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MINISTRY FOR FINANCE
ECONOMIC POLICY DEPARTMENT

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

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Executive Summary

The global economy faced renewed headwinds in 2026 as geopolitical tensions in the Middle East escalated. Disruptions to energy supplies and maritime traffic raised energy, transport and food costs, intensifying inflationary pressures and weakening confidence. Global growth is projected to moderate from 3.5 per cent in 2025 to 3.0 per cent in 2026, before recovering to 3.4 per cent in 2027. In the Euro Area (EA), growth is projected at 0.9 per cent in 2026 and 1.2 per cent in 2027, while renewed price pressures prompted the European Central Bank (ECB) to raise its main policy rates twice by 25 basis points.

Despite the challenging external environment, the Maltese economy performed robustly in the first half of 2026. Nominal and real Gross Domestic Product (GDP) expanded by 6.9 per cent and 4.4 per cent, respectively, compared with corresponding European Union (EU) growth rates of 3.9 per cent and 1.2 per cent. Domestic demand contributed 5.3 percentage points to growth, supported by increases of 3.4 per cent in private consumption, 12.8 per cent in public consumption and 8.2 per cent in gross fixed capital formation. Conversely, net exports detracted 0.9 percentage points from growth, as exports rose by 1.3 per cent while imports rose by 2.3 per cent.

Nominal Gross Value Added (GVA) increased by 6.8 per cent to €11.7 billion, with growth broadly distributed across economic activities. Manufacturing GVA rose by 6.1 per cent in nominal terms and 4.7 per cent in volume terms, while financial services expanded by 10.3 per cent nominally and 9.5 per cent in real terms. Digital-services GVA increased by 4.5 per cent, with employment growth up 3.5 per cent. Tourism also performed strongly: inbound visitors reached 2.6 million between January and July, up by 18.3 per cent, while expenditure rose by 15.8 per cent to €2.3 billion.

Inflation in Malta remained comparatively contained despite stronger international price pressures. The Harmonised Index of Consumer Prices (HICP) inflation stood at 2.0 per cent in August, compared with 3.2 per cent in both the EU and the EA, while Malta's twelve-month moving average was 2.3 per cent. Services inflation averaged 3.3 per cent and contributed 1.3 percentage points to the HICP, with food prices also exerting upward pressure. The Retail Price Index (RPI) inflation averaged around 2.6 per cent during the first eight months of 2026, driven mainly by food and housing. Meanwhile, compensation of employees increased by 9.9 per cent, Gross National Income (GNI) rose by 7.3 per cent and residential property prices increased by 6.9 per cent annually in the second quarter.

At the end of 2025, Malta's resident population stood at 588,254 individuals, up 2.4 per cent compared with 2024. Net migration continued to drive population growth, increasing by 31.0 per cent to 13,906 persons. At the same time, natural increase declined, reflecting fewer live births among residents. Malta's total fertility rate stood at 1.0 children per woman in 2024, the lowest rate recorded in the EU, highlighting the demographic pressures associated with persistently low fertility. At the end of 2025, persons aged 65 and over accounted for 18.4 per cent of the total population, reflecting the continued importance of demographic ageing for Malta's labour supply.

Labour market conditions remained strong in the second quarter of 2026. The activity rate among persons aged 15-64 reached 82.8 per cent, with the 25-54 age cohort continuing to record the highest rate. Total employment rose by 3.4 per cent to 339,935 persons, while the employment rate for persons aged 15-64 rose to 80.1 per cent. The unemployment rate stood at 3.3 per cent, 0.4 percentage points higher than a year earlier, but remained low relative to the EU-27 rate of 6.0 per cent. Meanwhile, foreign workers accounted for 40.6 per cent of total full-time and part-time employment as at April 2026, an increase of 2.5 percentage points compared with April 2025.

Social conditions in Malta continued to improve in 2025. Average equivalised household income increased at a faster pace than in the EA, further converging towards the EA average. Income inequality

also declined notably, with the Gini coefficient declining to the EU-27 average. Poverty and social exclusion indicators improved further, as the at-risk-of-poverty-or-social-exclusion (AROPE) rate declined and remained below the EU-27 average. While the at-risk-of-poverty (AROP) rate remained unchanged, both the severe material and social deprivation rate and the low work intensity rate declined compared with the previous year and remained below EU-27 levels. These developments point to higher household incomes, a more even distribution of income, and modest improvements in poverty and social exclusion indicators in Malta.

Malta continued to progress towards a lower-carbon economy in 2024, with national greenhouse gas (GHG) emissions declining by 1.7 per cent and standing 17.3 per cent below their 1990 level. Per capita, emissions were also at their lowest level over the inventory time series. While Malta's overall renewable energy share remained below the EU average, non-biofuel renewable energy directly consumed by final users accounted for 4.3 per cent of final energy consumption compared with 2.5 per cent in the EU-27. Electricity continued to play a prominent role in Malta's energy mix, accounting for 40.9 per cent of final energy consumption, the highest share among EU Member States. Environmental tax revenue remained broadly stable in 2024, with energy taxes continuing to account for around half of total environmental tax receipts.

Malta's trade balance improved in the first seven months of 2026, with exports up by 14.7 per cent and imports down by 3.9 per cent, narrowing the trade deficit by 19.7 per cent compared with the same period in 2025. The improvement was also evident when volatile items such as fuels, aircraft parts and ships were excluded, reflecting stronger underlying export performance and weaker import demand. The EU remained Malta's main trading partner, accounting for the majority of imports and a significant share of exports.

Malta's current account remained in surplus, supported by a strong and persistent services surplus that continued to offset structural deficits in goods trade and primary income. Tourism, financial services, transport, and gaming-related activities remained key drivers of external earnings,

while capital transfers, including EU funding, continued to support investment and strengthen the country's external position. The financial account recorded a net lending position in the first half of 2026, driven mainly by portfolio investment flows, despite considerable volatility across its components. Malta's net international investment position remained robust at 78.6 per cent of GDP in 2025, reflecting a strong external balance sheet. In addition, domestic savings continued to exceed investment, supporting a current account surplus and highlighting the resilience of Malta's external sector.

Exchange rate developments had a mixed impact on Malta's external competitiveness. The Euro remained relatively strong against major currencies, and Malta's Real Effective Exchange Rate (REER) continued to appreciate, pointing to some deterioration in price competitiveness. Nevertheless, Malta maintained a favourable competitive position relative to the EU average.

During the first seven months of 2026, Maltese monetary financial institutions (MFIs) contributed positively to the EA Broad Money (M3) stock, which rose by 2.6 per cent. Strong growth in overnight deposits largely drove this increase, leading to a 3.6 per cent rise in Narrow Money (M1). In contrast, deposits redeemable on notice of up to three months and deposits with an agreed maturity of up to two years reduced M3. Reflecting depositors' continued preference for more liquid assets, overnight deposits remained the main source of monetary growth, whereas longer-term deposit categories continued their downward trend throughout the review period.

During the same period, the credit counterpart grew by 5.1 per cent, reaching €32,244.5 million in July 2026. This reflected stronger credit extended to both Maltese residents and residents of other EA countries, which expanded by 3.9 per cent and 8.4 per cent, respectively. Net claims on non-residents of the EA also supported M3 growth, rising by 23.0 per cent to €6,127.6 million. Nevertheless, this positive contribution was partially offset by developments in the 'Other counterparts' component, which continued to weigh negatively on M3 while recording an increase in value over the review period.

During the first nine months of 2026, recurrent revenue increased by €704.2 million, or 12.4 per cent, mainly supported by higher income tax and Value Added Tax (VAT) receipts. Total Government expenditure rose by €935.8 million, or 15.8 per cent, to €6,853.1 million. Consequently, the cash-based Consolidated Fund deficit widened by €231.7 million to €484.8 million, while the public sector borrowing requirement increased to €1,044.1 million.

The increase in expenditure was broad-based. Recurrent expenditure rose by 14.8 per cent to €5,866.8 million, driven mainly by programmes and initiatives, personal emoluments, and operational and maintenance expenditure. Capital expenditure increased by 26.7 per cent to €739.5 million, driven by notable increases in recreation, culture and religion, public services, and health.

The latest European System of Accounts (ESA) 2010 data, covering the first half of 2026, show that the general Government deficit widened to €698.5 million, equivalent to 5.5 per cent of GDP generated during the period. Revenue increased by 6.7 per cent to €4,196.1 million, while expenditure rose 15.2 per cent to €4,894.6 million. General Government debt reached €11,977.2 million at the end of June 2026, largely reflecting an increase in debt securities.

CHAPTER 1

Macroeconomic Developments

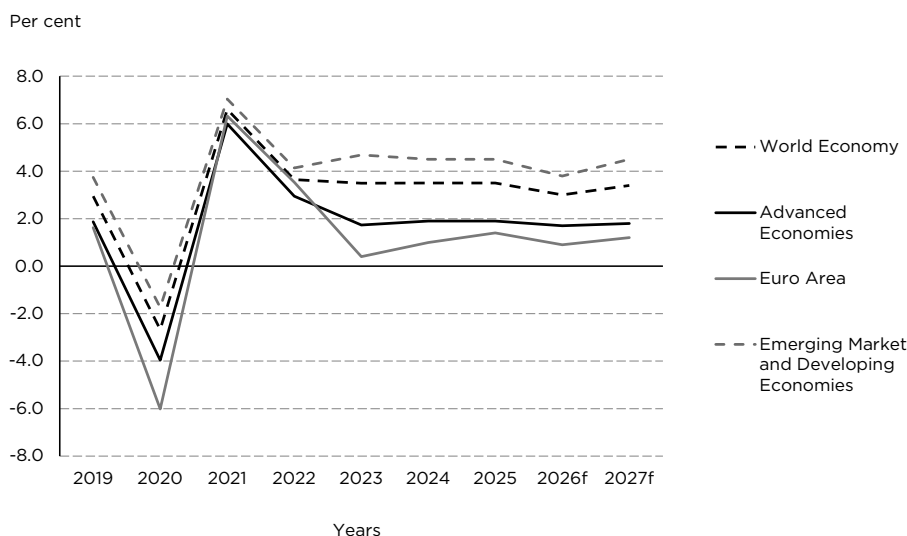
Chapter 1

Macroeconomic Developments

1.1 International Context

The global economy in 2026 was significantly affected by a major geopolitical shock after tensions escalated in the Middle East. Disruptions to energy supplies and maritime traffic through the Strait of Hormuz, one of the world's most critical energy corridors, sharply increased oil prices and triggered widespread repercussions across global markets. The impact extended beyond the energy sector, raising transport and food costs, fuelling inflationary pressures, dampening

Chart 1.1
GDP Growth, Constant Prices



Source: IMF World Economic Outlook

business confidence, and eroding households' purchasing power. Energy-importing economies, particularly in Europe and Asia, were especially vulnerable to these developments. As policymakers faced mounting inflationary pressures, the European Central Bank (ECB) became the first major central bank to raise interest rates in response to the conflict. The ECB raised its three main policy interest rates twice this year by 25 basis points each time. The first increase took effect on 17 June, followed by a second on 16 September.

Despite the challenging international environment during the first half of 2026, the adverse effects of heightened trade barriers and elevated uncertainty were partially offset by stronger momentum in the global technology cycle, supported by investment and demand related to advances in artificial intelligence. According to the International Monetary Fund's (IMF) July 2026 World Economic Outlook (WEO) update, global output expanded by 3.5 per cent in 2025, matching the growth rate recorded in the previous year. Global growth is projected to moderate to 3.0 per cent in 2026, a downward revision of 0.1 percentage points from the IMF's April 2026 WEO forecast, before recovering to 3.4 per cent in 2027. As a net energy importer, the European Union (EU) is particularly exposed to the renewed energy shock. Higher energy prices have fuelled stronger inflationary pressures, weakened household purchasing power, tightened monetary conditions, and increased uncertainty, weighing on private consumption and investment. In addition, subdued export prospects, reflecting weak goods trade and persistent competitiveness challenges, are expected to further restrain economic activity. Against this backdrop, the European Commission (EC), in its latest Spring Forecast, projects Euro Area (EA) growth at 0.9 per cent and 1.2 per cent in 2026 and 2027, respectively. Harmonised Index of Consumer Prices (HICP) inflation is projected to increase from 2.1 per cent in 2025 to 3.0 per cent in 2026, before moderating to 2.3 per cent in 2027.

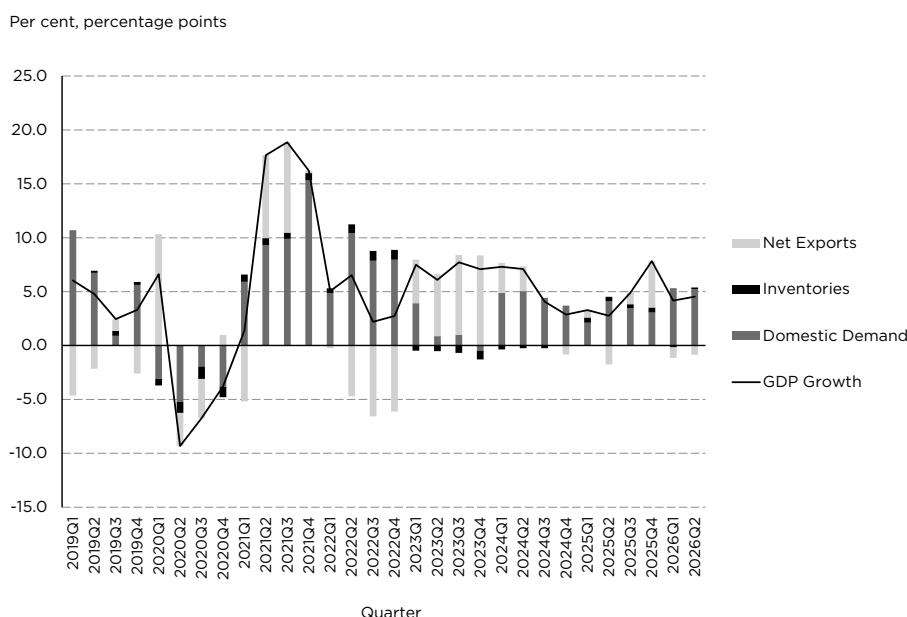
1.2 GDP: Expenditure Approach

The Maltese economy maintained its positive performance in the first half of 2026, growing by 6.9 per cent in nominal terms and 4.4 per cent in real terms, significantly outpacing the EU's corresponding growth

rates of 3.9 per cent and 1.2 per cent, respectively. In Malta, domestic demand was the principal driver of growth, contributing 5.3 percentage points, while net exports contributed -0.9 percentage points, reflecting stronger import growth (2.3 per cent) than export growth (1.3 per cent) amid a challenging external environment.

Private consumption expenditure, including household final consumption expenditure and consumption expenditure of nonprofit institutions serving households (NPISH), grew by 3.4 per cent. On a domestic concept basis, expenditure on restaurants and accommodation largely drove growth. Favourable labour market conditions supported private consumption. Public consumption expenditure increased by 12.8 per cent in the first half of 2026. Moreover, Gross Fixed Capital Formation (GFCF) increased by 8.2 per cent, driven by investment in intellectual property products.

Chart 1.2
Contributions to Gross Domestic Product



Source: National Statistics Office, Ministry for Finance

Table 1.1: Main Macroeconomic Indicators

	2023	2024	2025	2025 Jan-June	2026 Jan-June
GDP growth at current market prices (%)	16.01	10.35	6.87	5.74	6.88
GDP growth at Chain Linked Volumes by period (Reference year 2020) (%) ⁽¹⁾	7.10	5.29	4.70	3.02	4.36
Expenditure Components of GDP at Current Market Prices by period (%)					
Private Final Consumption Expenditure ⁽²⁾	22.24	9.41	4.71	4.45	5.42
General Government Final Consumption Expenditure	7.83	13.98	8.37	14.31	17.22
Gross Fixed Capital Formation	-10.65	7.63	3.27	3.01	9.08
Exports of Goods and Services	12.67	10.56	2.56	2.05	3.81
Imports of Goods and Services	7.47	10.06	1.08	2.05	4.63
Expenditure Components of GDP at Chain Linked Volumes by period (Reference year 2020) (%)					
Private Final Consumption Expenditure ⁽²⁾	9.45	5.50	5.25	5.07	3.40
General Government Final Consumption Expenditure	3.34	5.19	4.44	5.40	12.77
Gross Fixed Capital Formation	-14.26	5.90	0.40	-0.03	8.24
Exports of Goods and Services	10.16	7.62	0.31	-0.36	1.29
Imports of Goods and Services	5.94	7.92	-0.52	0.04	2.27
Inflation Rate (%)	5.60	2.40	2.40	2.31	2.25
Employment Growth (National Accounts Definition) (%)	7.02	4.89	3.94	3.89	4.56
Unemployment Rate (Harmonised definition, Eurostat) (%)	3.50	3.20	3.10	3.10	3.40
Compensation per Employee (% change)	2.64	8.00	4.27	6.12	5.12
Labour Productivity (% change)	0.07	0.38	0.73	-0.83	-0.19
Nominal Unit Labour Cost (% change)	2.56	7.59	3.51	7.02	5.32
Real Unit Labour Cost (% change)	-5.32	2.65	1.42	4.27	2.84

⁽¹⁾ Readers 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.

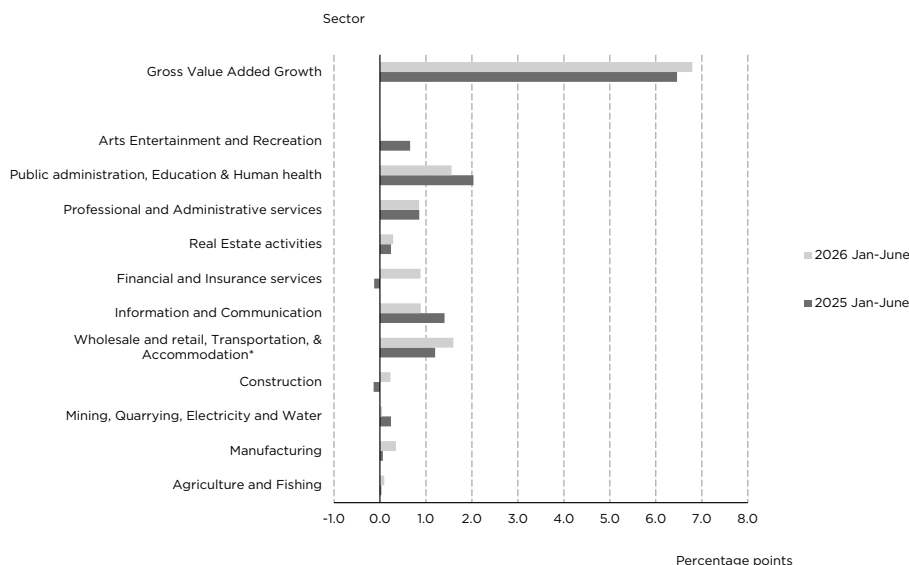
Source: Economic Policy Department workings

1.3 Maltese Economy – Sectoral Analysis

GVA

From the output perspective, Gross Value Added (GVA) represents the value generated through production in an economy. It is calculated as output at basic prices less intermediate consumption at purchasers' prices, which comprises the goods and services used up or transformed in the production process. GVA therefore captures the additional value created through production and provides a key measure of economic activity across industries and sectors.

Chart 1.3
Sectoral Contribution to Growth in Gross Value Added



* Includes food services activities

Source: National Statistics Office

In the first half of 2026, nominal GVA rose 6.8 per cent from the corresponding period in 2025 to €11.7 billion. Growth was broad-based, with the largest contributions stemming from Wholesale and Retail Trade, Transportation, Accommodation and Food Service Activities (1.6 percentage points), Public Administration, Education and Human Health Activities (1.6 percentage points), Information and Communication (0.9 percentage points), Financial and Insurance Activities (0.9 percentage points), and Professional, Scientific and Technical Activities (0.9 percentage points).

1.3.1 Manufacturing Performance

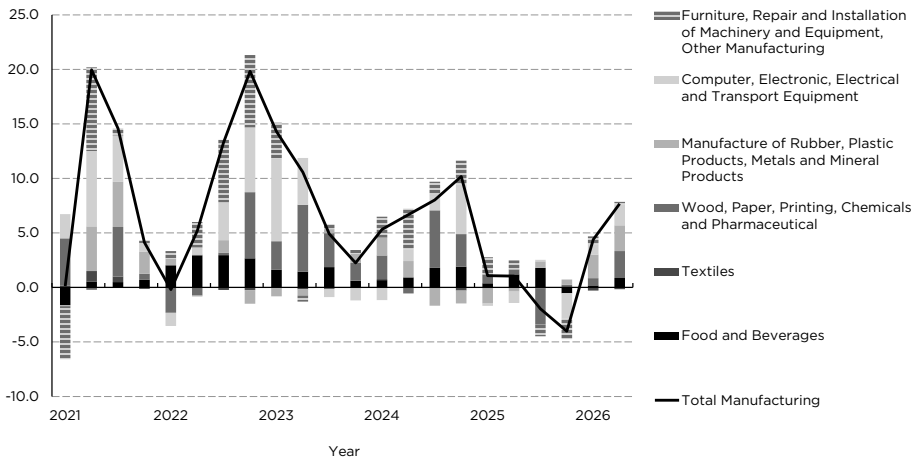
Global manufacturing activity remained resilient despite a challenging economic environment, with the J.P. Morgan Global Manufacturing PMI rising to 52.3 in August and staying above the neutral 50.0 threshold for the thirteenth consecutive month.¹ The expansion was relatively broad-based globally, with manufacturing output increasing in mainland China, the United States (US), the EA, Japan, the United Kingdom (UK), India and South Korea, while contractions were reported in other countries including Brazil, Italy, Spain, Poland, Mexico and Russia.

Nevertheless, the overall resilience masked continued weaknesses in some segments, particularly Europe's automotive industry, which remained under strain due to intensified competition from China and elevated cost pressures through workforce reductions. More broadly,

Chart 1.4

Sectoral Developments in GVA - Contribution to Manufacturing Growth

Per cent, percentage points



Source: National Statistics Office, Ministry for Finance

elevated costs and lingering supply chain disruptions continued to constrain global manufacturers. In the first half of 2026, the local manufacturing sector grew by 6.1 per cent, equivalent to 4.7 per cent in volume terms, while labour productivity increased by 4.8 per cent.

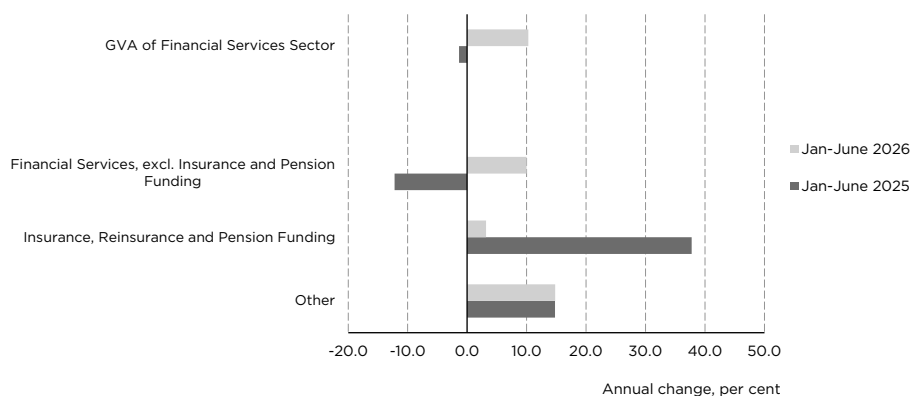
All broad sub-sectors, except for the Textiles sub-sectors, contributed positively to manufacturing growth during the first half of 2026, with the largest driver of growth being the Manufacture of Rubber, Plastic Products, Metals and Mineral Products sub-sector (2.3 percentage points), driven mostly by the Manufacture of Other Non-Metallic Mineral Products and the Manufacture of Fabricated Metal Products, except Machinery and Equipment. This was followed by the Manufacture of Rubber and Plastic Products, and the Manufacture of Basic Metals.

1.3.2 Financial Services

After a 1.4 per cent contraction in the first half of 2025, the Financial Services sector rebounded strongly, with nominal GVA growth accelerating by 10.3 per cent in the first half of 2026. In real terms, the sector expanded by 9.5 per cent, contributing 0.8 percentage points to overall GVA growth. Growth was broad-based, with Financial Services excluding Insurance and Pension Funding accounting for the largest share of nominal GVA growth (6.1 percentage points), followed by Activities auxiliary to Financial Services and Insurance, Reinsurance and Pension Funding, which accounted for a further 3.8 and 0.4 percentage points, respectively.

The sector's strong performance was underpinned by sustained labour market expansion and efficiency gains. During the first six months of 2026, employment growth remained robust, reaching 4.6 per cent, while labour productivity increased by 5.1 per cent. The concurrent increase in employment and productivity indicates that the sector's expansion was driven not only by a larger workforce but also by stronger value added per worker. This was accompanied by a 12.5 per cent increase in compensation of employees, suggesting that part of the gains in labour efficiency was reflected in higher labour compensation. Meanwhile, gross operating surplus returned to positive

Chart 1.5
Sectoral Developments in GVA - Financial Services



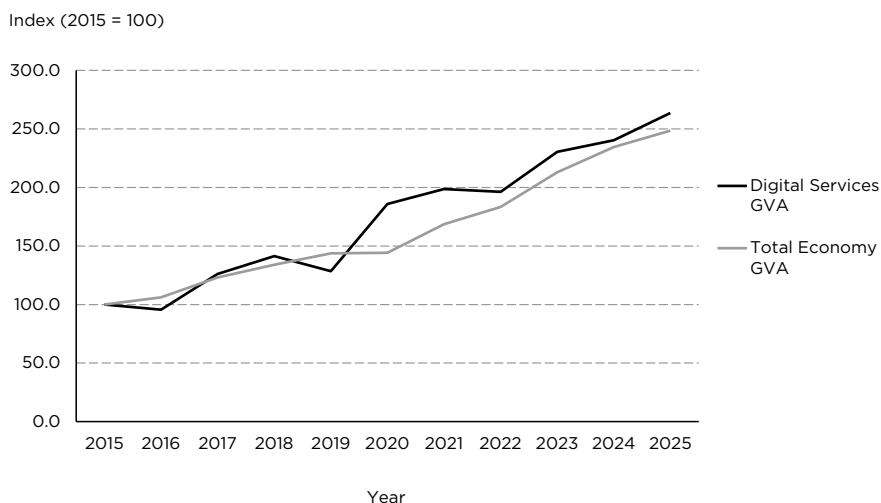
Source: National Statistics Office

territory, growing by 8.0 per cent after a 16.0 per cent contraction in the corresponding period of 2025.

1.3.3 Digital Services

Malta's Digital Services sector, comprising Information and Communication and Gambling activities, remained a key driver of economic growth in the first half of 2026, maintaining a strong expansionary trajectory while gradually moderating from the exceptionally high growth rates recorded in recent years. The sector's GVA increased by 4.5 per cent while employment increased by 3.5 per cent, reinforcing its position as one of the economy's most dynamic and productive sectors. As illustrated in Chart 1.6, the Digital Services GVA index has consistently outperformed the total economy. This divergence underscores the sector's growing role in value creation and its increasing contribution to the transformation of Malta's economic structure.

Chart 1.6
Sectoral Developments in GVA - Digital Services



Source: National Statistics Office, Ministry for Finance

The Gaming sector registered slight gains in GVA. This is consistent with an already mature industry that is still registering gains. Additionally, the Information and Communication sector has seen significant progress over the past decade, especially in connectivity infrastructure, the establishment of fibre-to-the-premises (FTTP) networks, and the increased use of Artificial Intelligence by businesses.

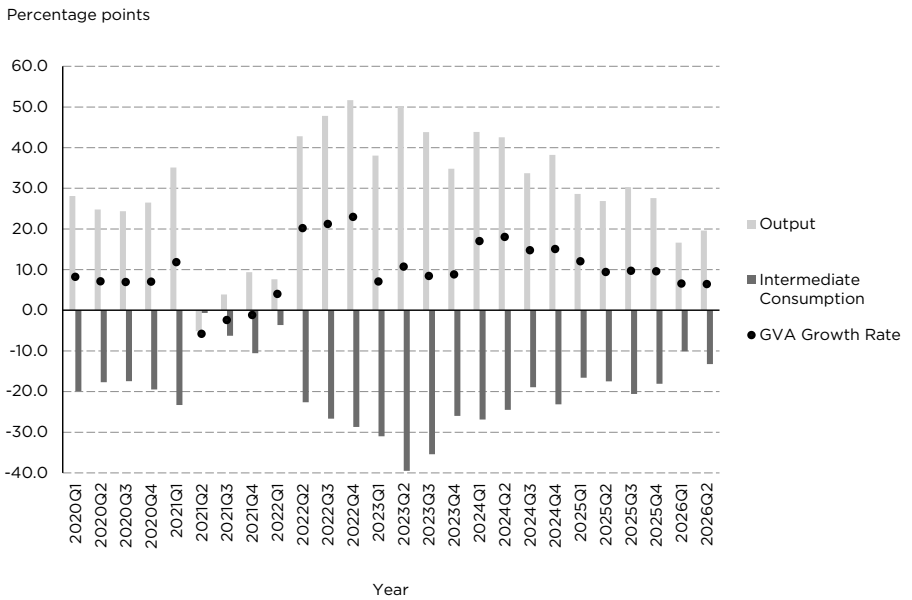
The EC's 2026 Digital Decade Country Report notes that Malta continues to benefit from advanced connectivity infrastructure and highly developed public digital services. Ongoing public investment in digitalisation, artificial intelligence, and cybersecurity is expected to support productivity growth and strengthen the sector's long-term competitiveness.

1.3.4 Contributors to GVA

Chart 1.7 shows quarterly year-on-year GVA growth rates and the relative contributions of output and intermediate consumption over time. In the first half of 2026, output contributed about 18.3 percentage points to GVA growth, partly offset by intermediate consumption, which negatively contributed 11.5 percentage points, leading to a net GVA growth of 6.8 per cent. In terms of growth rates, compared with the same period in 2025, output in levels roughly increased by 6.7 per cent, and intermediate consumption by about 6.6 per cent.

Chart 1.7

Growth in GVA and its Contributors



Source: National Statistics Office

Box 1.1

Tourism Developments¹

In 2026, Malta's tourism sector continued to grow robustly. Between January and July 2026, total inbound visitors reached 2.7 million, up 18.3 per cent from the same period in 2025 and 33.6 per cent above the corresponding level in 2024.

Holiday travel remained the dominant purpose of visit, rising by 18.9 per cent over 2025 to surpass 2.4 million tourists. Business and professional travel also rose strongly from the previous year by 26.3 per cent, as activity continued to move away from remote work practices that emerged during the pandemic. Conversely, travel for other purposes, such as education, religion, and health, declined by 4.4 per cent.

In terms of age distribution, over this period, the number of tourists aged 65 and over rose by 11.2 per cent, while those aged 45-64, 25-44, and 0-24 rose by 20.6 per cent, 17.6 per cent, and 20.9 per cent, respectively. Growth was therefore particularly strong among younger age groups. Malta continued to appeal strongly to younger generations, reflecting the island's positioning as a destination for affordable short breaks, events, and cultural activities.

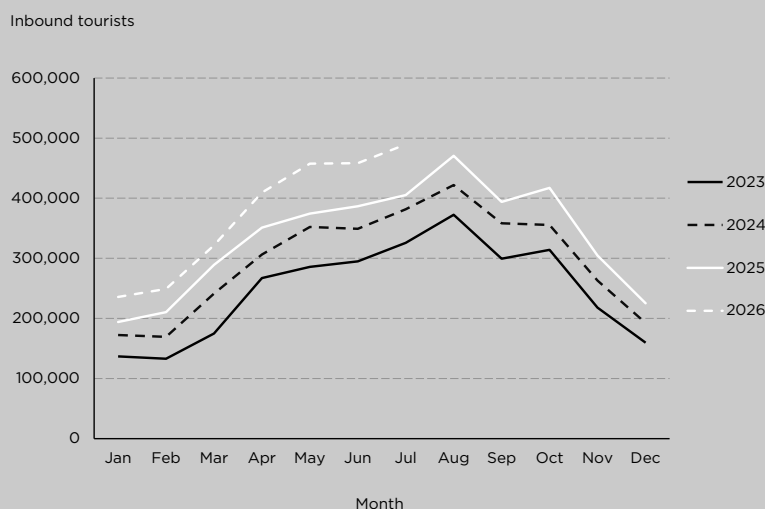
The average length of stay edged slightly lower to 5.7 nights in 2026, from 6.1 nights in 2025 and 6.2 nights in 2024. This decline reflects a rising share of shorter breaks, supported by improved air connectivity and competitive low-cost carriers. Nevertheless, longer-stay visitors (seven nights or more) remained high at 847,141, up 8.4 per cent from 2025.

Monthly arrivals reached new highs in 2026, peaking at 489,494 in July. Growth was broad-based across the first seven months of the year, reflecting both strong seasonal peaks and robust growth in off-peak travel.

The European Union (EU) remained the largest source market, accounting for 62.8 per cent of total arrivals, up 17.6 per cent. At the same time, inbound tourism continued to diversify beyond the EU, with non-EU arrivals accelerating by 20.4 per cent.

In the first seven months of 2026, the United Kingdom (UK) strengthened its position as Malta's top market, reaching 540,732 visitors, up 18.8 per cent from 2025. Italy followed with 358,403 visitors, up 10.7 per cent. Other EU markets

Chart 1
Inbound Tourism

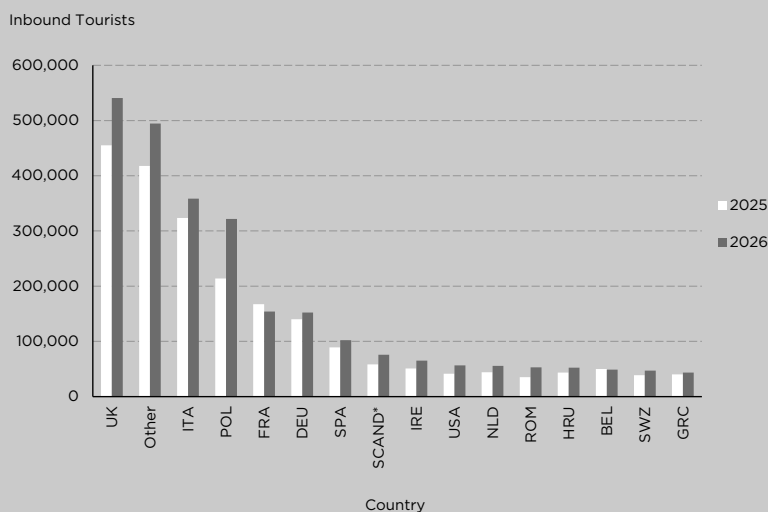


Source: Eurostat

also performed strongly, with arrivals from Poland rising to 321,654 visitors, a 50.5 per cent increase, while arrivals from Spain reached 101,994 visitors, marking a 14.7 per cent increase. Arrivals from Germany increased by 8.9 per cent to 152,341 visitors. In contrast, arrivals from France fell to 154,011, a 7.9 per cent decline.

