group, the increase in inequality in Malta is made up of an increase in both the 65 years and over cohort and also in the less than 65 years cohort. The cohort of less than 65 years experienced an increase in the ratio of 0.5, reaching a ratio of 5.3 in 2023 from 4.8 in 2022. Among those aged 65 and over, the ratio rose by 0.7 compared to 2022, resulting in a ratio of 4.3 in 2023.

The Gini coefficient after social transfers, increased by 1.9 percentage points over the past year, from 31.1 per cent in 2022 to 33.0 per cent

Table 2.5: Income Distribution

	EU27		Malta	
	2022	2023	2022	2023
S80/S20 ratio	4.7	4.7	4.8	5.3
<i>Less than 65 years</i>	4.9	4.9	4.8	5.3
<i>65 years or over</i>	4.1	4.1	3.6	4.3
Gini-coefficient (%)	29.6	29.6	31.1	33.0

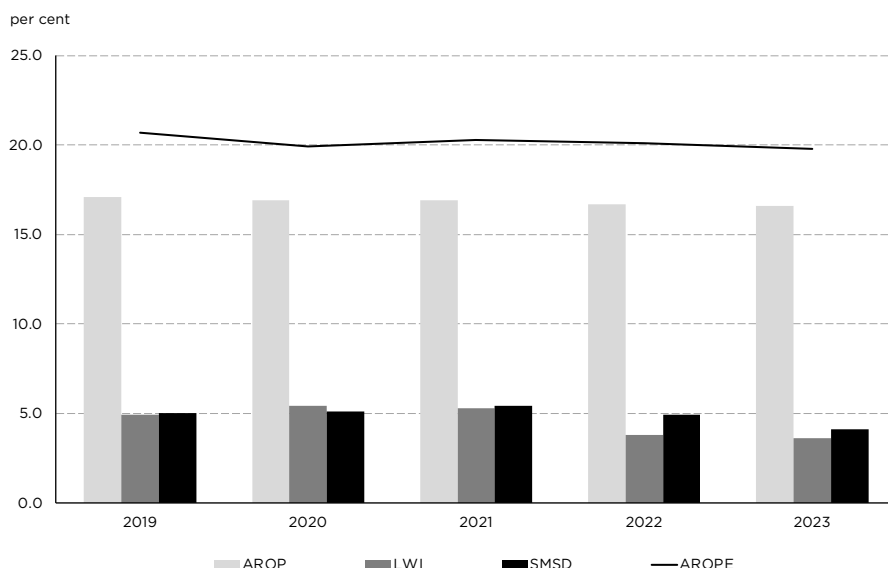
Source: Eurostat

in 2023. Additionally, when compared to the EU27, Malta's rate in 2023 is 3.4 percentage points higher. This also suggests that income distribution in Malta is more uneven compared to the average inequality across EU countries. This divergence in income inequality trends within the EU can be partly attributed to the impact of COVID-19 and the resulting rise in unemployment, which affected household disposable income. Several EU countries faced higher unemployment rates during this period, leading to a more equitable income distribution. In contrast, Malta experienced minimal impact on unemployment due to the Government's robust support for businesses and employees through various measures, helping households maintain their standard of living.

2.5.3 Poverty and Social Exclusion

The key measure for monitoring progress towards the EU's 2030 target on poverty and social exclusion is the AROPE³ rate. This rate represents the percentage of the overall population deemed to be at risk of poverty or social exclusion. In 2023, as shown in Chart 2.14, Malta's AROPE rate stood at 19.8 per cent, a decrease of 0.3 percentage points from the 20.1 per cent rate registered in 2022. When compared to the EU27 average, Malta's 2023 AROPE rate was 1.6 percentage points lower, as the EU average stood at 21.4 per cent.

Chart 2.14
At Risk-of-Poverty Indicators



Source: Eurostat

The AROPE is composed of three main indicators, namely:

1. At-risk-of-poverty rate (AROP): This indicator outlines the number of households falling below a threshold set at 60.0 per cent of the median household disposable income.
2. Severe material and social deprivation (SMSD): This indicator represents the number of households that are unable to afford certain basic necessities from a predetermined list of goods and services.
3. Low Work Intensity (LWI): This indicator measures households' work intensity in terms of hours worked per week.

Before factoring in social transfers, Malta's AROP rate in 2023 stood at 33.6 per cent, while the EU rate for the same year stood at 42.9 per cent, marking a 9.3 percentage point advantage for Malta. This indicates that, based solely on income and financial conditions, Malta

has a lower proportion of its population at risk of poverty compared to the EU average. After accounting for social transfers, Malta's AROP rate, one of the components of the AROPE rate, dropped significantly by 17.0 percentage points, to 16.6 per cent in 2023. This confirms the role of social transfers in providing additional support to individuals and households, reducing their vulnerability to poverty. A similar but larger reduction occurred at the EU level, where the rate fell by 26.7 percentage points reaching 16.2 per cent. The larger reduction across the EU likely reflects coordinated efforts and policies among Member States, demonstrating improvement in reducing poverty both locally and in the EU.

In recent years, Malta's AROP rate after incorporating social transfers has been continuously decreasing slightly each year. In 2019 it stood at 17.1 per cent and declined to 16.9 per cent in the following two years. In 2023, this rate settled at 16.6 per cent. Notably, the AROP thresholds, or poverty line, for single-person households and families with two adults and two children under 14 years increased by 23.4 per cent over the five-year period examined, highlighting the increase in the median equivalised income⁴. This rise is primarily attributed to employment income, which increased more rapidly than social benefits and other income sources. Consequently, this may have contributed to a higher AROP rate, as the higher poverty line captures more households below the threshold.

The other two components of the AROPE rate are the SMSD and LWI. As depicted in Chart 2.14, in 2023, the SMSD rate in Malta for individuals living in households was 4.1 per cent, representing approximately 21,853 people. This figure marked a decrease of 0.8 percentage points from the 2022 rate of 4.9 per cent. Additionally, Malta's SMSD rate in 2023 was 2.7 percentage points lower than the EU27 average, indicating that a smaller proportion of individuals living in Malta experienced severe material and social deprivation compared to the EU27 average.

In 2023, 3.6 per cent of individuals in Malta lived in households with LWI, which is a 0.2 percentage point decrease from the 2022 rate of 3.8 per cent. This rate is also 1.3 percentage points lower than the 4.9 per cent recorded in 2019, suggesting improved work engagement among some households and a positive long-term trend. Additionally,

the EU27 rate for individuals in households with LWI was 8.0 per cent in 2023, making Malta's rate 4.4 percentage points lower than the EU average for that year.

2.6 Energy and Climate Change

2.6.1 Introduction

Raising awareness about environmental concerns and their link to the economy is essential for ensuring that both current and future generations can meet their needs in a sustainable way. International agreements, such as the 2016 Paris Agreement, the European Commission's goal for a climate-neutral EU, and the European Green Deal, highlight the growing importance of tackling climate-related challenges.

At the national level, Malta is implementing the Low Carbon Development Strategy, which highlights the country's commitment to promoting a low-carbon, climate-resilient socioeconomic path. This strategy is aligned with the EU's climate legislation and the goals of the Paris Agreement.

These efforts stress the need for continuous monitoring through indicators to track progress in addressing climate issues. Therefore, this section will explore a range of indicators that monitor climate change and energy consumption trends in Malta, offering an overview of recent developments in climate and energy data.

2.6.2 Greenhouse Gas Emissions

This sub-section explores greenhouse gas (GHG) emissions classified, as recorded in GHG emission inventories submitted to the United Nations Framework Convention on Climate Change (UNFCCC). These inventories provide the official data for international climate policy, capturing GHG emissions estimates which incorporate data

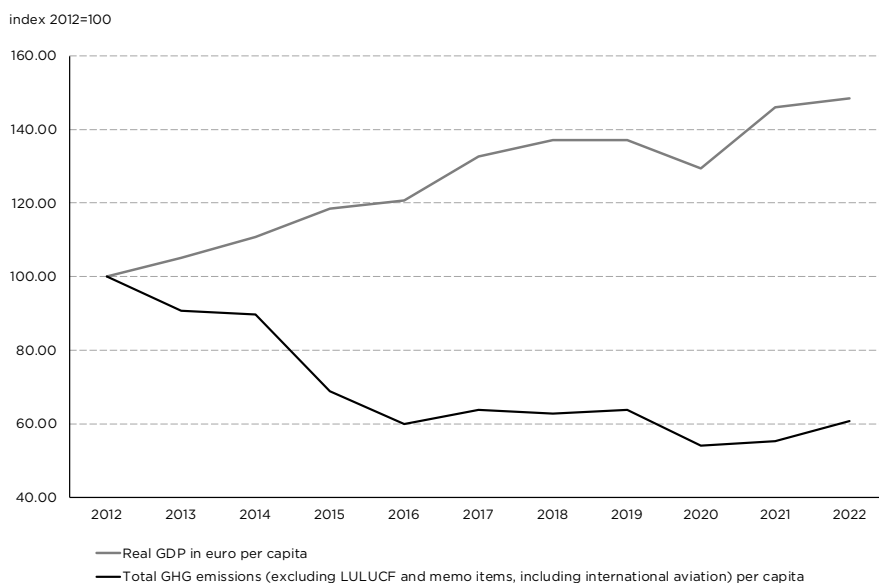
from a range of sources, with sectors primarily classified based on the technological origins of the emissions. This approach follows the methodology established by the Intergovernmental Panel on Climate Change (IPCC). The five main sectors contributing to emissions include energy (which encompasses transport), industrial processes and product use (IPPU), agriculture, waste management and those related to land use, land-use change, forestry (LULUCF). LULUCF includes both the absorption and release of carbon and is excluded from this assessment to ensure clarity. In view that international aviation and international maritime emissions are not easily attributable to a single country's GHG inventory, emissions from these sectors are reported separately as memo items so to avoid double-counting or misattribution of emissions in national reporting.

Malta witnessed a significant reduction in GHG emissions between 2012 and the most recent data available in 2022, with a decrease of approximately 795.6 thousand tonnes of CO₂ -equivalents. To understand the factors influencing changes in emissions, trends in underlying drivers such as economic activity and population growth are analysed.

Up until 2019, Malta witnessed strong economic growth, accompanied by a consistent rise in total population over the preceding eight years. As shown in Chart 2.15, real Gross Domestic Product (GDP) per capita followed a clear upward trend, with the exception of the 2019-2020 period, where economic activity slowed due to the COVID-19 pandemic, followed by a recovery in 2021 and 2022.

Between 2012 and 2022, Malta achieved absolute decoupling, with GHG emissions dropping by 23.1 per cent while GDP per capita increased by 48.1 per cent. Absolute decoupling occurs when environmental pressure grows at a slower rate than its economic driving force. This success is largely attributed to the Government's investments in the energy sector during 2015-2016. To better understand the factors behind the reduction in GHG emissions, the remainder of this section will offer a detailed analysis of the GHG emission sources across sectors from 2017 to 2022, following IPCC definitions.

Chart 2.15
Index of Real GDP per capita and GHG Emissions

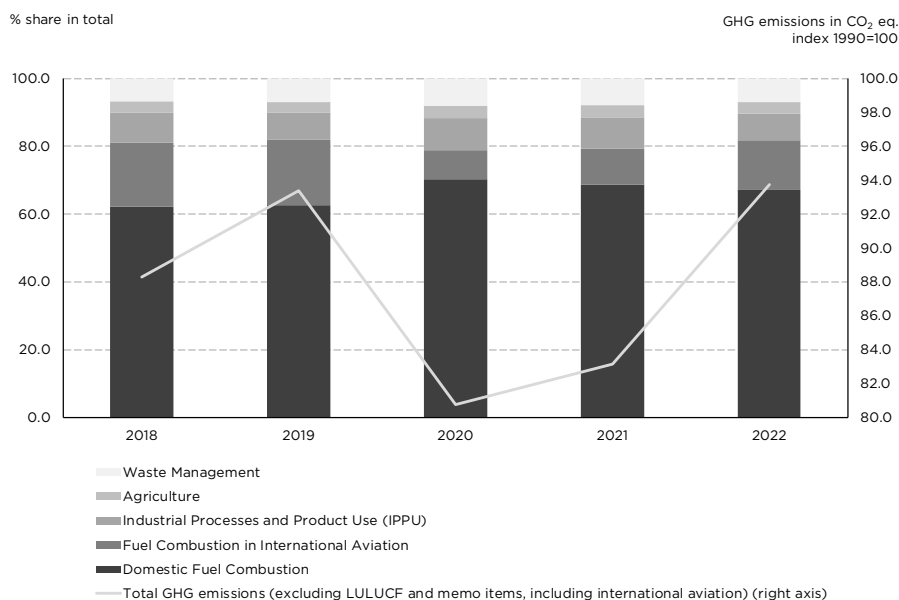


Source: Eurostat

Chart 2.16 shows that in 2022, fuel combustion contributed to 81.7 per cent of GHG emissions. This category includes domestic fuel combustion (67.1 per cent), primarily used for electricity generation and transport, as well as international aviation (14.5 per cent). Further analysis reveals that fuel combustion by households and the commercial and institutional sectors accounted for 1.8 and 3.7 percentage points, respectively, of the total GHG emissions from domestic fuel combustion.

The remaining GHG emissions are attributed to IPPU (8.0 per cent), waste management (7.0 per cent), and agricultural activities (3.3 per cent), none of which involve fuel combustion. Hydrofluorocarbons (HFCs), making up the majority of emissions from IPPU are the primary fluorinated gases released by refrigeration and air conditioning. On the other hand, waste management is a significant source of methane emissions, accounting for approximately 80.0 per cent of all methane emissions in Malta. The rest of the methane emissions mainly come from the agriculture sector.

Chart 2.16
Greenhouse Gas Emissions by Source Sector



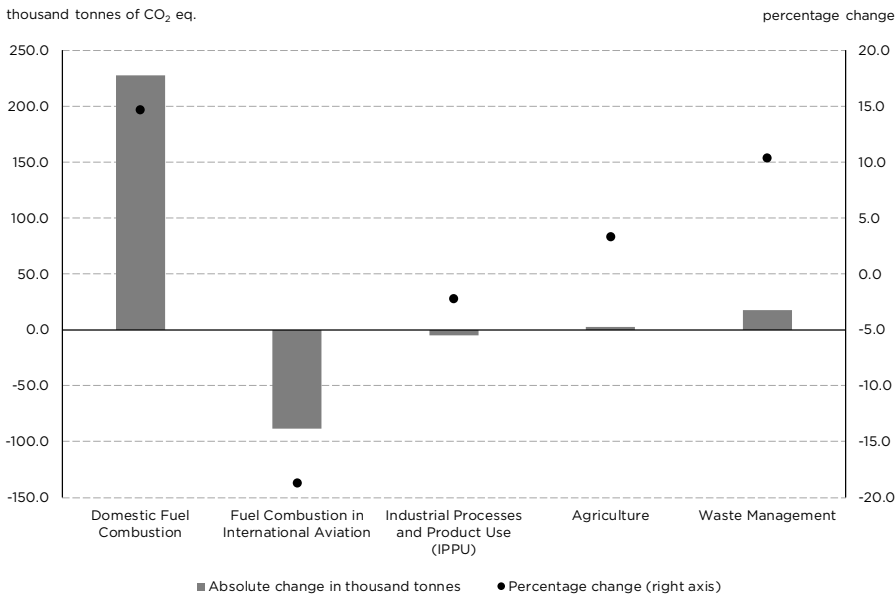
Source: Eurostat

As shown in Chart 2.17, total GHG emissions increased by 6.2 per cent between 2018 and 2022, primarily driven by a 14.7 per cent rise in emissions from domestic fuel combustion. This increase is attributed to higher emissions from fuel combustion in public electricity, construction, and road transport. GHG emissions from waste management increased by 10.4 per cent in 2022 compared to 2018, while emissions from international aviation decreased by 18.7 per cent, over the same period. Notwithstanding the recent developments, total GHG emissions remain 23.1 per cent below the emissions for 2012.

2.6.3 Final Energy Consumption

Malta's final energy consumption refers to the energy supplied to end-users, excluding energy consumed within the energy sector itself. In 2022, it reached 591.4 thousand tonnes of oil equivalent, a 12.6 per cent

Chart 2.17
Changes in GHG emissions, by IPCC source sector, from 2018 to 2022

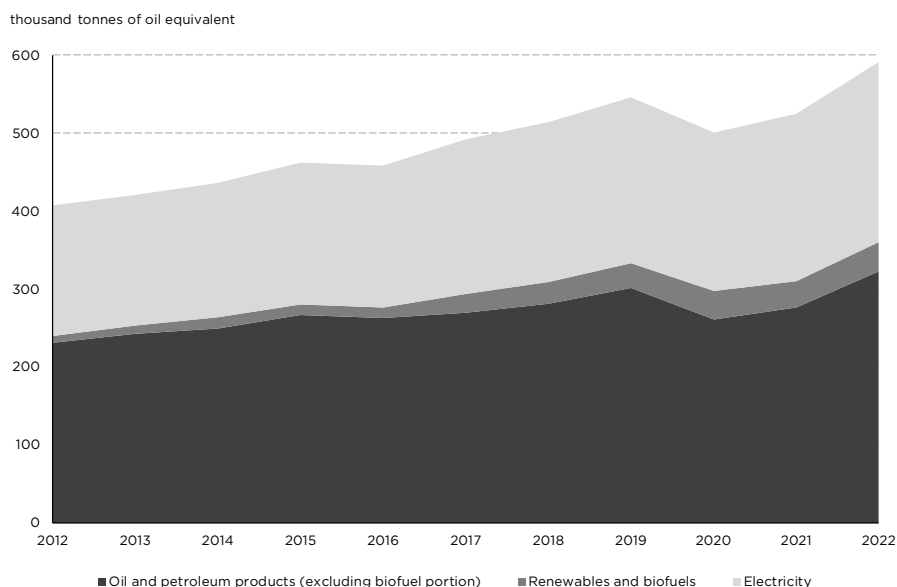


Source: Eurostat

increase from the previous year, driven primarily by higher consumption of gas oil, electricity, and gasoline. As shown in Chart 2.18, oil and petroleum products accounted for 54.6 per cent of total energy use, while electricity made up 39.2 per cent. Between 2012 and 2022, the share of renewable energy in final consumption rose by 4.1 percentage points, largely due to biofuel quotas and the Government initiatives promoting investments in photovoltaic systems and heat pumps. During this same period, the share of oil and petroleum products and the share of electricity in total energy use decreased by 2.2 percentage points and 1.9 percentage points respectively.

As shown in Chart 2.19, road transport was the largest energy-consuming sector in Malta, accounting for 39.3 per cent of total final energy consumption in 2022. This sector used 39.4 thousand tonnes of oil equivalent more than in 2021. The commercial and public services sector, with a 21.6 per cent share, and households, at 19.3 per cent,

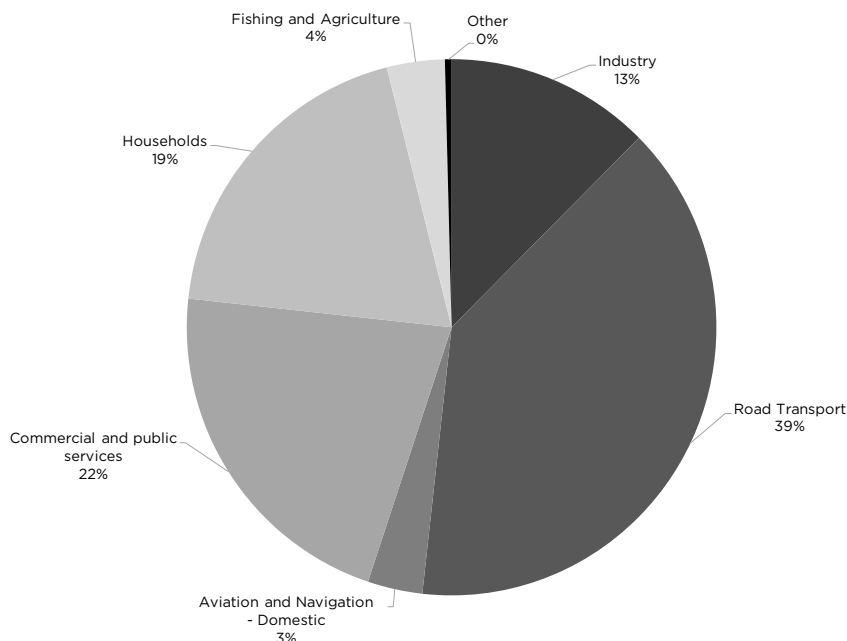
Chart 2.18
Final Energy Consumption, by fuel source



Source: Eurostat

saw their final energy consumption rise by 15.6 thousand tonnes of oil equivalent and 4.9 thousand tonnes of oil equivalent, respectively, in 2022 compared to the previous year. Together, the final energy consumption of these sectors increased by 9.2 per cent. Final energy consumption in the fishing and agriculture sectors, albeit representing a small share in total final energy consumption of 3.5 per cent, increased by 5.2 thousand tonnes of oil equivalent.

Chart 2.19
Final Energy Consumption, by sector, in 2022
% Share in Total



Source: Eurostat

2.6.4 Environmental Taxation

Environmental taxation is an effective tool for achieving environmental objectives. These taxes incentivise changes in production and consumption patterns, steering them towards more environmentally responsible choices while also generating revenue. Environmental taxes, in this context, are those linked to the physical units (or their proxies) of items known to have a harmful effect on the environment. This definition, consistent with the European System of Accounts⁵, highlights how such taxes influence the costs of activities and the prices of environmentally damaging products. Environmental taxes cover levies on energy, transport, pollution, and natural resources⁶. These taxes exclude value-added taxes, which apply broadly to all products.

Energy taxes are levied on energy products used for both transport and non-transport purposes. In 2022, the majority of these taxes, 75.1 per cent, came from energy products used in transportation, particularly petrol and diesel whilst revenue from the auctioning of emission trading permits, amounting to €30.6 million in 2022, contributed to 21.3 per cent of total energy tax revenue. The remaining 3.7 per cent came from excise duties on bunkering and electricity. That year, energy taxes accounted for 0.8 per cent of GDP, in contrast to the EU27 average, at 1.5 per cent.

