ECONOMIC SURVEY 2023

Molto GUSTA

GOVERNMENT OF MALTA
MINISTRY FOR FINANCE
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The following symbols have been used throughout this document:

. . .	to indicate that data are not available;
0	to indicate that the figure is zero;
-	to indicate that data are not applicable or cannot be determined;
—	to indicate that the figure is negligible;

National Accounts estimates and other statistics which appear in this Economic Survey are provisional and subject to revision. Figures may not add up due to rounding.

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Glossary: Country Codes

(AT)	Austria	(IT)	Italy
(BE)	Belgium	(LV)	Latvia
(BG)	Bulgaria	(LT)	Lithuania
(HR)	Croatia	(LU)	Luxembourg
(CY)	Cyprus	(MT)	Malta
(CZ)	Czech Republic	(NL)	Netherlands
(DK)	Denmark	(NO)	Norway
(EE)	Estonia	(PL)	Poland
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NACE Rev. 2	
Section	**Description**
A	Agriculture, forestry and fishing
B	Mining and quarrying
C	Manufacturing
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	Accomodation 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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Summary

After a robust post-pandemic recovery, the global economy began to slow down in the first months of 2023. Supply chain bottlenecks have continued to ease, marked by declining shipping costs and reduced maritime congestion. While inflation is gradually decreasing from its peak, it remains elevated in many economies, constraining external demand conditions. Central banks are being compelled to raise borrowing costs to curb aggregate demand and anchor inflation expectations. Furthermore, a slowdown in global manufacturing activity and weaker performance in China are putting pressure on global external demand.

Despite the external economic slowdown, the Maltese economy continued to perform strongly in the first half of 2023. Real Gross Domestic Product (GDP) grew by 4.4 per cent, primarily driven by strong growth in household consumption, despite the slowdown in export growth and the decline in investment owing to base effects. Economic activity was predominantly led by the services sector, with notable growth in the Financial and insurance activities sector, the Industrial sector, Professional and administrative services, Real estate activities, and Wholesale and retail trade. The Maltese economy was further bolstered by the ongoing rebound in tourism, with inbound tourism nearly reaching 2 million visitors during the first eight months of the year, marking a historical high. While tourism from most countries has surpassed pre-pandemic levels, tourists from traditional markets such as the UK are still in the process of recovery.

Global inflation is gradually declining, primarily due to ongoing efforts to address supply-side challenges, especially the stabilisation of energy prices. However, despite a drop in commodity prices, the core inflation rate remains relatively high. In August, the Harmonised Index of Consumer Prices (HICP) for Malta recorded an inflation rate of 4.9 per cent, while the 12-month moving average reached 6.4 per cent, signalling a reduction in inflationary pressures. Domestic inflation is predominantly being propelled by the rising costs of services and food. Nevertheless, in most product categories, Malta's inflation rate remains below the Euro Area (EA) average. The exception lies in housing services, where domestic inflation has proven to be more persistent.

In 2022, Malta's population significantly grew to 542,051 individuals, marking a 29.8 per cent increase since 2011, driven by net migration; whereby post-pandemic figures exceeded 2019 levels. Furthermore, employment statistics showed positive trends, with the 55-64 age group experiencing the highest increase in activity rates. The 25-54 age group had the highest employment rate, with an increase observed in employment rates for both males and females. Among the 55-64 age group, the increase in the employment rate was mainly among males, while the 15-24 age group experienced a notable decrease in employment rates for both genders. Malta maintained impressively low unemployment rates, surpassing other European countries, and staying below pre-pandemic levels, aligning with the overall trend observed in European Union (EU) Member States.

In April 2023, full-time employment in Malta's private sector increased by 10.4 per cent compared to the previous year, indicating post-pandemic labour supply recovery. This growth was primarily driven by the Construction and Manufacturing sectors in direct production employment and by Accommodation and food services, and Administrative and support services in market services employment. Around one-third of employees were of foreign nationality as at March 2023, with higher shares in Administrative and support services and Accommodation and food services. Maltese employees were prominent in the Public Administration and Defence sector and the Wholesale and retail trade sector.

The improvements in the labour market have had a positive impact on the social dimension as well. Malta has experienced an increase in average wage rates across various industries. Furthermore, Malta stands out with a lower rate of individuals at risk of poverty and social exclusion (AROPE) compared to the EU average, indicating that Malta's social conditions surpass those of its EU counterparts. A closer examination of this metric reveals that the at-risk-of-poverty rate

(AROP), calculated based on a threshold of 60.0 per cent of equivalised household disposable income, has remained consistently steady.

When comparing data from 2021 to 2012, Malta experienced a 30.5 per cent reduction in greenhouse gas (GHG) emissions, attributed mainly to the Government's investments in the energy sector between 2015 and 2016. Additionally, disruptions in the aviation industry during the COVID-19 pandemic also contributed to lower emissions. On the contrary, emissions from waste management increased by 25.8 per cent in 2021 compared to 2017. Notably, during the same comparable period, Malta exhibited evidence of absolute decoupling, with GHG emissions decreasing by 30.5 per cent, while GDP per capita grew by 37.1 per cent. Between 2011 and 2021, there was a 4.7 percentage point increase in the proportion of renewable energy sources in final energy consumption. In 2021, road transport remained the largest consumer of energy, accounting for 36.6 per cent of total final energy consumption. Notably, energy taxes in 2021 predominantly stemmed from transportation-related energy products, particularly petrol and diesel, representing 77.7 per cent of total energy taxes. Annual road tax collections contributed to approximately 71.1 per cent of total transport taxes in 2021. Although the smallest segment, pollution taxes more than doubled since 2013, constituting 10.5 per cent of total environmental taxes in 2021.

In 2022, the total value of imports reached €9,455.3 million, showing a 41.3 per cent increase from the previous year. Concurrently, total exports in 2022 were €4,669.1 million, marking a growth of 30.9 per cent when compared to the preceding year. This led to a widening of the trade gap, which increased by 53.1 per cent to €4,786.2 million, mainly as a result of increased imports of fuels and lubricants fuels. During the period between January and July 2023, imports amounted to €4,755.1 million, while exports reached €2,467.1 million. This shift contributed to a narrower trade gap of €537.0 million, equivalent to 19.0 per cent. Excluding the year 2020 due to the economic impact of the COVID-19 pandemic on trade, Malta has consistently maintained a relatively stable trade deficit, averaging 23.5 per cent of GDP over the past five years.

After reaching a multi-year low rate of $0.97 in September 2022, the exchange rate of the Euro against the US Dollar traded at $1.09 at the end of August 2023. The rebound over the last quarter of 2022 and the first eight months of 2023 could be attributed to the milder than expected recession following Russia's invasion of Ukraine and a slow down in the Fed's efforts to control inflation. In August 2023, the Euro-Pound Sterling exchange rate traded at £0.86 while the Euro-Yen one traded at JPY 158.49. In 2022, the Real Effective Exchange Rate (REER) depreciated to an index of 99.75, indicating a gradual recovery of competitiveness losses from 2020. Regarding the export market share of goods and services, this averaged 0.09 per cent between 2017 and 2022.

During the period between January and July 2023, the contribution to the EA Broad Money (M3) stock by Maltese monetary financial institutions' (MFIs) increased by 1.5 per cent. This increase was primarily due to a positive contribution from an increase in deposits with agreed maturities of up to two years. On the other hand, both overnight deposits and deposits redeemable at notice up to three months had a slight negative contribution towards M3. Furthermore, net claims on non-residents of the EA had a negligible, negative contribution to M3, while the 'other counterparts' component resulted in a slightly positive contributory effect. Such developments were countered by a significant positive contribution from the credit counterpart component. These trends align with the evolving interest rate environment, with depositors showing a preference for holding long-term, less liquid deposits.

In the first seven months of 2023, the credit counterpart increased by 2.9 per cent, reaching a balance of €23,759.2 million. This was primarily driven by higher credit to both local residents, which reached €18,723.7 million in July 2023, and to other EA residents, which rose to €5,035.5 million. These figures represent growth rates of 1.9 per cent and 6.5 per cent, respectively.

The general Government balance for 2022 was equivalent to a deficit of 5.7 per cent of GDP, improving by 1.8 percentage points over the deficit of 7.5 per cent of GDP recorded in 2021. The debt-to-GDP ratio slightly decreased to 52.3 per cent from 54.0 per cent in 2021. During the first nine months of 2023, the Government's Consolidated Fund balance saw an improvement of €415.8 million, reducing the deficit to €52.0 million. Recurrent revenues increased by €669.9 million, as direct tax revenues increased by €491.1 million, indirect taxes increased by €109.8 million, while non-tax revenues increased by another €69.1 million when compared to 2022. Total Government expenditure increased by €254.1 million during the nine months to September 2023, as both recurrent expenditure and capital expenditure increased by €144.3 million and €81.8 million respectively. Interest on public debt also increased by €28.0 million.

CHAPTER 1
Macroeconomic Developments

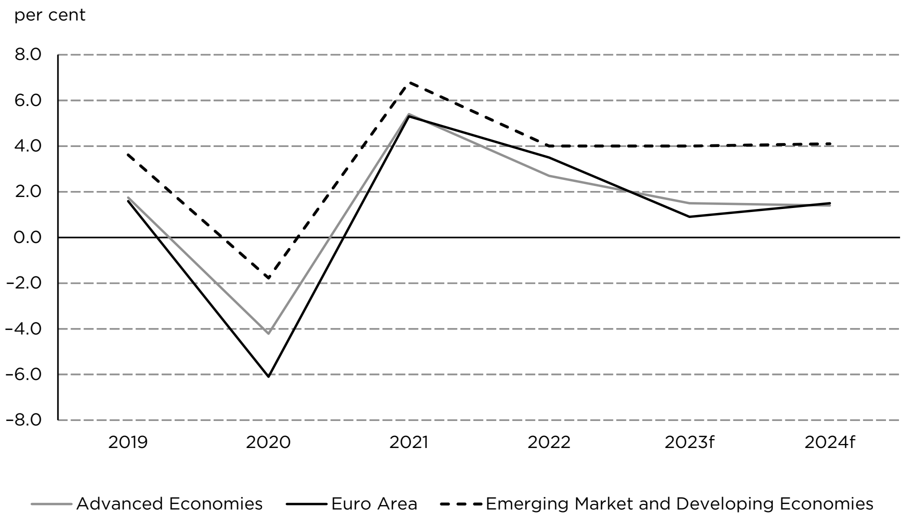
Chapter 1

Macroeconomic Developments

1.1 International Context

The global economy has been slowing down following a strong recovery from the pandemic. Supply chain disruptions have largely been resolved, with shipping freights returning to lower levels as maritime port congestion eased. Despite a decrease in global commodity prices from their peak, inflation remains elevated across most advanced and emerging economies. The persistent inflation is constraining household purchasing power, prompting central banks to accelerate monetary policy tightening. Tighter financial conditions are already impeding the

Chart 1.1
GDP Growth, Constant Prices



Source: IMF World Economic Outlook, July 2023 provision of credit, thereby weighing on economic activity, dampening sentiment, and increasing financial stress.

Amidst these challenges, the global economy performed better than expected during the first quarter of 2023 before moderating in the second quarter. This moderation in growth can be attributed to the transmission of tighter financial conditions and a slowdown in manufacturing activity. Additionally, a weaker performance in China, despite an initial surge following the end of the zero-COVID policy, further contributed to this moderation. This global deceleration is expected to persist in the short-term, with Purchasing Manager's Index (PMI) surveys pointing towards a further slowdown in economic activity, especially in advanced economies.

Commodity prices stabilised at lower levels during the first half of 2023. Actions taken to diversify European energy supply away from Russian gas, were particularly instrumental in driving down energy prices. Moreover, while food commodity prices have, in general, declined from their peak, they remain above their long-term average. The persistently high food prices underscore the enduring impacts of the war in Ukraine on global commodity prices, while key agricultural inputs, such as fertilisers, remain costly.

While lower commodity prices coupled with weaker manufacturing demand and the resolution of supply-side bottlenecks have led to a gradual decline in global inflation during the first half of 2023, core inflation, which excludes energy and volatile foods, remains relatively elevated, especially in advanced economies. This could be attributed to the lagged transmission of higher costs along the supply chain, high corporate profit margins, and tight labour markets, which have resulted in strong wage growth. In view of the persistence of core inflation, central banks tightened monetary policy by raising interest rates. This aimed at increasing the cost of borrowing, thus curtailing aggregate demand while keeping inflation expectations well-anchored.

Despite the recent decline in energy prices, the balance of risk to global growth remains tilted towards the downside. Volatile energy markets, such as the abrupt spike in European gas prices in August attributed to strikes of Liquefied Natural Gas (LNG) suppliers as well as extreme weather events pose a threat to stability. Moreover, financial sector turbulence may resume with further policy tightening. Additionally, the war in Ukraine continues to shape food prices, as evidenced by the spike in wheat prices when Russia backed out from the Black Sea grain deal brokered by the United Nations (UN). On the upside, inflation could decline faster than expected, reducing the need for tight monetary policy.

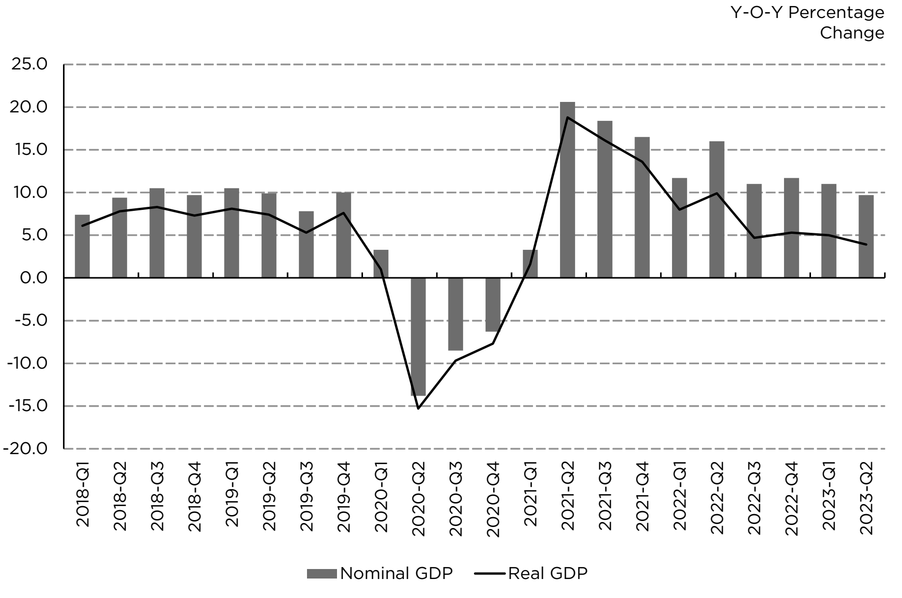
Against this background, the European Commission Summer 2023 Economic Forecast expects global economic activity to increase by 3.2 per cent in 2023. This represents only a marginal improvement from the Spring forecast. In addition, the EU Gross Domestic Product (GDP) growth is estimated at 0.8 per cent for this year. This outlook complements the International Monetary Fund's (IMF) global forecast as published in the July 2023 World Economic Outlook (WEO), where global growth is projected to reach 3.0 per cent in 2023, marking an upward revision of 0.2 percentage points from April.

The European Commission attributes this marginal improvement to a more positive outlook in advanced economies, particularly the US, which has been performing better than expected due to resilient consumption and robust investment. Furthermore, other advanced economies are also faring better than anticipated, albeit lower growth is expected for 2024 as monetary policy tightening is expected to have a larger impact on economic activity. In contrast, China's economy is grappling with sluggish investment, waning confidence, and unfavourable performance in the labour market.

1.2 Gross Domestic Product: Expenditure Approach

The Maltese economy maintained its positive performance in the first half of 2023, growing at a nominal growth rate of 10.3 per cent, and a real growth rate of 4.4 per cent, standing well above the 0.6 per cent growth rates registered in the EU and the 0.8 per cent recorded in the Euro Area (EA) during the same period. The positive economic

Chart 1.2
Quarterly Gross Domestic Product



Source: National Statistics Office

performance was primarily driven by net exports, while consumption exhibited strong growth.

Private consumption expenditure, encompassing both household final consumption expenditure and consumption expenditure of non-profit institutions serving households (NPISH), recorded a growth rate of 7.0 per cent, backed by favourable developments in the labour market and robust household balance sheets. Public consumption expenditure exhibited a decline of 1.0 per cent in the first half of 2023. And Gross Fixed Capital Formation (GFCF) declined by 17.5 per cent, reflecting base effects from extraordinary investment in private transport equipment in 2022, along with a decrease in non-housing construction. From the external side, exports grew by 0.5 per cent, while imports experienced a decline of 3.3 per cent. Further details on exports and imports can be found in Chapter 3.

Table 1.1: Main Macroeconomic Indicators

	2020	2021	2022	2022 Jan-June	2023 Jan-June
GDP growth at current market prices (%)	-6.5	14.5	12.6	13.9	10.3
GDP growth at Chain Linked Volumes by period (Reference year 2015) (%)[1]	-8.1	12.3	6.9	9.0	4.4
Expenditure Components of GDP at Current Market Prices by period (%)					
Private final consumption expenditure[2]	-9.6	9.6	15.4	16.9	13.8
General Government final consumption expenditure	18.2	9.0	6.2	8.5	3.5
Gross fixed capital formation	-5.1	15.4	39.9	30.8	-10.6
Exports of goods and services	-0.9	9.7	11.8	12.9	3.8
Imports of goods and services	2.3	7.0	15.3	14.9	0.1
Expenditure Components of GDP at Chain Linked Volumes by period (Reference year 2015) (%)					
Private final consumption expenditure[2]	-10.6	8.3	9.5	12.1	7.0
General Government final consumption expenditure	14.9	6.5	2.3	4.9	-1.0
Gross fixed capital formation	-5.8	12.7	31.2	23.6	-17.5
Exports of goods and services	-1.8	7.5	6.8	8.3	0.5
Imports of goods and services	1.5	5.0	10.1	10.3	-3.3
Inflation rate (%)	0.8	0.7	6.1	5.0	6.6
Employment growth (National Accounts Definition) (%)	2.8	2.9	6.2	5.2	6.7
Unemployment rate (Harmonised definition, Eurostat) (%)	4.4	3.4	2.9	2.9	2.7
Compensation per employee (% change)	-0.8	4.4	3.1	3.2	1.6
Real Labour productivity (% change)	-10.6	9.2	0.7	3.6	-2.1
Nominal Unit Labour Cost (% change)	11.0	-4.4	2.4	-0.4	3.8
Real Unit Labour Costs (% change)	9.3	-6.5	-3.1	-5.0	-2.0

[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.

Source: National Statistics Office, Ministry for Finance and Employment

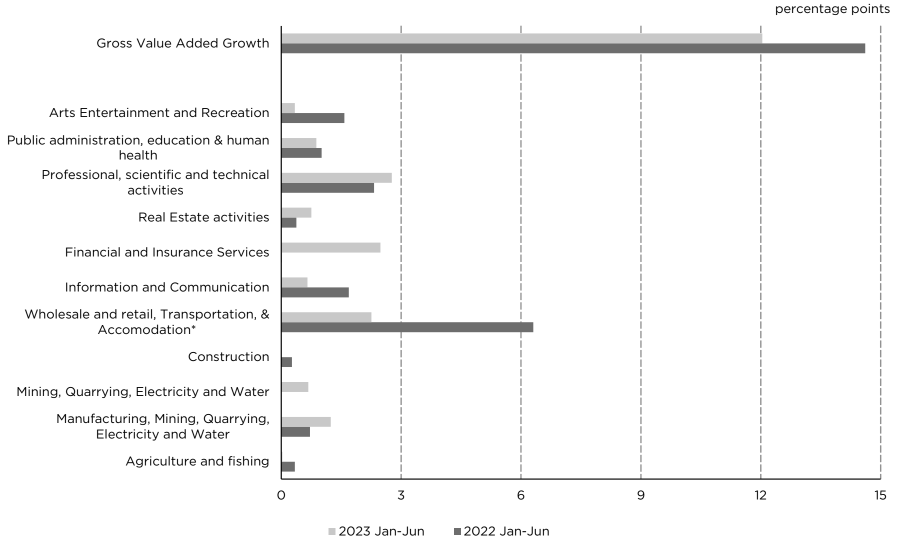
In this context, in the first half of 2023, net exports emerged as the principal driver of growth, contributing 5.8 percentage points. Conversely, domestic demand had a negative impact of 1.5 percentage points, reflecting the decline in investment, while inventories made no tangible contribution to GDP growth.

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

1.3 Maltese Economy – Sectoral Analysis (Gross Value Added)

During the first half of 2023, nominal Gross Value Added (GVA) grew by 12.0 per cent over the same period in 2022, totalling €8.5 billion. This growth was predominantly driven by the services sector, contributing 10.1 percentage points, followed by the industrial sector with a 1.9 percentage points contribution, while the primary sector had minimal impact. GVA growth was broad-based, with substantial growth rates registered in the Non-manufacturing industrials sector (44.7 per cent), the Financial and insurance services sector (30.8 per cent), the Professional and administrative services sector (17.0 per cent), the Manufacturing sector (16.9 per cent), the Real estate activities sector (13.6 per cent), and the Wholesale and retail, transportation,

Chart 1.3
Contributions to Growth in Gross Value Added



* Includes food services activities

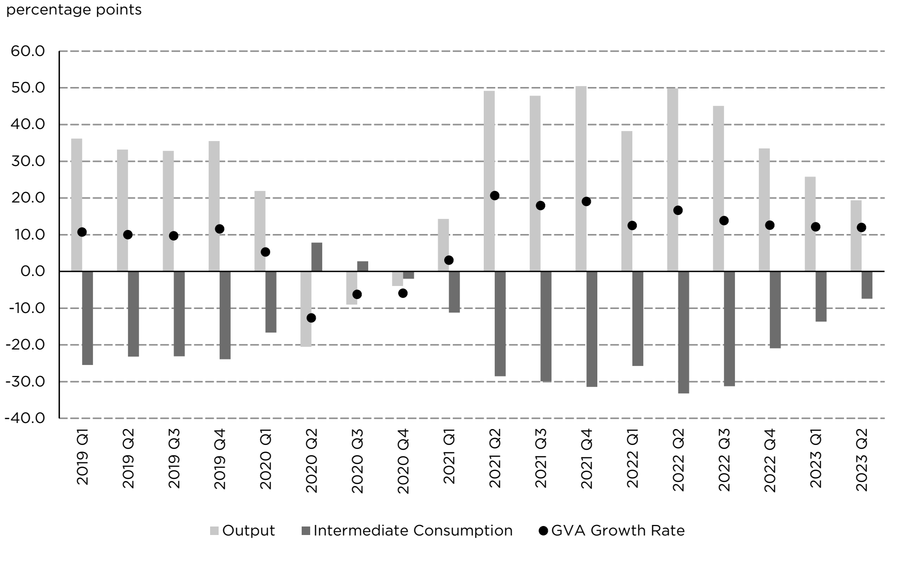
Source: National Statistics Office, Ministry for Finance and Employment

accommodation, and food services sectors (13.3 per cent). Chart 1.3 summarises the sectoral contributions to GVA growth.

1.3.1 Contributors to GVA

On the output side, GVA is defined as the value of all newly created goods and services (output) less the value of inputs consumed in their production (intermediate consumption). Chart 1.4 illustrates the year-on-year growth rates in GVA and the contributions of output and intermediate consumption to GVA growth over time. In the first half of 2023, the output contribution of 22.5 percentage points was partly offset by a 4.9 per cent increase in intermediate consumption. This reflects resilient domestic demand, as Maltese producers were able to pass higher intermediate costs to final goods prices, while also increasing value added.

Chart 1.4
Growth in GVA and its Contributors

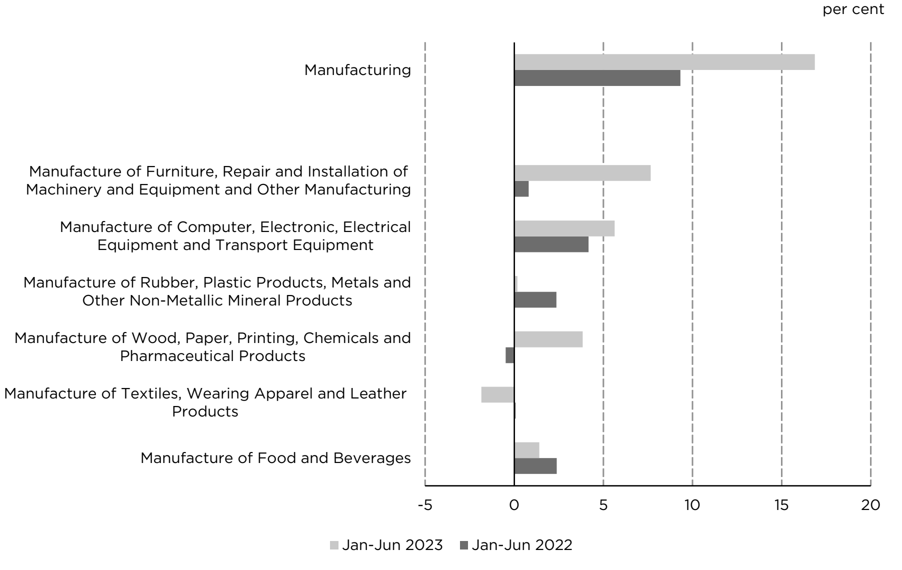


Source: National Statistics Office, Ministry for Finance and Employment

1.3.2 Manufacturing Performance

Overall, the manufacturing sector experienced a notable acceleration in GVA growth of 16.9 per cent, with growth seen in all sub-sectors of manufacturing except for Manufacture of Textiles, Wearing Apparel and Leather Products, which declined quite substantially. It is important to note that this particular sector is relatively small, such that even minor changes can lead to significant fluctuations in growth rates. The largest increase was recorded in Manufacture of Furniture, Repair and Installation of Machinery and Equipment and Other Manufacturing, with a growth rate of 34.9 per cent, followed by substantial increases in Manufacture of Wood, Paper, Printing, Chemicals and Pharmaceutical Products (24.5 per cent), and Manufacture of Computer, Electronic, Electrical Equipment and Transport Equipment (21.7 per cent). Chart 1.5 illustrates the GVA growth rates for different sub-sectors within the Manufacturing sector over the first half of the year.

Chart 1.5
Sectoral Developments in GVA - Manufacturing



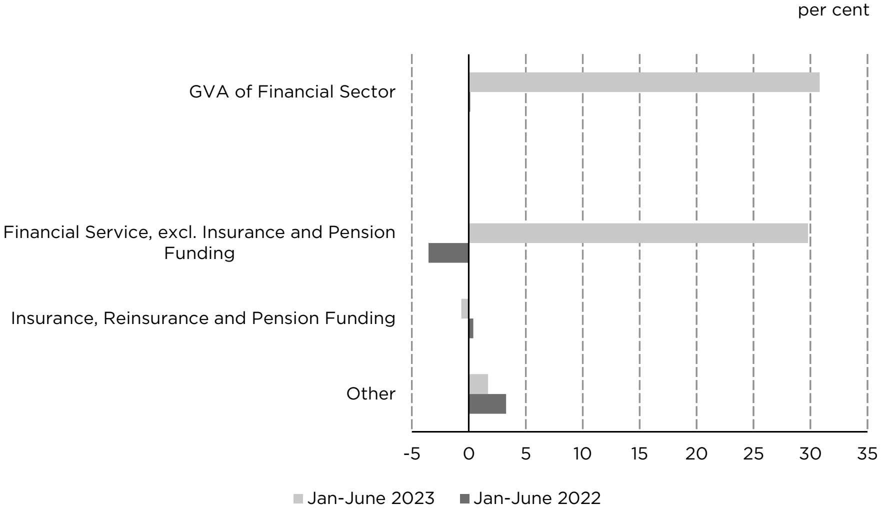
Source: National Statistics Office, Ministry for Finance and Employment

1.3.3 Financial Services

Over the past decade, Malta has effectively attracted significant international players in the Financial services sector. This success can be attributed to ongoing enhancements in the ease of doing business, a robust regulatory environment, access to the EU market, a stable currency, a longstanding tradition of business support services, particularly in auditing and legal domains, improved tax competitiveness, and the availability of a skilled, English-speaking workforce.

During the first half of 2023, the Financial services sector witnessed a remarkable 30.8 per cent increase in GVA when compared to the same period in 2022. This growth was primarily driven by a 54.4 per cent surge in Financial services activities (excluding insurance and pension funding), along with a 5.3 per cent increase in activities auxiliary to

Chart 1.6
Sectoral Developments in GVA - Financial Services



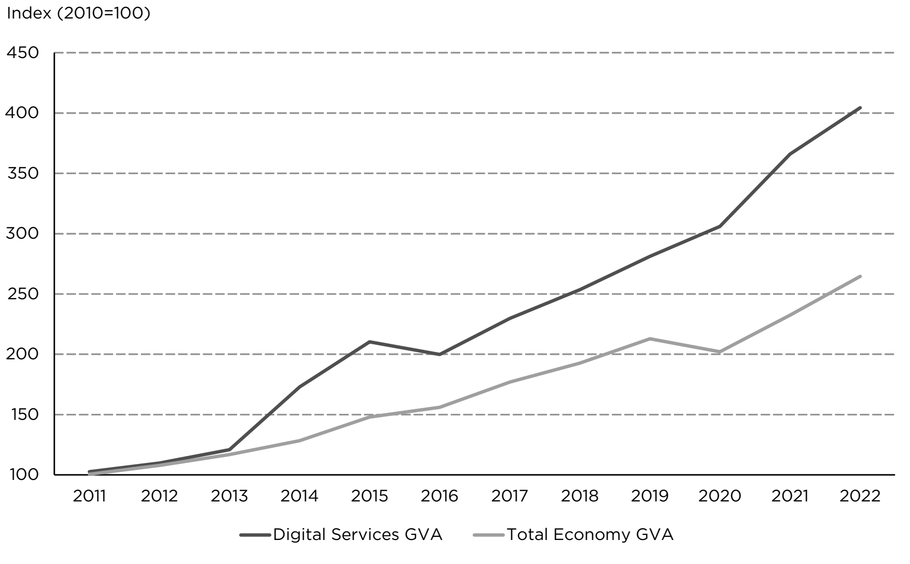
Source: National Statistics Office, Ministry for Finance and Employment

Financial and insurance sectors. Conversely, Insurance, reinsurance, and pension funding experienced a 7.2 per cent decline.

1.3.4 Digital services

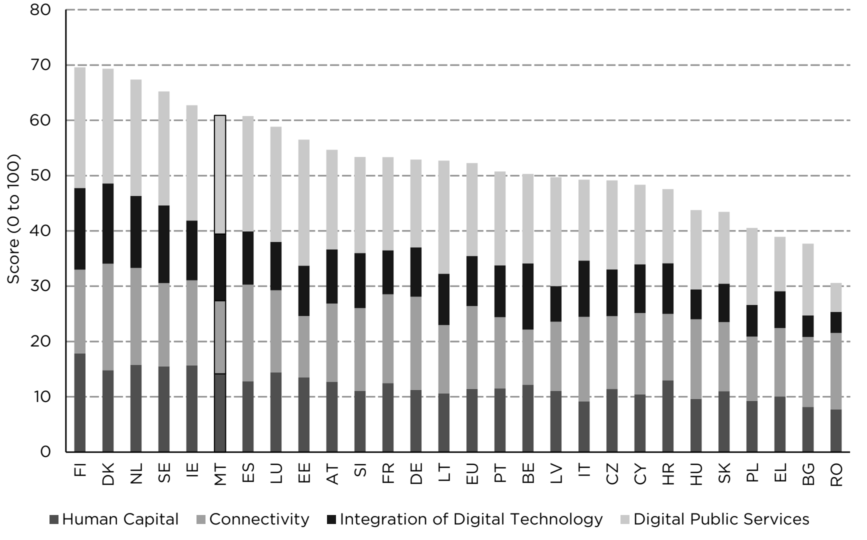
Malta's thriving Digital services sector has been pivotal for its recent economic performance, consistently outpacing total GVA growth, as demonstrated in Chart 1.7. Over the past five years, the Digital services sector contributed an average of 2.1 percentage points to GVA growth, primarily due to the expansion of Gambling and Betting activities, which has close linkages with the Information and Communication sector. Nonetheless, it is evident that the Gambling and Betting sector has entered a phase of maturity, with significant corporations having established their presence in Malta. Hence, in order to potentially augment productivity gains in the Digital sector, it may be imperative for the Digital sector to delve into further diversification with other

Chart 1.7
Sectoral Developments in GVA - Digital Services



Source: National Statistics Office, Ministry for Finance and Employment

Chart 1.8
Digital Economy and Society Index



Source: European Commission

industries, while simultaneously considering an intensified presence in already linked industries.

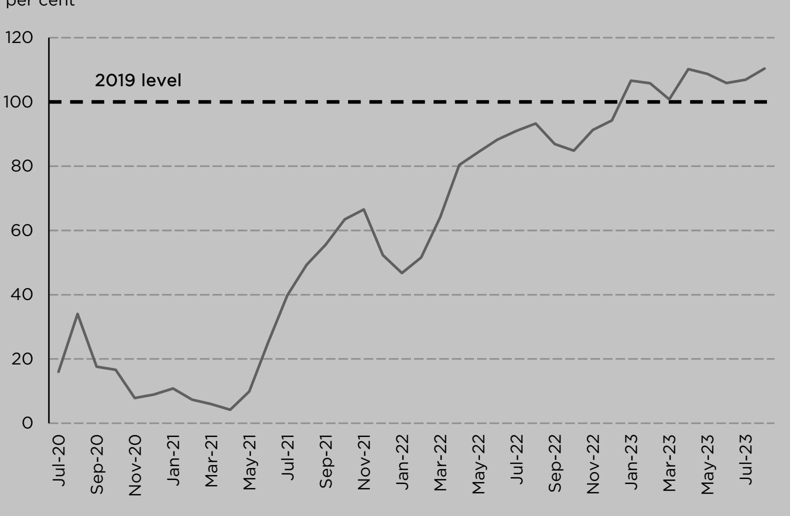
The Digital Economy and Society Index (DESI) monitors the digital performance and competitiveness of EU countries on an annual basis. The index is made up of four dimensions: Connectivity, Human Capital, Integration of Digital Technology, and Digital Public Services. In 2022, Malta secured the 6th rank among EU Member States, performing well above the EU average in all dimensions except for connectivity. This underscores Malta's high level of digital performance and competitiveness, while strengthening connectivity could further enhance its standing in the digital landscape.