In 2026, tourist expenditure in Malta continued to rise strongly, reaching €2.3 billion between January and July, a 15.8 per cent increase over 2025. On average, spending per night stood at €156, with notable variations across source markets. Visitors from the United States of America (USA)

Chart 2
Inbound Tourism by Country
Jan - July 2026



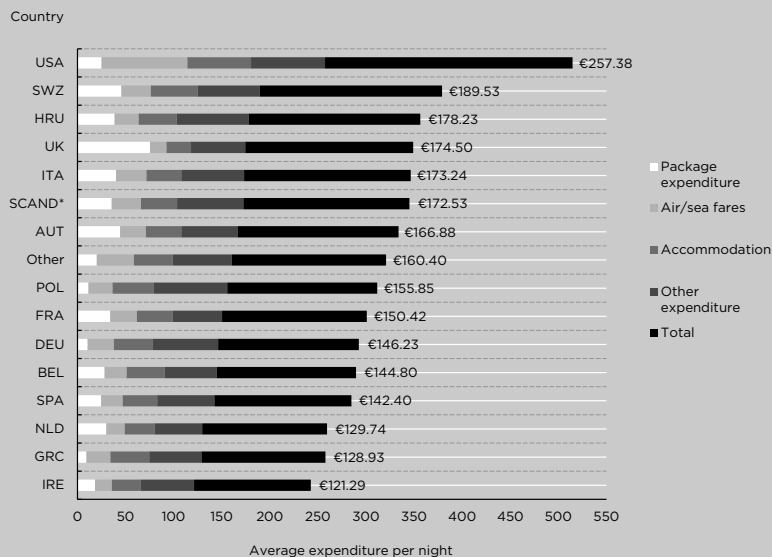
* Scandinavia includes Denmark, Finland, Norway and Sweden

Source: National Statistics Office

registered the highest average (€257 per night), driven by higher airfares and elevated spending on accommodation and leisure activities. Other high-quality markets such as Switzerland (€190) and Hungary (€178) also recorded spending above the overall average. By contrast, tourists from Ireland and Greece spent less, averaging €125 per night.

In level terms, the UK remained the largest contributor to total expenditure, with spending rising to €567.3 million, up 16.6 per cent from 2025, followed by Poland at €216.7 million and Italy at €211.1 million. Romania (+41.9 per cent),

Chart 3
Average Expenditure per Night
Jan - July 2026



* Scandinavia includes Denmark, Finland, Norway and Sweden

Source: National Statistics Office, Ministry for Finance

the USA (+38.0 per cent), and Scandinavia (+32.5 per cent) also saw strong growth. Meanwhile, expenditure by German visitors registered a modest increase of 4.8 per cent, while expenditure by French visitors declined by 10.1 per cent. The latter reflected fewer inbound visitors from France rather than lower per-capita expenditure.

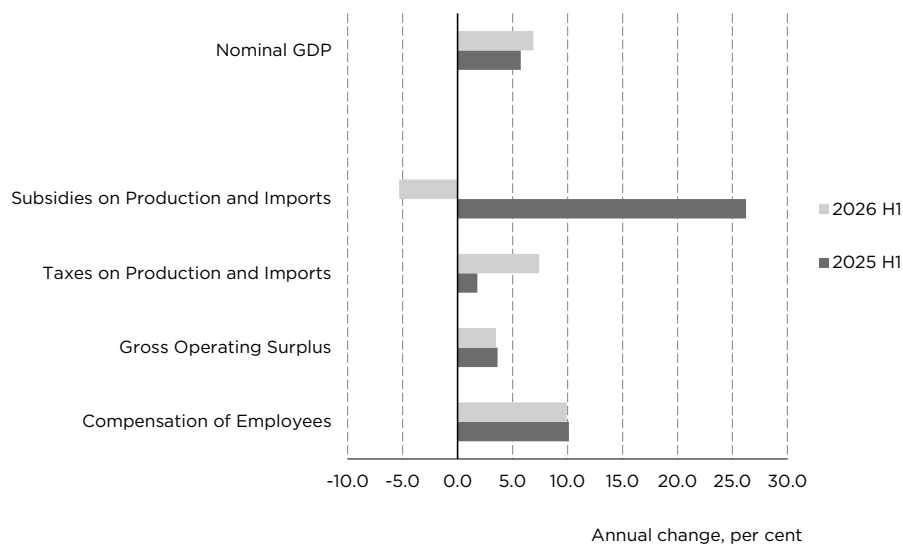
Footnote

¹ Based on the Inbound Tourism News Release 161/2026 published on the 14th of September 2026.

1.4 Gross Domestic Product: Income Approach

In the first half of 2026, gross operating surplus increased by €204.2 million, or 3.5 per cent, while compensation of employees rose by €516.6 million, equivalent to 9.9 per cent. As a result, the profit share fell to 47.6 per cent of Gross Domestic Product (GDP) from 49.2 per cent in the same period last year. Conversely, compensation of employees as a share of GDP increased by 1.3 percentage points, reaching 45.0 per cent. Over the same period, taxes on production and imports grew by €82.9 million, or 7.4 per cent, while subsidies on production and imports decreased by €14.8 million, representing a decline of 5.3 per cent. Chart 1.8 illustrates developments in income factor distribution during the first six months of 2025 and 2026.

Chart 1.8
Factor Distribution of Income Gains

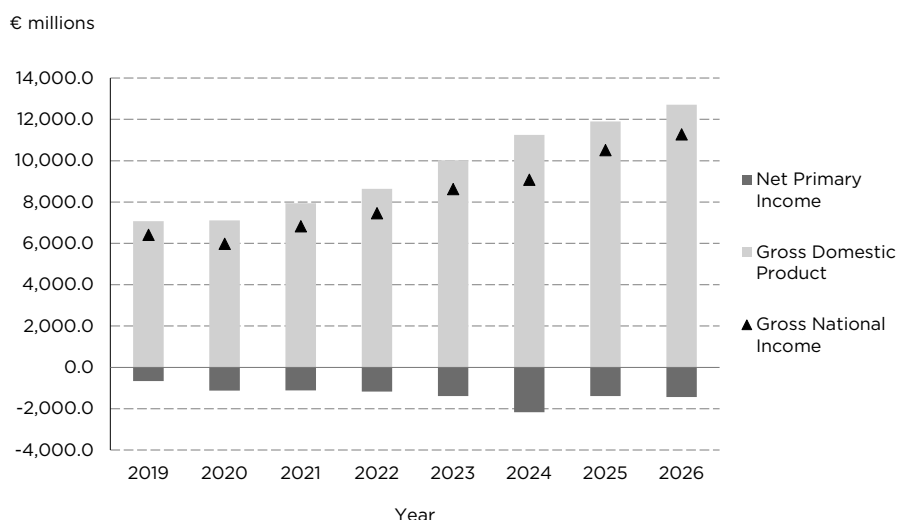


Source: National Statistics Office

1.5 Gross National Income

Gross National Income (GNI) measures the total income earned by a country's residents and businesses, both domestically and abroad. It is calculated by adding to GDP the net primary income receivable from the rest of the world, that is, primary income earned by residents abroad minus primary income earned by non-residents within the country. It essentially measures the income generated by Maltese residents in a given year, irrespective of where it is earned. Over the past decade, Malta's GNI has consistently remained below nominal GDP, mainly reflecting substantial net property income paid abroad. This reflects the strong presence of foreign investors in Malta, whose returns on domestic investments have regularly exceeded the income accruing to Maltese residents from their investments overseas. As a result, the gap between GDP and GNI has become a structural feature of the Maltese

Chart 1.9
Gross National Income
Jan - June



Source: National Statistics Office

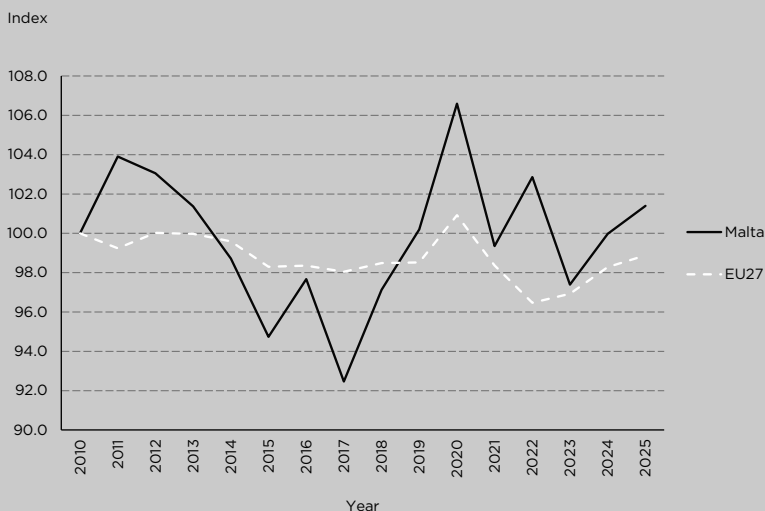
economy. In recent years, Malta's GNI has grown steadily, in line with overall economic expansion, as shown in Chart 1.9. In the first half of 2026, GNI increased by 7.3 per cent compared with the corresponding period of 2025. Net primary income remains a key factor in determining the gap between GNI and GDP. In the first half of 2026, net primary income paid abroad amounted to €1.4 billion, up 3.6 per cent from the same period in 2025.

Box 1.2

Labour Productivity and Competitiveness

This section assesses developments in Malta's labour-cost competitiveness through real unit labour costs (RULC), relative to the EU-27. Nominal unit labour costs measure compensation per employee relative to labour productivity. Deflating nominal unit labour costs by the Gross Domestic Product (GDP) deflator gives RULC, which captures labour-cost developments relative to the value of domestic output. An increase in RULC may indicate a deterioration in labour-cost competitiveness, as compensation per employee rises relative to the value of output

Chart 1
Developments in Real Unit Labour Costs
(Index, 2010 = 100)



Source: Eurostat, Ministry for Finance

per person employed. RULC nevertheless capture only one dimension of competitiveness, which may also be influenced by other price and non-price factors. Malta's RULC generally declined between 2010 and 2017, before increasing in the years leading up to and during the pandemic as productivity weakened. The subsequent recovery in productivity reversed this trend. From 2012 to 2025, RULC declined by an average of 0.1 per cent per year in Malta, while remaining broadly unchanged at the European Union (EU) level.

Chart 2 below analyses year-on-year changes in Malta's RULC over time by decomposing them into three components: (i) growth in compensation per employee, (ii) growth in labour productivity, and (iii) growth in the GDP deflator. The GDP deflator captures changes in the price level of domestic production. In isolation, higher compensation per employee increases RULC, while higher labour productivity and a higher GDP deflator reduce it, all else being equal. These two components can therefore offset the effect of higher compensation per employee on RULC.

The decomposition of the changes in RULC is based on the following:

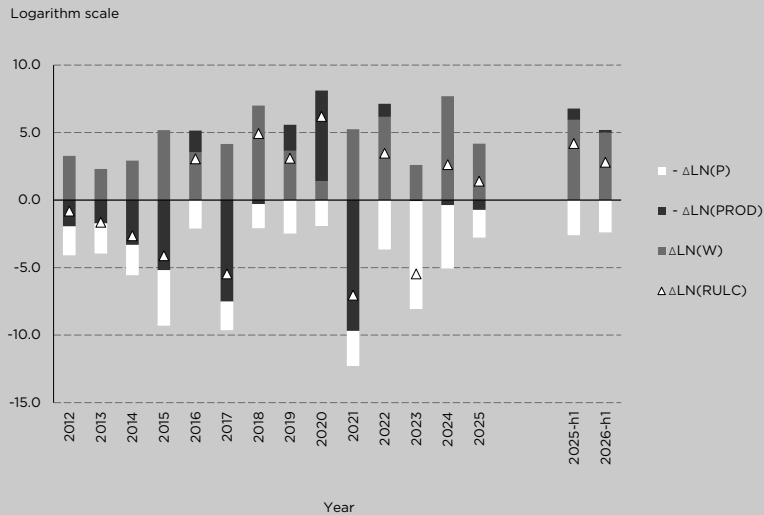
$$\Delta \log(\text{RULC}) = \Delta \log(\text{Compensation per Employee}) - \Delta \log(\text{Labour Productivity}) - \Delta \log(\text{Product Prices})$$

The log difference approximates the compounded growth rate of a variable from one period to another.

RULC increased significantly in 2024 compared with 2023, driven by a large rise in compensation per employee. Although labour productivity and the GDP deflator also increased, these increases were insufficient to offset the effect of higher compensation per employee. In 2025, RULC growth slowed but remained positive, reflecting more moderate growth

Chart 2

Decomposition of the Real Unit Labour Cost Changes
 $(\Delta \log(\text{RULC}) = \Delta \log(\text{CPE}) - \Delta \log(\text{Prod}) - \Delta \log(\text{P}))$



Source: Eurostat, Ministry for Finance

in compensation per employee alongside higher labour productivity and a rising GDP deflator. In the first half of 2026, RULC rose 2.8 per cent from the corresponding period in 2025. Compensation per employee was the main contributor, growing by 5.0 per cent. A 0.2 per cent decline in labour productivity further drove the increase in RULC, while the GDP deflator rose 2.4 per cent, partly offsetting the combined effect of higher compensation and lower productivity.

1.6 Inflation

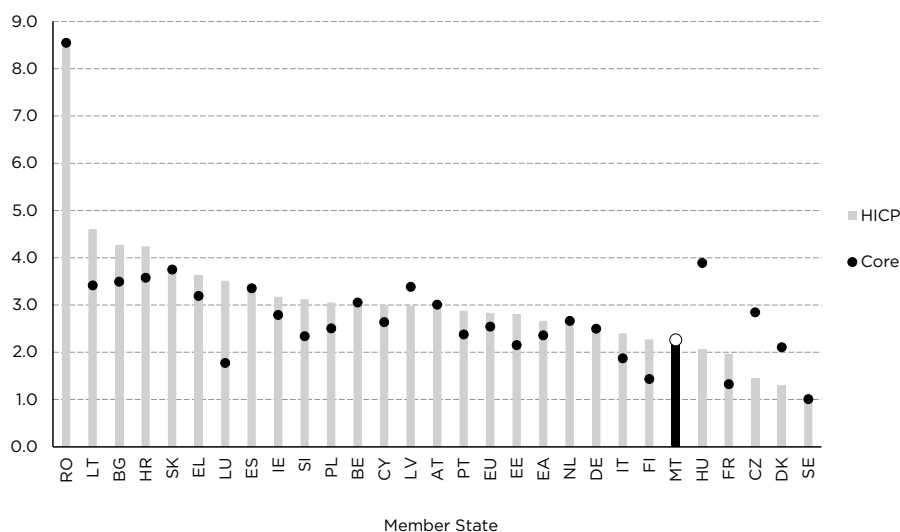
According to the IMF's July 2026 World Economic Outlook Update, global inflation, which has declined since early 2024, is expected to stall in 2026. Headline inflation is projected to rise from 4.1 per cent in 2025 to 4.7 per cent in 2026, before easing to 3.9 per cent in 2027. The 2026 outlook is largely driven by higher energy and food prices, with the war in the Middle East placing particular pressure on energy-importing and vulnerable economies. Inflation risks remain significant. A renewed escalation of the conflict could exacerbate commodity-price volatility, further disrupt supply chains, raise prices and tighten financial conditions, while further trade fragmentation could weaken output and intensify inflationary pressures. Conversely, faster normalisation of energy markets, renewed international cooperation to lower trade barriers, and structural reforms could help ease price pressures.

Inflation in the EU, as measured by the Harmonised Index of Consumer Prices (HICP), has increased noticeably during 2026, reaching 3.2 per cent in August from 2.0 per cent in January. Similarly, EA inflation followed the same pattern, rising to 3.2 per cent in August from 1.7 per cent in January. EA inflationary pressures intensified at the onset of the Middle East war. Higher energy costs pushed inflation above the ECB's medium-term target and weakened economic activity by reducing real disposable household income, confidence and increasing production costs. However, a resilient labour market and sustained wage growth partly offset the impact of higher prices on household income. Chart 1.10 shows HICP headline and core inflation within EU countries. In Malta, HICP inflation stood at 2.0 per cent in August, while the twelve-month moving average stood at 2.3 per cent. As shown in Chart 1.11, headline inflation remained broadly stable in 2026, peaking at 2.5 per cent in April. Services were the main contributor to inflation, followed by food. Services inflation reached 2.7 per cent in August and contributed 1.3 percentage points, largely reflecting higher prices for transport and housing-related services. Price increases in non-energy industrial goods were mainly driven by semi-durable and non-durable goods. Deflation in communication services slightly moderated the overall upward pressure on inflation. Chart 1.12 compares sectoral inflation developments in Malta with the EA average from January to August. Inflation was mainly lower in Malta for communication services,

Chart 1.10

Harmonised Index of Consumer Prices (HICP) and Core Inflation
Jan - Aug 2026

Annual change, per cent



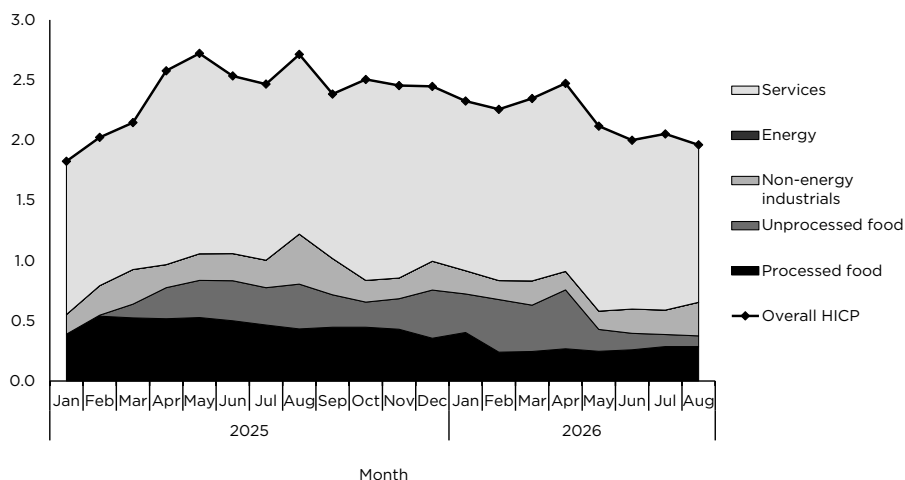
Source: Eurostat

partly reflecting lower prices for mobile telephony equipment. Package holidays and non-energy industrial goods also recorded lower price increases when compared to the EA average over the same period.

By contrast, food inflation exceeded the EA average, reflecting Malta's reliance on imports and the resulting exposure to international prices and higher freight costs. This vulnerability is compounded by limited transport alternatives and the small size of the domestic market. Housing, recreation, and personal care and transport services, also recorded higher inflation, mainly driven by rising road transport prices.

Chart 1.11
Contributions to Year-on-Year HICP Inflation - Malta

Per cent, percentage points

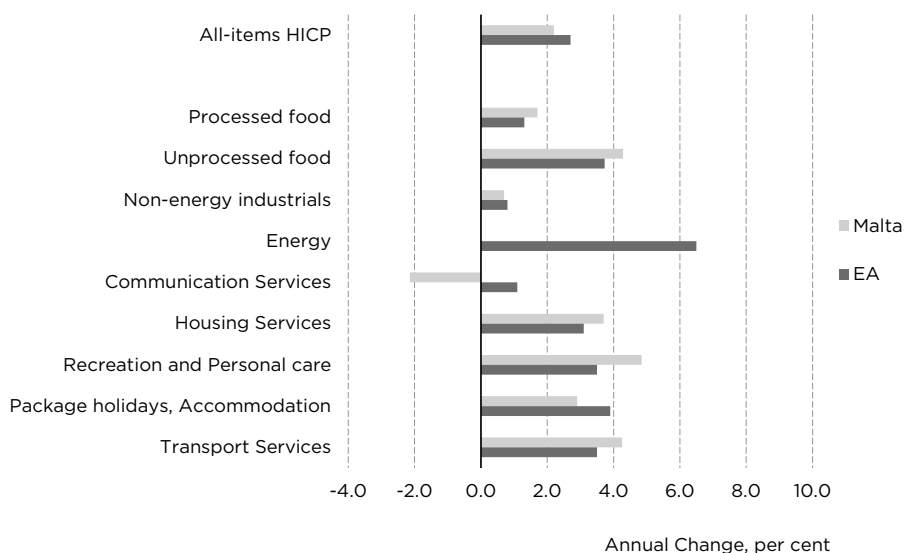


Source: Eurostat, Ministry for Finance

1.6.1 Retail Price Index

The Retail Price Index (RPI) measures changes in the cost of a representative basket of goods and services purchased by private households. It is the main measure used to calculate the Cost-of-Living Adjustment (COLA). The RPI is a fixed-base index, with weights updated periodically in line with the Household Budgetary Survey. By contrast, the HICP is a chain-linked index whose weights are reviewed annually, allowing it to better reflect changes in consumption patterns over time. The RPI covers only private household consumption, whereas the HICP also includes expenditure by institutional households and foreign visitors in Malta.

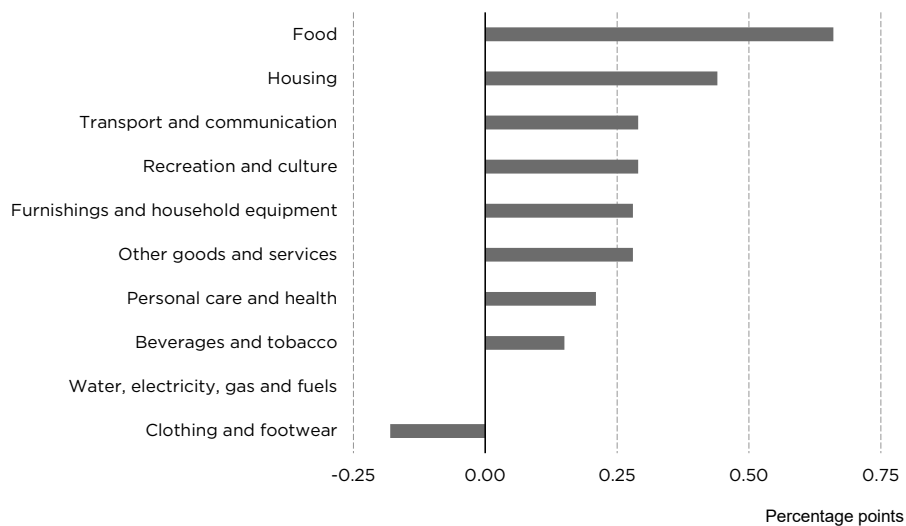
Chart 1.12
HICP by Component: Jan - Aug



Source: Eurostat

Chart 1.13 shows the average monthly contributions to the annual change in the RPI from January to August. The RPI followed a more stable path than the HICP developments, although it recorded higher price growth, averaging around 2.6 per cent. Food and Housing categories drove most inflationary developments, contributing 1.1 percentage points to overall inflation. Average annual increases in 2026 were 3.1 per cent for Food and 5.6 per cent for Housing. Price increases were also recorded across other RPI sub-components, with Recreation and Culture, Transport and Communication, Other goods and services, and Furnishings and Household Equipment each contributing 0.3 percentage points.

Chart 1.13
Contributions to RPI Annual Change (Jan - Aug)



Source: National Statistics Office

Footnotes

¹ The J.P. Morgan Global Manufacturing PMI is a monthly survey-based indicator of global manufacturing activity, compiled from business surveys covering output, new orders, employment, suppliers' delivery times and inventories across major economies. A reading above 50 indicates an overall expansion in manufacturing activity, while a reading below 50 indicates a contraction.

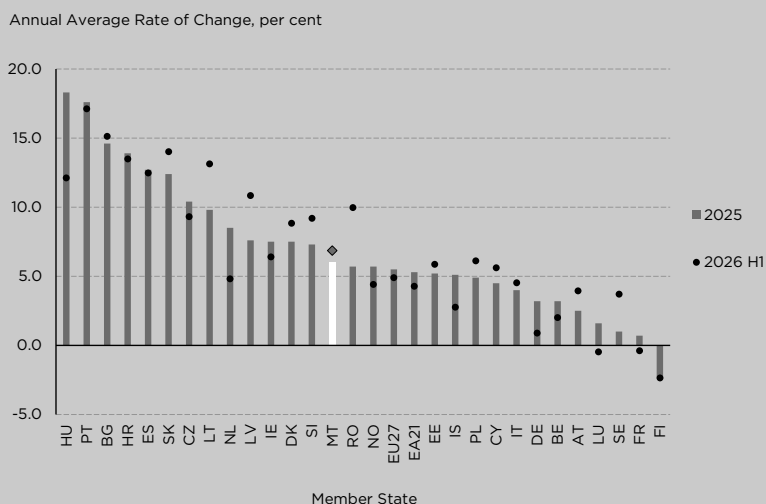
Box 1.3

Residential Property Prices

Based on the harmonised Residential Property Price Index (RPPI), property prices in Malta rose by 6.0 per cent in 2025 from the previous year. This was higher than the European Union (EU) average, which stood at 5.5 per cent.

Over the past year, Hungary registered the highest property price growth rate at 18.3 per cent, followed by Portugal at 17.6 per cent and Bulgaria at 14.6 per cent. Conversely, Finland recorded a 2.3 per cent decline. Chart 1 illustrates

Chart 1
Property Price Index



Source: Eurostat

developments in the EU property market in 2025 and the first half of 2026.

During the first half of 2026, property prices continued to increase in Malta, with the RPPI increasing by 6.9 per cent compared to the same period in the previous year. Meanwhile, the EU and Euro Area (EA) averages grew by 4.9 per cent and 4.3 per cent, respectively, while France (-0.4 per cent), Luxembourg (-0.5 per cent), and Finland (-2.4 per cent) recorded negative annual rates.

CHAPTER 2

Labour Market and Social Developments



Chapter 2

Labour Market and Social Developments

2.1 Introduction

Malta's labour market remained strong in the first half of 2026, with high activity and employment rates and low unemployment. Demographic pressures from persistently low fertility and population ageing persist, while net migration continues to play an important role in supporting population and labour-supply growth and helping offset some of these pressures. These developments have occurred alongside the phased implementation of the Malta Labour Migration Policy and broader efforts to strengthen participation, skills, and workforce retention.

Social conditions in Malta improved further in 2025, as reflected in household income and income distribution. Average equivalised household income increased by 7.0 per cent, outpacing growth in the Euro Area (EA) and narrowing the gap with the EA average. Income inequality also declined notably, with both the income quintile share (S80/S20) ratio and the Gini coefficient improving. Malta's S80/S20 ratio fell below the European Union (EU)-27 average, while the Gini coefficient converged to the EU-27 level.

Poverty and social exclusion indicators also improved modestly in 2025. The At-Risk-Of-Poverty-or-Social-Exclusion (AROPE)¹ rate declined further and remained below the EU-27 average, alongside reductions in severe material and social deprivation and low work intensity. Meanwhile, the At-Risk-Of-Poverty (AROP) rate remained unchanged despite a notable increase in the poverty threshold, reflecting the rise in median equivalised income. Taken together, these indicators point to higher household income, a more even income distribution and a gradual improvement in social conditions in Malta.

Malta continued to progress in the transition to a lower-carbon economy, with greenhouse gas (GHG) emissions declining in 2024 and remaining below their 1990 level, despite substantial economic expansion over the period. While final energy consumption increased in 2024, energy intensity declined considerably between 2019 and 2024, indicating improved energy efficiency relative to economic activity. Malta's overall renewable energy share remained below the EU average, although the share of non-biofuel renewable energy directly consumed by final users compared favourably with that of the EU.

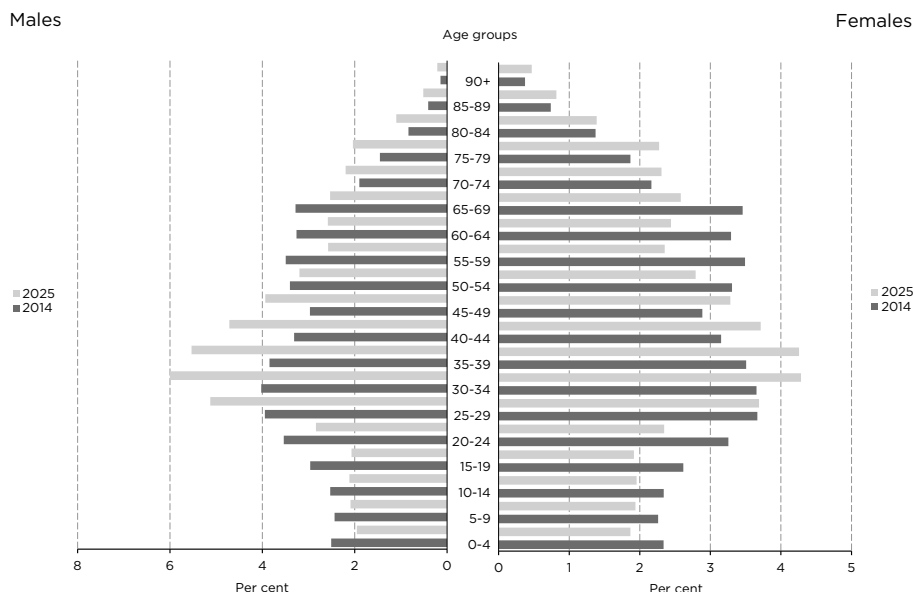
2.2 Labour Supply

Labour supply is a key determinant of Malta's economic prosperity, providing the foundation for sustained economic growth and social development. It reflects both the availability and quality of workers and plays an important role in determining the country's competitiveness and overall economic performance. Against this backdrop, understanding the factors shaping Malta's labour supply is particularly important, especially given the country's rapidly changing demographic profile. Malta's persistently low fertility poses a significant demographic challenge that could gradually contract the working-age population unless migration continues to increase. Combined with population ageing, this trend is expected to put increasing pressure on labour availability, with important implications for Malta's future economic growth and the sustainability of its social protection systems.

2.2.1 Dependency Ratios

Malta's demographic developments continued to have important implications for the country's labour supply during 2025. The resident population of Malta and Gozo reached 588,254 at the end of 2025, an increase of 34.1 per cent from 2014. Migration remained the main driver of population growth, with net migration amounting to 13,906 persons during the year. Chart 2.1 illustrates these demographic shifts, showing the increasing share of individuals in older age groups and, conversely, the decreasing share in younger age groups relative to 2014.

Chart 2.1
Malta's Population by Age Groups and Sex as a Share of Total Population



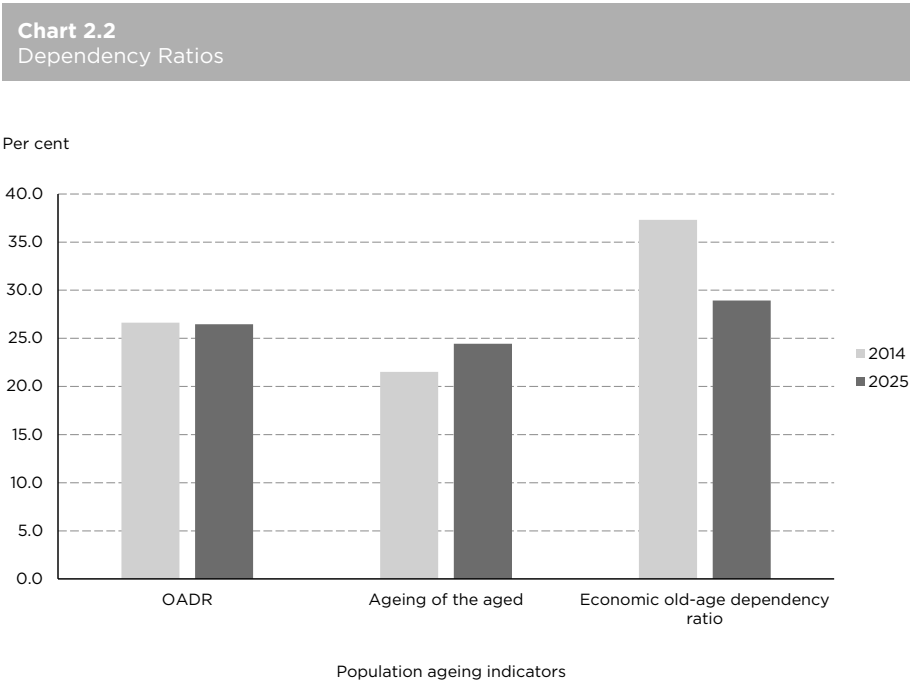
Source: National Statistics Office

In 2025, people aged 65 years and over accounted for 18.4 per cent of the population, up 0.4 percentage points from 2014. The latest Eurostat data for 2024 indicates that life expectancy at birth stood at 83 years, around 1.5 years higher than the EU average, placing Malta among the countries with the highest life expectancy in the EU.

Malta's low total fertility rate further exacerbates the demographic challenge. Malta's total fertility rate fell from 1.4 children per woman in 2014 to just 1.0 in 2024, the lowest rate recorded in the EU. This sustained decline in fertility is also reflected in the population's changing age structure, with the share of children aged 14 years or under falling by 2.5 percentage points between 2014 and 2025 to 11.9 per cent of the population.

Meanwhile, the working-age population in Malta (15-64) accounted for 69.7 per cent of the total population, up from 67.6 per cent in 2014. This increase has been driven largely by the inflow of working-age migrants, which has helped to partially offset the impact of population ageing and persistently low birth rates.

Developments in population ageing and old-age dependency indicators indicate changes in the population's age structure. Chart 2.2 presents three such indicators of age dependency, namely the old-age dependency ratio (OADR), which shows persons aged 65 and over in relation to the number of individuals aged between 15 and 64 years; the ageing of the aged ratio, which measures the population aged 80 and over as a percentage of the population aged 65 and over; and the economic old-age dependency ratio, which measures the inactive population aged 65 and over as a percentage of the employed population aged 15 to 64.



Source: National Statistics Office

While the ageing of the aged ratio increased from 21.5 per cent in 2014 to 24.4 per cent in 2025, indicating a growing share of very elderly persons within the older population, the old-age dependency ratio remained broadly stable, declining marginally from 26.6 per cent in 2014 to 26.5 per cent in 2025. This relative stability reflects, among other factors, the contribution of working-age migration to Malta's population structure, which has helped offset some of the effects of population ageing. More importantly, the economic old-age dependency ratio declined notably from 37.4 per cent in 2014 to 28.9 per cent in 2025. A lower economic old-age dependency ratio indicates a lower number of inactive older persons relative to the number of employed persons of working age. The decline in this indicator is consistent with the increase in labour market participation and employment among the working-age population, particularly among those below the age of 65.

2.2.2 Regional Overview

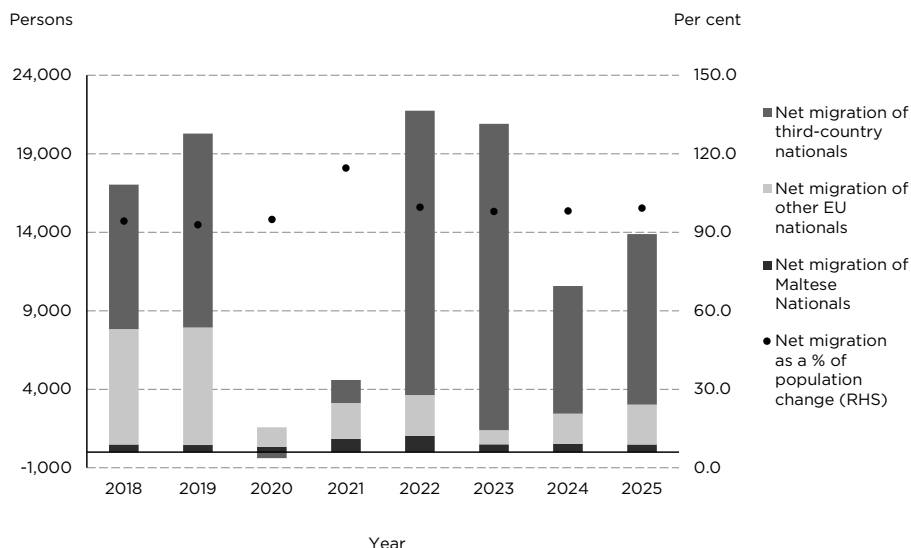
Gozo's population at the end of 2025 stood at 41,793, equivalent to 7.1 per cent of the total population. Notably, Gozo's demographic profile is older, with 23.2 per cent of the population aged 65 and over, approximately 5.2 percentage points higher than the corresponding share in Malta.