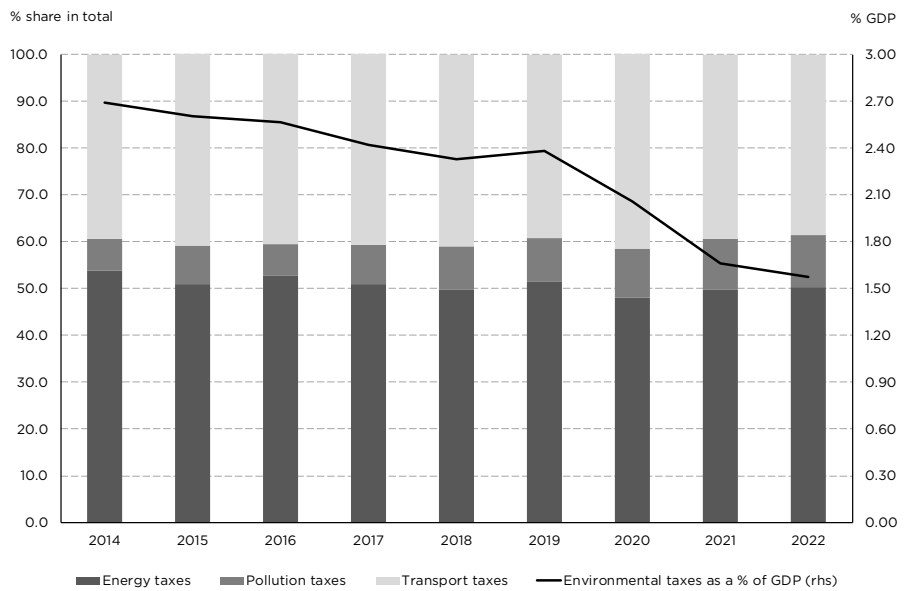
Transport taxes mainly refer to those associated with the ownership and use of motor vehicles. Taxes on petrol, diesel, and other transportation fuels fall under energy taxes and are not considered here. In 2022, revenue from the annual road tax reached €78.1 million, representing approximately 70.6 per cent of total transport tax revenue. At €29.0 million in revenue, the motor vehicle registration tax contributed about 26.2 per cent of the total transport taxes. The Government also collected around 1.9 per cent from driving licenses and administrative fees for vehicle testing, while 1.4 per cent came from the sale of license plates. Overall, transport taxes in Malta accounted for 0.6 per cent of GDP in 2022, exceeding the EU27 average of 0.4 per cent.

Pollution taxes include charges on quantified or estimated emissions into air and water, as well as those related to solid waste management and noise control. Within this category, excise duties on cement make up the largest portion, representing 66.7 per cent of all pollution taxes. Additional environmental levies in Malta apply to non-alcoholic beverages, construction components and fixtures, pneumatic tires, plastic bags, and various other products. In total, pollution taxes accounted for 0.2 per cent of Malta's GDP, slightly higher than the EU27 average of 0.1 per cent of GDP.

As shown in Chart 2.20, the distribution of environmental tax categories remained relatively stable over the years analysed. Despite decreases in the shares of revenue from energy-related environmental taxes and the share of transport taxes in total environmental taxes, transport tax revenue increased by €1.7 million and energy tax revenue rose by €7.0 million. Although pollution taxes made up the smallest portion, their share almost doubled since 2014, reaching 11.1 per cent of total

environmental taxes in 2022. In 2022, environmental taxes accounted for 5.7 per cent of total tax and social contribution revenues, higher than the EU27 average of 4.9 per cent. Total environmental tax revenue amounted to €287.2 million, or 1.6 per cent of GDP, while the EU27 average stood at 2.0 per cent.

Chart 2.20
Environmental Taxes by Type



Source: Eurostat

Footnotes

¹ In such exceptional circumstances of high COLA, it could be the case that firms with collective agreements that resulted in a basic wage increase that were lower than the 2024 COLA, would not only match the COLA but also allocate a higher increase in the basic wage, particularly for higher skilled workers. In light of the lack of information on this matter and the assumptions taken in this regard, it is pertinent that the figures presented in this section are treated with caution.

² Equivalised income refers to household income adjusted to identify different household compositions and income requirements. The equivalised scale is based on the weight specified by the OECD, in which the reference person takes a value of one and all other adults in the household take a value of 0.5 each. Children take a weighting value of 0.3. Thus, larger households' total disposable income is penalised using an established weighting system to reflect further income requirements to cater for dependent children and additional adults.

³ Further detail on the AROPE can be found in the following link: [Glossary:At-risk-of-poverty-or-social-exclusion \(AROPE\) - Statistics Explained \(europa.eu\)](#).

⁴ AROP threshold is defined as 60.0 per cent of the median national equivalised income.

⁵ Regulation (EU) No 691/2011 on European environmental economic accounts.

⁶ Malta does not have any resources-related environmental taxes.

CHAPTER 3

International Trade and the Balance of Payments



Chapter 3

International Trade and the Balance of Payments

3.1 International Trade

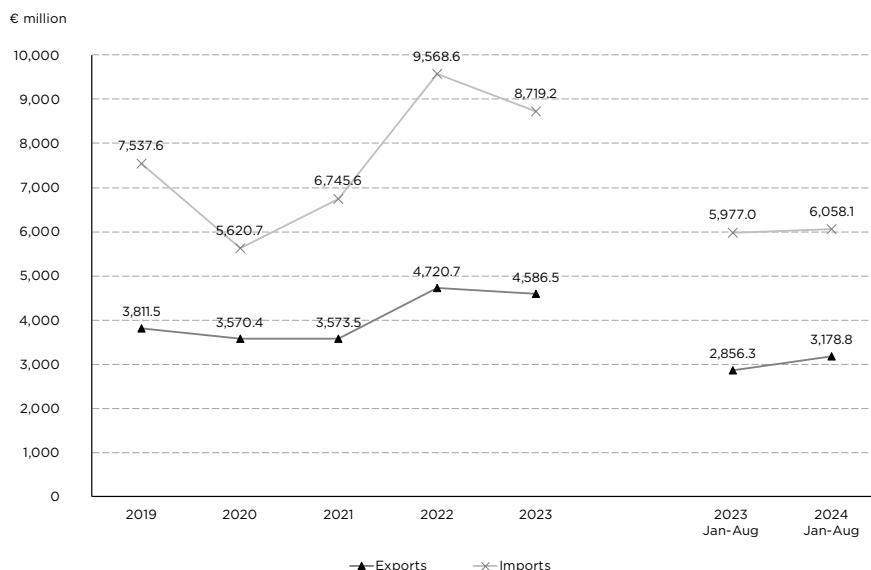
Malta, having a small open economy in the Mediterranean, is dependent on the importation of goods to meet the varied demands of its households and industries. Due to its strong connections to global trade, international trade statistics are used to track the movement of goods between Malta and other countries. These statistics offer valuable insights into the patterns and trends of Malta's imports and exports, highlighting both the volume and value of trade, as well as the composition of the goods exchanged.

In 2023, total imports for the year amounted to €8,719.2 million, while total exports were €4,586.5 million, representing a decrease of 8.9 per cent and 2.8 per cent respectively, when compared to the previous year. As exhibited in Chart 3.1, this led to an improved trade gap¹ deficit of 14.8 per cent, mainly as a result of lower imports of capital goods.

Looking at more recent data, Malta's total imports and exports were €6,058.1 million and €3,178.8 million, respectively, during the period of January to August 2024. This resulted in a narrowed trade gap of €241.4 million (-7.7 per cent).

It is important to highlight that the trade data above includes certain categories that are significantly influenced by volatile trade chapters, such as mineral fuels, oils and related products, aircrafts/spacecrafts, and their parts, as well as ships, boats, and floating structures. These categories can heavily impact the overall headline figures. For a clearer analysis of underlying economic trends, it is more appropriate to consider data that excludes these specific categories.

Chart 3.1
Trade Gap

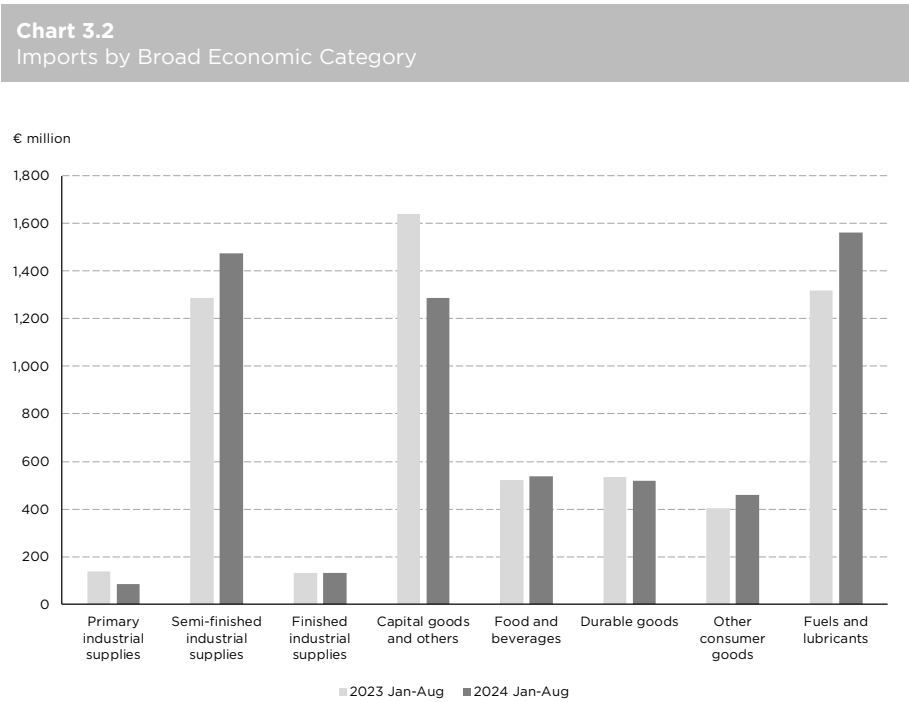


Source: National Statistics Office

After excluding these volatile components of trade, imports for 2023 increased by 7.7 per cent while exports decreased by 0.8 per cent over 2022. As a result, the underlying trade deficit net of the aforementioned volatile trade chapters widened by 20.9 per cent. Exports and imports for the period of January to August 2024 excluding these categories were €1,856.0 million and €3,611.3 million respectively, equivalent to decreases of 1.8 per cent and 0.4 per cent in exports and imports, respectively, over the same comparable period in the preceding year. This means that during the first eight months of 2024, the underlying trade gap when excluding these categories, widened by €18.4 million (1.1 per cent) from that of the corresponding period of 2023, reaching a value of €1,755.3 million.

3.1.1 Imports

Chart 3.2 presents import values disaggregated by the United Nations' Statistical Division Broad Economic Categories (BEC) codes. Imported goods for the period of January to August 2024 increased by €81.2 million when compared to the same period in 2023. This was mainly due to increases in the imports of fuels and lubricants and imports of semi-finished industrial supplies by €243.0 million and €189.0 million, respectively. During the same comparative period, imports of capital goods decreased by €353.7 million. After excluding the volatile trade chapters, imports for the period January to August 2024 decreased by €15.3 million when compared to the same comparative period in 2023. This was mainly driven by a decrease in the imports of fish and crustaceans, vehicles and parts thereof, optical, photographic or cinematographic instruments, plastic and articles of plastics, articles of iron or steel, and paper. Increases in the imports of electrical machinery,



Source: National Statistics Office

pharmaceutical products and organic chemicals of €66.8 million, €65.2 million and €30.1 million, respectively, partly offsetted the decrease in imports.

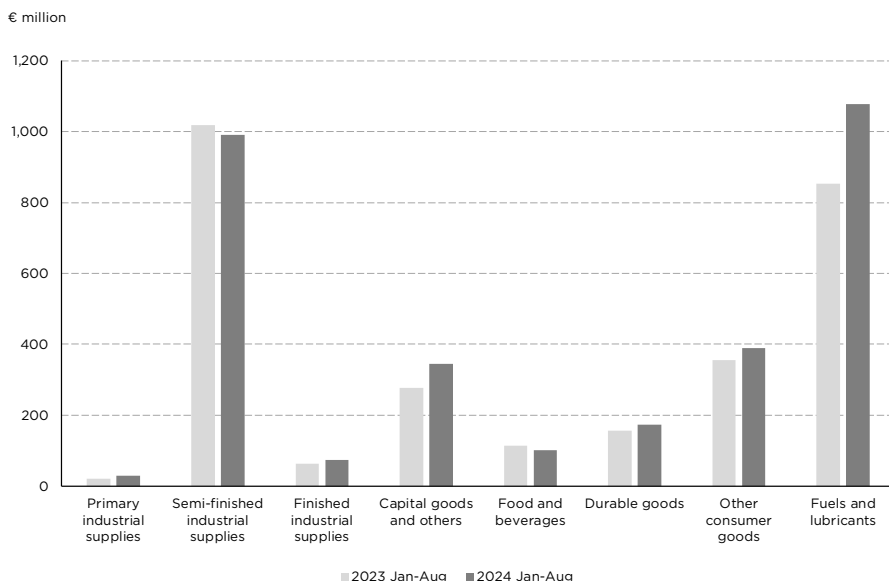
Imports from the European Union (EU) reached €3,355.9 million during the first eight months of 2024, which is equivalent to 55.4 per cent of Malta's total imports for that period. Italian imports during the same period in 2024 continued to dominate over other Euro Area imports with a value of €1,293.0 million, equivalent to 21.3 per cent of Malta's total imports.

3.1.2 Exports

Between January and August 2024, Malta's total exports increased by €322.5 million when compared to the same period for 2023. This was mainly a result of €225.1 million more in the exports of fuels and lubricants. In addition, the exports of capital goods and other consumer goods also increased by €69.3 million and €33.5 million, respectively. As indicated by Chart 3.3, the increase in exports was slightly mitigated by declines in the exports of semi-finished industrial supplies and food and beverages, which declined by €27.0 million and €12.9 million, respectively. After excluding the more volatile trade chapters, exports for the period January to August 2024 decreased by €33.7 million when compared to the same comparative period in 2023. This was mainly driven by declines in the exports of electrical machinery, printed books and newspapers, and fish and crustaceans of €67.1 million, €39.1 million and €25.6 million, respectively. Increases in the exports of pharmaceutical products, articles of iron or steel and miscellaneous chemical products contributed to the part mitigation of the decline in exports.

During the first eight months of 2024, exports to the EU increased by €56.8 million over the same comparable period of 2023, reaching €1,166.2 million. Almost half (44.5 per cent) of Malta's exports to the EU made their way to Germany (€519.4 million), a decline of 7.7 per cent over the same comparable period in 2023. Exports to Greece increased by €105.2 million, while exports to Italy remained stable. In the first eight months of 2024, exports to ships and aircraft stores

Chart 3.3
Exports by Broad Economic Category



Source: National Statistics Office

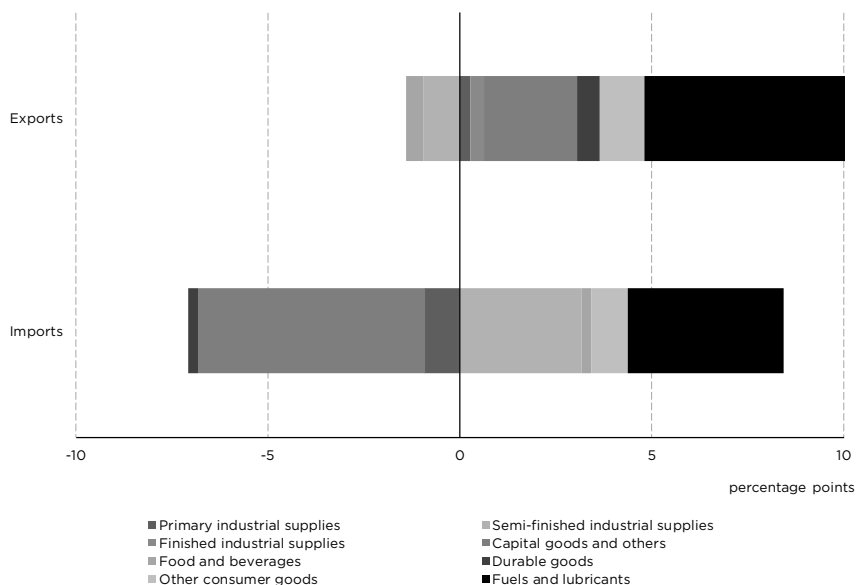
amounted to 69.3 per cent of total exports, while together, exports to Asia, Africa and North and Central Africa constituted 27.8 per cent of Malta's exports.

3.1.3 Trade Balances

Historically, Malta has recorded a trade deficit, averaging at 21.1 per cent of Gross Domestic Product (GDP) at current market prices over the past five years, which increases to 22.5 per cent of GDP when excluding 2020. When comparing the first eight months of 2024 to the same comparable period of 2023, an increase of 11.3 per cent in exports and a 1.4 per cent increase in imports contributed to a total trade deficit of €2,879.3 million (Chart 3.4). The trade activity improving the trade balance was mainly driven by trade in the capital goods and others category, whereby decreases in imports and increases in exports contributed to an improvement in the balance of trade for

Chart 3.4

Contributions to Rate of Change Jan-Aug 2024 over Jan-Aug 2023

**Source:** National Statistics Office

this category by €423.0 million. The trade balance for the primary industrial supplies and the durable goods categories also contributed positively to the improvement in the balance of trade by €61.6 million and €31.5 million, respectively. On the other hand, trade deficits for semi-finished industrial supplies (€215.9 million), fuels and lubricants (€53.5 million) and other consumer goods (€51.7 million) contributed to the deterioration of the trade balance.

Consistent with previous years, Malta registered most of its trade deficit with EU countries (76.1 per cent), most notably with Italy (41.2 per cent). Malta also registered notable trade deficits with Spain and France. Compared to the period January to August 2023, the trade balance with Germany and France widened by €187.2 million and €135.5 million, respectively, during the same period in 2024. On the other hand, the trade balance with Italy narrowed by €89.9 million. Malta's trade balance with Asia narrowed by €233.9 million in the first eight

months of 2024, while that with North and Central America widened by €263.6 million.

3.2 Balance of Payments

Malta's Balance of Payments (BOP) accounts keep track of both its payments to and its receipts from foreigners. International transactions within the BOP are segregated into the following three accounts:

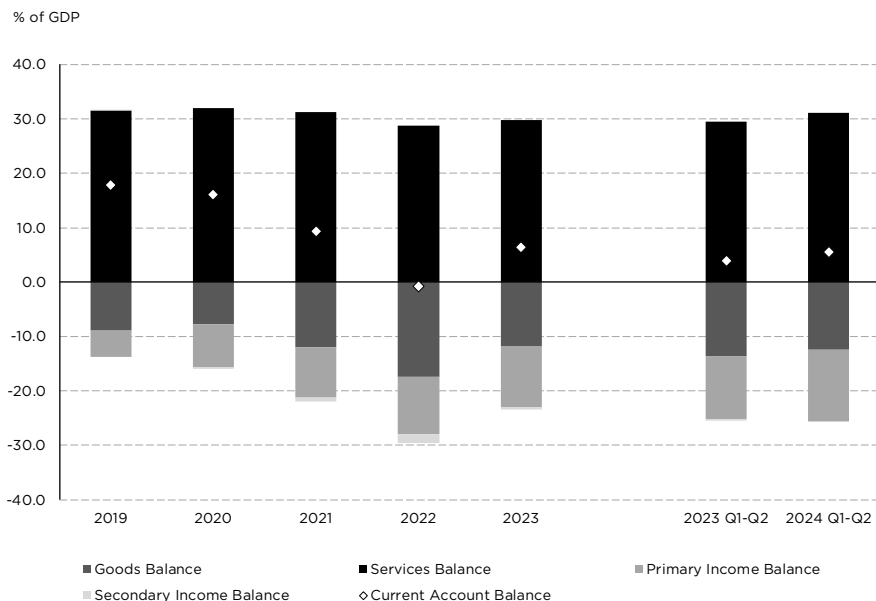
- The Current Account: This category captures changes relating to exports, imports and incomes involving residents and non-residents, consequently affecting net foreign wealth.
- The Capital Account: This category accounts for activity stemming from capital transfers receivables and payables between residents and non-residents and the acquisition or disposal of non-produced, non-financial and intangible assets.
- The Financial Account: This category records the balance of acquisition of assets from foreigners and the flow of liabilities to them. It comprises direct investment, portfolio investment, financial derivatives, other investment and reserve assets.

The BOP and the Net International Investment Position (NIIP) (described in Section 3.3) are prepared in accordance with the guidelines set out in the International Monetary Fund's (IMF) Balance of Payments Manual (BPM6)².

3.2.1 Current Account

Chart 3.5 shows the developments of Malta's current account. Malta has continuously registered a surplus in the current account, with an exception in 2022. These surpluses are a result of strong exports of services, primarily of personal, cultural and recreational services, but also growth in the exports of travel. This highlights the importance of Malta's services industry given that the country is a net importer of goods. The overall current account balance increased from 3.9 per

Chart 3.5
Current Account Balance and its Components



Source: National Statistics Office

cent of GDP in the first six months of 2023 to 5.5 per cent of GDP in the corresponding period in 2024.

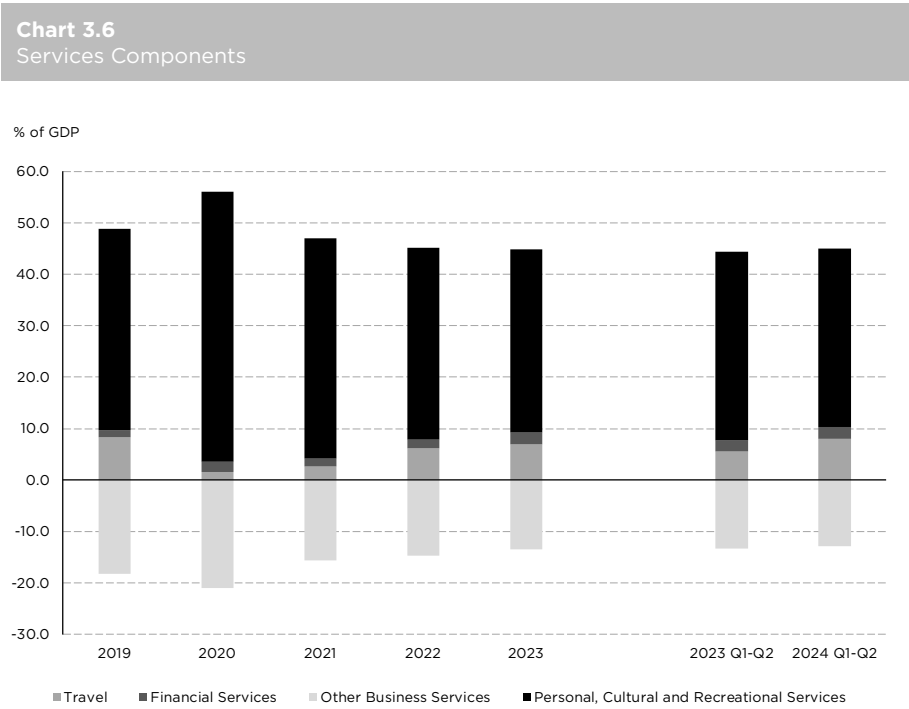
The improvement in the exports of services reflects better economic conditions worldwide and more specifically in Europe. There have also been improvements in Malta's export competitiveness, further boosting exports in 2023 and the first half of 2024. This is evidenced by the Real Effective Exchange Rate (REER) being below the EU average and increasing export market shares of services. However, it must be noted that Malta's REER is increasing.