Box 1.1

Tourism Developments

Being the first full year without any COVID-19 containment measures, inbound tourism continued on its strong rebound during the first months of 2023. Between January and August 2023, incoming tourists nearly reached 2.0 million. This constitutes a new record, surpassing pre-pandemic levels by 7.4 per cent. This surge can be attributed to the removal of containment measures and pent-up demand for travelling following a period of restrictions.

Chart 1
Inbound Tourism - per cent of 2019



Source: National Statistics Office, Ministry for Finance and Employment

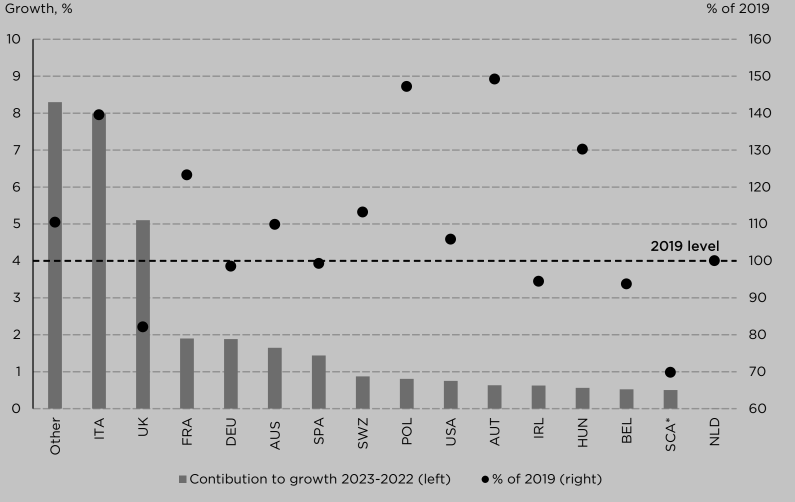
Leisure travel remains the main purpose for visiting Malta. In fact, 91.2 per cent of total tourists in the first eight months of the year visited Malta for Holiday purposes, compared to 4.6 per cent for Business and professional purposes, and 4.2 per cent for Other purposes which include educational, religious, and health tourism. While tourism for both Holiday and Other purposes has increased relative to pre-pandemic levels, Business and professional travel is yet to recover. However, the COVID-19 pandemic may have led to structural changes in working practices, such as increased use of video conferencing and teleworking.

Malta remains particularly popular among European Union (EU) countries. Between January and August, non-EU tourists increased by 45.0 per cent when compared to the same period in the previous year, while tourists from EU countries increased by 28.9 per cent. Tourism from the EU remains the primary source of inbound tourism, representing 68.6 per cent of the total, while the share of non-EU tourists declined from 39.4 per cent in the first eight months of 2019 to 31.4 per cent in 2023.[1]

Growth in inbound tourism in the first eight months of the year was mostly underpinned by tourists from Italy and the UK, in addition to Other countries, as evidenced by Chart 2. When compared to the same period in the previous year, Other countries, which includes tourists from Romania, Russia, Czech Republic, and Japan among others, contributed 8.3 percentage points to total growth, followed by Italian tourists which contributed 8.0 percentage points. This was followed by tourism from the UK, which contributed 5.1 percentage points, although it remained below the levels observed in 2019.

While inbound tourism increased from all countries compared to the previous year, this is mostly a reflection

Chart 2
Inbound Tourism by Country
Jan-Aug 2023



* Scandinavia includes Denmark, Finland, Norway and Sweden

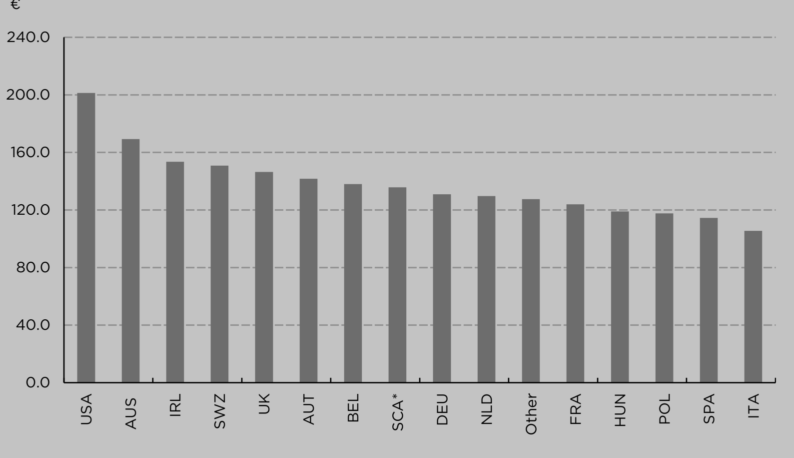
Source: National Statistics Office, Ministry for Finance and Employment

of COVID-19 containment measures that were still in place in the early months of 2022. In fact, tourism from some countries is yet to recover to pre-pandemic levels, including large and traditional markets like the UK which is still 17.9 per cent below 2019 levels. Similarly, tourism from Scandinavia, Belgium, Ireland, Germany, and Spain have not recovered to the levels observed prior to the pandemic.

In the period between January and August 2023, tourists, on average stayed for 6.8 nights, marking a decrease from 7.1 nights in 2019 and 7.3 nights in 2022. During this period, the average tourist spent €881.5 in nominal terms, representing an increase of €17.7 per tourist compared to the previous year. This increase can be attributed to rising inflationary pressures. As shown in Chart 3, for each night in Malta, on average, expenditure was highest for tourists from the US, Australia, and Ireland, spending an average of €174.7 per night. By contrast, tourists from Italy, Spain, and Poland spent relatively less at €112.6 per night.

Continuing the trend observed in previous years, more tourists are opting for non-package travel. This is equivalent to 74.8 per cent of all travellers, signifying an increase of 4.9 percentage points from the share recorded in 2019. Between January and August 2023, there were increases in all accommodation types, with the majority residing in rented collective accommodation establishments (62.1 per cent).

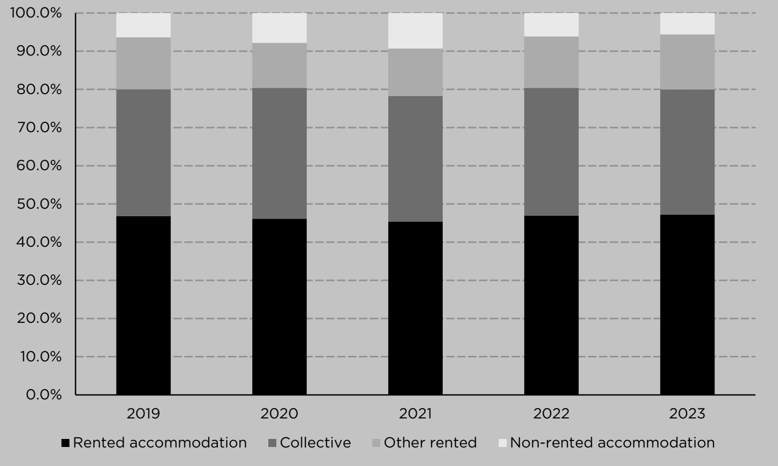
Chart 3
Average Expenditure per Night
Jan-Aug 2023



* Scandinavia includes Denmark, Finland, Norway and Sweden

Source: National Statistics Office

Chart 4
Tourism share by Accommodation Type



Source: National Statistics Office

Footnote

[1] The United Kingdom is classified as non-EU throughout the entire reporting period.

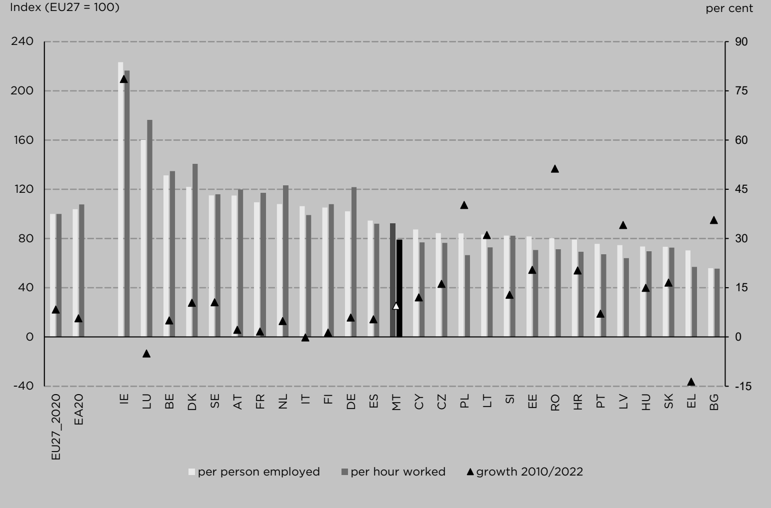
Box 1.2

Labour Productivity and Competitiveness

This section assesses Malta's price competitiveness, focusing on two key factors: labour productivity and unit labour costs. These determinants bear substantial importance in shaping the country's competitiveness, thus exerting a significant influence on per capita income levels within the Maltese islands.

Gross Domestic Product (GDP) per worker or hours worked serves as a reliable indicator of labour productivity within an economy. In 2022, Malta recorded a nominal labour productivity in per worker terms equivalent to 92.2 per cent

Chart 1
Nominal Labour Productivity as a % of EU27 and Growth in Real Labour Productivity in 2022 relative to 2010 levels

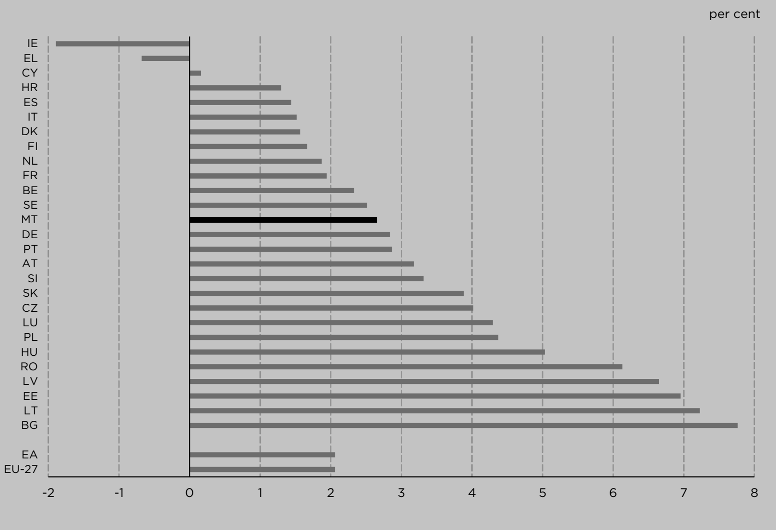


Source: Eurostat

of the European Union (EU) average. When considering labour productivity in terms of hours worked, Malta's rate stood at 78.8 per cent of the EU average, as evidenced in Chart 1. Overall, the below-average performance in labour productivity may be attributed to the tight labour market, where it is conceivable that some employers are retaining workers due to concerns about difficulties in attracting new talent.

Unit labour cost represents the average cost of labour required for the production of one unit of production. Consistently, Malta's nominal unit labour cost tends to surpass the averages of both the EU and the Euro Area (EA). Over the period from 2012 to 2022, Malta's nominal unit labour cost demonstrated an average annual growth rate of

Chart 2
Average Annual Growth in Nominal Unit Labour Cost
2022 Q2/2012 Q2

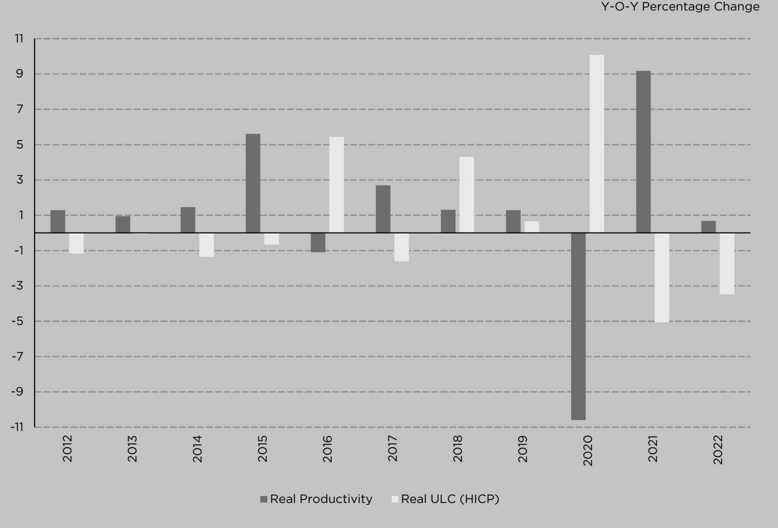


Source: Eurostat

2.7 per cent, while the EU and EA saw lower rates of 2.1 per cent each, as illustrated in Chart 2. As such, these trends in labour productivity and nominal unit labour costs present a multifaceted challenge for Malta's economic competitiveness and future prospects.

Real unit labour productivity has generally shown a gradual increase since 2012, except for a substantial contraction in 2020, which was anticipated due to the COVID-19 pandemic. Notably, in 2021, real productivity saw a substantial upturn of 9.2 per cent compared to the previous year. However, in 2022, this growth exhibited a more modest increase, with a year-on-year change of 0.7 per cent, reflecting the onset of a period of stabilisation.

Chart 3
Productivity and Real Unit Labour Costs for Malta



Source: Eurostat

In contrast, since 2012, real unit labour costs reached their lowest point in 2021 and continued to decrease by a year-on-year percentage change of 3.5 in 2022. The simultaneous increase in real labour productivity and decrease in real unit labour costs has the potential to enhance competitiveness and foster economic growth. However, it is important to acknowledge that this phenomenon may also lead to wage pressures in the future especially within the context of a tight labour market.

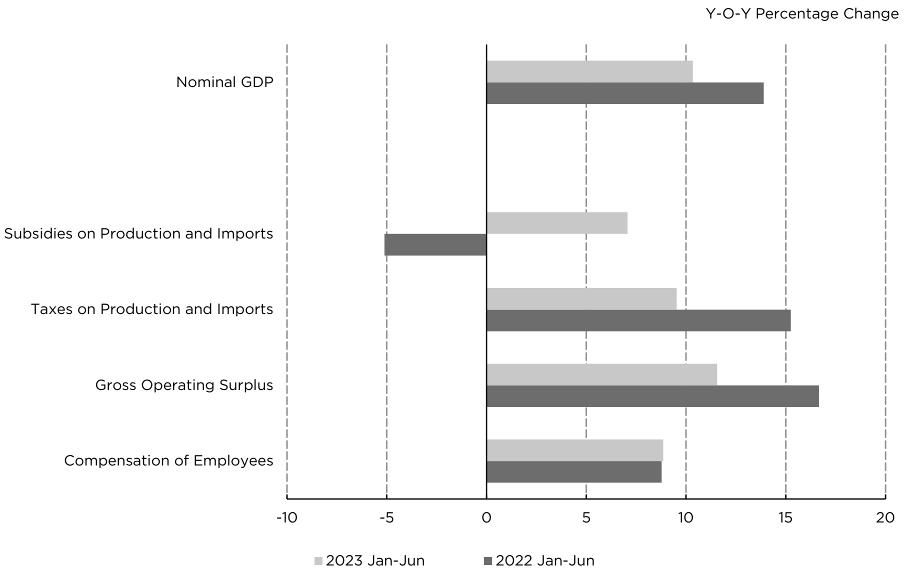
1.4 Gross Domestic Product: Income Approach

In the first half of 2023, the distribution of income gains favoured corporations and Government revenue. Specifically, gross operating surplus grew by €476.8 million (11.6 per cent), compared to the €320.7 million (8.9 per cent) increase in compensation of employees. Consequently, corporate profits and mixed income accounted for 50.4 per cent of nominal GDP, increasing from 49.8 per cent during the previous year.

Compensation of employees as a share of GDP analogously fell from 43.7 per cent to 43.1 per cent during the first half of 2023. Over the same period, taxes on production and imports increased by €80.5 million or 9.5 per cent, surpassing the growth in subsidies of €22.0 million, equivalent to 7.1 per cent. Chart 1.9 illustrates the developments in the factor distribution of income throughout the first six months of both 2022 and 2023.

In the first half of 2023, nominal compensation of employees experienced broad-based growth, with the highest growth rates recorded in the Real estate activities sector at 17.2 per cent, followed by the Professional and administrative services sector at 16.2 per cent,

Chart 1.9
Factor Distribution of Income Gains



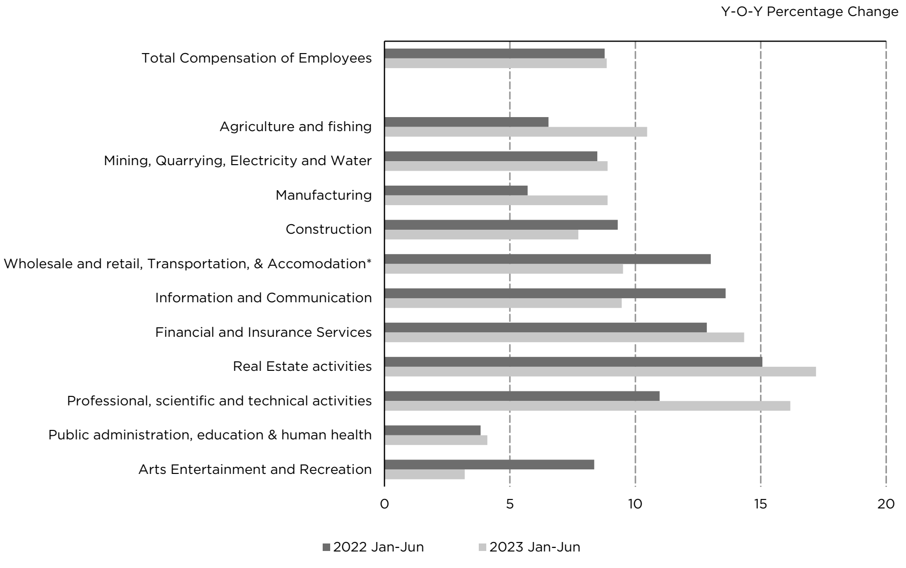
Source: National Statistics Office

the Financial and insurance activities sector at 14.3 per cent, and the Agriculture, forestry, and fishing sector at 10.5 per cent. Other increases in compensation of employees were recorded in the Wholesale and retail trade, Transportation, Food and accommodation sectors (9.5 per cent), Information and communication sector (9.5 per cent), the Industrial sector (8.9 per cent), the Construction sector (7.7 per cent), the Public administration sector (4.1 per cent), and the Arts, entertainment and recreation sector (3.2 per cent).

1.4.1 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.

Chart 1.10
Compensation of Employees



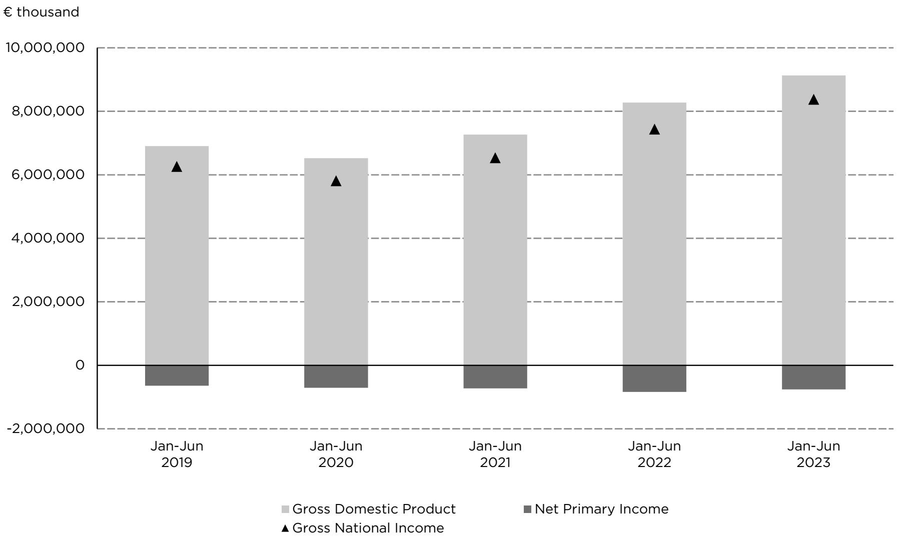
* Includes food services activities

Source: National Statistics Office

The GNI has been consistently below nominal GDP throughout the past five years as foreign investors' returns on domestic investments outpaced the returns generated by domestic residents in foreign countries.

In the first half of 2023, net property income paid abroad amounted to €5,444.7 million, marking a 1.2 per cent decrease compared to the first half of 2022. These outflows mainly consist of compensation of employees paid to the rest of the world, a trend that has been on the rise in recent years, primarily due to the increasing presence of foreign workers.

Chart 1.11
Gross National Income



Source: National Statistics Office

1.5 Inflation

1.5.1 International Comparison

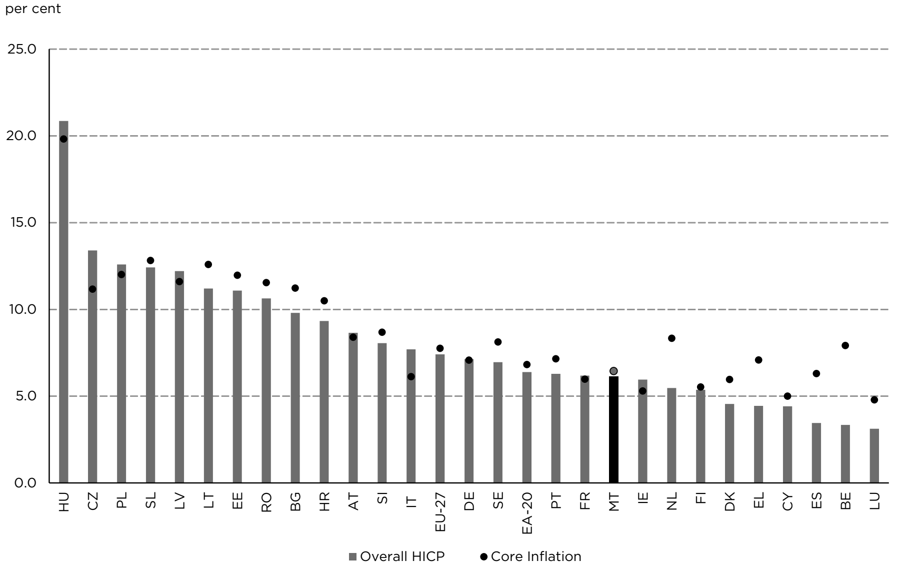
Inflationary pressures, while still elevated, have eased from the multi-decade highs experienced in 2022, primarily driven by improved supply-side dynamics and lower energy prices. However, underlying inflation remains high, influenced by delayed price reductions along the supply chain and strong wage growth. Ongoing geopolitical tensions, such as the Israel-Palestine conflict continue to pose upside risks to inflation.

In September 2023, Malta's Harmonised Index of Consumer Prices (HICP) recorded an inflation rate of 4.9 per cent, while the 12-month moving average stood at 6.4 per cent. This indicates that inflation has been declining gradually after peaking at the end of 2022. In the

EA, the HICP inflation rate stood at 4.3 per cent in August, while the 12-month moving average stood at 7.2 per cent. Consequently, Malta has observed one of the lowest inflation rates during the past year when compared to other European countries. This is reflective of the Government's commitment to control utility and energy prices whilst also supporting the security of imported supplies of grain, wheat, and animal fodder. With the stabilisation of energy commodity prices, other European countries, many of which witnessed double-digit inflation figures in 2022, are now observing a stronger decline in inflation rates, leading to a convergence between their inflation rates and that of Malta.

Core inflation, which excludes energy and volatile food components, has also declined across the EU, but more slowly compared to headline inflation as evidenced by Chart 1.12. The post-pandemic shift towards services resulted in a surge in services demand, which coupled with

Chart 1.12
Harmonised Index of Consumer Prices (HICP) and Core Inflation
Jan - Sep 2023

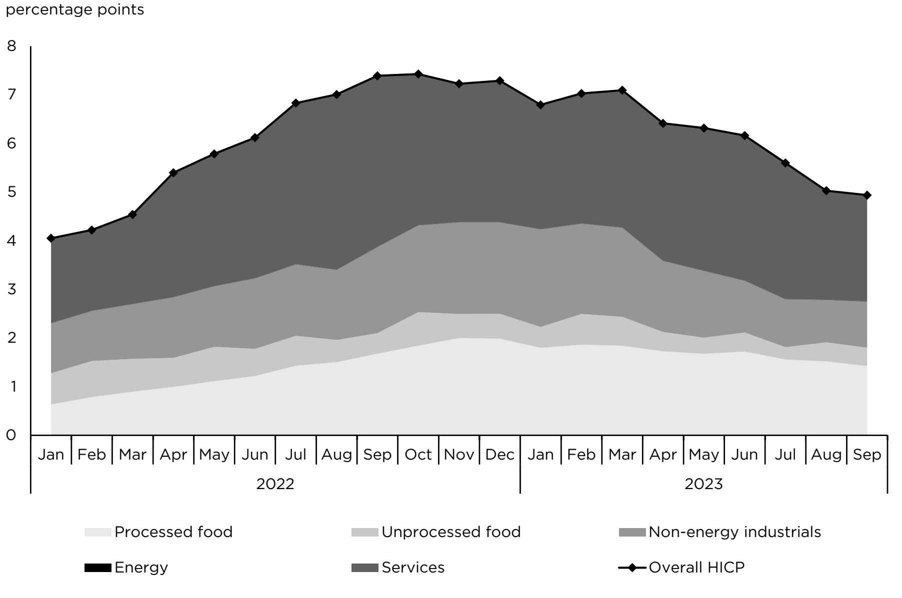


Source: Eurostat

tight labour markets, exacerbated pressures on underlying inflation. This is particularly relevant for Malta, where resilient domestic demand and the strong recovery in tourism have intersected with supply constraints stemming from rising import material costs. Consequently, Malta observed one of the highest core inflation rates during 2022, driven by services. Chart 1.13 shows that this trend persisted during 2023, with services and food prices driving most of domestic inflationary pressures in 2023.

During the first nine months of the year, services inflation was the largest driver of overall HICP, contributing 2.7 percentage points. The contribution of services prices to inflation has been moderating on a monthly basis, reaching 2.2 percentage points in September, reflecting high base effects which are expected to continue materialising in the latter months of the year. Processed food contributed an average of

Chart 1.13
Contributions to Year-on-Year HICP Inflation

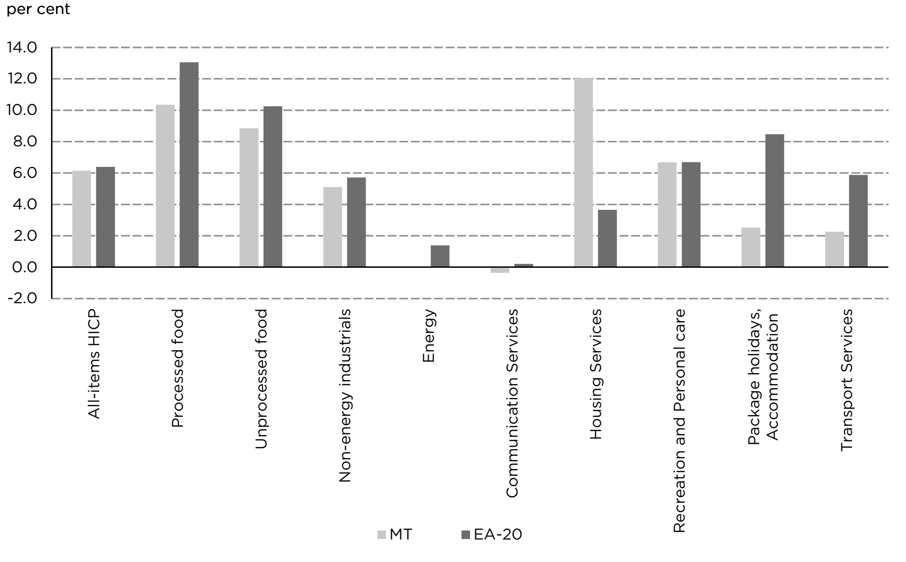


Source: Eurostat, Ministry for Finance and Employment

1.7 percentage points to overall HICP from January to September, while Unprocessed food contributed an average of 0.4 percentage points. Non-energy industrial goods inflation also appears to have moderated, contributing 1.0 percentage point in September, compared to an average of 1.4 percentage points during the first nine months of the year.

Chart 1.14 compares the inflation rate of various consumer categories in the EA with the comparable categories in Malta. Chart 1.14 reveals lower inflation rates in Malta across most categories even in tourism-related sectors, despite a strong tourism recovery, aided by Government support. However, higher inflation persisted in housing services, which could be partly explained by the rise in commodity and material prices as well as an increasing demand for housing services. As pressures from input costs appear to be easing and the post-pandemic boom loses momentum, inflation in housing services is expected to gradually subside going forward.

Chart 1.14
HICP by Component: Jan-Sep



Source: Eurostat

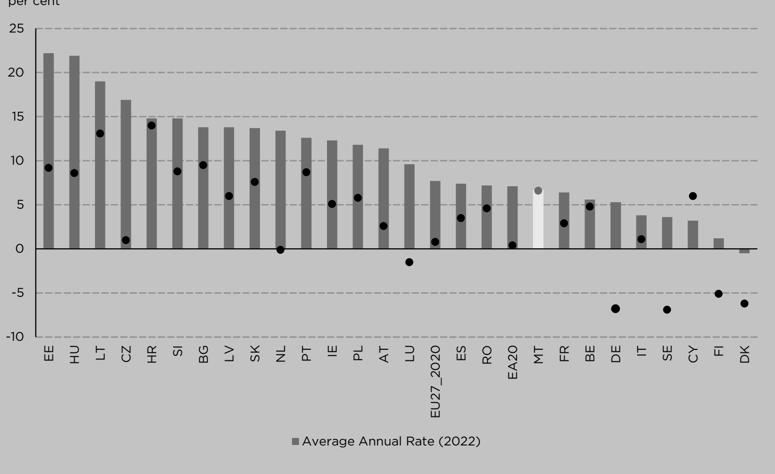
Box 1.3

Residential Property Prices

In accordance with the Property Price Index (PPI), sourced from official administrative records and compiled by the National Statistics Office, in the year 2022, property prices in Malta increased by 6.7 per cent over the preceding year. It is important to note that this rate remains below the average rate of change in property prices across the European Union Member States, which rate stood at 7.7 per cent in the same year. In the initial quarter of 2023, the PPI for Malta exhibited a rise of 6.6 per cent when compared to the corresponding quarter of the preceding year.

Chart 1 provides insights into the diverse property market trends across Europe in 2022. In 2022, Estonia achieved the

Chart 1
Property Price Index



Source: Eurostat

most substantial growth rate in property prices, registering an increase of 22.2 per cent. Following closely behind were Hungary and Lithuania, reporting high growth rates of 21.9 per cent and 19.0 per cent, respectively. Conversely, Denmark stood out as the only country to report a negative rate of change in the PPI, recoding an annual average decrease of 0.5 per cent.

CHAPTER 2

Labour Market and Social Developments

Chapter 2

Labour Market and Social Developments

2.1 Introduction

Despite the disruptions brought about by the pandemic and subsequently by the war in Ukraine, which highlighted a number of supply-chain vulnerabilities, the Maltese labour market remained robust with positive employment and activity rates and a historically low unemployment rate.

In the realm of social well-being, Malta continues to distinguish itself from its European counterparts. The country has witnessed a decline in the at-risk-of-poverty or social exclusion rate, which remains below the European Union (EU) average. Additionally, there has been an improvement in income inequality as both the Gini coefficient and the S80/S20 ratios recorded a slight decline.

Over the 2012 to 2021 period, Malta continued to experience economic growth, whilst decreasing its emissions, demonstrating evidence of absolute decoupling. Notably, the share of renewable energy sources to final energy consumption continues to increase, highlighting the contribution of Government initiatives promoting investments in renewables.

Meeting at the cross-roads of the economic, social and environmental objectives is sustainable development. At its core, there is a flexible and adapting labour market, a fiscally prudent social system and an environment that keeps society's well-being in its heart. This chapter will evaluate the current context and evolution of these three critical ingredients for a sustainable economic system.

2.2 Labour Supply

Labour supply is the foundation of a country's economic and social fabric. It encompasses the quantity and quality of workers available for employment and plays a pivotal role in shaping a nation's economic competitiveness and overall development. In this section, the various elements of Malta’s labour supply are considered with a view to understanding the factors shaping the country's workforce dynamics.

2.2.1 Dependency Ratios

During 2022, Malta’s population reached a total amount of 542,051 individuals, 29.8 per cent higher than the population as of 31 December 2011[1]. As expected in an ageing society, the registered growth is majorly due to an increase in net migration

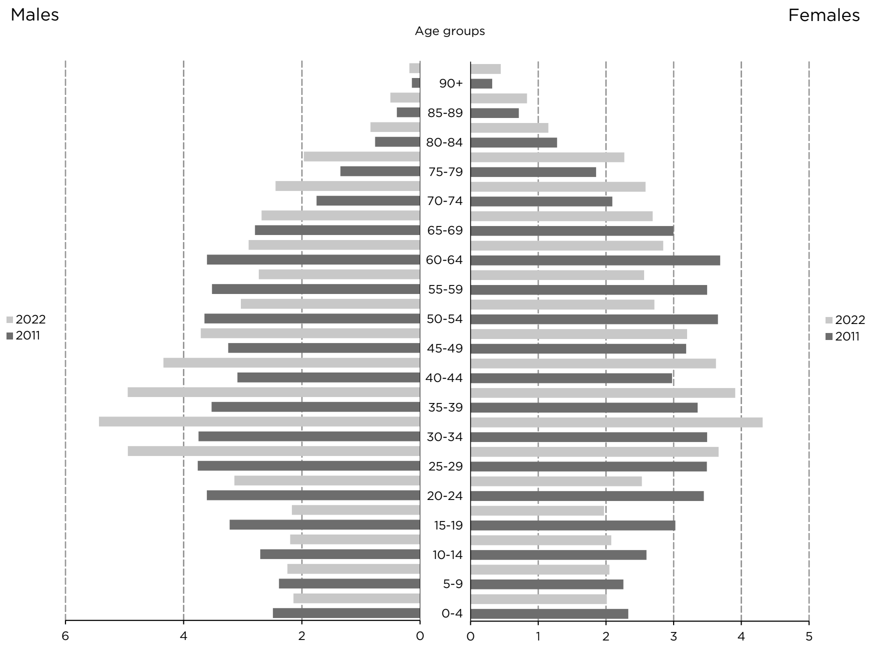
At the extreme end of the population spectrum, one can note that the share of people aged 65+ has continued to significantly increase, as indicated by high yet stable levels of life expectancy. According to latest figures for 2022, persons aged 65 and over constituted 18.6 per cent of the total population, which share, in comparison to 2011, is up by 2.2 percentage points. Life expectancy at birth in 2022 stood at 82.3 years.