2.2.3 Net Migration

Net migration (immigration less emigration) accounted for 99.3 per cent of Malta's population growth in 2025, remaining the principal driver of population growth. It also expanded the labour supply, helping alleviate pressures associated with population ageing and persistently low fertility.

As shown in Chart 2.3, net migration rose to 13,906 individuals in 2025, up from 10,614 in 2024, a 31.0 per cent increase. Despite this rise, net migration remained below the higher levels recorded in the years immediately preceding 2024. During this period, the Government introduced measures to strengthen labour migration regulation and management. These included the Employment Agencies Regulations,

Chart 2.3
Net Migration Flows



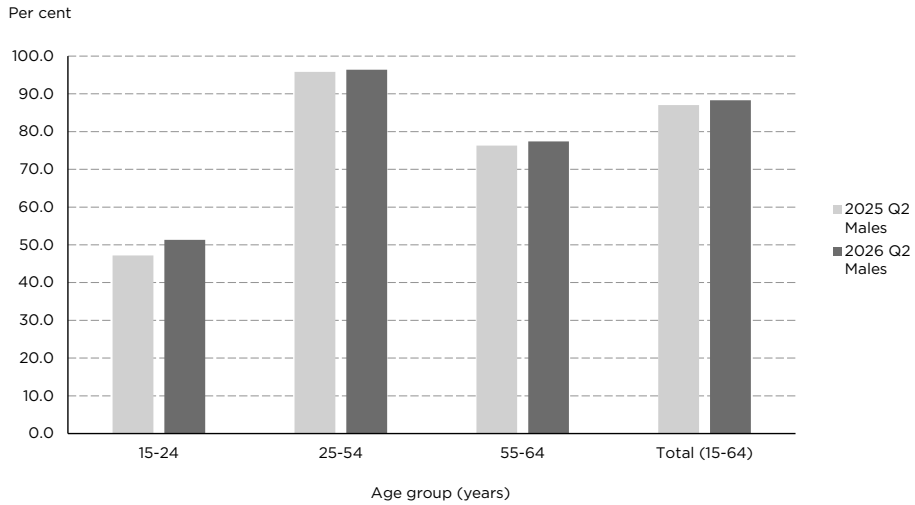
Source: National Statistics Office

which entered into force in April 2024, and the phased implementation of the Malta Labour Migration Policy from August 2025, following its publication for public consultation earlier that year.

2.2.4 Activity Rates

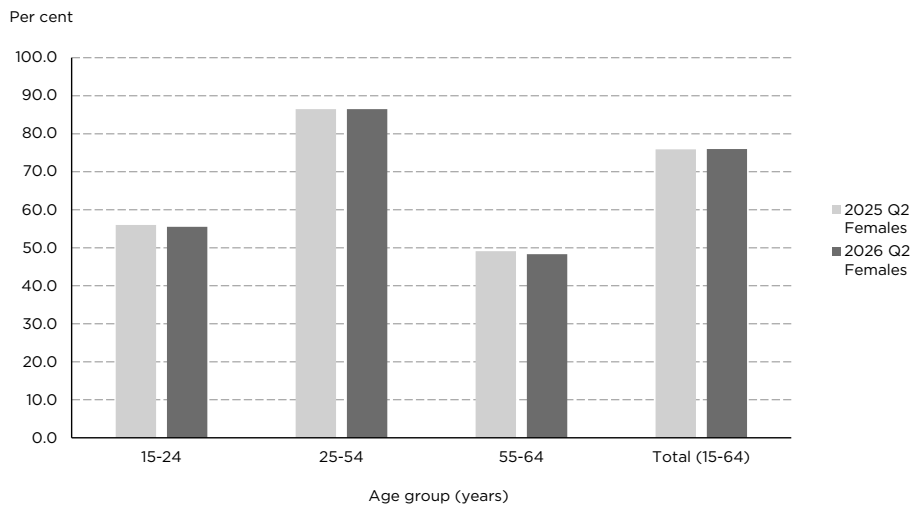
Charts 2.4 and 2.5 show the activity rates of males and females. According to the Labour Force Survey (LFS), the activity rate for the working-age population (15 to 64 years), that is, the share of the working-age population who are either employed or unemployed and actively seeking work, reached 82.8 per cent in the second quarter of 2026, an increase of 0.8 percentage points compared with the same quarter in the previous year. This was 6.9 percentage points higher than the EU rate in the same quarter.

Chart 2.4
Activity Rates, Males



Source: National Statistics Office

Chart 2.5
Activity Rates, Females



Source: National Statistics Office

Among the main age groups, the 25-54 cohort continues to register the highest activity rate, at 92.1 per cent in Q2 2026. Participation rose marginally by 0.4 percentage points from the previous year and remained exceptionally high. The 15-24 age cohort registered a more notable increase of 1.7 percentage points, bringing the activity rate up to 53.3 per cent in Q2 2026. The 55-64 age bracket registered a slight increase in its activity rate, rising from 62.7 per cent in 2025 to 63.1 per cent in 2026, a gain of 0.4 percentage points. This improvement is consistent with the continued increase in labour market participation among older workers.

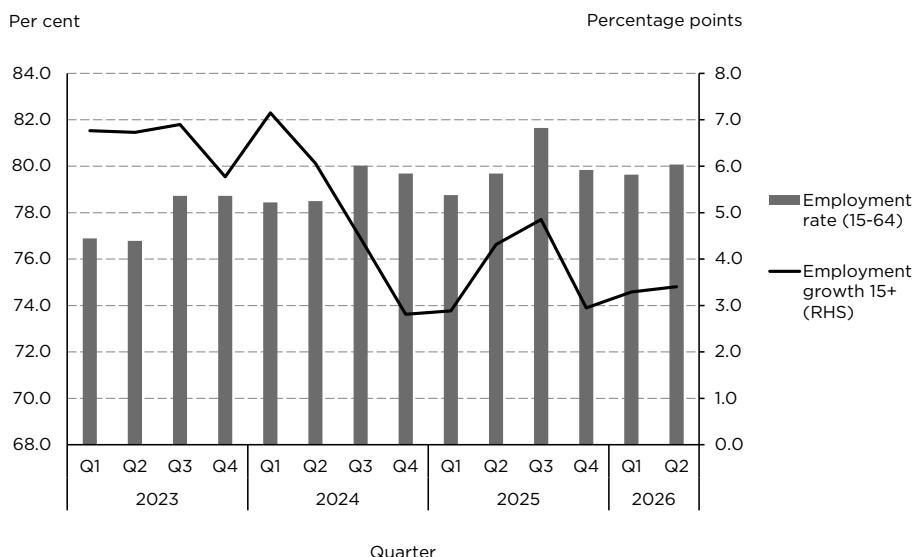
By gender, the largest increase was among males aged 15-24 (4.1 percentage points), followed by males aged 55-64 (1.1 percentage points). Meanwhile, the activity rate for males aged 25-54 increased by 0.6 percentage points. Among females, activity rates declined marginally for both the 15-24 and 55-64 age cohorts by 0.5 and 0.8 percentage points, respectively, whilst the activity rate for females aged 25-54 remained unchanged.

2.3 Labour Market Outcomes

Between Q2 2025 and Q2 2026, the number of employed individuals aged 15-64 increased by 11,183, reaching 330,945. Over the same period, the employment rate for this age group increased to 80.1 per cent from 79.7 per cent in the previous year, as shown in Chart 2.6. This progress reflects a combination of demand- and supply-side factors and ongoing labour-market policies, including the National Employment Policy 2021-2030, which emphasises upskilling and active labour-market participation.

The highest employment rate was recorded among individuals aged 25-54, with around 89 out of every 100 individuals in employment. This represented a slight decline of 0.6 percentage points when compared with the same quarter of the previous year.

Chart 2.6
Employment Growth and Employment Rate



Source: National Statistics Office

In contrast, the 15-24 age cohort registered the lowest employment rate, at 49.5 per cent, but it rose significantly by 3.1 percentage points from the previous year. This increase was recorded among both males and females, with increases of 4.1 percentage points and 2.3 percentage points, respectively.

The 55-64 age bracket saw a slight gain in employment, rising 1.0 percentage point to 62.1 per cent. Within this age cohort, male employment rates improved, increasing by 2.5 percentage points to 75.9 per cent.

Among persons aged 15-24, the female employment rate exceeded the male rate by 6.2 percentage points in Q2 2026, compared with 8.0 percentage points in Q2 2025. Among persons aged 25-54, the male employment rate exceeded the female employment rate by 8.9

percentage points, down from 10.0 percentage points in the previous year. The widest gender gap was recorded among persons aged 55-64, where the male employment rate exceeded the female rate by 28.0 percentage points, up from 27.4 percentage points in Q2 2025. Charts 2.7 and 2.8 further illustrate these developments, presenting employment rates by age group for males and females, respectively.

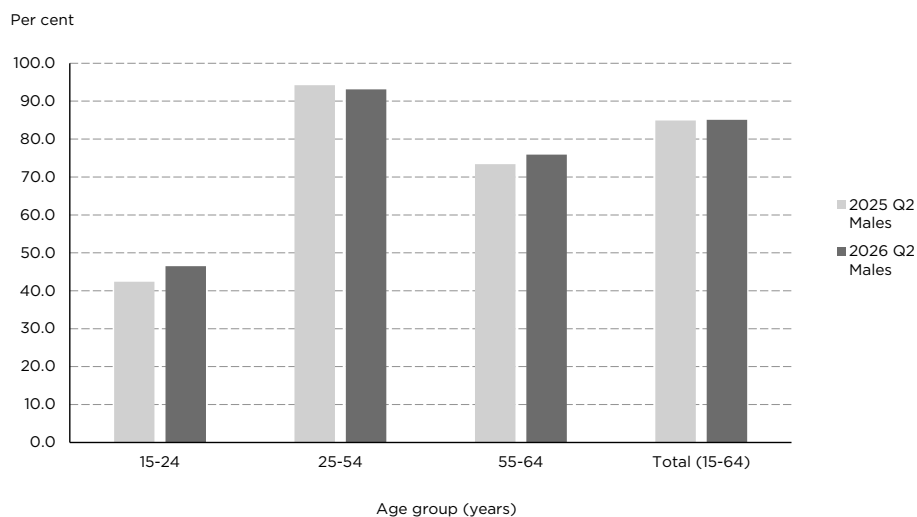
Full-time employment in the private sector as at the end of April 2026 was 3.5 per cent higher than in the corresponding month of the previous year. At a sectoral level, employment growth was recorded in both direct production and market services, with increases of 3.1 percentage points and 5.6 percentage points, respectively.

As shown in Table 2.1, the Construction sector drove growth in direct production (2.2 percentage points), followed by Manufacturing (0.5 percentage points) and Water supply, sewerage, waste management and remediation activities (0.2 percentage points). Within market services, Administrative and support service activities contributed the most to employment growth (1.0 percentage points), followed by Transportation and storage, Information and communication, and Accommodation and food service activities (0.8 percentage points each). The Wholesale and retail trade sector also contributed (0.7 percentage points).

Jobsplus' administrative data indicate that foreign workers accounted for 40.6 per cent of total full-time and part-time employment as at April 2026. This represents an increase of 2.5 percentage points compared with April 2025, equivalent to an additional 15,110 foreign employees.

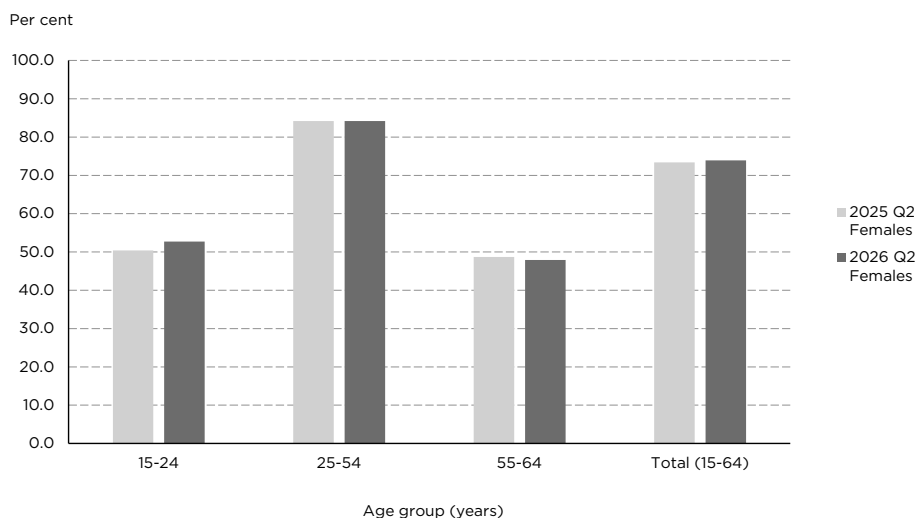
Chart 2.9 presents the composition of employment by nationality group across economic sectors as at April 2026. Maltese nationals accounted for the majority of workers in most sectors, with particularly high shares in Public administration and defence; compulsory social security (96.2 per cent), Agriculture, forestry and fishing (82.9 per cent), and Education (82.6 per cent). In the Electricity, gas, steam and air conditioning supply sector, Maltese nationals accounted for 87.3 per cent of workers, but employment in this sector was relatively limited in absolute terms.

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 2024/ Dec 2023	Dec 2025/ Dec 2024	April 2026/ April 2025
Direct Production		0.5	3.0	3.1
F	Construction	-0.1	1.8	2.2
C	Manufacturing	1.1	1.0	0.5
E	Water supply; sewerage, waste management and remediation activities	-0.7	0.1	0.2
A	Agriculture, forestry and fishing	0.0	0.1	0.1
B	Mining and quarrying	0.0	0.0	0.1
D	Electricity, gas, steam and air conditioning supply	0.0	0.0	0.0
Market Services		3.6	5.5	5.6
N	Administrative and support service activities	-0.1	1.5	1.0
H	Transportation and storage	0.4	0.6	0.8
I	Accommodation and food service activities	0.5	0.4	0.8
J	Information and Communication	0.0	0.8	0.8
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	0.8	0.5	0.7
Q	Human health and social work activities	0.3	0.5	0.5
M	Professional, scientific and technical activities	0.7	0.3	0.4
K	Financial and insurance activities	0.3	0.3	0.2
R	Arts, entertainment and recreation	0.2	0.3	0.2
S	Other service activities	0.2	0.1	0.1
L	Real estate activities	0.1	0.2	0.1
P	Education	0.2	0.1	0.1
T	Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	0.0	0.0	0.0
U	Activities of extraterritorial organisations and bodies	0.0	0.0	0.0

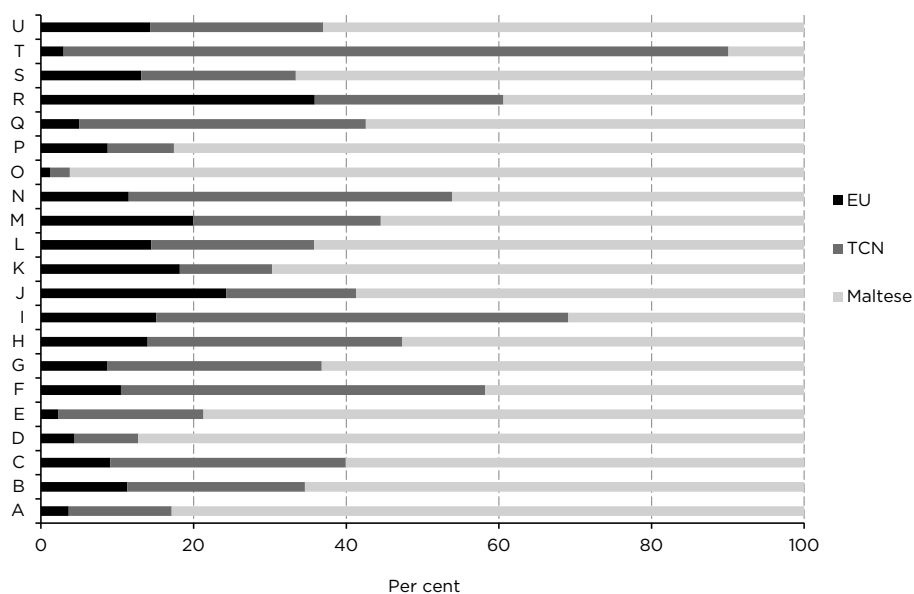
* including temporary employment and refers to full time registered employment only

Source: National Statistics Office

In contrast, third-country nationals (TCNs) accounted for the highest share of employment in Activities of households as employers (87.1 per cent), although employment in this sector was relatively limited in absolute terms. TCNs also represented substantial shares of employment in Accommodation and food service activities (54.0 per cent), Construction (47.7 per cent), and Administrative and support service activities (42.4 per cent).

Chart 2.9
Sectoral Employment Shares
(As at April 2026)

NACE Rev. 2 Categories

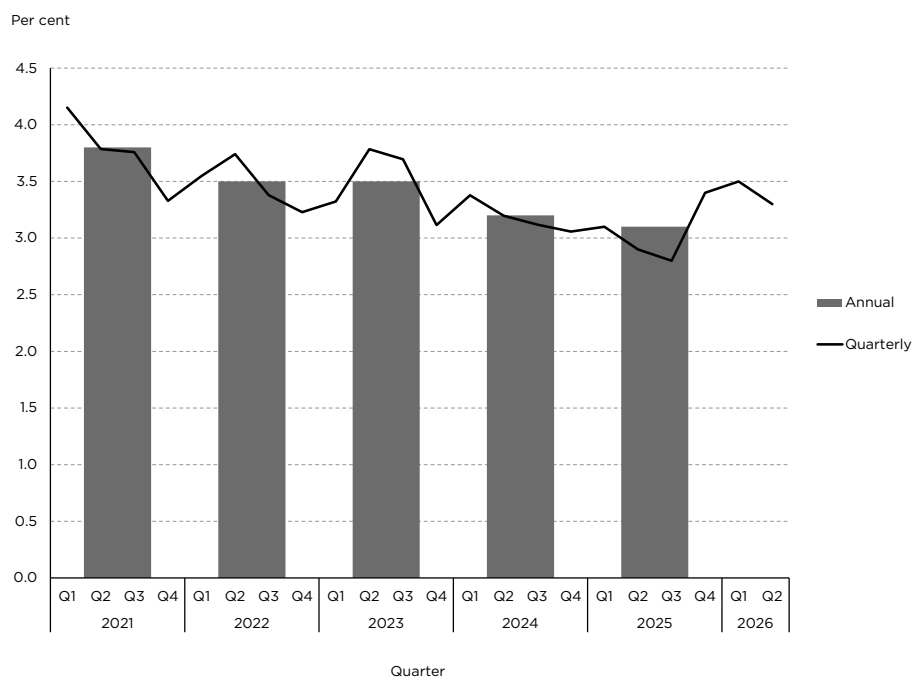


Source: Jobsplus

Nationals of other EU Member States accounted for their highest shares of sectoral employment in Arts, entertainment and recreation (35.9 per cent), followed by Information and communication (24.3 per cent) and Professional, scientific and technical activities (20.0 per cent).

Looking at the sectoral distribution of workers within each nationality group, of the total number of TCNs in employment, 17.3 per cent worked in Administrative and support services activities, 15.7 per cent in Accommodation and food service activities, and 12.3 per cent in the Wholesale and retail trade (including the Repair of motor vehicles and motorcycles).

Chart 2.10
Unemployment Rate, Ages 15-74 years

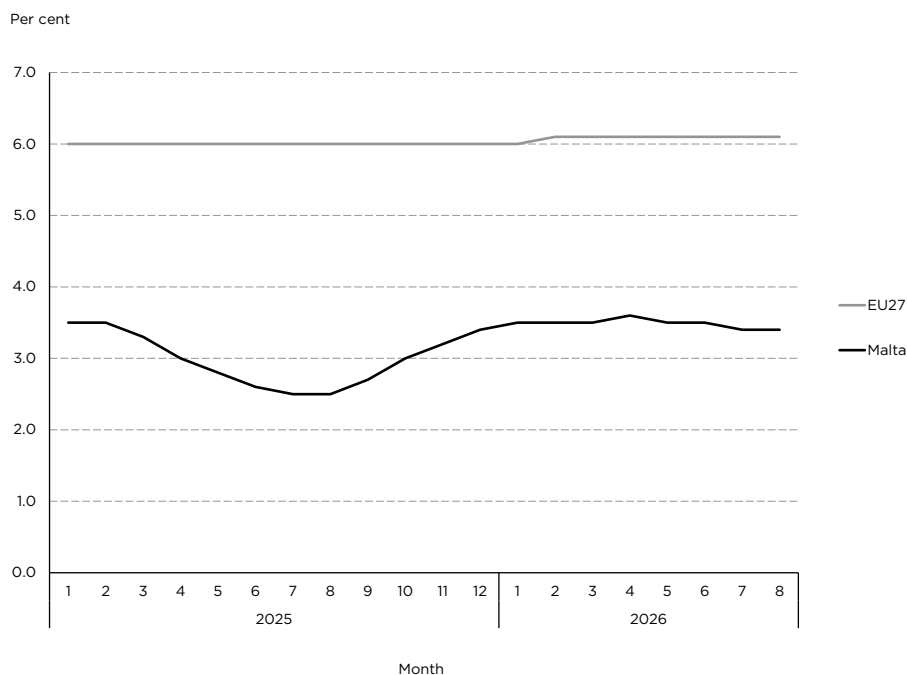


Source: National Statistics Office

Among nationals of other EU Member States working in different sectors, the largest shares were recorded in Arts, entertainment and recreation (14.2 per cent), Professional, scientific and technical activities (13.2 per cent) and Administrative and support services activities (10.9 per cent), respectively.

Among Maltese workers, the largest sectoral shares were in Public administration and defence, compulsory social security (18.1 per cent), Wholesale and retail trade (including the Repair of motor vehicles and motorcycles) (13.2 per cent), and Administrative and support activities (9.0 per cent).

Chart 2.11
Monthly Unemployment Rate



Source: Eurostat

The unemployment rate stood at 3.3 per cent in the second quarter of 2026, 0.4 percentage points higher than in the corresponding period in 2025 (Chart 2.10). As evidenced in Chart 2.11, Malta’s unemployment rate in August 2026 stood at 3.4 per cent, below the EU rate of 6.1 per cent.

2.4 Negotiated Wages

This section examines the developments in average weekly wage rates between August 2025 and August 2026, based on collective agreements filed with the Department of Industrial and Employment

Relations (DIER). This analysis focuses exclusively on basic wage rates and excludes additional earnings such as overtime, allowances, bonuses, or other incentives. The wages shown in the tables below are weekly basic wage rates for full-time employment. The basic wages, classified by NACE codes, are further divided into three distinct skill levels. Box 2.1 provides a comprehensive explanation of the methodology and underlying assumptions.

Across the sample of collective agreements analysed, the aggregate weighted average basic weekly wage stood at €459.66 in August 2025 (see Table 2.2), rising to €475.37 in August 2026 (see Table 2.3), an increase of €15.71 per week. By comparison, in the same year, the weekly increase in the minimum wage amounted to €7.66, while the Cost-of-Living Adjustment (COLA) for full-time employees stood at €4.66 per week.

Table 2.2: Average Basic Weekly Wages (August 2025)

€

Statistical classification of economic activities (NACE)		Level 1	Level 2	Level 3	Weighted Average
C	Manufacturing	332.76	413.35	516.98	430.87
E	Water supply; sewerage, waste management and remediation activities	332.63	422.92	664.31	466.25
F	Construction	313.94	357.58	402.83	353.25
H	Transportation and storage	267.62	389.28	623.55	433.64
I	Accommodation and food service activities	271.23	321.30	379.62	327.04
J	Information and communication	292.12	366.20	454.53	433.61
K	Financial and insurance activities	349.19	489.10	861.03	688.79
M	Professional, scientific and technical activities	287.84	408.03	614.23	533.38
N	Administrative and support service activities	242.75	348.11	633.25	373.73
O	Public administration and defence; compulsory social security	275.82	407.03	633.61	535.57
P	Education	305.05	420.98	680.51	582.80
Q	Residential care and social work activities	275.59	354.29	583.40	455.22
R	Arts, entertainment and recreation	299.40	398.55	569.31	464.01
S	Other service activities	321.60	403.80	580.29	456.89
All sectors		279.65	385.58	597.62	459.66
Direct production		322.21	394.55	486.69	402.40
Services		264.31	383.16	611.06	471.90

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

Table 2.3: Average Basic Weekly Wages (August 2026)

€				
Statistical classification of economic activities (NACE)	Level 1	Level 2	Level 3	Weighted Average
C Manufacturing	342.49	425.37	532.20	443.45
E Water supply; sewerage, waste management and remediation activities	347.64	442.68	688.77	486.21
F Construction	321.07	366.52	413.21	361.92
H Transportation and storage	274.01	401.23	645.11	447.31
I Accommodation and food service activities	280.83	331.34	389.75	337.00
J Information and communication	300.33	375.91	466.44	445.01
K Financial and insurance activities	357.30	499.10	877.49	702.27
M Professional, scientific and technical activities	294.71	418.99	634.23	549.94
N Administrative and support service activities	247.83	362.33	653.53	386.41
O Public administration and defence; compulsory social security	282.81	427.01	662.98	560.40
P Education	313.01	434.28	709.52	605.99
Q Residential care and social work activities	281.30	369.17	604.62	472.34
R Arts, entertainment and recreation	310.96	419.53	596.32	487.08
S Other service activities	327.98	413.51	593.51	467.46
All sectors	286.88	399.16	618.44	475.37
Direct production	330.70	405.84	500.75	413.79
Services	271.09	397.35	632.70	488.53

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

As of August 2026, the weighted average basic wage for employees in direct production stood at €413.79, compared with €488.53 for those in the services sector, yielding a sectoral wage gap of €74.74. Across sectors, Financial and insurance activities had the highest average weighted weekly wage (€702.27), followed by the Education sector (at €605.99). At the same time, the Accommodation and food service activities registered the lowest weighted average weekly wage at €337.00.

A comparison across occupation levels further illustrates the spread of wages within the sample. The lowest basic wage reported was at Level 1 within the Administrative and support service activities sector, at €247.83, exceeding the 2026 minimum wage by €18.39 (or 8.0 per cent). The highest value, by contrast, was recorded at Level 3 in the

Financial and insurance sector, where the average basic weekly wage reached €877.49.

Tables 2.4 and 2.5 present wage developments between August 2025 and August 2026 in percentage and absolute terms, respectively, while Chart 2.12 illustrates the contribution of different occupational levels to wage growth across sectors. The weighted average basic weekly wage across all sectors increased by 3.4 per cent, primarily driven by upward adjustments to Level 2 and Level 3.

In direct production, the average basic weekly wage grew by 2.8 per cent (€11.39), of which 1.5 percentage points were attributable to Level 2 wages. The services sector experienced a strong increase of 3.5 per cent (€16.62), with Level 3 wages accounting for 1.6 percentage points of this rise.

Table 2.4: Percentage Change in Average Basic Weekly Wages (August 2025 - August 2026)

					per cent
Statistical classification of economic activities (NACE)		Level 1	Level 2	Level 3	Weighted Average
C	Manufacturing	2.92	2.91	2.94	2.92
E	Water supply; sewerage, waste management and remediation activities	4.51	4.67	3.68	4.28
F	Construction	2.27	2.50	2.58	2.45
H	Transportation and storage	2.39	3.07	3.46	3.15
I	Accommodation and food service activities	3.54	3.13	2.67	3.05
J	Information and communication	2.81	2.65	2.62	2.63
K	Financial and insurance activities	2.32	2.04	1.91	1.96
M	Professional, scientific and technical activities	2.39	2.69	3.26	3.10
N	Administrative and support service activities	2.09	4.09	3.20	3.39
O	Public administration and defence; compulsory social security	2.53	4.91	4.64	4.64
P	Education	2.61	3.16	4.26	3.98
Q	Residential care and social work activities	2.07	4.20	3.64	3.76
R	Arts, entertainment and recreation	3.86	5.27	4.74	4.97
S	Other service activities	1.98	2.40	2.28	2.31
All sectors		2.59	3.52	3.48	3.42
Direct production		2.64	2.86	2.89	2.83
Services		2.57	3.70	3.54	3.52

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

Table 2.5: Change in Average Basic Weekly Wages (August 2025 - August 2026)

€

Statistical classification of economic activities (NACE)		Level 1	Level 2	Level 3	Weighted Average
C	Manufacturing	9.73	12.01	15.22	12.59
E	Water supply; sewerage, waste management and remediation activities	15.01	19.76	24.46	19.96
F	Construction	7.13	8.95	10.38	8.67
H	Transportation and storage	6.39	11.95	21.56	13.67
I	Accommodation and food service activities	9.60	10.05	10.13	9.96
J	Information and communication	8.22	9.71	11.91	11.40
K	Financial and insurance activities	8.10	10.00	16.46	13.48
M	Professional, scientific and technical activities	6.87	10.96	20.00	16.56
N	Administrative and support service activities	5.08	14.23	20.28	12.68
O	Public administration and defence; compulsory social security	6.99	19.98	29.37	24.83
P	Education	7.96	13.30	29.01	23.19
Q	Residential care and social work activities	5.71	14.88	21.22	17.12
R	Arts, entertainment and recreation	11.56	20.98	27.01	23.06
S	Other service activities	6.38	9.71	13.22	10.58
All sectors		7.23	13.57	20.82	15.70
Direct production		8.49	11.29	14.07	11.39
Services		6.78	14.19	21.63	16.62

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

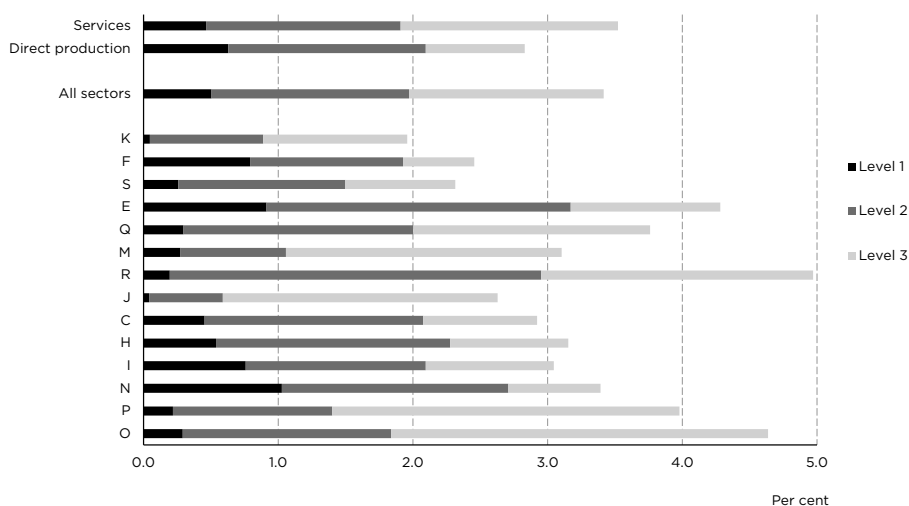
Wage growth varied across economic sectors. The Public administration and defence; compulsory social security sector recorded the largest weekly increase in basic wages, amounting to €24.83, while the Education sector followed with an increase of €23.19. These increases coincide with the entry into force of new collective agreements, which included substantial revisions to basic wage rates in both sectors. By comparison, the Construction sector registered the smallest increase in weekly basic wages, at €8.67.

A breakdown by occupational level shows that the Public administration and defence; compulsory social security sector recorded the largest increase in Level 3 basic wages at €29.37. Arts, entertainment and recreation recorded the largest increase at Level 2, at €20.98. Meanwhile, Water supply; sewerage, waste management and remediation activities recorded the largest increase in Level 1 basic wages, at €15.01.

Chart 2.12

Contribution to the Weighted Average Growth Rate in Basic Weekly Wages
(August 2025-August 2026)

NACE Rev. 2 Categories



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

An important consideration when interpreting these results is that remuneration adjustments were not always reflected in basic wage rates. In certain sectors, increases were driven primarily by allowances and bonuses, rather than adjustments to basic wages. As this analysis focuses on basic wage developments, it excludes these components, meaning that the reported figures may underestimate the overall growth in employee remuneration in the sectors concerned.

Box 2.1

Collective Agreements Methodology

The sample under review comprises 165 entities employing 78,056 full-time employees: 28 entities are engaged in direct production, employing 9,007 individuals, while the remaining 137 entities operate in the services sector with 69,049 employees. The total coverage ratio is around 34 per cent of total employment. The basic weekly wages are classified into three levels according to the International Standard Classification of Occupations (ISCO-08) ten-skill group framework, excluding military occupations. ISCO is a system for classifying and aggregating occupational information developed by the International Labour Office (ILO). Level 1 corresponds to ISCO major group 9, which includes elementary occupations. Level 2 includes ISCO major groups 4 to 8, covering clerical support, 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 were provided by Jobsplus.

This analysis excludes definite contracts of employment, and any employment benefits over and above the basic wage such as production bonuses, overtime payments, social security, allowances, and other non-wage income. These additional sources of income can be quite significant for some sectors of employment, such that employees' actual average weekly remuneration may be significantly higher than the average weekly basic wages reported in this study.

The comparison of the 2026 and 2025 wage estimates presented in this edition of the Economic Survey is based on the same employment weighting structure and sample of entities for both years. Therefore, the difference represents the actual change in wage rates over the year. However, the wage estimates published in previous editions are not directly comparable with these estimates presented here. This is primarily due to differences in methodology and sampling procedures, such as the inclusion of additional entities and the exclusion of others, which alter the weighting of individual entities in each category as employment levels change. Additionally, reclassification of grades under new collective agreements and changes in the NACE classification of certain businesses may influence average basic wage estimates.

The methodology relies on compiling collective agreements by NACE category, which classifies economic activity. For each agreement, the methodology estimates the average wage across the three ISCO skill levels. Where the Cost-of-Living Adjustment (COLA) is not included in an agreement, the figures are adjusted accordingly. For agreements where the basic wage increase is less than the 2026 COLA (€4.66 per week), it is assumed that the basic wage increment matches this amount across all skill levels. However, if the increase exceeds the COLA, no adjustments are made.

2.5 Social Conditions

This section assesses household income distribution and living standards in Malta, comparing Malta's average equivalised disposable income with that of other EU Member States. It also reviews recent developments in poverty and social exclusion and examines income inequality using key indicators, including the Gini coefficient and the S80/S20 income quintile share ratio.

2.5.1 Average Equivalised Household Income

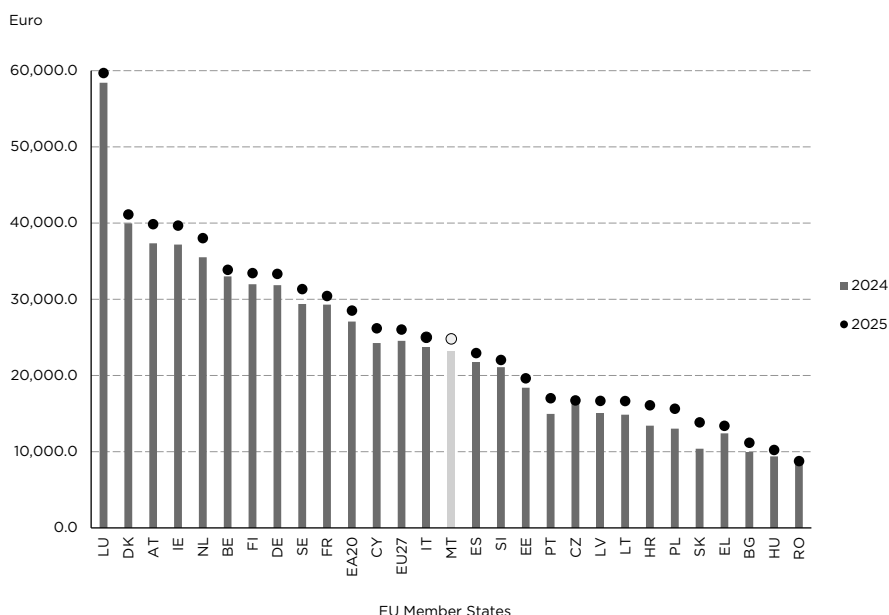
In 2025, the average equivalised household income² in Malta increased to €24,808³, as shown in Chart 2.13, representing a 7.0 per cent increase compared with €23,181 in 2024. This increase was stronger than that recorded for the EA, where average income rose from €27,067 to €28,525, or by around 5.4 per cent. Consequently, Malta's average equivalised household income reached 87.0 per cent of the EA average in 2025, up from 85.6 per cent in the previous year. In absolute terms, the difference between Malta and the EA average nevertheless remained sizeable, at around €3,717.