3.2.1.1 Goods and Services

Two of the largest components of the current account are the goods and services balance, thus requiring attention to the analysis of their

trends. The balances of these accounts show whether Malta is a net exporter or importer of goods and services, hence impacting the total wealth of the country. Malta has steadily imported more goods than it has exported, resulting in a persistent negative goods balance. However, the services balance is consistently positive showing that Malta exports more services than it imports. The surplus in the services balance is attributed to robust Personal, cultural and recreational services, Travel, as well as Financial services. A declining trend can be noted in Other business services signalling net imports in services associated with professional and legal domains. Chart 3.6 highlights the patterns in selected services components.

In the first half of 2024, the services balance amounted to 31.1 per cent of GDP, an increase of 1.6 percentage points in comparison to the corresponding period in the previous year. This rise was primarily driven by a 2.4 percentage points increase in the Travel balance, as



Source: National Statistics Office

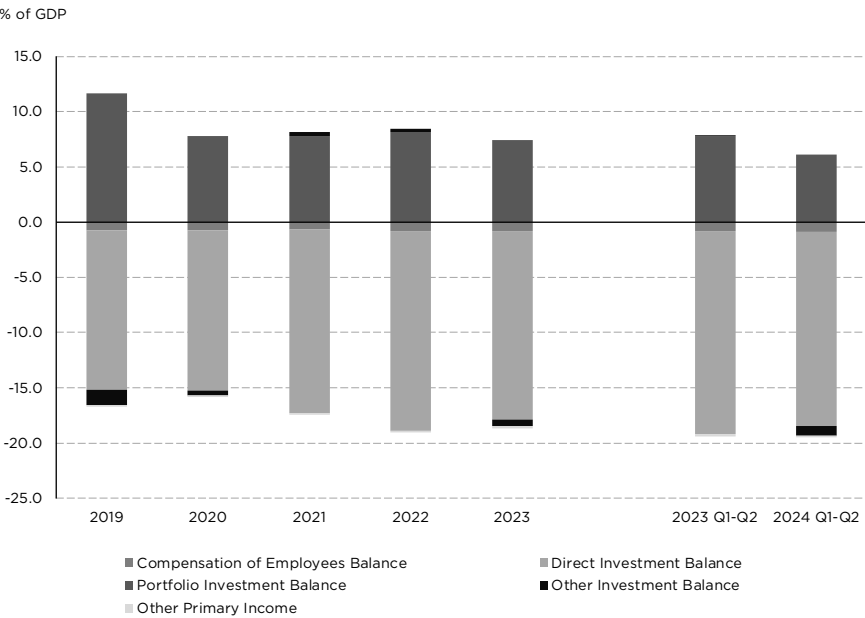
travel showed continuous recovery after the COVID-19 pandemic. Year-on-year increases are exhibited in Financial services from 2019 to 2023, including an increase in the first six months of 2024 compared to the corresponding period in 2023. The Financial and Other business services balances registered marginal increases, with the net import balance for Other business services contracting in each consecutive year since 2021. When comparing the first half of 2023 to the same period in the previous year, a 2.1 percentage points reduction in the Personal, cultural, and recreational services balance is noted, as the growth in GDP outpaced that of the numerator.

3.2.1.2 Primary Income Account

The third component of the Current account is the Primary income account which records receipts and payments relating to cross-border wage and investment income such as international dividends. Chart 3.7 captures the trends in the Primary income account. Widening further by 0.8 percentage points, the largest component of the Primary income account is Direct investment balance, where payments continuously outweigh receipts. The principal reason for substantial Direct investment payments is the accumulation of foreign direct investment (FDI) over the years resulting in incomes being transferred overseas.

The Primary income deficit, amounting to 13.4 per cent of GDP in the first half of 2024, increased compared to the corresponding period in 2023, when it stood at 11.6 per cent of GDP. The Portfolio investment component records financial transactions in equities, other securities and financial derivatives, which are not accounted for by direct investment or reserve asset components of the financial account. This component contributes positively to the Primary income account, albeit declining by 1.7 percentage points in the first six months of 2024 when compared to the same period in 2023. The Other investment balance has worsened by 0.9 percentage points, when comparing the first half of 2024 with that of 2023, while Compensation of employees and Other primary income have remained relatively unchanged over the two periods, albeit a very slight decline was observed.

Chart 3.7
Primary Income Account Components

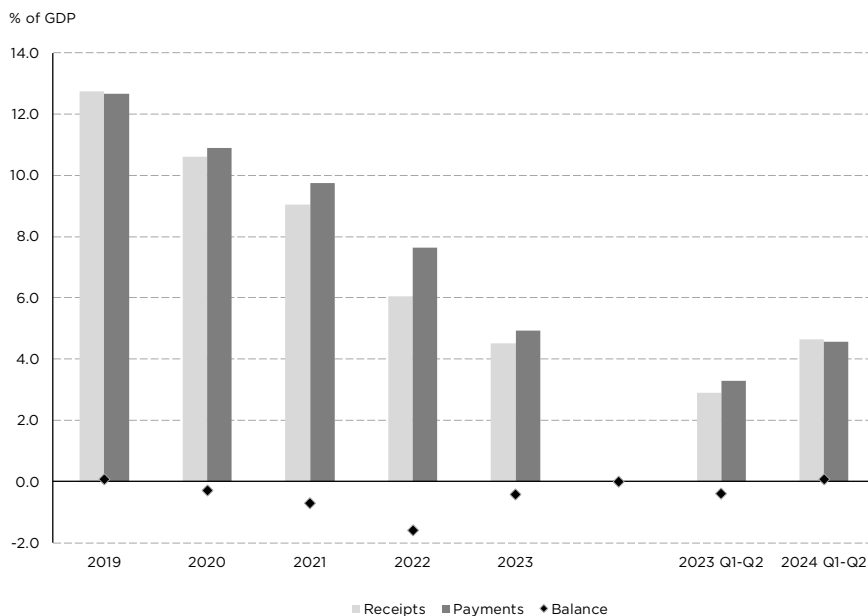


Source: National Statistics Office

3.2.1.3 Secondary Income Account

The Secondary income account keeps record of non-productive transactions between residents and non-residents that do not involve an exchange of economic value, such as taxes on income and wealth, and social benefits and contributions. Chart 3.8 illustrates the recent trends in Malta’s Secondary income account. The Secondary income account recorded a marginal surplus in the first half 2024 and an increase of 0.5 percentage points over the corresponding period in 2023, underpinned by increases in both receipts and payments.

Chart 3.8
Secondary Income Account

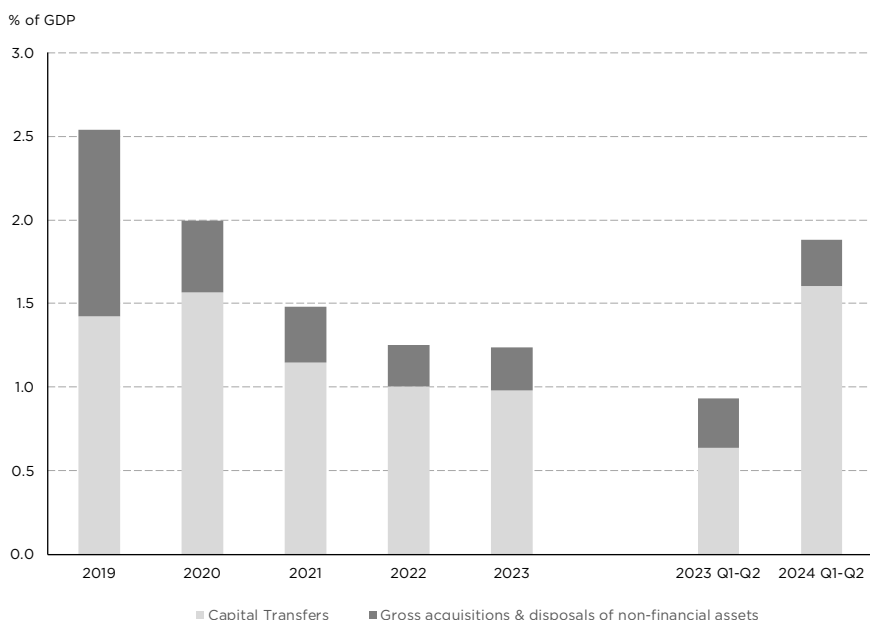


Source: National Statistics Office

3.2.2 Capital Account

Malta's Capital account has consistently upheld a net export position. Chart 3.9 illustrates Capital transfers and Gross acquisitions and disposals of non-financial assets, the two largest components of the Capital account. Over the past five years, gross acquisitions and disposals of non-financial assets have remained relatively stable at 0.5 per cent of GDP. In contrast, capital transfers are more volatile and while they were continuously decreasing from 2020 to 2023, the first half of 2024 witnessed an increase of 1.0 percentage point relative to the corresponding period in 2023.

Chart 3.9
Capital Account



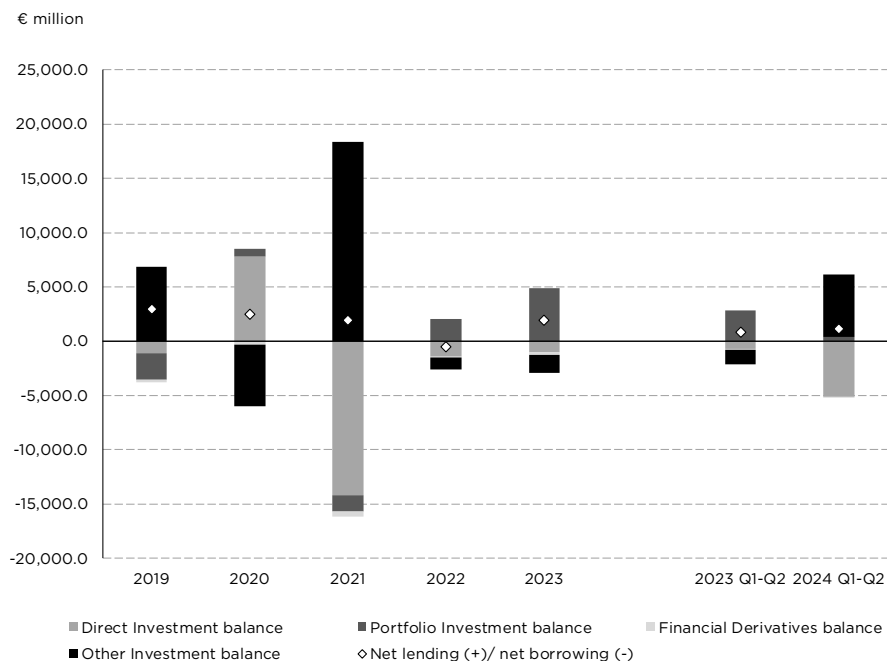
Source: National Statistics Office

3.2.3 Financial Account

The Financial account provides a net overview of monetary flows related to financial assets and liabilities. As seen in Chart 3.10, Malta has historically maintained a net lending position in the Financial account. The net borrowing position in 2022 returned to a net lending position the year after, and preliminary data for the first six months of 2024 shows net lending of €1,163.2 million, an increase of 43.2 per cent in net lending over the corresponding period in 2023.

Historically, Malta has mostly maintained a net liability position in its Direct investment balance, reflecting cumulative net inflows of FDI over the years. This had narrowed substantially by 2022 and 2023. Nonetheless, preliminary data for the first half of 2024 shows net liability increase in direct investment of €5,096.6 million, signalling

Chart 3.10
Financial Account Components



Source: National Statistics Office

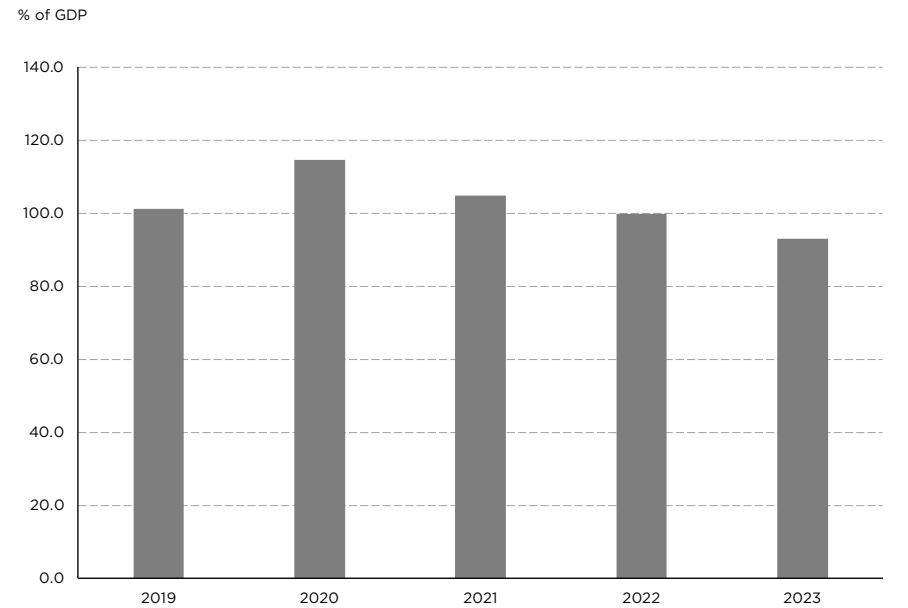
strong FDI in Malta. Malta typically records an asset position in Portfolio investment. In 2022 and 2023, Malta recorded significant net acquisitions of foreign portfolio investment assets held by domestic residents. While a net lending position was also recorded in the first half of 2024, the drop in net acquisitions to €411.4 million may reflect global market volatility and changing investor preferences. Financial derivatives, while a less significant component of the Financial account, has consistently registered a net liability position, likely reflecting Malta's exposures in foreign exchange and interest rate derivatives. However, the liability position has been narrowing, and in the first half of 2024, it decreased by €8.1 million. Other investment, which includes all financial transactions in assets and liabilities not covered in the previous categories, tends to experience volatile flows. In 2022, Malta recorded a net asset position. Net assets declined further in 2023. However, data for the first half of 2024 indicates a net acquisition

of other investment assets of €5.7 billion. In addition, reserve assets increased by €141.0 million.

3.3 Net International Investment Position

The NIIP is the difference between a country’s external financial assets (assets that the country owns abroad) and its external liabilities (domestic financial assets held by foreign entities). A positive NIIP is an indicator of a creditor nation, a lender to other countries, whereas a negative NIIP indicates a debtor nation. It shares the same structure and functional categories as the Financial account, including the same financial instruments.

Chart 3.11
Net International Investment Position

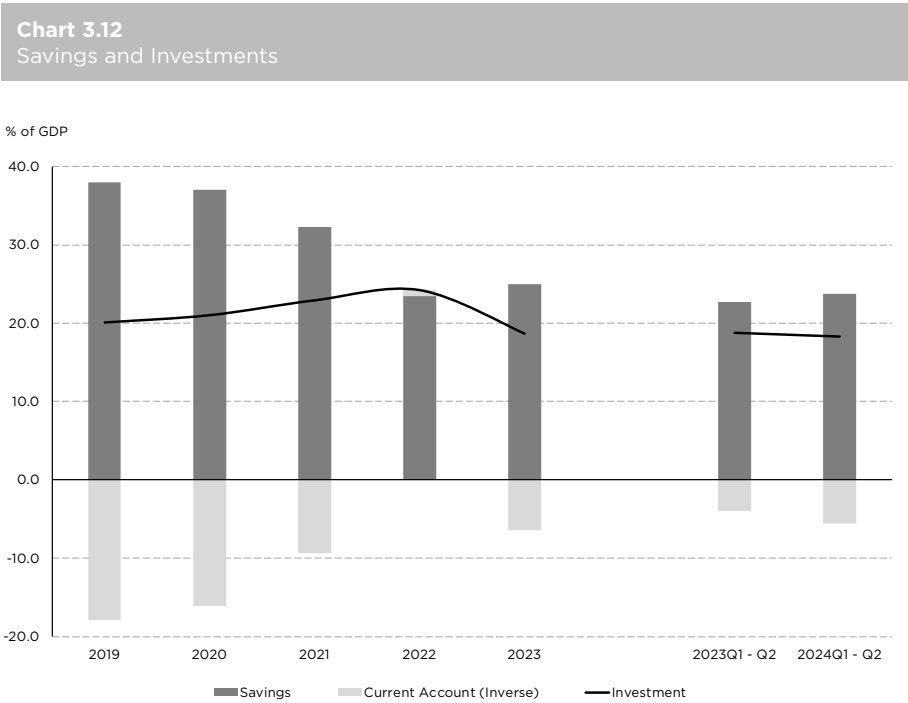


Source: National Statistics Office

Chart 3.11 demonstrates the changes in Malta's NIIP as a percentage of GDP over the past five years, showing that Malta has been a net lender to other countries. On average, Malta's NIIP has stood at an average of 102.7 per cent of GDP from 2019 to 2023. The stock of external financial assets has declined between 2021 and 2023, partly attributed to the recovery phase, as Malta began to rebalance its financial accounts with the global market and normalise its trade and capital flows.

3.4 Savings and Investment Gap

Between 2019 and 2021, Malta consistently recorded a current account surplus. Chart 3.12 depicts this as a net lending position, which is essentially the inverse of the current account balance, indicating that domestic savings consistently exceeded domestic investment, leading to the accumulation of net foreign assets. During this period, however,



Source: National Statistics Office

between 2020 and 2021, a reduction in the current account surplus occurred due to the disruptions caused by the COVID-19 pandemic.

The marginal current account deficit in 2022 was partly due to a further decline in national savings (as a proportion of GDP), which was not offset by the growth in investment. Between 2019 and 2022, savings decreased by 22.7 per cent whereas investment grew by 50.9 per cent. Although investment can have positive long-term effects by boosting productivity and economic growth, the mismatch between savings and investment underscores the need for external financing, particularly from foreign investors.

By 2023, a current account surplus reemerged, suggesting that domestic savings were once again sufficient to cover rising investment levels. Comparing the first half of 2024 to that of 2023, Malta's current account surplus improved marginally by 1.6 percentage points. This was primarily driven by an increase in domestic savings of 1.1 percentage points, alongside a reduction in both public and private investment by 0.5 percentage points.

3.5 Exchange Rate Developments

Exchange rates are a key factor of Malta's economy because they influence trade and financial flows with non-Euro Area countries. Analysing exchange rate developments is crucial because fluctuations can significantly impact competitiveness. For instance, a depreciation of the Euro against the currencies of Malta's trading partners would make exports cheaper thereby more attractive and imports more costly, while an appreciation would have the opposite effect. Exchange rate movements also influence return on investment, overseas borrowing costs, inflation and interest rates. Exchange rate developments create a significant chain of effects, impacting individuals, firms and governments, thereby shaping the broader economy, which is why they are closely monitored by the European Central Bank (ECB).

3.5.1 Euro Exchange Rate Movements

The developments in an indexed Euro exchange rate against the UK Sterling, US Dollar and Japanese Yen between December 2021 and September 2024 are demonstrated in Chart 3.13.

During the first four months of 2022, the Euro to US Dollar exchange rate decreased by 6.9 per cent. Although there was a slight appreciation in May, the exchange rate continued to depreciate steadily afterwards, falling by 9.0 per cent over the next four months through September, reaching a value of \$0.97. This was the first time in twenty years that the Euro dipped below one Dollar, and it was much lower than the ten-year average value of \$1.14. In fact, analysts have described 2022 as the ‘worst year in the Euro’s history’. The reason behind the

Chart 3.13
Euro Exchange Rate Movements (Index of End of Month Rates, End 2021=100)



Source: Eurostat

Euro dropping so drastically, was fears of a looming recession in the Euro Area as energy costs soared due to Russia's invasion of Ukraine. Therefore, investors turned to the US Dollar, a "safe haven" investment. In the following months, the Euro started appreciating reaching \$1.08 in January 2023. Throughout 2023, the Euro increased by 3.6 per cent against the US Dollar ending the year at \$1.11.

During the first quarter of 2024, the Euro depreciated against the Dollar by 2.2 per cent. Another fall in the exchange rate was observed in the second quarter where the Euro fell by 0.1 per cent with a value of \$1.07 in June. There was a rebound in the Euro's value against the US Dollar in the following three months, standing at \$1.12 in September. The positive exchange rate development is tied with a cut in the target rate for the federal funds rate.

Throughout the year 2022, the Euro appreciated against the UK Sterling by 5.6 per cent as the Euro value of £0.84 at the end of December 2021 increased to £0.89 by end December 2022. During the first quarter of 2023, a decline of 0.87 per cent was registered in the Euro to UK Sterling exchange rate. The Euro continued to depreciate further between April and August reaching a value of £0.86, marking a decline of 2.5 per cent. The Euro picked up slightly in the subsequent months where it appreciated by 1.92 per cent reaching a high of £0.87 in October and kept that value till the end of the year. In 2024, a depreciation of the Euro against the UK Sterling was witnessed where its average value for the first half of the year was £0.85. The Euro continued to fall in the summer months reaching a value of £0.84 in September which lies slightly below the ten-year average value of £0.85. The UK has seen a strong rebound in the first six months of 2024 and data for August shows that growth in business activity was stronger than expected. More robust economic growth in the UK, followed by better job creation and cooling inflation has helped the UK Sterling gain strength over the Euro. Further appreciation in the Sterling against the Euro might be seen as the Bank of England remains cautious about cutting rates.