Moving towards the epicentre of the population pyramid, the share of the working age population (that is, the individuals forming part of the 15 to 64 age bracket) makes up 68.7 per cent of the total population, showing a decrease of a 0.1 percentage point when comparing to 2011.

As illustrated by Chart 2.1, the tri-fold characteristics of low birth rates, low death rates and longer life expectancies can also be deduced by the narrowed bottom, bulging middle and tapered top of the presented population pyramid.

The variations in dependency ratios explain the intricacies of the ageing process, as these establish a connection between the quantity of young

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

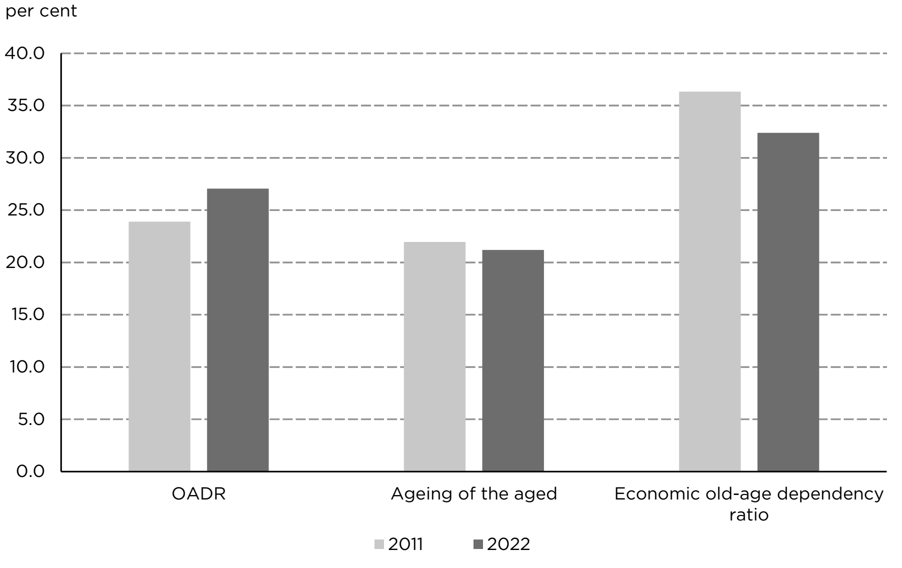


Source: National Statistics Office

individuals and the elderly who may rely on others for daily support and the number of individuals capable of providing such assistance. Key metrics for assessing old age dependency include the old-age-dependency ratio (OADR), (which reflects the proportion of individuals aged 65 and older relative to those aged 15-64), the ageing of the aged ratio (comprising the 80+ age group as a percentage of the 65+ age group), and the economic old-age dependency ratio (depicting the inactive population aged 65+ as a percentage of the employed population aged 15 to 64).

In reference to Chart 2.2, the OADR's trajectory since 2011 has been generally positive, reaching a level of 27.1 per cent in 2022 (that is, an increase of 3.2 percentage points), suggesting a growing ageing population relative to the working-age population. On the other hand, the ageing of the aged ratio showed a minimal decline, decreasing from

Chart 2.2
Dependency Ratios (%)



Source: National Statistics Office

22.0 per cent to 21.2 per cent. The relative stability in this indicator highlights that while the elderly population as a whole is increasing, the 80+ population is not growing at the same rate. Finally, the economic old-age ratio has decreased by 3.9 percentage points since 2011, currently standing at a rate of 32.4 per cent in 2022, suggesting changes in the labour force participation of older individuals stemming from the effectiveness of current labour market policies.

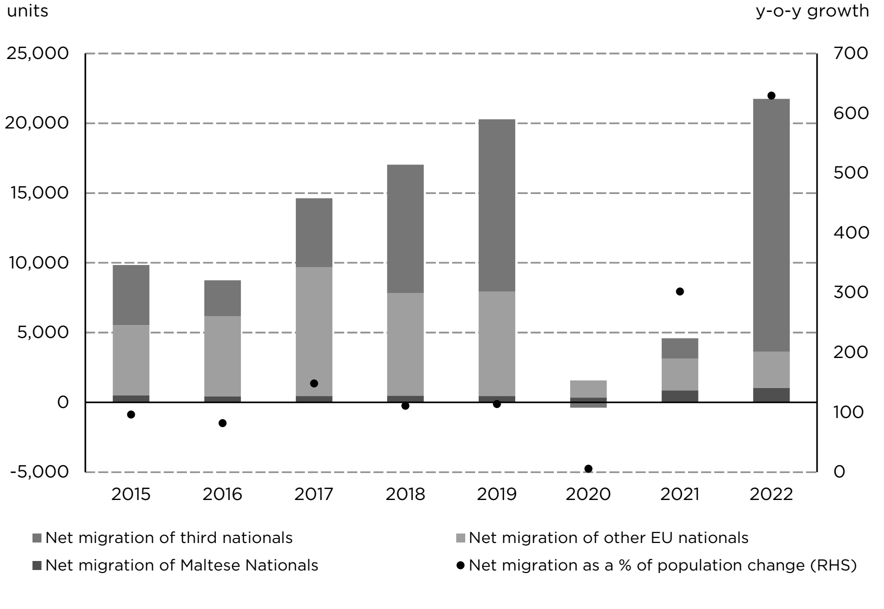
2.2.2 Regional Overview

Gozo's share of population in relation to the total population in the Maltese islands stood at 7.4 per cent in 2022. Furthermore, in 2022 the share of the population in Gozo aged 65+ stood at 22.1 per cent, 3.5 percentage points higher than that of Malta. As similarly observed in Malta, Gozo's OADR settled at 33.9 per cent in 2022, 6.8 percentage points higher than that of Malta in the year 2022.

2.2.3 Net Migration

Foreign workers are necessary in an ageing society, where life expectancy is increasing and birth rates are falling, in order to continue boosting economic growth. As is the case of Malta, this demand for foreign labour becomes evident when there are insufficient resident workers to meet the growing labour market needs. As illustrated in Chart 2.3, following the dip experienced due to the pandemic, a significant growth was registered in net migration (immigration less emigration) in 2022, which now stands above the 2019 levels at 21,798 persons[2].

Chart 2.3
Net Migration Flows



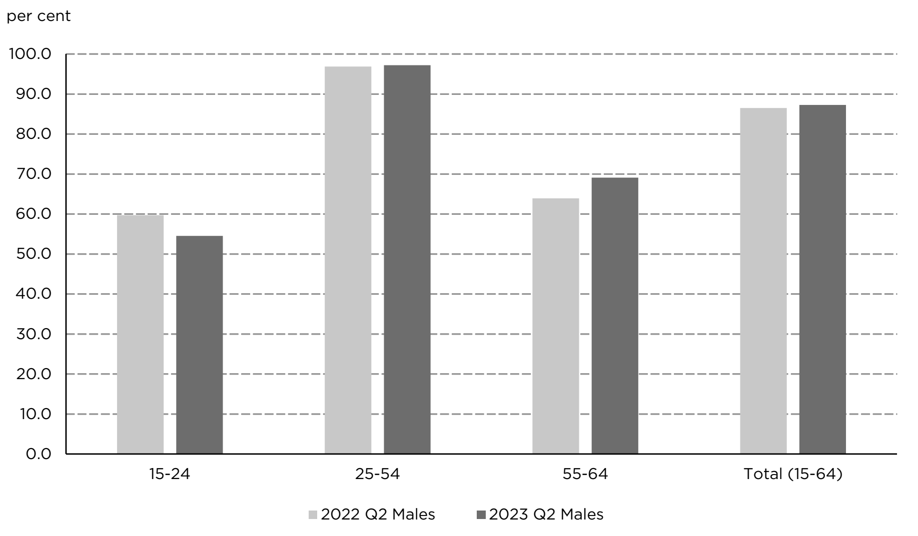
Source: National Statistics Office

2.2.4 Activity Rates

According to the Labour Force Survey (LFS) data, the overall activity rate for the 15-64 age bracket in Malta for the second quarter of 2023 stood at 80.9 per cent, an increase of 1.0 percentage point when compared to the corresponding quarter of 2022. Referring to Charts 2.4 and 2.5, the reported change can be disaggregated in terms of age and gender. Utilising quarter-on-quarter data, the total activity rate for males increased by 0.8 percentage points, from 86.5 to 87.3 per cent. The total activity rate for females increased by 1.2 percentage points, at 73.5 per cent by the end of the second quarter of 2023.

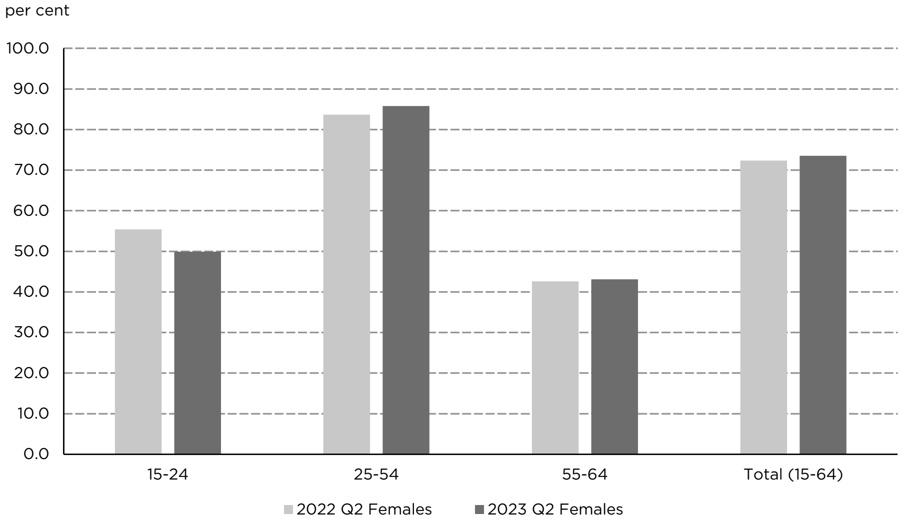
Analysing the data by age, the 55-64 age bracket reported the highest increase (3.0 percentage points) in activity rate, now standing at 56.5 per cent. The 25-54 age bracket reported a 1.1 percentage point increase, reaching 92.0 per cent. In contrast to the other age-brackets,

Chart 2.4
Activity Rates, Males



Source: National Statistics Office

Chart 2.5
Activity Rates, Females



Source: National Statistics Office

the activity rates for persons aged 15 to 24 experienced a decline of 5.3 percentage points, due to a reduction (5.2 and 5.5 percentage points, respectively) in the activity rates of both males and females.

2.3 Labour Market Outcomes

In the following section, key metrics such as employment rates by age groups and the composition of foreign and local workers are analysed, providing a comprehensive overview of Malta's labour landscape.

LFS data indicated that total employment for 2022 stood at 290,995 individuals. With reference to the most recent national employment statistics, that is for the second quarter of 2023, the number of employed persons increased by 13,844 individuals over the corresponding period in the previous year, reaching a figure of 294,313 individuals in employment. As illustrated in Chart 2.6, at 78.8

Chart 2.6
Employment Growth and Employment Rate

Source: National Statistics Office

per cent, the employment rate in the second quarter of 2023 was the highest rate recorded over the period under analysis. The reported increase is 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 employment rate for the 15-64 age bracket as of June 2023 stood at 78.8 per cent, representing an increase of 1.3 percentage points from Q2 2022. When comparing with the EU, Malta's number of employed persons in the second quarter of 2023 for the 15 to 64 age bracket as a proportion of the total individuals in the same category is one of the highest; 8.2 percentage points higher than that of the EU27 average.

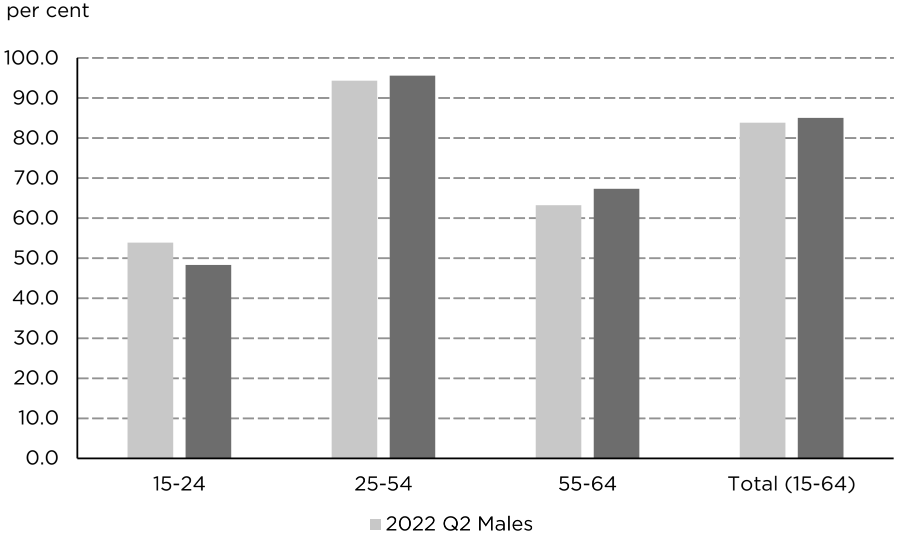
Disaggregating total employment by age, the highest employment rate amongst the three main age categories is reported by the 25 to 54 age bracket, whereby out of every 100 individuals, approximately 90 individuals were in employment. In comparison to the corresponding quarter of the previous year, the rate registered a 1.6 percentage point increase. With a 2.2 percentage points increase, the 55-64 age bracket registered the largest increase. On the other hand, the employment rate for persons forming part of the 15-24 age group has decreased by 4.7 percentage points, falling to 47.6 per cent.

Further examining the age-brackets on the basis of gender (Charts 2.7 and 2.8), the reported increase for the 25-54 age bracket is underpinned by a 1.3 and 2.1 percentage point increases for males and females, respectively. Contrastingly, in the case of the 55 to 64 age bracket, the increase is mainly due to the male counterpart, registering an increase of 4.1 percentage points; whilst, the female employment rate registered a negligible decrease of 0.1 percentage points. Finally, the net decrease in the 15 to 24 age bracket is mainly due to a drop of 5.6 and 3.6 percentage points in the male and female employment rates, respectively.

From a sectoral perspective, full-time employment in the private sector has increased by 10.4 per cent in April 2023, when compared to the previous year's reported figure for the same month. This is mainly driven by an increase of 1.8 percentage points in employment in direct production and an increase of 10.2 percentage points in market services. The reported augmented activity in the labour market continues to emphasise a labour supply recovery in the second year post-COVID-19 period.

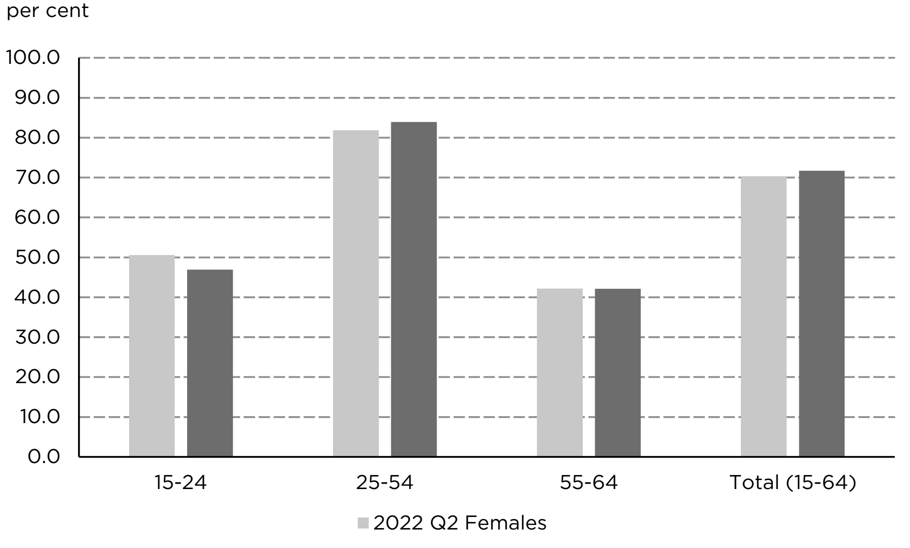
Further analysis as outlined in Table 2.1 shows that the growth in direct production is mainly driven by employment growth in Construction (4.4 percentage points) and Manufacturing (2.7 percentage points). On the other hand, the market service's growth is mainly due from the sectoral employment growth in the Accommodation and food services activities (2.2 percentage points), Administrative and support services activities (2.2 percentage points), the Wholesale and retail trade (including repair of vehicles and motorcycles) (1.4 percentage points), the Professional, scientific and technical activities (1.3 percentage points) and Transportation and storage (1.2 percentage points).

Chart 2.7
Employment Rates, Males



Source: National Statistics Office

Chart 2.8
Employment Rates, Females



Source: National Statistics Office

Table 2.1: Contribution to Growth in Private Sector Employment*

percentage points

		Dec 2021/ Dec 2020	Dec 2022/ Dec 2021	April 2023/ April 2022
	Direct Production	**2.8**	**7.1**	**7.7**
F	Construction	2.8	4.8	4.4
C	Manufacturing	-0.1	1.8	2.7
A	Agriculture, forestry and fishing	0.1	0.0	0.1
E	Water supply; sewerage, waste management and remediation activities	0.0	0.4	0.4
B	Mining and quarrying	-0.0	0.0	0.0
D	Electricity, gas, steam and air conditioning supply	0.0	0.1	0.1
	Market Services	**5.0**	**11.8**	**11.1**
I	Accommodation and food service activities	0.9	2.2	2.2
M	Professional, scientific and technical activities	0.5	1.1	1.3
R	Arts, entertainment and recreation	0.7	0.9	0.4
N	Administrative and support service activities	2.0	3.1	2.2
J	Information and Communication	0.3	0.4	0.5
H	Transportation and storage	0.4	1.1	1.2
K	Financial and insurance activities	0.2	0.7	0.6
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	0.6	1.3	1.4
Q	Human health and social work activities	-1.1	0.4	0.6
P	Education	0.1	0.1	0.2
S	Other service activities	0.2	0.3	0.3
L	Real estate activities	0.1	0.1	0.2
T	Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	0.0	0.0	0.1
U	Activities of extraterritorial organisations and bodies	0.0	0.0	0.0

* including temporary employment

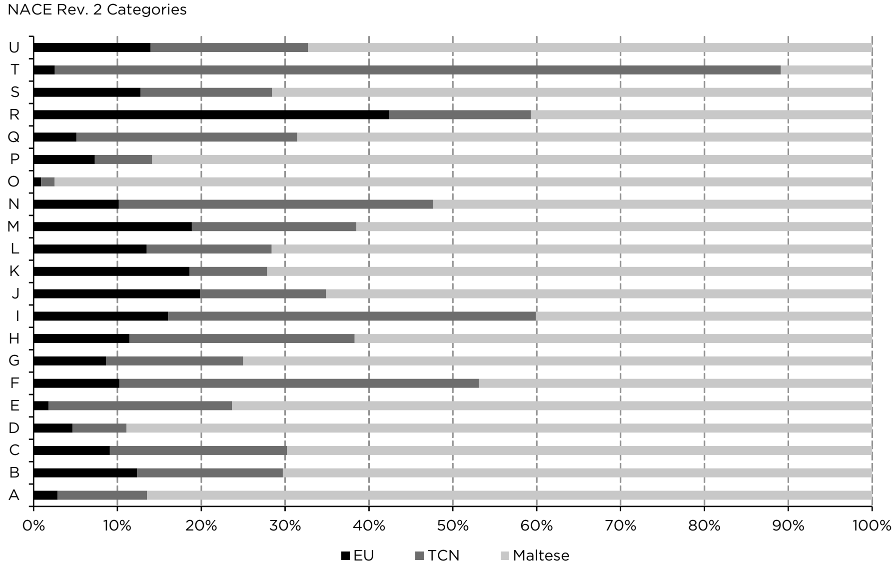
Source: National Statistics Office

Using Jobsplus' administrative data, foreign employees made up 33.8 per cent of full-time and part-time employees as of March 2023, registering an increase of 4.8 percentage points (representative of 20,899 individuals) when compared to the share as at March 2022. From a sectoral perspective, the sectors reporting the highest shares of the total foreign workforce include the Administrative and support services activities (15.8 per cent), Accommodation and food service activities (13.7 per cent), the Construction sector (10.3 per cent) and the Wholesale and retail trade, repair of motor vehicles and motorcycles sector (9.5 per cent).

Further exploring foreign employment, the Arts, entertainment and recreation sector and the Professional, scientific, and technical activities sector employ the largest shares of European citizens, amounting to 17.8 and 12.5 per cent, respectively. Additionally, the Administrative and support services activities and the Accommodation and food service activities employ the highest shares of third country nationals (TCNs), reporting figures of 19.2 and 15.6 per cent, respectively.

As indicated by Chart 2.9, in March 2023, the sectors reporting the highest shares of Maltese employees include the Public administration and defence, compulsory social security sector (17.2 per cent), and

Chart 2.9
Sectoral Employment Shares (%)
(As at March 2023)

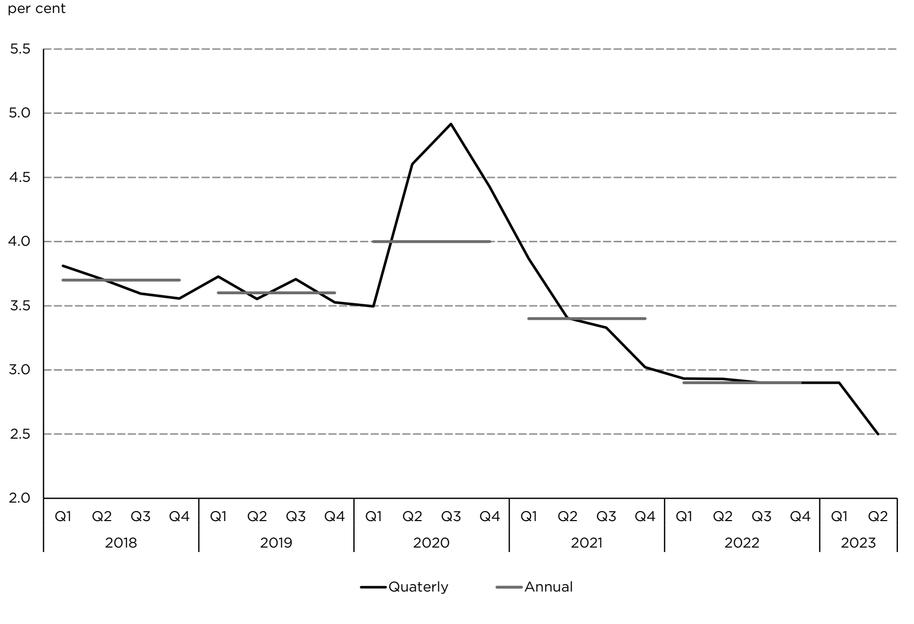


Source: Jobsplus

the Wholesale and retail trade (including repair of motor vehicles & motorcycles) sector (14.5 per cent).

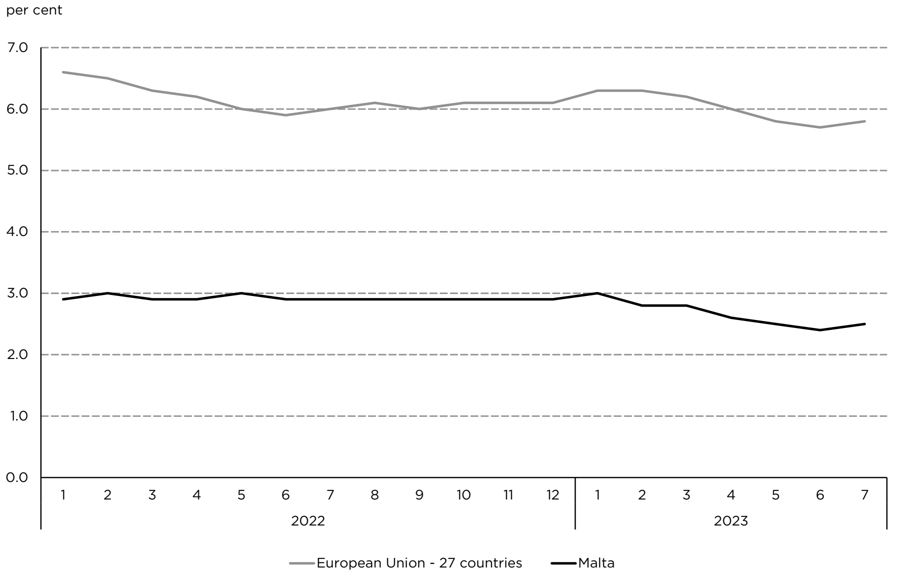
In terms of unemployment, Malta continued to not only outperform its European peers, but to also reach historically low figures consistently. In reference to Chart 2.10, Malta's post-pandemic period is characterised with a very pronounced negative trend, reporting figures below pre-pandemic levels; consistent with the trend for EU Member States as evidenced in Chart 2.11.

Chart 2.10
Unemployment Rate (15-74)



Source: National Statistics Office

Chart 2.11
Monthly Unemployment Rate



Source: Eurostat

2.4 Negotiated Wages

The following section outlines the development of average weekly wage rates based on collective agreements filed with the Department of Industrial and Employment Relations (DIER) during the period from August 2022 to August 2023. It is important to note that the analysis focuses on basic wage rates and does not consider any additions to the basic wage rate such as overtime, allowances, bonuses and other perks. In addition, the wages presented in the Tables below represent the weekly basic wage rates applicable to full-time employment. The basic wages categorised by NACE codes are also divided into three distinct skill levels. Box 2.1 provides a comprehensive explanation of the methodology and assumptions.

As announced in the 2023 Budget, the Cost-of-Living Adjustment (COLA) for 2023 amounted to €9.90. This increase in COLA is significantly higher than in previous years, resulting in some collective agreements having an annual basic wage increase lower than the specified COLA. Consequently, as also detailed in Box 2.1, due to limited information on revised collective agreements for 2023, it is assumed that the increment from 2022 to 2023 amounts to at least €9.90 per week. Furthermore, in cases where several collective agreements raised the basic wage among these levels by an amount equal to the COLA, the impact of this increase is more pronounced for the lower levels. This is because the basic wages for Level 2 and Level 3 are already higher than those at Level 1, so the percentage increase has a more significant base effect on the lower skill levels, even though the absolute wage increase is the same.

Table 2.2: Average Basic Weekly Wages (August 2022)

€

Statistical classification of economic activities (NACE)		Level 1	Level 2	Level 3	Weighted Average
C	Manufacturing	306.28	360.30	449.40	378.01
E	Water supply; sewerage, waste management and remediation activities	241.60	341.96	550.63	361.44
F	Construction	265.16	303.96	352.75	300.30
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	239.81	299.76	418.12	326.13
H	Transportation and storage	309.35	372.53	590.74	419.14
I	Accommodation and food service activities	251.59	281.30	311.33	283.72
J	Information and communication	273.71	331.71	427.92	404.57
K	Financial and insurance activities	310.05	458.53	789.08	629.10
M	Professional, scientific and technical activities	258.36	371.96	505.26	451.69
N	Administrative and support service activities	221.48	308.17	569.16	341.14
O	Public administration and defence; compulsory social security	240.87	352.76	529.57	449.44
P	Education	267.97	374.92	540.35	475.37
QB*	Residential care and social work activities	267.56	324.46	472.60	361.34
R	Arts, entertainment and recreation	291.11	384.22	491.32	427.35
S	Other service activities	283.44	372.91	540.00	423.66
All sectors		254.29	342.39	508.38	397.30
Direct production		278.50	340.82	425.01	347.70
Services		245.95	342.77	517.94	407.28

*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

Based on our sample of collective agreements, the aggregate weighted average basic weekly wage rate as at August 2022 stood at €397.30 (Table 2.2). The weighted average basic wage of individuals employed in direct production stood at €347.70 whilst for those employed in the services sector stood at €407.28. Thus, the sectoral gap between the direct production and services sectors is of €59.58.

As shown in Table 2.3, as at August 2023, the weighted average weekly wage across all sectors stood at €411.32. The highest weighted average weekly wage for this period was registered in the Financial and insurance sector (€647.05) followed by the Education sector (€488.49); while the lowest weighted average weekly wage was recorded in the Accommodation and food service activities sector (€294.69). The lowest reported average basic wage was registered at Level 1 under

Table 2.3: Average Basic Weekly Wages (August 2023)

€

Statistical classification of economic activities (NACE)		Level 1	Level 2	Level 3	Weighted Average
C	Manufacturing	320.45	374.82	465.22	392.85
E	Water supply; sewerage, waste management and remediation activities	251.50	351.88	562.90	371.92
F	Construction	275.81	314.29	363.59	310.84
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	250.19	310.75	433.52	338.38
H	Transportation and storage	323.20	386.82	618.88	436.98
I	Accommodation and food service activities	262.68	292.20	322.31	294.69
J	Information and communication	286.97	343.87	442.97	418.98
K	Financial and insurance activities	321.36	472.99	810.30	647.05
M	Professional, scientific and technical activities	268.26	381.86	518.89	464.10
N	Administrative and support service activities	231.75	321.26	583.41	353.57
O	Public administration and defence; compulsory social security	251.82	368.01	552.30	468.81
P	Education	277.87	385.58	554.90	488.49
QB*	Residential care and social work activities	277.46	334.41	485.40	372.08
R	Arts, entertainment and recreation	301.01	394.33	503.91	438.52
S	Other service activities	293.46	385.09	552.69	435.75
All sectors		265.33	354.76	525.25	411.32
Direct production		290.38	353.75	439.16	360.69
Services		256.69	355.01	535.13	421.51

*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

Administrative and support service activities Sector (€231.75), which is €39.02 or 20.2 per cent above the national minimum wage for 2023. Moreover, the highest average basic wage was registered in the Financial and insurance sector for Level 3 at €810.30.

Table 2.4 displays the percentage changes in average weekly wages between August 2022 and August 2023, while Chart 2.12 illustrates the contributions to the sectoral growth rates. The weighted average increase for all firms stood at 3.5 per cent, mainly supported by the growth in Level 2 wages. In direct production, the average basic wage increased by €12.99 (3.7 per cent), primarily driven by the wages in Level 2 (1.9 percentage points). Meanwhile, the average basic wage in the services sector increased by €14.23 (3.5 per cent), mainly due by Level 3 wages, with a contribution of 1.6 percentage points.

Table 2.4: Percentage Change in Average Basic Weekly Wages (August 2022 - August 2023)

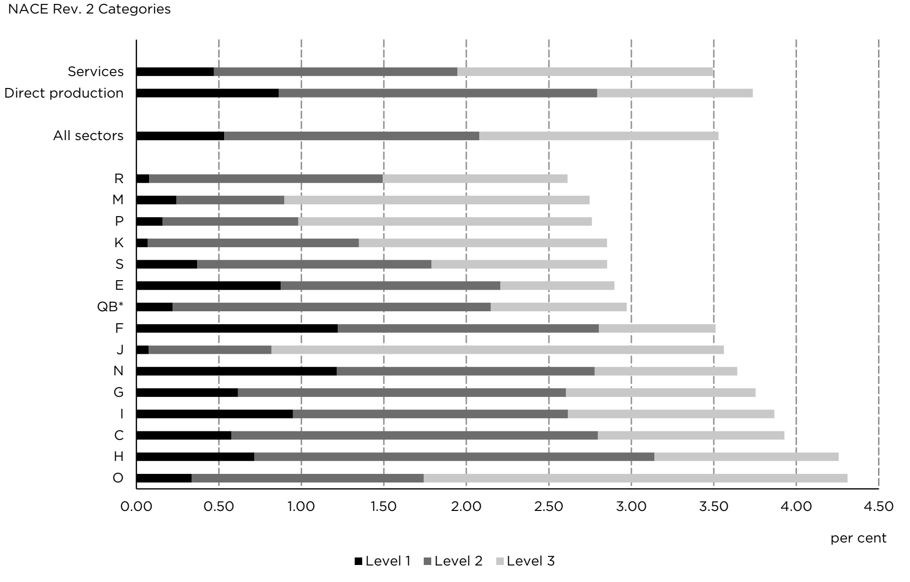
per cent

Statistical classification of economic activities (NACE)		Level 1	Level 2	Level 3	Weighted Average
C	Manufacturing	4.63	4.03	3.52	3.93
E	Water supply; sewerage, waste management and remediation activities	4.10	2.90	2.23	2.90
F	Construction	4.02	3.40	3.07	3.51
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	4.33	3.67	3.68	3.75
H	Transportation and storage	4.48	3.83	4.76	4.26
I	Accommodation and food service activities	4.41	3.88	3.52	3.87
J	Information and communication	4.85	3.67	3.52	3.56
K	Financial and insurance activities	3.65	3.16	2.69	2.85
M	Professional, scientific and technical activities	3.83	2.66	2.70	2.75
N	Administrative and support service activities	4.64	4.25	2.50	3.64
O	Public administration and defence; compulsory social security	4.55	4.32	4.29	4.31
P	Education	3.69	2.84	2.69	2.76
QB*	Residential care and social work activities	3.70	3.07	2.71	2.97
R	Arts, entertainment and recreation	3.40	2.63	2.56	2.61
S	Other service activities	3.54	3.26	2.35	2.85
All sectors		4.34	3.61	3.32	3.53
Direct production		4.26	3.79	3.33	3.74
Services		4.37	3.57	3.32	3.49

*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

Chart 2.12
Contribution to the Weighted Average Growth Rate in Basic Weekly Wages (August 2022-August 2023)



* 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

At 4.3 per cent, the Public administration and defence sector registered the highest percentage increase, primarily underpinned by Level 3 wages. The highest increase in basic weekly wages for this sector in comparison to the other sectors may be due to a possible underestimation of the increase in the 2023 basic wage for the other firms for which the latest collective agreement available did not include the 2023 COLA increase. The highest increase in Level 3 wages of 4.8 per cent was noted in the Transportation and storage sector. At 4.3 per cent, the Public administration and defence sector recorded the highest percentage increase in Level 2 wages (which again could be because of less updated information available for the other sectors), while the highest increase in Level 1 wages was noted in the Information and communication sector at 4.9 per cent.

