



Malta Economic Outlook

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Executive Summary

During the fourth quarter of 2022, the Maltese economy grew by 4.7%¹ in real terms [2021 Q4: 13.4%], when compared to the corresponding quarter in 2021. Overall, in 2022, Malta's real GDP growth rate amounted to 6.9% [2021: 11.8%]. Following the pandemic, the quarterly GDP growth rate peaked at 17.3% in 2021 Q2 and subsequently trended downwards, closer to the long-term average of 4.1%² – this was to be expected since 2021 was a period of strong recovery accompanied by well above average growth rates on the back of the contraction experienced in 2020.

Central Bank of Malta (CBM) projections for local GDP growth remained relatively unchanged, with the annual rate of growth estimated to average 3.6%³ in real terms between the years 2023 and 2025. Projections for the Euro area by the European Commission were revised marginally upwards to 0.9% in 2023 and 1.5% in 2024, after initial estimates showed that the EU economy was set to avoid a recession⁴.

In February 2023, consumer inflation in the Euro area, as measured by the Harmonised Index of Consumer Prices (HICP), dropped to 8.5% compared to a high of 10.6% registered in October 2022. In Malta, the annual rate of consumer inflation increased marginally from 6.8% in January 2023 to 7.0% in February 2023. Early estimates for March 2023 show that inflation in the Euro area decreased even further to 6.9%, mainly as a result of a drop in energy prices, while core inflation - which excludes energy, food, alcohol and tobacco prices due to their volatility - reached the all-time record of 5.7%. It is yet to be seen whether the downward trend in consumer inflation will be sustained in the coming months and whether this will be sufficient for the European Central Bank (ECB) to halt its interest rate hikes.

An analysis of consumer expenditure in the Maltese economy reveals that spending habits are yet to return to their pre-pandemic patterns. The analysis splits consumer expenditure between essential and non-essential categories of goods and services, and finds that while pre-pandemic expenditure on non-essential items averaged 54%, this dipped to 47% during the pandemic, and stood at 49% in 2022. Non-essential expenditure includes spending at restaurants, hotels and recreation. This shift is likely attributable to a variety of factors, including:

- The lingering effects of the pandemic, particularly on tourism-related services such as restaurants and hotels, since the spending also includes that effected by tourists in Malta.
- The increase in the price of certain essential categories, such as food and beverages and housing and utilities, may have also necessitated an increase in the spend on these items, leaving less discretionary income available to be spent on non-essential items.
- Permanent changes in consumer habits, originally brought about by the pandemic, such as working from home, which would have led to a decrease in expenditure on transport and restaurants, while likely increasing expenditure on, for instance, water and electricity.

¹ National Statistics Office – Gross Domestic Product: 2022, News Release 036/ 2023 dated 28 February 2023

² The long-term average of quarterly GDP growth rate in real terms stood at 4.1% between 2001 Q1 and 2022 Q4.

³ Central Bank of Malta – Outlook for the Maltese Economy 2023:1

⁴ European Commission – Winter 2023 Economic Forecast

Focusing on the property market, one can note that during 2022, the market was characterised by an increase in residential unit permits of 25.7% and a decrease of 22.2% in the number of promise of sale agreements signed, when compared to 2021. These movements narrowed the gap between the number of residential unit permits issued and the number of promise of sale agreements signed. However, promise of sale agreements still exceeded the number of permits, continuing the trend observed over the past decade.

It is pertinent to point out that permit and promise of sale data are not directly comparable and should be interpreted with caution. Residential permit data issued by the National Statistics Office (NSO) covers apartments, maisonettes, penthouses and terraced houses; while NSO data for promise of sale agreements also includes airspaces, boathouses, garages, gardens, and plots of land among others. Also, permits are only required for new dwellings, while promise of sale agreements include the transfer of existing property. The section on the Property Market delves into more detail, including a like-with-like comparison.



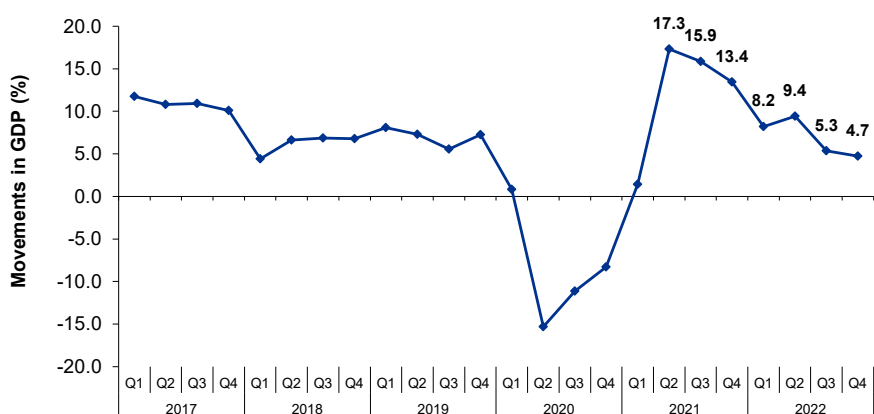
Main Economic Indicators

Gross Domestic Product

1.1 GDP Growth Rates

During the fourth quarter of 2022, the Maltese economy grew by 4.7%⁵ in real terms [2021 Q4: 13.4%], when compared to the corresponding quarter in 2021. Overall, in 2022, Malta's real GDP growth rate amounted to 6.9% [2021: 11.8%]. The chart below shows the quarterly real GDP growth rates between 2017 and 2022. As can be noted, following the pandemic, the quarterly GDP growth rate peaked in 2021 Q2 and subsequently trended downwards, closer to the long-term average of 4.1%⁶ – this was to be expected since 2021 was a period of strong recovery accompanied by well above average growth rates.

Figure 1: Quarterly Movements in GDP in real terms: 2017 - 2022



Source: NSO data; KPMG Analysis



⁵ National Statistics Office – Gross Domestic Product: 2022, News Release 036/ 2023 dated 28 February 2023

⁶ The long-term average of quarterly GDP growth rate in real terms stood at 4.1% between 2001 Q1 and 2022 Q4.