The Euro to Japanese exchange rate has continuously been increasing over the period 2022 to 2024. During the first half of 2022, the Euro to Japanese yen exchange rate increased by 8.6 per cent, reaching ¥141.54 in June. A marginal decline of 0.6 per cent in the exchange rate was

recorded in the latter half of the year and the Euro ended at a value of ¥140.66. Strong growth of 11.7 per cent in the exchange rate was observed in the first half of 2023, followed by a negative exchange rate movement of 0.5 per cent in the second half. Again, in 2024, the Euro witnessed a strong appreciation against the Japanese Yen reaching a historical high value of ¥175.39 on July 11, 2024. The exchange rate value of the Euro at the end of August 2024 stood at ¥161.19, well above the ten-year average value of ¥131.56. A strong Euro against the Yen corresponds to Japan's shrinking economy which experienced lower 2024 Q1 GDP growth than was expected. The disparity between forecasted and actual GDP relates to revisions made in construction orders data. In September, the Euro depreciated slightly against the Yen by 0.8 per cent, to reach a final value of ¥159.82.

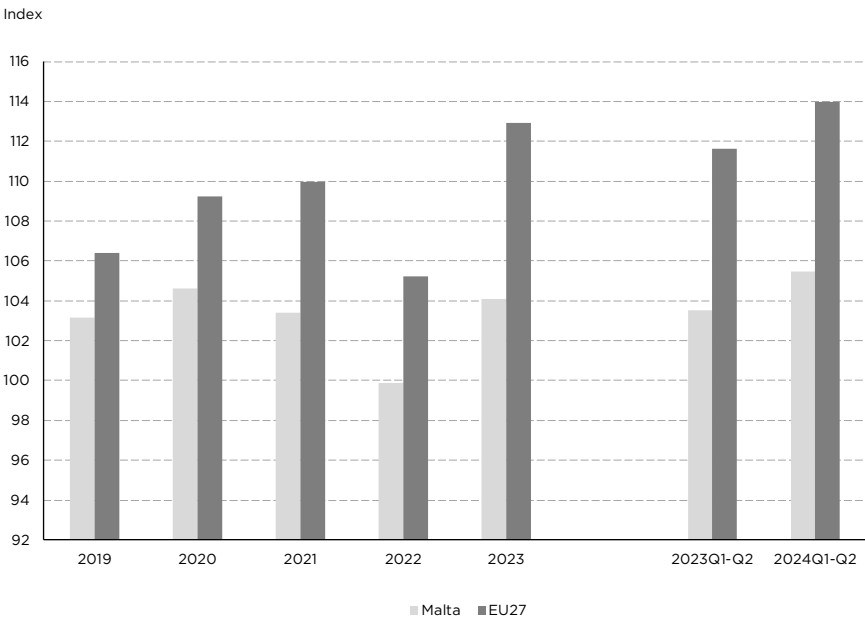
3.5.2 Real Effective Exchange Rate

The REER is the weighted average of a country's currency with respect to an index of currencies of its trading partners adjusted for inflation differences. A higher REER indicates that a country's goods are becoming more expensive relative to foreign goods, potentially reducing export competitiveness and the opposite is true if the REER decreases. Therefore, the REER is an instrumental tool for policymakers to assess the trade competitiveness of a country.

Chart 3.14 highlights changes in Malta's REER relative to 42 trading partners, using the Consumer Price Index (CPI) as a deflator. It also compares these developments with the EU27's REER.

In 2019, Malta's REER was 103.17 increasing to 104.64 in 2020. In 2021 and 2022, the REER declined to 103.42 and 99.89 respectively, indicating increases in trade competitiveness for two successive years. In 2023, Malta's REER increased to 104.09. The increases in Malta's REER signal that the country's exports became relatively less attractive in comparison to previous years. Increases in the REER can be attributed to tight monetary policy conducted by the ECB in their aim to reduce inflation. Additionally, increases in inflation as well as supply chain disruptions caused costs of production for many sectors to increase, thereby reducing productivity and increasing the REER.

Chart 3.14
Real Effective Exchange Rate (CPI Deflator) for Malta and EU



Source: Eurostat

Comparing the first half of 2024 to 2023 shows that on average, the REER appreciated by 1.9 per cent to reach an average of 105.48 for the first half of 2024.

Malta follows similar trends to EU27 in terms of consecutive increases in the CPI based REER, however it can be noted that Malta's REER is always below the EU average, which may indicate that Malta has remained relatively competitive with its European peers.

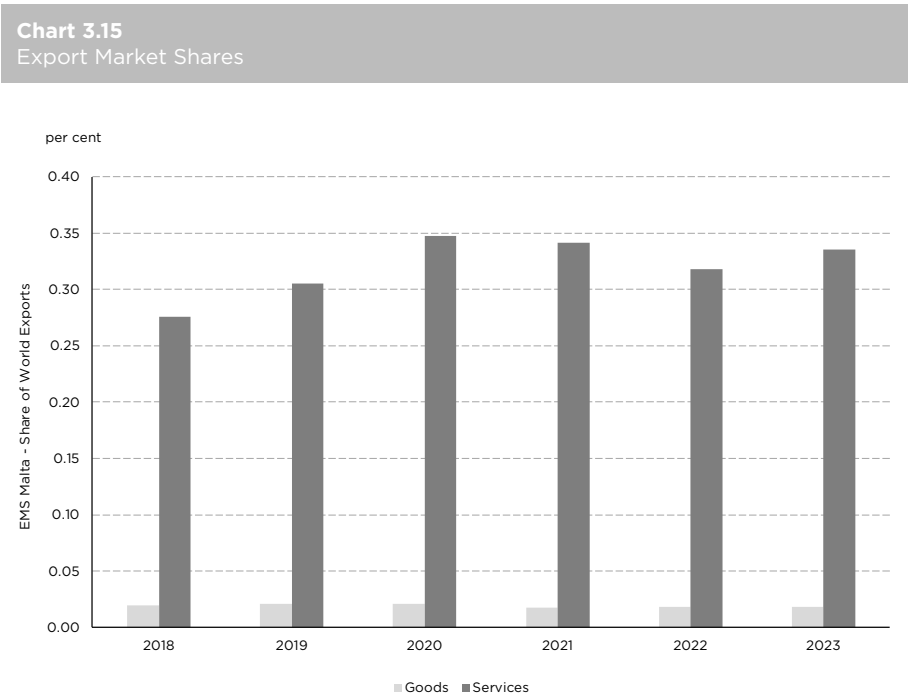
3.5.3 Export Market Shares

Export market shares offer a different aspect on trade competitiveness from the REER which is purely focused on the weighting of trade in goods and provides a cost competitiveness outlook. The CPI based

index used in the REER does not capture the extent of the final price charged to the end consumer which also includes export prices. Another limitation of the REER is its volatility in nature due to frequent exchange rate changes and temporary price changes.

To obtain a comprehensive view of a country’s trade competitiveness, export market shares can be used alongside the REER. Export market shares capture the proportion of global exports that are supplied by Malta. They provide an analysis on the services trade sector as well as commodity prices, thus providing an enhanced assessment of a country’s actual performance in global trade.

Chart 3.15 demonstrates how Malta’s export shares in goods and services have developed over the past six years. The export market share of goods has remained relatively stable at 0.02 per cent each year from 2018. Alternatively, services’ export market shares registered



Source: Eurostat

an increase of about 1.0 percentage point from 2018 to 2020, reaching 0.35 per cent. Although export market shares of services declined slightly in 2021 and 2022, in both years they remained above the 2019 level, reaching 0.34 per cent of world exports in 2023. Over this six-year period, the combined export market share of goods and services in world exports remained stable at 0.10 per cent.

Footnotes

¹ The trade gap shows the difference between a country's exports and imports of goods for a specific time period. A country has a trade deficit if its imports are more than its exports, and a trade surplus in the opposite scenario. When comparing the trade gap of two time periods, a negative percentage change in this balance means that it has narrowed (improved), while a positive percentage change means that the balance of trade has widened (deteriorated).

² One should note that as part of the benchmark revision carried out by NSO, Balance of Payments figures were updated as well.

CHAPTER 4

Monetary Developments

Chapter 4

Monetary Developments

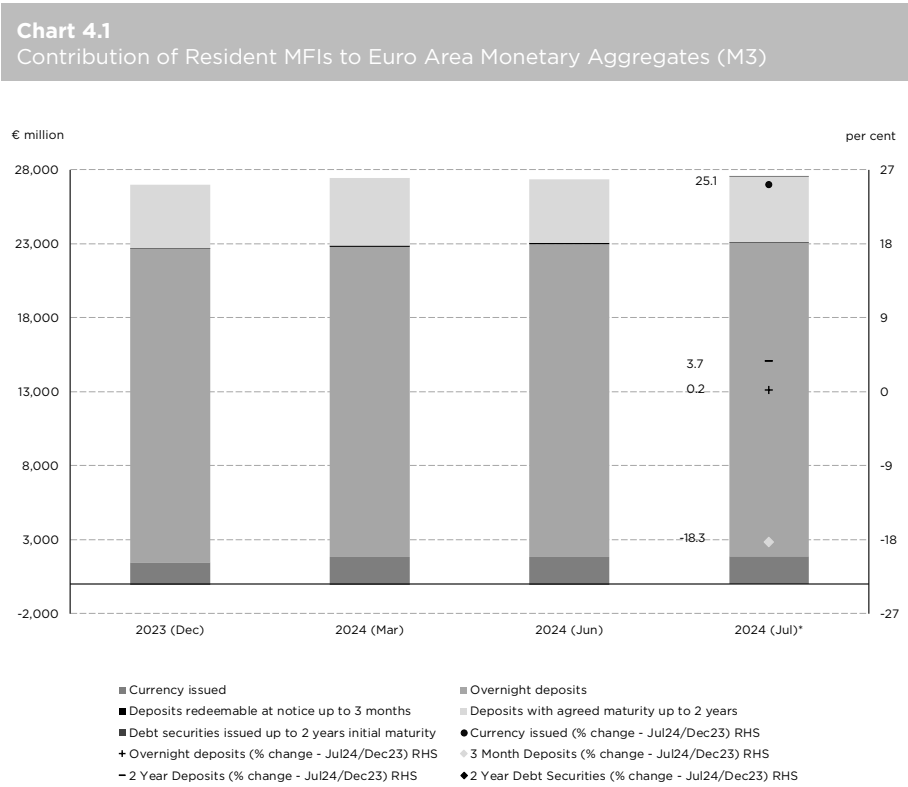
The contribution of Maltese Monetary Financial Institutions' (MFIs) towards the stock of Euro Area Broad Money (M3) increased in the period between January and July 2024. This development was mostly driven by a noticeable rise in currency issued. Deposits with an agreed maturity of up to two years and overnight deposits had a slight positive contribution towards M3, outweighing the negligible negative contribution from deposits redeemable at notice up to three months. Fuelling growth in M3 was also the credit counterpart component, whose significant positive contribution outperformed the negative contribution towards M3 stemming from an increase in the 'other counterparts'. A minor decline in net claims on non-residents of the Euro Area had a negative negligible impact on money supply. Given the recent interest rate environment and economic outlook, holding longer-term less liquid deposits was more favoured compared to other types of short-term liquid deposits.

4.1 Contribution of Resident MFIs to Euro Area Monetary Aggregates¹

In the first seven months of 2024, Maltese resident MFIs contribution to total monetary aggregates of the Euro Area (M3)² increased by 2.1 per cent, from €26,975.0 million registered in December 2023 to €27,532.2 million recorded in July 2024. This was primarily attributable to the sizeable increase in currency issued. Additionally, deposits with an agreed upon maturity of up to two years and overnight deposits³ also have, to a lesser extent contributed positively, still outweighing the marginal negligible negative contribution towards M3 from deposits redeemable at notice up to three months. Debt securities issued up to two years initial maturity increased from negative €4.9 million in December 2023 to €0.3 million in July 2024, but their M3 contribution

was negligible due to their small share. Developments in such monetary indicators are illustrated in Chart 4.1.

In July 2024, narrow money (M1) reached €23,029.2 million. This represented an increase of 1.8 per cent over its level as of December 2023 of €22,618.7 million. This was driven mainly by a 25.1 per cent increase in currency issued⁴, which reached a level of €1,856.3 million in July 2024, from the figure of €1,483.4 million registered in December 2023. On the other hand, overnight deposits from residents of Malta decreased slightly by 0.5 per cent, contrary to an increase of 17.8 per cent in overnight deposits from other Euro Area residents, thus, in view of their small share, total overnight deposits also had a slight positive contribution to the growth in narrow money (M1).

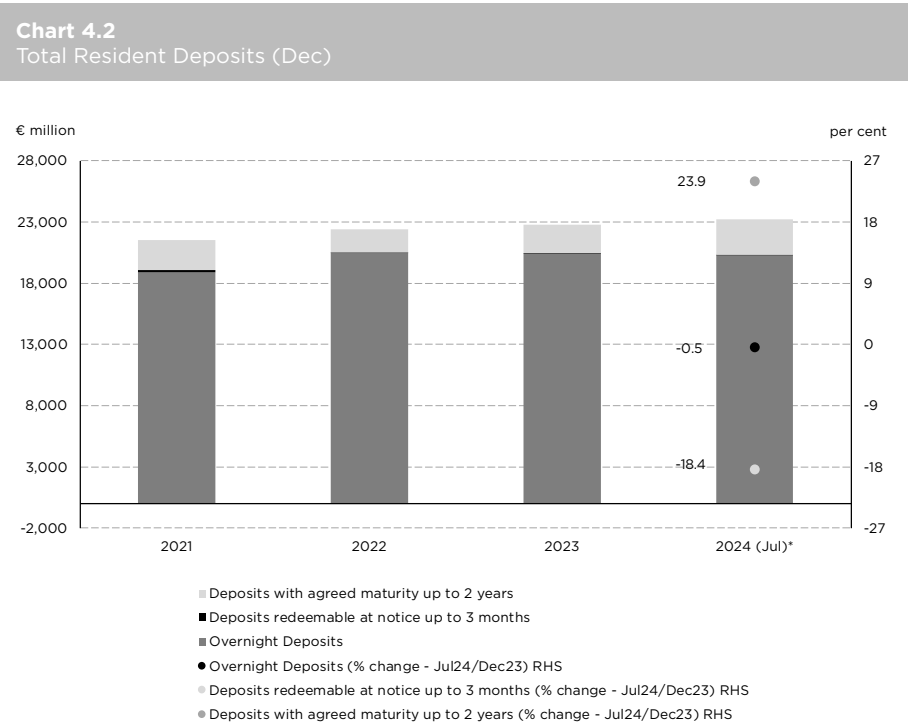


* provisional

Source: Central Bank of Malta

During the first seven months of this year, deposits redeemable at notice up to three months decreased substantially by 18.3 per cent reaching €71.7 million in July 2024 when compared with their recorded level of €87.8 million in December 2023. Such decline was driven almost at par by both Maltese residents’ deposits and those from other Euro Area residents, both having decreased by 18.4 per cent and 16.9 per cent respectively, however, this translated into only a minor negative contribution towards M2 due to their small share. On the other hand, two-year maturity deposits increased overall by 3.7 per cent throughout the same review period, rising from their value of €4,273.4 million recorded in December 2023 to the level of €4,431.1 million reached in July 2024.

As portrayed in Chart 4.2, total resident deposits increased by 1.9 per cent reaching €23,181.5 million in July 2024 compared to €22,749.0



* provisional

Source: Central Bank of Malta

million recorded in December 2023. This was driven primarily by a strong increase of 23.9 per cent in deposits with an agreed maturity of up to two years, which outweighed the negative contributions from overnight deposits⁵ and three-month notice deposits which declined by 0.5 per cent and 18.4 per cent respectively. However, these latter declines had almost a negligible impact to total resident deposits due to their smaller share.

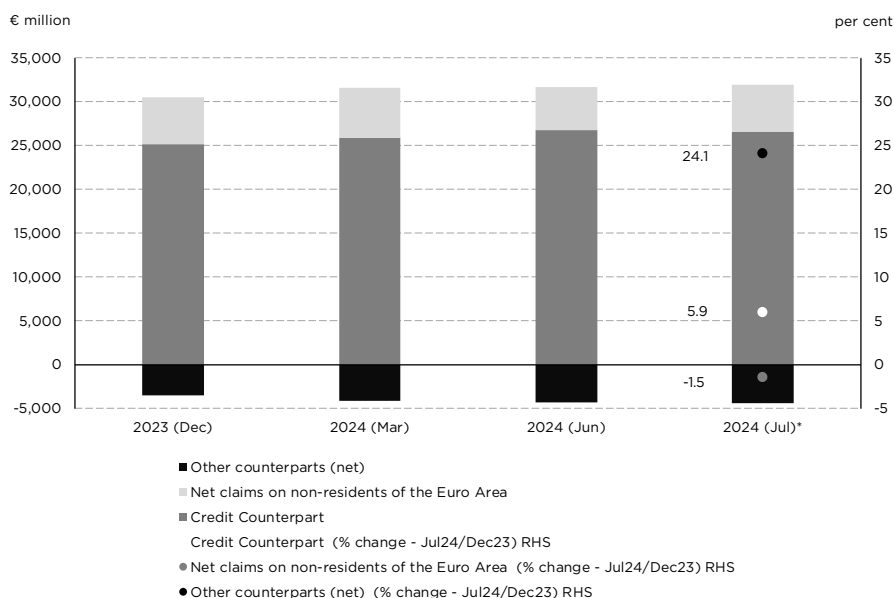
4.2 Contribution of Resident MFIs to Counterparts to Euro Area Monetary Aggregates

Developments in contributions made by resident MFIs to counterparts to Euro Area monetary aggregates (M3) between December 2023 and July 2024 are illustrated in Chart 4.3. Broad monetary stock (M3)⁶ stood at €26,975.0 million in December 2023, which increased by 2.1 per cent reaching €27,532.2 million in July 2024. The credit counterpart⁷ contributed mostly towards such growth, as it outweighed the negative contributory effect from an increase in other counterparts⁸. Net claims on non-residents of the Euro Area experienced a minor decline which translated in a negligible slightly negative contribution towards M3.

In July 2024, the credit counterpart increased by 5.9 per cent, standing at €26,607.5 million when compared to €25,119.0 million registered in December 2023. Increases in both credit to other Euro Area residents and in credit to residents of Malta, of 16.2 per cent and 2.9 per cent respectively drove such credit growth. In fact, during the review period, credit to other Euro Area residents recorded a nominal increase of €926.9 million, reaching €6,656.4 million in the first seven months of the year. This was attributable to rises in both credit to general Government and to other residents of 23.3 per cent and 5.8 per cent respectively. Moreover, credit to Maltese residents stood at €19,951.1 million in July 2024 increasing from the recorded level in December 2023 of €19,389.5 million, which is explained by increases of 0.1 per cent in credit to general Government and 3.8 per cent in credit to other residents.

Chart 4.3

Contribution of Resident MFIs to Counterparts to Euro Area Monetary Aggregates (M3)



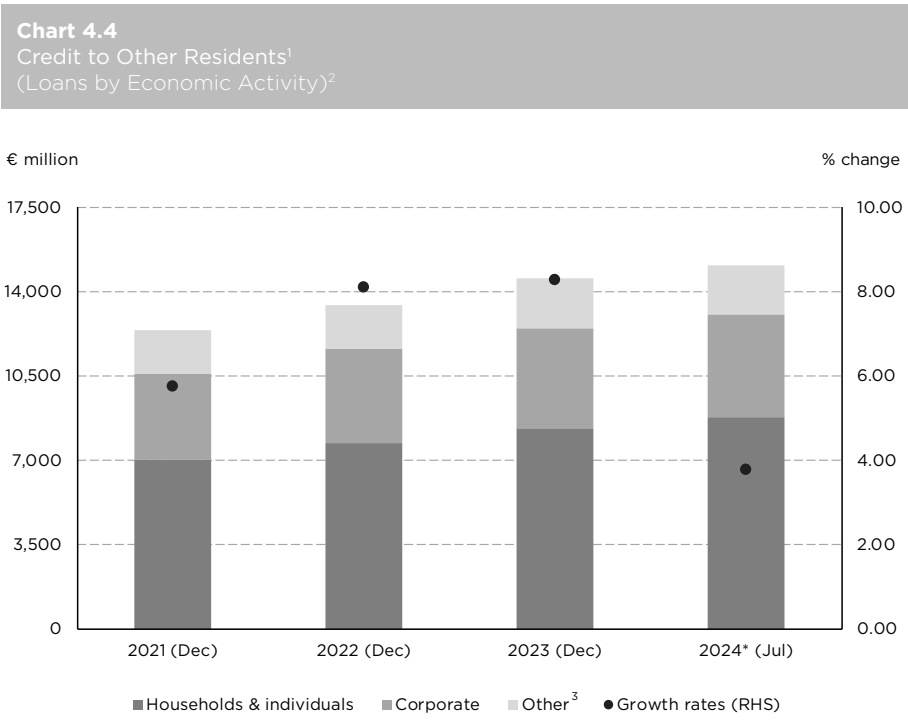
* provisional

Source: Central Bank of Malta

Foreign capital through net claims represents external influences exerted upon M3. These have declined by 1.5 per cent during the period under review, representing a decrease from the December 2023 figure of €5,393.8 million to the level of €5,313.9 million recorded in July 2024. Furthermore, the ‘other counterparts’ balance stood at €4,389.2 million exhibiting an increase of 24.1 per cent in comparison to the recorded level as of December 2023. While ‘other counterparts’ represent interbank transactions across the Euro Area and contribute negatively to M3, changes in net claims represent the dynamic nature of liabilities held by local credit institutions which are due to other Euro Area banks.

4.3 Sectoral Credit Developments

Chart 4.4 indicates the sectoral credit development of the residents of Malta, excluding the general Government. Between December 2023 and July 2024, there was an increase of 3.8 per cent in the total loans that were given to the private sector, compared to a rise of 4.2 per cent over the same period one year earlier. The private sector is made up of three main categories, ‘households and individuals’, ‘corporate’, and ‘other’, as can be viewed in the Chart. ‘Households and individuals’



* provisional
¹ Credit to other residents consist mainly of loans and holdings of securities, including equities, issued by the non-bank private sector and public non-financial companies, and financial derivatives. Interbank claims are excluded. Data only include credit to residents of Malta.
² Data presented is compiled in accordance with NACE Rev2.
³ Includes agriculture, mining & quarrying, public administration, education, health & social work, community recreation & personal activities, extra-territorial organisations & bodies and non-bank financial institutions.