Box 2.1

Collective Agreements Methodology

The sample under review comprises of 180 firms employing 74,716 full-time employees; with 43 firms engaged in direct production and employing 10,325 individuals and the remaining 137 firms operating in the services sector with 64,391 employees. The total coverage ratio is around 37 per cent of total employment. The basic weekly wages are divided into three distinguished levels as per International Standard Classification of Occupation (ISCO-08) ten-skill level groups excluding military occupations. ISCO is a system of classification and aggregation of occupational information under the International Labour Office (ILO). Level 1 includes ISCO major group 9, which reflects elementary occupations. Level 2 includes ISCO major groups 4 to 8 referring to clerical, service and sales workers, skilled agricultural and fishery workers, craft and related trades workers, and plant and machine operators and assemblers. Lastly, Level 3 includes ISCO major groups 1 to 3 covering managers, professionals, technicians and associate professionals. Employment data disaggregated by ISCO level is provided by Jobsplus.

In this analysis, definite contracts of employment are not considered and any employment benefits over and above the basic wage such as production bonuses, overtime payments, social security and allowances and other non-wage incomes, are excluded. 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 figures for 2023 with those of 2022, are directly comparable since the analysis is based on the same employment weighting structure and sample of firms. Hence, 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. Comparability is hampered by the methodology and sampling procedure adopted, mainly the inclusion of additional firms and exclusion of others. Thus, the individual firms weighting in each category would change reflecting the changes in employment levels. The average basic wages rate may also change due to the reclassification of grades of a new collective agreement and also due to the reclassification of the NACE code of certain businesses.

The methodology compiles collective agreements based on the entity's NACE code. This classification provides a structure for statistical data according to economic activity. Then, the average wage under the three skill levels for each individual collective agreement is calculated and where the collective agreement is exclusive of the Cost-of-Living Adjustment (COLA), the figures are increased accordingly. For collective agreements where the basic wage increase is lower than the 2023 COLA (€9.90 per week), the basic wage increment is presumed to equal this specified amount, across different skills levels. It is important to note that this assumption does not apply to all NACE categories, as for selected sectors the updated collective agreements include the 2023 COLA increase.

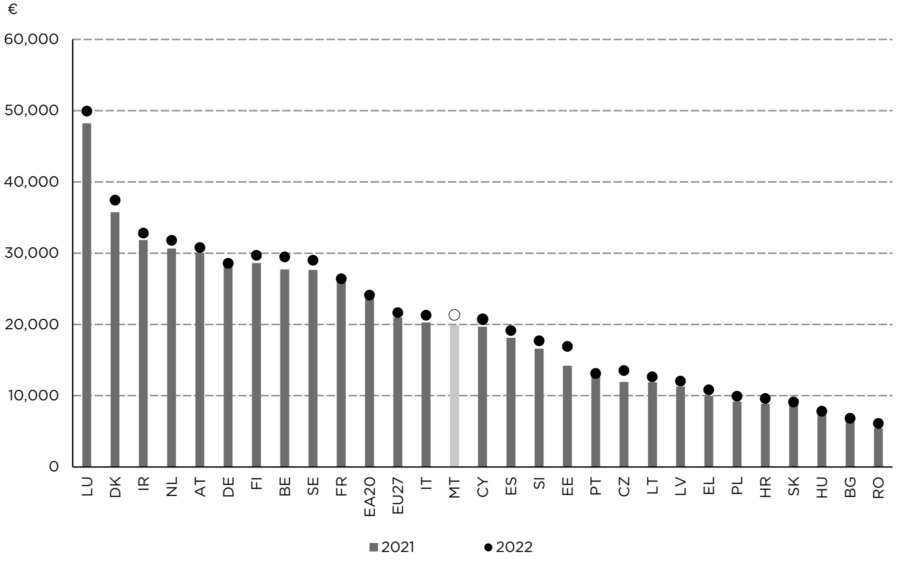
2.5 Social Conditions

This section analyses how average equivalised disposable income of Maltese households compares to countries in the EU. It also discusses the shifts in poverty and social exclusion in recent years. Additionally, this chapter investigates income inequality in Malta using various indicators, including the Gini coefficient and the S80/S20 ratio.

2.5.1 Average Equivalised Household Income

In 2022, the average equivalised household income[3] in Malta amounted to €21,349, as depicted in Chart 2.13. This figure reflects an increase from 2021, maintaining the positive upward trend observed in recent years. Consequently, Malta's average equivalised household disposable

Chart 2.13
Average Equivalised Household Income



Source: Eurostat

income is steadily approaching the EU27 average. In fact, the gap between the average disposable income in 2022 for the EU27 and Malta is approximately €310, a notable reduction from the 2021 difference of €1,081. Over the span of nine years from 2014 to 2022, Malta's average household income has surged by 49.1 per cent. When assessed as a proportion to the Euro Area (EA), average household income has increased by around 16.2 percentage points over the same period, rising from 72.2 per cent in 2014 to 88.5 per cent in 2022. This confirms that the gap between Malta's average equivalised household income and that of the EA is also closing down.

2.5.2 Income Distribution

The distribution of income in Malta can be assessed using two methods: the income quintile share ratio and the Gini coefficient. The income quintile share ratio, denoted as S80/S20, compares the income of households in the 80th percentile to those in the 20th percentile by dividing the former by the latter. In the past year, this indicator has seen a slight decrease, dropping from 5.0 in 2021 to 4.8 in 2022. This suggests that for 2022 those in the top 20th percentile in terms of income, earn on average 4.8 times more than those in the 80th percentile. The S80/S20 ratio compares similarly to EU27, which recorded a ratio of 4.7 in 2022, indicating a decrease in income inequality over that time period in both Malta and the EU27. Decomposing this indicator to reflect those

Table 2.5: Income Distribution

	EU27		Malta	
	2021	**2022**	**2021**	**2022**
S80/S20 ratio	5.0	4.7	5.0	4.8
Less than 65 years	5.2	4.9	5.2	4.8
65 years or over	4.2	4.1	3.4	3.6
Gini-coefficient (%)	30.2	29.6	31.2	31.1

Source: Eurostat

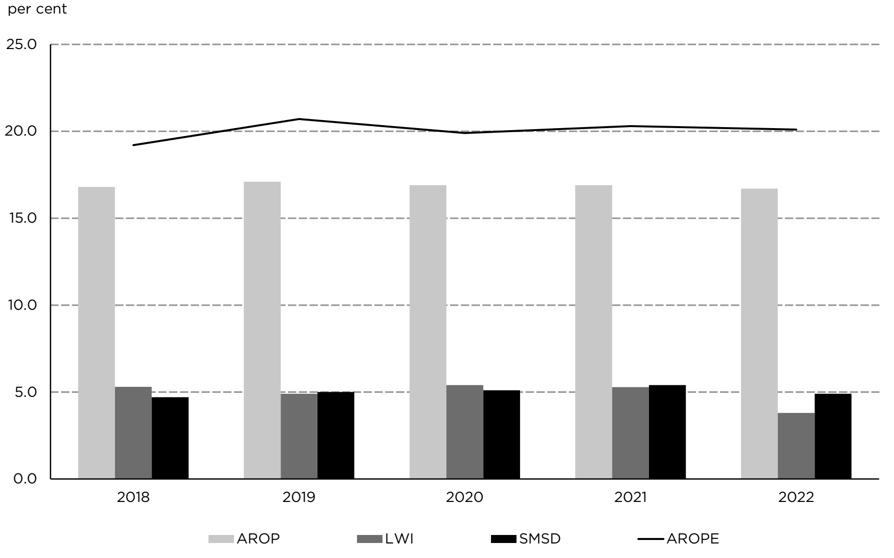
above the age of 65 and those below, one can note that the decrease is primarily led by those aged less than 65. In fact, the ratio for the cohort of persons aged less than 65 years decreased by 0.4 in 2022 from a ratio of 5.2 in 2021. Meanwhile, the ratio for individuals aged 65 years and over increased, resulting in a ratio of 3.6 for the same year. Nevertheless, at a ratio of 4.1 for the 65 years or over for the EU27, the ratio for Malta is still below the EU27 average. This suggests that for this cohort, there is a greater income disparity among older individuals in the EU27 compared to Malta.

The Gini coefficient after social transfers, remained relatively stable over the past year, with a slight decrease from 31.2 per cent in 2021 to 31.1 per cent in 2022. Nonetheless, when compared to the EU27, Malta's rate in 2022 is 1.5 percentage points higher. This divergence in income inequality trends within the EU can be attributed, in part, to the influence of COVID-19 and the resultant rise in unemployment, which impacts household disposable income. Several EU countries faced elevated unemployment levels during this period, contributing to a more equitable income distribution. In contrast, Malta experienced minimal impact on unemployment during COVID-19, as the Government provided rigorous support to businesses and employees through various measures to ensure that households maintained their standard of living.

2.5.3 Poverty and Social Exclusion

The primary metric for tracking progress towards the EU's 2030 target on poverty and social exclusion is the at-risk-of-poverty-or-social-exclusion (AROPE[4]) rate. This rate signifies the portion of the total population considered at risk of poverty or social exclusion. In 2022, as displayed in Chart 2.14, Malta's AROPE stood at 20.1 per cent, which is 0.2 percentage points lower from 2021 but 0.9 percentage points higher when compared to the rate in 2018. In comparison to the EU average, Malta's AROPE in 2022 was 1.5 percentage points lower, with the EU average standing at 21.6 per cent.

Chart 2.14
At Risk-of-Poverty Indicators



Source: Eurostat

The AROPE can be decomposed into three main indicators, namely:

1. At-risk-of-poverty (AROP) rate: This indicator reveals 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): It reflects the number of households unable to afford certain basic necessities from a predefined list of goods and services.
3. Low Work Intensity (LWI): This indicator measures households' work intensity in terms of hours worked per week.

Before accounting for social transfers, Malta's AROP rate stood at 35.1 per cent in 2022, while the EU's rate for the same year was 43.6 per cent, indicating an 8.5 percentage points difference in favour of Malta. Malta has a lower percentage of its population at risk of poverty before social transfers compared to the EU, highlighting that, based on income and financial circumstances alone, Malta has a relatively lower risk of poverty compared to the EU. After incorporating social transfers, Malta's AROP rate, which is one of the components of the AROPE rate, decreased significantly by 18.4 percentage points to 16.7 per cent in 2022. This confirms that social transfers provide additional income and resources to individuals and households, reducing their vulnerability to poverty. A similar, albeit larger, reduction was observed at the EU level, with a drop of 27.1 percentage points in the same year. The larger reduction at EU level may reflect the collective efforts and policies of multiple Member States, indicative of steps forward in achieving the goal of reducing poverty in both Malta and the EU.

Malta has seen a relatively stable AROP rate after the inclusion of social transfers in recent years. It increased from 16.8 per cent in 2018 to 17.1 per cent in 2019 but then decreased to 16.7 per cent in 2022. It is important to highlight that the AROP thresholds, also known as the poverty line, for single-person households and households with two adults and two children under 14 years old, rose by 22.8 per cent over the five-year period under review, reflecting the increase in the median equivalised income[5]. This increase is mainly attributed to income from employment, which grew at a faster rate than social benefits and other income sources. As a result, this may have exacerbated the AROP rate as the increase in the poverty line alone captures more households below the threshold.

Chart 2.14 also illustrates trends in SMSD and LWI, the other two components of the AROPE rate. In 2022, the SMSD rate among individuals living in households was 4.9 per cent, equivalent to approximately 25,370 individuals. This rate decreased by 0.5 percentage points when compared to the previous year's rate of 5.4 per cent. Moreover, in 2022, when compared to the EU average, Malta's SMSD rate was 1.8 percentage points lower. This suggests that on average, there was a lower proportion of individuals experiencing severe material and social deprivation in Malta than in the EU27.

The share of individuals residing in households with LWI in 2022 was 3.8 per cent, which is 1.5 percentage points lower than the rate in 2021 and notably 7.0 percentage points lower than the rate in 2018. This indicates improved work involvement for some households, including a positive long-term trend. Furthermore, Malta's rate of individuals residing in households with LWI in 2022 is 4.5 percentage points lower than that of the EU average in the same year.

2.6 Energy and Climate Change

2.6.1 Introduction

Enhanced awareness of environmental concerns and their interconnectedness with the economy is crucial to ensure that present and future generations can fulfil their needs sustainably. The significance of addressing climate-related issues has been emphasised through international agreements like the 2016 Paris Agreement, the European Commission's pursuit of a climate-neutral EU, and the European Green Deal.

On the national front, Malta is actively implementing the Low Carbon Development Strategy. This strategic framework underscores Malta's commitment to advancing a low-carbon and climate-resilient socioeconomic trajectory. Its implementation aligns with EU legislative frameworks' climate targets and supports the goals set forth in the Paris Agreement.

These initiatives underscore the importance of consistent analysis through indicators to gauge progress in addressing climate challenges. In light of this, this section will delve into various indicators tracking aspects of climate change and final energy consumption in Malta, providing an overview of recent trends in climate and energy data.

2.6.2 Greenhouse Gas Emissions

This sub-section delves into greenhouse gas (GHG) emissions categorised, as documented in GHG emission inventories submitted to the United Nations Framework Convention on Climate Change (UNFCCC). These inventories serve as the official data for international climate policy, capturing GHG emissions data while excluding emissions or removals related to land use, land use change, forestry (LULUCF), and other memo items.

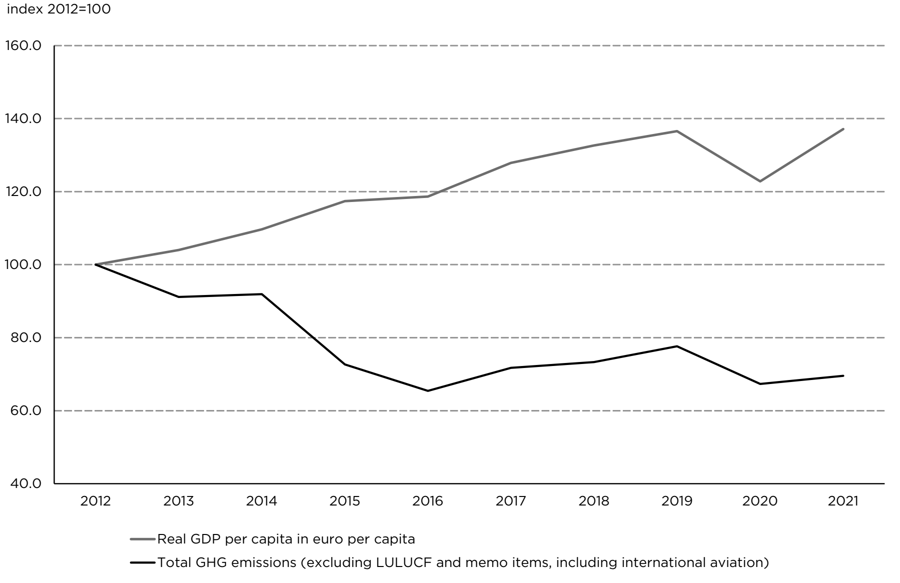
The estimates of GHG emissions encompass data from various sources, with sectors mainly organised according to the technological sources of emissions. This method is aligned with the methodology developed by the Intergovernmental Panel on Climate Change (IPCC). The five primary sectors contributing to emissions consist of energy (including transport), industrial processes and product use (IPPU), agriculture, and waste management.

When comparing 2021 to 2012 levels, Malta witnessed a substantial reduction in GHG emissions of approximately 1 million tonnes of CO_2-equivalents, representing a 30.5 per cent decline. To comprehend the factors driving these emissions changes, developments in underlying factors, such as economic activity and human population, are examined. This analysis spans over a ten-year period, with the latest available GHG emissions data being that for 2021. Until 2019, Malta experienced robust economic growth, characterised by a steadily increasing total population over the previous eight years. Chart 2.15 illustrates a clear upward trajectory in real Gross Domestic Product (GDP) per capita, except for the 2019-2020 period marked by reduced economic activity due to the COVID-19 pandemic which recovered back in 2021.

During the period from 2012 to 2021, Malta demonstrated evidence of absolute decoupling, with GHG emissions decreasing by 30.5 per cent while GDP per capita grew by 37.1 per cent. Absolute decoupling refers to the occurrence when the growth in environmental pressure is less than that of its economic driving force. This achievement largely stems from the Government investments in the energy sector during 2015-2016. To gain deeper insight into the factors contributing to the reduction in GHG emissions, the rest of this section will provide a detailed examination of the source sectors of GHG emissions over the five years spanning from 2017 to 2021, as per IPCC definitions.

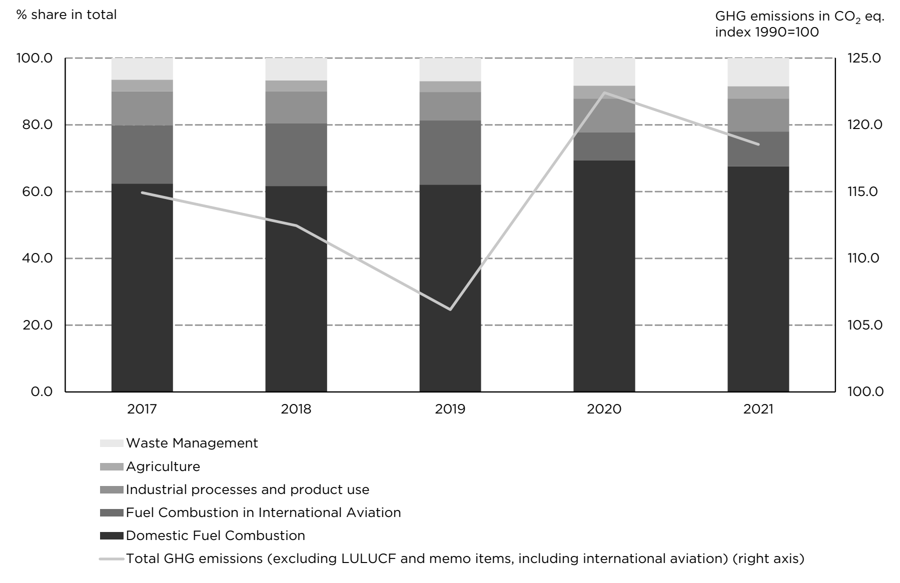
Chart 2.16 highlights that in 2021, fuel combustion accounted for 78.0 per cent of GHG emissions. This category encompasses domestic fuel combustion (67.5 per cent), used mainly for electricity generation and

Chart 2.15
Index of Real GDP per capita and GHG Emissions



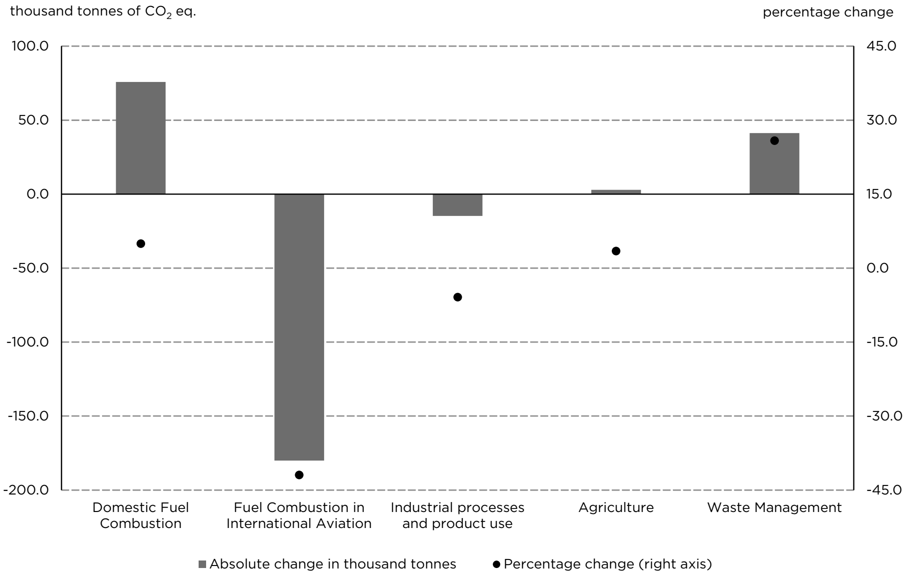
Source: Eurostat

Chart 2.16
Greenhouse Gas Emissions by Source Sector



Source: Eurostat

Chart 2.17
Changes in GHG emissions, by IPCC source sector, from 2017 to 2021



Source: Eurostat

fuel combustion in transport, and international aviation (10.5 per cent). Delving deeper, fuel combustion by households and in commercial and institutional sectors accounted for 2.5 and 5.6 percentage points, respectively, of GHG emissions arising from fuel combustion.

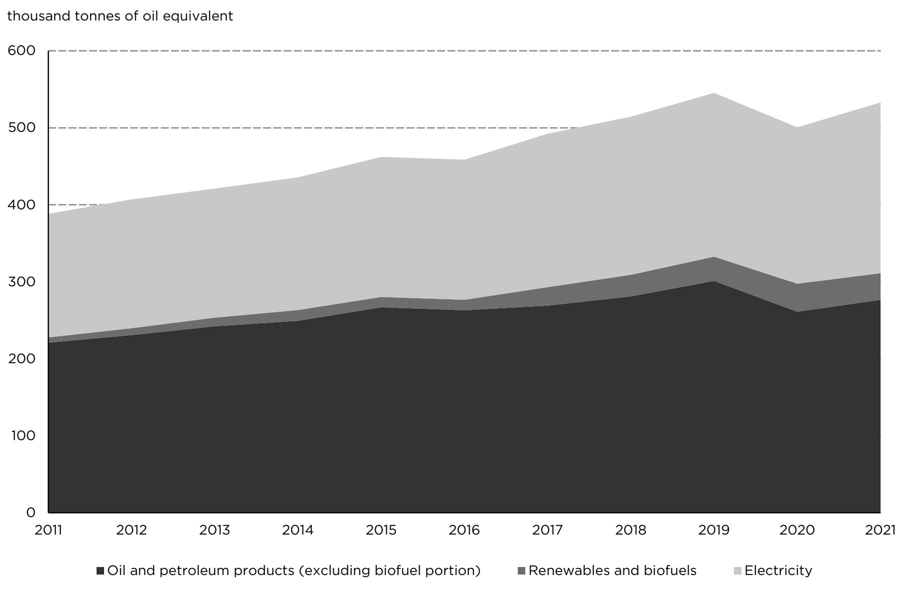
The remaining GHG emissions can be attributed to industrial processes and product uses (IPPU) (9.9 per cent), waste management (8.4 per cent), and agricultural activities (3.7 per cent), which activities do not involve fuel combustion. Hydrofluorocarbons (HFCs) represent the predominant class of fluorinated gases from refrigeration and air conditioning and account for most emissions from IPPU. In contrast, waste management primarily generates methane emissions, contributing to around 80.0 per cent of all methane emissions produced in Malta. The remaining methane emissions predominantly originate from the agriculture sector.

Further to investments in the energy sector during the 2015-2016 period, GHG emissions during the 2017-2021 period witnessed a decline largely due to the significant reductions in emissions from international aviation fuel combustion, equivalent to a 41.9 per cent decline. This reduction was caused by decreased flight activity stemming from pandemic-related disruptions. Chart 2.17 depicts that GHG emissions, in relative terms, have also been on a decreasing trend, albeit emissions from waste management increasing by 25.8 per cent in 2021 when compared to 2017.

2.6.3 Final Energy Consumption

The final energy consumption in Malta represents the energy delivered to the end-users and excludes energy used within the energy sector itself. In 2021, this totalled to 533.0 thousand tonnes of oil equivalent,

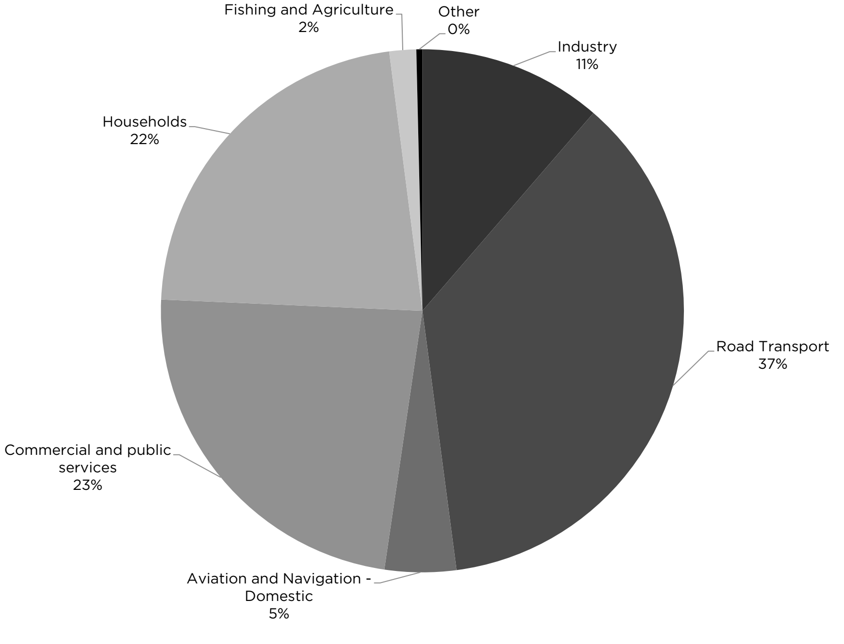
Chart 2.18
Final Energy Consumption, by fuel source



Source: Eurostat

which marked a 6.4 per cent increase over the previous year, largely stemming from increased energy consumption from electricity, gas oil and gasoline. As illustrated in Chart 2.18, Malta's final energy consumption in 2021 is largely attributed to oil and petroleum products and electricity, accounting for 51.9 per cent and 41.6 per cent, respectively, of the total energy consumption. Between 2011 and 2021, an increase of 4.7 percentage points in the share of renewable energy sources to final energy consumption was recorded. This was mainly driven by the Government initiatives promoting investments in renewables, particularly in photovoltaic (PV) systems and heat pump technologies, together with the biofuel quota providing for a substitution obligation on importers and wholesalers of fossil fuels. Over the same comparable period, the share of oil and petroleum products dropped by 5.0 percentage points while the share of electricity in the total remained relatively stable.

Chart 2.19
Final Energy Consumption, by sector, in 2021
% Share in Total



Source: Eurostat

As indicated in Chart 2.19, the largest end-use sector of energy in Malta was road transport at 36.6 per cent of total final energy consumption in 2021. This sector consumed 6.1 thousand tonnes of oil equivalent more in 2021 than in 2020. Final energy consumption by the commercial and public services sector (at a share of 23.4 per cent) and households (at a share of 21.4 per cent) increased by 6.3 per cent and 10.6 per cent, respectively, in 2021 in comparison to the previous year. This marks an increase in final energy consumption by these sectors of 18.8 thousand tonnes of oil equivalent.

2.6.4 Environmental Taxation

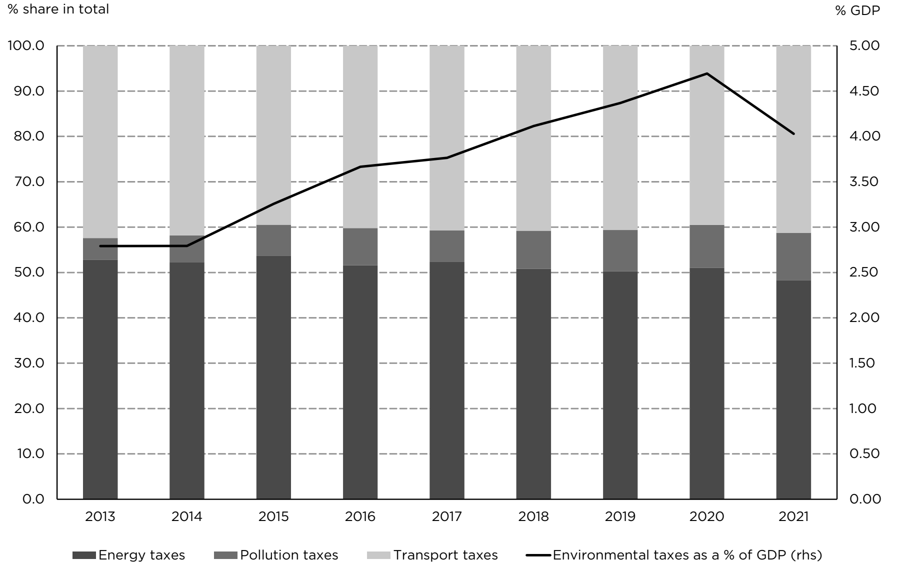
Environmental taxation is an efficient instrument in attaining environmental goals. In fact, these taxes promote a transition in production and consumption patterns towards more eco-conscious choices. Additionally, revenues are generated from environmental taxes, playing a dual role. Environmental tax, in this context, refers to a tax that is linked to the physical units (or a proxy of such units) of items known to have a specific adverse impact on the environment. This definition is aligned with the European System of Accounts[6], and underscores the impact of the tax in terms of its influence on the costs of activities and the prices of products that harm the environment. Environmental taxes encompass levies on energy, transportation, pollution, and resources[7]. Notably, value-added taxes are excluded from this category, as they apply universally to all products.

Energy taxes are imposed on energy products utilised for both transport and non-transport purposes. Predominantly, energy taxes in 2021 were attributed to energy products used in transportation, specifically petrol and diesel, accounting for 77.7 per cent of the total energy taxes. Additionally, revenue from the auctioning of emission trading permits amounted to €28.4 thousand in 2021, contributing to 18.9 per cent of the total energy tax revenue. Excise levies from bunkering and electricity constituted the remaining 3.4 per cent. In 2021, energy taxes amounted to 2.0 per cent of GDP, which is equal to the EU27 average.

Transport taxes primarily pertain to taxes related to the ownership and usage of motor vehicles. Taxes on petrol, diesel, and other transport fuels are categorized under energy taxes and are not included here. Notably, tax revenue collected from the annual road tax amounted to €77.5 million, which contributed to around 71.1 per cent of total transport taxes in 2021. Revenue from the motor vehicle registration tax, totalled to €27.6 million in 2021, approximately 25.3 per cent of total transport taxes. The Government derived approximately 2.0 per cent from driving licenses and administrative charges for motor vehicle testing and the remaining 1.5 per cent of its transport tax revenue comes from the sale of number plates. In 2021, Malta's transport taxes amounted to 1.7 per cent of GDP, surpassing the EU27 average of 0.5 per cent.

Pollution taxes encompass levies on measured or estimated emissions to air and water, management of solid waste, and noise. Among pollution

Chart 2.20
Environmental Taxes by Type



Source: Eurostat

taxes, excise on cement constitutes the largest share, accounting for 69.2 per cent of total pollution taxes. Other pollution-related levies in Malta pertain to non-alcoholic beverages, construction components and fixtures, pneumatic tires, and other items. Collectively, pollution taxes represented 0.4 per cent of GDP in Malta, compared to the EU27 average of 0.1 per cent of GDP.

As illustrated in Chart 2.20, the distribution of each environmental tax category remained relatively stable over the years analysed. Albeit the marginal decrease in the share of revenue from environmental taxes on energy and the marginal increase in the share of transport taxes, transport taxes decreased by €13.4 million and energy taxes increased by €6.9 million. Environmental taxes represented 6.4 per cent of total tax and social contribution revenues in 2020, compared to the EU27 average of 5.5 per cent. The share of pollution taxes, although the smallest portion, more than doubled since 2013, reaching a share of 10.5 per cent of total environmental taxes in 2021. In 2021, the total revenue from environmental taxes reached €289.21 million, equivalent to 4.0 per cent of GDP, surpassing the EU27 average of 2.6 per cent of GDP.

Footnotes

[1] Population estimates at end of year 2022 are based on the 2021 Census of Population and Housing. Revisions based on results from the 2021 Census of Population and Housing for historical time series are still to be carried out, such that there is currently a temporary break in series.

[2] As of 2020, net migration figures of other (non-Maltese) EU nationals refers to EU27 Member States (i.e., excluding the United Kingdom). Contrastingly, the net migration figures for third-country nationals (TCNs) includes the emigration and immigration of UK nationals.

[3] Equivalised income refers to household income adjusted to reflect 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, all other adults in the household take a value of 0.5 each and 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.

[4] Further detail on the AROPE can be found in the following link: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:At_risk_of_poverty_or_social_exclusion_(AROPE)

[5] AROP threshold is defined as 60 per cent of the median national equivalised income.

[6] Regulation (EU) No 691/2011 on European environmental economic accounts.

[7] 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

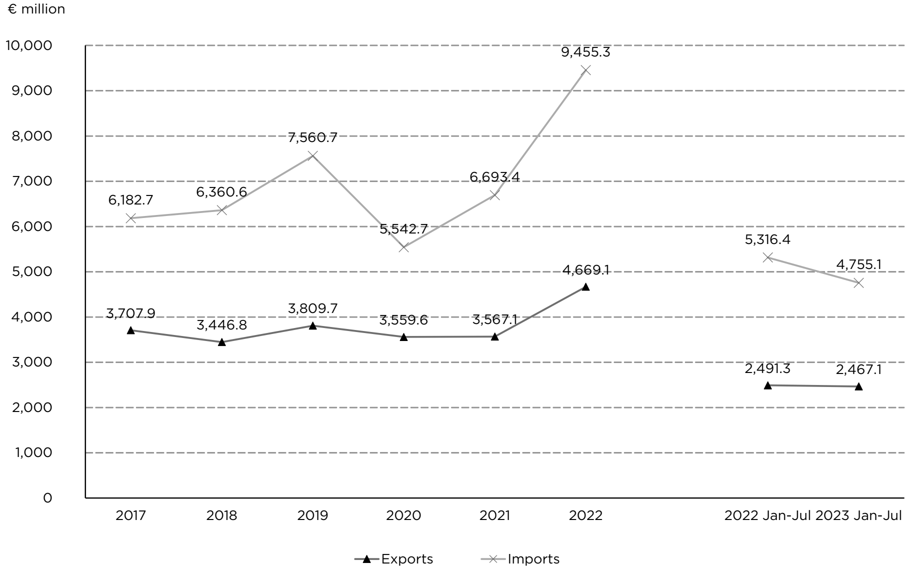
Malta, as a small open economy in the heart of the Mediterranean relies heavily on the inflow of imported goods to meet the diverse needs of its households and industries. Given the intricate links to the international trade network, international trade statistics are utilised to capture the movement of trade between Malta and the rest of the world. These statistics provide valuable insights into the patterns and trends of Malta's imports and exports, revealing not only the volume and value of trade, but also shedding light on the composition of traded goods.

In 2022, total imports for the year amounted to €9,455.3 million, while total exports were €4,669.1 million, representing increases equivalent to 41.3 per cent and 30.9 per cent, respectively, relative to the 2021 figures. As exhibited in Chart 3.1, this caused a widening of the trade gap[1] by €1,659.8 million (53.1 per cent) to €4,786.2 million mainly as a result of increased fuels and lubricants fuels.