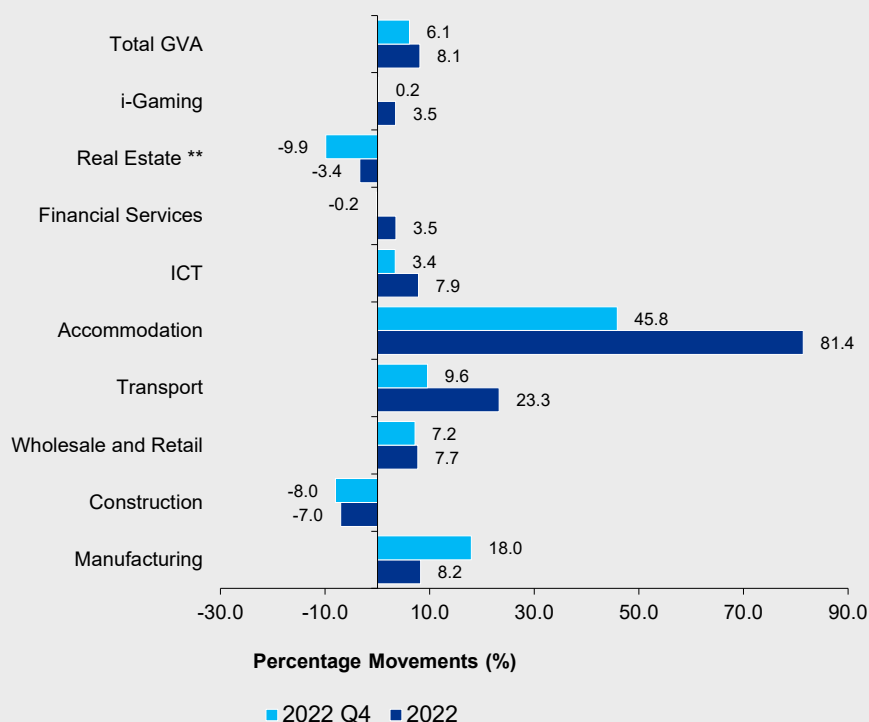
1.2 Sector Movements

During 2022 Q4, the total gross value added (GVA)⁷ increased by 6.1% in real terms in comparison to the corresponding quarter during the previous year [2021 Q4: 15.3%]. Overall, in 2022, the GVA increased by 8.1% in real terms over 2021.

The following chart indicates the sectoral movements in GVA of selected sectors for 2022 Q4 and 2022 in real terms. Tourism related sectors continued on their path towards a strong recovery, with the GVA growth rates for the accommodation and transport sectors being well above the average for the overall economy.

During 2022 Q4, financial services registered a marginal negative growth rate of -0.2% in real terms when compared to 2021 Q4. This was mainly attributable to a contraction in the insurance sector during the last quarter, following an extraordinary expansion of 18.1% in 2021 Q4. The performance of the construction and real estate sectors is discussed in more detail in the following section.

Figure 2: Movements in Sector GVA in real terms: 2022 and 2022 Q4



Source: NSO data; KPMG Analysis

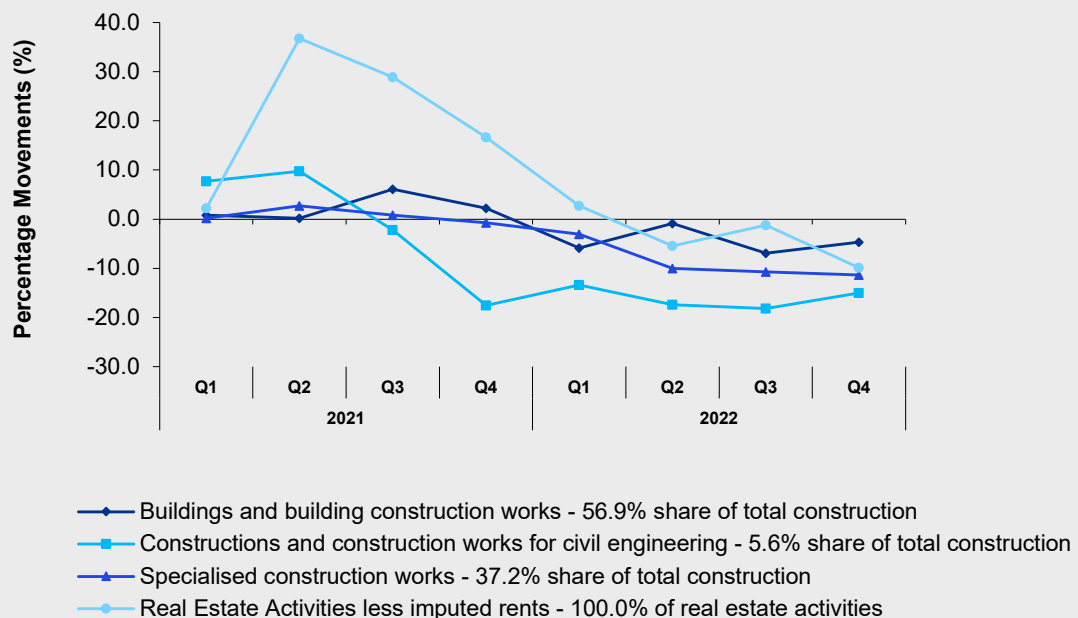
⁷ The GVA is the sum of the Gross Value Added for all sectors. The GVA, plus taxes, less subsidies is equal to the GDP.

** Real estate activities exclude imputed rents. Imputed rents are a statistical figure added to GDP for households who own their own dwelling to allow GDP comparisons across countries with different homeownership rates.