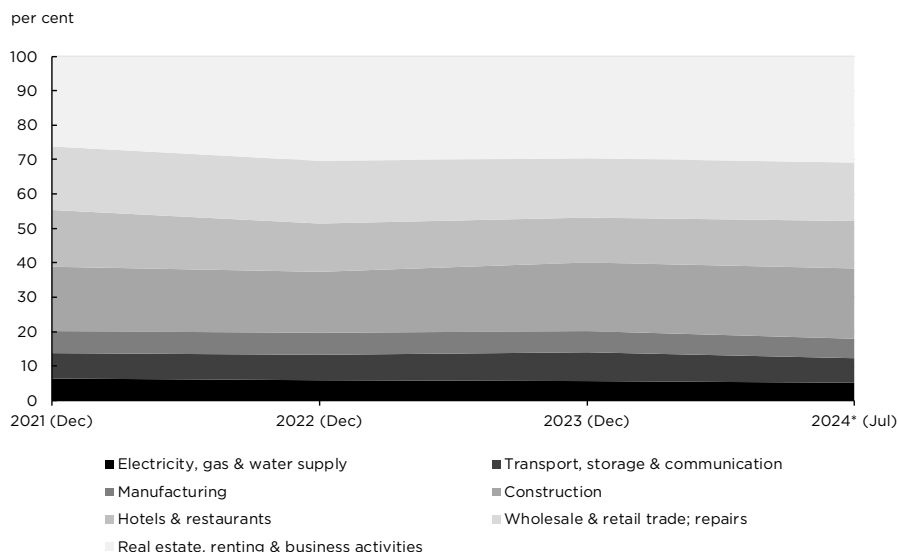
Source: Central Bank of Malta

contributed to 3.1 per cent of the overall 3.8 per cent rise in total loans, making it the main driver behind this growth between December 2023 and July 2024. The loans given to the 'corporate' category rose by 2.4 per cent when compared to the credit expansion of 3.2 per cent which was registered during the same timeframe one year prior. Breaking the 'corporate' category down into different subsectors, it is evident that 'real estate, renting and business activities' and 'hotels and restaurants' experienced the main rises in credit with an increment of 6.4 per cent and 7.3 per cent respectively. During the same period a year earlier, it was 'construction' and 'transport, storage and communication' which were the main drivers of corporate loan growth. Oppositely, between December 2023 and July 2024, 'transport, storage and communication' was the sub-category with the largest decline, registering a decrease of 14.3 per cent, in part due to a base effect from last year's increase. It was followed by a decrease of 7.4 per cent in the credit to 'electricity, gas and water supply' as well as a decrease of 2.0 per cent to 'manufacturing'. While between December 2022 and July 2023 'electricity, gas and water supply' had registered a similar drop in credit of 7.6 per cent, it has been registered as the sub-sector with the largest decrease over the first seven months of 2024. A slight drop in credit of 0.3 per cent during the period under review was also observed in relation to the 'other' category, which had recorded a rise of 5.0 per cent in the same period of the previous year.

The credit distribution among the seven sub-categories of the 'corporate' category for the period ranging between December 2021 and July 2024 is portrayed in Chart 4.5. As of July 2024, the majority of the loans provided to the 'corporate' category went towards the 'real estate, renting and business activities' sub-category, with a share of 30.9 per cent. The share of credit provided to the 'construction' and 'wholesale and retail trade; repairs' sub-categories stood at 20.5 per cent and 17.0 per cent respectively. Compared to a year earlier, the overall credit distribution remained quite similar. However, the credit share of the 'real estate, renting and business activities' and 'construction' sub-categories had been slightly lower, at 28.9 per cent and 19.8 per cent respectively. 'Wholesale and retail trade; repairs' had the same credit share of 17.0 per cent in July 2023.

Out of the seven sub-categories within the 'corporate' category, four were given more loans between December 2023 and July 2024 than

Chart 4.5
Corporate Credit Shares



* provisional

Source: Central Bank of Malta

during the same timeframe one year prior. The largest credit expansion for the period under review was within the ‘hotels and restaurants’ at 7.3 per cent, while for the same period in 2023, the largest credit expansion occurred within the ‘transport, storage and communication’ and the ‘construction’ sub-categories at rates of 23.1 per cent and 15.0 per cent respectively. Conversely, ‘transport, storage and communication’ registered a decline of 14.3 per cent and ‘construction’ recorded a growth rate of 5.4 per cent between December 2023 and July 2024. Both the ‘real estate, renting and business activities’ and the ‘wholesale and retail trade; repairs’ sub-categories experienced increases in credit at 6.4 per cent and 1.5 per cent respectively during the same period. In comparison, these two sub-categories had seen a decrease of 2.2 per cent and 3.8 per cent respectively over December 2022 and July 2023. ‘Electricity, gas and water supply’ experienced a 7.4 per cent decline between December 2023 and July 2024, which was similar to the decrease of 7.6 per cent observed over the same period a year

prior. 'Manufacturing' also declined by 2.0 per cent during the same period, which was an opposite reflection of the 2.0 per cent increment recorded a year earlier. Finally, looking at the 'corporate' category as a whole, credit increased by 2.4 per cent in the first seven months of 2024 when compared to December 2023 while, during the first seven months of 2023, credit to the 'corporate' category had increased by 3.2 per cent.

4.4 The Money Market

Financial stability indicators have somewhat improved since last year. The near-term outlook of a deep recession accompanied by rising unemployment seems less risky from today's perspective, also backed by slow, gradual, steady disinflation which has proceeded in parallel. However, global geopolitical tensions and policy uncertainties remain high, especially in a year featuring many major elections. In such an environment, the extent of adverse economic and financial shocks still stands elevated and the risk outlook for Euro Area financial stability, therefore, remains fragile. This emphasises the importance of robust and resilient banking systems in Europe and beyond. Indeed, the European Central Bank's (ECB) May 2024 Financial Stability Review highlighted the usefulness of preserving financial stability through solid shock-absorbing capacity of economic agents [households, corporates, banks, NBFIs and sovereigns]. In line with its mandate, the role of the ECB remains critical in sustaining economic and financial stability throughout the Euro Area mainly by providing adequate liquidity to banks and maintaining the smooth functioning of financial markets through effective monetary policy transmission which steer inflation towards the 2.0 per cent medium-term target by means of a set of monetary policy tools.

In April 2024, the ECB Governing Council Monetary Policy Decisions confirmed that the Asset Purchase Programme (APP) portfolio was declining at a measured and predictable pace, since principal payments from maturing securities were no longer being reinvested by the Eurosystem. In respect of the Pandemic Emergency Purchase Programme (PEPP), the ECB signalled its plans to reduce this portfolio by an average of €7.5 billion per month over the second half of this

year. The Governing Council had also announced its intentions to discontinue reinvestments under the PEPP at the end of 2024. In terms of Refinancing Operations, since banks are still repaying the amounts borrowed under the targeted longer-term refinancing operations, the Governing Council will continue to regularly assess their contribution to its monetary policy stance.

As of September 2024, the ECB staff projections saw headline inflation averaging at 2.5 per cent in 2024, 2.2 per cent in 2025 and 1.9 per cent in 2026. For core inflation, the ECB continues to expect a rapid decline from 2.9 per cent this year to 2.3 per cent in 2025 and 2.0 per cent in 2026. The ECB Monetary Policy Decisions in September 2024 reduced all the key ECB interest rates, compared to the those communicated in July of the same year. Indeed, with effect from 18 September, the deposit facility rate decreased to 3.50 per cent and the interest rates on the main refinancing operations and the marginal lending facility have been reduced to 3.65 per cent and 3.90 per cent respectively. In comparison, by the end of 2023, the aforementioned interest rates stood at 4.00 per cent, 4.50 per cent and 4.75 per cent, respectively. The ECB will continue to assess the appropriate level of these interest rates and their duration based on inflation projections, and whilst aiming to achieve a timely return of inflation to the 2.00 per cent medium-term target, the Governing Council is not pre-committing to a particular rate path.

Interbank rates, which are rates of interest charged among credit institutions on short-term loans, commonly indicate the risk appetite in financial markets. Theoretically, as risk aversion levels increase, banks would be less willing to lend and/or borrow between themselves in the interbank market. The Euro short-term rate (€STR), which reflects the wholesale euro unsecured overnight borrowing costs of banks located in the Euro Area, has registered a slight decrease of 0.24 percentage points between January and July 2024. Furthermore, other Money Market short-term rates for fixed term deposits (EURIBOR) underwent different changes as revealed from data for the first seven months of 2024. The one-month rate stood at 3.62 per cent in July 2024, reflecting an increase of 0.15 percentage points when compared to the rate of 3.47 per cent the same month a year earlier. Conversely, both six-month and one-year rates decreased by 0.30 and 0.62 percentage

points respectively when compared to July 2023. While the one-year rate averaged 3.86 per cent throughout 2023, it has been steadily decreasing since its peak of 4.16 per cent in October 2023, reaching 3.53 per cent in July 2024.

The interest rates of Euro Area interbank money markets have a bearing on Maltese Treasury Bills (T-Bills) since these represent an alternative portfolio investment opportunity to resident investors. Between January and August of this year, the Maltese Government total T-Bills issued on the primary market amounted to €961.2 million, which translates in a decrease of €596.1 million in comparison to this figure of the same period in 2023. Yields in the primary market for three and six-month Malta T-Bills have experienced varied fluctuations over the last twelve months. In July 2024, the yield on three-month bills standing at 3.37 per cent in the primary market increased by 0.36 percentage points, when compared to 3.01 per cent in the same month a year prior. The yield on six-month bills remained relatively stable with just a slight increase of 0.02 percentage points from July 2023 to 3.26 per cent in July 2024. Developments in the secondary market during the first seven months of 2024 revealed declines in the T-Bills rates which reached an average of 2.44 per cent as of July. This meant that the secondary market yields for T-Bills were on average around 0.61 percentage points lower in July 2024 when compared to the same month of 2023. Reflecting also international developments, yields for T-Bills on the primary market increased modestly during the first seven months of 2024, whilst those on the secondary market registered declines.

Between January and August 2024, the total value of trades in T-Bills amounted to €3.9 million, whilst T-Bills trades during the comparable period of 2023 totalled to €11.9 million.

4.5 The Capital Market

From January to August 2024, the Maltese Government issued €788.7 million worth of stocks on the primary market, with €202.1 million worth of redeemed stocks.

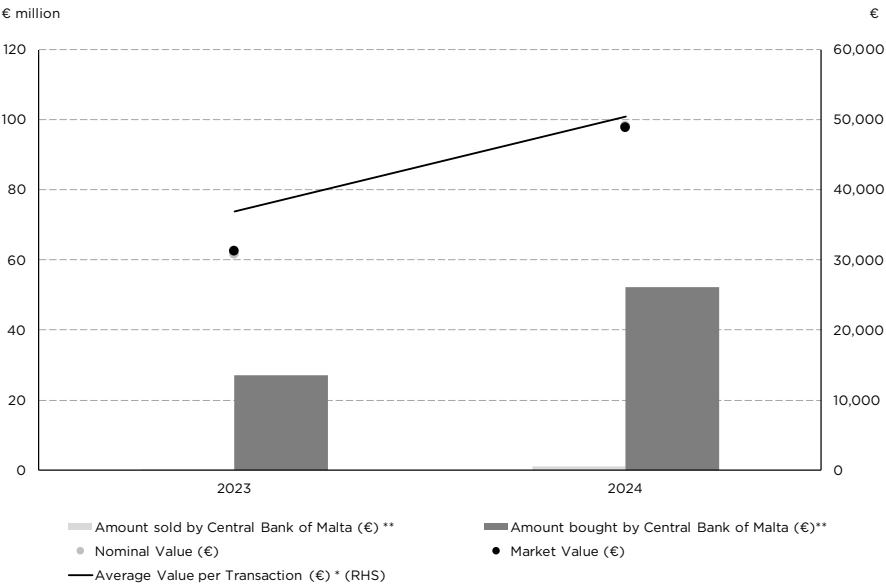
The issuance of new corporate bonds registered a decrease from €235.6 million for January to August 2023, to €231.0 million during the same period of 2024. On the other hand, corporate bond redemptions increased by €59.7 million, from €10.7 million for the first eight months of 2023 to €70.3 million for the period ending August 2024. Like in the previous year, no deductions were registered in the period January to August 2024, however, an increase in rollover of corporate bonds was observed which totalled €71.3 million in the period between January and August 2024 in comparison to €34.3 million recorded between January to August 2023. In addition, buy-backs increased from €9.0 million during the first eight months of 2023 to €14.9 million from January to August 2024. Furthermore, a de-listing of €92.3 million was recorded for the same period of 2024, unlike from January to August 2023.

Chart 4.6 represents data on the secondary market trading activities related to Government stocks. For January to August 2024, turnover levels increased by €35.3 million from €62.5 million to €97.8 million when compared to the first eight months of the year prior, representing an increase of 56.5 per cent in trading activity. In addition, the number of transactions increased from 1,670 between January and August 2023 to 1,943 for the same period of 2024. Trading during the first eight months of 2024 was mainly focused around 4 per cent MGS 2032 (VII), which registered 228 deals, and 4 per cent MGS 2043 (I), which recorded 158 deals. The Central Bank of Malta (CBM) bought and sold Government stocks during the period ending August 2024 totalling a value of €53.5 million.

Chart 4.7 illustrates secondary market indicators relative to the capital market. Aggregate turnover for equities remained unchanged at €34.0 million, for the period January to August 2024, when compared to January to August of the year prior. For the first eight months of 2024, the largest level of trading was recorded for Bank of Valletta (BOV) standing at 1,348 deals and Malta International Airport (MIA) standing at 554 deals. Furthermore, a €25.3 million new issuance of green bonds was registered for the period January to August 2024.

As with the first eight months of 2023, there was no Institutional Financial Securities Market (IFSM) activity on the secondary market

Chart 4.6
Turnover in Government Stocks
(Jan-Aug)



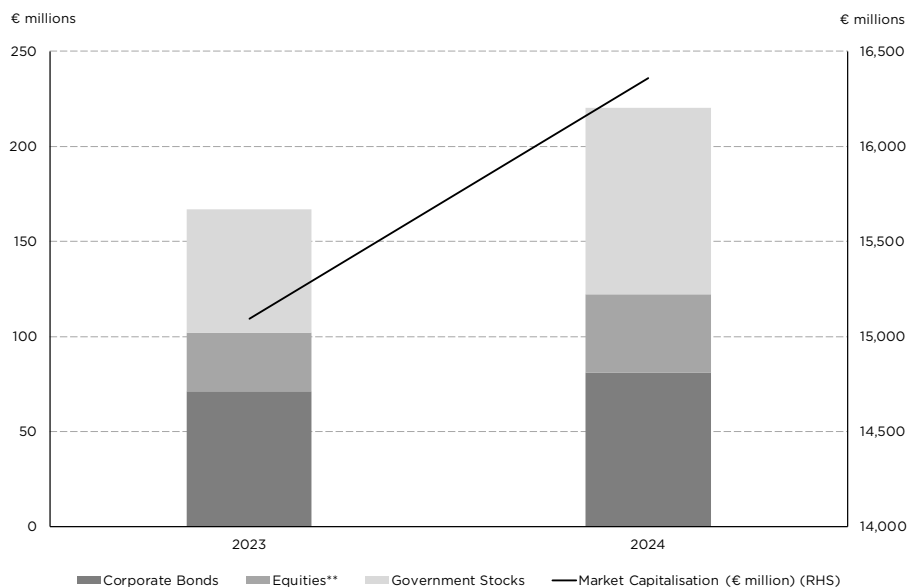
* Based on Nominal Values
** Based on Market Values

Source: Central Bank of Malta

during the same period of 2024. Exchange Traded Funds (ETF) activity registered a decrease from €2.4 million for the period January to August 2023 to €0.4 million when compared to the same period of 2024. Meanwhile, green bond activity registered an increase from €0.1 million during the first eight months of 2023 to €0.9 million from January to August 2024.

During the period January to August 2024, the Share Index of the Malta Stock Exchange increased to 8,509.5 from 7,960.7 registered during the first eight months of the previous year, representing an increase of 6.9 per cent. Furthermore, market capitalisation in the equity market rose from €4,306.2 million at the end of August 2023 to €4,542.3 million in comparison to January to August 2024.

Chart 4.7
Total Turnover
(Jan-Aug)



** Including the alternative companies listings

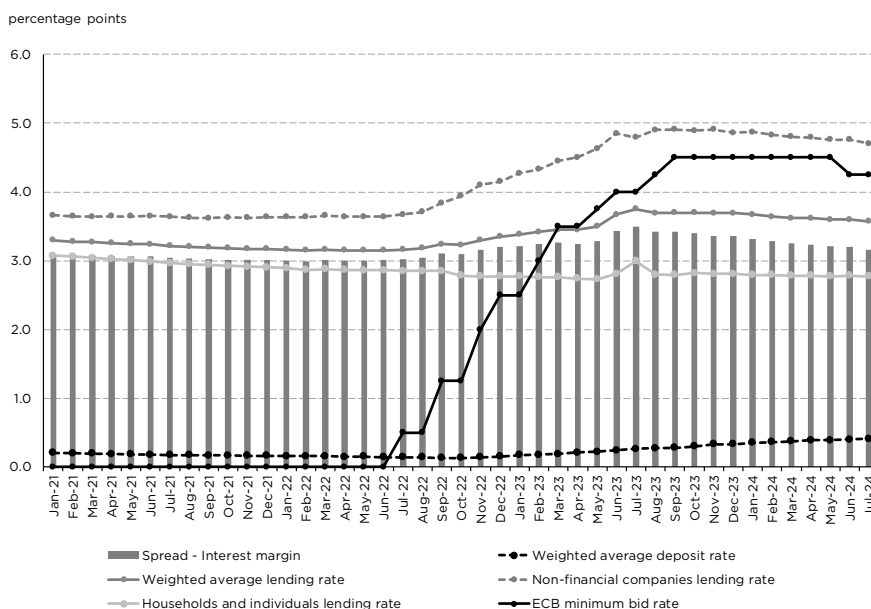
Source: Malta Stock Exchange

Total market capitalisation increased by €1,265.7 million, reaching a total of €16,360.7 million during the period January to August 2024 from €15,095.0 million registered in the same period of the previous year. This growth was driven by increases in the market capitalisation for equities, corporate bonds, green bonds, MGSs and ETFs, whereas T-Bills registered a decrease of 34.2 per cent, from €644.6 million for January to August 2023 to €424.1 million for the first eight months of 2024.

4.6 Deposit and Lending Rates

Chart 4.8 portrays six categories which include the weighted average deposit and lending rates alongside their relative spread, the lending rates for non-financial companies, the lending rates for households

Chart 4.8
Local Interest Rates and Margins



Source: Central Bank of Malta

and individuals, as well as the ECB minimum bid rate covering the period January 2020 to July 2024. A number of developments could be observed within these rates throughout January to July 2024 when compared to the changes that took place in the same period of the year prior. The weighted average deposit rate was 0.35 per cent in January 2024 and rose to 0.41 per cent in July 2024. By comparison, at the start of 2023, the weighted average deposit rate was 0.17 per cent but increased to 0.26 per cent by July 2023. The weighted average lending rate averaged 3.62 per cent during the first seven months of 2024 in comparison to a lower average of 3.52 per cent over the same period of the previous year. The relative spread between the weighted average lending rates and the weighted average deposit rates decreased by 0.16 percentage points from 3.32 per cent in January 2024 to 3.16 per cent in July 2024, unlike in the same period of the year prior during which a growth of 0.28 percentage points was observed. From January to July 2024, there was a decrease of 0.17 percentage points in the non-financial companies lending rate, along with a marginal decrease

of 0.02 percentage points in the households and individuals lending rate. By comparison, during the same period in 2023, the lending rate for non-financial companies rose by 0.52 percentage points. The ECB minimum bid rate increased from 4.00 per cent in July 2023 to 4.50 per cent in January 2024, before declining to 4.25 per cent by July 2024.

Footnotes

¹ Figures show the contribution of Maltese MFIs to the Euro Area totals and include deposit liabilities to both residents of Malta and other Euro Area residents.

² M3-M2 comprises repurchase agreements and debt securities up to two years' maturity issued by MFIs in Malta less holdings by MFIs in Malta of such securities issued by MFIs anywhere in the Euro Area. Figures also include MMFs shares/units issued less holdings in such units by MMFs and credit institutions resident in the Euro Area and holdings by non-residents of the Euro Area.

³ Deposits with MFIs exclude interbank deposits and deposits held by central Government.

⁴ Comprises the CBM's share of Euro banknotes issued by the Eurosystem, plus coins issued by the Bank on behalf of the Treasury, less holdings of issued Euro banknotes and coins held by the MFI sector.

⁵ Overnight deposits are deposits withdrawable on demand and exclude interbank deposits and deposits held by central Government.

⁶ This does not represent holdings of M3 by residents of Malta but rather the contribution of MFIs in Malta to the Euro Area aggregate.

⁷ Credit includes, besides lending, claims in the form of debt securities and shares and other equity.

⁸ Includes net interbank claims/liabilities within the MFI sector. These counterparts make a negative contribution to M3.

CHAPTER 5

Public Finances



Chapter 5

Public Finances

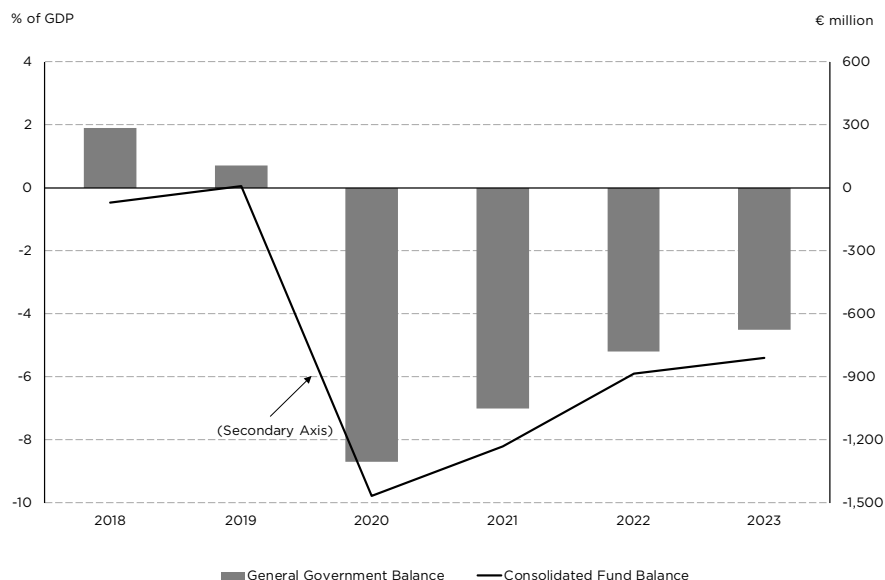
Global economic trends, such as shifts in commodity prices, along with geopolitical developments, have impacted the fiscal policy decisions of the Maltese Government, prompting adjustments to its fiscal strategy. Balancing the need for economic growth with fiscal sustainability has been a key factor in shaping these decisions. To address inflationary pressures, the Government modified its spending approach, supporting economic expansion and stabilising prices.