Over a longer period, Malta recorded substantial growth in average household income. Between 2017 and 2025, average equivalised household income increased from €16,387 to €24,808, equivalent to an increase of approximately 51.4 per cent. Over the same period, Malta's income relative to the EA average improved from 77.8 per cent to 87.0 per cent, an increase of 9.2 percentage points. While some year-to-year fluctuations have been observed, the longer-term trend points towards a narrowing of the nominal income gap between Malta's average equivalised household income and the EA average.

2.5.2 Income Distribution

Income inequality can be examined through several indicators, including the S80/S20 ratio and the Gini coefficient. The S80/S20 ratio compares the share of total income received by the 20.0 per cent of

Chart 2.13
Average Equivalised Household Income



Source: Eurostat

the population with the highest incomes with that received by the 20.0 per cent with the lowest incomes. A lower ratio therefore indicates a more even distribution of income.

As shown in Table 2.6, Malta's S80/S20 ratio declined to 4.5 in 2025 from 5.1 in 2024, a decrease of 0.6 points, which indicates improved income distribution. The ratio also fell below the EU-27 average of 4.6, which itself decreased slightly from 4.7 in 2024. Thus, while the highest-income quintile in Malta received around five times the income of the lowest-income quintile in 2024, this fell to approximately 4.5 times as much in 2025.

Table 2.6: Income Distribution

	EU27		Malta	
	2024	2025	2024	2025
S80/S20 ratio	4.7	4.6	5.1	4.5
<i>Less than 65 years</i>	4.8	4.7	5.0	4.4
<i>65 years or over</i>	4.1	4.1	4.5	4.1
Gini coefficient	29.4	29.2	31.3	29.2

Source: Eurostat

The improvement was also evident across both age groups. Among people under 65, Malta's S80/S20 ratio fell from 5.0 in 2024 to 4.4 in 2025, below the EU-27 ratio of 4.7. For those aged 65 years or over, the ratio declined from 4.5 to 4.1. These developments reverse the trend from 2024, when Malta recorded higher S80/S20 ratios than the EU-27 across both age groups.

A similar improvement is evident in the Gini coefficient, which measures the overall degree of inequality in income distribution, with a lower value indicating a more equal distribution. In Malta, the Gini coefficient fell markedly from 31.3 per cent in 2024 to 29.2 per cent in 2025, a decline of 2.1 percentage points. The EU-27 coefficient also decreased, albeit more moderately, from 29.4 per cent to 29.2 per cent. Malta's Gini coefficient was equal to the EU-27 average in 2025, compared with a gap of 1.9 percentage points in 2024. Both indicators point towards a notable reduction in income inequality in Malta in 2025 and a slight improvement relative to EU-27 levels.

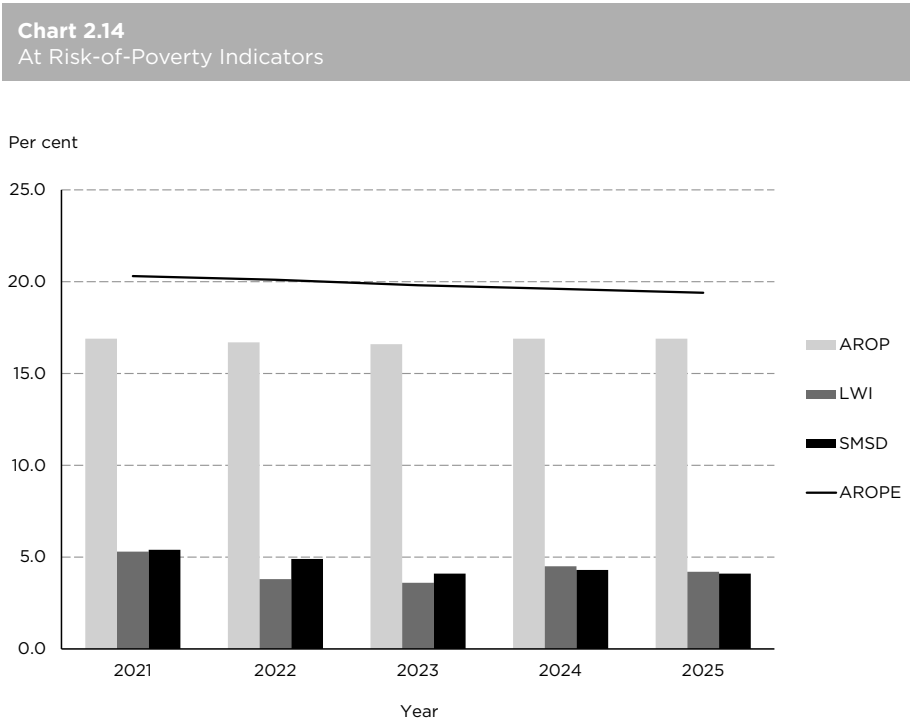
2.5.3 Poverty and Social Exclusion

The AROPE rate is the main indicator used to assess progress towards the EU's 2030 poverty and social exclusion target. It identifies the share of the population experiencing at least one of three conditions: being at

risk of poverty, experiencing severe material and social deprivation, or living in a household with very low work intensity. As Chart 2.14 shows, Malta's AROPE rate fell from 19.6 per cent in 2024 to 19.4 per cent in 2025, continuing the downward trend observed in recent years. The corresponding EU-27 rate stood at 20.9 per cent in 2025, meaning that Malta remained 1.5 percentage points below the EU average. Malta's AROPE rate declined due to favourable labour market conditions and the role of social transfers in supporting household incomes.

The AROPE indicator consists of three main components:

1. AROP rate: the proportion of persons with an equivalised disposable income, after social transfers, below 60.0 per cent of the national median equivalised disposable income.



Source: Eurostat

2. Severe material and social deprivation (SMSD): the share of the population unable to afford a specified number of goods, services or activities considered necessary for an adequate standard of living.
3. Low Work Intensity (LWI): the proportion of persons living in households where working-age members worked only 20.0 per cent of their potential working time during the reference period.

Malta's AROP rate before social transfers stood at 32.3 per cent in 2025, down from 32.7 per cent in 2024. This remained substantially below the corresponding EU-27 rate of 42.8 per cent, resulting in a difference of 10.5 percentage points. After including social transfers, Malta's AROP rate fell to 16.9 per cent, a reduction of 15.4 percentage points. At EU level, the rate after social transfers stood at 16.3 per cent. These figures highlight the important contribution of social transfers in reducing the proportion of individuals whose incomes fall below the poverty threshold.

Malta's AROP rate after social transfers was unchanged from 2024. Meanwhile, the poverty threshold continued to rise. For a single-person household, the threshold increased from €11,820 in 2024 to €13,220 in 2025, an increase of approximately 11.8 per cent. For a household with two adults and two children under 14, the threshold rose by around 11.8 per cent, from €24,823 to €27,763. This increase reflects growth in median equivalised income, raising the income level below which an individual or household is considered at risk of poverty.

The other two AROPE components also improved in 2025. The SMSD rate declined from 4.3 per cent in 2024 to 4.1 per cent in 2025, with approximately 23,233 persons classified as severely materially and socially deprived. This is consistent with the broader material and social deprivation indicator, with the share of persons considered materially and socially deprived falling from 9.0 per cent to 8.7 per cent. Malta's SMSD rate in 2025 also remained well below the EU-27 average of 6.3 per cent, a difference of 2.2 percentage points.

Similarly, the share of persons living in households with LWI decreased from 4.5 per cent in 2024 to 4.2 per cent in 2025. This represents an

improvement from the previous year and remains well below the EU-27 rate of 7.9 per cent. Taken together, developments in AROPE and its underlying components indicate modest improvements in poverty and social exclusion outcomes in Malta in 2025, particularly through lower levels of severe material and social deprivation and lower work intensity.

2.6 Energy and Climate Change

2.6.1 Introduction

Addressing environmental and climate-related challenges remains a key part of sustainable economic development. Global and European frameworks, including the Paris Agreement, the European Climate Law, and the European Green Deal, have strengthened policy focus on reducing GHG emissions, increasing renewable energy uptake, and improving energy efficiency.

At the national level, Malta's climate and energy policy is guided by the Low Carbon Development Strategy and the updated National Energy and Climate Plan (NECP). These frameworks set out Malta's pathway to reduce GHG emissions and increase renewable energy deployment while accounting for the country's particular circumstances, including its small size, high population density, limited land availability, and dependence on imported energy. Malta's energy system also remains highly reliant on imported fossil fuels and external electricity supply, making diversification and energy security important considerations alongside decarbonisation. The European Commission notes that Malta's energy mix remains skewed towards imported fossil fuels and that increasing renewable energy and improving energy efficiency would contribute to greater energy security.

Monitoring developments in GHG emissions and energy use indicates progress in the transition to a lower-carbon economy. Against this background, this section reviews recent developments in Malta's

GHG emissions and final energy consumption, as well as the role of environmental taxation.

2.6.2 Greenhouse Gas Emissions

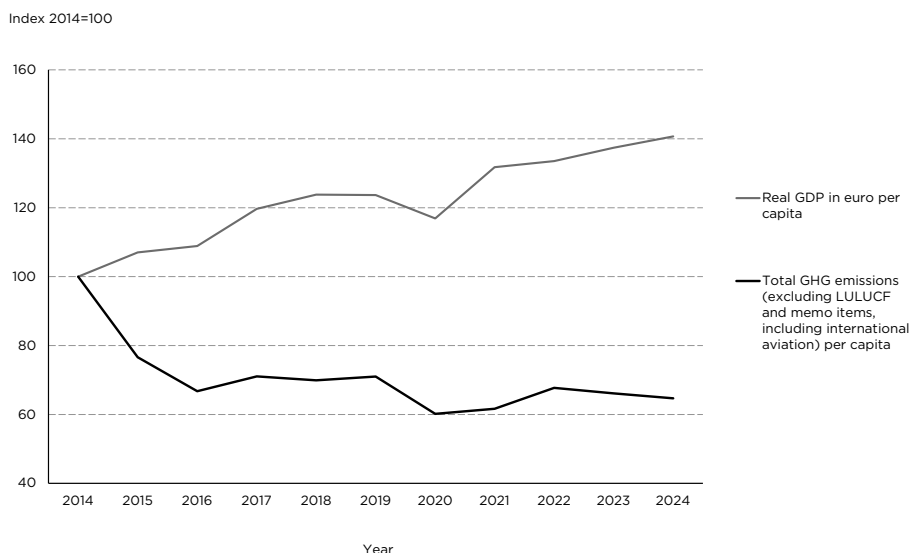
This sub-section reviews GHG emissions reported in Malta's national inventory submitted under the United Nations Framework Convention on Climate Change (UNFCCC). As in previous editions, emissions are classified according to their technological source, in line with the methodology established by the Intergovernmental Panel on Climate Change (IPCC). The main sectors comprise energy, industrial processes and product use (IPPU), agriculture, waste management and land use, land-use change and forestry (LULUCF). International aviation and maritime emissions are reported separately as memo items and are not included in Malta's national GHG inventory totals.

The latest inventory indicates that Malta's national GHG emissions, excluding LULUCF, amounted to 2,170.2 thousand tonnes of CO₂ equivalent in 2024, down from 2,207.3 thousand tonnes in 2023. This represents a decrease of around 37.1 thousand tonnes, or 1.7 per cent. When accounting for LULUCF, emissions stood at 2,171.6 thousand tonnes of CO₂ equivalent in 2024, a reduction of 1.5 per cent from 2023.

Over the long-term, Malta has reduced emissions substantially while experiencing significant economic expansion. National GHG emissions excluding LULUCF fell from 2,624.7 thousand tonnes of CO₂ equivalent in 1990 to 2,170.2 thousand tonnes in 2024. The latest national inventory estimates that total emissions in 2024 were around 17.3 per cent below their 1990 level. Emissions per capita, including international aviation, also reached their lowest level over the inventory time series, at around 4.7 tonnes of CO₂ equivalent per person. These developments point towards a marked decoupling of economic activity from GHG emissions over the longer term, as illustrated in Chart 2.15.

The energy sector remains the dominant source of Malta's domestic GHG emissions. In 2024, it accounted for 1,703.6 thousand tonnes of CO₂ equivalent, followed by IPPU (210.8 thousand tonnes), waste

Chart 2.15
Index of Real GDP per capita and GHG Emissions

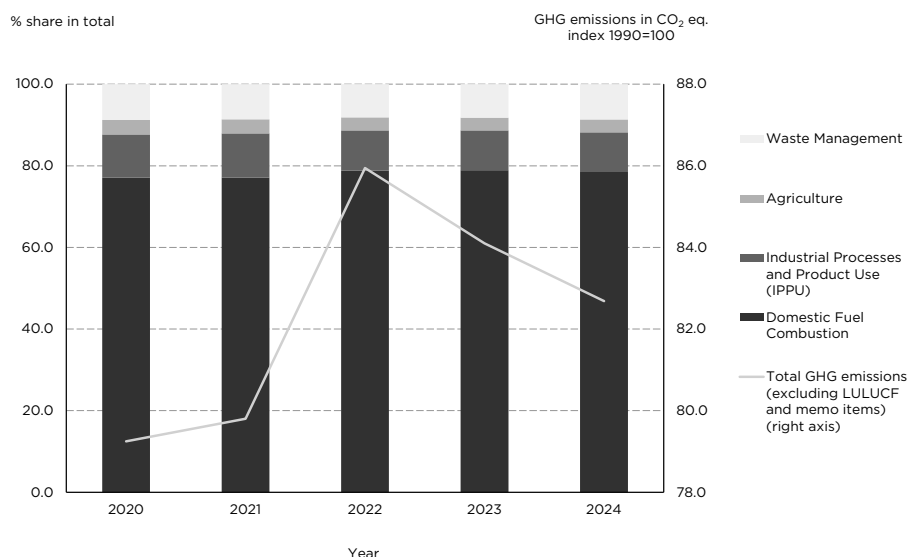


Source: Eurostat

management (187.4 thousand tonnes), and agriculture (68.4 thousand tonnes). The LULUCF sector contributed a comparatively small 1.4 thousand tonnes. Thus, excluding LULUCF, energy accounted for around 78.5 per cent of national emissions in 2024, while IPPU accounted for 9.7 per cent, waste for 8.6 per cent, and agriculture for 3.2 per cent.

International aviation generated approximately 528.3 thousand tonnes of CO₂ equivalent in 2024. Chart 2.16 shows that when these emissions are added to national emissions excluding LULUCF, fuel combustion accounted for approximately 82.7 per cent of the resulting total. Domestic energy-related emissions accounted for about 63.1 per cent, while international aviation accounted for about 19.6 per cent. The remaining emissions came from IPPU, waste management, and

Chart 2.16
Greenhouse Gas Emissions by Source Sector



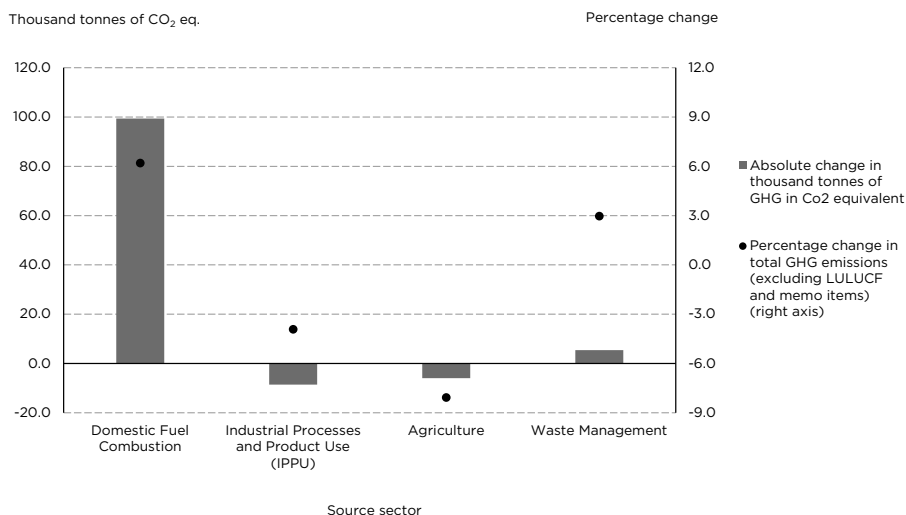
Source: Eurostat

agriculture, at approximately 7.8 per cent, 6.9 per cent, and 2.5 per cent, respectively.

Overall GHG emissions rose by 4.3 per cent between 2020 and 2024, driven largely by a 6.2 per cent increase in domestic fuel combustion, as illustrated in Chart 2.17. This growth stemmed mainly from higher emissions in electricity generation, construction, and road transport. Emissions from waste management grew by 3.0 per cent between 2020 and 2024, while emissions from agriculture and IPPU declined by 8.1 and 3.9 per cent, respectively.

Within individual GHGs, carbon dioxide remains overwhelmingly associated with energy use. Meanwhile, hydrofluorocarbons (HFCs),

Chart 2.17
Changes in GHG emissions, by IPCC source sector, from 2020 to 2024



Source: Eurostat

arising mainly from refrigeration and air-conditioning applications, continued to dominate IPPU emissions, accounting for 95.6 per cent in 2024. Waste management remains the principal source of methane emissions in Malta.

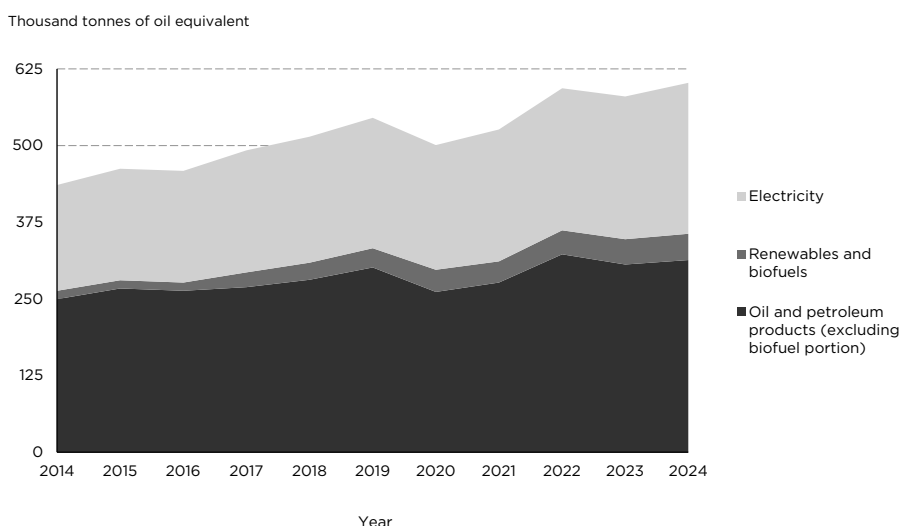
2.6.3 Final Energy Consumption

Final energy consumption measures the energy delivered to end users, excluding energy consumed by the energy sector itself and losses arising from energy transformation and distribution. The latest Eurostat data indicate that Malta's final energy consumption reached 0.602 million tonnes of oil equivalent (Mtoe) in 2024, up 3.8 per cent from 2023. Under the Energy Efficiency Directive definition, which includes energy consumption from international aviation but excludes ambient

energy, Malta's final energy consumption stood at 0.742 Mtoe in 2024. Despite the increase in aggregate energy use, developments relative to economic and population growth indicate some improvement in energy efficiency. Between 2019 and 2024, the economy's energy intensity declined by 27.1 per cent.

Malta's final energy mix remains characterised by a comparatively high dependence on petroleum products and electricity. As illustrated in Chart 2.18, petroleum products accounted for more than half of final energy consumption in 2024, while electricity represented 40.9 per cent, the highest electricity share among EU Member States and considerably above the EU average of 23.4 per cent. At 17.2 per cent in 2024, Malta's overall renewable energy share remains below the EU average of 25.2 per cent. However, non-biofuel renewable energy directly consumed by final users accounted for 4.3 per cent of Malta's

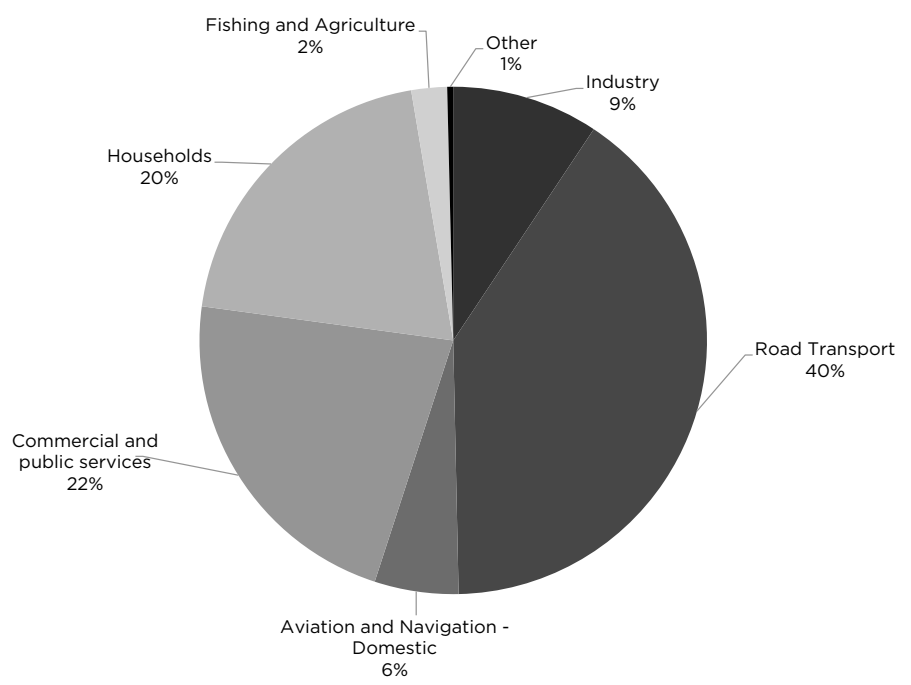
Chart 2.18
Final Energy Consumption, by fuel source



Source: Eurostat

final energy consumption in 2024, compared with 2.5 per cent in the EU. These indicators differ in both coverage and in their underlying measure of final energy consumption. The broader renewable-energy share captures renewable electricity, heating and cooling, and renewable energy used in transport, whereas the latter measures only non-biofuel renewable energy products directly consumed by final users. In the energy balances, renewable electricity, including electricity generated from photovoltaic installations, is recorded under electricity rather than renewables, while ambient heat from heat pumps is recorded as a renewable energy product. This suggests that the uptake of directly consumed non-biofuel renewable energy is comparatively well developed relative to the EU average.

Chart 2.19
Final Energy Consumption, by sector, in 2024
% of Total Final Energy Consumption



Source: Eurostat

Developments differed across end-use sectors. Between 2019 and 2024, final energy consumption in industry declined by 7.8 per cent. Conversely, energy consumption increased by 7.4 per cent in road transport, 8.8 per cent in commercial and public services and 19.8 per cent in the residential sector. The increase in residential energy consumption partly reflects the growth in Malta's housing stock and population. Chart 2.19 shows that road transport was the largest energy consumer in 2024, accounting for 40.3 per cent of final energy consumption. The commercial and public services sector, which held a 22.1 per cent share, recorded a higher final end-use of 7.2 thousand tonnes in 2024 than in the preceding year. Households held a 20.2 per cent share and increased consumption by 5.6 thousand tonnes of oil equivalent in 2024. Energy use in the fishing and agriculture sectors, which account for only 2.3 per cent of total final energy consumption, declined by 1.1 thousand tonnes of oil equivalent over the same period.

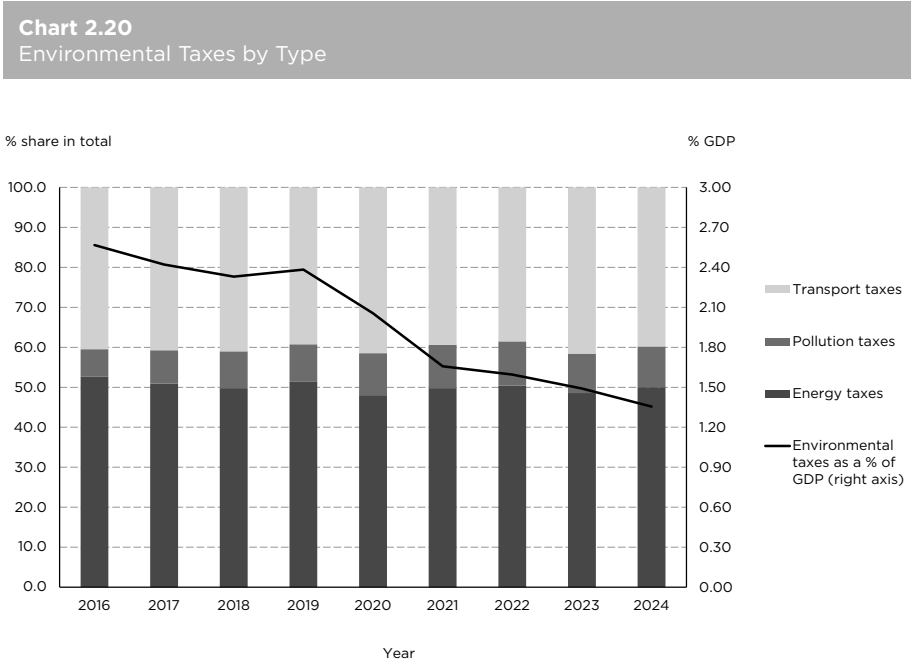
2.6.4 Environmental Taxation

Environmental taxation constitutes one of the economic instruments available to support environmental objectives by incorporating some of the environmental costs associated with production and consumption into market prices while simultaneously generating Government revenue. In line with the European System of Accounts, environmental taxes are levied on physical units, or proxies thereof, that have a proven negative impact on the environment. They are classified into energy, transport, pollution and resource taxes.

Latest Eurostat data indicate that revenue from environmental taxes amounted to €312.7 million in 2024, up marginally by around €1.0 million, or 0.3 per cent, from €311.7 million in 2023. Lower transport-tax revenue largely offset the increase in receipts from energy and pollution taxes, leaving aggregate environmental tax receipts little changed from the preceding year. In relative terms, however, environmental taxes as a share of Malta's overall tax and social contribution revenue declined by a percentage point to 4.6 per cent, reflecting the particularly strong increase in total tax receipts during 2024.

The structure of environmental tax categories has remained broadly stable over the years considered, as illustrated in Chart 2.20. Energy taxes remained the largest category, generating €156.4 million in 2024, or about 50.0 per cent of total environmental tax revenue. Receipts increased by €5.0 million from the preceding year, largely reflecting a €4.5 million increase in revenue from emissions trading permits. Energy taxes include levies on energy products used for both transport and non-transport purposes, with taxes on transport fuels forming part of this category.

Transport taxes generated €124.4 million, representing 39.8 per cent of environmental tax receipts. This was €5.3 million lower than the €129.7 million recorded in 2023. These taxes predominantly relate to the ownership and registration of motor vehicles rather than fuel use, since fuel excise duties are classified as energy taxes.



Source: Eurostat

Pollution taxes, meanwhile, increased from €30.7 million in 2023 to €31.9 million in 2024, representing 10.2 per cent of total environmental tax receipts. Malta recorded no revenue classified under resource taxes.

The composition of Malta's environmental taxation differs markedly from that observed across the EU. Energy taxes account for a smaller share of Malta's environmental tax revenue, while transport and pollution taxes carry comparatively larger shares. At EU level, energy taxes represented around 77.2 per cent of environmental tax revenue in 2024, with transport taxes accounting for 18.0 per cent and pollution and resource taxes for the remainder. Malta's environmental tax revenue stood at 1.4 per cent of GDP, below the EU average of approximately 2.1 per cent.

Footnotes

¹ 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_\(AROE\)](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:At_risk_of_poverty_or_social_exclusion_(AROE)).

² Equivalised income refers to household income adjusted to identify different household compositions and income requirements. The equivalised scale is based on the weight specified by the OECD, in which the reference person takes a value of one, and all other persons in the household aged 14 and over, take a value of 0.5 each. Children aged under 14 years take a weighting value of 0.3. Thus, larger households' total disposable income is adjusted using an established weighting system to reflect further income requirements to cater for dependent children and additional adults.

³ Income variables reported in EU-SILC 2025 relate to income earned in calendar year 2024. Unless otherwise indicated, years refer to the EU-SILC survey year.

CHAPTER 3

International Trade and the Balance of Payments

Chapter 3

International Trade and the Balance of Payments

3.1 International Trade

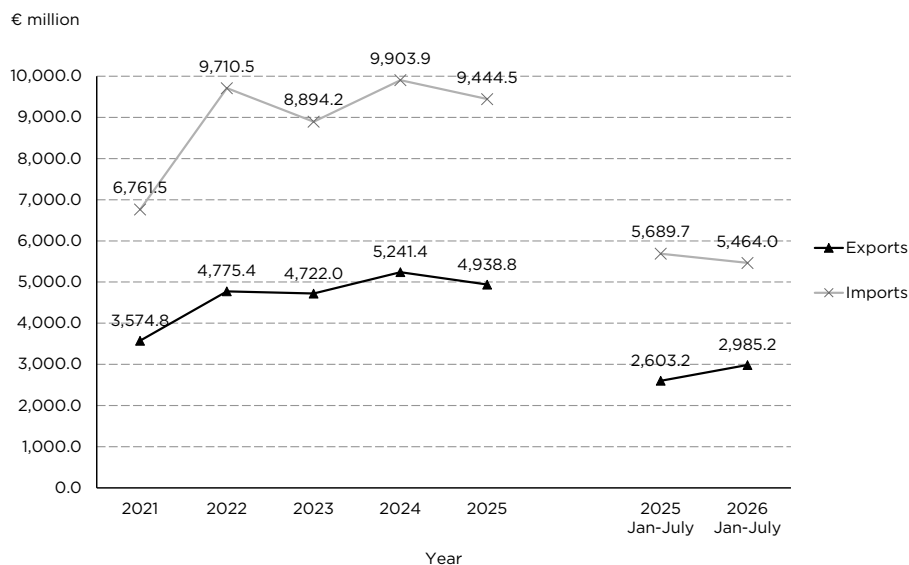
Malta's small size and openness make it particularly dependent on international trade to support economic activity and meet local consumption and production needs. Consequently, trade statistics play a crucial role in monitoring the country's exchanges with global markets. Beyond measuring the value and quantity of imports and exports, these indicators offer insights into the structure of trade flows, helping to identify emerging patterns, shifts in demand, and changes in trade performance.

In 2025, Malta's imports totalled €9,444.5 million, while exports reached €4,938.8 million. Compared with 2024, imports fell by 4.6 per cent and exports by 5.8 per cent. Chart 3.1 shows the evolution of goods imports and exports over the last years; the trade gap appears broadly stable over the last three years. In 2025, the trade deficit stood at €4,505.7 million, down 3.4 per cent from the previous year, driven largely by decreases in both imports and exports.

More recent figures show that between January and July 2026, imports amounted to €5,464.0 million, whereas exports amounted to €2,985.2 million. This produced a trade gap of €2,478.8 million, a 19.7 per cent narrowing compared with the same period in 2025, mainly due to weaker imports and stronger exports.

The trade figures presented above are influenced by several inherently volatile categories, including mineral fuels, oils and related products; aircraft and spacecraft parts; and ships, boats and floating structures. Given the substantial fluctuations often recorded within these chapters, they can significantly affect the overall trade balance and headline

Chart 3.1
Trade Gap



Source: National Statistics Office

trade statistics. Consequently, analysing data that excludes these categories provides a more accurate assessment of underlying trade developments. When such specific categories are excluded, imports in 2025 stood at €5,881.8 million, while exports reached €3,160.6 million. Compared with 2024, this represented an increase of 4.0 per cent and a decline of 1.8 per cent, respectively. Consequently, the adjusted trade deficit widened by 11.6 per cent to €2,721.2 million.

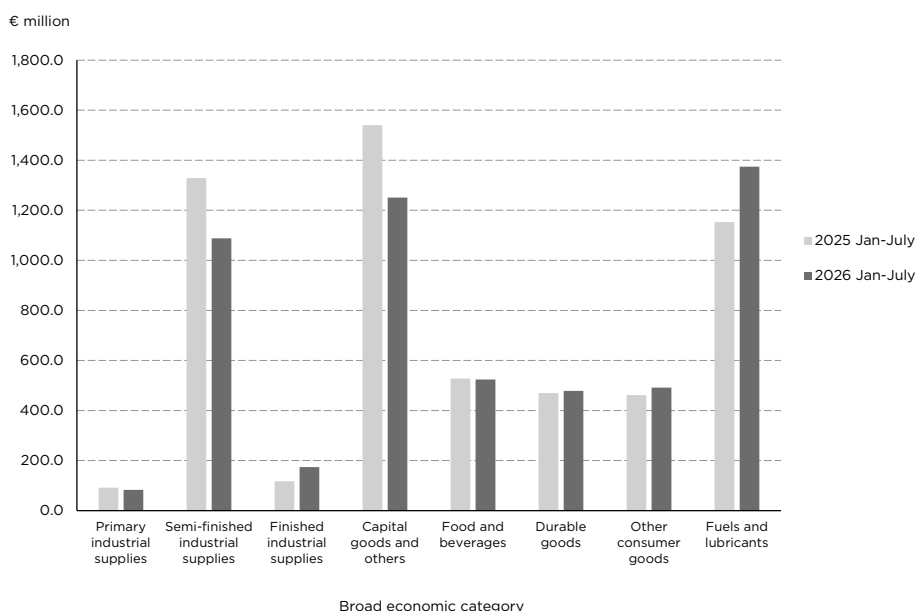
During the first seven months of 2026, Malta's imports, excluding volatile categories, totalled €3,311.3 million, while exports amounted to €1,819.7 million. Compared to the same period in 2025, imports decreased by 4.0 per cent and exports rose by 13.4 per cent. This stronger export performance, coupled with lower import values, reduced the underlying trade deficit by 19.2 per cent to €1,491.6 million.

3.1.1 Imports

Chart 3.2 illustrates import values by Broad Economic Categories (BEC), as classified by the United Nations Statistical Division.

During the first seven months of 2026, the largest drops were recorded in capital goods and others (€289.5 million, or -18.8 per cent), semi-finished industrial supplies (€240.7 million, or -18.1 per cent), primary industrial supplies (€9.0 million, or -9.8 per cent) and food and beverages (€3.8 million, or -0.7 per cent) when compared with the corresponding period in 2025. On the other hand, notable increases were observed in fuels and lubricants (€221.6 million, or 19.2 per cent), finished industrial supplies (€57.1 million, or 48.9 per cent), other

Chart 3.2
Imports by Broad Economic Category



Source: National Statistics Office

consumer goods (€29.7 million, or 6.4 per cent), and durable goods (€8.8 million, or 1.9 per cent).