1.3 Construction and Real Estate GVA Movements

During 2022, real GVA for the construction and real estate sectors contracted by 7.0% and 3.4% respectively, following years of above average growth. As seen in the chart below, the downturn in construction was registered across all three main construction sub-segments but was more pronounced in civil engineering which in 2022 accounted for 5.6% of total construction output. Civil engineering includes the construction of roads and utility projects and is heavily reliant on government expenditure. In turn, government spending on road infrastructure was heavily curtailed over 2021 and 2022 in comparison to earlier years. The output of real estate activities, less imputed rents, contracted by 3.4% in real terms in 2022, following an exceptional growth of 19.8% in 2021, mainly attributable to a variety of governmental fiscal incentives offered to different cohorts of buyers originally targeted to expire by the end of 2021.

Figure 3: Construction Industry Sub-Segments and Real Estate - Quarterly GVA Growth Rates in real terms: 2021-2022



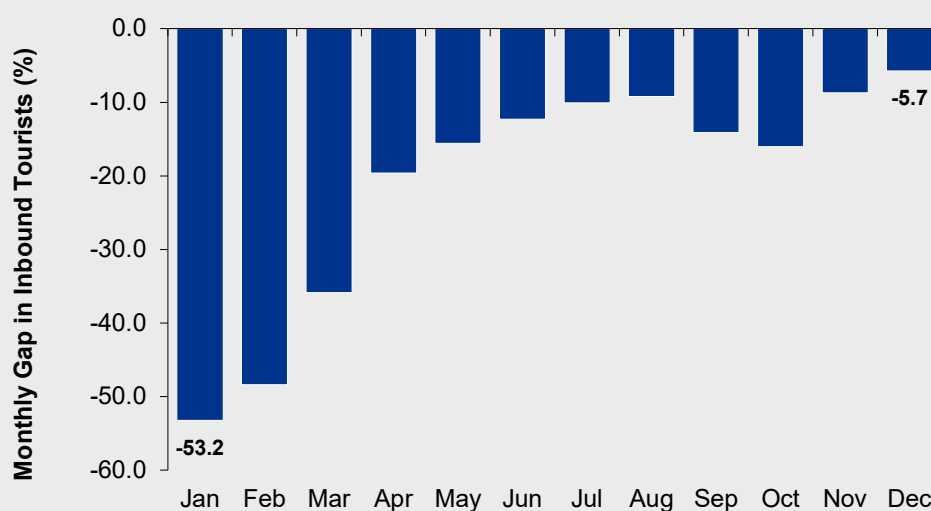
Source: NSO data; KPMG Analysis



1.4 Tourism Related Sectors

The number of inbound tourists in a given year has a direct impact on the accommodation and transport sectors, which include hotels, restaurants, and airlines. During 2022, the tourism industry continued on its path to recovery with the number of inbound tourists reaching over 2,286,597 tourists. While this remains 16.9% below the number of tourists visiting Malta in 2019, it is encouraging to note that the gap narrowed relatively consistently over the course of the year. During December 2022, the number of inbound tourists amounted to 136,142, which is just 5.7% below that for the corresponding month in 2019.

Figure 4: Monthly Gap in the Number of Inbound Tourists: 2022 vs 2019



Source: NSO data; KPMG Analysis

1.5 GDP Outlook

Central Bank of Malta (CBM) projections for local GDP growth remained relatively unchanged, with the annual rate of growth estimated to average 3.6%⁸ in real terms between the years 2023 and 2025. As seen in the table below, the CBM anticipates a moderated rate of growth across most GDP expenditure indicators following the post-pandemic recovery.

In light of the energy crisis, the international Monetary Fund (IMF) is also projecting that energy subsidies for Malta in 2023 will amount to 3.5% of total GDP, up from the 2.5% recorded last year⁹. This is above the median for that recorded for other European countries, which is closer to 1.0%. The European Commission is now expecting the EU economy to avoid recession and revised its outlook for growth marginally upwards. In 2023, the Euro area is forecasted to grow by 0.9% in real terms¹⁰.

Table 1: Projections for Real Economic Activity					
% Change on previous year	2021	2022	2023	2024	2025
GDP	11.7	6.8	3.7	3.6	3.5
Private consumption expenditure	8.0	9.1	4.9	4.8	4.1
Government consumption expenditure	6.5	4.5	4.3	3.8	3.7
Gross fixed capital formation	10.6	-2.0	1.7	-0.3	2.5
Exports of goods and services	6.3	8.1	2.8	3.2	3.0
Imports of goods and services	3.8	7.3	2.9	3.1	3.1

Source: CBM Projections; KPMG Analysis

⁸ Central Bank of Malta – Outlook for the Maltese Economy 2023:1

⁹ IMF Country Report No 23/78 - <https://www.imf.org/en/Publications/CR/Issues/2023/02/07/Malta-2022-Article-IV-Consultation-Press-Release-and-Staff-Report-529430>

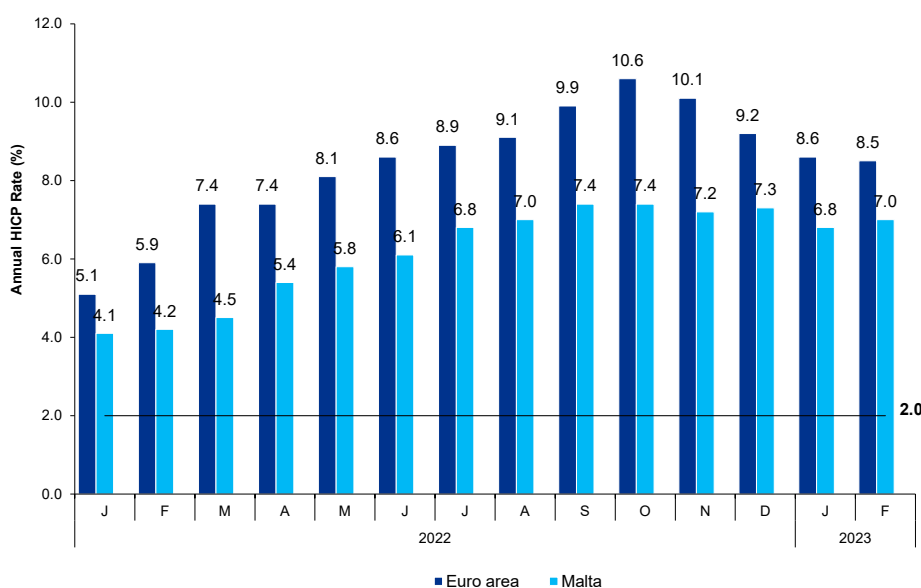
¹⁰ European Commission – Winter 2023 Economic Forecast