Against this background, in 2023, the Government's Consolidated Fund registered a deficit of €808.0 million. Compared to the previous year, there was a decrease in the deficit of €76.9 million. Total recurrent revenue increased by €545.1 million. This was partly offset by an increase in total expenditure of €468.3 million, resulting in a positive change in the Government's Consolidated Fund of €76.8 million. By the end of 2023, central Government debt totalled €9,739.9 million, €909.9 million higher than the end of 2022.

In terms of the European System of Accounts (ESA 2010) standards, the general Government recorded a deficit of €938.9 million or 4.5 per cent of Gross Domestic Product (GDP) in 2023. Chart 5.1 provides an analysis of the developments within the Consolidated Fund balance and the general Government balance over recent years. Despite the deficit being higher than the 3.0 per cent threshold, Malta's debt-to-GDP ratio in 2023 decreased to 47.4 per cent, remaining well below the Treaty reference value of 60.0 per cent.

During the first half of 2024, the increase in the general Government revenue ratio-to-GDP, partly offset with a slight increase in the general Government expenditure ratio, resulted in a slight improvement in the general Government balance. The deficit declined from 1.3 per cent of GDP in the first half of 2023 to 1.1 per cent during the corresponding period in 2024. Similar positive developments were registered in the

Chart 5.1
Developments in Public Finances



Source: National Statistics Office

balance of the Consolidated Fund, which improved from a deficit of €47.8 million during January-September 2023 to a surplus of €142.3 million during the corresponding period in 2024.

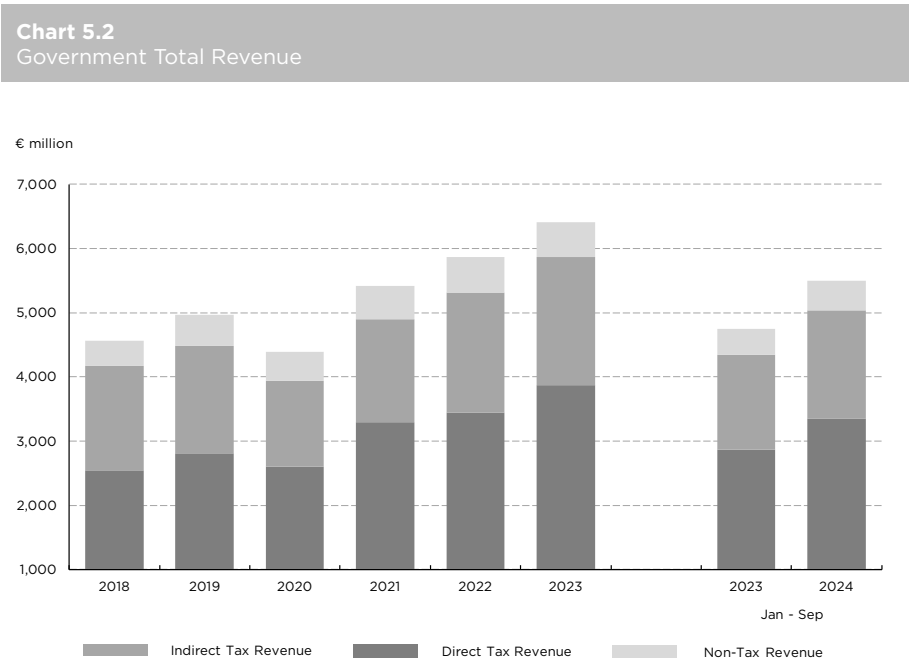
5.1 Consolidated Fund Developments

The analysis in this section relies on Government finance data as presented in the Consolidated Fund statement, which is reported on a cash basis rather than an accrual-adjusted system. The data should be interpreted with caution since developments in the Government's net financial position may not fully reflect actual spending and revenue flows on an accrual basis.

During the first nine months of 2024, recurrent revenue increased by €747.8 million. Meanwhile, total spending increased by €557.7 million. As a result, the Government’s Consolidated Fund balance saw an improvement of €190.1 million, shifting to a surplus of €142.3 million. The public sector borrowing requirement increased from €308.6 million to €463.4 million, mainly influenced by changes in Equity Acquisition.

5.1.1 Recurrent Revenue

During the first nine months of 2024, recurrent revenue increased by 15.8 per cent reflecting higher tax and non-tax revenues. Developments in the components of the Government revenue for the first nine months between 2021 and 2024 are presented in Appendix Table 5.1. Furthermore, Chart 5.2 illustrates recent trends in the components of Government revenue.



Source: National Statistics Office

Table 5.1: Government Revenue and Expenditure (January - September)

	€ million			
	2021	2022	2023	2024
Recurrent Revenue	3,646.9	4,072.6	4,746.8	5,494.5
Tax Revenue	3,315.2	3,748.1	4,349.0	5,040.0
Direct Tax Revenue	2,135.2	2,376.0	2,867.1	3,355.0
Indirect Tax Revenue	1,180.0	1,372.2	1,481.9	1,685.0
Non-Tax Revenue	331.8	324.5	397.7	454.5
Total Expenditure	4,537.7	4,575.5	4,794.6	5,352.3
Recurrent Expenditure	3,968.9	4,014.0	4,158.3	4,647.6
Interest on Public Debt	137.1	126.2	154.2	194.3
Capital Expenditure	431.7	435.2	482.1	510.4
Balance of recurrent revenue and total expenditure	-890.7	-502.9	-47.8	142.3
Financed by:				
Receipts from sale of shares	0.9	0.9	0.9	0.0
Sinking Funds of Converted Loans	0.0	0.0	0.0	0.0
Sinking Fund Contribution and Direct Loan Repayments	-466.6	-474.0	-256.4	-313.8
Equity Acquisition	-4.5	0.0	-5.5	-291.8
Repayment of Loan made by Government	0.0	1.5	0.3	0.0
Public Sector Borrowing Requirement	-1,360.9	-974.5	-308.6	-463.4
Local Loans	1,265.3	536.1	1,052.3	859.8

Source: National Statistics Office

The share of the Government revenue from taxes reached 91.7 per cent of total recurrent revenue during the first nine months of 2024.

Tax revenue increased by 15.9 per cent, reaching €5,040.0 million as direct tax revenues increased by €487.9 million and indirect taxes increased by €203.1 million. Furthermore, non-tax revenues increased by another €56.8 million when compared to 2023.

Positive developments in the labour market resulted in higher proceeds from income tax, which increased by 20.1 per cent, while social security contributions increased by 11.0 per cent.

During the period under review, revenue from indirect taxes increased by 13.7 per cent. Revenue from Value Added Tax (VAT) increased by €158.4 million, reflecting the strong economic turnaround, particularly in household consumption and tourist spending. Moreover, higher receipts from Licences, Taxes and Fines of €31.6 million mainly reflected higher proceeds from duty on documents and annual circulation licence fees. Furthermore, revenues derived from Customs and Excise Duties increased by €13.1 million, mainly from excise on petroleum products.

Non-tax revenue mainly comprises Grants, Fees of Office, and Sales. During the nine months to September 2024, non-tax revenue increased by €56.8 million. Increases in revenue were mainly observed in grants. All other non-tax revenue components registered an increase except for Miscellaneous Receipts and Repayment of Government Loans and Interest.

5.1.2 Expenditure

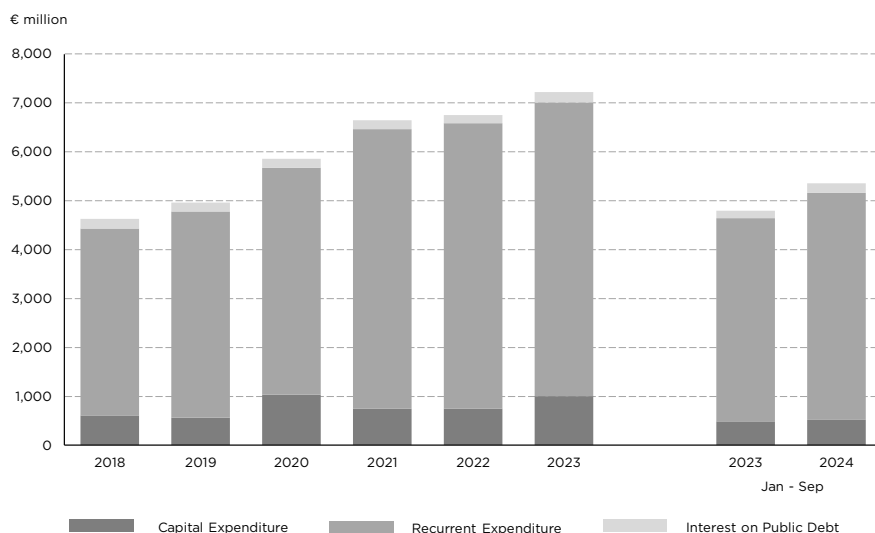
Total Government expenditure increased by €557.7 million during the first nine months up to September 2024, as both the recurrent and capital expenditure increased by €489.3 million and €28.4 million respectively. Interest on public debt also increased by €40.1 million. Chart 5.3 presents the recent trend in the Government expenditure disaggregated by components.

Recurrent Expenditure

The recurrent expenditure component is made up of four categories: Personal emoluments, Operational and maintenance expenditure, Programmes and initiatives, and Contributions to Government entities. The Programmes and initiatives category comprises the major component of recurrent expenditure, making up 61.6 per cent of total recurrent expenditure. This component of expenditure reached €2,864.6 million during the nine months to September 2024.

The Programmes and initiatives component refers to expenditure that includes social transfer payments as well as subsidies, payments, and

Chart 5.3
Government Total Expenditure



Source: National Statistics Office

grants for the provision of services to citizens and to charitable and private institutions. It also includes contributions to the European Union (EU) budget. During the first nine months of this year, expenditure on Programmes and initiatives increased by €322.6 million, which mainly reflect the added outlays on social security benefits, national airline restructuring assistance, EU own resources, fuel energy support measures, state contribution and additional Cost-of-Living Adjustment (COLA). These added outlays were mostly offset by a decrease in the electricity energy support measures.

Contributions towards Government entities include the funding of Government entities, Parastatals, Corporations and Authorities. Outlays in this expenditure category amounted to €608.4 million for the period January to September 2024, recording a €36.9 million increase over the level recorded during the same period last year.

Personal emoluments include all salaries and wages paid to elected officials and civil servants, as well as bonuses and supplements paid to employees in excess of standard remunerations including any allowances and overtime payments. During the period January to September 2024, this category of expenditure increased by €99.3 million and stood at €922.5 million.

In the meantime, Operational and maintenance expenditure, which includes payments for utilities, contractual services, materials and supplies, transport, and rent, increased by €30.5 million to €252.1 million during the first nine months of 2024.

Developments in the Government's recurrent expenditure on a cost centre basis for the January to September 2024 period are presented in Appendix Table 5.2. The nomenclature of Ministries and cost centres mentioned in this chapter align with the current allocation of portfolios and assignment of responsibilities for the Government Departments and Entities. As a result, direct comparisons with data from previous years may not always be feasible.

Social security benefits comprised 23.7 per cent of the Government's recurrent expenditure, which makes it the major component of the Government's total recurrent expenditure. Contributory benefits make up around 80.0 per cent of social security benefits that includes retirement pensions, while the rest consist of non-contributory benefits, mainly social assistance, children's allowance, and disability assistance. During the first nine months of 2024, total contributory benefits increased by €81.6 million, over the same period of 2023, largely reflecting higher outlays on retirement pensions. Meanwhile, non-contributory benefits increased by €39.2 million to €228.7 million.

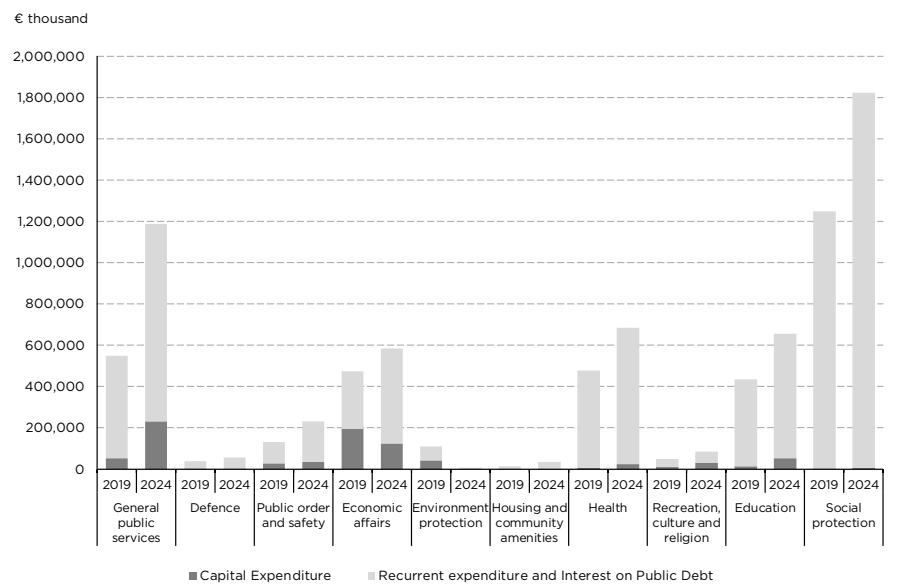
Analysis of Recurrent Expenditure by Functional Classification

The structure of recurrent expenditure can be classified by the main socio-economic functions of the Government (according to the Classification of the Functions of Government – COFOG). Developments

in the main components of the Government expenditure for the main COFOG categories are presented in Chart 5.4 and Appendix Table 5.3.

Over the medium-term, social protection remains the economic function, absorbing the highest amount of public funds. Over recent years, its share in recurrent expenditure (including interest on public debt) has been on a declining trend. Social protection declined by 1.8 percentage points to 37.5 per cent during the nine months to September 2024, when compared to the same period in 2019. A drop of 2.0 percentage points and 1.2 percentage points were recorded in the share of expenditure on environment protection and health, respectively. Furthermore, education declined by 0.9 percentage points while recreation, culture and religion declined by 0.1 percentage point when compared to 2019. Meanwhile, the share of recurrent expenditure on general public services increased by 4.1 percentage

Chart 5.4
Expenditure by Functional Classification
January-September



Source: National Statistics Office

points, while that on public order and safety and economic affairs rose by 0.8 percentage points, 0.7 percentage points respectively. Moreover, recurrent expenditure on health rose by 0.3 percentage points over 2019.

Recurrent expenditure (including interest on public debt) increased by €1,669.9 million when comparing the first nine months of 2024 with the same period in 2019, reflecting higher outlays directed towards most expenditure categories. The most significant expenditure increases were directed towards social protection (€570. million) and general public services (€495.5 million). Environmental protection was the only category with lower outlays of €59.6 million.

Capital Expenditure

Total capital expenditure for the January to September 2024 period amounted to €510.4 million. During the nine months up to September 2024, capital expenditure increased by €28.4 million, accounting for 9.5 per cent of total Government spending. According to the latest available data categorised by economic function, from January to September 2024, 45.5 per cent of capital spending was allocated to general public services, while 24.1 per cent went towards economic affairs. The remaining categories collectively represented 30.4 per cent of total capital expenditure.

During this period, there was an increase in capital spending in economic affairs (€30.2 million) and recreation, culture and religion (€18.4 million). However, this increase was partly offset by an €18.4 million decrease in capital expenditure in the general public services sector.

Capital expenditure is primarily financed by local funds. Nationally funded capital programs (excluding investments and equity acquisitions) accounted for 73.2 per cent of total capital expenditure, an increase of 3.6 percentage points from 2023, while the remaining 26.8 per cent were funded by foreign sources.

5.2 Main Budgetary Developments

The general Government accounts published every quarter are derived in conformity with the harmonised accounting system within the EU Member States commonly known as the ESA 2010 methodology. Under the ESA 2010 methodology, adjustments are carried out to the cash balances of the Consolidated Fund transactions to include all Government accounts, exclude all financial transactions, and carry out accrual adjustments. In addition, EBU and local councils net operational balances are also included. Conformity to the use of ESA 2010 methodology, in line with the procedure defined in Article 104 of the Maastricht Treaty, allows for the international comparability of data for reporting purposes. Nevertheless, it is worth noting that, data as presented in the following tables cannot be compared with the cash basis approach as worked out under the Consolidated Fund described in the previous sections.

5.2.1 Fiscal Developments in 2023

The general Government balance for 2023 amounted to a deficit of €938.9 million, an improvement of €15.5 million over the deficit recorded in 2022. Total revenue increased by €626.1 million to €6,561.3 million, while expenditure amounted to €7,500.2 million, increasing by €610.5 million. As a share of GDP, the general Government balance was equivalent to a deficit of 4.5 per cent, decreasing by 0.7 percentage points when compared to the previous year.

Despite the increase in the level of the general Government revenue, its ratio to GDP decreased by 0.8 percentage points over 2022. In 2023, the Maltese economy experienced significant growth driven primarily by net exports, particularly in services exports (despite a weak external environment). Private consumption expenditure also grew robustly supported by a strong labour market. This led to an increase in Government revenue of 10.5 per cent over the previous year. Taxes on production and imports increased by 9.3 per cent with a ratio-to-GDP of 9.4 per cent, while sustained employment trends led to current taxes on income and wealth to increase by 8.4 per cent bearing a ratio-to-GDP of 12.2 per cent. This was also portrayed in net

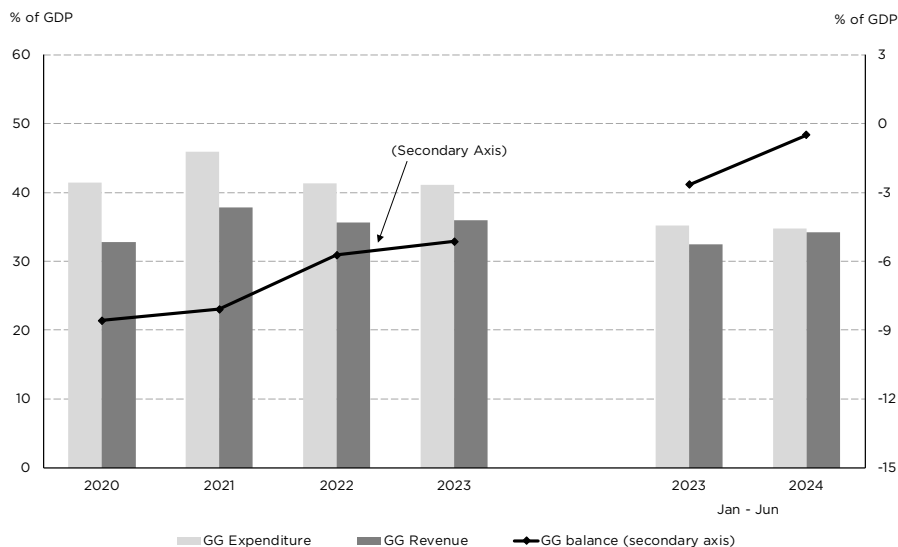
social contributions which increased by 7.8 per cent over 2022, making up 5.2 per cent of GDP. Meanwhile, all other components of income registered an increase with revenue from market output increasing by 19.7 per cent at a ratio to GDP of 2.9 per cent.

The ratio of the general Government expenditure to GDP also decreased by 1.4 percentage points to 36.3 per cent in 2023, however it did increase in absolute terms, primarily reflecting higher capital transfers. Indeed, expenditure on capital transfers has increased significantly with the ratio-to-GDP climbing up by 0.8 percentage points to 1.6 per cent. This primarily reflected expenditure occurred on account of Malta Enterprise Schemes, including tax credits, a higher contribution to a main utility provider for capital investment, renewable energy initiatives, and housing-related schemes. Expenditure on subsidies was €88.3 million lower than in 2022, with the ratio-to-GDP at 3.6 per cent. These developments primarily reflect the phasing out of the wage supplement scheme and lower expenditure on energy subsidies. Other current transfers were also €63.3 million lower than in 2022, attributed to the nonrecurrence of the 2022 one-time bonus payment. Despite higher expenditure in level terms, a lower ratio-to-GDP is recorded for compensation of employees and social benefits.

5.2.2 Budgetary Developments during the first half of 2024

The analysis in this section is based on the general Government data in ESA 2010. It is worth noting that due to seasonal factors, a larger proportion of revenue and to a lesser extent expenditure materialises in the second half of the year. As a result, the in-year budgetary performance is not symmetrical between the first half and the second half of the year. Seasonal patterns may also vary from one quarter to the next due to the timing of payments and receipts. Therefore, in-year budgetary data as a measure of budgetary performance for the year should be read with caution. Chart 5.5 presents public finance developments in accordance with ESA 2010 methodology over recent years.

Chart 5.5
Public Finance Developments
(in accordance with ESA 2010 methodology)



Source: National Statistics Office

In the first half of 2024, the general Government balance has recorded a noticeable improvement at a deficit of €53.5 million when compared to €261.3 million recorded during the same period in 2023. This was primarily attributed to a surplus of funds occurred during the second quarter of the year.

From January to June 2024, the general Government revenue increased by €494.1 million, or 15.5 per cent, compared to the same period in 2023. This increase is primarily due to higher revenue across all components except for Other current transfers category. Revenue from taxes on production and imports increased by €136.1 million, or 14.9 per cent, while current taxes on income and wealth increased by €259.9 million (20.2 per cent). During the same period, revenue emanating from social contributions increased by 10.2 per cent, or €51.5 million, while property income and capital transfers showed marginal increases.