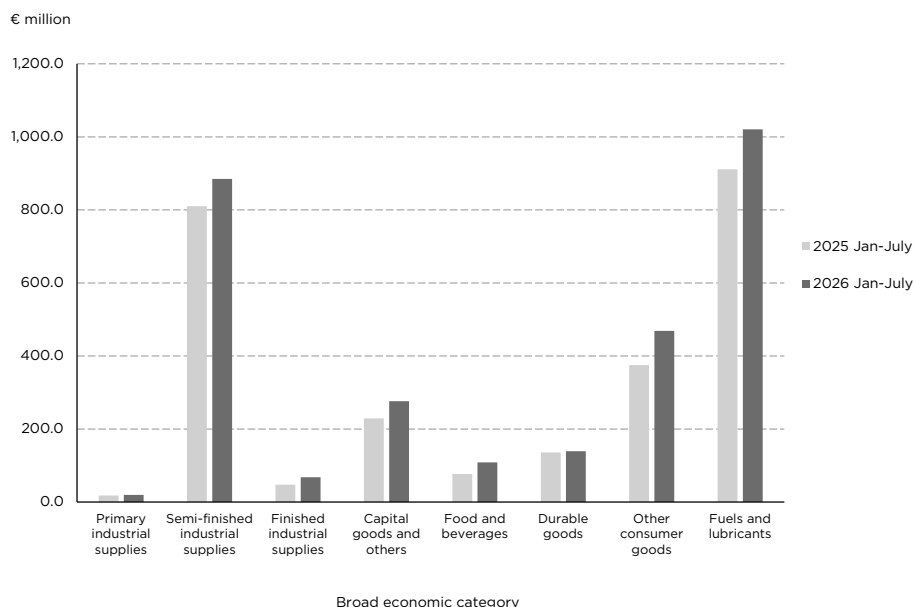
The European Union (EU) remained Malta's primary source of imports, supplying €3,251.4 million worth of goods in the January–July 2026 period, equivalent to 59.5 per cent of total imports. Italian imports continued to dominate Malta's import profile during the period under review, reaching €1,222.6 million and accounting for approximately 22.4 per cent of total imports. Among other European partners, imports from the United Kingdom (UK) and Turkey amounted to €238.5 million (4.4 per cent of total imports) and €133.8 million (2.4 per cent of total imports), respectively. Meanwhile, imports from North and Central America totalled €421.0 million, accounting for 7.7 per cent of total imports. This includes imports from the United States (US), which amounted to €141.4 million, which is equivalent to 2.6 per cent of total imports. Imports from China amounted to €252.5 million, which accounts for 4.6 per cent of total imports.

3.1.2 Exports

During the first seven months of 2026, Malta's exports reached €2,985.2 million, up €382.1 million, or 14.7 per cent, from the corresponding period in 2025.

This growth was driven primarily by higher exports of fuels and lubricants (€109.7 million, 12.0 per cent), other consumer goods (€93.6 million, 25.0 per cent), capital goods and others (€47.2 million, 20.6 per cent) and semi-finished industrial supplies (€75.0 million, 9.2 per cent). The increase in semi-finished industrial supplies was partly driven by higher exports of products classified under Chapter 85 of the Combined Nomenclature (CN), covering electrical machinery, equipment and related components. Food and beverages gained €31.7 million (41.3 per cent), as did finished industrial supplies (€20.2 million, 42.5 per cent), durable goods (€3.5 million, 2.6 per cent), and primary industrial supplies (€1.4 million, 7.8 per cent).

Chart 3.3
Exports by Broad Economic Category



Source: National Statistics Office

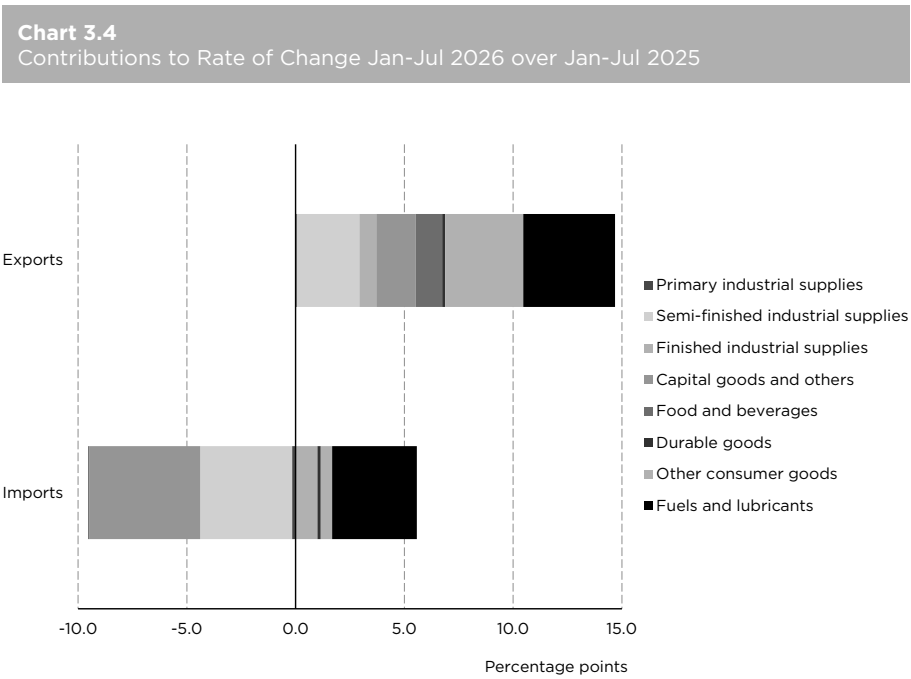
Exports to the EU totalled €991.5 million between January and July 2026, accounting for 33.2 per cent of Malta's overall exports, thereby reaffirming the EU's role as Malta's primary trading destination. Germany and Italy were the largest export destinations, with exports valued at €468.8 million and €120.8 million, accounting for 15.7 per cent and 4.0 per cent of total exports, respectively. Exports to Asia amounted to €378.1 million (12.7 per cent of total exports), while exports to Africa reached €272.8 million (9.1 per cent of total exports). Exports to the US reached €123.5 million, which accounts to 4.1 per cent of total imports.

3.1.3 Trade Balances

For the period spanning January to July 2026, the shortfall in trade narrowed to €2,478.8 million, representing a 19.7 per cent increase over the comparable period in 2025 (Chart 3.4).

The largest drag on the trade balance came from the fuels and lubricants category, where the deficit expanded by €111.9 million (46.3 per cent). Additional pressures were felt in finished industrial supplies (deficit up €36.9 million), and durable goods (up €5.3 million).

At the same time, several categories improved, partially offsetting these losses. The deficit for capital goods and others narrowed by €336.7 million and semi-finished industrial supplies narrowed by €315.6 million,



Source: National Statistics Office and Economic Policy Department's workings

while more moderate gains were observed in other consumer goods (improvement of €63.9 million), food and beverages (improvement of €35.5 million), and primary industrial supplies (improvement of €10.3 million).

The EU remained Malta's main trading partner and accounted for most of the imbalance. By July 2026, the deficit with the EU had reached €2,259.9 million. As in previous years, Malta recorded most of its trade deficit with EU countries (91.2 per cent), most notably with Italy (44.5 per cent). Malta also registered notable trade deficits with Spain and the Netherlands. Compared with January to July 2025, their trade balance widened by €22.8 million and €22.6 million, respectively, in the same period in 2026. Malta recorded a substantial trade deficit with Asia, which accounted for 31.9 per cent of its overall trade deficit. Of this, China alone represented 9.3 per cent. When comparing January to July 2025 to 2026 for the same period, the trade balance with the US narrowed by €38.1 million.

3.2 Balance of Payments

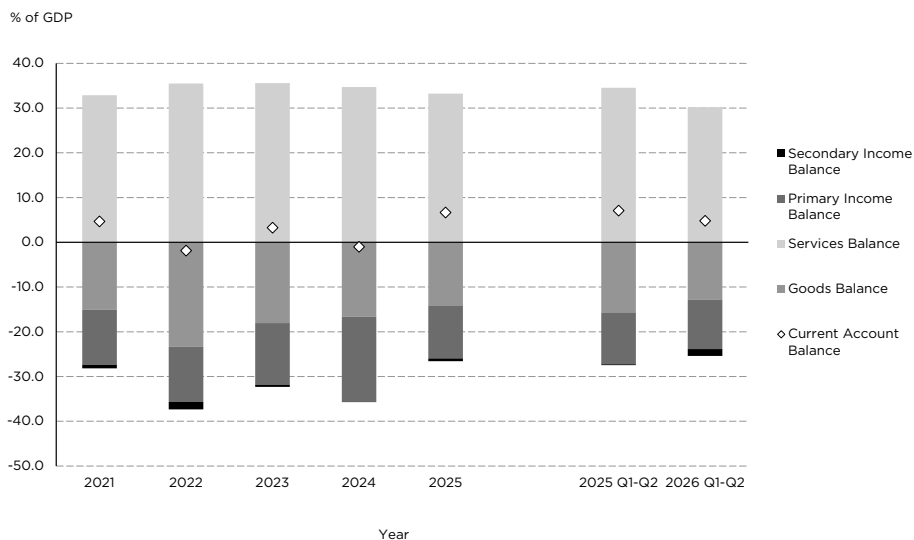
The Balance of Payments (BoP) records all economic transactions between Malta and the rest of the world, providing a comprehensive picture of the country's external economic conditions. It comprises three main accounts. The Current Account records transactions in goods, services, primary income, and secondary income, reflecting Malta's trade performance and cross-border earnings. The Capital Account captures capital transfers and transactions involving non-produced, non-financial assets. The Financial Account records cross-border investments and financial transactions, showing changes in Malta's financial assets and liabilities vis-à-vis the rest of the world.

Complementing the BoP is the International Investment Position (IIP), which measures Malta's external financial assets and liabilities at a given point in time. By providing a snapshot of the country's net financial position with the rest of the world, the IIP offers valuable insights into Malta's degree of financial integration within the global economy and its exposure to external vulnerabilities.

3.2.1 Current Account

Since 2017, Malta's current account has generally remained in surplus, except in 2022 and 2024, when it recorded modest deficits of 1.8 per cent and 1.0 per cent of Gross Domestic Product (GDP), respectively. To understand current account developments, it is useful to analyse its components. As illustrated in Chart 3.5, the services balance remains the principal contributor to Malta's current account surplus, with net exports amounting to 33.2 per cent of GDP in 2025 and remaining consistently strong over the last decade. By contrast, the goods balance and primary income account have persistently exerted downward pressure on the overall current account position. Reflecting Malta's status as a small island economy with limited natural resources, the goods account has traditionally run deficits, reaching a net import position of 12.9 per cent of GDP in the first half of 2026. Net payments

Chart 3.5
Current Account Balance and its Components



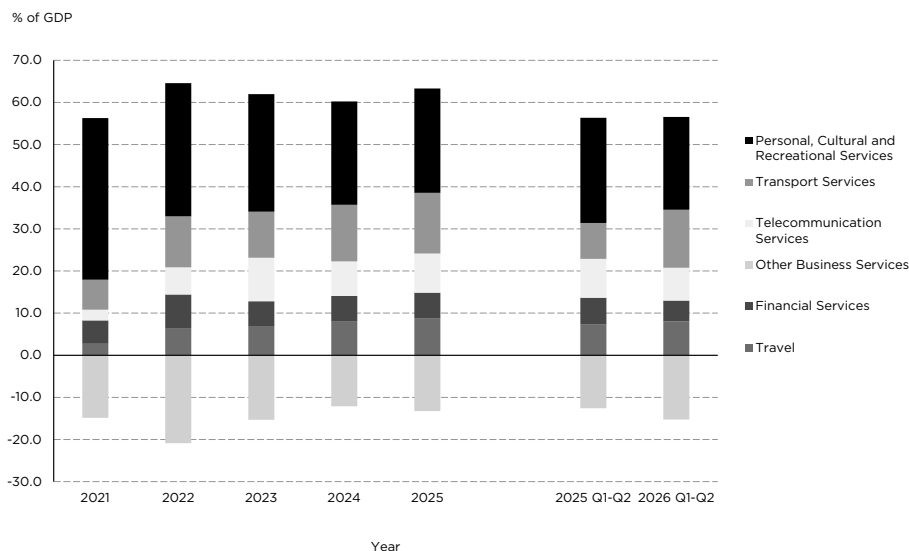
Source: National Statistics Office

under the primary income account amounted to 10.9 per cent of GDP during the first half of 2026, partially offsetting the net export position generated by services. Meanwhile, the secondary income account has played a relatively minor role in the current account, with net payments hovering between 0.1 and 1.7 per cent of GDP from 2021 to 2025.

3.2.1.1 Goods and Services Balance

Malta has consistently run a goods trade deficit, with net imports averaging 12.9 per cent of GDP in the first half of 2026. This structural imbalance reflects the country's limited natural resource base and its strong reliance on imported products to meet domestic consumption needs and support economic activity. By contrast, the services sector has remained the principal pillar of Malta's external performance,

Chart 3.6
Services Components



Source: National Statistics Office

generating substantial and sustained net export surpluses. Highly competitive service industries, particularly personal, cultural and recreational services, drive this sector and accounted for net exports equivalent to 24.8 per cent of GDP in 2025. In 2025, key contributors included transport services, with net exports at 14.4 per cent of GDP; travel services at 8.8 per cent; financial services at 6.0 per cent; and telecommunications services, which registered a net balance of 9.3 per cent of GDP. Nevertheless, not all service categories recorded positive balances. Other business services posted a large net import balance of 13.2 per cent of GDP in 2025.

Travel exports increased markedly, from 9.7 per cent of GDP in the first half of 2025 to 10.4 per cent of GDP in the corresponding period of 2026, reflecting the continued strong performance of Malta's tourism sector, which has consistently exceeded expectations. In contrast, travel imports remained relatively contained, accounting for 2.4 per cent of GDP in the first half of 2025 and easing to 2.3 per cent of GDP over the same period in 2026. Financial services also performed strongly, with exports at 8.0 per cent of GDP in the first half of 2025 and 6.5 per cent of GDP in the corresponding period of 2026. Imports in this sector remained relatively stable, at 1.7 per cent of GDP in the first half of 2025 and 1.6 per cent of GDP in the same period in 2026.

Other business services continued to register a substantial net import position over the past five years. Imports in this category reached 38.7 per cent of GDP in the first half of 2025 and 36.4 per cent of GDP in the same period in 2026, while exports stood at 26.2 and 21.2 per cent of GDP respectively during the same period. These developments are largely associated with gaming-related companies operating in Malta. Meanwhile, exports of personal, cultural and recreational services, a category that includes the gaming sector, reached 30.3 per cent of GDP in the first half of 2025 and declined to 27.4 per cent of GDP in the same period of 2026. Despite this decline, imports within the category remained limited, accounting for just 5.3 per cent of GDP in the first half of 2026. As a result, this category remained the largest contributor to Malta's strong net services surplus.

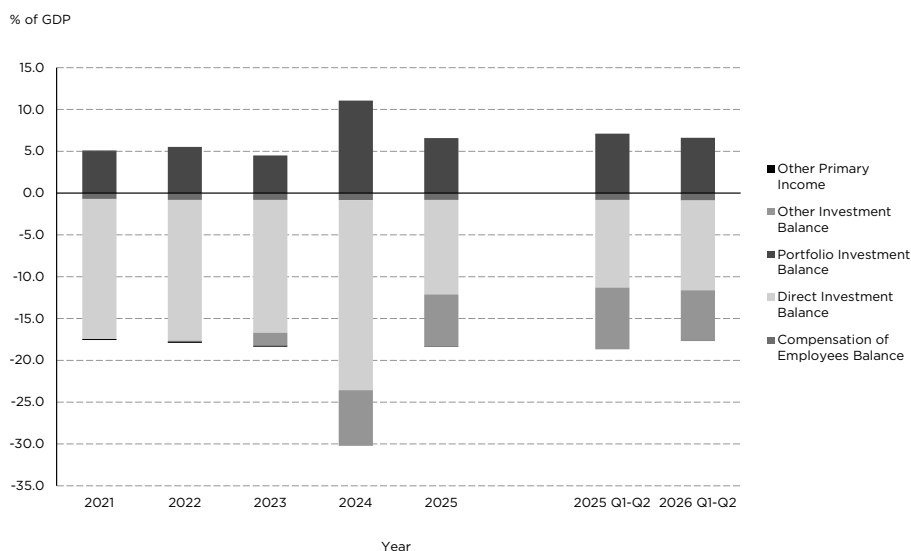
Overall, the robust services surplus has more than offset the persistent goods trade deficit, supporting Malta's generally favourable current

account position in recent years. This trend highlights the country's successful transformation into a highly service-oriented economy, with tourism, financial services and gaming-related activities remaining key drivers of external sector performance.

3.2.1.2 Primary Income Account

The primary income account measures cross-border income flows between Malta and the rest of the world and represents an important component of the current account balance. It consists of two elements: (i) compensation of employees, which records earnings from labour in the form of wages, salaries and other employment-related remuneration, and (ii) investment income, which captures returns from direct investment, portfolio investment, financial derivatives, and other financial assets.

Chart 3.7
Primary Income Account Components



Source: National Statistics Office

Malta's primary income account has traditionally recorded a net payment balance, reflecting the fact that income payable to non-residents has exceeded income receivable by residents in Malta. In the first half of 2026, the net primary income balance registered a net payment balance equivalent to 11.1 per cent of GDP. This outcome was driven largely by net payments of direct investment income, which amounted to 10.7 per cent of GDP in the first half of 2026. However, positive net receivables from portfolio investment partially offset the negative balance, which stood at 6.6 per cent of GDP during the same period. These receipts, generated from Malta's holdings of foreign financial assets, helped alleviate some of the downward pressure on the primary income balance.

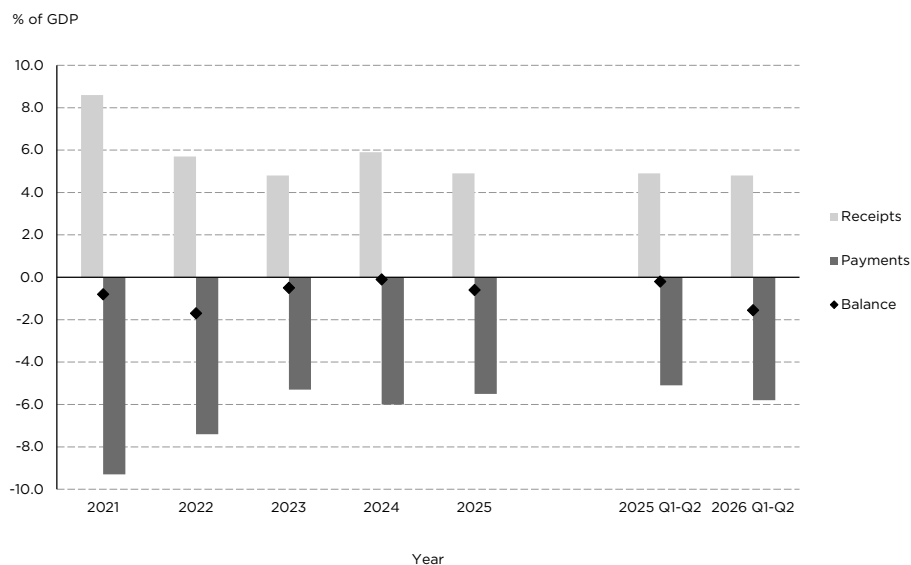
While the country benefits from attracting foreign investment and hosting multinational enterprises, it also faces significant outflows as profits and investment returns are remitted abroad.

3.2.1.3 Secondary Income Account

Current transfers between residents and non-residents are recorded under the secondary income account. These transactions include remittances, pension-related transfers, and other government and private-sector transfers, all of which occur without a corresponding exchange of goods, services, or assets. In Malta's case, the secondary income account is a comparatively minor component of the current account, and its contribution to overall external balances remains modest.

In the first half of 2026, the secondary income account registered net payments of 1.6 per cent of GDP, indicating that transfer payments exceeded receipts. Although this represented a modest drag on the current account balance, secondary income remains a relatively minor component of Malta's external accounts. Its movements have generally been stable over time, providing consistency amid fluctuations in the goods, services, and primary income balances.

Chart 3.8
Secondary Income Account

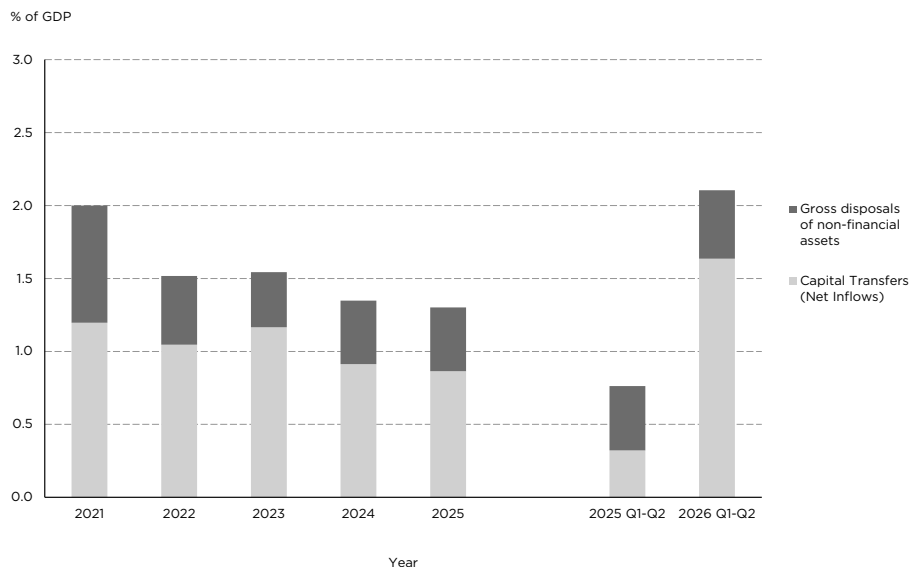


Source: National Statistics Office

3.2.2 Capital Account

Although modest in comparison with other BoP components, the capital account remains an important source of financing for investment-related activities. In Malta's case, the account is predominantly characterised by capital transfers received from abroad, particularly from government and supranational institutions. Such inflows, including EU grants and other forms of capital assistance, support infrastructure development and broader public investment initiatives. During the first half of 2026, capital transfer inflows reached 1.6 per cent of GDP, while transactions involving non-produced, non-financial assets generated gross disposals of 0.5 per cent of GDP. Together, these flows contributed positively to Malta's overall external position.

Chart 3.9
Capital Account



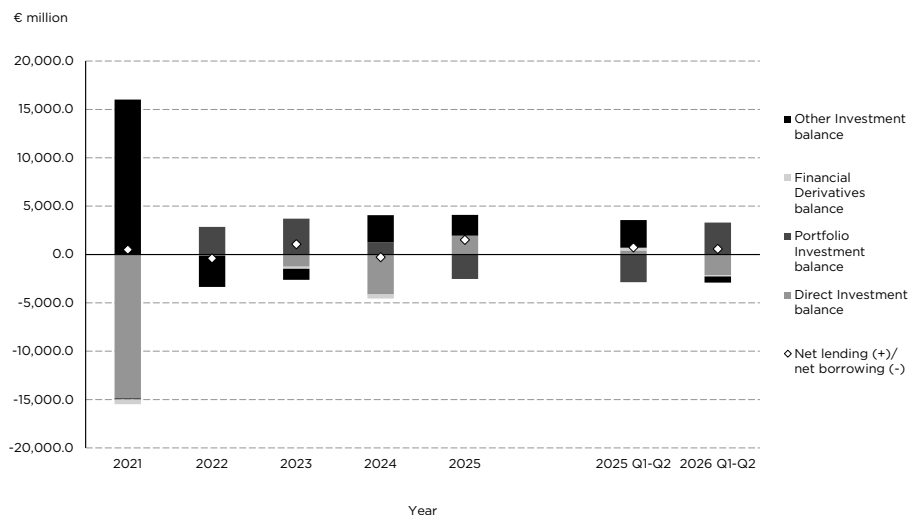
Source: National Statistics Office

3.2.3 Financial Account

The financial account records investment inflows and outflows between Malta and the rest of the world. It comprises direct investment, portfolio investment, financial derivatives and other investments.

Up to the first half of 2026, the financial account registered a net lending position of €570.3 million, driven by strong net lending in portfolio investment, which outweighed net borrowing in direct investment, other investment and financial derivatives. As illustrated in Chart 3.10, developments in its main components were characterised by considerable volatility over the past five years.

Chart 3.10
Financial Account Components



Source: National Statistics Office

In 2025, direct investments recorded a net lending position of €1,916.1 million. This turnaround was driven primarily by an increase in the net acquisition of financial assets, which more than offset the increase in net incurrence of liabilities. During the first half of 2026, direct investment recorded a net borrowing position of €2,137.4 million, as increases in the net incurrence of liabilities (€12,343.1 million) exceeded acquisitions of direct investment assets (€10,205.7 million).

In 2025, portfolio investment was in a net borrowing position of €2,524.8 million, reflecting larger increases in the incurrence of liabilities than in net acquisitions of financial assets. In the first half of 2026, however, it recorded a net lending position of €3,302.5 million. A substantial increase in net acquisitions of financial assets in the first quarter of 2026 drove the improvement, more than offsetting the

second-quarter decline. As a result, portfolio investment contributed positively to Malta's net lending position in the first half of 2026.

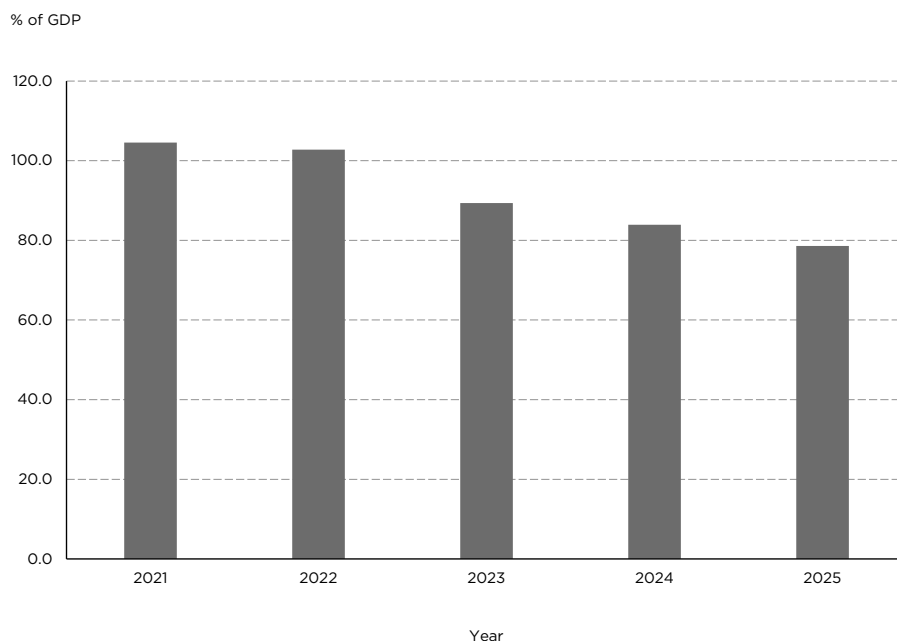
In terms of financial derivatives, both net acquisition of financial derivatives assets and net incurrence of financial derivatives liabilities have been fluctuating over the past years, reflecting the volatile nature of these types of financial instruments. When comparing the first half of 2025 with the corresponding period in 2026, financial derivatives shifted from a net borrowing position of €279.7 million to a net lending position of €127.6 million.

The other investments category includes currencies and deposits, loans, trade credits and other accounts receivable/payable which are not classified under the other categories. In the first half of 2025, the country recorded a net lending position of €2,855.3 million, while in the first six months of 2026 net borrowing amounted to €634.3 million.

3.3 International Investment Position

The IIP measures the value of Malta's external financial assets and liabilities as at a specific date, providing a stock perspective that complements the flow-based information contained in the BoP. Movements in the IIP are influenced by financial account transactions as well as changes in the market value of assets and liabilities. The resulting net international investment position (NIIP), which represents the difference between external assets and liabilities, serves as a key indicator of a country's external financial position. In Malta's case, the NIIP remained firmly positive, reaching 78.6 per cent of GDP in 2025. This favourable position highlights the strength of Malta's external balance sheet and reflects the importance of international financial activity within the economy.

Chart 3.11
Net International Investment Position

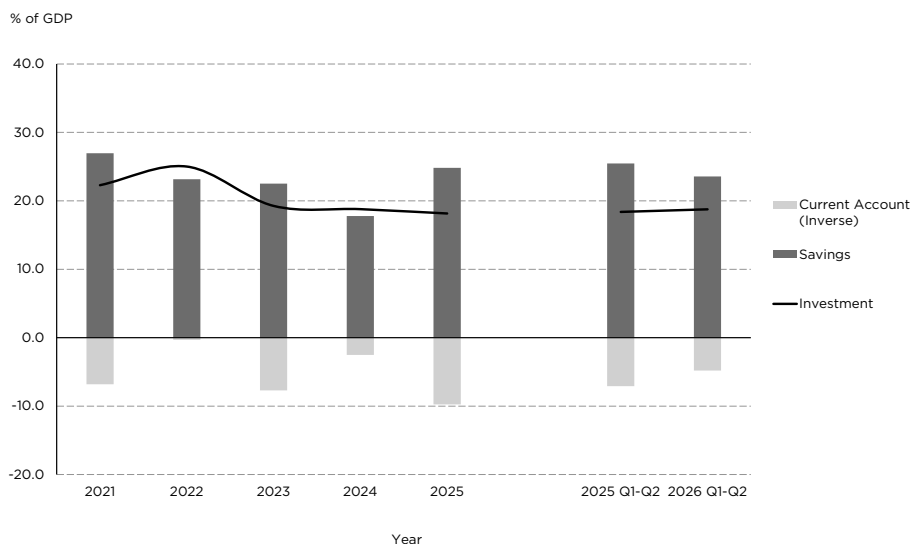


Source: National Statistics Office

3.4 Savings and Investment Gap

Investment is financed by domestic savings or by borrowing from abroad, as shown by a current account deficit. Conversely, excess domestic savings over investment represents investment abroad and is equivalent to a current account surplus. This means that the gap between how much a country is investing domestically and how much a country is borrowing or lending abroad (the current account balance) is equivalent to domestic savings. Chart 3.12 shows the evolution of these balances.

Chart 3.12
Savings and Investments



Source: National Statistics Office

Examining Malta's savings and investment trends as a percentage of GDP from 2021 to 2025 reveals important insights into the country's macroeconomic dynamics. Over this period, Malta's average savings rate stood at 23.1 per cent of GDP, consistently outpacing the average investment rate of 20.7 per cent. This resulted in an average savings-investment gap of 2.3 per cent of GDP, which directly reflects the positive current account balance. Deficits were recorded in 2022 and 2024, reflecting periods when investment exceeded savings. However, this position reversed in 2025, when a surplus was registered as saving increased to 24.8 per cent of GDP while investment declined slightly to 18.2 per cent. This positive gap persisted in the first half of 2026: saving remained broadly stable at 23.6 per cent of GDP, while investment increased marginally to 18.8 per cent, supporting a current account surplus of 4.8 per cent of GDP.

3.5 Exchange Rate Developments

As a member of the Euro Area (EA), Malta's international price competitiveness is influenced by fluctuations in the Euro against the currencies of key trading partners. These movements can affect trade performance, production costs, inflationary dynamics, and cross-border investment decisions. Monitoring exchange rate trends therefore helps assess the economy's ability to adapt to changing global conditions and maintain sustainable growth.

3.5.1 Euro Exchange Rate Movements

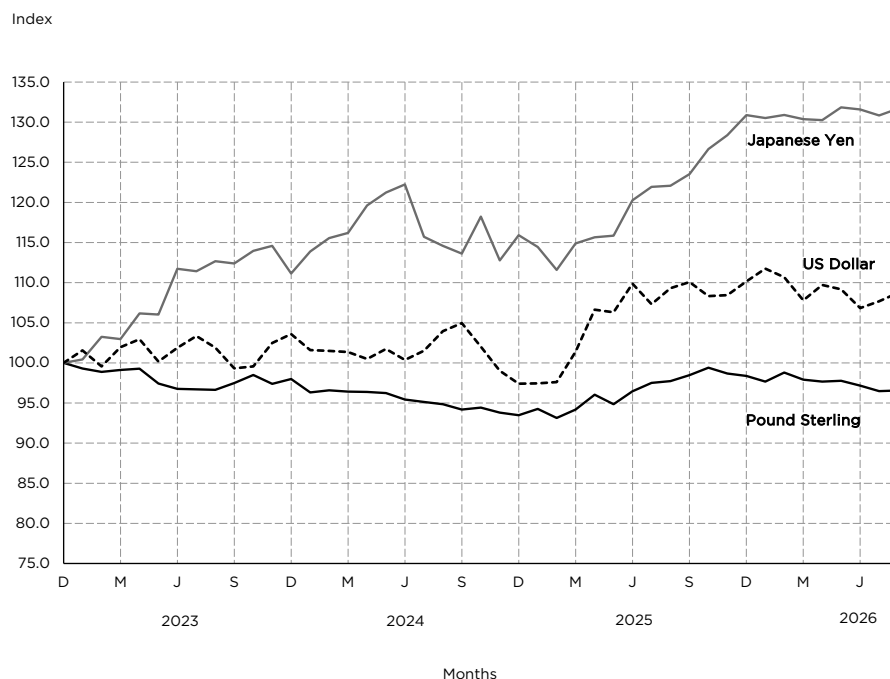
Chart 3.13 shows developments in an indexed Euro exchange rate against the Pound Sterling, US Dollar and Japanese Yen between December 2022 and August 2026.

During the first four months of 2023, the Euro appreciated by 3.0 per cent against the US Dollar, rising from \$1.07 in December 2022 to \$1.10 in April 2023. This appreciation was supported by easing energy market pressures in Europe and improving confidence in the EA economic outlook following the energy shock triggered by Russia's invasion of Ukraine. In particular, the significant decline in European natural gas and energy prices from record 2022 levels eased concerns about a prolonged economic slowdown, while the European Central Bank's (ECB) continued monetary tightening made Euro-denominated assets more attractive to international investors.

The Euro subsequently lost momentum, declining to \$1.06 by September 2023, a 0.8 per cent depreciation from May. This reflected growing concerns over weaker economic activity in the EA and increasing expectations that higher interest rates could weigh on growth. Nevertheless, the currency regained strength towards the end of the year, reaching \$1.11 in December 2023, as inflationary pressures moderated further and investor confidence in the EA outlook gradually improved.

Chart 3.13

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

**Source:** Eurostat

The Euro weakened during 2024. After standing at \$1.08 in January, the exchange rate fluctuated throughout the year, peaking at \$1.12 in September before declining sharply in the final quarter. By December 2024, the Euro had fallen to \$1.04, a 6.0 per cent depreciation from December 2023.

In 2025, the Euro strengthened considerably against the US Dollar. The exchange rate increased from \$1.04 in January to \$1.08 in March, then rose by a further 8.4 per cent to \$1.17 in June. In the second half of the

year, the Euro remained broadly stable, fluctuating between \$1.14 and \$1.18 and closing at \$1.18.

During the first eight months of 2026, the Euro remained relatively strong but displayed some volatility. It declined from \$1.19 in January to \$1.15 in March and fell further to \$1.14 in June. The currency subsequently recovered moderately, reaching \$1.16 in August. The exchange rate averaged about \$1.17 in the first quarter and \$1.16 from January to August.

The Euro's relative strength during this period may have reflected improving confidence in the EA economy, moderating inflationary pressures, and a more balanced monetary policy outlook between the ECB and the Federal Reserve. Nevertheless, evolving market expectations about future interest rate decisions, differing economic growth prospects, and global trade uncertainty continued to shape exchange rate developments. In addition, ongoing geopolitical tensions and periodic shifts in investor sentiment contributed to short-term volatility in the EUR/USD exchange rate, while the broadly stable inflation outlook helped underpin confidence in the Euro.