Inflation

2.1 Consumer Inflation

In February 2023, consumer inflation in the Euro area, as measured by the Harmonised Index of Consumer Prices (HICP), dropped to 8.5% compared to a high of 10.6% registered in October 2022. In Malta, the annual rate of consumer inflation increased marginally from 6.8% in January 2023 to 7.0% in February 2023¹¹. Early estimates for March 2023, show that inflation in the Euro area decreased even further to 6.9% mainly as a result of a drop in energy prices. The following chart shows the annual rate of change in monthly headline inflation in Malta and the Euro area. The 2.0% line represents the European Central Bank's (ECB) target inflation rate over the medium term.

Figure 5: Annual HICP Rate - January 2022 to Date



Source: NSO and Eurostat data; KPMG Analysis

While headline inflation is showing signs of moderation, core inflation – which excludes energy and food prices in view of their highly volatile nature – stood at an all-time record of 5.7% for the Euro area in March 2023¹², up from 3.0% recorded in March 2022 and also higher than the 5.6% registered in January 2023.

¹¹ National Statistics Office – Harmonised Index of Consumer Prices (HICP): February 2023, News Release 046/ 2023 dated 17 March 2023

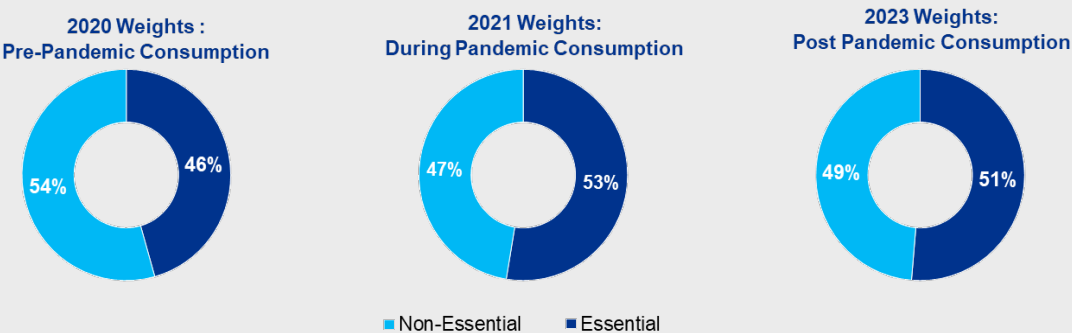
¹² <https://ec.europa.eu/eurostat/en/web/products-euro-indicators/w/2-02032023-AP>

2.2 Household Consumption Patterns: 2019-2023

The HICP is based on the price movements of a basket of consumer goods and services consumed by households over time. The consumer basket is made up of fixed categories, such as food and beverages, and clothing and footwear. Each category is assigned a weight to reflect the share spent in the Maltese economy on that particular category of goods and services. These weights are reviewed annually to reflect the consumption patterns over the previous year and change every January. It is pertinent to highlight that the spend also includes tourist consumption in the local economy.

Consumption patterns generally vary marginally from one year to the next. However, the onset of the pandemic in 2020 brought about a major change in consumer habits. If we to define essential items¹³ as covering those goods and services generally consumed from the home such as food, housing, and health; and non-essential items¹⁴, as those generally consumed out of the home, such as clothing, transport and expenditure at restaurants and hotels, we notice a shift in favour of essential consumption brought about by the pandemic.

Figure 6: Share of Essential and Non-Essential Household Consumption Expenditure



Source: NSO data; KPMG Analysis

¹³ Categories regarded as essential include food and non-alcoholic beverages; alcoholic beverages and tobacco; housing, water, electricity, gas and other fuels; furnishings, household equipment and routine household maintenance; health; communication; and education.

¹⁴ Categories regarded as non-essential include clothing and footwear; transport; recreation and culture; restaurants and hotels; and miscellaneous goods and services.

As seen in the table on the previous page, consumer expenditure habits are yet to return to their pre-pandemic patterns. While pre-pandemic expenditure on non-essential items averaged 54%, this dipped to 47% during the pandemic, and stood at 49% in 2022. Non-essential expenditure includes spending at restaurants, hotels and recreation. This shift is likely attributable to a variety of factors, including:

- The lingering effects of the pandemic, particularly on tourism-related services such as restaurants and hotels, since the spending also includes that effected by tourists in Malta.
- The increase in the price of certain essential categories, such as food and beverages and housing and utilities, may have also necessitated an increase in the spend on these items, leaving less discretionary income available to be spent on non-essential items.
- Permanent changes in consumer habits, originally brought about by the pandemic, such as working from home, which would have led to a decrease in expenditure on transport and restaurants, while probably increasing expenditure on, for instance, water and electricity.



2.3 Inflation Outlook

The CBM projects consumer inflation to moderate in 2023 vis-à-vis 2022 while still remaining high at 4.5%. This decline mirrors the decrease in consumer prices for the majority of the sub-components of the HICP, excluding energy. The re-opening of China influences the CBM's forecast as it is expected to ease supply constraints experienced in 2022. The appreciation of the Euro, fiscal policy adjustments and a forecasted decline in international energy and transportation costs¹⁵ are also contributors to the CBM's inflation projections.

The CBM commented that the current high inflationary pressures, coupled with tight labour market conditions, are expected to lead to above average nominal wage growth in the coming years. Thus compensation per employee is projected to grow by 4.8% during the current year, and outpace consumer price inflation in 2024 and 2025.