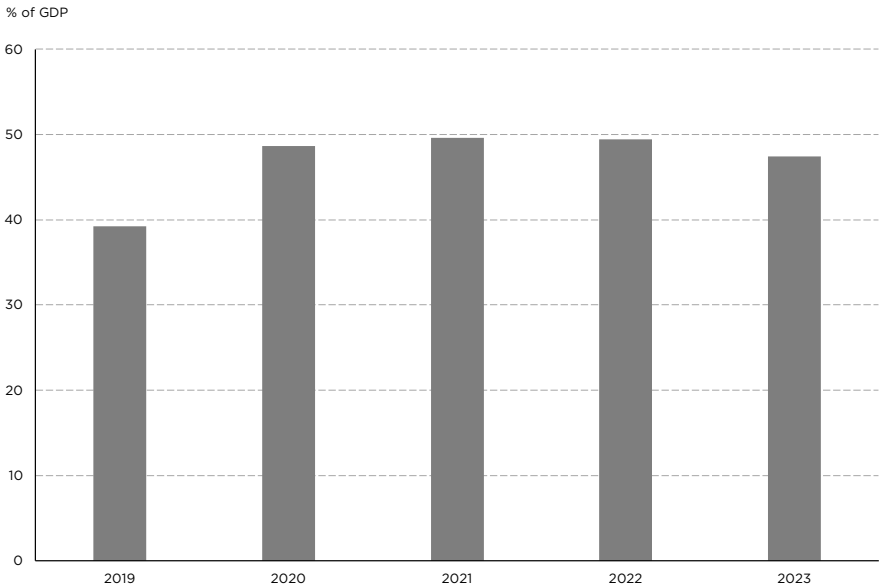
The general Government expenditure increased by €286.2 million, or 8.3 per cent, in the first half of 2024 compared to the same period in 2023. Higher outlays were mainly recorded in 'other' expenditure and social payments, partially offset by lower spending on subsidies compared to 2023. Expenditure on 'other' items increased by €137.0 million, almost doubling last year's expenditure for the same period, primarily due to higher outlays on EU own resources and the Tax relief measure. The latter is due to a delay in the processing of payments, which last year was completed later in July 2023. Meanwhile, expenditure on subsidies declined by €96.7 million, primarily due to lower spending on energy subsidies.

5.3 General Government Debt Developments

In 2023, the general Government debt-to-GDP ratio has remained below the 60.0 per cent of GDP Maastricht Debt treaty requirement. In parallel with developments in the general Government balance during the year, the debt-to-GDP ratio decreased to 47.4 per cent, from the rate of 49.4 per cent recorded in 2022. Total general Government debt stood at €9,791.4 million in 2023. Chart 5.6 shows developments in the debt-to-GDP ratio over recent years.

At the end of June 2024, the general Government debt stood at €10,084.0 million, showing an increase of €912.0 million over the corresponding quarter in 2023. Currency and deposits stood at €433.0 million, a decrease of €22.0 million over June 2023. This includes the Euro coins issued in the name of the Treasury considered a liability of central Government, and the 62+ Malta Government Savings Bond. Over the same period, long-term loans increased by €97.5 million while short-term loans remained at the level of €23 million.

Chart 5.6
Debt-to-GDP ratio



Source: National Statistics Office

Appendix Table 5.1: Government Revenue (January - September)

€ thousand

	2021	2022	2023	2024
Tax Revenue	3,315,175	3,748,142	4,349,024	5,040,026
Direct Tax Revenue	2,135,161	2,375,979	2,867,088	3,355,025
Income Tax	1,336,816	1,481,721	1,892,797	2,274,004
Social Security	798,345	894,258	974,291	1,081,021
Indirect Tax Revenue	1,180,014	1,372,164	1,481,936	1,685,001
Customs and Excise Duties	214,491	209,910	221,578	234,646
Licences, Taxes and Fines	246,816	259,356	288,153	319,798
Value Added Tax	718,707	902,897	972,205	1,130,557
Non-Tax Revenue	331,763	324,475	397,735	454,490
Fees of Office	71,154	62,012	55,000	92,729
Sales - goods	1,378	1,580	1,564	1,781
Sales - services	14,634	23,466	27,748	32,034
Sales - others	2,145	3,077	34,692	38,790
Reimbursements	1,941	2,129	3,301	4,495
Central Bank of Malta	25,000	22,173	0	0
Rents	19,907	23,894	22,498	25,027
Dividends on Investments	34,652	19,878	21,496	25,533
Repayment of Government Loans and interest	2 -	1 -	1,081 -	845 -
Miscellaneous Receipts	94,974	110,147	187,309	22,450
Grants	65,976	56,117	43,046	210,806
Recurrent Revenue	3,646,937	4,072,617	4,746,758	5,494,515
Extraordinary Receipts	889	889	889	0
Loans	1,265,255	536,114	1,052,344	859,807
Repayment of Loans made by Government	0	1,517	250	0
Total Revenue	4,913,081	4,611,138	5,800,241	6,354,322

Source: The Treasury, Ministry for Finance

Appendix Table 5.2: Government Recurrent Expenditure (January - September)

€ thousand

	2021	2022	2023	2024
Office of the President	2,730	3,434	3,967	3,809
Parliamentary Service	7,900	6,187	8,548	9,141
Office of the Ombudsman	952	1,420	1,449	1,000
National Audit Office	3,150	3,300	3,500	3,450
Commissioner for Standards in Public Life	239	759	-	225
Office of the Prime Minister	35,439	39,151	46,028	38,155
Information	773	1,023	929	953
Government Printing Press	1,156	1,293	1,344	1,406
Electoral Office	1,895	8,039	2,398	10,433
Public Service Commission	421	430	500	546
Industrial and Employment Relations	1,343	1,321	1,384	1,468
Ministry for Health	632,033	630,513	646,852	660,811
Ministry for the National Heritage, the Arts and Local Government	35,461	39,347	46,461	52,517
Local Government	40,247	37,859	38,478	46,271
Ministry for Foreign and European Affairs and Trade	26,533	30,767	29,404	37,624
Ministry for Social Policy and Children's Rights	54,508	44,014	47,310	57,483
Social Policy	249,925	283,320	311,652	341,055
Social Security Benefits	840,182	901,329	978,780	1,102,139
Pensions	78,467	77,477	76,908	81,188
Ministry for Agriculture, Fisheries, and Animal Rights	27,132	32,149	45,121	46,130
Ministry for Social and Affordable Accommodation	21,469	23,170	27,965	41,663
Ministry for the Economy, European Funds and Lands	103,160	27,037	30,723	53,010
Commerce	1,170	1,272	1,285	1,346
Ministry for Inclusion, Voluntary Organisations and Consumer Rights	37,111	37,251	38,283	39,305
Ministry for Transport, Infrastructure and Capital Projects	71,080	77,563	84,239	99,348
Ministry for Gozo	35,126	40,981	43,815	50,123
Ministry for Home Affairs, Security, Reforms and Equality	52,648	48,110	54,298	113,917
Armed Forces of Malta	51,918	44,557	50,072	54,674
Police	57,730	58,453	62,587	70,544
Probation and Parole	1,010	989	966	985
Civil Protection	7,918	7,108	7,427	9,052
Ministry for Tourism [and Consumer Protection]	98,120	105,508	112,565	116,524
Ministry for the Environment, Energy and Enterprise	358,928	312,605	271,361	252,873
Ambjent Malta	10,325	12,170	10,766	12,656
Ministry for Finance and Employment	264,709	219,437	188,422	252,708
Economic Policy	1,041	1,347	1,468	1,317
Treasury	27,116	82,824	39,911	41,732
Commissioner for Revenue	16,732	18,568	24,676	37,489
Customs	8,741	9,903	9,992	-
Contracts	1,216	2,321	2,267	2,164
Ministry for Education, Sport, Youth, Research and Innovation	242,939	266,754	285,578	308,975
Education	247,218	249,276	269,730	291,946
Ministry for Public Works and Planning	-	-	26,089	22,519
Ministry for Justice [and Governance]	32,296	34,441	40,319	49,170
Ministry for Active Ageing	132,272	153,038	182,498	227,722
[Ministry for Equality, Research and Innovation]	7,910	4,867	-	-
[Ministry for the Environment, Climate Change and Planning]	38,551	31,338	-	-
Recurrent Expenditure	3,968,941	4,014,020	4,158,315	4,647,568

Note: [] denotes change in name of cost centres

Source: The Treasury, Ministry for Finance

Appendix Table 5.3: Government Expenditure by COFOG category (January - September)

€ thousand

COFOG	Personal Emoluments			Operational and Maintenance Expenses			Programmes and Initiatives			Contributions to Government Entities		
	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024
General public services	99,583	104,883	119,971	38,791	42,767	50,635	410,569	351,207	454,628	110,267	130,963	135,367
Defence	38,280	42,233	46,205	5,762	7,193	7,794	515	646	675	0	0	0
Public order and safety	66,619	72,235	81,543	8,045	9,189	11,855	8,983	11,801	46,537	33,146	34,339	57,576
Economic affairs	42,295	48,911	54,462	7,981	19,846	12,025	308,802	228,985	244,782	137,017	134,929	149,894
Environment protection	3,934	0	0	425	26	28	17,420	16,129	32	6,540	27,606	7,350
Housing and community amenities	0	0	0	0	0	0	16,508	21,498	29,208	5,000	2,000	5,250
Health	260,325	269,291	299,658	62,361	70,549	75,079	244,342	235,188	219,808	63,490	71,824	66,274
Recreation, culture and religion	6,290	6,710	7,628	1,327	1,287	1,437	8,953	14,502	19,836	23,801	24,892	24,571
Education	214,590	224,606	251,082	14,227	18,846	21,430	173,305	190,585	202,173	113,926	121,271	126,226
Social protection	51,979	54,363	61,978	35,645	51,828	71,777	1,350,232	1,471,463	1,646,901	22,771	23,725	35,890
Total	783,895	823,233	922,526	174,563	221,531	252,060	2,539,629	2,542,004	2,864,581	515,959	571,548	608,398
Interest Expenditure												
	2022	2023	2024	Capital Expenditure			Total expenditure					
				2022	2023	2024	2022	2023	2024			
General public services	126,182	154,195	194,278	212,356	250,639	232,229	997,749	1,034,655	1,187,107			
Defence	0	0	0	1,489	3,011	3,344	46,047	53,084	58,018			
Public order and safety	0	0	0	20,164	25,243	34,845	136,956	152,807	232,357			
Economic affairs	0	0	0	125,472	92,817	123,024	321,567	525,488	584,187			
Environment protection	0	0	0	4,864	12,295	140	33,183	56,057	7,549			
Housing and community amenities	0	0	0	1,158	1,360	14	22,666	24,858	34,473			
Health	0	0	0	21,761	34,532	25,224	652,279	681,384	686,043			
Recreation, culture and religion	0	0	0	12,530	13,188	31,544	52,901	60,578	85,015			
Education	0	0	0	31,314	44,241	53,542	547,363	599,549	654,454			
Social protection	0	0	0	4,132	4,733	6,508	1,464,757	1,606,113	1,823,054			
Total	126,182	154,195	194,278	435,240	482,060	510,414	4,575,468	4,794,571	5,352,258			

Statistical Annex



Table I: Population¹

	2016	2017	2018	2019	2020	2021	2022	2023
Total Population (000's)	459,375	474,837	492,968	514,855	516,125	520,174	542,051	563,443
Males (000's)	231,743	240,738	252,181	266,559	267,614	270,469	284,821	298,746
Females (000's)	227,632	234,099	240,787	248,296	248,511	249,705	257,230	264,697
% Increase per annum	2.2%	3.4%	3.8%	4.4%	0.2%	0.8%	4.2%	3.9%
Natural increase per annum	1,134	748	756	662	323	232	79	432
Crude Birth Rate (per 1,000 population)	9.9	9.3	9.2	8.6	8.6	8.5	8.1	8.1
Crude Mortality Rate (per 1,000 population)	7.4	7.7	7.6	7.3	7.9	8.0	8.0	7.3
Crude Marriage Rate (per 1,000 population) ²	6.7	6.3	5.9	5.3	2.2	4.4	4.8	4.2
Infant Mortality Rate (per 1,000 births)	7.4	6.7	5.6	6.7	3.9	3.9	5.3	3.6
Life Expectancy (at birth)								
Males	82.6	82.5	82.6	83.0	82.4	82.4	82.3	83.4
Females	80.7	80.3	80.5	81.4	80.4	80.8	80.2	81.6
	84.4	84.6	84.6	84.6	84.5	84.1	84.4	85.2
Life Expectancy (at age 65)								
Males	21.1	20.8	20.9	21.1	20.6	20.6	20.5	21.1
Females	19.8	19.1	19.3	19.6	19.0	19.3	19.0	19.7
	22.1	22.2	22.3	22.5	22.0	21.6	21.8	22.3

¹ Population time series from 2016 to 2021 has been revised as a result of the 2021 post-Census of Population and Housing revisions. All estimates using the population as a denominator have also been revised.

² The numerator corresponds to marriages registered in Malta and occurring in the reference year. This includes marriages occurring abroad and marriages occurring in Malta between non-residents.

Source: National Statistics Office

Table II: Social Indicators

	2016	2017	2018	2019	2020	2021	2022	2023
GDP at current market prices per capita (€)	23,900	26,821	28,240	28,924	27,837	32,175	34,290	37,304
Quality of Life								
Motor vehicle licences per 1,000 population ¹	781	784	782	772	780	794	784	778
Internet subscriptions per 1,000 population*	171.3	181.3	191.8	202.5	213.0	221.2	229.5	236.0
Mobile phone subscriptions per 1,000 population*	585.5	604.8	615.8	634.4	633.1	649.9	701.8	749.3
Fixed telephone lines per 1,000 population*	234.4	239.6	254.3	255.6	257.9	258.0	259.1	259.2
Education²								
Number of teachers (000)	8.7	8.8	9.1	9.3	9.7	9.7	10.2	10.3 ^(a)
Number of pupils/students (000)	80.4	80.4	82.6	83.7	85.3	86.0	87.0	90.7 ^(a)
of which:								
University students (all courses)	11,062	11,092	11,014	11,024	10,676	11,081	10,312	10,522 ^(a)
Electricity³								
Total generated (000 MWh) ⁴	2,247.5	2,376.8	2,394.8	2,514.7	2,320.1	2,499.1	2,642.6	2,674.4
Number of consumers (000)	295.0	301.0	307.6	317.2	325.5	334.8	343.9	357.8
Domestic consumption (million kwh)	641.8	774.3	805.3	882.8	892.0	959.8	1,019.6	1,016.5
Water								
Total annual production (million m ³)	32.0	33.1	33.5	34.7	34.6	34.2	35.4	36.8
Average daily consumption (000 m ³)	77.1	79.9	81.3	84.3	85.4	84.4	87.2	90.9
Social Security								
Total payments (€ million)	1,502.4	1,607.0	1,687.4	1,813.8	2,027.9	2,099.3	2,318.4	2,507.7
Total contributions (€ million)	804.4	875.1	967.8	1,046.1	1,064.1	1,201.7	1,306.2	1,411.8
Welfare gap (€ million)	698.0	731.9	719.5	767.6	963.7	897.6	1,012.2	1,095.9

¹ Amount of motor vehicles irrespective of whether they are commercial or not

² Education figures include students enrolled in formal education at all levels with a minimum duration of one semester of full-time study (or the equivalent in part-time), delivered from Malta.

³ Refer to financial year

⁴ Electricity generation from power plants and the interconnector

^(a) Provisional data

Note: University students = number of students attending the University of Malta only and not other Universities in Malta.

Source: National Statistics Office

^(a) Source: Malta Communications Authority

Table III: Factor Incomes in Gross National Income

	2016	2017	2018	2019	2020	2021	2022	2023	2018 Jan-Jun	2019 Jan-Jun	2020 Jan-Jun	2021 Jan-Jun	2022 Jan-Jun	2023 Jan-Jun	2024 Jan-Jun	€ million
Compensation of Employees	4,530.1	4,951.0	5,646.4	6,179.4	6,431.7	6,914.1	7,548.1	8,190.0	2,783.8	3,038.7	3,210.2	3,417.9	3,683.7	4,028.1	4,404.2	
Gross Operating Surplus and Mixed Income	5,187.1	6,307.3	6,628.6	6,977.9	7,192.2	8,876.4	9,724.2	11,239.1	3,154.5	3,349.4	3,523.1	4,098.0	4,429.6	5,158.4	5,502.3	
Taxes on production and imports	1,286.3	1,424.3	1,590.8	1,639.8	1,415.9	1,598.2	1,814.0	1,978.3	717.6	786.2	652.0	732.5	854.1	931.6	1,062.1	
Subsidies	139.1	146.9	187.2	202.9	693.8	716.8	844.0	756.9	89.9	98.9	286.0	321.9	308.8	324.7	233.9	
Gross Domestic Product at market prices	10,864.3	12,535.7	13,678.6	14,594.2	14,346.0	16,671.9	18,242.3	20,650.4	6,566.0	7,075.3	7,099.2	7,926.4	8,658.6	9,793.3	10,734.7	
Net income from Abroad	-1,208.0	-927.6	-1,256.6	-1,374.7	-1,622.3	-2,048.7	-2,541.0	-2,753.5	-468.9	-658.3	-825.6	-1,017.2	-1,250.3	-1,365.9	-1,565.8	
Gross National Income at market prices	9,656.3	11,608.2	12,422.0	13,219.4	12,723.7	14,623.2	15,701.3	17,896.9	6,097.1	6,416.9	6,273.6	6,909.2	7,408.3	8,427.4	9,168.9	
Sectoral Percentage Contribution to Gross Value Added (at basic prices)																
Agriculture, Hunting and Forestry ⁽¹⁾	11%	0.8%	0.7%	0.5%	0.8%	0.9%	0.8%	0.7%	0.7%	0.6%	0.6%	0.6%	0.7%	0.6%	0.4%	
Industry ⁽²⁾	13.8%	12.8%	12.9%	13.4%	13.4%	13.1%	12.9%	12.6%	13.1%	13.3%	13.2%	13.5%	12.8%	12.6%	12.3%	
Service Activities	85.1%	86.5%	86.4%	86.0%	85.8%	86.0%	86.3%	86.7%	86.3%	86.1%	86.2%	85.9%	86.5%	86.8%	87.3%	

⁽¹⁾ Includes fishing and operation of fish hatcheries and fish farms⁽²⁾ Includes energy and construction

Source: National Statistics Office

Table IV: Gross National Income and Expenditure

	2017	2018	2019	2020	2021	2022	2023	2021 Jan-Jun	2022 Jan-Jun	2023 Jan-Jun	2024 Jan-Jun
	€ million										
GNI at current market prices (m.p.)	11,608.2	12,422.0	13,219.4	12,723.7	14,623.2	15,701.3	17,896.9	6,909.2	7,408.3	8,427.4	9,168.9
% annual increase of GNI	20.2%	7.0%	6.4%	-3.8%	14.9%	7.4%	14.0%	10.1%	7.2%	13.8%	8.8%
GDP at current market prices	12,535.7	13,678.6	14,594.2	14,346.0	16,671.9	18,242.3	20,650.4	7,926.4	8,658.6	9,793.3	10,734.7
% annual increase of GDP	15.4%	9.1%	6.7%	-1.7%	16.2%	9.4%	13.2%	11.7%	9.2%	13.1%	9.6%
GDP at constant prices ⁽²⁾	13,321.4	14,279.1	14,862.4	14,346.0	16,277.0	16,952.2	18,223.3	7,786.0	8,144.3	8,725.7	9,244.8
Total Final Consumption Expenditure											
current market prices	7,601.1	8,446.1	9,203.2	8,894.8	9,917.2	11,190.5	12,879.4	4,683.5	5,320.7	6,094.0	6,585.0
constant prices ⁽²⁾	7,983.1	8,766.4	9,341.1	8,894.8	9,781.5	10,534.0	11,463.5	4,653.2	5,082.0	5,483.9	5,696.2
Ratio (%) of consumption to GDP at m.p.	60.6%	61.7%	63.1%	62.0%	59.5%	61.3%	62.4%	59.1%	61.5%	62.2%	61.3%
General Government Final Consumption Expenditure											
current market prices	1,983.6	2,192.4	2,465.0	2,828.3	3,056.3	3,174.5	3,421.8	1,511.8	1,581.8	1,657.9	1,735.0
constant prices ⁽²⁾	2,120.4	2,303.7	2,513.3	2,828.3	2,994.1	3,005.8	3,094.0	1,486.8	1,507.3	1,505.0	1,509.0
Ratio (%) of Government consumption to GDP at m.p.	15.8%	16.0%	16.9%	19.7%	18.3%	17.4%	16.6%	19.1%	18.3%	16.9%	16.2%
Private Final Consumption Expenditure ⁽¹⁾											
current market prices	5,617.4	6,253.7	6,738.2	6,066.5	6,861.0	8,016.0	9,457.6	3,171.6	3,738.9	4,436.0	4,850.0
constant prices ⁽²⁾	5,859.8	6,459.0	6,824.8	6,066.5	6,787.4	7,530.3	8,370.4	3,166.4	3,575.2	3,979.5	4,187.1
Ratio (%) of private consumption to GDP at m.p.	44.8%	45.7%	46.2%	42.3%	41.2%	43.9%	45.8%	40.0%	43.2%	45.3%	45.2%
Gross Fixed Capital Formation											
current market prices	2,343.9	2,614.2	2,930.1	3,015.2	3,822.2	4,421.9	3,849.6	1,813.1	1,967.5	1,836.6	1,961.2
constant prices	2,519.4	2,726.6	2,985.3	3,015.2	3,634.6	3,988.0	3,262.4	1,735.3	1,806.8	1,568.4	1,644.6
Ratio (%) fixed investment to GDP at m.p.	18.7%	19.1%	20.1%	21.0%	22.9%	24.2%	18.6%	22.9%	22.7%	18.8%	18.3%

⁽¹⁾ Including NPISH final consumption expenditure⁽²⁾ In Chain linked volumes (reference year 2020)