Against the Pound Sterling, the Euro depreciated by 2.0 per cent during 2023, with the exchange rate declining from £0.89 in December 2022 to £0.87 by December 2023. The depreciation continued into 2024, as the exchange rate fell to £0.85 in March and declined further to £0.84 in August. The Euro weakened further during the latter part of the year, reaching £0.83 by December 2024. In 2025, however, this trend reversed, with the Euro strengthening against the Sterling. After averaging £0.84 during the first half of the year, the exchange rate rose to £0.87 in September and remained broadly stable around this level through December, slightly above the ten-year average of £0.85. During the first eight months of 2026, the Euro remained relatively stable, fluctuating within a narrow range of £0.86 to £0.88 and averaging approximately £0.86. These developments reflected evolving economic conditions and monetary policy expectations in both the EA and the UK.

The Euro to Japanese Yen exchange rate appreciated persistently between December 2022 and August 2026. In the first half of 2023, the Euro-YEN exchange rate climbed 11.7 per cent to ¥157.16 in June, when compared to December of the previous year, before ending the year slightly lower at ¥156.33. Strong but lower gains followed in 2024, with a 10.0 per cent rise in the first half, partly offset by a 2.0 per cent decline in the second half. In 2025, the Euro surged to ¥171.52 in July and maintained stability in August, ending the year at ¥184.09, well above the ten-year average of ¥131.56. During the first eight months of 2026, the Euro remained strong against the Yen, fluctuating within a relatively narrow range of ¥183.00 to ¥185.00. After averaging ¥184.14 in the first half of the year, the exchange rate reached ¥185.08 in June and edged up further to ¥185.22 in August, reflecting the yen's continued weakness against the Euro.

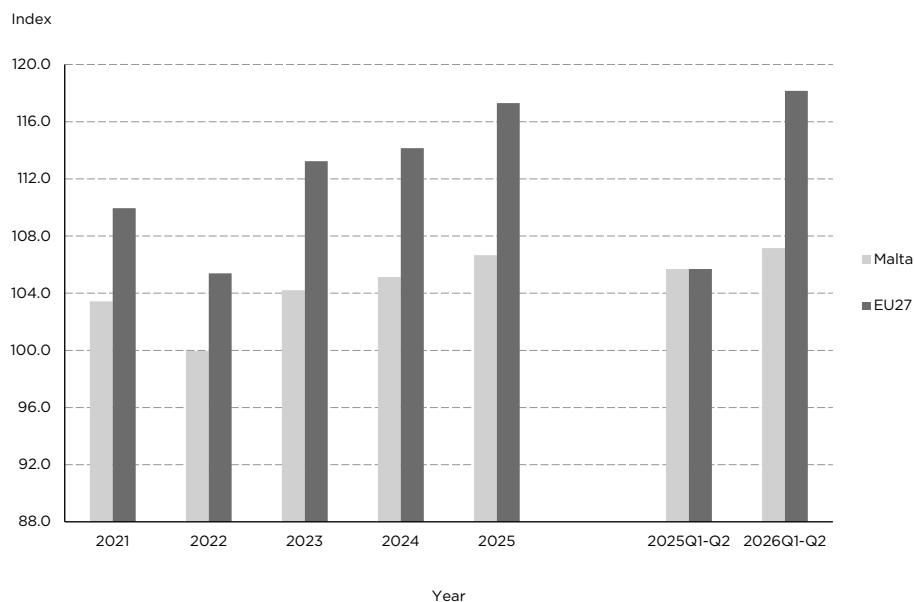
3.5.2 Real Effective Exchange Rate

The Real Effective Exchange Rate (REER) measures a country's currency value relative to those of its main trading partners. Unlike bilateral exchange rates, the REER accounts for the trade distribution across partner countries by applying trade-based weights to individual exchange rates. This provides a comprehensive view of how exchange rate developments affect a country's ability to compete in international markets. Changes in the REER can indicate various implications for export performance, import demand, and overall economic activity, making it an important tool for policymakers and investors. The index is generally calculated by combining bilateral exchange rates using trade weights derived from each partner's share of total trade, typically through either arithmetic or geometric averaging.

Chart 3.14 highlights change in Malta's REER relative to 42 trading partners, using the Consumer Price Index (CPI) as a deflator. It also compares these developments with the EU-27's REER.

Malta's REER stood at 104.66 in 2020 before easing to 103.43 in 2021. The index declined further to 99.95 in 2022. It then rebounded to 104.20 in 2023, with the upward trend continuing in 2024 when the REER

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



Source: Eurostat

reached 105.13, before rising further to 106.66 in 2025. The sustained rise in recent years suggests a gradual deterioration in Malta's price competitiveness, as domestic goods and services became relatively more expensive compared with those of its trading partners. This development may reflect several factors, including the ECB's tighter monetary policy, which strengthened the Euro, as well as persistent inflationary pressures, higher labour and production costs, and lingering supply-side constraints. Together, these factors may have contributed to an appreciation of the REER and a corresponding reduction in Malta's external competitiveness.

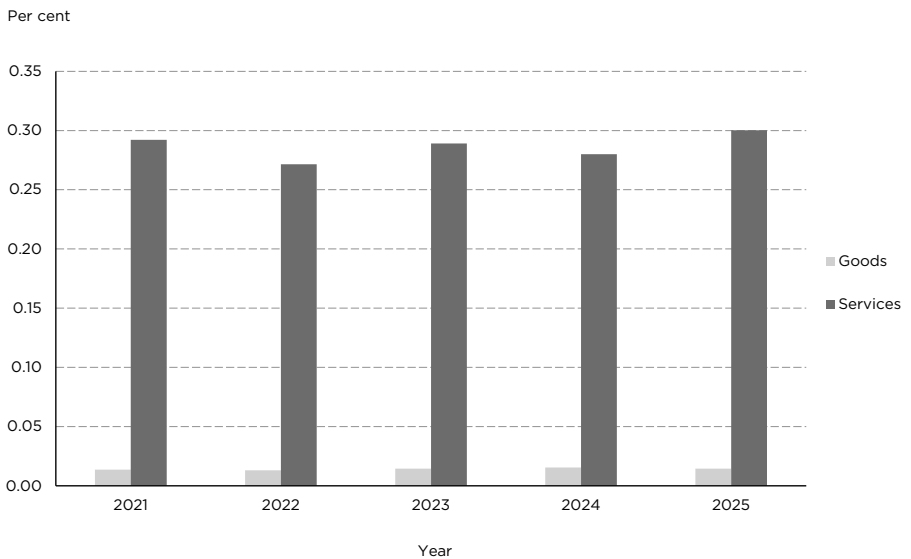
Comparing the first half of 2026 to 2025 shows that, on average, the REER appreciated by 1.4 per cent to 107.16 in the first half of 2026.

As illustrated in Chart 3.14, Malta’s REER remained below the EU-27 average throughout the period, suggesting that the country retained a relatively stronger competitive position and maintained a favourable level of external competitiveness within the EU.

3.5.3 Export Market Shares

Export market shares offer a complementary perspective on competitiveness to the REER. While the REER primarily assesses cost and price competitiveness through trade-weighted exchange rate movements, it does not fully capture the prices consumers ultimately face and can be influenced by temporary fluctuations in inflation and exchange rates. Export market shares, by contrast, measure a

Chart 3.15
Export Market Shares



Source: World Trade Organisation

country's contribution to global exports and therefore provide a broader indication of international competitiveness. By reflecting performance across goods and services markets, this indicator offers a more comprehensive assessment of a country's ability to maintain and expand its presence in global trade.

For this analysis, data from the World Trade Organisation (WTO) Statistics Database was used to obtain exports of goods and services for Malta and the rest of the world. The market share of exports of goods/services was subsequently calculated as the ratio of Malta's total exports of goods/services to total world exports of goods/services.

Chart 3.15 illustrates the evolution of Malta's export market shares in goods and services between 2021 and 2025. Malta's share of goods exports remained relatively stable, declining slightly from 0.014 per cent in 2021 to 0.013 per cent in 2022, then rising to 0.015 per cent in 2024 and remaining at 0.015 per cent in 2025. Services continued to account for a considerably larger share, although their performance fluctuated over the period. The services export market share fell from 0.292 per cent in 2021 to 0.272 per cent in 2022, recovered to 0.289 per cent in 2023, and declined slightly to 0.280 per cent in 2024. In 2025, it increased to 0.300 per cent, the highest level recorded during the five-year period. Overall, Malta's combined export market share in goods and services declined from 0.076 per cent in 2021 to 0.073 per cent in 2022, before rising steadily to 0.084 per cent in 2023, 0.086 per cent in 2024 and 0.091 per cent in 2025. This indicates an overall strengthening of Malta's export market position in recent years, driven primarily by the performance of services exports.

CHAPTER 4

Monetary Developments

Chapter 4

Monetary Developments

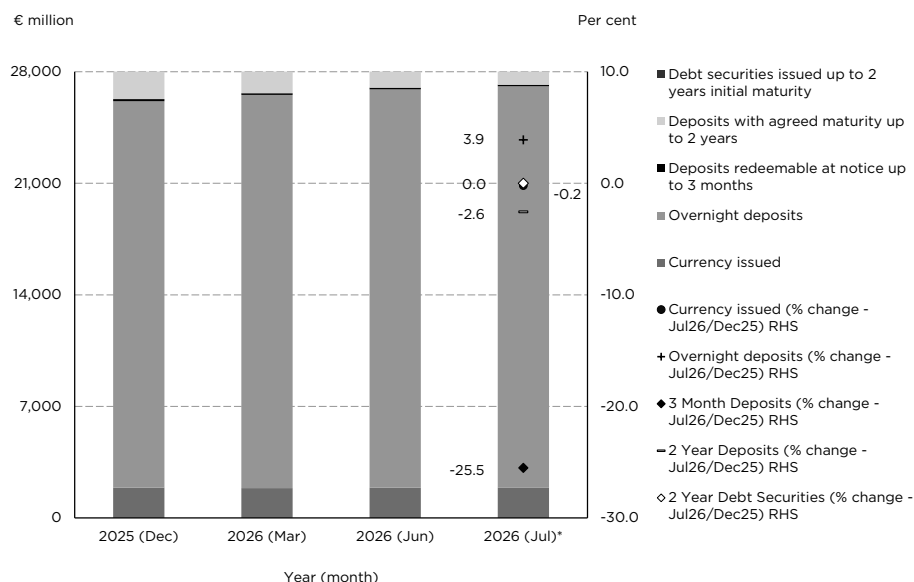
The contribution of Maltese Monetary Financial Institutions (MFIs) towards the stock of the Euro Area's (EA) Broad Money (M3) increased in the period between December 2025 and July 2026. This growth was predominantly driven by a strong positive contribution stemming from a rise in overnight deposits, which offset a decrease in both deposits redeemable at notice up to three months and deposits with an agreed maturity of up to two years. The stock of M3 was supported mainly through expansion in the credit counterpart and net claims on non-residents of the EA.

4.1 Contribution of Resident MFIs to Euro Area Monetary Aggregates¹

As shown in Chart 4.1, during the first seven months of 2026, the contribution of Maltese resident MFIs to total monetary aggregates of the EA (M3)² grew by 2.6 per cent, from €30,345.7 million in December 2025 to €31,148.3 million in July 2026. This was primarily driven by a considerable increase in overnight deposits³. Contrastingly, deposits redeemable at notice up to three months and deposits with an agreed maturity of up to two years made relatively small negative contributions to M3, while currency issued had a negligible negative effect. Additionally, debt securities issued with an initial maturity of up to two years remained at nil at all reported reference points from December 2025 to July 2026 and therefore made no contribution to M3.

Over the review period, Narrow Money (M1) expanded by 3.6 per cent, from €26,152.0 million in December 2025 to €27,092.0 million in July 2026. This was mainly attributable to a 3.9 per cent rise in overnight deposits, which reached €25,195.9 million in July 2026, up from €24,252.1 million in December 2025. In absolute terms, deposits held

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



* provisional

Source: Central Bank of Malta

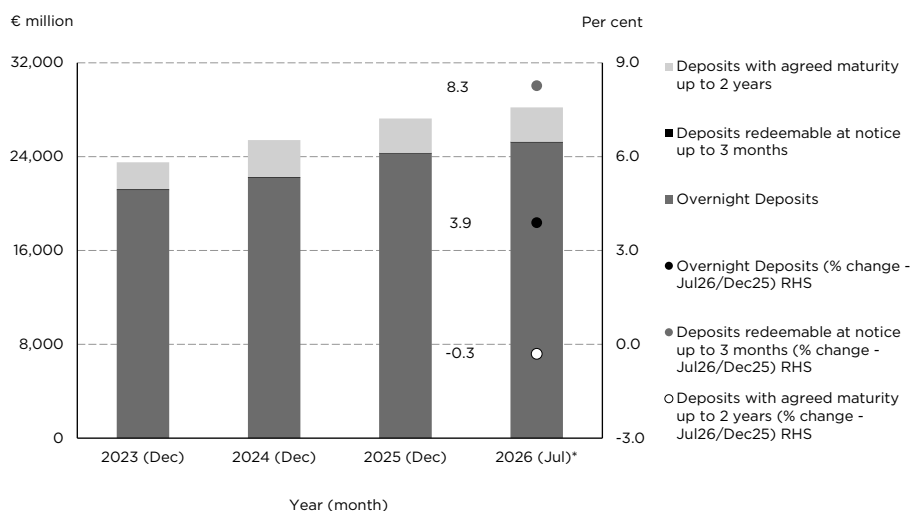
by Maltese residents accounted for the larger share of this growth. However, in percentage terms, deposits held by other EA residents grew faster, at 4.3 per cent, than deposits held by Maltese residents, which rose by 3.9 per cent. The positive contribution from overnight deposits was marginally offset by a 0.2 per cent decrease in currency issued⁴, whose negative effect on M1 was negligible due to its relatively low share.

Deposits redeemable at notice up to three months fell by 25.5 per cent, from €129.8 million in December 2025 to €96.7 million in July 2026. This mainly reflected a 70.3 per cent decrease in such deposits held by other EA residents, partly offset by an increase of 8.3 per cent in those held by Maltese residents. Nonetheless, given its small share,

the deposits redeemable at notice up to three months component made only a marginal negative contribution to M2. During the review period, deposits with an agreed maturity of up to two years registered a milder decline of 2.6 per cent, from their level of €4,063.9 million in December 2025 to €3,959.7 million in July 2026. This was mainly due to a reduction of 8.4 per cent in such deposits held by other EA residents, whereas those held by Maltese residents contracted only slightly by 0.3 per cent. Consequently, deposits maturing within two years made a negative, albeit limited, contribution to M2.

Chart 4.2 illustrates a 3.4 per cent increase in total resident deposits, from €26,474.4 million in December 2025 to €27,381.8 million in July 2026. The primary contributor to this increase in absolute terms was overnight deposits⁵, which rose by €910.2 million, that is, 3.9 per cent

Chart 4.2
Total Resident Deposits



* provisional

Source: Central Bank of Malta

over the review period. In percentage terms, deposits redeemable on notice up to three months grew faster, at 8.3 per cent. However, given their small share, their impact on total resident deposits was negligible. The upward trajectory in resident deposits was not affected by the minor 0.3 per cent decrease in deposits with an agreed maturity of up to two years, due to the latter's relatively low share.

4.2 Contribution of Resident MFIs to Counterparts to EA Monetary Aggregates

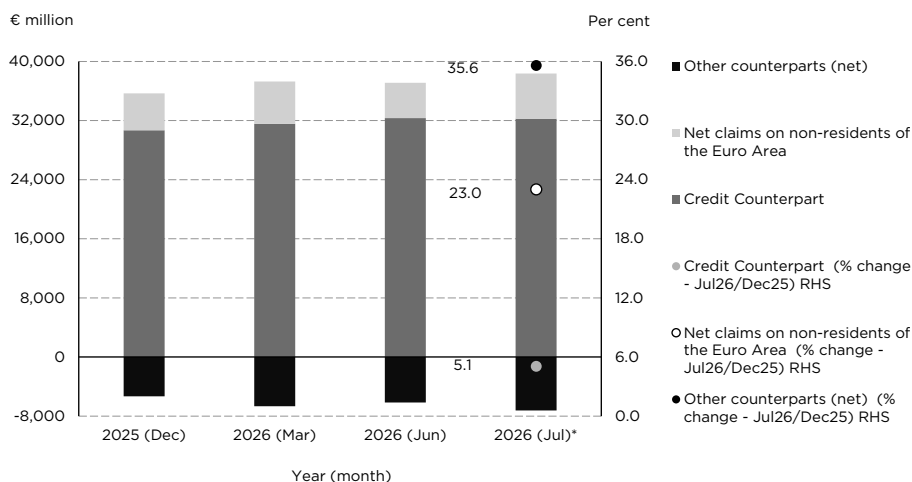
Between December 2025 and July 2026, the stock of Broad Money (M3)⁶ rose by 2.6 per cent, from €30,345.8 million to €31,148.3 million. Chart 4.3 presents this change in the context of resident MFIs' contributions to the counterparts of EA monetary aggregates. Although all three components have increased in value, the credit counterpart⁷ and net claims on non-residents of the EA have contributed to the overall growth of Broad Money (M3).

Rising from €30,692.5 million in December 2025 to €32,244.5 million in July 2026, the credit counterpart component grew by 5.1 per cent. Higher credit to local residents and to residents of other EA countries supported this expansion. Credit to Maltese residents reached €23,540.8 million in July 2026, up from €22,665.6 million in December 2025, an increase of 3.9 per cent. This development was driven by a 6.1 per cent rise in credit to other residents, which more than offset a 2.9 per cent decline in credit to general Government. Credit to residents of other EA countries also rose over the review period, increasing by 8.4 per cent from €8,026.9 million to €8,703.7 million. This reflected increases of 9.4 per cent in credit to general Government and 6.4 per cent in credit to other residents.

Foreign capital flows affecting the stock of Broad Money (M3) from outside the EA are covered by net claims on non-residents of the EA. These claims stood at €6,127.6 million in July 2026, up 23.0 per cent from €4,980.6 million in December 2025. Their movements point

Chart 4.3

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



* provisional

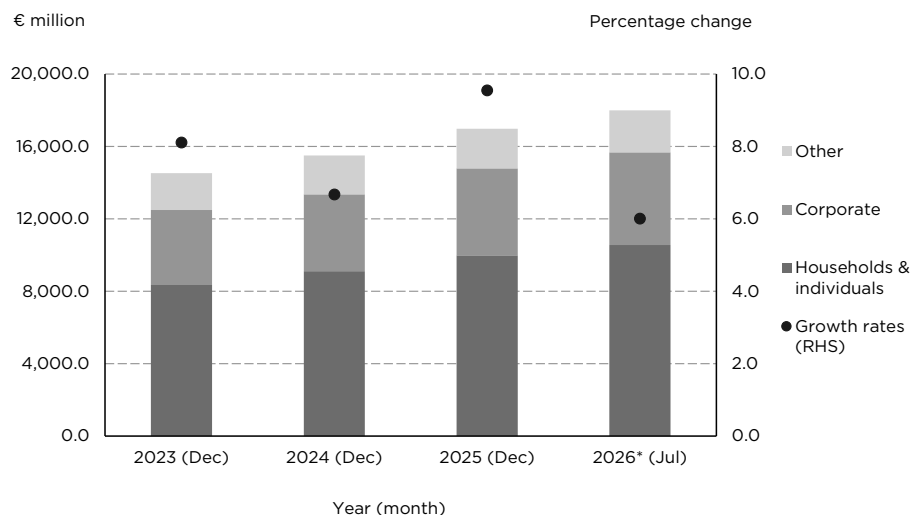
Source: Central Bank of Malta

to changes in local credit institutions' liabilities to banks located elsewhere in the EA. By contrast, other counterparts⁸, encompassing interbank transactions across the EA, contribute negatively to M3. This component increased by 35.6 per cent over the review period, from €5,327.3 million in December 2025 to €7,223.8 million in July 2026.

4.3 Sectoral Credit Developments

Chart 4.4 presents developments in credit to residents of Malta, excluding the general Government. Between December 2025 and July 2026, total credit extended to the private sector increased by 6.1 per cent, compared with growth of 4.8 per cent over the same period one year earlier. As shown in the Chart, the private sector comprises three

Chart 4.4
Credit to Other Residents¹
(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 up to December 2025 is compiled in accordance with NACE Rev2 while the data from 2026 onwards is in accordance with NACE Rev. 2.1. The change in NACE methodology resulted in: 1) a shift of Development of building projects from 'Construction' to 'Real estate, renting and business activities' within the 'Corporate' category, 2) a reclassification of Repair and Maintenance of motor vehicles and motorcycles, from 'Wholesale and retail trade, including repairs' within the 'Corporate' category to the 'Other' category..

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

main categories: 'Households and individuals', 'Corporate', and 'Other'. 'Households and individuals' contributed 3.3 percentage points to the overall 6.1 per cent rise in total loans, making this category the largest of the three contributors to credit growth between December 2025

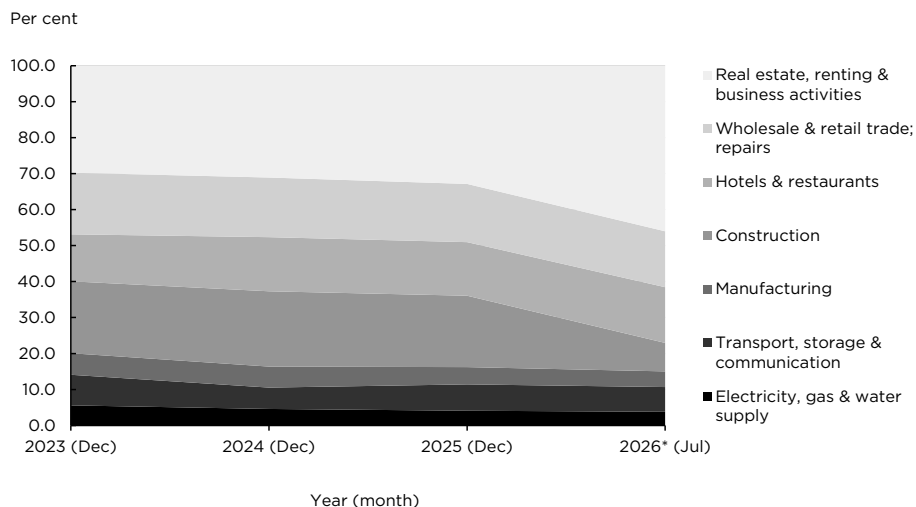
and July 2026. This comparison shows private-sector credit growth was slightly stronger than in the corresponding period of the previous year.

Loans extended to the 'Corporate' category rose by 6.6 per cent between December 2025 and July 2026, stronger than the 5.3 per cent growth registered during the corresponding period one year earlier. A breakdown of the 'Corporate' category by sub-sectors shows that 'Real estate, renting and business activities' and 'Hotels and restaurants' recorded the strongest increases in credit, rising by 49.4 per cent and 11.2 per cent respectively. The strong increase in credit to 'Real estate, renting and business activities' is due to a shift of development of building projects from 'Construction' to 'Real Estate' within the NACE Rev. 2.1 classification. This reclassification means that it is not possible to directly compare data for 2026 with previous data for 'Real estate, renting and business activities' and 'Construction'. A similar development also impacted 'Wholesale and retail trade, including repairs' as well as the 'Other' category whereby a reclassification shifted the inclusion of 'Repair and Maintenance of motor vehicles and motorcycles' from the former to the latter category.

Between December 2025 and July 2026, the 'Wholesale and retail trade, including repairs' and 'Transport, storage and communication' sub-categories rose by 2.3 per cent and 0.3 per cent respectively. During the same period, three sub-categories recorded declines in credit. 'Construction' was the category registering the largest decline of 57.6 per cent in credit during the review period, stemming from the previously mentioned reclassification of data. 'Manufacturing' and 'Electricity, gas and water supply' recorded declines of 3.5 per cent and 0.9 per cent respectively. Credit extended to 'Other' category increased by 6.2 per cent during the period under review, compared with a more modest increase of 2.0 per cent recorded during the same period one year earlier. This development was partly the result of the previously mentioned reclassification of data. Indeed, slower credit growth in 'Wholesale and retail trade, including repairs' recorded in the period December 2025 to July 2026 as compared to the same period a year earlier, was countered by higher credit growth in the 'Other' category.

Chart 4.5 shows the credit distribution among the seven sub-categories of the 'Corporate' category between December 2023 and July 2026.

Chart 4.5
Corporate Credit Shares



* provisional

Source: Central Bank of Malta

As of July 2026, the majority of the loans provided to the 'Corporate' category went towards the 'Real estate, renting and business activities' sub-category, with a significant share of 46.0 per cent of total corporate credit. The share of credit allocated to the 'Hotels and restaurants' and 'Wholesale and retail trade; repairs' sub-categories was identical, standing at 15.5 per cent each. The credit distribution across these two sub-categories remained broadly similar compared with a year earlier. Reflecting the reclassification of data to NACE Rev. 2.1, the share of credit attributed to the 'Construction' sub-category declined, reaching 7.9 per cent in July 2026 from 20.7 per cent back in July 2025, while 'Real estate, renting and business activities' recorded an increase in its share over the same period.

Of the seven sub-categories within the 'Corporate' category, four recorded improved credit developments between December 2025 and

July 2026 than during the corresponding period one year earlier. The largest credit expansion was observed in the 'Real estate, renting and business activities' sub-category, which recorded an increase of 49.4 per cent, albeit this was due to a reclassification of data and is therefore not directly comparable to the 2.6 per cent increase experienced between December 2024 and July 2025. The second largest increase was recorded in the 'Hotels and restaurants' sub-category, where credit grew by 11.2 per cent. This was also higher than the corresponding increase of 9.1 per cent registered over the same period a year earlier.

During the period under review, both the 'Manufacturing' and 'Electricity, gas and water supply' sub-categories experienced reductions of 3.5 per cent and 0.9 per cent, respectively. Nevertheless, compared with the same period a year prior, the two sub-categories had lower decreases as of July 2026. In fact, they had decreased by 4.7 per cent and 5.2 per cent respectively between December 2024 and July 2025. Reflecting the reclassification of data, the 'Construction' sub-sector registered the most pronounced contraction, decreasing by 57.6 per cent during the first seven months of 2026 as opposed to a 4.4 per cent growth registered in the same period a year earlier.

'Wholesale and retail trade; repairs' and 'Transport, storage and communication' sub-sectors also registered increases of 2.3 per cent and 0.3 per cent, respectively, during the period under review. While the data set for 'Wholesale and retail trade; repairs' is not directly comparable over the period under review, credit growth to the 'Transport, storage and communication' sub-sector was registered at 16.2 per cent in the corresponding period between December 2024 and July 2025. Finally, in the 'Corporate' category as a whole, credit increased by 6.6 per cent in the first seven months of 2026 compared with December 2025. By comparison, during the first seven months of 2025, credit to the 'Corporate' category had increased by 5.3 per cent.

4.4 The Money Market

The global financial system and real economy remained remarkably resilient entering 2026, despite a series of uncertainty shocks, including

questions surrounding Greenland's sovereignty and the United States of America's (USA) military intervention in Venezuela. This resilience is now being tested by a major geoeconomic shock stemming from the Iran regional conflict. Attacks on critical infrastructure have generated significant volatility in global oil markets, higher energy prices, and relatively orderly adjustments in financial markets. This supply shock presents upside risks to inflation and downside risks to economic growth. At the same time, EA's prevailing regulatory and supervisory framework, including its macroprudential framework, has proven effective in safeguarding financial stability. The European Central Bank (ECB) continues to focus on providing banks with adequate liquidity while maintaining the functioning of financial markets.

At the beginning of February 2026, the ECB Governing Council communicated that the three key ECB interest rates would remain at the same level recorded at the end of 2025. As a result, the interest rates on the deposit facility, the main refinancing operations, and the marginal lending facility remained unchanged at 2.00 per cent, 2.15 per cent and 2.40 per cent, respectively. Subsequently, during the first nine months of 2026, the ECB raised all three interest rates on two occasions, which resulted in increases of 25 basis points, implemented in June and in September. These increases brought the deposit facility, main refinancing operations, and marginal lending facility rates to 2.50 per cent, 2.65 per cent, and 2.90 per cent, respectively. During the same period, the ECB also noted that the Asset Purchase Programme (APP) and Pandemic Emergency Purchase Programme (PEPP) portfolios continued to decline at a measured and predictable pace.

On inflation, ECB staff macroeconomic projections published in September 2026 show an unchanged outlook for 2026 and slight upward revisions for both 2027 and 2028, compared with estimates from the June 2026 projection exercise. Nevertheless, the ECB Governing Council emphasised the importance of remaining well positioned to navigate the uncertainty arising from ongoing international conflicts, which could cause both growth and inflation to deviate from baseline projections.

Interbank rates, which are the interest rates charged between banks on short-term loans, are generally indicative of the risk appetite in

financial markets. Theoretically, higher risk aversion reduces financial institutions' willingness to extend credit to one another through the interbank market. The Euro short-term rate (€STR), which measures the EA overnight interbank interest rate, increased by 0.25 percentage points between January and July 2026. Furthermore, data covering the previous twelve months revealed that all other short-term rates for fixed-term deposits (EURIBOR) followed an upward trajectory. The one-year rate registered the largest increase, reaching 2.86 per cent in July 2026 and representing a rise of 0.78 percentage points when compared with the rate of 2.08 per cent recorded in the same month a year earlier. This rate has returned to the level last observed in late 2024, thereby reversing the persistent declines recorded during the previous two years. Moreover, the one-month and six-month EURIBOR rates increased by 0.32 and 0.59 percentage points, respectively, in July 2026, when compared with July 2025.

EA interbank money markets interest rates can influence Maltese Treasury Bills (T-Bills), as they offer a different portfolio investment opportunity to local investors. The Maltese Government issued €1.6 billion in T-Bills in the primary market between January and August this year, up €366.3 million from the same period in 2025. Yields in the primary market for the three- and six-month Malta T-Bills have increased over the last twelve months. By July 2026, the yield on three-month bills stood at 2.35 per cent, up 0.35 percentage points from 2.00 per cent in the same month a year earlier. Similarly, the yield on six-month bills has increased by 0.38 percentage points during the same period, reaching 2.34 per cent in July 2026, compared with 1.96 per cent recorded in July 2025. Developments in the secondary market between January and July 2026 were likewise characterised by increases in the T-Bills yields, which averaged at 1.99 per cent as of July. This implies that T-Bill secondary market yields were, on average, about 0.17 percentage points higher in July 2026 than in the corresponding month of 2025. As a result, international developments have led to higher yields for T-Bills in both the Maltese primary and secondary markets during the first seven months of 2026.

From January to August 2026, T-Bill trades totalled €26.7 million, while in the same period in 2025 total T-Bill trades amounted to €20.4 million.

4.5 The Capital Market

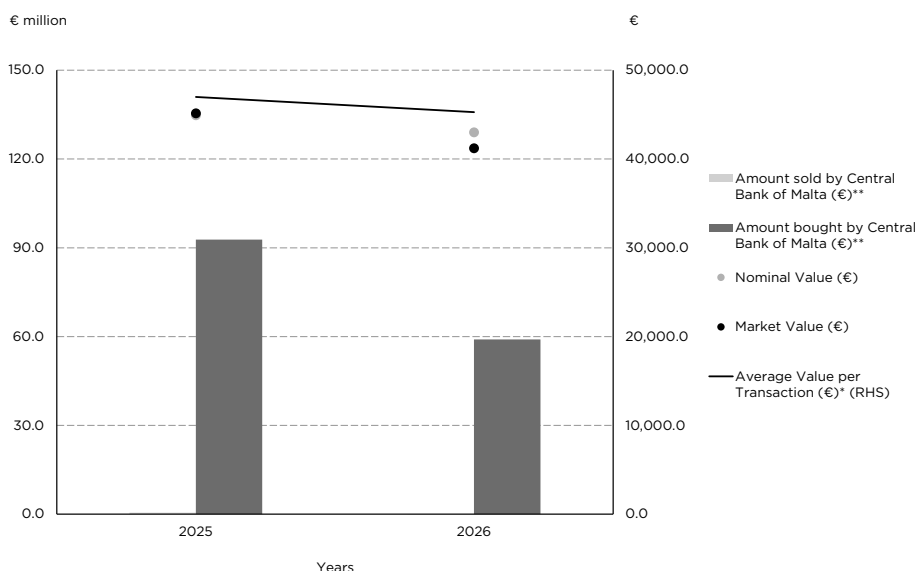
From January to August 2026, total issuances of Maltese Government Stocks (MGS) amounted to €999.7 million, while redeemed stocks totalled €534.1 million.

New corporate bond issuances rose from €367.3 million during the first eight months of 2025 to €373.5 million during the corresponding period of 2026. Corporate bond redemptions increased from €32.2 million as at August 2025 to €117.7 million between January and August 2026, representing an increase of €85.6 million. These redemptions also included a partial redemption of €3.9 million. Consistent with the first eight months of 2025, no deductions were reported during the same period of 2026. Corporate bond roll-overs increased from €42.7 million between January and August 2025 to €61.9 million by August 2026. In contrast, re-issuances declined by 36.8 per cent from €19.0 million in the first eight months of 2025 to €12.0 million during the same period of 2026. Furthermore, buy-backs decreased from €4.4 million in the first eight months of 2025 to €1.3 million during the same period of 2026. Meanwhile, no de-listings were recorded during the first eight months of either 2025 or 2026.

Chart 4.6 illustrates secondary market trading activity in Government stocks. Trading activity declined by 8.7 per cent, from €135.4 million between January and August 2025 to €123.6 million during the corresponding period of 2026, representing a nominal decrease of €11.8 million. The number of transactions declined slightly from 2,869 during the first eight months of 2025 to 2,850 by August 2026. Trading during the period January to August 2026 was concentrated in 3.5 per cent MGS 2035 (III) and 4.0 per cent MGS 2032 (VII), which registered 213 and 211 deals, respectively. During the first eight months of 2026, the Central Bank of Malta (CBM) bought and sold Government stocks amounting to a total of €59.1 million.

Chart 4.7 presents secondary market indicators relating to the capital market. Aggregate equity turnover increased from €32.6 million in January to August 2025, to €52.7 million in the corresponding period of 2026, representing a growth of 61.5 per cent. By August 2026, Bank

Chart 4.6
Turnover in Government Stocks
(Jan-Aug)



* Based on Nominal Values

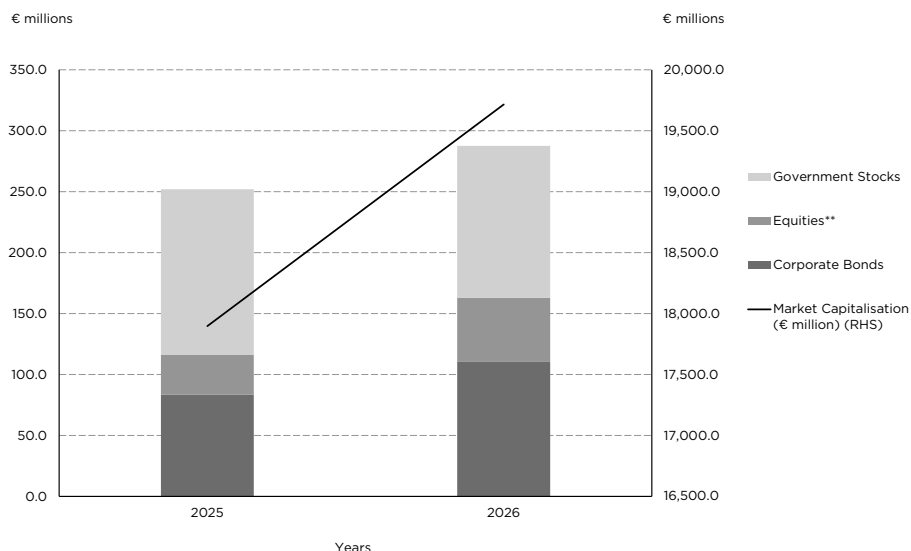
** Based on Market Values

Source: Central Bank of Malta

of Valletta (BOV) and Hili Properties (HLI) recorded the highest trading activity, with 1,696 and 1,195 deals, respectively. Furthermore, new green bond issuances declined marginally from €25.5 million in the first eight months of 2025 to €25.0 million in the same period of 2026.