Looking at more recent data, Malta's total imports and exports were €4,755.1 million and €2,467.1 million, respectively, during the period January to July 2023. This resulted in a narrower trade gap of €537.0 million (-19.0 per cent).

It is important to note that the above trade data includes specific categories[2] which are dominated by one-offs or extraordinary transactions that could weigh heavily on the overall headline figures, namely Mineral fuels, oils and products, Aircrafts/spacecrafts and parts thereof and Ships, boats and floating structures. Data excluding these specific categories is more suitable to analyse underlying economic trends.

Chart 3.1
Trade Gap



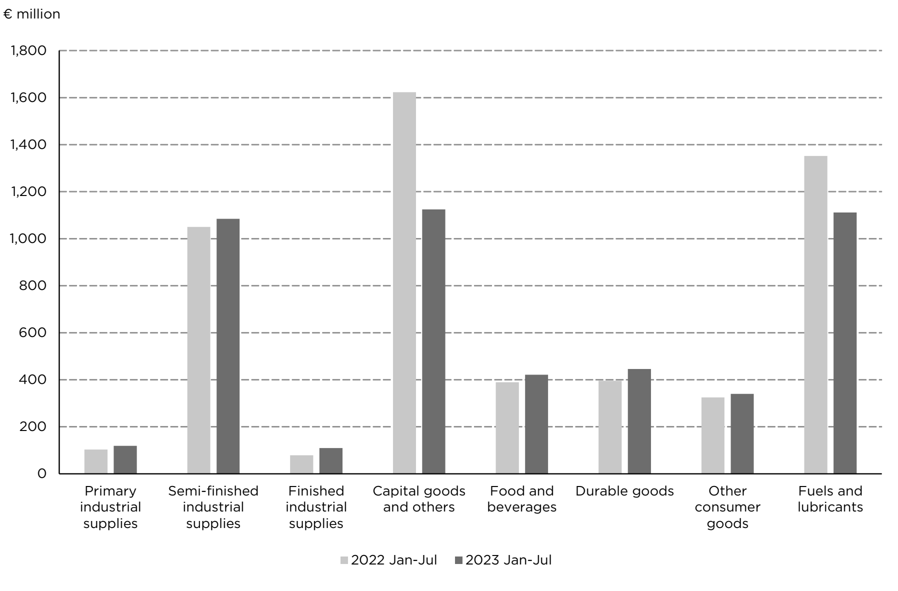
Source: National Statistics Office

After excluding these one-offs or extraordinary components of trade, imports for 2022 increased by 27.2 per cent whilst exports increased by 25.8 per cent. As a result, the underlying trade deficit net of one-offs or extraordinary components widened by €428.6 million (29.5 per cent) to €1,880.7 million. Exports and imports for the period January to July 2023 excluding these categories were €1,651.4 million and €3,027.1 million, representing increases equivalent to 5.1 per cent and 9.1 per cent, respectively over the same comparable period in 2022. This means that during the first seven months of 2023, the underlying trade gap, when excluding these categories, widened by €172.3 million (14.3 per cent) from that of the corresponding period of 2022, reaching a value of €1,375.7 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 January to July 2023 decreased by €561.3 million when compared to the same period in 2022. This was mainly the result of €498.4 million less of capital goods imports, in relation to machinery and transport equipment falling under Chapters 88 and 89[2]. The imports of fuels and lubricants[2] over the same comparative period declined by €240.5 million. Indeed, after excluding these specific Chapters, imports for the period January to July 2023 increased by €252.5 million when compared to the same comparative period in 2022. This was mainly driven by an increase in the imports of durable goods, food and beverages and other consumer goods by €49.9 million, €31.7 million and €14.9 million, respectively. Imports of industrial supplies also increased by €81.2 million, largely stemming from increased imports of semi-finished and finished supplies.

Chart 3.2
Imports by Broad Economic Category



Source: National Statistics Office

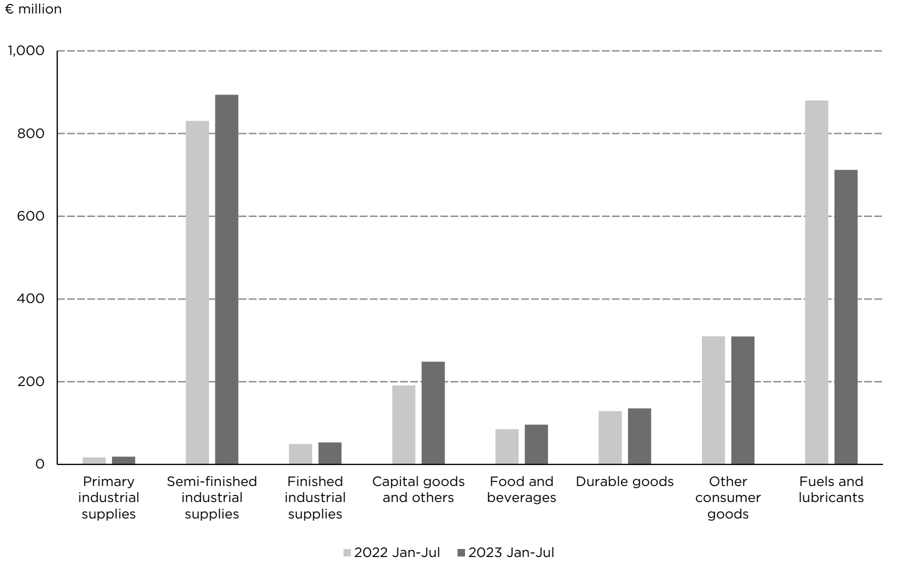
Imports from the European Union (EU) reached €2,448.4 million during the first seven months of 2023, which is equivalent to 51.5 per cent of Malta's total imports for that period. Imports from the Euro Area (EA) specifically decreased by €551.5 million (19.2 per cent) relative to the same period of January to July in 2022. Italian imports dominated over other EA imports with a value of €954.9 million. Imports from France experienced a significant increase of €109.9 million, while imports from Greece and Ireland exhibited declines of €198.8 million and €179.5 million, respectively, when compared to 2022 figures.

3.1.2 Exports

Between January and July 2023, Malta's total exports declined by €24.3 million when compared to the same period for 2022. This was mainly the result of €167.6 million less in exports of fuels and lubricants[2]. After excluding the three one-offs or extraordinary components, exports for the period January to July 2023 increased by €80.2 million when compared to the same comparative period in 2022. Indeed, Chart 3.3 indicates an increase in the exports of approximately all other economic categories, albeit at different magnitudes. More specifically, exports of industrial supplies increased by €68.7 million mostly in respect of semi-finished supplies. Exports of capital goods increased by €57.4 million. Furthermore, the exports of food and beverages and durable goods increased by €10.8 million and €6.6 million, respectively.

During the first seven months of 2023, exports to the EU amounted to 39.1 per cent of total exports, reaching €964.7 million. EA exports increased by 21.0 per cent, equivalent to a €140.5 million increase relative to the same period in 2022. More than half (60.5 per cent) of Malta's exports made their way to Germany (€489.3 million), which country also contributed to the largest increase in exports for a value of €261.5 million. Contrastingly, France experienced the greatest decline in exports (82.0 per cent), equivalent to a decrease of €155.4 million.

Chart 3.3
Exports by Broad Economic Category

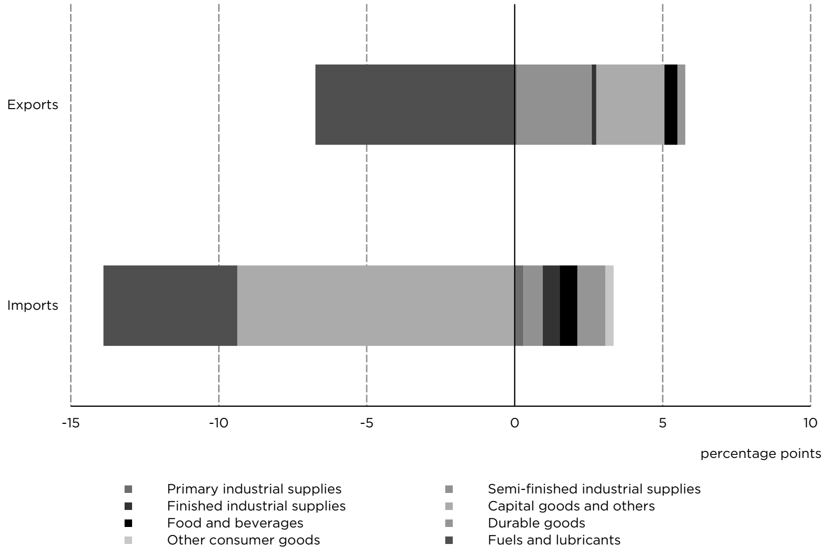


Source: National Statistics Office

3.1.3 Trade Balances

When comparing the first seven months of 2023 to the same comparable period of 2022, a decrease of 1.0 percentage point in exports and a 10.6 percentage points decrease in imports contributed to a total trade deficit of €2,288.1 million (Chart 3.4). The trade activity improving the trade balance was mainly underpinned by trade in the fuels and lubricants category, whereby decreases in imports in excess of the decline in exports of this category contributed to an improvement in the balance of trade of €544.8 million. The trade balance for capital goods contributed positively to the improvement in the balance of trade by €71.3 million. On the other hand, larger trade deficits for primary industrial supplies (€36.5 million) and for other consumer goods than food, beverages and durable goods (€30.7 million) accentuated the trade deficit further.

Chart 3.4
Contributions to Rate of Change Jan-July 2023 over Jan-July 2022



Source: National Statistics Office

Excluding the year 2020 in view of the economic consequences of the COVID-19 pandemic on trade, Malta has maintained a relatively stable trade deficit, averaging 23.5 per cent of Gross Domestic Product (GDP) at current market prices over the past five years leading to 2022.

Consistent with previous years, Malta registered most (64.8 per cent) of its trade deficit with EU countries, most notably with Italy (37.6 per cent). Malta also registered notable trade deficits with France, Spain, and the Netherlands. Compared to the period January to July 2022, the trade balance with Italy narrowed by €138.0 million during the same period in 2023. On the other hand, the trade balance with France widened by €265.3 million, mainly as a result of lower exports.

3.2 Balance of Payments

The Balance of Payments (BOP) is a statistical report that provides a comprehensive overview of economic transactions between a country's residents and non-residents during a specific timeframe. The key components of the BOP encompass:

- The Current Account: This category documents international trade in goods and services, income exchanges, and current transfers involving residents and non-residents.
- The Capital Account: This category tracks the transfer of tangible assets (e.g., machinery) between Malta and the global community, along with the acquisition and disposal of non-produced non-financial assets (e.g., contracts and leases).
- The Financial Account: This category provides a net overview of monetary flows related to financial assets and liabilities.

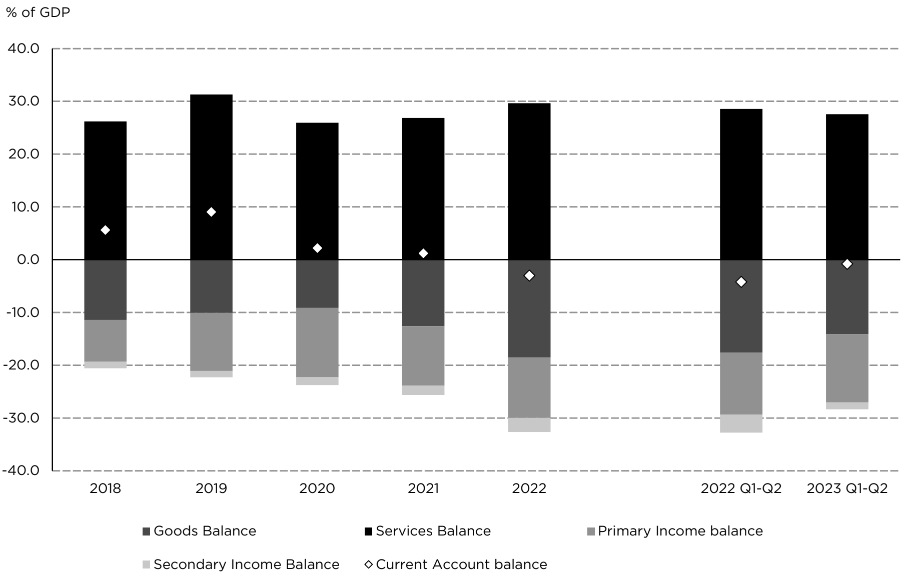
Both the BOP and the Net International Investment Position (NIIP) (as described in Section 3.3) adhere to the guidelines outlined in the International Monetary Fund's Balance of Payments Manual of 2006 (BPM6).

3.2.1 Current Account

Malta has consistently maintained substantial current account surpluses in recent years, except in 2022. These surpluses were primarily attributed to robust net export positions in Personal, cultural, and recreational services; Travel services (tourism); and Financial services (see Chart 3.5). In 2022, the net export balance of services as a percentage of GDP increased by 2.8 percentage points compared to 2021. However, the current account remained in deficit in 2022 due to a 5.9 percentage points decrease in the net import balance of goods.

During the first half of 2023, the current account exhibited a modest deficit at 0.8 per cent of GDP, an improvement from the 4.2 per cent deficit in the first half of 2022. This aligns with the gradual return to

Chart 3.5
Current Account Balance and its Components



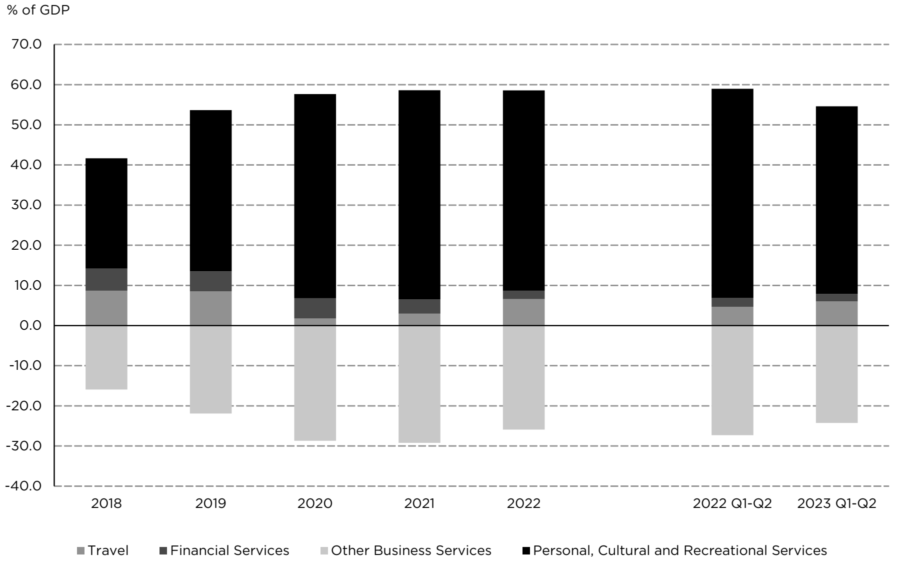
Source: National Statistics Office

normality in global trade following recent global economic disruptions, as the current account of Malta converges to its long-term average.

3.2.1.1 Goods and Services

In the current account, the goods and services balance represents the difference between the values of goods and services exported and imported. Historically, Malta has maintained a net import balance for goods whilst the services balance consistently shows a net export position, a pattern which is consistent with a generally service-based economy, driven in particular by Personal, cultural, and recreational services; Travel services (tourism); and Financial services. Conversely, Other business services, which includes professional and legal services, have typically resulted in significant net imports. Chart 3.6 illustrates the trends in the service components.

Chart 3.6
Services Components



Source: National Statistics Office

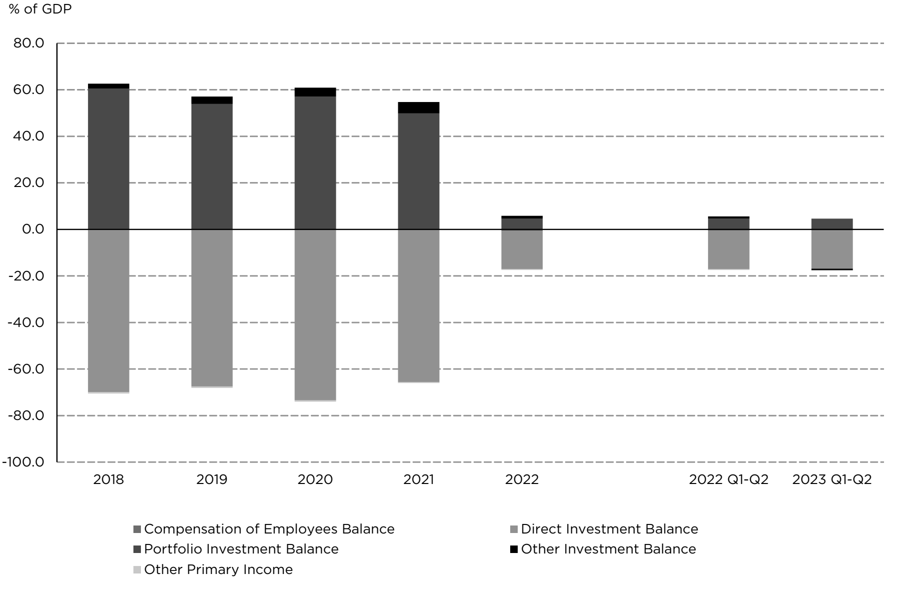
During the first half of 2023, the services balance as a percentage of GDP decreased by 1.0 percentage point compared to the same period in the previous year. This was primarily due to 5.4 percentage points reduction in the Personal, cultural, and recreational services balance, although in level terms, the decline was relatively small, reflecting a higher GDP base in 2023. Meanwhile, the Travel balance increased by 1.3 percentage points, reflecting strong tourism demand, while the Financial services balance registered a marginal decrease. On the other hand, the Other business services balance recorded a 3.1 percentage points increase compared to the same period in 2022.

3.2.1.2 Primary Income Account

The primary income account records transactions related to income flows between residents and non-residents. Within this account, investment income, Malta's predominant component of the current account, has consistently recorded a net payments position, primarily attributable to the substantial stock of inward foreign direct investment (FDI) accumulated over the years which generates corresponding investment income outflows. Chart 3.7 illustrates the recent trends in the primary income account.

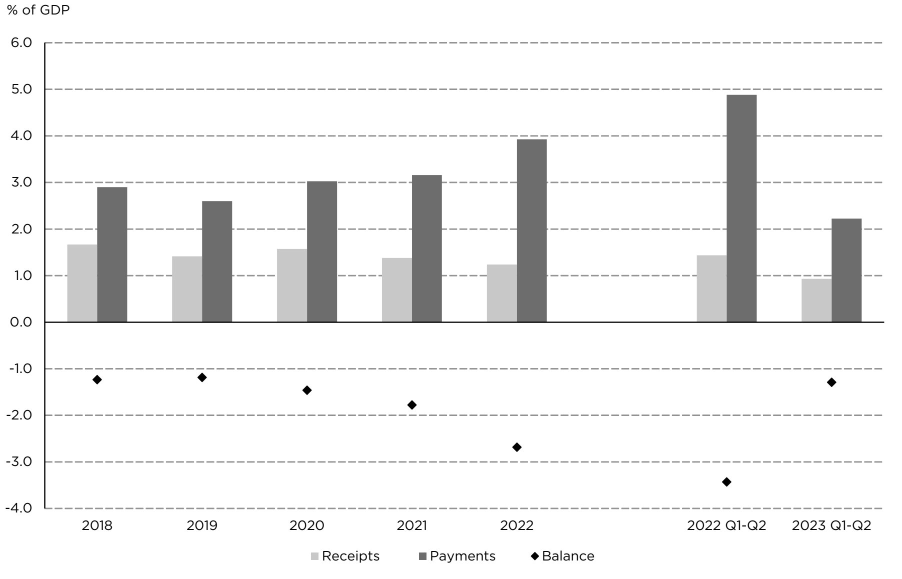
In the first half of 2023, the primary income balance recorded a deficit of 12.9 per cent of GDP. This was primarily driven by a negative Direct investment balance equivalent to 16.3 per cent of GDP. A positive Portfolio investment balance partially offset this decline, while the Other investment income balance as a percentage of GDP turned slightly negative. Additionally, during the same period, Compensation of employees and Other primary income, representing the smaller components of Malta's primary income account, saw marginal changes.

Chart 3.7
Primary Income Account Components



Source: National Statistics Office

Chart 3.8
Secondary Income Account

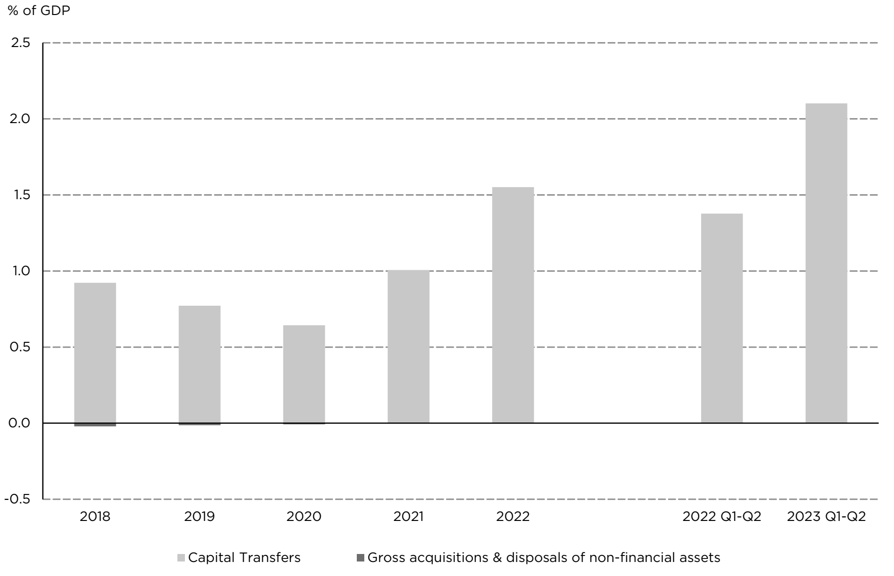


Source: National Statistics Office

3.2.1.3 Secondary Income Account

The secondary income account tracks non-productive transfers between residents and non-residents, such as personal transfers, taxes on income and wealth, and social benefits and contributions. Chart 3.8 illustrates recent developments in Malta's secondary income account. This account plays a minor role in Malta's current account, consistently showing a net payments position over the years, with payments abroad exceeding inward receipts. In the first half of 2023, net payments as a per cent of GDP increased by 2.1 percentage points when compared to the same period in 2022.

Chart 3.9
Capital Account



Source: National Statistics Office

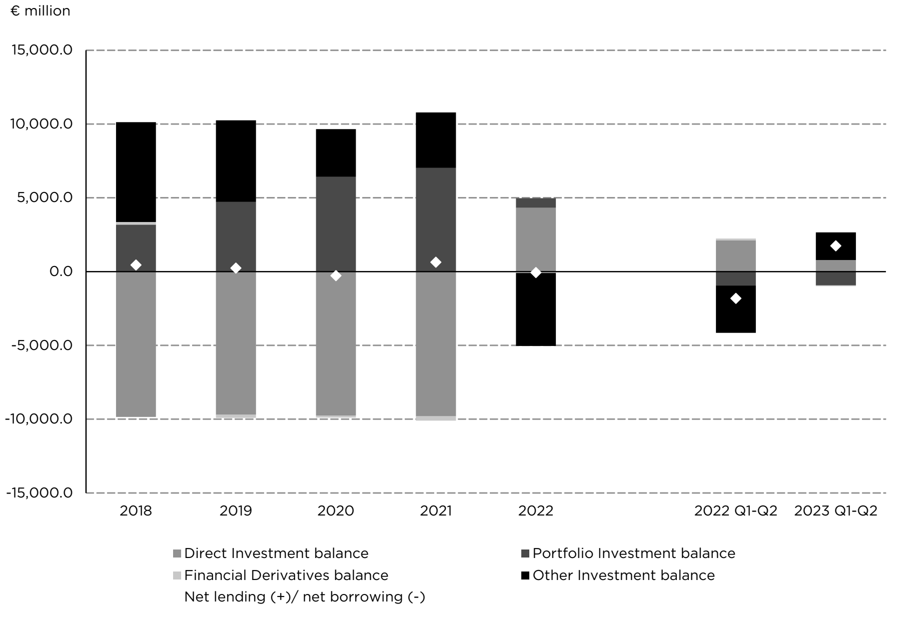
3.2.2 Capital Account

The capital account records capital transfers between residents and non-residents and the acquisition and disposal of non-produced, non-financial assets between them. Malta's capital account has consistently maintained a net export position, with outward capital transfers exceeding inward transfers. Chart 3.9 indicates that gross acquisitions of non-financial assets have been limited in recent years, while capital transfers, which include asset transfers other than cash or inventories, are more substantial but less predictable.

3.2.3 Financial Account

The financial account records financial transactions between residents and non-residents, with direct investment being the largest component

Chart 3.10
Financial Account Components

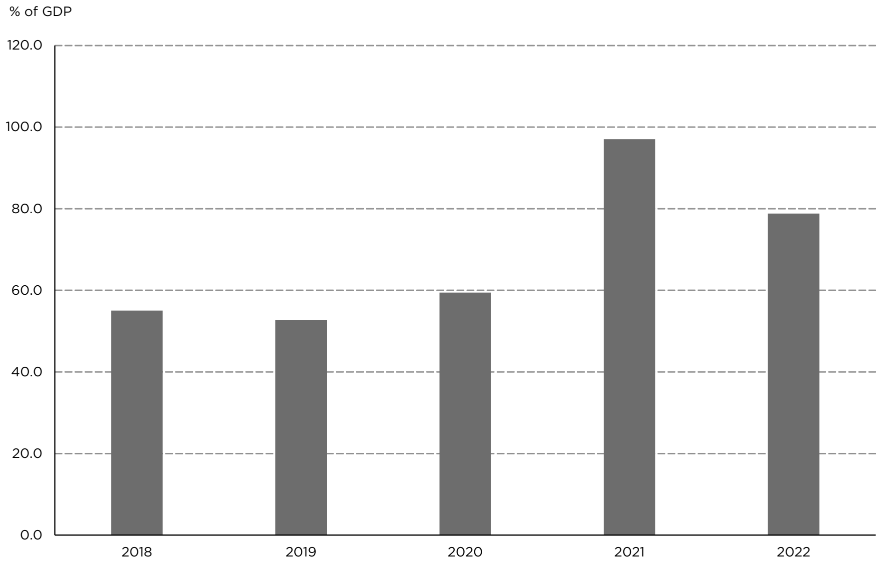


Source: National Statistics Office

due to Malta's reliance on inward FDI. Portfolio investment has historically been in a net lending position, largely driven by acquisitions of portfolio investment assets. Financial derivatives play a smaller yet volatile role. The Other investment balance exhibits annual net lending positions over time, primarily driven by asset increases, except in 2022 when assets from deposit-taking corporations decreased.

Despite a small deficit in the current account for the first half of the year, Malta's financial account shifted from a net borrowing to a net lending position. This shift was primarily driven by an increase in net acquisitions of financial assets within the Other investment balance.

Chart 3.11
Net International Investment Position



Source: National Statistics Office

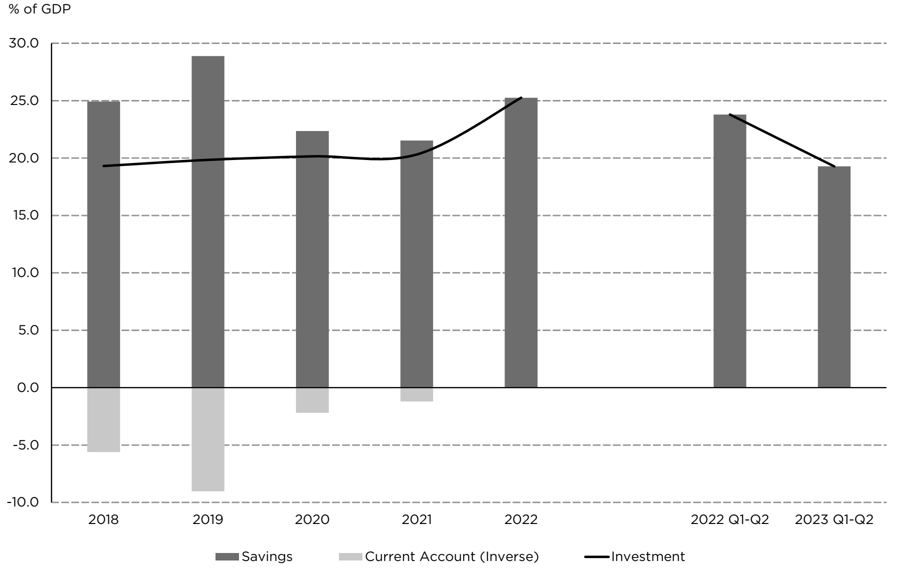
3.3. Net International Investments Position

The NIIP is a representation of a nation's stock of external financial assets and liabilities at a specific moment in time. It shares the same structure and functional categories as the Financial account, including the same financial instruments. Chart 3.11 illustrates the annual development of Malta's NIIP, showing a net lending position over time. Over the past five years, the NIIP averaged at 68.6 per cent of GDP. In 2022, the NIIP stood at 78.8 per cent of GDP, reflecting a €35.5 billion increase in assets and a €36.8 billion increase in liabilities.

3.4 Savings and Investment

Throughout the period of 2018 to 2021, Malta was registering a current account surplus. In Chart 3.12, this is shown as a net lending position, also known as the inverse of the current account balance since domestic savings were successively financing domestic investment. The current account surpluses generated savings which provided a source of accumulation of net foreign assets. From 2020 till 2021, Malta registered a significant fall in the surplus due to disruptions brought about by the COVID-19 pandemic. During this period, corporate profits fell (causing a drop in corporate savings), resulting in a significant drop in domestic savings whilst investment remained unchanged from 2020. In 2022, Malta experienced a rise in both domestic investment and savings. However, the rise in investment exceeded savings resulting in a current account deficit. This means that additional domestic savings

Chart 3.12
Savings and Investments



Source: National Statistics Office

were not enough to finance additional domestic investment, increasing external borrowing and debt.

Comparing the first half of 2022 with that of 2023, Malta has not registered any material change in the current account deficit. This was underlined by a fall in both the total public and private investment and a similar decline in domestic savings, at a rate of around 4.5 percentage points.

3.5 Exchange Rate Developments

Exchange rates fluctuations are a common occurrence in any economy. They need to be monitored closely due to their significant economic implications. Indeed, exchange rate developments effect international trade particularly importers' profitability and exporters' competitiveness, cost of overseas credit and the return on capital investment, inflation, and interest rates. Furthermore, exchange rates are responsive to shifts in monetary policy, further affecting economies, businesses, and consumers. Therefore, policymakers need to consider exchange rate developments as they impact both the tangible and financial aspects of the economy.

3.5.1 Euro Exchange Rate Movements

The developments of the Euro exchange rate against the UK Sterling, US Dollar and Japanese Yen between December 2020 and August 2023 are illustrated in Chart 3.13.

During 2021, the Euro to US Dollar exchange rate dropped by 6.7 per cent such that the value at year end was $1.13. This declining pattern continued to be incurred throughout 2022, as the exchange rate dropped by a further 4.4 per cent from a value of $1.12 in January to $1.07 in December. For the first three months of 2022, the average value of the Euro in US Dollar amounted to $1.12. Then, in the subsequent months up to October 2022, it depreciated sharply by 10.7 per cent

Chart 3.13
Euro Exchange Rate Movements (Index of End of Month Rates, End 2020=100)

Source: Eurostat

and reached the value of $0.99 before increasing by 7.6 per cent to reach $1.07 at the end of the year.

In 2023, the Euro to US Dollar started at the value of $1.08, moved on to decline by 2.0 per cent to $1.06 in February but increased back by 3.4 per cent to $1.10 by April of the same year. In May, the Euro to US Dollar value dipped again to $1.07 but only temporarily as over the following months to July 2023, the exchange rate appreciated by 3.2 per cent and the value stood at $1.10. August 2023 registered another decline such that the value of the Euro in US Dollars was $1.09. Although this was 8.7 per cent higher than the Euro value of $1.00 registered in August 2022, it was still 5.0 per cent below its 10-year average value. The rebound of the Euro could be attributed to the drop in energy prices following the significant increase in energy prices incurred last year, as a result of the Ukraine - Russia war. Furthermore, the fact that the Fed has slowed down its efforts to control inflation has helped the Euro resurge[3].

Between January and December 2021, a depreciation in the Euro to UK Sterling exchange rate of 4.9 per cent was observed as the Euro value of £0.88 in January dropped to £0.84 in December 2021. Throughout the first four months of 2022, the Euro averaged at £0.84. Then, the exchange rate rose by 2.3 per cent such that at the end of June 2022 the Euro was trading at the value of £0.86. A temporary decrease was registered over the next month only for the exchange rate to appreciate again in August and September 2022. Indeed, in September, the Euro value was £0.88 implying a 5.1 per cent increase from July 2022. Over the last quarter of 2022, the exchange rate decreased in October and November but increased again in December such that at year end the Euro value was $0.89. Subsequently, throughout the first four months of 2023, the Euro remained stable at the average of £0.88. By August 2023, the exchange rate depreciated by 2.7 per cent such that the Euro value was £0.86. Compared to its 10-year average value, the value in August 2023 was 1.3 per cent higher, as the 10-year average value stood at £0.85.