Table 2: Projections for Prices and Costs

% Change on previous period	2021	2022	2023	2024	2025
Overall HICP	0.7	6.1	4.5	2.3	2.1
Compensation per employee	4.1	2.7	4.8	4.7	4.0

Source: CBM Projections; KPMG Analysis



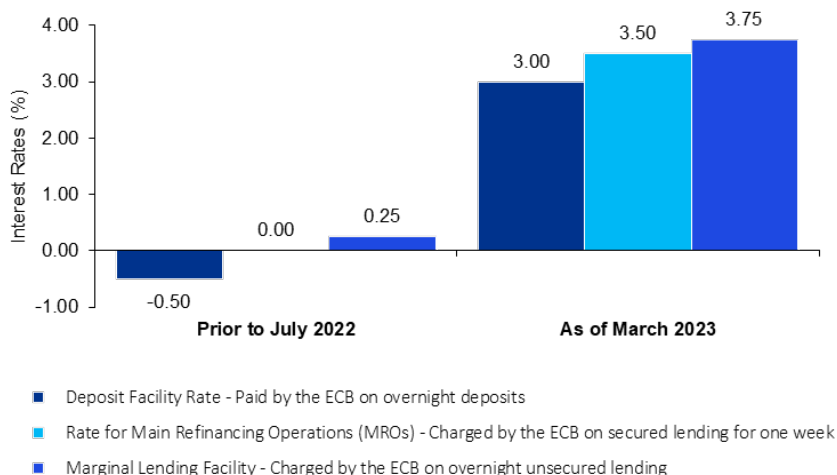
¹⁵ Central Bank of Malta – Outlook for the Maltese Economy 2023:1

Interest Rates

3.1 ECB Rates

The European Central Bank (ECB) targets an inflation rate of 2.0% over the medium term in order to meet its primary function of maintaining price stability across the Euro area. In response to the high inflation rates, the ECB increased all its key policy rates by a total 3.5% each between July 2022 and March 2023. This signified a reversal of a decade long trend of low or negative interest rates.

Figure 7: ECB Key Interest Rates



Source: ECB data; KPMG Analysis

3.2 Loan and Deposit Interest Rates in Malta

To date, the increase in ECB rates have seemingly had little effect on the local banking scenario. As per the Central Bank of Malta's (CBM) latest Economic Update¹⁶, in December 2022 the composite interest rate paid on outstanding deposits stood at 0.15%, unchanged from a month earlier, while the composite loan interest rate stood at 3.32%.

While there have been some developments since December 2022, these have been largely

limited to higher deposit interest rates exclusively on new term deposits, the discontinuation of fixed interest rates on new home loan products by some banks, and small increases in loan interest margins

The banks with the highest loan to deposit ratios face the greatest pressure to increase their deposit interest rates and as a result their loan interest rates, in order to attract deposits and safeguard their liquidity and profitability positions.

Should commercial banks increase rates on overnight deposit accounts – more commonly referred to as savings accounts, and increase their loan base rate, consumers and businesses will be set to experience much bigger differences in their disposable incomes and cash flows. Nonetheless, to date, a number of major banks have reiterated that they do not have imminent plans to increase the interest rate on home loans¹⁷.

¹⁶ Central Bank of Malta – Economic Update 2023:2

¹⁷ Times of Malta: Property and mortgage lending - Kenneth Farrugia and Gordon Cordina dated 5 March 2023
TVM News: APS Bank with record profit of €28.9 million dated 9 March 2023

The Labour Market

4.1 The Labour Force Survey

The Labour Force Survey for 2022 Q4 estimates that total employment stood at 290,995, which is 5.5% higher than the corresponding period in the previous year. The 25-34 age cohort registered the largest share for employed persons, whilst the unemployment rate for the entire working population remained at 2.9%¹⁸.

The CBM remarked that the labour market in Malta has become increasingly tight, characterised by labour shortages which could be problematic for companies experiencing a high staff turnover coupled with rising wage pressures¹⁹. However, through the positive inflow of foreign workers, labour market tightness is eased as more vacancies are taken up by foreign workers.

4.2 Job Vacancy Rates

The job vacancy rate provides an indication of the tightness of the labour market and is calculated as follows:

$$\text{Job Vacancy Rate} = \frac{\text{Job Vacancies}}{(\text{Job Vacancies} + \text{Occupied Posts})} \times 100$$

A higher job vacancy rate indicates a tighter the labour market.