Source: National Statistics Office

Table V: Labour

	2019	2020	2021	2022	2023	2022 March	2023 March	2024 March	2022 April	2023 April	2024 April
Labour supply	225,036	235,839	240,553	254,245	274,495	248,205	269,481	286,376	249,147	270,128	287,191
Gainfully Occupied	223,336	232,679	238,759	253,247	273,527	247,197	268,468	285,232	248,184	269,162	285,989
Males	136,373	141,780	144,654	153,302	166,066	149,489	162,883	173,038	150,095	163,288	173,339
Females	86,963	90,899	94,105	99,945	107,461	97,708	105,585	112,194	98,089	105,874	112,650
Private Direct Production	37,836	39,745	40,710	42,416	45,432	41,648	44,849	47,106	41,684	44,817	47,152
of which:											
Construction	12,942	14,435	15,383	16,825	18,421	16,244	18,193	19,325	16,385	18,177	19,336
Manufacturing	22,120	22,246	22,196	22,369	23,538	22,200	23,255	24,169	22,112	23,230	24,205
Others	2,874	3,064	3,131	3,222	3,473	3,204	3,401	3,612	3,187	3,410	3,611
Private Market Services	136,691	143,084	146,882	159,551	176,757	154,446	172,631	186,269	155,373	173,326	186,877
of which:											
Wholesale and Retail (including Repair of Motor Vehicles, Motorcycles and Personal and Household Goods)	28,282	28,840	29,369	30,651	32,920	30,072	32,285	34,403	30,176	32,340	34,698
Accommodation and Food Services	15,258	15,443	15,006	17,374	20,756	16,256	19,693	22,598	16,436	19,850	22,670
Financial and Insurance Activities	10,371	11,359	11,634	12,350	13,138	12,052	12,974	13,631	12,119	13,059	13,646
Others	82,780	87,442	90,873	99,176	109,943	96,066	107,679	115,637	96,642	108,097	115,863
Public Sector	48,709	49,850	51,167	51,280	51,338	51,103	50,988	51,857	51,127	51,019	51,960
of which:											
Government Departments	34,422	34,658	35,291	35,105	35,075	34,922	35,045	35,334	34,961	35,028	35,374
Independent Statutory Bodies	12,017	12,799	13,514	13,756	14,170	13,747	14,046	14,618	13,727	14,074	14,684
Companies with Public Sector majority s/hldg	2,270	2,393	2,362	2,419	2,093	2,434	1,897	1,905	2,439	1,917	1,902
Registered Unemployed*	1,700	3,160	1,794	998	970	1,008	1,013	1,144	963	966	1,202
Males	1,187	1,990	1,208	704	672	858	876	987	830	835	1,038
Females	513	1,170	586	294	298	150	137	157	133	131	164
Self Employed	25,481	26,946	28,250	29,010	29,786	28,788	29,549	30,333	28,823	29,630	30,377

Note: Employment data is subject to revisions

* Includes both Parts I and II of the registered unemployed

Data for 2019- 2023 shows annual averages while for 2022, 2023, 2024 data is at end March/April

Source: JobsPlus

Table VI: Tourism

	2016	2017	2018	2019	2020	2021	2022	2023	2022 Jan-Jul	2023 Jan-Jul	2024 Jan-Jul
Inbound Tourists (000's)	1,966	2,274	2,599	2,753	659	968	2,287	2,976	1,173	1,615	1,976
of which from:											
United Kingdom	485	473	517	514	92	221	418	539	221	290	387
Italy	193	226	233	236	53	81	249	548	195	293	342
Germany	138	169	192	176	57	97	168	219	88	113	133
Libya	3	3	3	3	:	:	3	7	:	4 ^a	4
Scandinavian Countries*	124	135	128	124	18	31	76	89	42	49	54
Other	1,022	1,268	1,525	1,700	438	538	1,373	1,575	627	865	1,057
Cruise Passengers (000's)^(b)	626	670	633	766	59	142	490	815	229	426	451
Expenditure from Inbound Tourism (€ million)	1,708,952	1,946,894	2,101,765	2,220,627	455,108	870,710	2,012,540	2,871,431	973,668	1,371,290	1,695,064
Total Sector Employment in Hotels and Restaurants^(c)	11,619	12,678	14,033	15,258	15,443	15,006	17,374	20,756	16,436	19,850	22,670
% of Gainfully Occupied	6.3	6.5	6.7	6.8	6.6	6.3	6.9	7.6	6.6	7.4	7.9
Outbound Tourists (000's)	497	572	667	707	197	303	602	814	228	348	368
Days Stayed / Nights Spent (000's)	3,483	3,922	4,478	4,609	1,654	2,832	4,216	5,647	1,608	2,334	2,411
% of which spent in :											
5 star	5.6%	5.6%	5.2%	4.9%	3.0%	3.3%	4.1%	4.0%	3.5%	3.9%	4.1%
4 star	18.7%	18.4%	19.4%	20.1%	9.8%	8.8%	14.2%	16.5%	10.8%	15.8%	16.8%
3 star	13.2%	12.8%	15.0%	12.8%	7.0%	5.8%	10.1%	13.5%	7.1%	13.7%	11.5%
2 star	1.0%	1.0%	0.8%	1.0%	0.5%	0.4%	0.7%	0.7%	0.4%	0.7%	0.6%
1 star	0.1%	0.1%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Unclassified	4.3%	4.4%	0.0%	0.0%	0.0%	1.8%	5.5%	0.0%	6.5%	0.0%	0.0%
Guest Houses	1.0%	0.9%	0.8%	0.9%	0.5%	0.7%	0.7%	0.4%	0.5%	0.4%	0.8%
Flats/Private Residences	47.4%	50.1%	51.2%	53.5%	74.0%	73.3%	58.1%	58.9%	65.0%	60.0%	60.0%
Tourist Village/Aparthotels/Hostels/Holiday Complex/Camp Sites/Bed & Breakfast	8.7%	6.7%	7.3%	6.6%	5.2%	6.0%	6.6%	5.8%	6.2%	5.5%	6.0%

: Unreliable, less than 20 sample observations.
^a Under represented - between 20 and 49 sample observations.
^{*} Denmark, Finland, Norway and Sweden
^(b) Excluding embarkations and Maltese cruise passengers.
^(c) Jan-Jul Data shows April data for each year.
Source: National Statistics Office, JobsPlus

Table VII: Foreign Trade

€ million

	2016	2017	2018	2019	2020	2021	2022	2023	2022 Jan-Aug	2023 Jan-Aug	2024 Jan-Aug
Imports and Exports											
Imports (c.i.f.)	6,500.1	6,199.4	6,377.5	7,537.1	5,620.1	6,743.9	9,554.7	8,711.2	6,315.4	5,977.0	6,058.1
Consumer goods*	1,253.6	1,361.5	1,482.7	1,577.4	1,488.8	1,649.3	1,992.3	2,206.5	1,308.5	1,460.7	1,517.8
Industrial supplies*	1,351.9	1,341.3	1,500.0	1,705.2	1,423.5	1,648.6	2,251.0	2,367.8	1,490.2	1,556.3	1,691.1
Capital goods and others*	2,301.6	1,724.8	1,460.3	2,412.1	1,481.9	2,016.3	2,739.2	2,129.7	1,818.6	1,641.1	1,287.4
Fuels and lubricants	1,593.0	1,771.8	1,934.5	1,842.3	1,225.9	1,429.6	2,572.2	2,007.3	1,698.2	1,318.9	1,561.9
Total Exports (f.o.b.)	3,930.4	3,707.4	3,459.5	3,811.5	3,570.4	3,573.5	4,719.7	4,586.2	2,882.9	2,856.3	3,178.8
Consumer goods*	1,452.9	903.3	1,019.5	995.2	993.8	1,026.0	1,160.2	1,117.6	596.7	625.8	663.0
Industrial supplies*	1,126.7	1,126.7	1,161.6	1,387.4	1,169.8	1,211.6	1,647.3	1,703.9	1,051.5	1,101.8	1,092.7
Capital goods and others*	220.6	257.4	291.9	300.3	332.6	320.7	375.2	377.5	216.0	276.0	345.4
Fuels and lubricants	1,130.1	1,419.9	986.6	1,128.6	1,074.2	1,015.3	1,537.0	1,387.2	1,018.8	852.7	1,077.8
Trade Gap as % of GDP at current market prices	-2,569.8	-2,492.0	-2,917.9	-3,725.6	-2,049.7	-3,170.4	-4,835.0	-4,125.0	-3,432.5	-3,120.6	-2,879.3
	-23.7%	-19.9%	-21.3%	-25.5%	-14.3%	-19.0%	-26.5%	-20.0%	-33.1%**	-25.7%**	-22.9%**
Selected Groupings											
Europe											
Imports	3,259.4	3,386.6	4,245.9	5,029.2	3,565.9	3,824.8	4,967.4	4,868.6	3,533.9	3,389.3	3,355.9
Exports	1,235.1	1,431.0	1,510.1	1,633.0	1,287.7	1,269.7	1,491.2	1,707.8	985.2	1,109.4	1,166.2
United Kingdom											
Imports	353.9	415.5	531.1	1,309.8	439.4	501.5	402.9	535.1	244.8	385.9	356.4
Exports	108.3	78.7	62.4	58.1	47.3	106.2	164.3	101.6	126.3	73.4	89.8
Italy											
Imports	1,263.0	1,277.9	1,474.2	1,363.0	1,212.6	1,544.7	1,918.0	1,742.6	1,303.4	1,203.0	1,293.0
Exports	214.7	403.1	337.0	295.7	182.7	204.6	174.8	172.3	119.7	107.1	107.2
Germany											
Imports	380.6	435.4	458.3	520.9	353.7	335.9	443.5	682.2	300.3	534.1	303.4
Exports	399.4	402.8	426.0	495.5	427.3	359.5	526.0	860.9	278.5	563.0	519.4
France											
Imports	255.9	236.4	303.8	471.2	341.7	409.3	541.1	674.9	345.0	509.2	383.5
Exports	239.0	238.3	271.7	269.4	241.5	164.2	234.0	61.3	203.7	42.0	51.8
America											
Imports	1,719.4	976.6	500.7	524.9	501.1	720.4	1,511.7	706.0	841.0	503.1	409.2
Exports	802.2	195.4	230.6	219.1	163.3	197.4	251.4	221.7	140.9	143.3	274.9
Africa											
Imports	263.5	283.8	265.8	174.9	238.8	160.8	300.3	317.3	183.5	207.1	228.0
Exports	562.7	591.9	466.9	435.1	423.8	360.1	375.9	411.5	257.9	233.1	276.0
Asia											
Imports	786.5	943.7	932.9	1,021.8	963.0	1,088.2	1,821.6	1,703.4	1,129.6	1,121.2	1,300.9
Exports	671.2	638.6	713.3	766.9	798.5	690.9	919.0	781.2	398.3	405.2	350.9

* Treated differently from other parts in the Survey

** Values are computed for the January to June period

Source: National Statistics Office

Table VIII: Balance of Payments

	€ millions										
	2017	2018	2019	2020	2021	2022	2023	2022 Jan-Jun	2023 Jan-Jun	2024 Jan-Jun	
Goods Balance⁽¹⁾	-1,360	-1,114	-1,289	-1,099	-1,998	-3,177	-2,447	-1,514	-1,334	-1,330	
Imports (f.o.b.)	4,683	4,439	4,823	4,261	5,252	7,348	6,457	3,384	3,178	3,308	
Exports (f.o.b.)	3,324	3,325	3,534	3,162	3,254	4,170	4,010	1,870	1,844	1,978	
Services Balance	3,993	3,558	4,614	4,587	5,223	5,245	6,153	2,304	2,884	3,336	
Transport balance	762	649	849	829	1,110	1,217	1,380	599	649	792	
Travel balance	1,209	1,121	1,212	231	454	1,139	1,429	386	548	855	
Other Services balance	2,022	1,787	2,553	3,527	3,659	2,889	3,344	1,318	1,687	1,689	
Primary Income Balance	-430	-707	-726	-1,148	-1,545	-1,916	-2,303	-989	-1,126	-1,423	
Compensation of Employees balance	-80	-93	-107	-107	-117	-149	-172	-70	-81	-94	
Investment Income balance	-326	-592	-593	-1,018	-1,397	-1,731	-2,093	-901	-1,025	-1,311	
Secondary Income Balance	170	88	13	-41	-117	-289	-88	-247	-38	8	
General Government balance	195	122	41	-18	-132	-84	-45	-53	-2	-29	
Private balance	-24	-34	-28	-23	15	-205	-43	-194	-36	37	
Current A/C Balance	2,373	1,825	2,612	2,300	1,564	-138	1,316	-446	386	592	
Goods Balance ⁽¹⁾ as % of GDP at m.p.	-10.8%	-8.9%	-10.3%	-8.8%	-15.9%	-25.3%	-19.5%	-12.1%	-10.6%	-10.6%	
Primary Income a/c Balance as % of GDP at m.p.	-3.4%	-5.6%	-5.8%	-9.2%	-12.3%	-15.3%	-18.4%	-7.9%	-9.0%	-11.3%	
Secondary Income a/c Balance as % of GDP at m.p.	1.4%	0.7%	0.1%	-0.3%	-0.9%	-2.3%	-0.7%	-2.0%	-0.3%	0.1%	
Current a/c Balance as % of GDP at m.p.	18.9%	14.6%	20.8%	18.3%	12.5%	-1.1%	10.5%	-3.6%	3.1%	4.7%	
Capital A/C Net	141	287	370	286	246	228	256	98	91	202	
Financial A/C Net	940	2,313	2,969	2,463	1,896	-502	1,917	-327	812	1,163	
Direct Investment net	-9,283	150	-1,068	7,790	-14,175	-1,418	-1,004	-1,136	-712	-5,097	
Portfolio Investment net ⁽²⁾	3,445	-4,800	-2,511	723	-1,498	2,022	4,873	451	2,835	411	
Financial Derivatives net ⁽²⁾	90	227	-222	-329	-512	-47	-258	124	-99	-8	
Other Investment net ⁽²⁾	6,587	6,525	6,884	-5,646	18,120	-1,168	-1,677	133	-1,283	5,715	
Reserve Assets ⁽²⁾	101	212	-113	-76	-40	110	-17	101	72	141	

⁽¹⁾ For Balance of Payments purposes, both imports and exports are taken at f.o.b., thus the trade balance is different from that shown under Table VII.

⁽²⁾ As from 1st January 2008, following Malta's entry into the Euro Area (EA), a reclassification of the external reserves of the country has been carried out. Indeed, this meant that, as from this date, all cross-border claims that Malta has within the EA, as well as all claims that the country has in euro-denomination, are no longer considered as being part of Malta's reserve assets. In addition, as happened in other EA Member States, Malta has transferred a fraction of its external reserves to the European Central Bank (ECB) in exchange for a claim on the ECB, which, being an intra-Eurosystem asset, is also not considered as being part of the country's external reserves. As a result of this, the portfolio investment account, the financial derivatives account and the other investment account recorded significant changes in their net balances.

Note: The balance of payments is compiled in accordance with the sixth edition of the International Monetary Fund's Balance of Payments Manual (BPM6). The split of secondary income-net is not yet available for the 2012-2014 period. The data from January 31st 2017 onwards includes revisions originating from SPE's (special purpose entities) and other additional data sources.

Source: National Statistics Office

Table IX: Government Revenue and Expenditure

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2021 Jan-Sep	2022 Jan-Sep	2023 Jan-Sep	2024 Jan-Sep
Government Recurrent Revenue	3,634.8	3,807.0	4,291.2	4,559.8	4,972.9	4,389.3	5,413.2	5,867.8	6,413.0	3,646.9	4,072.6	4,746.8	5,494.5
Increase/(Decrease) % per annum	7.3	4.7	12.7	6.3	9.1	-11.7	23.3	8.4	9.3	24.5	11.7	16.6	15.8
of which:													
Tax Revenue	3,195.6	3,446.0	3,829.3	4,167.8	4,485.8	3,942.5	4,898.2	5,314.0	5,865.0	3,315.2	3,748.1	4,349.0	5,040.0
Direct Tax Revenue	1,924.2	2,132.7	2,372.5	2,541.0	2,811.9	2,600.1	3,291.0	3,446.2	3,872.0	2,135.2	2,376.0	2,867.1	3,355.0
Indirect Tax Revenue	1,271.4	1,313.3	1,456.7	1,626.8	1,673.9	1,342.4	1,607.2	1,867.9	1,993.0	1,180.0	1,372.2	1,481.9	1,685.0
Non-Tax Revenue	439.2	361.0	461.9	392.0	487.0	446.8	515.0	553.8	548.0	331.8	324.5	397.7	454.5
Total Government Expenditure	3,870.6	3,798.1	4,108.5	4,630.0	4,963.5	5,857.2	6,645.7	6,752.7	7,220.9	4,537.7	4,575.5	4,794.6	5,352.3
Increase/(Decrease) % per annum	9.9	-1.9	8.2	12.7	7.2	18.0	13.5	1.6	6.9	11.5	0.8	4.8	11.6
of which:													
Recurrent Expenditure	3,056.8	3,264.3	3,543.3	3,821.4	4,216.2	4,638.9	5,714.7	5,839.6	6,008.1	3,968.9	4,014.0	4,158.3	4,647.6
Capital Expenditure	581.5	310.3	350.2	605.0	555.0	1,037.1	746.7	739.5	998.6	431.7	435.2	482.1	510.4
% of Total Government Expenditure	15.0	8.2	8.5	13.1	11.2	17.7	11.2	11.0	13.8	9.5	9.5	10.1	9.5
Interest on Public Debt	232.3	223.5	215.1	203.6	192.3	181.2	184.3	173.6	214.3	137.1	126.2	154.2	194.3
Balance of recurrent revenue and total expenditure	-235.8	8.9	182.7	-70.2	9.4	-1,467.9	-1,232.5	-884.9	-808.0	-890.7	-502.9	-478	142.3
Financed by:													
Extraordinary Receipts	0.8	1.1	0.9	1.0	1.0	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.0
Receipts from sale of shares	0.8	1.1	0.9	0.9	1.0	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.0
Sinking Funds of Converted Loans	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sinking Fund Contribution & Direct Loan Repayment	-384.1	-545.1	-427.9	-444.0	-489.7	-485.8	-492.5	-500.8	-482.0	-466.6	-474.0	-231.4	-313.8
Equity Acquisition	-41.1	-13.0	-71.4	-63.5	-18.8	-37.0	-34.5	-28.0	-5.5	-4.5	0.0	-5.5	291.8
Repayment of Loans made by Government	40.4	12.2	0.0	0.0	0.0	0.9	2.2	5.7	5.3	0.0	1.5	0.3	298.8
Public Sector Borrowing Requirement	-619.8	-535.9	-315.7	-576.7	-498.2	-1,988.8	-1,756.4	-1,407.1	-1,289.3	-1,360.9	-974.5	-283.6	419.1
Loans	473.2	597.9	357.4	243.5	449.7	1,549.8	1,854.1	1,044.7	1,536.3	1,265.3	536.1	1,052.3	859.8

Source: National Statistics Office

Table X: Contribution of Resident MFIs to Euro Area Monetary Aggregates and Counterparts⁽¹⁾

	€ million								
	2016	2017	2018	2019	2020	2021	2022	2023	2024* Jan-Jul
Broad Money (M3)⁽²⁾	17,809.2	19,426.1	19,671.1	20,663.4	22,411.3	24,800.0	26,160.2	26,975.0	27,532.2
Intermediate Money (M2)	17,713.5	18,643.3	19,610.6	20,609.1	22,464.6	24,845.0	26,160.2	26,979.9	27,532.0
% Increase/ (Decrease)		5.2	5.2	5.1	9.0	10.6	5.3	3.1	2.0
of which:									
Narrow Money (M1)	13,551.2	14,904.4	15,881.4	16,986.0	18,601.6	20,748.9	22,723.7	22,618.7	23,029.2
Currency issued ⁽³⁾	939.5	968.7	1,028.7	1,190.8	1,356.0	1,451.6	1,482.0	1,483.4	1,856.3
% Increase/(Decrease)		3.1	6.2	15.8	13.9	7.1	2.1	0.1	25.1 ⁽⁷⁾
Overnight deposits ⁽⁴⁾	12,611.8	13,935.7	14,852.7	15,795.2	17,245.6	19,297.4	21,241.7	21,135.4	21,172.9
Deposits redeemable at notice up to 3 months ⁽⁴⁾	105.0	46.8	77.6	91.2	121.6	373.2	134.8	87.8	71.7
Deposits with agreed maturity up to 2 years ⁽⁴⁾	4,057.3	3,692.0	3,651.6	3,531.9	3,741.5	3,722.9	3,301.6	4,273.4	4,431.1
Credit Counterpart⁽⁵⁾	17,012.7	17,407.5	18,318.7	18,847.1	20,079.1	20,897.5	23,104.1	25,119.0	26,607.5
of which:									
Credit to residents of Malta	12,706.1	12,943.9	13,560.6	14,212.2	15,759.6	17,080.9	18,370.3	19,389.5	19,951.1
Credit to other Euro Area residents	4,306.6	4,463.6	4,754.6	4,634.8	4,319.5	3,816.6	4,733.8	5,729.5	6,656.4
Net claims on non-residents of the Euro Area	9,421.8	6,718.4	5,440.8	4,756.5	5,066.5	4,853.9	5,294.3	5,393.8	5,313.9
Other counterparts (net)⁽⁶⁾	8,625.3	4,699.9	4,115.7	2,964.5	2,734.3	951.3	2,238.2	3,537.8	4,389.2

* Provisional

⁽¹⁾ Figures show the contribution of Maltese Monetary Financial Institutions (MFIs) to the Euro Area (EA) aggregates.⁽²⁾ M3 comprises M2, repurchase agreements and debt securities with agreed maturity of up to 2 years. This does not represent holdings of M3 by residents of Malta but rather the contribution of MFIs in Malta to the EA aggregate. As from December 2008, figures also include MMFs shares/units issued less holdings in such units by MMFs and credit institutions resident in the EA and holdings by non-residents of the EA.⁽³⁾ Comprises the Central Bank of Malta's share of Euro banknotes issued by the Eurosystem, plus coins issued by the Bank on behalf of the Treasury, less holdings of issued Euro banknotes and coins held by the MFI sector.⁽⁴⁾ Deposits with MFIs exclude interbank deposits and deposits held by Central Government.⁽⁵⁾ Credit includes, besides lending, claims in the form of debt securities and shares and other equity.⁽⁶⁾ Includes net interbank claims/liabilities within the MFI sector. These counterparts make a negative contribution to M3.⁽⁷⁾ This significant increase between Dec-18 and Jan-19 is a result of a change in the ECB Capital Key.

Source: Central Bank of Malta