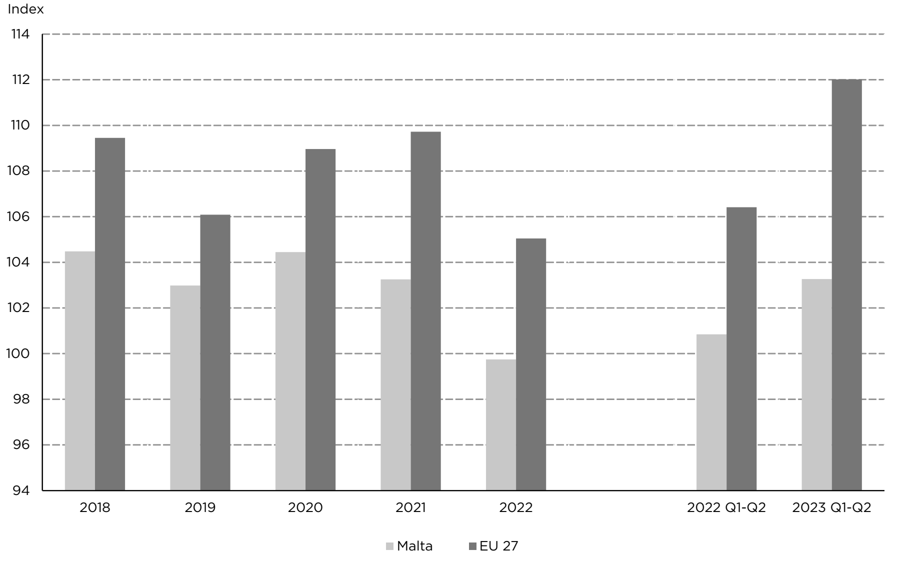
From the end of 2020 to May 2021, the Euro experienced steady growth against the Yen reaching the value of JPY 133.79. A decline of 3.1 per cent was subsequently registered such that by the end of September 2021, the Euro value was of JPY 129.67. Then, there was a temporary rise of 2.3 per cent in the Euro to Japanese Yen exchange rate in October followed by a temporary decline of 3.3 per cent in November. The year 2021 ended with the Euro value at $130.38. The first half of 2022 was characterised by consistent appreciation of the Euro against the Japanese Yen. Indeed, in January the Euro stood at the value of JPY 128.79 while in June it stood at JPY 141.54, implying a significant 9.9 per cent growth in the exchange rate. The Euro value of Japanese Yen then dipped slightly by 2.0 per cent over the next two months to a value of JPY 138.72 in August 2022 before it appreciated by 6.3 per cent to JPY 147.40 in October 2022. At year end, the value stood at JPY 140.66 implying a decline of 4.6 per cent in the exchange rate over the last two months of 2022. The year 2023 was also characterised by an overall appreciation of the exchange rate because the Euro value started at JPY 141.27 in January and reached a value of JPY 158.49 in August, representing a sharp rise of 12.2 per cent. The Euro value at the end of August 2023 was 20.8 per cent higher than its 10-year average. Such large appreciation could be stemming from the fact that the European Central Bank (ECB) raised its interest rates in a bid to bring inflation back down to the target of 2.0 per cent.

3.5.2 Real Effective Exchange Rate

The Real Effective Exchange Rate (REER) is an index that measures the strength of a currency vis-à-vis other currencies that it trades with, adjusted for inflation. The lower the REER, the better the trade competitiveness of a country because it would mean that the local currency is less expensive than that of the trading partner and thus, that exports are cheaper.

Chart 3.14 demonstrates developments in Malta's REER with respect to 42 trading partners using the Consumer Price Index (CPI) as a deflator. It also shows developments in the EU27's REER. In 2018, the REER for

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



Source: Eurostat

Malta was 104.48. It depreciated temporarily by 1.4 per cent in 2019 to become 102.98 before it increased by 1.4 per cent in 2020 to stand at 104.45. Over the next two years, this appreciation was not maintained because the REER declined again by a significant 4.5 per cent such that in 2022 the indexed value was 99.75. Such a decline suggests an improvement in Malta's trade competitiveness as imports became more expensive while exports became cheaper. Thus, any competitiveness losses from 2020 continued to be regained. Comparing the first half of 2022 with the first half of 2023, it can be observed that Malta's REER increased from an average of 100.84 to 103.26 respectively. This could be attributed to the REER indexed value of 106.45 registered in Malta in the second quarter of 2023, implying that trade competitiveness has declined.

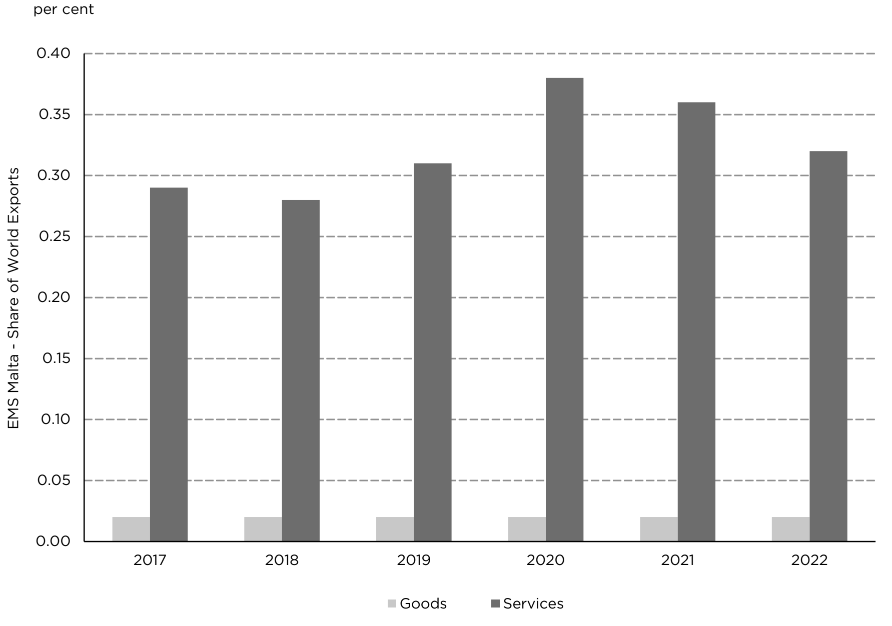
Nevertheless, according to Chart 3.14, Malta's REER remained below the REER of the EU27 indicating that Malta has maintained its exchange rate competitiveness relative to the EU.

3.5.3 Export Market Shares

To have a more complete picture of trade competitiveness, export market shares are analysed alongside the REER. Indeed, the REER has some limitations because firstly, it is solely based on trade weights in goods and not in services. Secondly, it only refers to domestic consumer prices which can be different from the commodity prices that are charged to the final consumer since the latter include export costs. Furthermore, any non-cost competitive elements that could affect trade development are not captured by the REER but are captured by the export market share. Consequently, export market shares are more able to provide insight into Malta's performance because they also include the service sector, which is quite important given the country's small size and lack of raw materials.

The export market share is the proportion of a country's exports out of the total exports of the world. From Chart 3.15 it can be observed that over the last six years from 2017 to 2022, the export market share of goods remained stable at the rate of 0.02 per cent. The export market share of services started at 0.3 per cent in 2017 rose sharply during

Chart 3.15
Export Market Shares



Source: Eurostat

the COVID pandemic to reach 0.4 per cent in 2020, then stabilising to 0.3 per cent in 2022.

Overall, the combined export market share of goods and services maintained the stable rate of 0.1 per cent in 2017 and 2018. It rose by 1.0 percentage point in 2019 and again in 2020 to become 0.1 per cent. Following that, this overall share took a slight downward turn because it decreased to 0.1 per cent in 2021 and 2022.

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 it imports more than it 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] Mineral fuels, oils and products (Chapter 27), Aircrafts/spacecrafts and parts thereof (Chapter 88) and Ships, boats and floating structures (Chapter 89) of the Harmonised Commodity Description and Coding System (HS).

[3] Further details could be found through this link: What's behind the Euro's comeback against the US dollar – DW – 02/09/2023

CHAPTER 4

Monetary Developments

Chapter 4

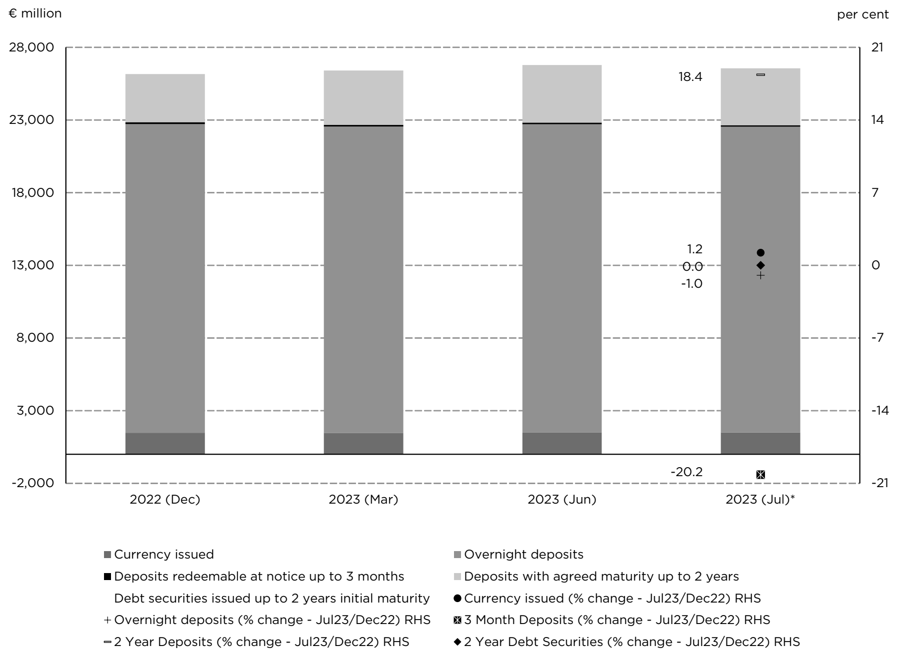
Monetary Developments

During the first seven months of this year, the contribution of Maltese Monetary Financial Institutions (MFIs) to the Euro Area's (EA) Broad Money (M3) stock increased. This was primarily driven by a significant positive contribution stemming from an increase in deposits with an agreed maturity of up to 2 years which outweighed the slight negative effects of reductions in both overnight deposits and redeemable at notice deposits with a maturity of up to 3 months. The expansion in the money supply was also impacted through a noteworthy positive contribution from the credit counterpart component. The 'other counterparts' element contributed positively to M3 due to its decline, while net claims on non-residents of the EA had a negligible effect. To the contrary of recent years there seems to be a slow and gradual shift in the public sentiment towards holding more long-term illiquid deposits, in view of the current economic outlook and interest rate environment.

4.1 Contribution of Resident MFIs to Euro Area Monetary Aggregates[1]

Between January and July 2023, Maltese resident MFIs saw their contribution to monetary aggregates of the EA (M3)[2] increase by 1.5 per cent, from their level of €26,161.4 million registered in December 2022 to the amount of €26,553.6 million as at July 2023. The main driver of such growth was a significant increase and positive contribution from deposits with agreed maturity of up to two years. This outweighed slight negative contributions towards M3 stemming from overnight deposits[3] and, to a lesser extent, of deposits redeemable at notice up to 3 months. Debt securities issued up to two years initial maturity declined from zero in December 2022 to negative €2.1 million in July 2023, however, due to the small share, their M3 contribution was negligible. Chart 4.1 portrays such statistics.

Chart 4.1
Contribution of Resident MFIs to Euro Area Monetary Aggregates (M3)



* provisional

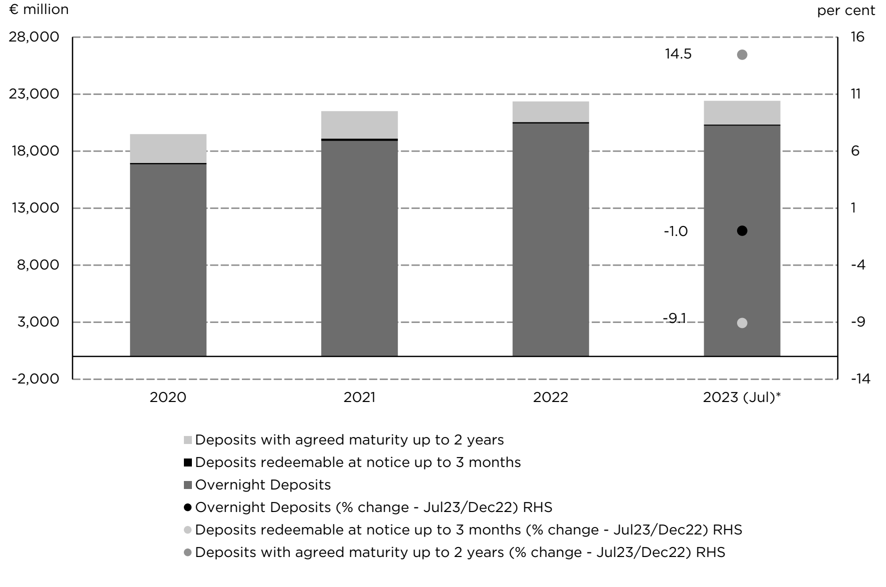
Source: Central Bank of Malta

The stock of narrow money (M1) decreased by 0.8 per cent from its December 2022 level of €22,721.4 million to that of €22,536.0 million as of July 2023. This was primarily driven by a decline of 1.0 per cent in overnight deposits which reached €21,035.9 million in July 2023 when compared to €21,239.4 million recorded in December 2022. Such a development was mainly attributable to a decline in overnight deposits held by Maltese residents, and to a lesser extent from such deposits held by EA residents. During the same period, currency issued[4] increased by 1.2 per cent to €1,500.1 million as at July 2023, however, due to its share, its slight positive contribution did not counter the negative one stemming from changes in overnight deposits.

Deposits redeemable at notice up to three months further declined during recent months, with a notable decrease of 20.2 per cent, from the level of €134.8 million observed in December 2022 to that of €107.6 million in July 2023. This was almost solely due to a decrease of 91.1 per cent in such short-term deposits from other EA residents as opposed to a decline of 9.1 per cent in deposits of the same maturity held by residents of Malta. In combination, these had a negligible contribution towards the level of intermediate money (M2). Contrary to these movements, longer-term deposits of up to 2 years maturity grew by 18.4 per cent, reflecting an increase from the balance recorded as at December 2022 of €3,305.2 million to that of €3,912.1 million as at July 2023.

In reference to Chart 4.2, a slight increase of 0.2 per cent in total resident deposits between January and July of 2023 has been observed, as compared to their December 2022 level, reaching €22,420.5 million. During the review period, an increase of 14.5 per cent in deposits with

Chart 4.2
Total Resident Deposits (Dec)



* provisional

Source: Central Bank of Malta

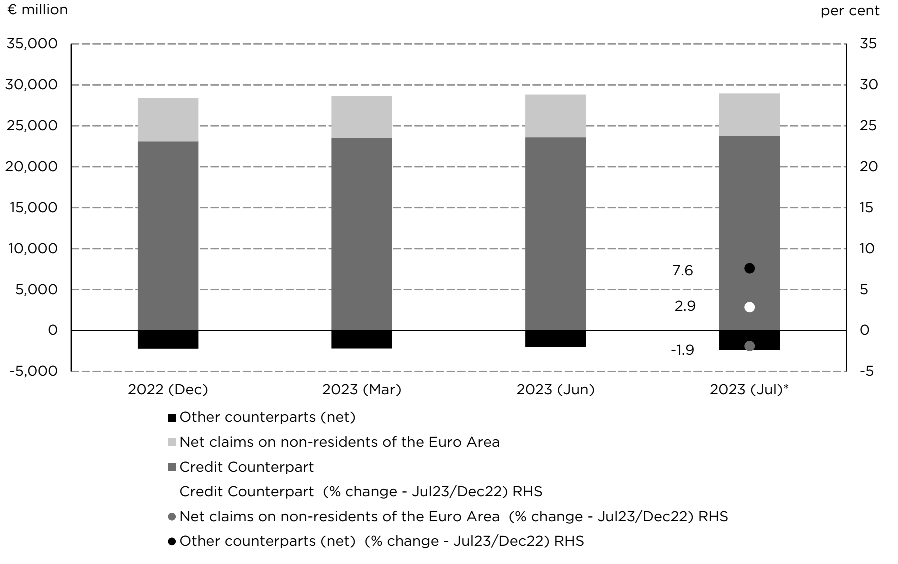
agreed maturity of up to 2 years was counteracted by the combined declines of resident overnight deposits[5] by 1.0 per cent and those with redemption at notice of up to three months by 9.1 per cent. These developments resulted in an insignificant increase in total resident deposits and further underlying the predominance of longer-term deposits during the period under review.

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

Chart 4.3 represents the movements of contributions made by resident MFIs to their counterparts to EA monetary aggregates (M3) during the period under review from December 2022 till July 2023. As illustrated, an increase of 1.5 per cent translated into a broad money stock (M3)[6] of €26,553.6 million as of July 2023 from an initial €26,161.4 million recorded as of December 2022. The main catalyst of such growth was the positive contribution from the credit counterpart[7] and, to a smaller extent, a positive contribution due to a decrease in the other counterparts[8] element. These developments have outweighed the decline in net claims on non-residents of the EA.

The credit counterpart increased by 2.9 per cent, reaching €23,759.2 million in July 2023 from its' December 2022 level of €23,097.9 million. This was driven by increases in both credit to residents of Malta and to other EA residents of 1.9 per cent and 6.5 per cent respectively. Translated into nominal terms, this accounted to an increase in credit to other EA residents from €4,728.0 million in December 2022 to €5,035.5 million in July 2023. Segmenting this development were separate increases of 9.9 per cent in credit to general Government and 2.1 per cent in credit to other residents. The credit to residents of Malta reached a level of €18,723.7 million in July of 2023, from the observed balanced of €18,369.9 million as at December of 2022. This was attributed to an increase of 4.1 per cent in credit to other local residents, which, due to its share, outweighed a decline of 4.3 per cent of credit extended to general Government.

Chart 4.3
Contribution of Resident MFIs to Counterparts to Euro Area Monetary Aggregates (M3)



* provisional

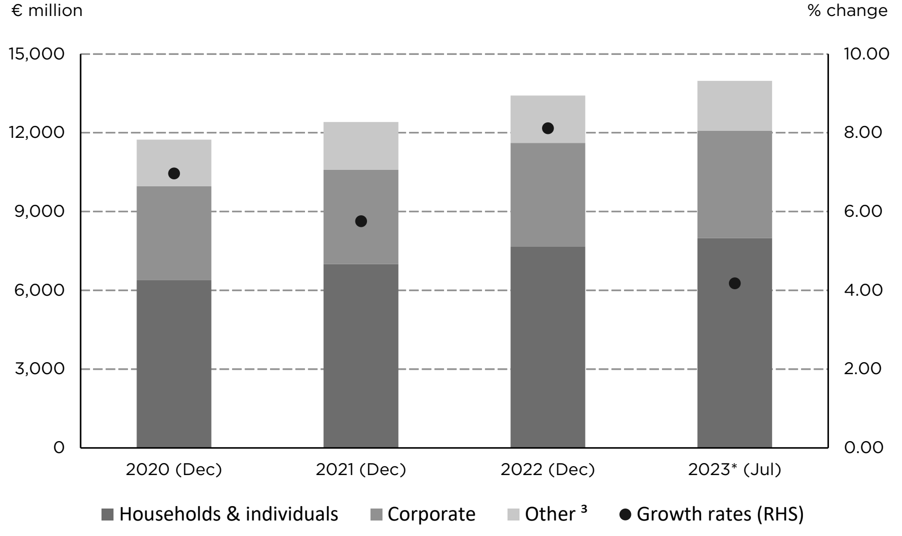
Source: Central Bank of Malta

Net claims represent external influences on M3 through foreign capital. These declined by 1.9 per cent from €5,289.6 million to €5,189.9 million when comparing December 2022 to July 2023. During the same period, the other counterparts balance reached negative €2,395.6 million from the level recorded in December 2022 of negative €2,226.1 million, representing a decline of 7.6 per cent. Net claims reflect the dynamic nature of liabilities held by local credit institutions' due to other EA banks, while other counterparts mainly represent interbank transactions across the EA and due to their decrease represented a positive contribution towards M3.

4.3 Sectoral Credit Developments

Chart 4.4 shows the sectoral credit development of the residents of Malta, excluding the general Government. Between December 2022 and July 2023, there was an increase of 4.2 per cent in the total loans that were given to the private sector, compared to an increase of 4.5 per cent over the same period one year earlier. The private sector is made up of three main categories, as can be seen in the Chart: 'households and individuals', 'corporate', and 'other'. 'Households and

Chart 4.4
Credit to Other Residents[1]
(Loans by Economic Activity)[2]



* 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.

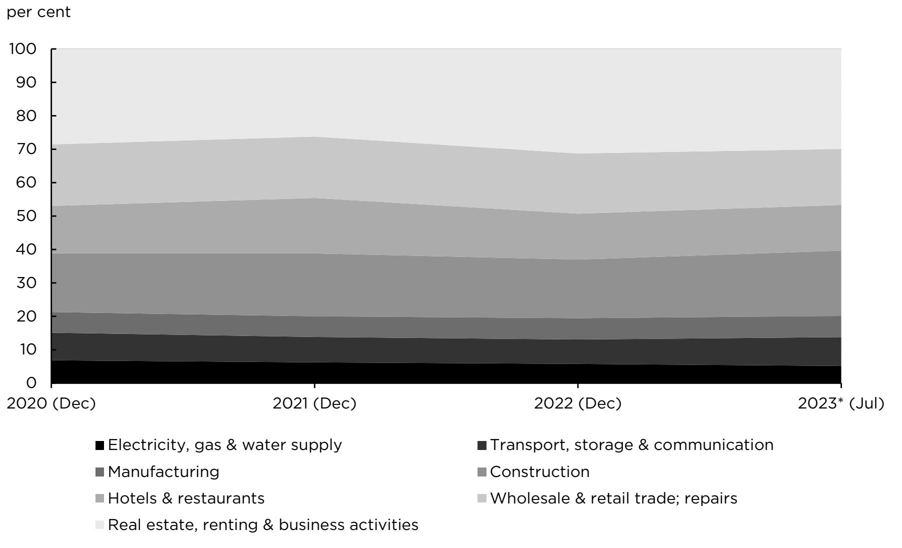
Source: Central Bank of Malta

individuals' contributed to 2.4 per cent of the overall 4.2 per cent rise in total loans, making it the main driver behind this growth between December 2022 and July 2023. The loans given to the 'corporate' category rose by 3.6 per cent when compared to the credit expansion of 4.9 per cent which was registered during the same timeframe one year prior. Breaking the 'corporate' category down into different sub-sectors, it emerges that 'construction' and 'transport, storage and communication' experienced the main rises in credit with an increase of 15.5 per cent and 23.1 per cent respectively. During the same period a year earlier, it was 'real estate, renting and business activities' and 'manufacturing' which were the main drivers of corporate loan growth. Between December 2022 and July 2023, the sub-category with the largest decline was 'electricity, gas and water supply', with a decline of 7.6 per cent, followed by a decrease of 3.8 per cent in the credit to 'wholesale and retail trade; repairs' and of 0.7 per cent to 'real estate, renting and business activities'. Over the period between December 2021 to July 2022, sub-sector 'hotels and restaurants' had registered the largest drop in credit, with a decline of 7.4 per cent. When it comes to the 'other' category, a rise in credit of 5.0 per cent was observed during the period under review compared to a decrease in credit of 0.3 per cent recorded 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 2020 and July 2023 is portrayed in Chart 4.5. As of July 2023, 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 29.9 per cent. The share of credit provided to the 'construction' and 'wholesale and retail trade; repairs' sub-categories stood at 19.5 per cent and 16.7 per cent respectively. Compared to a year earlier, the overall credit distribution remained quite similar although the credit share of the 'real estate, renting and business activities' and 'construction' sub-categories had been slightly lower, at 28.8 per cent and 18.3 per cent respectively, while that of the 'wholesale and retail trade; repairs' had been slightly higher at 18.3 per cent in July 2022.

Out of the seven sub-categories within the 'corporate' category, four were given more loans between December 2022 and July 2023 than during the same timeframe one year prior. Indeed, the largest credit expansion, with an increase of 23.1 per cent could be observed within

Chart 4.5
Corporate Credit Shares



* provisional

Source: Central Bank of Malta

the 'transport, storage and communication' sub-category, being a significantly higher growth rate than the credit expansion of 1.3 per cent that it experienced between December 2021 and July 2022. The second largest increase in the loans received was registered in the 'construction' sub-category with a 15.5 per cent increase. Once again, this statistic is higher than the loan increase of 2.4 per cent that 'construction' received over the same period of the previous year. The 'hotels and restaurants' and 'manufacturing' sub-categories experienced lesser increases in credit at 3.4 per cent and 2.0 per cent respectively during the December 2022 and July 2023 period. In comparison, the credit in 'hotels and restaurants' saw a decline of 7.4 per cent over December 2021 and July 2022, while the credit in 'manufacturing' increased by 14.8 per cent over the same period of last year. Between December 2022 and July 2023, a contraction in the volume of loans received was observed in three sub-categories, namely, 'electricity, gas and water supply', which declined by 7.6 per cent, ‘wholesale and retail trade; repairs’ which declined by 3.8 per cent, and ‘real estate, renting and business activities’, which contracted by 0.7 per cent. In contrast, a credit expansion of 15.2 per cent was registered in the ‘real estate, renting and business activities’ sub-category over the same period a year prior. Finally, looking at the ‘corporate’ category as a whole, credit increased by 3.6 per cent in the first seven months of 2023 when compared to December 2022 while, during the first seven months of 2022, credit to the ‘corporate’ category had increased by 5.0 per cent.

4.4 Money Market

Recent financial turbulence caused by multiple bank failures outside the EA together with economic impacts of the current Russo-Ukrainian war emphasize the importance of stable and resilient banking systems in Europe and beyond. The European Central Bank’s (ECB) May 2023 Financial Stability Review highlights the critical role of price stability in preserving financial stability. Tighter financing conditions targeting high inflation have contributed to a reappraisal of the economic outlook and to a reversal of overly compressed asset price risk premia. The ECB continues to aim at providing adequate liquidity to banks and at maintaining the functioning of financial markets. A strengthened Banking Union would reinforce the ability of the EA financial system to withstand potential systematic risks in the future.

The ECB Monetary Policy Decisions of May 2023 implied that the Asset Purchase Programme (APP) portfolio was declining at a measured and predictable pace, since not all the principal payments from maturing securities were being reinvested. Such decline amounted to €15 billion per month on average until the end of June 2023. In respect of the Pandemic Emergency Purchase Programme (PEPP), the ECB plans to reinvest the principal payments from maturing securities purchased under this programme until at least the end of 2024. In July 2023 the Governing Council decided to reduce the remuneration of minimum reserves to 0 per cent. This decision aimed at preserving the effectiveness of monetary policy by ensuring that interest rate decisions are fully passed along to money markets, at the same time reducing the overall amount of interest rates that need to be paid on reserves.

ECB staff macroeconomic projections for the EA in September saw average inflation at 5.6 per cent in 2023, 3.2 per cent in 2024 and 2.1 per cent in 2025. This marked an upward revision for 2023 and 2024 and a downward revision for 2025, when compared to computations done in previous months. Both revisions for 2023 and 2024 mainly reflected a higher path for energy prices. The ECB Monetary Policy Decisions for September 2023 indicated a rise of the key ECB interest rates by another 25 basis points, with respect to the rates communicated in July of the same year. Hence, the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility have increased to 4.50 per cent, 4.75 per cent and 4.00 per cent respectively. In comparison, by the end of 2022 the aforementioned interest rates stood at 2.50 per cent, 2.75 per cent, and 2.00 per cent, respectively. The ECB continues to assess interest rates and their duration based on inflation projections and the strength of monetary policy, aiming to achieve a timely return of inflation to the 2.0 per cent medium-term target.

The rates of interest charged on short-term loans between banks, known as interbank rates, are generally indicative of the risk appetite in financial markets. As the level of risk aversion rises, financial institutions would be less inclined to exchange credit amongst themselves in the interbank market. The Euro short-term rate, which is a measure of the EA 1-day interbank interest rate, has registered a total increase of 1.5 percentage points between January and July 2023. Moreover, the data for the first seven months of 2023 revealed that other short-term rates have experienced significant increments. Indeed, the one-month rate was set at 3.47 per cent in July 2023, which represented an increase of 3.78 percentage points when compared to a negative rate of 0.31 per cent a year earlier. During the same period, both six-month and one-year rates increased by 3.47 and 3.16 percentage points respectively when compared to July 2022. The one-year rate has been steadily increasing since the beginning of last year and reached 4.15 per cent in July 2023, whilst its average during the year 2022 was 1.09 per cent.

The interest rates of EA interbank money markets have a bearing on Maltese Treasury Bills (T-Bills), as they provide a different portfolio investment opportunity to local investors. T-Bills issued on the primary market by the Maltese Government between January and August this year amounted to a total of €1,586.7 million, reflecting a decline of €106.2 million compared to the level measured throughout the same period in 2022. Yields in the primary market for the three and six-month Malta T-Bills have been steadily increasing over the last year peaking in June and then dipping slightly in July. In July 2023, the yield on three-month bills in the primary market increased by 2.73 percentage points, when compared to a rate of 0.28 per cent of the same month a year earlier. Similarly, the yield on six-month bills increased by 2.48 percentage points to 3.24 per cent when comparing the latest records of July 2023 with respect to a year earlier. Developments in the secondary market during the first part of 2023 were characterised by increments in the T-Bills rates which reached an average of 3.05 per cent as of July. This meant that the secondary market yields for T-Bills were on average around 2.62 percentage points higher in July 2023 when compared to the same month of 2022. As a result, international developments have led yields for T-Bills on both primary and secondary markets to increase during the first seven months of 2023.

For the period January to August 2023, trades in T-Bills amounted to €11.9 million, in contrast to the same period in 2022 where no trades were executed in T-Bills.

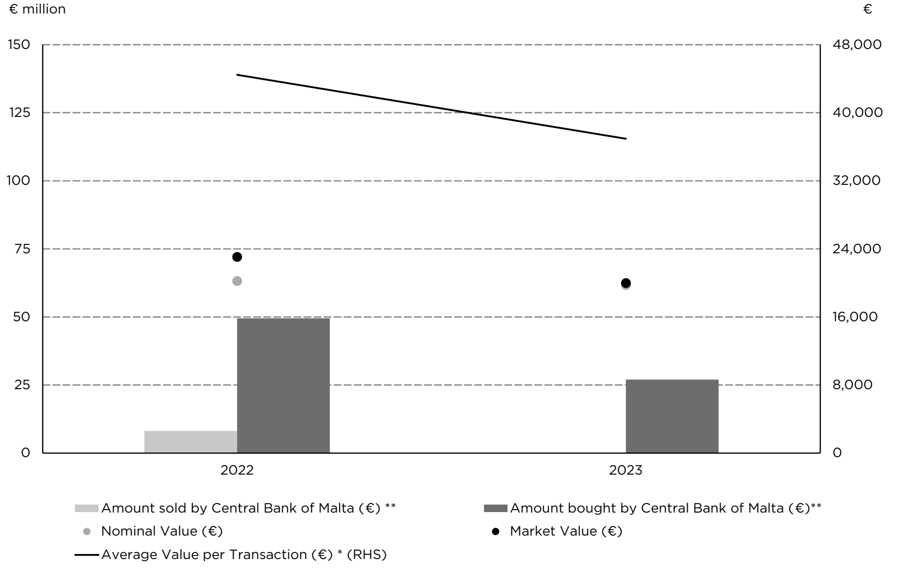
4.5 The Capital Market

From January to August 2023, the Maltese Government issued €749.8 million worth of stocks on the primary market, with €201.1 million worth of redeemed stocks.

The issuance of new corporate bonds in the first eight months of 2023 registered a decrease from €322.5 million during the same period in 2022, to €235.6 million. Similarly, the amount of corporate bonds redemptions dropped by €49.1 million, amounting to €10.7 million for the period January to August of 2023. No deductions were recorded in the period ending August 2023, akin to the previous year, however, a decrease in rollovers of corporate bonds was recorded which totalled €34.3 million from January to August 2023 in comparison to €39.8 million recorded in the same period of 2022. In addition, buy-backs decreased from €12.8 million as at August 2022 to €9.0 million as at August 2023.

Chart 4.6 presents data on the secondary market trading activities related to Government stocks. For the first eight months of 2023, trading activity declined by 13.3 per cent when compared to the same period in 2022, signifying a decrease in turnover levels of €9.6 million, from €72.1 million to €62.5 million. Furthermore, between January and August 2023, the number of transactions increased to 1,670 from 1,422 in 2022. Trading during the first eight months of 2023 was mainly centred around 4 per cent MGS 2032 (VII) and 4 per cent MGS 2032

Chart 4.6
Turnover in Government Stocks
(Jan-Aug)



* Based on Nominal Values
** Based on Market Values

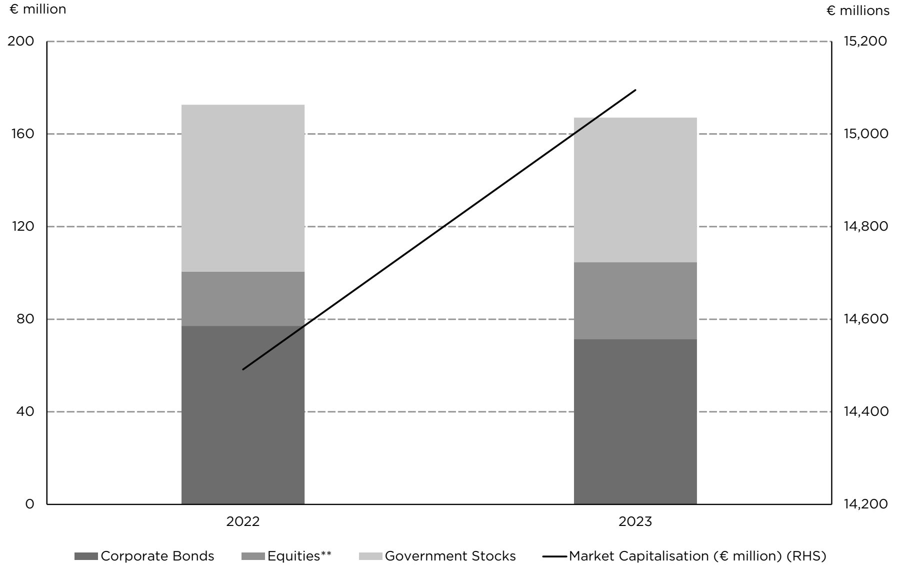
Source: Central Bank of Malta

(VII) which registered 234 and 186 deals respectively. The Central Bank of Malta (CBM) bought and sold Government stocks during the period January to August of 2023 amounting to a total value of €27.0 million.

Secondary market indicators relative to the capital market are illustrated in Chart 4.7. Aggregate turnover for equities saw a 42.3 per cent increase from €23.4 million as at August 2022, to €33.3 million for the same period in 2023. From January to August 2023, Bank of Valletta (BOV) and Malta International Airport registered the largest level of trading activity standing at 1,315 and 607 deals, respectively.

Similarly, to 2022, there was no Institutional Financial Securities Market (IFSM) activity on the secondary market during the first eight months

Chart 4.7
Total Turnover
(Jan-Aug)



** Including the alternative companies listings

Source: Malta Stock Exchange

of 2023. Exchange Traded Funds (ETF) activity was registered between January and August of 2023 amounting to €2.4 million.