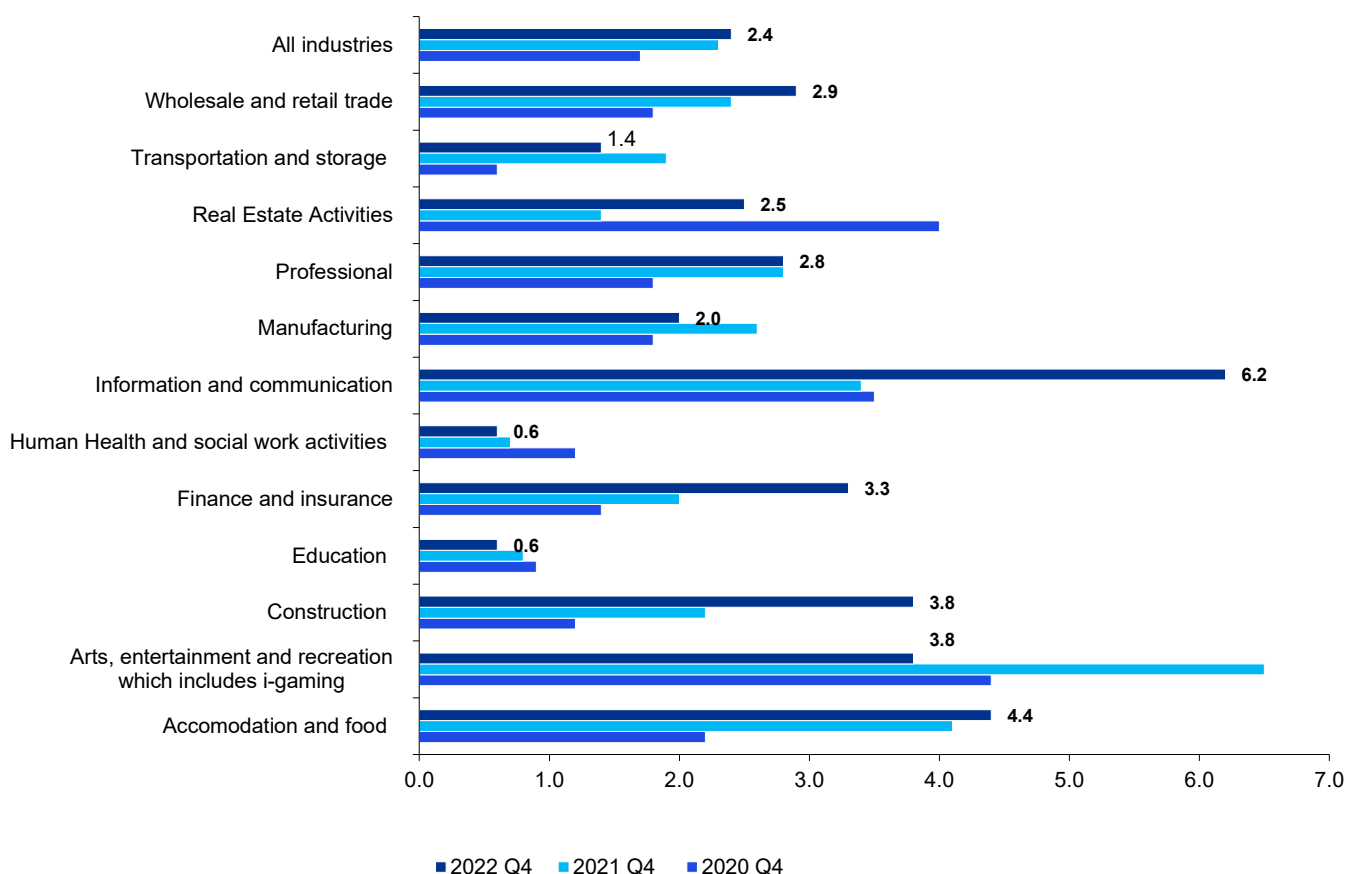
The chart on the following page shows the job vacancy rates for different economic sectors and all industries as at Q4 for 2020, 2021, and 2022. The chart shows that the average job vacancy rate for all industries increased steadily over the period under observation and stood at 1.2% for 2022 Q4. However, the job vacancy rate varied significantly between industries, with the information and communication sector experiencing the highest job vacancy rate at 6.2%²⁰.

¹⁸ https://nso.gov.mt/en/News_Releases/Documents/2023/03/News2023_044.pdf

¹⁹ <https://www.centralbankmalta.org/site/Reports-Articles/2023/Increasing-tightness-Maltese-labour-market.pdf?revcount=1134>

²⁰ CBM forecast: <https://www.centralbankmalta.org/en/news/90/2023/11091>

Figure 8: Job Vacancy Rates



Source: Eurostat and CBM data; KPMG Analysis

4.3 Labour Market Outlook

The CBM projects total employment to increase by 3.3% during the current year and to stabilise to 2.0% for the years 2024 and 2025. The unemployment rate is expected to remain stable at circa 3.0%.

Table 3: Projections for the Labour Market					
	2021	2022	2023	2024	2025
Total employment (% growth rate)	3.0	5.4	3.3	2.0	2.0
Unemployment Rate (% of labour supply)	3.5	3.0	3.0	3.2	3.2

Source: CBM Projections; KPMG Analysis

The Property Market

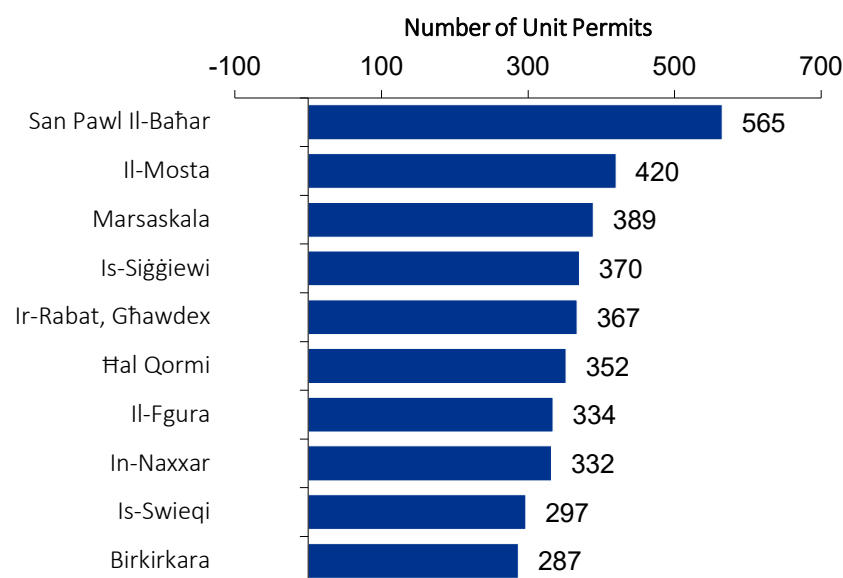
5.1 Residential Permits

In total, 9,523 permits for residential units²¹ were issued between January and December 2022. This represents the third highest number of permits over the past decade and an increase of 25.7% over 2021. On average, 7,648 unit permits per annum were issued between 2013 and 2022. In line with previous years, 70.5% of unit permits issued in 2022 were for apartments, followed by 15.7% for penthouses, and 9.4% for maisonettes.

Residential permits issued in January 2023 stood at 885, representing a decrease of 6.9% over the corresponding month in January 2022.

The following chart shows the top ten localities in terms of approved new dwellings for the period January to December 2022. Together these localities accounted for 39.0% of total issued permits.