Similar to the period January to August 2025, no Institutional Financial Securities Market (IFSM) activity was recorded on the secondary market during the same period in 2026. In contrast, Exchange Traded Funds (ETF) activity declined significantly during the first eight months of 2026, falling by 95.2 per cent when compared with the same period of the previous year. Meanwhile, green bond activity decreased from

Chart 4.7
Total Turnover
(Jan-Aug)



** Including the alternative companies listings

Source: Malta Stock Exchange

€0.6 million as at August 2025 to €0.5 million during the same period in 2026.

The Malta Stock Exchange Share Index increased by 17.6 per cent, rising from 8,968.1 during the first eight months of 2025 to 10,544.0 by August 2026.

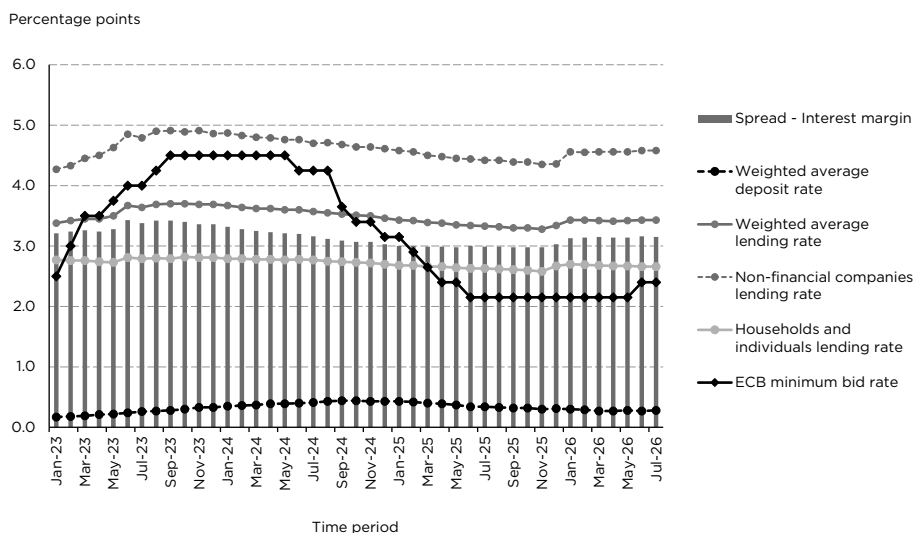
Total market capitalisation increased from €17,897.7 million during the period January to August 2025 to €19,715.8 million during the corresponding period of 2026, representing a €1,818.1 million increase. This growth reflected higher market capitalisation across equities,

corporate bonds, MGSs, T-Bills, and ETFs, which more than offset the decline registered in green bonds.

4.6 Deposit and Lending Rates

Chart 4.8 displays the weighted average deposit and lending rates together with their relative spread, the lending rates for non-financial companies, the lending rates for households and individuals, as well as the ECB minimum bid rate from the beginning of 2023 to July 2026. Multiple developments are evident when comparing the rates for the period January to July 2026 with those observed during the same period of the previous year.

Chart 4.8
Local Interest Rates and Margins



Source: Central Bank of Malta

The weighted average deposit rate declined during the first seven months of 2026, from a rate of 0.30 per cent in January to 0.28 per cent in July. This decline was less pronounced than in the same period of 2025, when the weighted average deposit rate fell from 0.43 per cent in January to 0.34 per cent by July. The weighted average lending rate averaged 3.42 per cent from January to July 2026, compared with 3.38 per cent in the first seven months of the previous year.

In view of the aforementioned developments, the relative spread between the weighted average lending rate and the weighted average deposit rate widened from 3.13 per cent at the start of 2026 to 3.15 per cent in July 2026, representing an increase of 0.02 percentage points. By contrast, over the same seven-month period in 2025, the spread narrowed by 0.01 percentage points, from 3.00 per cent in January to 2.99 per cent by July.

Between January and July 2026, the non-financial companies lending rate increased marginally from 4.56 per cent to 4.58 per cent, representing a rise of 0.02 percentage points. In contrast, during the corresponding period of 2025, the lending rate for non-financial companies declined by 0.16 percentage points, from 4.58 per cent to 4.42 per cent. The lending rate for households and individuals decreased by 0.04 percentage points from 2.70 per cent in January 2026 to 2.66 per cent in July of the same year. A similar decline in the households and individuals lending rate had also been registered in the same period a year earlier, where the rate declined from 2.68 per cent in January 2025 to 2.63 per cent in July 2025.

The ECB minimum bid rate remained unchanged at 2.15 per cent in January 2026 when compared with July 2025. Thereafter, the ECB minimum bid rate increased to 2.40 per cent by the end of July 2026.

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 two 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 the central Government.

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

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

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

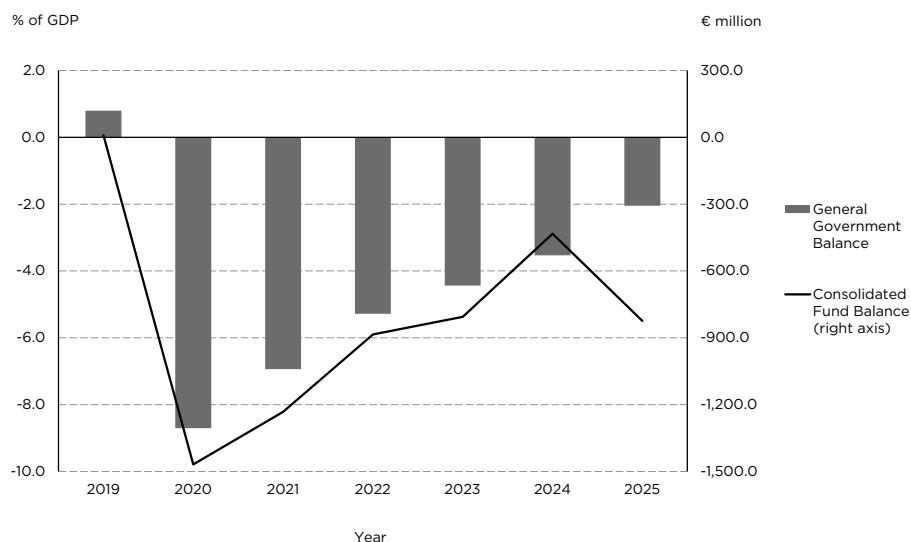
Public Finances

Developments in Malta's public finances, are assessed using both cash-based Consolidated Fund data and accrual-based general Government accounts compiled under the European System of Accounts 2010 (ESA 2010). Together, these frameworks provide complementary perspectives on Government revenue, expenditure, the fiscal balance and debt. The Consolidated Fund analysis covers the first nine months of 2026, while the ESA 2010 assessment examines the full-year outcome for 2025 and developments through the first half of 2026.

During the first nine months of 2026, recurrent revenue increased by €704.2 million, or 12.4 per cent, while total Government expenditure rose by €935.8 million, or 15.8 per cent, to €6,853.1 million. Recurrent expenditure increased by €754.5 million to €5,866.8 million, while capital expenditure rose by €156.0 million to €739.5 million. As expenditure growth exceeded revenue growth, the cash-based Consolidated Fund deficit widened by €231.7 million to €484.8 million, and the public sector borrowing requirement increased from €501.8 million to €1,044.1 million.

On an ESA 2010 basis, the general Government deficit improved to €505.7 million, or 2.1 per cent of Gross Domestic Product (GDP), in 2025, as revenue increased by 10.6 per cent to €8,646.4 million and expenditure rose by 6.0 per cent to €9,152.1 million. In the first half of 2026, however, the deficit widened to €698.5 million, or 5.5 per cent of GDP, as expenditure increased by 15.2 per cent to €4,894.6 million compared with a 6.7 per cent rise in revenue to €4,196.1 million. The chapter concludes by reviewing general Government debt, which stood at €11,410.1 million, or 46.3 per cent of GDP, at the end of 2025 and increased to €11,977.2 million by the end of June 2026.

Chart 5.1
Developments in Public Finances



Source: National Statistics Office

5.1 Consolidated Fund Developments

This section is based on Government finance data reported in the Consolidated Fund statement, compiled on a cash basis rather than an accrual-adjusted basis. Consequently, the resulting balance may not fully reflect revenue and expenditure accrued during the period.

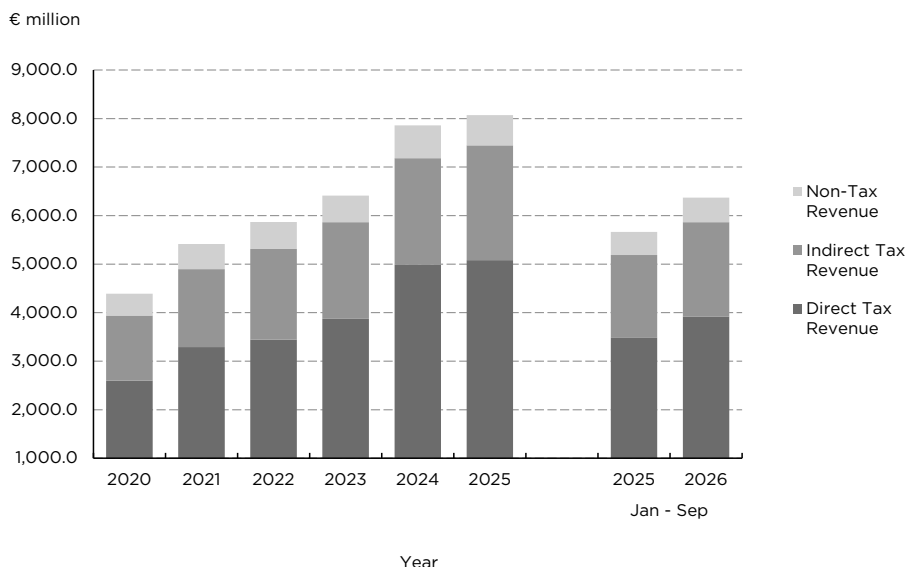
5.1.1 Recurrent Revenue

During the first nine months of 2026, recurrent revenue increased by 12.4 per cent. Appendix Table 5.1 presents developments in Government

revenue components for the first nine months between 2022 and 2026, while Chart 5.2 illustrates recent trends pertaining to said components.

Tax revenue increased by 13.0 per cent to €5,863.0 million, accounting for 92.1 per cent of total recurrent revenue. This growth reflected increases of €434.4 million in direct taxes and €242.2 million in indirect taxes. Direct tax revenue rose by 12.5 per cent to €3,913.6 million compared with the corresponding period in 2025. The increase was mainly driven by €349.7 million in additional income tax receipts, while social security contributions rose by €84.6 million. The increase in indirect tax revenue was primarily supported by higher Value Added Tax (VAT) receipts, which increased by €224.7 million to €1,336.6 million. Revenue from licences, taxes and fines increased by €14.8 million, while customs and excise duties recorded a marginal increase

Chart 5.2
Government Total Revenue



Source: National Statistics Office

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

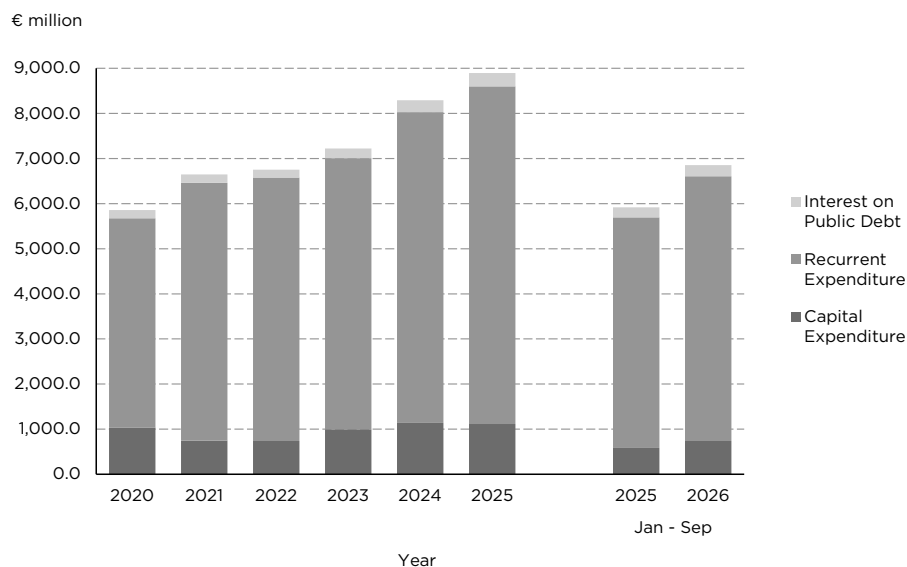
	€ million				
	2022	2023	2024	2025	2026
Recurrent Revenue	4,072.6	4,746.8	5,494.5	5,664.1	6,368.3
Tax Revenue	3,748.1	4,349.0	5,040.0	5,186.5	5,863.0
Direct Tax Revenue	2,376.0	2,867.1	3,355.0	3,479.2	3,913.6
Indirect Tax Revenue	1,372.2	1,481.9	1,685.0	1,707.2	1,949.4
Non-Tax Revenue	324.5	397.7	454.5	477.7	505.3
Total Expenditure	4,575.5	4,794.6	5,352.3	5,917.3	6,853.1
Recurrent Expenditure	4,014.0	4,158.3	4,647.6	5,112.4	5,866.8
Interest on Public Debt	126.2	154.2	194.3	221.5	246.8
Capital Expenditure	435.2	482.1	510.4	583.5	739.5
Balance of recurrent revenue and total expenditure	-502.9	-47.8	142.3	-253.1	-484.8
Financed by:					
Receipts from Sale of Shares	0.9	0.9	0.0	0.0	0.0
Sinking Funds of Converted Loans	0.0	0.0	0.0	0.0	0.0
Sinking Fund Contribution and Direct Loan Repayments	-474.0	-231.4	-313.8	-248.9	-556.0
Equity Acquisition	0.0	-5.5	-291.8	0.0	-10.0
Repayment of Loan made by Government	1.5	0.3	0.0	0.3	6.7
Public Sector Borrowing Requirement	-974.5	-283.6	-463.4	-501.8	-1,044.1
Local Loans	536.1	1,052.3	859.8	971.4	999.0

Source: National Statistics Office

of €2.7 million. Overall, indirect tax revenue increased by 14.2 per cent to €1,949.4 million during the first nine months of 2026.

Non-tax revenue increased by €27.6 million to €505.3 million compared with the same period in 2025. Growth was mainly driven by a €50.3 million increase in grants, alongside higher receipts from rents and dividends on investments. These gains were partly offset by a €45.1 million decline in fees of office and lower reimbursements.

Chart 5.3
Government Total Expenditure



Source: National Statistics Office

5.1.2 Expenditure

Total Government expenditure increased by €935.8 million, or 15.8 per cent, during the first nine months to September 2026, reaching €6,853.1 million. Recurrent expenditure accounted for the largest share of this increase, rising by €754.5 million, while capital expenditure increased by €156.0 million. Interest payments on public debt also increased by €25.4 million. Chart 5.3 presents the recent trend in Government expenditure disaggregated by components.

Recurrent Expenditure

Recurrent expenditure comprises four categories: (i) Personal emoluments, (ii) Operational and maintenance expenditure, (iii) Programmes and initiatives, and (iv) Contributions to Government entities. During the first nine months of 2026, recurrent expenditure increased by €754.5 million, or 14.8 per cent, reaching €5,866.8 million. The Programmes and initiatives category remained the largest component, accounting for 59.3 per cent of recurrent expenditure, amounting to €3,476.4 million during the nine months to September 2026. This category includes social transfers, subsidies, and contributions to the European Union (EU) budget. Expenditure on Programmes and initiatives increased by €422.8 million compared with the corresponding period in 2025, with higher expenditure across several functional classifications, particularly Social protection, Public services, Economic affairs, and Health.

Contributions to Government entities totalled €797.1 million, representing an increase of €89.4 million over the same period in 2025. Expenditure on Personal emoluments increased by €124.7 million to €1,180.4 million, with higher outlays recorded across several Government functions, particularly Health, Education and Public services. Operational and maintenance expenditure, which includes payments for Utilities, Contractual services, Materials and supplies, Transport, and Rent, increased by €117.5 million to €412.9 million during the first nine months of 2026. Higher expenditure on Health and Social protection mainly drove the increase in this category, which together accounted for a substantial share of the overall increase.

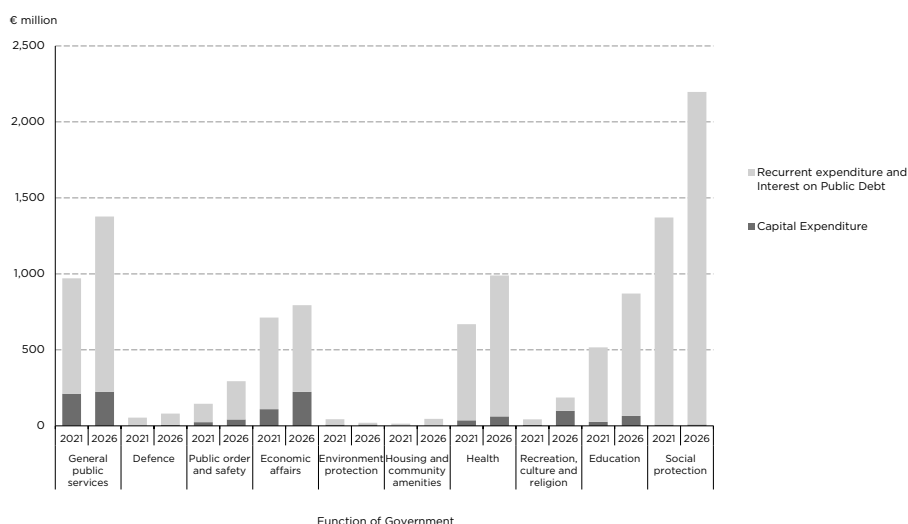
Appendix Table 5.2 presents developments in the Government's recurrent expenditure on a cost centre basis for the January to September 2026 period. The nomenclature of Ministries and cost centres used in this chapter aligns with the current allocation of portfolios and assignment of responsibilities across Government Departments and Entities. Consequently, direct comparisons with data from previous years may not always be feasible.

Social security benefits accounted for 22.7 per cent of recurrent expenditure during the first nine months of 2026. Expenditure on social security benefits increased by €120.8 million to €1,329.0 million, compared to €1,208.1 million in the corresponding period of 2025, reflecting higher spending under this cost centre.

Analysis of Recurrent Expenditure by Functional Classification

Recurrent expenditure is also analysed by the Government's main socio-economic functions using the Classification of the Functions of Government (COFOG). Chart 5.4 and Appendix Table 5.3 show expenditure by main COFOG category.

Chart 5.4
Expenditure by Functional Classification
January-September



Source: National Statistics Office

Over time, Social protection remained the largest share of Government expenditure. Its share of recurrent expenditure (including interest payments on public debt) increased to 35.8 per cent in the first nine months of 2026 from 33.3 per cent in the year 2021, an increase of 2.6 percentage points. Similarly, expenditure on Economic affairs declined by 5.4 percentage points, from 14.7 per cent to 9.3 per cent, while expenditure on Health fell by 0.2 percentage points, from 15.4 per cent to 15.2 per cent. Environmental protection also declined by 0.7 percentage points, while expenditure on Defence decreased by 0.1 percentage point. Conversely, the share of recurrent expenditure on Public services increased by 0.4 percentage points, from 18.5 per cent to 18.9 per cent, while that on Recreation, culture and religion increased by 0.6 percentage points, from 0.9 per cent to 1.4 per cent. Spending on Public order and safety also increased by 1.2 percentage points, while Education recorded an increase of 1.2 percentage points. Expenditure on Housing and community amenities increased by 0.4 percentage points relative to the corresponding period of 2021.

In nominal terms, recurrent expenditure (including interest on public debt) increased by €2,007.6 million during the first nine months of 2026 compared with the corresponding period of 2021, reaching €6,113.7 million. This increase was primarily driven by Social protection, where expenditure rose by €825.3 million, followed by Public services (€393.7 million), Education (€314.7 million), and Health (€259.6 million). Economic affairs saw a decline (€33.2 million), whilst recurrent expenditure on Public order and safety increased by €130.9 million. Recurrent expenditure on Recreation, culture and religion saw an increase of €51.9 million. Expenditure on Housing and community amenities increased by €32.0 million, while Defence expenditure rose by €21.3 million. Conversely, expenditure on Environmental protection declined by €24.6 million when compared with the same period in 2021.

Capital Expenditure

Total capital expenditure from January to September 2026 amounted to €739.5 million. Over the first nine months of the year, capital expenditure increased by €156.0 million, or 26.7 per cent, accounting for 10.8 per cent of total Government spending, compared to 9.9 per cent in the corresponding period of 2025.

Based on the latest available data categorised by economic function, 30.3 per cent of capital spending was allocated to Public services, while a further 30.3 per cent was directed towards Economic affairs. Expenditure on Recreation, culture and religion accounted for 13.3 per cent of total capital expenditure, followed by Education and Health, accounting for 8.8 per cent and 8.3 per cent, respectively. The remaining 9.0 per cent went to other Government functions.

During this period, capital spending increased significantly in Recreation, culture and religion (+€65.3 million), Public services (+€43.2 million) and Health (+€26.9 million). Capital expenditure also rose in Education (+€13.6 million), Public order and Safety (+€9.7 million), and Environmental protection (+€4.8 million). These increases were partly offset by a €7.0 million reduction in capital expenditure related to Economic affairs and a €2.4 million decline in Defence.

Capital expenditure on Recreation, culture and religion reached €98.4 million, up from €33.0 million in the corresponding period in 2025, the largest absolute increase among the functional categories. Capital expenditure on Public services increased to €223.9 million, while expenditure on Health rose to €61.7 million. Despite the decline recorded in Economic affairs, this category continued to account for a substantial share of total capital spending, amounting to €223.7 million during the first nine months of 2026.

5.2 Main Budgetary Developments

General Government accounts, published quarterly, are compiled in accordance with the harmonised ESA 2010 methodology used across EU Member States. Under this framework, the cash balances of Consolidated Fund transactions are adjusted to incorporate all Government accounts, excluding financial transactions and reflecting accrual accounting. The accounts also incorporate extra-budgetary units (EBUs) and local councils classified within the general Government sector. Applying ESA 2010 ensures that reported data are internationally comparable. However, these figures are not directly comparable with those prepared on a cash basis for the Consolidated Fund in the preceding sections.

5.2.1 Fiscal Developments in 2025

The general Government balance for 2025 ran a deficit of €505.7 million, an improvement of €309.2 million from the €815.0 million deficit recorded in 2024. Total revenue increased by €831.1 million, or 10.6 per cent, to €8,646.4 million, while expenditure amounted to €9,152.1 million, increasing by €521.9 million, or 6.0 per cent. As a share of GDP, the general Government balance was equivalent to a deficit of 2.1 per cent, down by 1.5 percentage points from the previous year.

The ratio of general Government revenue to GDP increased by 1.2 percentage points to 35.1 per cent. Taxes on production and imports increased by €301.3 million, or 14.2 per cent, reaching 9.8 per cent of GDP. Most of this increase came from VAT, which increased by €234.6 million, or 16.7 per cent to €1,635.8 million, sustained by the continued growth in domestic consumption and activity in the services sector, as well as a robust property market. Part of the increase reflected earlier refund settlements in 2024, such that receipts in subsequent periods were less affected by these one-off movements and therefore more closely reflected underlying developments in the tax base. Current taxes on income and wealth increased by €294.7 million, or 8.6 per cent, to 15.1 per cent of GDP. Within this category, taxes on income increased by €362.0 million, reflecting robust labour market conditions, sustained wage growth, and solid corporate profitability aided by ongoing improvements in tax compliance and administrative efficiency. Developments in taxes on income were partly offset by a €67.3 million decline in other current taxes, driven by lower proceeds from the citizenship-by-investment scheme. Net social contributions were €88.7 million, or 7.6 per cent, higher than in 2024, making up 5.1 per cent of GDP.

Revenue from market output, output for own final use and payments for non-market output rose by €127.1 million, or 19.2 per cent, to €790.5 million. Capital transfers receivable increased by €36.4 million and property income by €5.2 million. In contrast, other current transfers declined by €22.4 million, or 21.6 per cent, to €81.5 million.

The ratio of the general Government expenditure to GDP declined by 0.3 percentage points to 37.1 per cent in 2025. Expenditure growth was driven by employee compensation, which increased by €179.9 million, or 8.1 per cent, partly due to the continued effects of sectoral agreements and wage commitments. Intermediate consumption increased by €233.1 million, or 13.5 per cent, mainly due to higher spending by EBU and increased central Government expenditure on contractual services and elderly care. Spending on social benefits and social transfers in kind also grew by €159.8 million, or 8.7 per cent.

Other current transfers increased by €70.0 million, while subsidies increased by €23.0 million. Property income payable increased by €32.9 million, largely reflecting a €30.9 million rise in interest expenditure to €297.4 million, or 1.2 per cent of GDP.

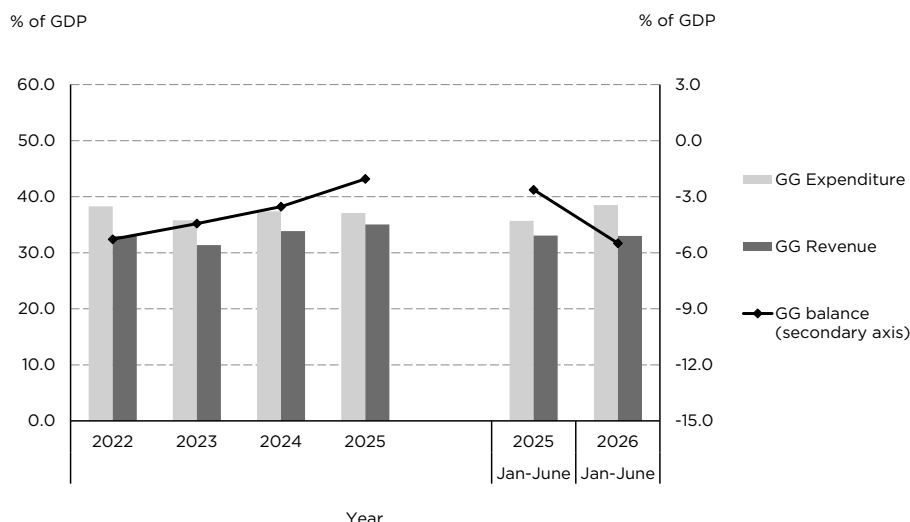
These increases were partly offset by lower capital transfers, which declined by €168.3 million, or 24.7 per cent, to €514.4 million, following the exceptional support provided in 2024, including transfers to public enterprises for infrastructure projects and restructuring, and to the national airline. Gross fixed capital formation remained broadly stable, increasing by €7.3 million, or 1.0 per cent, to €752.8 million.

5.2.2 Budgetary Developments in the first half of 2026

This section reviews general Government budgetary developments during the first half of 2026 using non-seasonally adjusted ESA 2010 data. Due to seasonal factors, a larger share of revenue and, to a lesser extent, expenditure typically materialises in the second half of the year. The timing of payments and receipts may also affect comparisons between quarters. Half-year results, therefore, cannot be extrapolated to the full year. Chart 5.5 presents public finance developments in accordance with ESA 2010 methodology over recent years.

In the first half of 2026, the general Government deficit stood at €698.5 million, up from €313.2 million in the same period in 2025, a deterioration of €385.3 million. From January to June 2026, general

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



Source: National Statistics Office

Government revenue increased by €261.9 million, or 6.7 per cent, to €4,196.1 million, while expenditure was €647.2 million, or 15.2 per cent higher, at €4,894.6 million. Relative to GDP generated during the first half of the year, the deficit increased from 2.6 per cent to 5.5 per cent. The expenditure ratio increased from 35.7 per cent to 38.5 per cent, while the revenue ratio remained broadly stable at 33.0 per cent.

Revenue growth was broad-based. Revenue from taxes on production and imports increased by €86.1 million, or 7.8 per cent, including a €62.4 million increase in VAT receipts, equivalent to 8.4 per cent. Current taxes on income and wealth increased by €43.7 million, or 2.6 per cent. This reflected a €75.0 million increase in taxes on income, partly offset by a €31.4 million decline in other current taxes, the latter primarily reflecting the absence of proceeds from the citizenship by

investment scheme. During the same period, net social contributions increased by €46.9 million, or 7.9 per cent.

Capital transfers receivable increased by €52.3 million, or 54.4 per cent, mainly reflecting higher investment grants and other capital transfers. Property income and other current transfers increased by €14.3 million and €12.0 million, respectively, while revenue from market output, output for own final use and payments for non-market output increased by €6.5 million.

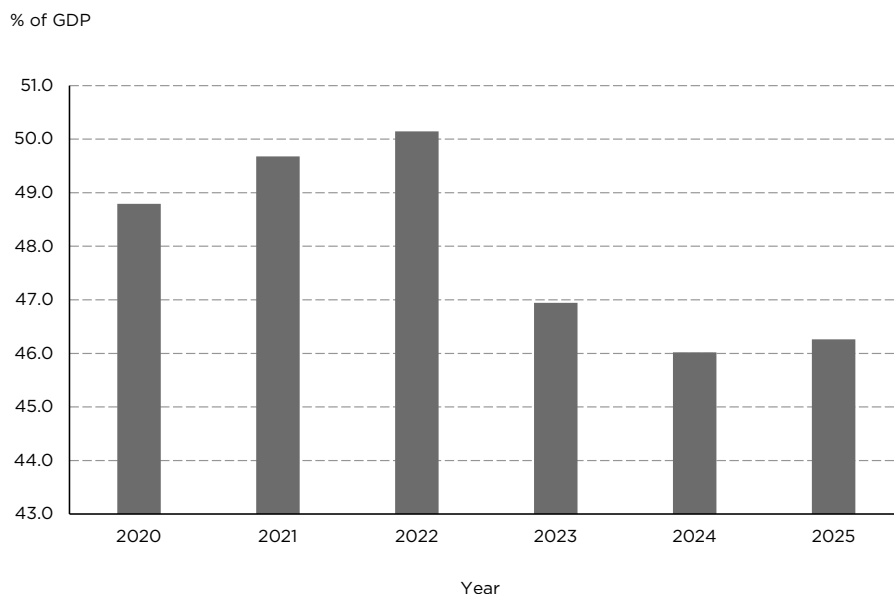
Higher outlays were mainly recorded in intermediate consumption, which increased by €200.4 million, or 22.1 per cent. Compensation of employees increased by €121.6 million, or 10.2 per cent, while social benefits and social transfers in kind increased by €119.8 million. Together, these three categories accounted for 68.3 per cent of the increase in total expenditure.

Other current transfers increased by €82.6 million, while gross capital formation rose by €72.6 million to €382.8 million, mainly reflecting a €66.7 million increase in gross fixed capital formation. Capital transfers payable increased by €41.7 million. Interest expenditure rose by €19.6 million, or 13.7 per cent, to €162.6 million. Lower subsidies partly offset these increases, declining by €12.5 million, or 4.8 per cent, to €250.2 million. Excluding interest expenditure, the primary deficit widened from €170.1 million to €535.9 million.

5.3 General Government Debt Developments

In 2025, the general Government debt-to-GDP ratio remained well below the 60.0 per cent reference value established by the Maastricht Treaty. The ratio stood at 46.3 per cent of GDP, compared to 46.0 per cent in 2024. Total general Government debt amounted to €11,410.1 million at the end of 2025. Chart 5.6 shows developments in the debt-to-GDP ratio in recent years.

Chart 5.6
Debt-to-GDP ratio



Source: National Statistics Office

At the end of June 2026, general Government debt totalled €11,977.2 million, up €890.7 million from the corresponding quarter of 2025. Currency and deposits amounted to €398.7 million, down by €32.1 million from June 2025. This category includes Euro coins issued in the name of the Treasury, which are considered a liability of the central Government, as well as the 62+ Malta Government Savings Bonds. Over the same period, long-term loans decreased by €65.1 million, while short-term loans decreased by €4.6 million to €22.7 million. Conversely, debt securities increased by €992.5 million to €10,589.5 million compared to the corresponding quarter of 2025.