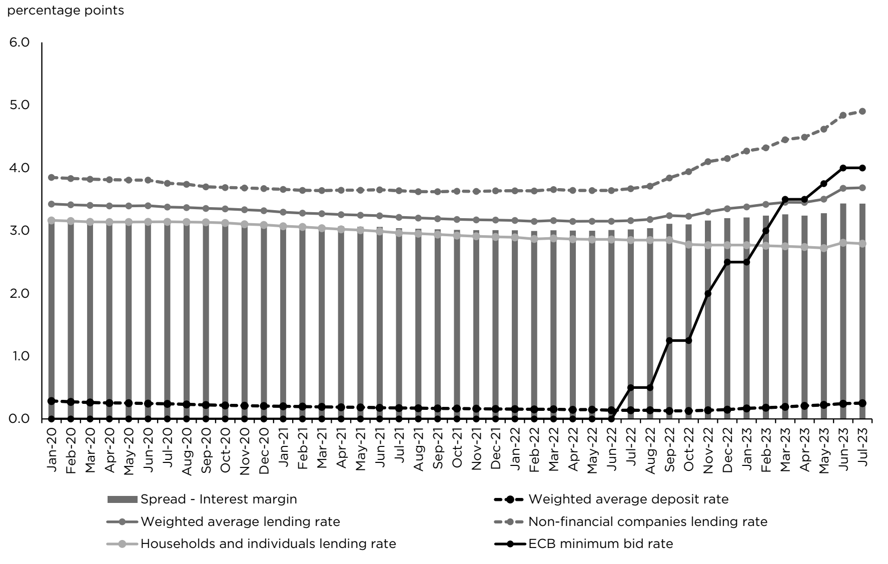
As at end of August 2023, the Share Index of the Malta Stock Exchange rose to 7,960.7 in comparison to 7,649.0 registered in the same period of the previous year, representing an increase of 4.1 per cent. In contrast, market capitalisation in the equity market increased from €4,211.6 million as at August 2022 to €4,306.2 million in comparison to the same period in 2023.

Total market capitalisation rose by €603.5 million, reaching a total of €15,095.0 million during the first eight months of 2023 from €14,491.5 million when comparing to the same period of 2022. This growth was driven by increases in the market capitalisation for MGSs, corporate bonds, equities and ETFs, whereas T-Bills registered a decrease.

4.6 Deposit and Lending Rates

Chart 4.8 represents the weighted average deposit and lending rates together with their relative spread, the lending rates for non-financial companies as well as for households and individuals, and the ECB minimum bid rate for the period ranging from January 2020 to July 2023. Some differences could be observed in the developments that occurred within these rates over the first seven months of 2023 when compared to the changes that took place during the same timespan a year earlier. The weighted average deposit rate stood at 0.17 per cent at the start of 2023 and then climbed to 0.25 per cent in July 2023. In the previous year, the weighted average deposit rate started marginally lower at 0.16 per cent, declining to 0.14 per cent by July 2022. Moving on to the weighted average lending rate, this averaged 3.51 per cent between January and July 2023 when compared to the lower average of 3.15 per cent over the same months a year prior. The spread between the weighted average lending and deposit rates grew by 0.22 percentage points from 3.21 per cent in January 2023 to 3.43 per cent in July 2023, which is particularly higher than the marginal 0.01 percentage points change that was observed in the spread between January and July of the previous year. Over the first seven months of 2023, an increase of 0.63 percentage points was recorded

Chart 4.8
Local Interest Rates and Margins



Source: Central Bank of Malta

in the non-financial companies lending rate together with a 0.02 percentage points increase in the households and individuals lending rate. Such developments contrast those that took place over the same period of 2022 where the non-financial companies' lending rate had increased slightly by 0.03 percentage points while the households' and individuals' lending rate had decreased by 0.04 percentage points. With regards to the minimum bid rate, the ECB raised it even further from 0.50 per cent in July 2022 to 2.50 per cent in December 2022 to 4.00 per cent by July 2023.

Footnotes

[1] Figures show the contribution of Maltese MFIs to the EA totals, and include deposit liabilities to both residents of Malta and other EA residents.

[2] M3-M2 comprises repurchase agreements and debt securities up to 2 years' maturity issued by MFIs in Malta less holdings by MFIs in Malta of such securities issued by MFIs anywhere in the EA. 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] Deposits with MFIs exclude interbank deposits and deposits held by central Government.

[4] 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.

[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 EA 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

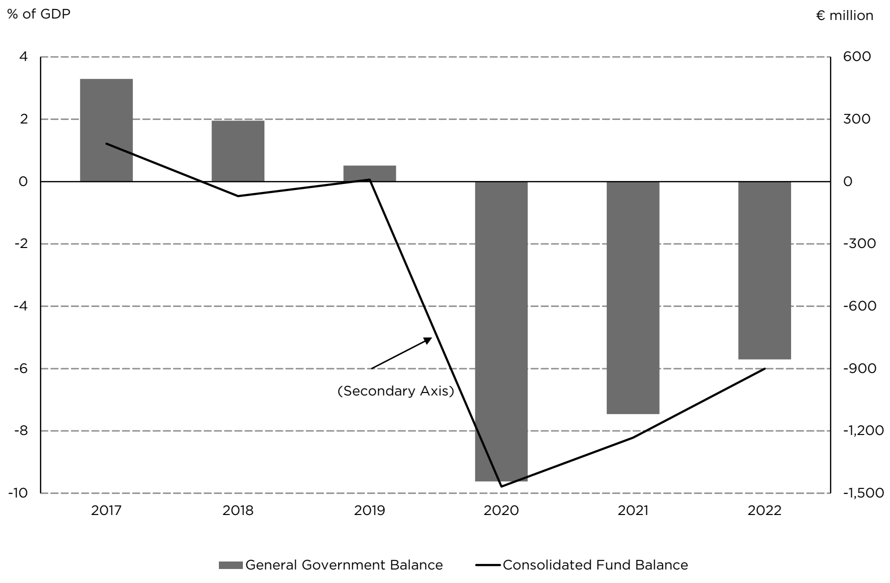
The fiscal support measures to counter the consequences of the COVID-19 pandemic, and subsequently the turmoil in global energy markets following Russia's invasion of Ukraine in early 2022, ensured that the Maltese economy remained stable and strong, and supported high potential growth. The recent conflict in the Middle East further intensified inflationary pressures and energy prices. In response to prolonged global inflation and heightened pressures, the Government will slowly ease fiscal support measures.

Against this background, in 2022, the Government's Consolidated Fund registered a deficit of €900.3 million. Compared to the previous year, recurrent revenue increased by €432.0 million while total expenditure increased by €99.8 million, resulting in a positive change in the Government's Consolidated Fund of €332.2 million. By the end of 2022, central Government debt totalled €8,829.9 million, €732.5 million higher than the end of 2021.

In terms of the European System of Accounts (ESA 2010) standards, the general Government recorded a deficit of €982.2 million or 5.7 per cent of Gross Domestic Product (GDP) in 2022. The debt ratio registered a 1.7 percentage point decline when compared to the level recorded in 2021, to 52.3 per cent of GDP. Chart 5.1 provides an analysis of the developments within the Consolidated Fund balance and the general Government balance over recent years.

During the first half of 2023, the increase in the general Government revenue ratio to GDP as well as the decline in the general Government expenditure-to-GDP ratio resulted in a significant improvement in the general Government balance. The deficit declined from 5.5 per cent of GDP in the first half of 2022 to 2.7 per cent during the corresponding period in 2023. Similar positive developments were registered in the balance of the Consolidated Fund, which improved from a deficit of

Chart 5.1
Developments in Public Finances



Source: National Statistics Office

€467.9 million during January-September 2022 to €52.0 million during the corresponding period in 2023.

5.1 Consolidated Fund Developments

The analysis in this section is based on Government finance data as classified in the statement of the Consolidated Fund, where such data is defined on a cash basis rather than on 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.

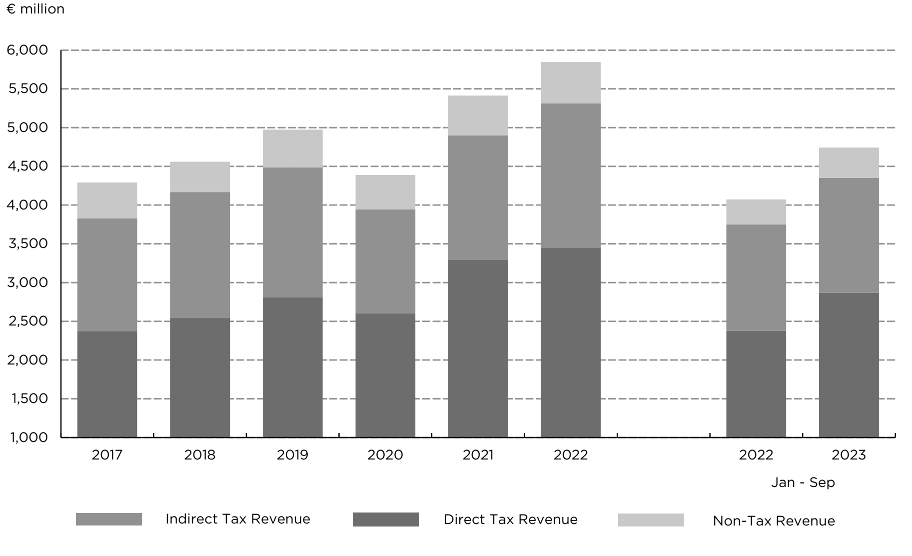
During the first nine months of 2023, recurrent revenues increased by €669.9 million. Meanwhile, total spending increased by €254.1 million. As a result, the Government's Consolidated Fund balance saw an improvement of €415.8 million, reducing the deficit to €52.0 million. The public sector borrowing requirement decreased from €974.5 million to €312.8 million, influenced by changes in the sinking fund contribution and direct loan repayments.

5.1.1 Recurrent Revenue

During the first nine months of 2023, recurrent revenues increased by 16.5 per cent reflecting higher tax revenues. Developments in the components of the Government revenue for the first nine months between 2020 and 2023 are presented in Appendix Table 5.1. Furthermore, Chart 5.2 illustrates recent trends in the components of Government revenue.

The share of the Government revenue from taxes reached 91.7 per cent of total recurrent revenue during the first nine months of 2023.

Chart 5.2
Government Total Revenue



Source: National Statistics Office

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

€ million

	2020	2021	2022	2023
Recurrent Revenue	2,930.3	3,646.9	4,072.6	4,742.6
Tax Revenue	2,596.9	3,315.2	3,748.1	4,349.0
Direct Tax Revenue	1,643.1	2,135.2	2,376.0	2,867.1
Indirect Tax Revenue	953.8	1,180.0	1,372.2	1,481.9
Non-Tax Revenue	333.4	331.8	324.5	393.5
Total Expenditure	4,069.3	4,537.7	4,575.5	4,794.6
Recurrent Expenditure	3,320.2	3,968.9	4,014.0	4,158.3
Interest on Public Debt	138.7	137.1	126.2	154.2
Capital Expenditure	610.4	431.7	435.2	482.1
Balance of recurrent revenue and total expenditure	-1,139.0	-890.7	-502.9	-52.0
Financed by:				
Receipts from sale of shares	0.9	0.9	0.9	0.9
Sinking Funds of Converted Loans	0.0	0.0	0.0	0.0
Sinking Fund Contribution and Direct Loan Repayments	-426.4	-466.6	-474.0	-256.4
Equity Acquisition	-27.0	-4.5	0.0	-5.5
Repayment of Loan made by Government	0.4	0.0	1.5	0.3
Public Sector Borrowing Requirement	-1,591.0	-1,360.9	-974.5	-312.8
Local Loans	1,244.8	1,265.3	536.1	1,052.3

Source: National Statistics Office

Tax revenue increased by 16.0 per cent, reaching €4,349.0 million as direct tax revenues increased by €491.1 million and indirect taxes increased by €109.8 million. Furthermore, non-tax revenues increased by another €69.1 million when compared to 2022.

Positive developments in the labour market and corporate income resulted in higher proceeds from income tax, which increased by 27.7 per cent, while social security contributions increased by 8.9 per cent.

During the period under review, revenue from indirect taxes increased by 8.0 per cent. Revenue from Value Added Tax (VAT) increased by €69.3 million, reflecting the gradual economic turnaround, particularly in household consumption and tourist spending. Moreover, higher receipts from Licences, Taxes and Fines of €28.8 million mainly reflected higher proceeds from duty on documents, which outweighed lower revenue from the annual circulation licence fees. Furthermore, revenues derived from Customs and Excise Duties increased by €5.3 million, mainly from excise on petroleum products.

Non-tax revenue mainly comprises grants, fees of office, the transfer of profits generated by the Central Bank of Malta (CBM), and reimbursements. During the nine months to September 2023, non-tax revenue increased by €69.1 million. Increases in revenue were mainly observed in grants. All other non-tax revenue components registered an increase except for the profits from the CBM and the Fees of office.

5.1.2 Expenditure

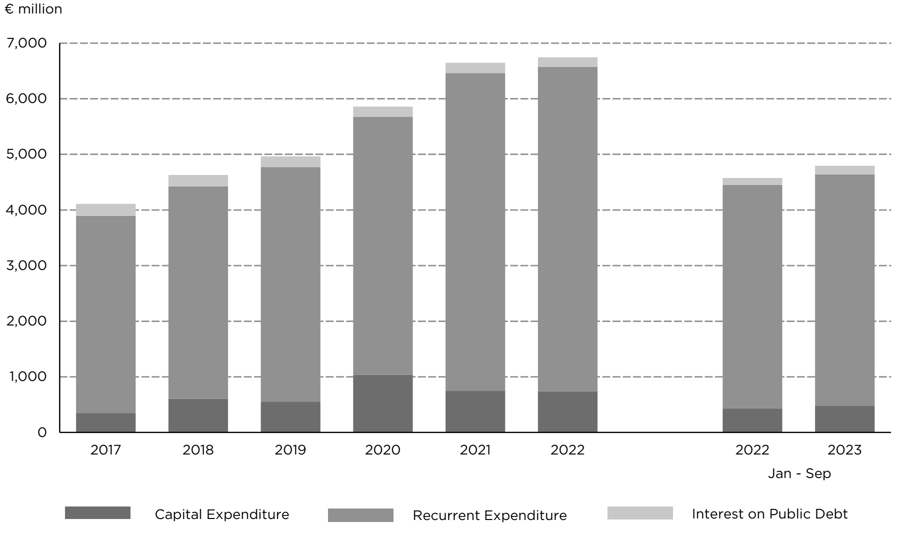
Total Government expenditure increased by €254.1 million during the nine months to September 2023, as both the recurrent expenditure and the capital expenditure increased by €144.3 million and €81.8 million respectively. Interest on public debt also increased by €28.0 million. Chart 5.3 presents the 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 61.0 per cent of total recurrent expenditure. This component of expenditure reached €2,542.0 million during the nine months to September 2023.

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

Chart 5.3
Government Total Expenditure



Source: National Statistics Office

Programmes and initiatives increased by €2.7 million, which mainly reflect the added outlays on social security benefits, medicines and surgical materials, state contribution, tal-linja card and residential care in private homes. These added outlays were mostly offset by a decrease in the Economic Stimulus Payment, EU Own Resources and COVID-19 Supplies.

Contributions towards Government entities include the funding of Government entities, Parastatals, Corporations and Authorities. Outlays in this expenditure category amounted to €571.5 million for the period January to September 2023, recording a €55.6 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 2023, this category of expenditure increased by €39.3 million and stood at €823.2 million, mainly underpinned by higher outlays directed towards salaries and wages.

In the meantime, Operational and maintenance expenditure, which includes payments for utilities, contractual services, materials and supplies, transport, and rent, increased by €47.0 million to €221.5 million during the first nine months of 2023.

Developments in the Government's recurrent expenditure on a cost centre basis for the January to September 2023 period are presented in Appendix Table 5.2. The nomenclature of Ministries and the cost centres referred in this Chapter reflect the allocation of portfolios and assignment of responsibility for Government Departments and Government Entities. Thus, a direct comparison with data of past years is not always possible.

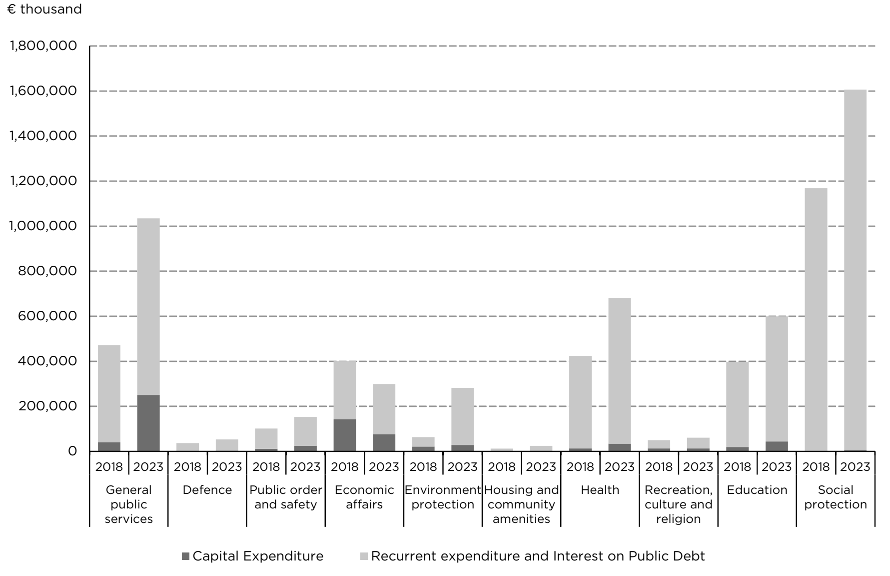
Social security benefits comprised 23.5 per cent of the Government's recurrent expenditure which makes it the major component of the Government's total recurrent expenditure. Contributory benefits make up over 80 per cent of social security benefits that includes retirement pensions, while the rest consist of non-contributory benefits, mainly social assistance, children's allowance and disability assistance. During the first nine months of 2023, total contributory benefits increased by €54.1 million, over the same period of 2022, largely reflecting higher outlays on retirement pensions. Meanwhile, non-contributory benefits increased by €23.3 million to €187.6 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

Chart 5.4
Expenditure by Functional Classification
January-September



Source: National Statistics Office

years, its share in recurrent expenditure (including interest on public debt) has been on a declining trend. Social protection declined by 3.6 percentage points to 37.1 per cent during the nine months to September 2023, when compared to the same period in 2018. A drop of 3.9 percentage points and 0.3 percentage points were recorded in the share of expenditure on economic affairs and education, respectively. Furthermore, recreation, culture and religion, and public order and safety declined by 0.2 percentage points while defence declined by 0.1 of a percentage point when compared to 2018. Meanwhile, the share of recurrent expenditure on environment protection increased by 4.4 percentage points, while that on general public service and health rose by 3.1 percentage points and 0.6 percentage points, respectively. Moreover, recurrent expenditure on housing and community amenities rose by 0.1 percentage point over 2018.

Recurrent expenditure (including interest on public debt) increased by €172.3 million when comparing the first nine months of 2023 with the same period in 2022, reflecting higher outlays directed towards most expenditure categories. The most significant expenditure increases were directed towards environmental protection (€225.4 million) and social protection (€140.8 million). These increases were partly offset by lower expenditure on economic affairs (€273.4 million).

Capital Expenditure

During the nine months to September 2023, capital expenditure increased by €46.8 million and comprised 10.1 per cent of total Government expenditure. According to the most recent available data by economic function, during the January to September 2023 period, around 52.0 per cent of capital outlays were directed to the general public services category, followed by around 15.9 per cent of capital outlays directed towards the economic affairs category. Meanwhile, the remaining categories, in aggregate accounted for 32.2 per cent of total capital expenditure.

During the period under review, higher capital outlays were recorded towards the general public service (€38.3 million), environment protection (€23.8 million), education (€12.9 million), health (€12.8 million), public order and safety (€5.1 million), and defence (€1.5 million) sectors. This increase in capital outlays was partially offset by lower capital expenditure by the economic affairs sector of €49.0 million.

Total capital expenditure during the January to September 2023 period totalled €482.1 million, an increase of €46.8 million from the same period in 2022 and was mainly financed from local funds. Nationally funded capital programme (excluding investment and equity acquisitions) makes up 70.3 per cent of capital expenditure, a decrease of 2.5 percentage points when compared to 2022, while the remaining 29.7 per cent are projects funded from foreign funds.

5.2 Main Budgetary Developments

The harmonised accounting system within the EU Members States is commonly known as the ESA 2010 methodology where adjustments are carried out to the cash balances of the Consolidated Fund transactions to include all Government accounts, exclude all financial transactions, and include accrual adjustment. EBUs and local councils net operational balances are also included. The general Government accounts as published every quarter are derived in conformity with this methodology. 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 2022

Total Government revenue for the year 2022 has reached the level of €5,882.6 million, increasing by €445.8 million over previous year. Total expenditure increased by €287.3 million, reaching the amount of €6,864.8 million. As a result, the general Government balance for 2022 improved from a deficit of €1,140.7 million in 2021 to €982.2 million in 2022. This is equivalent to 5.7 per cent of GDP, an improvement of 1.8 percentage points over 2021, where it registered the rate of 7.5 per cent.

In 2022, the Government revenue-to-GDP ratio decreased by 1.4 percentage points to 34.2 per cent, over the year 2021. As the economy was recovering from the COVID-19 pandemic, the war between Russia and Ukraine brought about renewed disruptions to global supply. This compelled the Government to allocate funds as support measures toward energy and food products to support the economic recovery after the pandemic and prevent an extraordinary increase in prices of essential commodities. The resumption in economic activity and the more than expected recovery in tourism earnings had a positive impact on the Government's tax revenue. These developments gave rise to proceeds from taxes on production and imports, which increased by 14.1

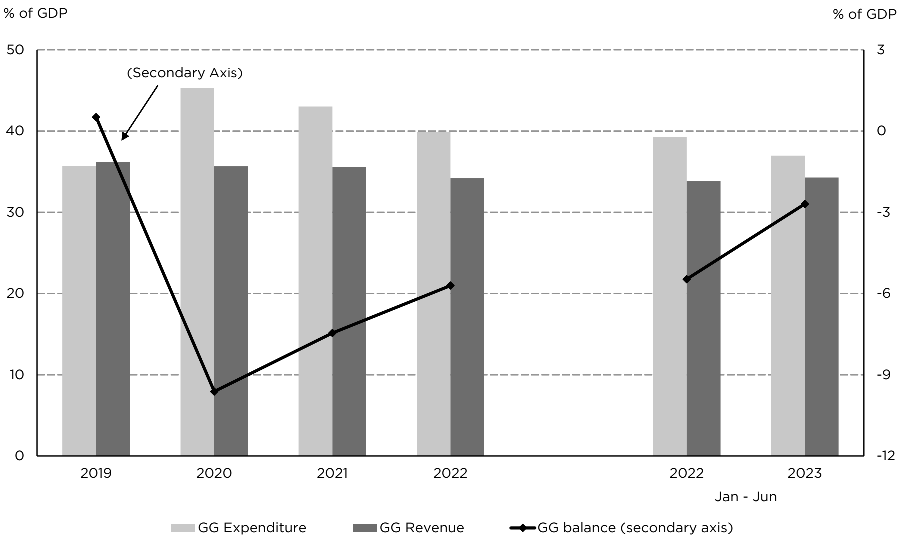
per cent in 2022, such that the ratio-to-GDP was that of 10.4 per cent of GDP. Corporate profits also increased significantly in 2022 due to a tilt of the factor distribution of income gains in favour of corporations. This development supported the increase in current taxes on income. Moreover, despite the phasing out of pandemic-related support measures, particularly those aimed at sustaining employment, a strong employment growth was registered in 2022. These developments led to a year-on-year increase of 9.6 per cent in revenue from current taxes on income and wealth and an 8.3 per cent rise in social contributions. As a share of GDP, these tax categories amounted to 13.1 per cent and 5.8 per cent respectively.

The ratio of general Government expenditure to GDP decreased by 3.1 percentage points to 39.9 per cent in 2022. In level terms, most major expenditure components recorded an increase, in particular subsidies, social payments, compensation of employees, and intermediate consumption. Indeed, the ratio to GDP of subsidies increased from 4.6 per cent in 2021 to 4.8 per cent in 2022. This mainly reflected the allocation of funds in the form of energy support measures and the early retirement schemes to employees released by Air Malta plc and restructuring assistance to the national airline, in part offset by lower expenditure on the wage supplement scheme. Higher expenditure on social payments is primarily due to pensions in respect of retirement, a result of more persons in receipt of the pension as well as an increase recorded in Supplementary Allowance, mainly on account of additional Cost-of-Living Adjustment (COLA) payments to vulnerable families in December 2022. The increase in compensation of employees reflected both increases in EBUs and an increase in personal emoluments within central Government. The ratio of intermediate consumption to GDP decreased by 0.8 percentage points to 7.8 per cent of GDP despite higher expenditure recorded over 2021 by EBUs. Conversely, declines in expenditure were noted in capital transfers as well as in gross capital formation.

5.2.2 Budgetary Developments during the first half of 2023

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 2023, the general Government balance is estimated at an improved deficit of €246.1 million when compared to €452.8 million recorded during the same period in 2022.

During January to June 2023, the general Government revenue is estimated to have increased by €331.8 million over the comparable period in 2022, to €3,130.6 million. During the first half of 2023, most components of revenue have recorded an increase, except for capital transfers. This is in line with the consistent post-pandemic recovery of the general economy. The largest increases in revenue were recorded for Current taxes on income and wealth (€170.6 million), Market output (€77.2 million), and Taxes on production and imports (€67.2 million).

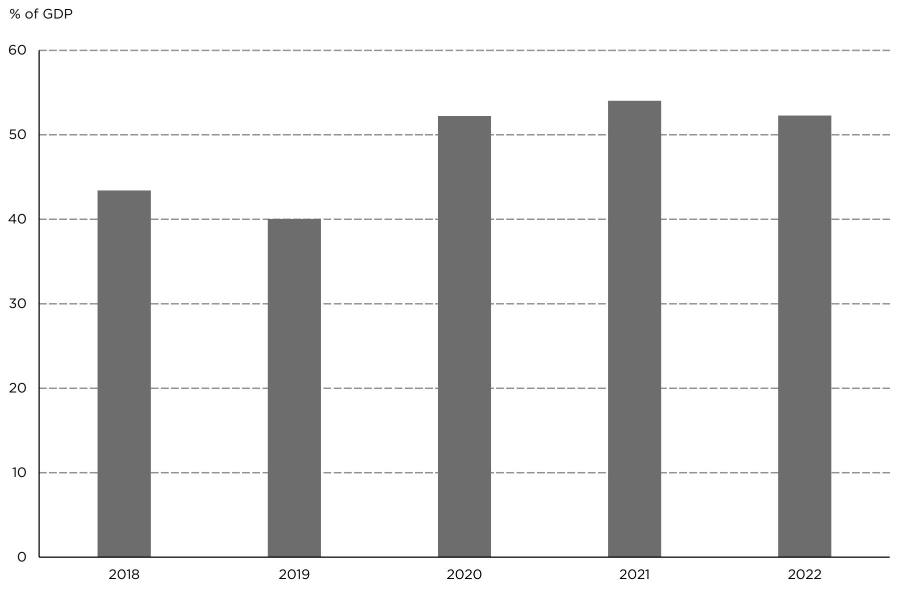
When compared to the first half of 2022, general Government expenditure increased by €125.1 million during the same period in 2023. Total expenditure amounted to €3,376.7 million. Major changes in expenditure outflows were recorded for social benefits (€67.4 million), intermediate consumption (€63.0 million) and compensation of employees (€34.7 million). In contrast, declines in expenditure during the same period were recorded for 'other' expenditure, mainly reflecting lower other current transfers (-€75.9 million) and gross capital formation (-€13.9 million).

5.3 General Government Debt Developments

In 2022, 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 52.3 per cent, from the rate of 54.0 per cent recorded in 2021. Total general Government debt stood at €9,000.5 million in 2022. Chart 5.6 shows developments in the debt-to-GDP ratio over recent years.

At the end of June 2023, the general Government debt stood at €9,161.1 million, showing an increase of €565.6 million over the corresponding

Chart 5.6
Debt-to-GDP ratio



Source: National Statistics Office

quarter in 2022. Currency and deposits stood at €455.1 million, a decrease of €112.1 million over June 2022. 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 €10.4 million while short-term loans remained at the level of €22.6 million.

Appendix Table 5.1: Government Revenue (January - September)

€ thousand

	2020	2021	2022	2023
Tax Revenue	**2,596,929**	**3,315,175**	**3,748,142**	**4,349,024**
Direct Tax Revenue	1,643,113	2,135,161	2,375,979	2,867,088
Income Tax	985,353	1,336,816	1,481,721	1,892,797
Social Security	657,760	798,345	894,258	974,291
Indirect Tax Revenue	953,816	1,180,014	1,372,164	1,481,936
Customs and Excise Duties	189,481	214,491	209,910	221,578
Licences, Taxes and Fines	221,224	246,816	259,356	288,153
Value Added Tax	543,112	718,707	902,897	972,205
Non-Tax Revenue	**333,403**	**331,763**	**324,475**	**393,543**
Fees of Office	86,477	71,154	62,012	55,000
Sales - goods	1,279	1,378	1,580	1,564
Sales - services	21,440	14,634	23,466	27,748
Sales - others	3,063	2,145	3,077	34,692
Reimbursements	2,355	1,941	2,129	3,301
Central Bank of Malta	25,000	25,000	22,173	-
Rents	23,975	19,907	23,894	22,498
Dividends on Investments	15,910	34,652	19,878	21,496
Repayment of Government Loans	8	2	1	1,081
and interest	-	-	-	-
Grants	84,286	94,974	110,147	187,309
Miscellaneous Receipts	69,610	65,976	56,117	38,854
Recurrent Revenue	**2,930,332**	**3,646,937**	**4,072,617**	**4,742,567**
Extraordinary Receipts	889	889	889	889
Loans	1,244,791	1,265,255	536,114	1,052,344
Repayment of Loans made by Government	421	-	1,517	250
Total Revenue	**4,176,432**	**4,913,081**	**4,611,138**	**5,796,050**

Source: The Treasury, Ministry for Finance

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

€ thousand

	2020	2021	2022	2023
Office of the President	2,548	2,730	3,434	3,967
Parliamentary Service	7,669	7,900	6,187	8,548
Office of the Ombudsman	1,340	952	1,420	1,449
National Audit Office	3,000	3,150	3,300	3,500
Commissioner for Standards in Public Life	640	239	759	-
Office of the Prime Minister	50,701	35,439	39,151	46,028
Information	790	773	1,023	929
Government Printing Press	1,123	1,156	1,293	1,344
Electoral Office	1,668	1,895	8,039	2,398
Public Service Commission	490	421	430	500
Industrial and Employment Relations	1,197	1,343	1,321	1,384
Ministry for Health	561,191	632,033	630,518	646,852
Ministry for the National Heritage, the Arts and Local Government	-	35,461	39,347	46,461
Local Government	35,362	40,247	37,859	38,478
Ministry for Foreign and European Affairs and Trade	68,704	26,533	30,767	29,404
Ministry for Social Policy and Children’s Rights	89,267	54,508	44,014	47,310
Social Policy	205,364	249,925	283,320	311,652
Social Security Benefits	816,173	840,182	901,329	978,780
Pensions	77,127	78,467	77,477	76,908
Ministry for Agriculture, Fisheries, and Animal Rights	-	27,132	32,149	45,121
Ministry for Social and Affordable Accommodation	-	21,469	23,170	27,965
Ministry for the Economy, European Funds and Lands	69,643	103,160	27,037	30,723
Commerce	1,031	1,170	1,272	1,285
Ministry for Inclusion, Voluntary Organisations and Consumer Rights	-	37,111	37,251	38,283
Ministry for Transport, Infrastructure and Capital Projects	81,868	71,080	77,563	84,239
Ministry for Gozo	31,119	35,126	40,981	43,815
Ministry for Home Affairs, Security, Reforms and Equality	37,168	52,648	48,111	54,298
Armed Forces of Malta	36,488	51,918	44,557	50,072
Police	55,706	57,730	58,453	62,587
Probation and Parole	899	1,010	989	966
Civil Protection	6,273	7,918	7,108	7,427
Ministry for Tourism [and Consumer Protection]	95,844	98,120	105,508	112,565
Ministry for the Environment, Energy and Enterprise	77,332	358,928	312,605	271,361
Ambjent Malta	12,114	10,325	12,170	10,766
Ministry for Finance and Employment	122,532	264,709	219,437	188,422
Economic Policy	1,124	1,041	1,347	1,468
Treasury	21,964	27,116	82,824	39,911
Commissioner for Revenue	13,762	16,732	18,568	24,676
Customs	8,274	8,741	9,903	9,992
Contracts	1,206	1,216	2,321	2,267
Ministry for Education, Sport, Youth, Research and Innovation	253,382	242,939	266,772	285,578
Education	221,313	247,218	249,276	269,730
Ministry for Public Works and Planning	-	-	-	26,089
Ministry for Justice [and Governance]	70,412	32,296	34,441	40,319
Ministry for Active Ageing	110,210	132,272	153,041	182,498
[Ministry for Equality, Research and Innovation	-	7,910	4,867	-
[Ministry for the Environment, Climate Change and Planning	66,207	38,551	31,338	-
Recurrent Expenditure	**3,320,222**	**3,968,941**	**4,014,047**	**4,158,315**

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		
	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
General public services	94,645	99,583	104,883	38,431	38,791	42,767	387,111	410,569	351,207	102,148	110,267	130,963
Defence	45,284	38,280	42,233	5,969	5,762	7,193	542	515	646	0	0	0
Public order and safety	66,656	66,619	72,235	7,633	8,045	9,189	10,803	8,983	11,801	36,056	33,146	34,339
Economic affairs	39,607	42,295	47,784	33,714	7,981	19,769	400,549	308,802	42,468	129,241	137,017	112,685
Environment protection	4,315	3,934	1,127	754	425	103	22,700	17,420	202,647	7,740	6,540	49,850
Housing and community amenities	0	0	0	0	0	0	13,697	16,508	21,498	0	5,000	2,000
Health	252,908	260,325	269,291	59,489	62,361	70,549	262,468	244,342	235,188	57,225	63,490	71,824
Recreation, culture and religion	5,629	6,290	6,710	856	1,327	1,287	7,026	8,953	14,502	22,720	23,801	24,892
Education	204,092	214,590	224,606	15,179	14,227	18,846	167,069	173,305	190,585	103,801	113,926	121,271
Social protection	50,989	51,979	54,363	28,337	35,645	51,828	1,255,341	1,350,232	1,471,463	28,216	22,771	23,725
Total	**764,126**	**783,895**	**823,232**	**190,362**	**174,563**	**221,531**	**2,527,307**	**2,539,629**	**2,542,004**	**487,146**	**515,959**	**571,548**

	Interest Expenditure			Capital Expenditure			Total expenditure		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
General public services	137,065	126,182	154,195	211,496	212,356	250,639	**970,896**	**997,749**	**1,034,654**
Defence	0	0	0	1,834	1,489	3,011	**53,631**	**46,047**	**53,084**
Public order and safety	0	0	0	23,911	20,164	25,243	**145,059**	**136,956**	**152,807**
Economic affairs	0	0	0	109,432	125,472	76,431	**712,543**	**621,567**	**299,137**
Environment protection	0	0	0	7,595	4,864	28,681	**43,105**	**33,183**	**282,408**
Housing and community amenities	0	0	0	607	1,158	1,360	**14,304**	**22,666**	**24,858**
Health	0	0	0	36,385	21,761	34,532	**668,475**	**652,279**	**681,384**
Recreation, culture and religion	0	0	0	6,768	12,530	13,188	**43,000**	**52,901**	**60,578**
Education	0	0	0	26,072	31,314	44,241	**516,213**	**547,363**	**599,549**
Social protection	0	0	0	7,571	4,132	4,733	**1,370,453**	**1,464,757**	**1,606,113**
Total	**137,065**	**126,182**	**154,195**	**431,671**	**435,240**	**482,060**	**4,537,677**	**4,575,468**	**4,794,570**

Statistical Annex

Table I: Population[1]

	2015	2016	2017	2018	2019	2020	2021	2022
Total Population (000's)	**450,415**	**460,297**	**475,701**	**493,559**	**514,564**	**516,100**	**520,971**	**542,051[b]**
Males (000's)	226,396	231,663	240,599	251,836	265,762	266,939	270,066	284,821[b]
Females (000's)	224,019	228,634	235,102	241,723	248,802	249,161	250,905	257,230[b]
% Increase per annum	2.4%	2.2%	3.3%	3.8%	4.3%	0.3%	0.9%	:[b]
Natural Increase per annum	883	1,134	748	756	662	323*	232	79
Crude Birth Rate (per 1,000 population)	9.7	9.8	9.2	9.2	8.6	8.6	8.5	8.1[b]
Crude Mortality Rate (per 1,000 population)	7.7	7.3	7.6	7.6	7.3	7.9*	8.0	8.0[b]
Crude Marriage Rate (per 1,000 population)[2]	6.7	6.7	6.3	5.8	5.3	2.2	4.4	4.8[b]
Infant Mortality Rate (per 1,000 births)[3]	5.8	7.4	6.7	5.6	6.7	3.9	3.9	5.3
Life Expectancy (at birth)	82.0	82.6	82.4	82.5	83.0	82.3*	82.5	82.3[b]
Males	79.8	80.6	80.2	80.4	81.2	80.2*	80.8	80.3[b]
Females	84.1	84.4	84.6	84.6	84.6	84.5*	84.3	84.5[b]
Life Expectancy (at age 65)	20.3	21.0	20.7	20.8	21.1	20.5*	20.7	20.5[b]
Males	18.8	19.7	19.0	19.2	19.4	18.9*	19.5	19.0[b]
Females	21.6	22.1	22.2	22.3	22.5	22.0*	21.8	21.8[b]

[1] Time series 2015 - 2021 to be revised based on results from the 2021 Census of Population and Housing.