Figure 9: Approved New Dwellings by Locality: 2022



Source: NSO data; KPMG Analysis



²¹ National Statistics Office – Residential Building Permits: Q4/2022, News Release 028/2023 dated 21 February 2023

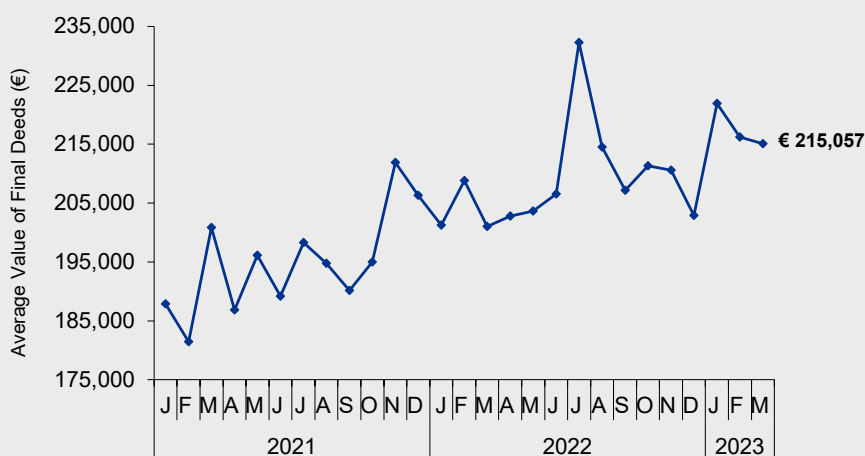
5.2 Final Deeds of Sale

In 2022, 13,102 final deeds²² of sale relating to residential property and involving individuals as final buyers were registered for a value of €2,736.0 million. This represents a marginal decrease of 1.4% in the number of deeds and an increase of 5.3% in value, over the previous year. For the purpose of final deeds of sale data, NSO defines residential property as airspaces, boat houses, bungalows, farmhouses, flats/ apartments, garages, gardens, houses, maisonettes, penthouses, plots of land, semi-detached villas, terraced houses, 'terran', urban tenements and villas.

Between January and March 2023, a total of 2,841 final deeds of sale relating to residential property and involving individuals as final buyers were registered. This represents a decrease of 9.6% in the number of deeds and a decrease of 3.3% in value, over the corresponding period in 2022.

The following chart shows the average value appearing on final deeds of sale relating to residential property and involving individuals as final buyers on a monthly basis. While the data cannot be interpreted as a movement in average prices, since no details such as type of property or number of properties covered by the deed are available, it can be used as a proxy.

Figure 10: Monthly Average Value of Final Deeds Involving Individuals as Buyers - 2021 to Date



Source: NSO data; KPMG Analysis

²² National Statistics Office – Residential Property Transactions: March 2023, News Release 059/2023 dated 12 April 2023

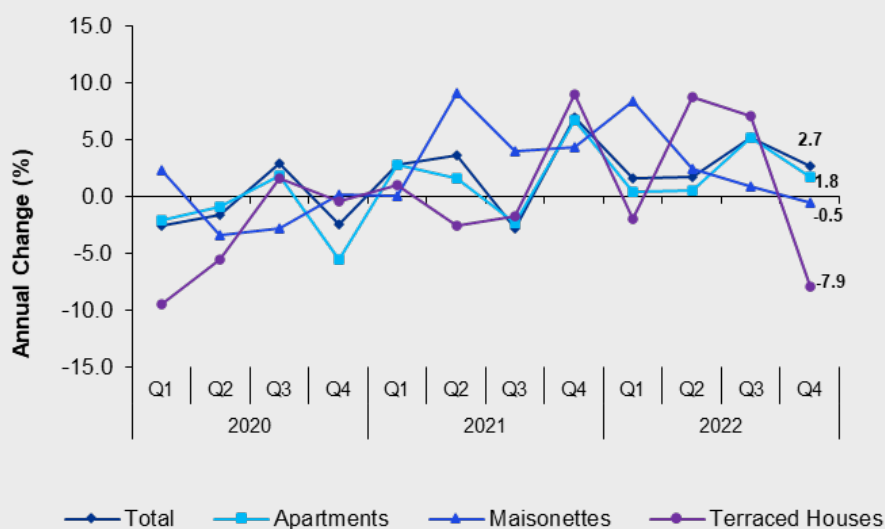
5.3 Promise of Sale Agreements

A total number of 11,081 promise of sale agreements²³ relating to residential property and involving individual potential buyers were registered in 2022. This represents a decrease of 22.0% over the previous year. On the other hand, a total of 2,843 promise of sale agreements were registered between January and March 2023, representing an increase of 15.3% over the corresponding period in 2022 - the number of promise of sale agreements registered in January 2023 was particularly high, at 53.6% above that registered in January 2022. The swings in the number of promise of sale agreements signed was influenced by the government incentives offered to different buyer segments originally targeted to end by 2021. For the purpose of promise of sale agreements data, NSO defines residential property as airspaces, boat houses, bungalows, farmhouses, flats/apartments, garages, gardens, houses, maisonettes, penthouses, plots of land, semi-detached villas, terraced houses, 'terran', urban tenements and villas.

5.4 Residential Property Price Movements

The following chart shows the annual movements in advertised prices issued by the CBM by property type. During the last quarter of 2022, advertised property prices increased by 2.7% over the corresponding quarter in 2021. However, significant variability was evident in the advertised price movements of the different property types. The advertised price of apartments, which includes penthouses and are by far the most common property type transacted, increased by 1.8%. On the other hand, the advertised price of maisonettes decreased marginally by 0.5%, while the advertised price for terraced houses decreased by 7.9%. It should be pointed out that the number of terraced houses transacted is very low and the analysis is easily influenced by certain transactions.

Figure 11: Annual Change in Advertised Residential Property Prices by Property Type



Source: CBM data; KPMG Analysis

²³ National Statistics Office – Residential Property Transactions: March 2023, News Release 059/2023 dated 12 April 2023

5.5 The Supply and Demand for Residential Property

The number of permits issued is often used as a proxy for the future supply of residential units, whereas the demand for residential property is often gauged by the number of promise of sale agreements signed. When interpreting the data, a number of factors which significantly limit data comparability should be kept in mind.