Appendix Table 5.1: Government Revenue (January - September)

€ thousand

	2022	2023	2024	2025	2026
Tax Revenue	3,748,142	4,349,024	5,040,026	5,186,479	5,863,032
Direct Tax Revenue	2,375,979	2,867,088	3,355,025	3,479,237	3,913,594
Income Tax	1,481,721	1,892,797	2,274,004	2,279,229	2,628,958
Social Security	894,258	974,291	1,081,021	1,200,008	1,284,636
Indirect Tax Revenue	1,372,164	1,481,936	1,685,001	1,707,242	1,949,438
Customs and Excise Duties	209,910	221,578	234,646	244,099	246,841
Licences, Taxes and Fines	259,356	288,153	319,798	351,213	365,965
Value Added Tax	902,897	972,205	1,130,557	1,111,930	1,336,632
Non-Tax Revenue	324,475	397,735	454,490	477,658	505,273
Fees of Office	62,012	55,000	92,729	106,497	61,432
Sales - Goods	1,580	1,564	1,781	1,851	2,892
Sales - Services	23,466	27,748	32,034	37,419	42,207
Sales - Others	3,077	34,692	38,790	41,160	40,999
Reimbursements	2,129	3,301	4,495	17,844	14,089
Central Bank of Malta	22,173	-	-	-	10,000
Rents	23,894	22,498	25,027	26,918	36,159
Dividends on Investments	19,878	21,496	25,533	34,093	40,262
Interest on loans made by Government	1	1,081	845	675	328
Miscellaneous Receipts	56,117	43,046	22,450	28,760	24,194
Grants	110,147	187,309	210,806	182,442	232,711
Recurrent Revenue	4,072,617	4,746,758	5,494,515	5,664,138	6,368,305
Extraordinary Receipts	889	889	-	-	-
Loans	536,114	1,052,344	859,807	971,360	999,047
Repayment of Loans made by Government	1,517	250	-	250	6,652
Total Revenue	4,611,138	5,800,241	6,354,322	6,635,748	7,374,005

Source: The Treasury, Ministry for Finance

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

€ thousand

	2023	2024	2025	2026
Office of the President	3,967	3,809	3,383	3,578
Parliamentary Service	8,548	9,141	10,582	7,022
Office of the Ombudsman	1,449	1,000	1,000	2,003
National Audit Office	3,500	3,450	3,750	5,000
Commissioner for Standards in Public Life	-	225	500	600
Office of the Prime Minister	46,028	38,155	45,953	76,646
Information	929	953	1,073	1,169
Government Printing Press	1,344	1,406	1,895	2,019
Electoral Office	2,398	10,433	3,713	13,736
Public Service Commission	500	546	672	705
Industrial and Employment Relations	1,384	1,468	1,633	1,875
Ministry for Foreign Affairs and Tourism	29,404	37,624	170,355	181,767
Ministry for Culture, Lands and Local Government	46,461	52,517	71,643	86,916
Local Government	38,478	46,271	58,742	59,899
Ministry for Social Policy and Children's Rights	47,310	57,483	56,829	62,021
Social Policy	311,652	341,055	383,840	403,118
Social Security Benefits	978,780	1,102,139	1,208,142	1,328,975
Pensions	76,908	81,188	77,331	78,967
Ministry for Agriculture, Fisheries, and Animal Rights	45,121	46,130	50,990	61,444
Ministry for Social and Affordable Accommodation	27,965	41,663	47,534	61,795
Ministry for the Economy, Enterprise and Strategic Projects	30,723	53,010	43,642	41,996
Commerce	1,285	1,346	1,460	1,604
Ministry for Inclusion and the Voluntary Sector	38,283	39,305	41,809	49,786
Ministry for Gozo and Planning	43,815	50,123	59,463	72,488
Ministry for Home Affairs, Security and Employment	54,298	113,917	124,335	143,021
Armed Forces of Malta	50,072	54,674	59,426	73,122
Police	62,587	70,544	80,265	89,920
Probation and Parole	966	985	1,190	1,484
Civil Protection	7,427	9,052	11,137	13,570
Ministry for the Environment, Energy and Public Cleanliness	271,361	252,873	267,229	322,076
Ambjent Malta	10,766	12,656	13,956	15,264
Ministry for Finance	188,422	252,708	216,270	272,530
Economic Policy	1,468	1,317	1,304	1,530
Treasury	39,911	41,732	12,740	20,663
Malta Tax and Customs Administration	34,668	37,489	41,744	46,493
Contracts	2,267	2,164	2,533	2,951
Ministry for Education, Sport, Youth, Research and Innovation	285,578	308,975	377,747	416,301
Education	269,730	291,946	346,281	389,147
Ministry for Lands and the Implementation of the Electoral Programme	-	-	3,881	-
Ministry for European Funds and the Implementation of the Electoral Programme	-	-	19,759	11,850
Ministry for Justice and Reform of the Construction Sector	40,319	49,170	60,295	69,085
Ministry for Health and Active Ageing	646,852	660,811	755,959	927,605
Active Ageing	182,498	227,722	247,654	299,406
Ministry for Transport, Infrastructure and Public Works	84,239	99,348	122,713	145,670
[Ministry for Tourism [and Consumer Protection]]	112,567	116,524	-	-
[Ministry for Public Works and Planning]	26,089	22,519	-	-
Recurrent Expenditure	4,158,316	4,647,568	5,112,352	5,866,817

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)

COFOG	Personal Emoluments			Operational and Maintenance Expenses			Programmes and Initiatives			Contributions to Government Entities		
	2024	2025	2026	2024	2025	2026	2024	2025	2026	2023	2024	2025
General public services	119,970	135,970	154,980	50,636	66,350	68,514	454,629	404,603	509,886	135,367	148,873	172,880
Defence	46,205	49,515	62,671	7,794	9,253	9,865	675	672	611	-	-	-
Public order and safety	81,543	93,873	106,181	11,855	12,855	11,468	46,537	61,620	61,458	57,576	52,075	72,939
Economic affairs	54,462	59,651	62,182	12,025	12,905	11,777	244,782	223,718	282,634	149,894	193,388	213,273
Environment protection	-	898	-	28	196	15	32	-	-	7,350	12,200	10,910
Housing and community amenities	-	-	-	-	-	-	29,208	32,269	42,731	5,250	5,750	3,000
Health	299,658	334,671	372,517	75,079	92,381	165,175	219,808	249,917	301,858	66,274	78,992	88,152
Recreation, culture and religion	7,628	9,173	10,745	1,437	2,231	2,602	19,836	20,474	30,890	24,571	40,838	43,848
Education	251,082	304,309	336,598	21,430	23,738	30,141	202,173	253,273	286,844	126,226	142,697	151,286
Social protection	61,978	67,717	74,567	71,777	75,477	113,378	1,646,901	1,806,989	1,959,442	35,890	32,839	40,800
Total	922,526	1,055,778	1,180,440	252,061	295,387	412,936	2,864,582	3,053,535	3,476,354	608,398	707,652	797,087
Total expenditure												
Interest Expenditure												
Capital Expenditure												
General public services	194,280	221,462	246,832	232,228	180,756	223,940	1,187,110	1,158,013	1,377,032			
Defence	-	-	-	3,344	9,788	7,338	58,018	69,229	80,485			
Public order and safety	-	-	-	34,845	31,768	41,456	232,357	252,191	293,501			
Economic affairs	-	-	-	123,024	230,704	223,723	584,187	720,366	793,590			
Environment protection	-	-	-	140	4,232	9,011	7,550	17,526	19,937			
Housing and community amenities	-	-	-	14	17	10	34,473	38,036	45,741			
Health	-	-	-	25,224	34,788	61,665	686,043	790,749	989,367			
Recreation, culture and religion	-	-	-	31,544	33,028	98,360	85,015	105,744	186,445			
Education	-	-	-	53,542	51,700	65,288	654,454	775,717	870,157			
Social protection	-	-	-	6,508	6,673	8,664	1,823,054	1,989,696	2,196,850			
Total	194,280	221,462	246,832	510,414	583,455	739,456	5,352,261	5,917,268	6,853,106			

€ thousand

Statistical Annex



Table I: Population

	2019	2020	2021	2022	2023	2024	2025
Total Population	514,855	516,125	520,174	542,051	563,443	574,250	588,254
Males	266,559	267,614	270,469	284,821	298,746	304,947	313,692
Females	248,296	248,511	249,705	257,230	264,697	269,303	274,562
% Increase per annum	4.4%	0.2%	0.8%	4.2%	3.9%	1.9%	2.4%
Natural increase per annum	662	323	232	79	432	193	98
Crude Birth Rate (per 1,000 population)	8.6	8.6	8.5	8.1	8.1	7.7	7.5
Crude Mortality Rate (per 1,000 population)	7.3	7.9	8.0	8.0	7.3	7.3	7.3
Crude Marriage Rate (per 1,000 population) ¹	5.3	2.2	4.4	4.8	4.2	4.1	4.0
Infant Mortality Rate (per 1,000 births)	6.7	3.9	3.9	5.3	3.6	4.8	5.1
Life Expectancy (at birth)							
Males	83.0	82.4	82.4	82.3	83.4	83.3	83.4
Females	81.4	80.4	80.8	80.2	81.6	81.6	81.4
	84.6	84.5	84.1	84.4	85.2	85.1	85.4
Life Expectancy (at age 65)							
Males	21.1	20.6	20.6	20.5	21.1	21.2	21.4
Females	19.6	19.0	19.3	19.0	19.7	19.8	19.9
	22.5	22.0	21.6	21.8	22.3	22.5	22.7

⁽¹⁾ The numerator corresponds to marriages registered in Malta and occurring in the reference year. This includes marriages occurring abroad and marriages occurring in Malta between non-residents.

Source: National Statistics Office

Table II: Social Indicators

	2019	2020	2021	2022	2023	2024	2025
GDP at current market prices per capita (€)	28,924.4	27,869.2	32,234.6	33,887.3	37,780.6	40,543.3	42,391.1
Quality of Life							
Motor vehicle licences per 1,000 population ¹	772	780	794	784	778	776	778
Internet subscriptions per 1,000 population*	401	413	427	431	426	422	420
Mobile phone subscriptions per 1,000 population*	1,257	1,229	1,254	1,319	1,354	1,347	1,380
Fixed telephone lines per 1,000 population*	507	501	499	488	470	450	441
Education²							
Number of teachers (000)	9.3	9.7	9.7	10.2	10.3	10.5	10.9 ^(p)
Number of pupils/students (000) of which:	83.7	85.3	86.0	87.0	90.7	92.9	95.9 ^(p)
University students (all courses) ³	11,024	10,676	11,081	10,312	10,522	10,200	10,207 ^(p)
Electricity⁴							
Total generated (000 MWh) ⁵	2,514.7	2,320.1	2,499.1	2,642.6	2,674.4	2,820.3	2,889.3
Number of consumers (000) ⁵	317	326	335	344	366	368	379
Domestic consumption (million kWh) ⁵	882.8	892.0	959.8	1,019.6	1,016.1	1,072.9	1,118.7
Water							
Total annual production (million m ³)	34.7	34.6	34.2	35.4	36.8	38.8	39.3
Average daily consumption (000 m ³)	84.3	85.4	84.4	87.2	90.9	96.5	98.9
Social Security							
Total payments (€ million)	1,813.8	2,027.9	2,099.3	2,318.4	2,507.7	2,812.1	3,147.1
Total contributions (€ million)	1,046.1	1,064.1	1,201.7	1,306.2	1,411.8	1,566.0	1,713.8
Welfare gap (€ million)	767.6	963.7	897.6	1,012.2	1,095.9	1,246.1	1,433.3

^(p) Provisional data.

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

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

⁽³⁾ Amounts refer to the number of students attending the University of Malta only and not other Universities in Malta.

⁽⁴⁾ Electricity generation from power plants and the interconnector.

⁽⁵⁾ Data refer to the financial year rather than the calendar year.

Source: National Statistics Office

^(*) Source: Malta Communications Authority

Table III: Factor Incomes in Gross National Income

	2019	2020	2021	2022	2023	2024	2025	2020 Jan-Jun	2021 Jan-Jun	2022 Jan-Jun	2023 Jan-Jun	2024 Jan-Jun	2025 Jan-Jun	2026 Jan-Jun
														€ million
Compensation of Employees	6,179.4	6,457.7	6,984.0	7,802.1	8,599.5	9,759.3	10,565.3	3,224.4	3,454.2	3,805.5	4,223.9	4,726.5	5,204.7	5,721.3
Gross Operating Surplus and Mixed Income	6,977.9	7,172.5	8,829.3	9,246.2	11,012.3	11,703.4	12,203.3	3,518.8	4,077.1	4,277.5	5,142.4	5,648.3	5,853.7	6,057.9
Taxes on production and imports	1,639.8	1,415.9	1,598.2	1,814.0	1,973.8	2,142.7	2,453.4	652.0	732.5	854.1	927.0	1,098.2	1,118.0	1,200.9
Subsidies	202.9	683.7	708.4	834.2	671.1	526.0	557.9	284.1	320.3	300.6	268.7	221.1	279.2	264.3
Gross Domestic Product at market prices	14,594.2	14,362.4	16,703.0	18,028.1	20,914.5	23,079.3	24,664.0	7,111.1	7,943.4	8,636.4	10,024.6	11,251.8	11,897.2	12,715.8
Net Income from Abroad	-1,374.7	-2,167.4	-2,172.0	-2,293.9	-2,840.6	-4,436.9	-2,933.7	-1,127.8	-1,112.3	-1,171.5	-1,390.8	-2,169.1	-1,385.3	-1,434.5
Gross National Income at market prices	13,219.4	12,195.0	14,531.0	15,734.2	18,073.9	18,642.4	21,730.3	5,983.3	6,831.2	7,464.8	8,633.8	9,082.7	10,512.0	11,281.3
Sectoral Percentage Contribution to Gross Value Added (at basic prices)														
Agriculture, Hunting and Forestry ⁽¹⁾	0.5%	0.9%	1.0%	0.9%	0.1%	0.6%	0.6%	0.7%	0.7%	0.8%	0.3%	0.5%	0.5%	0.5%
Industry ⁽²⁾	13.4%	13.3%	12.4%	12.2%	11.9%	11.8%	11.1%	13.1%	12.9%	12.0%	11.9%	11.7%	11.1%	11.0%
Service Activities	86.0%	85.8%	86.6%	86.9%	88.1%	87.6%	88.3%	86.2%	86.5%	87.2%	87.8%	87.9%	88.4%	88.5%

⁽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

	2019	2020	2021	2022	2023	2024	2025	2023 Jan-Jun	2024 Jan-Jun	2025 Jan-Jun	2026 Jan-Jun
											€ million
GNI at current market prices (m.p.)	13,219.4	12,195.0	14,531.0	15,734.2	18,073.9	18,642.4	21,730.3	8,633.8	9,082.7	10,512.0	11,281.3
% annual increase of GNI	6.4%	-7.7%	19.2%	8.3%	14.9%	3.1%	16.6%	15.7%	5.2%	15.7%	7.3%
GDP at current market prices	14,594.2	14,362.4	16,703.0	18,028.1	20,914.5	23,079.3	24,664.0	10,024.6	11,251.8	11,897.2	12,715.8
% annual increase of GDP	6.7%	-1.6%	16.3%	7.9%	16.0%	10.4%	6.9%	16.1%	12.2%	5.7%	6.9%
GDP at constant prices ⁽¹⁾	14,876.7	14,362.4	16,273.9	16,934.5	18,136.4	19,095.2	19,993.1	8,798.6	9,431.9	9,717.2	10,140.4
Total Final Consumption Expenditure											
at current market prices	9,203.2	8,952.9	9,886.3	11,061.6	13,065.8	14,450.9	15,273.4	6,210.1	6,890.7	7,373.8	8,014.5
at constant prices ⁽¹⁾	9,360.0	8,952.9	9,694.3	10,430.8	11,233.7	11,842.6	12,438.6	5,426.3	5,733.1	6,028.3	6,389.7
Ratio (%) of consumption to GDP at m.p.	63.1%	62.3%	59.2%	61.4%	62.5%	62.6%	61.9%	61.9%	61.2%	62.0%	63.0%
General Government Final Consumption Expenditure											
at current market prices	2,465.0	2,828.2	3,057.7	3,167.1	3,415.3	3,892.7	4,218.5	1,655.3	1,788.8	2,044.7	2,396.7
at constant prices ⁽¹⁾	2,525.3	2,828.2	2,943.4	2,978.6	3,078.0	3,237.6	3,381.4	1,497.4	1,557.2	1,641.2	1,850.8
Ratio (%) of Government consumption to GDP at m.p.	16.9%	19.7%	18.3%	17.6%	16.3%	16.9%	17.1%	16.5%	15.9%	17.2%	18.8%
Private Final Consumption Expenditure ⁽²⁾											
at current market prices	6,738.2	6,124.8	6,828.5	7,894.5	9,650.5	10,558.2	11,055.0	4,554.9	5,101.9	5,329.2	5,617.8
at constant prices ⁽¹⁾	6,830.2	6,124.8	6,750.8	7,457.3	8,161.8	8,610.9	9,063.1	3,931.9	4,178.1	4,390.0	4,539.3
Ratio (%) of private consumption to GDP at m.p.	46.2%	42.6%	40.9%	43.8%	46.1%	45.7%	44.8%	45.4%	45.3%	44.8%	44.2%
Gross Fixed Capital Formation											
at current market prices	2,930.1	2,863.3	3,721.9	4,508.4	4,028.4	4,335.7	4,477.5	1,949.1	2,123.1	2,187.0	2,385.5
at constant prices ⁽¹⁾	2,977.2	2,863.3	3,567.7	4,100.6	3,515.9	3,723.2	3,738.1	1,700.3	1,830.1	1,829.6	1,980.2
Ratio (%) fixed investment to GDP at m.p.	20.1%	19.9%	22.3%	25.0%	19.3%	18.8%	18.2%	19.4%	18.9%	18.4%	18.8%

⁽¹⁾ In chain-linked volumes (reference year 2020).⁽²⁾ Including NPISH final consumption expenditure.

Source: National Statistics Office

Table V: Labour

	2021	2022	2023	2024	2025	2024 April	2025 April	2026 April
Labour Supply								
Gainfully Occupied								
Males	240,553	254,245	274,435	287,826	298,968	285,964	296,044	310,989
Females	238,759	253,247	273,465	286,698	297,883	284,762	295,006	309,592
	144,654	153,302	165,858	173,169	179,313	172,166	177,477	186,367
	94,105	99,945	107,607	113,529	118,570	112,596	117,529	123,225
Private Direct Production								
of which:	40,710	42,416	45,336	46,716	47,289	46,780	46,866	48,302
Construction	15,383	16,825	18,377	19,023	19,275	19,119	18,891	19,939
Manufacturing	22,196	22,369	23,488	24,173	24,632	24,080	24,627	24,848
Others	3,131	3,222	3,471	3,520	3,382	3,581	3,348	3,515
Private Market Services								
of which:	146,882	159,551	176,790	187,484	195,981	186,022	194,075	204,972
Wholesale and Retail (including Repair of Motor Vehicles, Motorcycles and Personal and Household Goods)	29,369	30,651	32,887	34,813	35,841	34,600	35,437	36,822
Accommodation and Food Services	15,006	17,374	20,630	22,737	23,404	22,342	23,099	24,585
Financial and Insurance Activities	11,634	12,350	13,145	13,789	14,253	13,768	14,195	14,677
Others	90,873	99,176	110,128	116,145	122,483	115,312	121,344	128,888
Public Sector								
of which:	51,167	51,280	51,339	52,498	54,613	51,960	54,065	56,318
Government Departments	35,291	35,105	35,076	35,569	36,671	35,374	36,307	37,613
Independent Statutory Bodies	13,514	13,756	14,170	14,865	15,817	14,684	15,655	16,520
Companies with Public Sector majority shareholding	2,362	2,419	2,093	2,064	2,125	1,902	2,103	2,185
Registered Unemployed⁽¹⁾								
Males	1,794	998	970	1,128	1,085	1,202	1,038	1,397
Females	1,208	704	672	773	730	827	702	907
	586	294	298	355	355	375	336	490
Self-Employed	28,250	29,010	29,897	30,874	31,794	30,607	31,633	32,524

⁽¹⁾ Includes both Parts I and II of the registered unemployed.

Note: Employment data are subject to revision. Annual figures for 2021-2025 represent yearly averages, while April figures for 2024-2026 refer to end-of-month observations.

Source: National Statistics Office based on 'JobsPlus' database

Table VI: Tourism

	2019	2020	2021	2022	2023	2024	2025	2024 Jan-Jul	2025 Jan-Jul	2026 Jan-Jul
Inbound Tourists (000's)	2,753	659	968	2,287	2,981	3,564	4,022	1,973	2,211	2,621
of which from:										
United Kingdom	650	136	214	427	539	704	841	386	455	541
Italy	393	94	128	398	552	616	583	339	324	356
Germany	212	72	97	169	219	249	262	133	140	152
Libya	3 ^a	:	:	3	7	7	7	4	4 ^a	5
Scandinavian Countries ^a	124	18	31	76	89	96	109	54	58	76
Other	1,372	337	498	1,212	1,576	1,890	2,220	1,056	1,230	1,489
Cruise Passengers (000's)^b	754	59	139	478	788	837	857	445	472	447
Expenditure from Inbound Tourism (€ million)	2,221	455	871	2,013	2,675	3,291	3,904	1,693	2,016	2,334
Total Sector Employment in Hotels and Restaurants^{c)}	15,258	15,443	15,006	17,374	20,630	22,737	23,404	22,342	23,099	24,585
% of Gainfully Occupied	6.8%	6.6%	6.3%	6.9%	7.5%	7.9%	7.9%	7.8%	7.8%	7.9%
Outbound Tourists (000's)	707	197	303	602	823	844	930	368	390	420
Days Stayed / Nights Spent (000's)	4,609	1,654	2,832	4,216	5,684	5,745	6,908	2,409	2,815	3,114
% of which spent in :										
5 star	4.9%	3.0%	3.3%	4.1%	4.1%	4.3%	3.8%	4.1%	3.2%	3.2%
4 star	20.1%	9.8%	8.8%	14.2%	16.5%	17.7%	17.0%	16.8%	16.2%	14.7%
3 star	12.8%	7.0%	5.8%	10.1%	13.5%	11.2%	10.6%	11.5%	10.2%	8.8%
2 star	1.0%	0.5%	0.4%	0.7%	0.7%	0.6%	0.5%	0.6%	0.5%	0.2%
1 star	:	:	:	:	0.1%	:	:	:	:	:
Unclassified	:	:	1.8%	5.5%	:	:	:	:	:	:
Guest Houses	0.9%	0.5%	0.7%	0.7%	0.4%	0.6%	0.5%	0.8%	0.6%	0.5%
Flats/Private Residences	53.5%	74.0%	73.3%	58%	58.8%	59.4%	61.9%	60.0%	63.3%	68.2%
Tourist Village/Aparhotels/Hostels/Holiday Complex/Camp Sites/Bed & Breakfast	6.6%	5.2%	6.0%	6.6%	5.8%	6.2%	5.7%	6.0%	6.0%	4.2%

: Unreliable, less than 20 sample observations.

^a Under represented - between 20 and 49 sample observations.^a Denmark, Finland, Norway and Sweden.^b Excluding embarkations and Maltese cruise passengers.^c For the January-July columns, both employment figures and the corresponding percentages of gainfully occupied persons are reported as at April of the respective year.**Source:** National Statistics Office, Jobsplus

Table VII: Foreign Trade

€ million

	2019	2020	2021	2022	2023	2024	2025	2024 Jan-Aug	2025 Jan-Aug	2026 Jan-Aug
Imports and Exports										
Imports (c.i.f.)	7,554.2	5,422.9	6,761.6	9,761.2	9,121.7	10,066.9	9,450.3	6,888.4	6,469.5	6,317.3
Consumer goods ⁽¹⁾	1,578.8	1,491.3	1,654.9	2,043.7	2,295.3	2,434.0	2,553.6	1,614.1	1,666.1	1,715.5
Industrial supplies ⁽¹⁾	1,711.9	1,427.3	1,657.9	2,306.9	2,411.8	2,610.7	2,592.8	1,755.2	1,748.8	1,531.0
Capital goods and others ⁽¹⁾	2,421.2	1,278.3	2,021.7	2,815.7	2,412.2	2,582.6	2,220.4	1,960.5	1,714.4	1,404.2
Fuels and lubricants	1,842.4	1,225.9	1,427.1	2,595.0	2,002.4	2,439.5	2,083.6	1,558.7	1,340.2	1,666.6
Total Exports (f.o.b.)	3,824.2	3,571.0	3,578.1	4,834.2	4,771.6	5,260.2	4,940.6	3,291.8	3,007.9	3,479.7
Consumer goods ⁽²⁾	995.2	993.9	1,026.8	1,218.2	1,159.7	1,237.5	1,286.3	706.4	692.7	805.2
Industrial supplies ⁽²⁾	1,400.6	1,170.5	1,215.5	1,658.2	1,740.9	1,802.7	1,618.9	1,099.0	999.6	1,122.8
Capital goods and others ⁽²⁾	299.9	332.4	320.5	380.0	390.9	451.0	402.5	346.7	255.4	314.4
Fuels and lubricants	1,128.6	1,074.2	1,015.3	1,577.8	1,480.1	1,769.0	1,632.9	1,139.7	1,060.2	1,237.3
Trade Gap	-3,730.0	-1,851.9	-3,183.5	-4,927.0	-4,350.1	-4,806.7	-4,509.7	-3,596.6	-3,461.6	-2,837.5
as % of GDP at m.p. ⁽³⁾	-25.6%	-12.9%	-19.1%	-27.3%	-20.8%	-20.8%	-18.3%	-17.9%	-17.6%	-15.6%
Selected Groupings										
EU										
Imports	5,042.3	3,368.7	3,842.5	5,148.7	5,274.7	5,970.7	5,906.6	4,189.9	4,178.5	3,756.5
Exports ⁽⁴⁾	1,634.7	1,288.3	1,271.6	1,571.1	1,792.1	1,891.8	1,800.7	1,224.0	1,171.1	1,256.2
Italy										
Imports	1,373.8	1,216.9	1,549.0	1,971.7	1,785.9	2,069.8	1,974.7	1,421.0	1,407.6	1,391.0
Exports	295.7	182.8	204.9	182.6	181.7	220.8	247.3	116.9	163.0	131.0
Germany										
Imports	521.4	354.4	338.6	461.4	704.9	479.5	494.2	333.1	318.2	298.6
Exports	495.7	427.3	359.8	536.7	872.3	793.8	712.9	526.6	476.5	531.9
France										
Imports	471.4	342.1	409.4	565.4	705.2	1,193.0	1,042.4	955.7	876.5	363.6
Exports	269.4	241.5	164.4	236.7	64.7	78.2	74.5	57.4	53.5	55.3
United Kingdom ⁽⁴⁾										
Imports	1,310.0	439.7	501.5	402.8	535.0	481.1	495.3	356.4	341.4	267.3
Exports	58.1	47.3	106.1	159.6	97.8	127.8	123.6	88.0	82.4	112.8
North and Central America										
Imports	500.3	479.1	720.2	1,462.2	655.1	618.0	457.3	368.7	256.9	484.1
Exports	191.9	146.9	168.7	209.3	168.0	321.8	236.7	257.9	130.7	194.6
Africa										
Imports	176.9	238.8	137.7	300.3	317.3	302.0	219.0	228.0	148.0	196.7
Exports	443.0	423.8	362.2	375.4	428.7	462.4	425.4	276.0	199.8	306.0
Asia										
Imports	1,021.8	962.9	1,088.2	1,845.3	1,708.0	2,106.0	1,800.4	1,297.3	1,142.4	1,306.9
Exports	769.9	798.5	692.4	918.6	797.6	763.9	747.8	350.6	356.2	442.6

⁽¹⁾ Treated differently from other parts in the Survey.⁽²⁾ m.p. refers to current market prices. For the Jan-Aug columns, the trade gap as a percentage of GDP is calculated using January to June data for both the trade gap and GDP.⁽³⁾ The EU aggregate includes Stores and Provisions Intra-Union Trade, as further detailed by the Methodological Notes of the relevant News Release.⁽⁴⁾ As from 1 January 2021, following the Withdrawal Agreement (Brexit) between the United Kingdom and the EU, Northern Ireland is being considered as part of the EU for International Trade purposes.

Source: National Statistics Office

Table VIII: Balance of Payments

	€ million										
	2019	2020	2021	2022	2023	2024	2025	2024 Jan-Jun	2025 Jan-Jun	2026 Jan-Jun	
Goods Balance⁽¹⁾	-2,120	-1,679	-2,513	-4,207	-3,773	-3,832	-3,511	-1,927	-1,881	-1,637	
Imports (f.o.b.)	5,327	4,731	5,613	8,105	8,448	8,907	8,295	4,281	4,074	4,131	
Exports (f.o.b.)	3,206	3,052	3,101	3,898	4,675	5,076	4,784	2,354	2,193	2,494	
Services Balance	4,451	4,199	5,489	6,400	7,440	8,010	8,199	4,111	4,110	3,841	
Transport balance	305	12	1,187	2,181	2,286	3,097	3,550	1,589	1,014	1,748	
Travel balance	1,212	231	454	1,139	1,420	1,841	2,172	700	867	1,021	
Other Services balance	2,934	3,956	3,848	3,080	3,734	3,072	2,477	1,822	2,229	1,072	
Primary Income Balance	-1,542	-1,638	-2,063	-2,217	-2,882	-4,388	-2,893	-2,149	-1,362	-1,395	
of which:											
Compensation of Employees balance	-105	-105	-117	-148	-171	-195	-202	-94	-98	-114	
Investment Income balance	-1,419	-1,519	-1,926	-2,043	-2,687	-4,182	-2,680	-2,055	-1,261	-1,279	
Secondary Income Balance	135	-17	-132	-308	-103	-22	-150	60	-24	-197	
General Government balance	217	87	-54	-39	-1	74	-91	82	-5	-174	
Private balance	-82	-104	-78	-270	-102	-97	-59	-21	-19	-23	
Current Account Balance	924	865	782	-332	681	-232	1,645	95	843	612	
Goods Balance ⁽¹⁾ as % of GDP at m.p. ⁽²⁾	-14.5%	-11.7%	-15.0%	-23.3%	-18.0%	-16.6%	-14.2%	-17.1%	-15.8%	-12.9%	
Primary Income Balance as % of GDP at m.p.	-10.6%	-11.4%	-12.3%	-12.3%	-13.8%	-19.0%	-11.7%	-19.1%	-11.4%	-11.0%	
Secondary Income Balance as % of GDP at m.p.	0.9%	-0.1%	-0.8%	-1.7%	-0.5%	-0.1%	-0.6%	0.5%	-0.2%	-1.5%	
Current a/c Balance as % of GDP at m.p.	6.3%	6.0%	4.7%	-1.8%	3.3%	-1.0%	6.7%	0.8%	7.1%	4.8%	
Capital Account - Net	-3	170	66	104	165	110	105	33	-14	148	
Financial Account - Net	757	705	507	-391	1,068	-282	1,511	-163	733	570	
Direct Investment (net)	-1,972	5,225	-14,845	-61	-1,263	-4,135	1,916	-1,121	421	-2,137	
Portfolio Investment (net)	-2,020	746	-141	2,854	3,706	1,265	-2,525	1,347	-2,855	3,303	
Financial Derivatives (net)	-621	-329	-490	-46	-220	-420	26	-84	280	-128	
Other Investment (net)	5,482	-4,863	16,023	-3,248	-1,136	2,805	2,153	-453	2,855	-634	
Reserve Assets	-113	-74	-40	110	-19	202	-60	147	33	167	

⁽¹⁾ For Balance of Payments purposes, both imports and exports of goods are valued on a free-on-board (f.o.b.) basis. Consequently, the goods balance differs from that reported in Table VII.

⁽²⁾ m.p. refers to current market prices.

Note: The balance of payments is compiled in accordance with the sixth edition of the International Monetary Fund's Balance of Payments and International Investment Position Manual (BPM6).

Source: National Statistics Office

Table IX: Government Revenue and Expenditure

	2019	2020	2021	2022	2023	2024	2025	2023 Jan-Sep	2024 Jan-Sep	2025 Jan-Sep	2026 Jan-Sep
Government Recurrent Revenue	4,972.9	4,399.3	5,413.2	5,867.8	6,413.0	7,859.6	8,071.9	4,746.8	5,494.5	5,664.1	6,368.3
Increase/(Decrease) % per annum	9.1	-11.7	23.3	8.4	9.3	22.6	2.7	16.6	15.8	3.1	12.4
of which:											
Tax Revenue	4,485.8	3,942.5	4,898.2	5,314.0	5,864.8	7,182.4	7,447.7	4,349.0	5,040.0	5,186.5	5,863.0
Direct Tax Revenue	2,811.9	2,600.1	3,291.0	3,446.2	3,871.5	4,982.7	5,080.0	2,867.1	3,355.0	3,479.2	3,913.6
Indirect Tax Revenue	1,673.9	1,342.4	1,607.2	1,867.9	1,993.3	2,199.7	2,367.7	1,481.9	1,685.0	1,707.2	1,949.4
Non-Tax Revenue	487.0	446.8	515.0	553.8	548.2	677.3	624.2	397.7	454.5	477.7	505.3
Total Government Expenditure	4,963.5	5,857.2	6,645.7	6,752.7	7,218.9	8,292.3	8,895.8	4,794.6	5,352.3	5,917.3	6,853.1
Increase/(Decrease) % per annum	7.2	18.0	13.5	1.6	6.9	14.9	7.3	4.8	11.6	10.6	15.8
of which:											
Recurrent Expenditure	4,216.2	4,638.9	5,714.7	5,839.6	6,006.5	6,890.3	7,485.7	4,158.3	4,647.6	5,112.4	5,866.8
Capital Expenditure	555.0	1,037.1	746.7	739.5	998.1	1,140.6	1,113.5	482.1	510.4	583.5	739.5
% of Total Government Expenditure	11.2	17.7	11.2	11.0	13.8	13.8	12.5	10.1	9.5	9.9	10.8
Interest on Public Debt	192.3	181.2	184.3	173.6	214.3	261.4	296.6	154.2	194.3	221.5	246.8
Balance of recurrent revenue and total expenditure	9.4	-1,467.9	-1,232.5	-884.9	-805.9	-432.7	-823.9	-47.8	142.3	-253.1	-484.8
Financed by:											
Extraordinary Receipts	1.0	0.9	0.9	0.9	0.9	0.0	0.0	0.9	0.0	0.0	0.0
Receipts from sale of shares	1.0	0.9	0.9	0.9	0.9	0.0	0.0	0.9	0.0	0.0	0.0
Sinking Funds of Converted Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sinking Fund Contribution & Direct Loan Repayment	-489.7	-485.8	-492.5	-500.8	-482.0	-524.4	-575.4	-231.4	-313.8	-248.9	-556.0
Equity Acquisition	-18.8	-37.0	-34.5	-28.0	-5.5	-385.7	-0.3	-5.5	-291.8	0.0	-10.0
Repayment of Loans made by Government	0.0	0.9	2.2	5.7	5.3	7.9	5.3	0.3	0.0	0.3	6.7
Public Sector Borrowing Requirement	-498.2	-1,988.8	-1,756.4	-1,407.1	-1,287.2	-1,334.9	-1,394.3	-283.6	-463.4	-501.8	-1,044.1
Loans	449.7	1,549.8	1,854.1	1,044.7	1,536.3	1,259.2	1,397.6	1,052.3	859.8	971.4	999.0

Source: National Statistics Office

Table X: Contribution of Resident Monetary Financial Institutions to Euro Area Monetary Aggregates and Counterparts

	2019	2020	2021	2022	2023	2024	2025	2026 ^(a) Jan-Jul
Broad Money (M3)^(a)								€ million
	20,663.4	22,411.3	24,800.0	26,160.2	26,975.0	28,608.8	30,345.7	31,148.3
Intermediate Money (M2)	20,609.1	22,464.6	24,845.0	26,160.2	26,979.9	28,610.7	30,345.7	31,148.3
% Increase/(Decrease) of which:	5.1	9.0	10.6	5.3	3.1	6.0	6.1	2.6
Narrow Money (M1)	16,986.0	18,601.6	20,748.9	22,723.7	22,618.7	24,065.3	26,152.0	27,092.0
Currency issued ⁽²⁾	1,190.8	1,356.0	1,451.6	1,482.0	1,483.4	1,876.5	1,899.9	1,896.1
% Increase/(Decrease)	15.8 ⁽⁶⁾	13.9	7.1	2.1	0.1	26.5 ⁽⁶⁾	1.2	-0.2
Overnight deposits ⁽³⁾	15,795.2	17,245.6	19,297.4	21,241.7	21,135.4	22,188.8	24,252.1	25,195.9
Deposits redeemable at notice up to 3 months ⁽³⁾	91.2	121.6	373.2	134.8	87.8	71.8	129.8	96.7
Deposits with agreed maturity up to 2 years ⁽³⁾	3,531.9	3,741.5	3,722.9	3,501.6	4,273.4	4,473.6	4,063.9	3,959.7
Credit Counterpart ⁽⁴⁾	18,847.1	20,079.1	20,897.5	23,104.1	25,119.0	28,044.6	30,692.5	32,244.5
of which:								
Credit to residents of Malta	14,212.2	15,759.6	17,080.9	18,370.3	19,389.5	20,876.8	22,665.6	23,540.8
Credit to other Euro Area residents	4,634.8	4,319.5	3,816.6	4,733.8	5,729.5	7,167.8	8,026.9	8,703.7
Net claims on non-residents of the Euro Area	4,756.5	5,066.5	4,853.9	5,294.3	5,393.8	4,338.5	4,980.6	6,127.7
Other counterparts - Net⁽⁵⁾	2,940.1	2,734.3	951.3	2,238.2	3,537.8	3,774.3	5,327.3	7,223.9

^(a) Data for January to July period is provisional.

⁽¹⁾ 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. Figures also include money market fund (MMF) 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.

⁽²⁾ 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.

⁽³⁾ Deposits with MFIs exclude interbank deposits and deposits held by Central Government.

⁽⁴⁾ Credit includes, besides lending, claims in the form of debt securities and shares and other equity.

⁽⁵⁾ Includes net interbank claims/liabilities within the MFI sector. These counterparts make a negative contribution to M3.

⁽⁶⁾ A new ECB capital key took effect on 1 January 2019 and was revised on 1 January 2024, affecting the allocation of Euro banknotes.

Source: Central Bank of Malta