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

[3] Mortality counts have been revised as a result of an update provided by the National Mortality Register, Directorate for Health Information and Research.

[b] Population estimates at end of year 2022 are based on the 2021 Census of Population and Housing. There is now a temporary break in series. Data for 2022 is not comparable to the current time series.

Source: National Statistics Office

Table II: Social Indicators	2015	2016	2017	2018	2019	2020	2021	2022
GDP at current market prices per capita (€)	22,447	23,133	25,479	26,882	28,303	25,886	29,484	32,435
Quality of Life								
Motor Vehicle Licences per 1,000 population[1]	770	780	782	781	773	780	793	784
Internet Subscriptions per 1,000 population	371.2	380.2	393.9	403.3	410.3	414.0	428.6	440.5
Mobile Phone Subscriptions per 1,000 population*	1,268.1	1,299.8	1,313.8	1,294.6	1,285.3	1,230.4	1,259.3	1,347.0
Fixed Telephone Lines per 1,000 population*	523.6	520.3	520.6	534.7	517.9	501.2	499.9	497.4
Education								
Number of teachers (000)	8.2	8.7	8.8	9.1	9.3	9.7	9.7	10.2[(p)]
Number of pupils/students (000)	79.6	80.4	80.4	82.6	83.7	85.3	86.0	87.0[(p)]
of which:								
University students (All Courses)	11,115	11,062	11,092	11,014	11,024	10,676	11,081	10,312.1[(p)]
University students = number of students attending the University of Malta only and not other Universities in Malta.								
Electricity[2]								
Total Generated (000 MWh)[3]	2,257.2	2,247.5	2,376.8	2,394.8	2,514.7	2,320.1	2,499.1	2,642.6
Number of Consumers (000)	289.5	295	301	307.6	317.2	325.5	334.8	343.9
Domestic Consumption (million kwh)	644.1	641.8	774.3	805.3	882.8	892	959.8	1,019.6
Water								
Total annual production (million m^3)	31.2	32.0	33.1	33.5	34.7	34.6	34.2	35.4
Average daily consumption (000 m^3)	75.9	77.1	79.9	81.3	84.3	85.4	84.4	87.2
Social Security								
Total Payments (€ million)	1,411.6	1,502.4	1,607.0	1,687.4	1,813.8	2,027.9	2,199.5	2,261.0
Total Contributions (€ million)	739.6	804.4	875.1	967.8	1,046.1	1,064.1	1,199.6	1,363.0
Welfare Gap (€ million)	672.0	698.0	731.9	719.5	767.6	963.7	999.9	898.0

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

[2] Refer to Financial Year

[3] Electricity generation from power plants and the interconnector

[(p)] Provisional data

Source: National Statistics Office

(*) **Source:** Malta Communications Authority

Table III: Factor Incomes in Gross National Income

€ million

	2015	2016	2017	2018	2019	2020	2021	2022	2017 Jan-Jun	2018 Jan-Jun	2019 Jan-Jun	2020 Jan-Jun	2021 Jan-Jun	2022 Jan-Jun	2023 Jan-Jun
Compensation of employees	4,096.6	4,498.5	4,975.9	5,643.6	6,158.3	6,259.0	6,726.9	7,390.7	2,442.7	2,782.2	3,026.7	3,122.6	3,327.4	3,619.5	3,940.2
Gross operating surplus and mixed income	4,830.6	4,895.1	5,683.0	6,009.2	6,702.5	6,384.0	7,693.5	8,882.4	2,748.0	2,849.7	3,196.5	3,040.2	3,535.5	4,124.8	4,601.6
Taxes on production and imports	1,204.0	1,284.5	1,423.8	1,593.8	1,640.6	1,416.2	1,598.4	1,788.6	657.8	724.1	784.4	652.2	732.7	844.4	924.9
Subsidies	134.6	137.0	146.0	202.6	215.8	705.5	726.1	849.1	69.1	89.7	103.0	292.3	328.0	311.2	333.2
Gross Domestic Product at market prices	**9,996.7**	**10,541.1**	**11,936.6**	**13,044.0**	**14,285.6**	**13,353.8**	**15,292.6**	**17,212.5**	**5,779.3**	**6,266.3**	**6,904.6**	**6,522.7**	**7,267.6**	**8,277.5**	**9,133.5**
Net Income from Abroad	-552.5	-1,032.0	-1,193.6	-1,216.1	-1,303.9	-1,384.7	-1,552.9	-1,735.9	-561.9	-537.3	-641.7	-709.3	-727.8	-837.1	-757.0
Gross National Income at market prices	**9,444.2**	**9,509.2**	**10,743.0**	**11,828.0**	**12,981.7**	**11,969.1**	**13,739.7**	**15,476.5**	**5,217.4**	**5,729.0**	**6,262.8**	**5,813.4**	**6,539.8**	**7,440.4**	**8,376.5**
Sectoral Percentage Contribution to Gross Value Added (at basic prices)															
Agriculture, hunting and forestry [1]	1.0%	1.0%	0.7%	0.7%	0.5%	0.8%	1.0%	1.0%	0.8%	0.7%	0.6%	0.7%	0.6%	0.8%	0.8%
Industry [2]	13.8%	13.9%	13.2%	13.4%	13.9%	14.8%	13.8%	13.6%	13.5%	13.5%	13.8%	14.7%	14.3%	13.3%	13.6%
Services Activities	85.1%	85.0%	86.1%	85.8%	85.6%	84.3%	85.2%	85.4%	85.7%	85.8%	85.7%	84.6%	85.1%	85.8%	85.7%

[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

€ million

	2016	2017	2018	2019	2020	2021	2022	2020 Jan-Jun	2021 Jan-Jun	2022 Jan-Jun	2023 Jan-Jun
GNI at current market prices	9,509.2	10,743.0	11,828.0	12,981.7	11,969.1	13,739.7	15,476.5	5,813.4	6,539.8	7,440.4	8,376.5
% annual increase of GNI	0.7%	13.0%	10.1%	9.8%	-7.8%	14.8%	12.6%	-7.2%	12.5%	13.8%	12.6%
GDP at current market prices	10,541.1	11,936.6	13,044.0	14,285.6	13,353.8	15,292.6	17,212.5	6,522.7	7,267.6	8,277.5	9,133.5
% annual increase of GDP	5.4%	13.2%	9.3%	9.5%	-6.5%	14.5%	12.6%	-5.5%	11.4%	13.9%	10.3%
GDP at constant prices[2]	10,334.7	11,458.1	12,307.8	13,176.6	12,112.2	13,601.7	14,542.4	5,946.0	6,520.3	7,106.6	7,419.7
Total Final Consumption Expenditure											
current market prices	6,762.6	7,169.1	8,013.9	8,708.9	8,524.5	9,326.4	10,484.7	4,064.3	4,398.9	5,017.8	5,547.3
constant prices[2]	6,690.4	6,993.5	7,691.9	8,191.2	7,880.4	8,488.1	9,095.1	3,764.0	4,033.1	4,425.1	4,621.5
Ratio (%) of consumption to GDP at m.p.	64.2%	60.1%	61.4%	61.0%	63.8%	61.0%	60.9%	62.3%	60.5%	60.6%	60.7%
General Government Final Consumption Expenditure											
current market prices	1,668.8	1,736.1	2,007.5	2,331.6	2,756.7	3,005.7	3,193.3	1,319.8	1,470.5	1,595.5	1,651.9
constant prices[2]	1,644.3	1,668.5	1,857.4	2,104.1	2,417.7	2,575.9	2,635.2	1,156.9	1,265.5	1,327.8	1,314.4
Ratio (%) of Government consumption to GDP at m.p.	15.8%	14.5%	15.4%	16.3%	20.6%	19.7%	18.6%	20.2%	20.2%	19.3%	18.1%
Private Final Consumption Expenditure[1]											
current market prices	5,093.8	5,433.0	6,006.4	6,377.3	5,767.8	6,320.6	7,291.4	2,744.4	2,928.4	3,422.2	3,895.4
constant prices[2]	5,046.1	5,325.3	5,834.4	6,080.6	5,434.2	5,883.7	6,440.1	2,593.4	2,750.9	3,083.7	3,298.7
Ratio (%) of private consumption to GDP at m.p.	48.3%	45.5%	46.0%	44.6%	43.2%	41.3%	42.4%	42.1%	40.3%	41.3%	42.6%
Gross Fixed Capital Formation											
current market prices	2,391.1	2,376.9	2,519.2	2,835.2	2,691.5	3,106.8	4,347.9	1,352.9	1,506.1	1,969.8	1,760.6
constant prices[2]	2,357.5	2,302.2	2,391.4	2,663.0	2,507.9	2,826.2	3,707.6	1,260.6	1,384.6	1,710.9	1,410.9
Ratio (%) fixed investment to GDP at m.p.	22.7%	19.9%	19.3%	19.8%	20.2%	20.3%	25.3%	20.7%	20.7%	23.8%	19.3%

[1] Including NPISH final consumption expenditure
[2] In Chain linked volumes (reference year 2015)

Source: National Statistics Office

Table V: Labour

	2018	2019	2020	2021	2022	2021 March	2022 March	2023 March	2021 April	2022 April	2023 April
Labour Supply	**211,343**	**225,036**	**235,839**	**240,553**	**254,255**	**238,118**	**248,205**	**268,983**	**239,009**	**249,147**	**269,490**
Gainfully Occupied	**209,496**	**223,336**	**232,679**	**238,759**	**253,257**	**235,731**	**247,197**	**267,970**	**236,761**	**248,184**	**268,524**
Males	128,670	136,373	141,780	144,654	153,430	143,193	149,489	162,762	143,729	150,095	163,056
Females	80,826	86,963	90,899	94,105	99,827	92,538	97,708	105,208	93,032	98,089	105,468
Private Direct Production	**35,795**	**37,936**	**39,745**	**40,710**	**42,528**	**40,504**	**41,648**	**44,893**	**40,741**	**41,684**	**44,889**
of which:											
Construction	11,295	12,942	14,435	15,383	16,894	15,044	16,244	18,219	15,205	16,385	18,209
Manufacturing	21,747	22,120	22,246	22,196	22,383	22,341	22,200	23,246	22,415	22,112	23,250
Others	2,753	2,874	3,064	3,131	3,251	3,119	3,204	3,428	3,121	3,187	3,430
Private Market Services	**126,377**	**136,691**	**143,084**	**146,882**	**159,449**	**144,419**	**154,446**	**172,089**	**145,060**	**155,373**	**172,616**
of which:											
Wholesale and Retail (including Repair of Motor Vehicles, Motorcyles and Personal and Household Goods)	27,321	28,282	28,840	29,369	30,633	28,867	30,072	32,291	29,008	30,176	32,335
Accomodation and Food Services	14,033	15,258	15,443	15,006	17,469	14,387	16,256	19,796	14,327	16,436	19,912
Financial and Insurance Activities	9,724	10,371	11,359	11,634	12,419	11,576	12,052	12,970	11,601	12,119	13,024
Others	75,299	82,780	87,442	90,873	98,928	89,589	96,066	107,032	90,124	96,642	107,345
Public Sector	**47,324**	**48,709**	**49,850**	**51,167**	**51,280**	**50,808**	**51,103**	**50,988**	**50,960**	**51,127**	**51,019**
of which:											
Government Departments	34,096	34,422	34,658	35,291	35,105	35,070	34,922	35,045	35,141	34,961	35,028
Independent Statutory Bodies	11,174	12,017	12,799	13,514	13,756	13,398	13,747	14,046	13,466	13,727	14,074
Companies with Public Sector majority s/hldg	2,054	2,270	2,393	2,362	2,419	2,340	2,434	1,897	2,353	2,439	1,917
of which Temporary Employment											
Registered Unemployed*	**1,847**	**1,700**	**3,160**	**1,794**	**998**	**2,387**	**1,008**	**1,013**	**2,248**	**963**	**966**
Males	1,297	1,187	1,990	1,208	704	1,573	722	709	1,485	680	682
Females	550	513	1,170	586	294	814	286	304	763	283	284
Self Employed	23,912	25,481	26,946	28,250	28,971	27,878	28,788	29,439	27,998	28,823	29,499

Note: Employment data is subject to revision

* Includes both Parts I and II of the registered unemployed

Data for 2018 - 2022 shows annual averages while data for 2021, 2022, 2023 shows data as at end March, April

Source: JobsPlus

Table VI: Tourism

	2015	2016	2017	2018	2019	2020	2021	2022	2021 Jan-Jul	2022 Jan-Jul	2023 Jan-Jul
Inbound Tourists (000's)	**1,783**	**1,966**	**2,274**	**2,599**	**2,753**	**659**	**968**	**2,287**	**261**	**1,173**	**1,615**
of which from:											
United Kingdom	496	485	473	517	514	92	221	418	26	221	290
Italy	179	193	226	233	236	53	81	249	48	195	293
Germany	136	138	169	192	176	57	97	168	28	88	113
Libya	7	3	3	3	3[u]	:	:	3[u]	:	:	4[u]
Scandinavian Countries*	117	124	135	128	124	18	31	76	10	42	49
Other	848	1,022	1,268	1,525	1,700	438	538	1,373	149	627	865
Cruise Passengers (000's)[1]	**592**	**615**	**658.2**	**623**	**754**	**59**	**139**	**478**	**45**	**225**	**414**
Expenditure from Inbound Tourism (€ million)	**1,639,067**	**1,708,952**	**1,946,894**	**2,101,765**	**2,220,627**	**455,108**	**870,710**	**2,012,540**	**246,885**	**973,668**	**1,371,290**
Total Sector Employment in Hotels and Restaurants[2]	**10,800**	**11,619**	**12,678**	**14,033**	**15,258**	**15,443**	**15,006**	**17,469**	**14,327**	**16,436**	**19,912**
% of Gainfully Occupied	6.2	6.3	6.5	6.7	6.8	6.6	6.3	6.9	6.1	6.6	7.4
									Jan-Jun	**Jan-Jun**	**Jan-Jun**
Outbound Tourists (000's)	**428**	**497**	**572**	**667**	**707**	**197**	**303**	**602**	**39**	**140**	**189**
Days Stayed / Nights Spent (000's)	**3,265**	**3,483**	**3,922**	**4,478**	**4,609**	**1,654**	**2,832**	**4,216**	**831**	**1,608**	**2,334**
% of which spent in :											
5 star	5.4%	5.6%	5.6%	5.2%	4.9%	3.0%	3.3%	4.1%	3.0%	3.5%	3.9%
4 star	18.4%	18.7%	18.4%	19.4%	20.1%	9.8%	8.8%	14.2%	3.4%	10.8%	15.8%
3 star	13.1%	13.2%	12.8%	15.0%	12.8%	7.0%	5.8%	10.1%	2.6%	7.1%	13.7%
2 star	0.7%	1.0%	1.0%	0.8%	1.0%	0.5%	0.4%	0.7%	0.5%	0.4%	0.7%
1 star	0.1%	0.1%	0.1%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Unclassified	3.6%	4.3%	4.4%	0.0%	0.0%	0.0%	1.8%	5.5%	0.0%	6.5%	0.0%
Guest Houses	1.1%	1.0%	0.9%	0.8%	0.9%	0.5%	0.7%	0.7%	0.2%	0.5%	0.4%
Flats/Private Residences	48.6%	47.4%	50.1%	51.2%	53.5%	74.0%	73.3%	58.1%	83.7%	65.0%	60.0%
Tourist Village/Aparthotels/Hostels/Holiday Complex/Camp Sites/Bed & Breakfast	9.1%	8.7%	6.7%	7.3%	6.6%	5.2%	6.0%	6.6%	6.6%	6.2%	5.5%

: Unreliable, less than 20 sample observations.
[u] Under represented - between 20 and 49 sample observations.
* Denmark, Finland, Norway and Sweden

[1] Excluding embarkations and Maltese cruise passengers.
[2] Jan-Jul Data shows April data for each year.

Source: National Statistics Office, JobsPlus

Table VII: Foreign Trade

€ million

	2015	2016	2017	2018	2019	2020	2021	2022	2021 Jan-Jul	2022 Jan-Jul	2023 Jan-Jul
Imports and Exports											
Imports (c.i.f.)	6,142.9	6,483.9	6,183.2	6,364.8	7,568.1	5,547.8	6,695.9	9,462.0	3,834.6	5,320.4	4,779.1
Consumer goods*	1,226.2	1,248.1	1,355.4	1,474.7	1,569.5	1,480.4	1,649.8	1,957.7	889.7	1,110.7	1,214.6
Industrial supplies*	1,488.9	1,346.3	1,333.5	1,492.5	1,695.5	1,413.4	1,643.6	2,222.2	930.1	1,233.9	1,315.9
Capital goods and others*	1,746.6	2,296.4	1,722.5	1,463.1	2,460.9	1,428.3	1,972.9	2,710.1	1,202.2	1,624.3	1,137.6
Fuels and Lubricants	1,681.3	1,593.0	1,771.8	1,934.4	1,842.3	1,225.8	1,429.5	2,572.0	812.6	1,351.5	1,111.0
Total Exports (f.o.b.)	3,602.6	3,930.1	3,706.9	3,447.1	3,810.1	3,559.8	3,567.3	4,669.2	1,988.5	2,491.4	2,486.4
Consumer goods*	790.8	1,452.7	903.2	1,007.1	994.1	992.5	1,024.7	1,158.9	520.5	523.7	549.9
Industrial supplies*	1,220.9	1,126.6	1,126.7	1,161.5	1,387.2	1,169.5	1,211.0	1,646.4	747.5	897.0	966.9
Capital goods and others*	224.5	220.6	257.1	291.9	300.2	323.5	316.4	340.1	195.3	190.9	248.9
Fuels and Lubricants	1,366.3	1,130.1	1,419.9	986.6	1,128.6	1,074.2	1,015.3	1,523.8	525.2	879.8	720.7
Trade Gap	-2,540.3	-2,553.9	-2,476.3	-2,917.7	-3,758.1	-1,988.0	-3,128.6	-4,792.8	-1,846.1	-2,829.0	-2,292.6
as % of GDP at current market prices	-25.4%	-24.2%	-20.8%	-22.4%	-26.3%	-14.9%	-20.5%	-27.8%	25.4%**	34.2%**	25.1%**
Selected Groupings											
EU											
Imports	3,254.3	2,890.7	2,956.4	3,696.3	3,695.9	3,060.2	3,758.9	4,868.9	2,189.1	3,000.8	2,473.2
Exports	984.6	1,126.5	1,351.8	1,447.4	1,573.5	1,238.8	1,266.9	1,485.3	836.6	850.4	976.0
United Kingdom											
Imports	420.2	352.6	414.0	529.1	1,364.4	432.5	501.6	402.9	225.9	221.8	356.2
Exports	141.4	108.3	78.7	62.4	58.1	47.3	106.2	164.3	51.8	121.8	60.8
Italy											
Imports	1,307.5	1,255.3	1,270.4	1,463.4	1,353.8	1,164.7	1,506.1	1,877.1	748.4	1,101.0	969.4
Exports	142.3	214.7	403	336.8	295.3	182.2	204.1	171.9	134.9	99.5	95.7
Germany											
Imports	381	377.2	430.7	454.3	513.5	343.8	327.5	426.7	197.1	252.1	249.4
Exports	345.9	399.4	402.8	426	495.5	427.2	359.5	525.9	224.8	227.8	491
France											
Imports	238.3	255.8	236.3	303	470	340.4	405.1	535.9	263.6	270.8	381.5
Exports	242.6	239	238.4	271.7	269.4	241.5	164.3	234	136.8	190.5	36.4
America											
Imports	789.3	1673.4	938.9	453.4	500.3	479.1	697.1	1460.5	407.8	720.1	440.8
Exports	193	789.2	187	180.4	191.9	146.9	168.7	178.1	110.5	99.1	95.6
Africa											
Imports	184.9	263.5	283.8	265.8	174.9	238.8	160.8	300.3	64.9	102	186
Exports	931	562.7	591.9	466.9	435.1	420.8	360.1	374.9	202.9	224.5	196.4
Asia											
Imports	782	786.5	943.7	933	1,021.8	963.8	1,106	1,827.3	617.7	914.3	1,001
Exports	715.6	671.2	638.6	701.2	766.9	798.5	690.9	919	295.3	345.5	361.4

* 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

	2016	2017	2018	2019	2020	2021	2022[4]	2021 Jan-Jun	2022[4] Jan-Jun	2023 Jan-Jun
Goods Balance[1]	-1,983.2	-1,469.1	-1,490.5	-1,440.8	-1,222.5	-1,924.8	-3,184.7	-886.4	-1,457.9	-1,290.8
Imports (f.o.b.)	2,615.3	3,056.9	3,203.7	3,449.8	3,020.1	3,035.6	4,074.1	1,416.7	1,865.4	1,604.4
Exports (f.o.b.)	4,598.5	4,526.0	4,694.1	4,890.6	4,242.6	4,960.4	7,258.7	2,303.1	3,323.3	2,895.3
Services-Net	3,155.0	3,551.7	3,416.5	4,472.2	3,464.6	4,106.5	5,102.1	1,835.3	2,365.1	2,516.8
Transport-net	209.5	284.9	355.4	364.8	182.7	230.1	0.0	73.1	0.0	0.0
Travel-net	937.8	1,114.1	1,132.6	1,212.1	231.1	454.3	0.0	52.7	0.0	0.0
Other Services-net	2,007.7	2,152.6	1,928.5	2,895.3	3,050.7	3,422.1	5,102.1	1,709.5	2,365.1	2,516.8
Primary Income- Net	-1,092.5	-1,251.4	-1,033.3	-1,571.1	-1,754.0	-1,725.2	-1,974.0	-816.7	-971.2	-1,179.1
Compensation of Employees-net	-37.7	-45.4	-46.4	-32.8	-30.4	-39.6	0.0	-19.0	0.0	0.0
Investment Income-net	-978.0	-1,130.9	-905.3	-1,450.3	-1,641.8	-1,625.6	-1,974.0	-767.7	-971.2	-1,179.1
Secondary Income-Net	-139.1	-131.7	-160.8	-169.4	-194.5	-272.0	-462.2	-114.9	-284.0	-117.8
General Government-net	3.1	6.6	-4.3	-5.6	-17.9	-132.7	-225.5	-46.0	-113.7	-47.2
Private-net	-142.2	-138.3	-156.5	-163.8	-176.6	-139.3	-236.6	-68.9	-170.3	-70.7
Current A/C-Net	-59.8	699.4	732.0	1,290.8	293.5	184.5	-518.8	17.4	-348.0	-70.9
Goods Balance[1] as % of GDP at m.p.	-18.814%	-12.308%	-11.426%	-10.086%	-9.155%	-12.587%	-18.5%	-12.196%	-17.6%	-14.1%
Invisible Balance as % of GDP at m.p.	30%	29.754%	26.192%	31.305%	25.9%	26.9%	29.6%	25.3%	28.6%	27.6%
Primary Income a/c Balance as % of GDP at m.p.	-10%	2.387%	-7.921%	-10.998%	-13.1%	-11.3%	-11.5%	-11.2%	-11.7%	-12.9%
Secondary Income a/c Balance as % of GDP at m.p.	-1%	-1.103%	-1.233%	-1.186%	-1.5%	-1.8%	-2.7%	-1.6%	-3.4%	-1.3%
Current a/c Balance as % of GDP at m.p.	-1%	5.859%	5.612%	9.035%	2.2%	1.2%	-3.0%	0.2%	-4.2%	-0.8%
Capital A/C-Net	37.5	76.1	117.7	108.5	84.1	151.7	266.6	23.5	113.8	192.3
Financial A/C-Net[2]	862.1	1,220.8	448.1	238.1	-272.1	636.5	-71.0	417.3	-1,811.5	1,743.1
Direct Investment-net	-8,511.7	-9,566.1	-9,846.9	-9,700.1	-9,758.1	-9,809.0	4,321.1	-4,765.4	2,122.6	782.0
Portfolio Investment-net[3]	4,757.6	6,839.7	3,175.7	4,723.2	6,411.5	7,026.3	653.9	3,572.5	-943.5	-934.3
Financial Derivatives-net[3]	169.1	73.1	258.4	-133.1	-64.2	-203.2	-95.4	-57.8	116.4	-49.8
Other Investment-net[3]	4,803.9	-3,702.7	4,079.4	2,981.6	575.9	-1,160.4	-5,061.2	-937.0	-3,208.2	1,873.4
Reserve Assets[3]	88.3	236.2	168.0	-109.4	-37.5	-43.7	109.7	55.5	101.2	71.9

[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] The Financial Account-Net in this Table includes Reserve Assets but does not include Errors and Omissions.

[3] 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.

[4] The data from January 1 2022 onwards includes revisions originating from SPE's (special purpose entites) and other additional data sources. The revision was communicated in the Press Information Notice dated 13/06/2023.

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.

Source: National Statistics Office

Table IX: Government Revenue and Expenditure

€ million

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2020 Jan-Sep	2021 Jan-Sep	2022 Jan-Sep	2023 Jan-Sep
Government Recurrent Revenue	3,387.2	3,634.8	3,807.0	4,291.2	4,559.8	4,972.9	4,389.3	5,413.2	5,845.2	2,930.3	3,646.9	4,072.6	4,742.6
Increase/(Decrease) % per annum	13.2	7.3	4.7	12.7	6.3	9.1	-11.7	23.3	8.0	-17.8	24.5	11.7	16.5
of which:													
Tax Revenue	2,953.7	3,195.6	3,446.0	3,829.3	4,167.8	4,485.8	3,942.5	4,898.2	5,313.7	2,596.9	3,315.2	3,748.1	4,349.0
Direct Tax Revenue	1,767.3	1,924.2	2,132.7	2,372.5	2,541.0	2,811.9	2,600.1	3,291.0	3,446.1	1,643.1	2,135.2	2,376.0	2,867.1
Indirect Tax Revenue	1,186.4	1,271.4	1,313.3	1,456.7	1,626.8	1,673.9	1,342.4	1,607.2	1,867.6	953.8	1,180.0	1,372.2	1,481.9
Non-Tax Revenue	433.5	439.2	361.0	461.9	392.0	487.0	446.8	515.0	531.4	333.4	331.8	324.5	393.5
Total Government Expenditure	3,523.5	3,870.6	3,798.1	4,108.5	4,630.0	4,963.5	5,857.2	6,645.7	6,745.4	4,069.3	4,537.7	4,540.5	4,794.6
Increase/(Decrease) % per annum	8.2	9.9	-1.9	8.2	12.7	7.2	18.0	13.5	1.5	15.4	11.5	0.1	5.6
of which:													
Recurrent Expenditure	2,857.0	3,056.8	3,264.3	3,543.3	3,821.4	4,216.2	4,638.9	5,714.7	5,832.5	3,320.2	3,968.9	4,014.0	4,158.3
Capital Expenditure	435.3	581.5	310.3	350.2	605.0	555.0	1,037.1	746.7	739.3	610.4	431.7	400.2	482.1
% of Total Government Expenditure	12.4	15.0	8.2	8.5	13.1	11.2	17.7	11.2	11.0	15.0	9.5	8.8	10.1
Interest on Public Debt	231.1	232.3	223.5	215.1	203.6	192.3	181.2	184.3	173.6	138.7	137.1	126.2	154.2
Balance of recurrent revenue and total expenditure	-136.3	-235.8	8.9	182.7	-70.2	9.4	-1,467.9	-1,232.5	-900.3	-1,139.0	-890.7	-467.9	-52.0
Financed by:													
Extraordinary Receipts	0.0	0.8	1.1	0.9	1.0	1.0	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Receipts from sale of shares	0.0	0.8	1.1	0.9	0.9	1.0	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Sinking Funds of Converted Loans	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sinking Fund Contribution & Direct Loan Repayment	-427.2	-384.1	-545.1	-427.9	-444.0	-489.7	-485.8	-492.5	-500.8	-426.4	-466.6	-474.0	-256.4
Equity Acquisition	-13.8	-41.1	-13.0	-71.4	-63.5	-18.8	-37.0	-34.5	-28.0	-27.0	-4.5	-35.0	-5.5
Loan Facility Agreement with the Hellenic Republic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loan Facility Agreement with Air Malta plc	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayment of Loans made by Government	0.0	40.4	12.2	0.0	0.0	0.0	0.9	2.2	5.7	0.4	0.0	1.5	0.3
Public Sector Borrowing Requirement	-577.3	-619.8	-535.9	-315.7	-576.7	-498.2	-1,988.8	-1,756.4	-1,422.6	-1,591.0	-1,360.9	-974.5	-312.8
Loans	648.8	473.2	597.9	357.4	243.5	449.7	1,549.8	1,854.1	1,044.7	1,244.8	1,265.3	536.1	1,052.3

Source: National Statistics Office

Table X: Contribution of Resident MFIs to Euro Area Monetary Aggregates and Counterparts[1]

€ million

	2015	2016	2017	2018	2019	2020	2021	2022	2023* Jan-Jul
Broad Money (M3)[2]	16,229.4	17,809.2	19,426.1	19,671.1	20,663.4	22,411.3	24,800.0	26,161.4	26,553.6
Intermediate Money (M2)	16,104.3	17,713.5	18,643.3	19,610.6	20,609.1	22,464.6	24,845.0	26,161.4	26,555.7
% Increase/ (Decrease)		10.0	5.2	5.2	5.1	9.0	10.6	5.3	1.5
of which:									
Narrow Money (M1)	12,148.2	13,551.2	14,904.4	15,881.4	16,986.0	18,601.6	20,748.9	22,721.4	22,536.0
Currency issued[3]	893.1	939.5	968.7	1,028.7	1,190.8	1,356.0	1,451.6	1,482.0	1,500.1
% Increase/ (Decrease)		5.2	3.1	6.2	15.8	13.9	7.1	2.1	1.2[7]
Overnight deposits[4]	11,255.1	12,611.8	13,935.7	14,852.7	15,795.2	17,245.6	19,297.4	21,239.4	21,035.9
Deposits redeemable at notice up to 3 months[4]	123.0	105.0	46.8	77.6	91.2	121.6	373.2	134.8	107.6
Deposits with agreed maturity up to 2 years[4]	3,833.1	4,057.3	3,692.0	3,651.6	3,531.9	3,741.5	3,722.9	3,305.2	3,912.1
Credit Counterpart[5]	16,407.6	17,012.7	17,407.5	18,318.7	18,847.1	20,079.1	20,897.5	23,097.9	23,759.2
of which:									
Credit to residents of Malta	12,393.6	12,706.1	12,943.9	13,560.6	14,212.2	15,759.6	17,080.9	18,369.9	18,723.7
Credit to other Euro Area residents	4,014.0	4,306.6	4,463.6	4,754.6	4,634.8	4,319.5	3,816.6	4,728.0	5,035.5
Net claims on non-residents of the Euro Area	11,034.4	9,421.8	6,718.4	5,440.8	4,756.5	5,066.5	4,853.9	5,289.6	5,189.9
Other counterparts (net)[6]	11,212.7	8,625.3	4,699.9	4,115.7	2,964.5	2,734.3	951.3	2,226.1	2,395.6

* 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 occurred between Dec-18 and Jan-19 as a result of a change in the ECB Capital Key.

Source: Central Bank of Malta