Factors influencing the demand estimate for residential property include:

- Permit data issued by the NSO covers apartments, maisonettes, penthouses and terraced houses. NSO data for promise of sale agreements and final deeds of sale includes the aforementioned residential units as well as airspaces, boathouses, garages, gardens, and plots of land, among others – none of which are generally regarded as suitable residential units and many of which do not require the issuance of a new permit. This data which will be referred to as **Promise of Sale Agreements for Residential Property Plus Other**, appears to overestimate the demand for residential property.

Analyses published by KPMG in the Construction Industry and Property Market reports, commissioned annually by the Malta Developers Association (MDA), shows that between 2014 and 2021, promise of sale agreements involving solely apartments, penthouses, maisonettes, terraced houses, bungalows, farmhouses and villas, on average made up just 56% of the number of promise of sale agreements for Residential Property Plus Other. Promise of sale agreements involving solely apartments, penthouses, maisonettes, terraced houses, bungalows, farmhouses and villas will be referred to as **Promise of Sale Agreements for Residential Property**.

- Promise of sale agreements may fall through before the final deed of sale is signed. This would lead to an overestimation of the demand for residential property.
- A single promise of sale agreement may involve more than one property, although the vast majority involve only one. This would lead to an underestimation of the demand for residential property.
- Promise of sale agreements may relate to transactions for existing properties which would have been constructed years or decades earlier. This would lead to an overestimation of the demand for new residential property.
- A number of developers build residential units with the specific intent of renting the units. Often such a purpose would not require the transfer of the unit, hence no promise of sale agreement would be signed with respect to the new properties. This would lead to an underestimation of the demand for new residential property.

Factors influencing the supply estimate for property include:

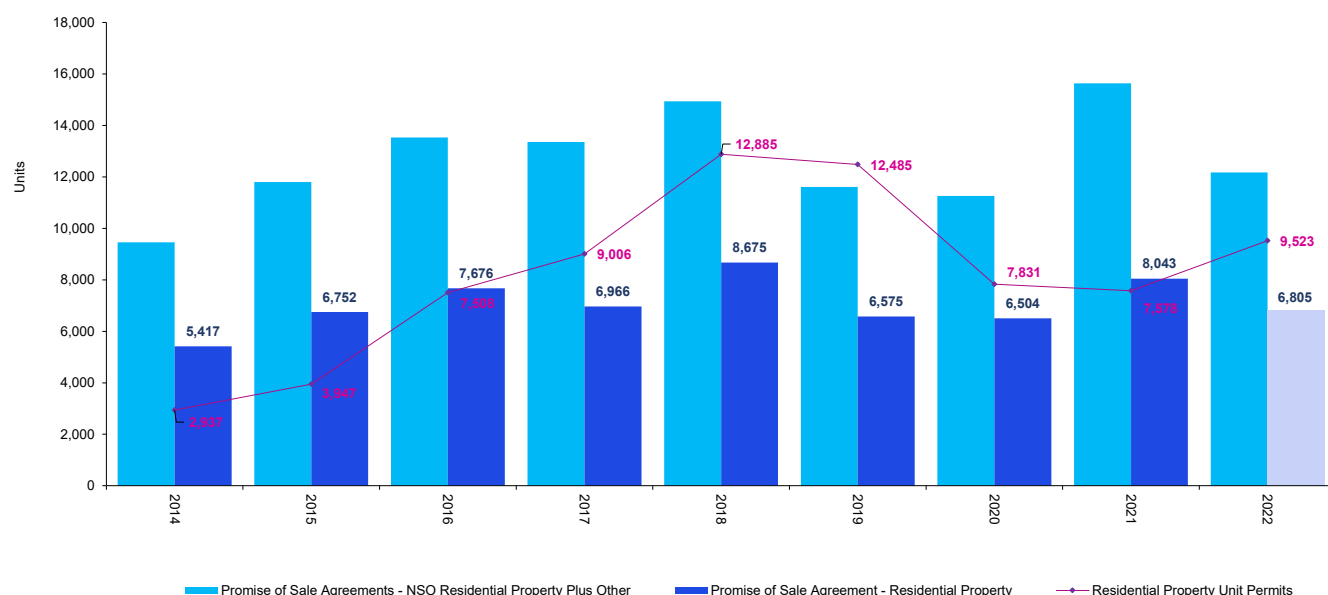
- Not all permits are eventually developed. This would lead to an overestimation of the future supply for residential property.

Other factors to bear in mind:

- There is a lag between the issuance of a development permit, the date of the promise of sale agreement and the date of the final deed of sale which can easily exceed two years.

The chart below compares the number of development permits for residential units issued, the number of **promise of sale agreements for residential property plus other** for the years 2014 through 2022, and the number of **promise of sale agreements for residential property** as reported in the Construction Industry and Property Market reports. Promise of sale agreement data for residential property was only immediately available from 2014 to 2021. Hence, data for the year 2022, represented in light grey is an estimate based on actual patterns observed from 2014 to 2021.

Figure 12: Residential Property Unit Permits in Comparison to Promise of Sale Agreements



Source: NSO data; KPMG Analysis

The following can be noted from the chart above:

1. Between 2014 and 2021, a total of 64,177 residential property unit permits were issued and 56,608 promise of sale agreements were signed solely with respect to apartments, penthouses, maisonettes, terraced houses, bungalows, farmhouses and villas.
2. On average between 2014 and 2021, **promise of sale agreements for residential units** involving apartments, penthouses, maisonettes, terraced houses, bungalows, farmhouses and villas made up 56% of **promise of sale agreements for residential property plus other**.
3. The chart shows that if promise of sale agreements for apartments, penthouses, maisonettes, terraced houses, bungalows, farmhouses and villas were to make up 56% of the total as reported by NSO in 2022, similarly to the pattern observed in previous years, then residential property unit permits would have exceeded the promise of sale agreements signed for residential property.

Maintaining the right balance between the supply and demand for residential units is essential for a healthy property market which safeguards buyer affordability and fair profit margins for developers. As commented in our previous edition of the KPMG Malta Economic Outlook, the size of that balance is set to vary over time, and in the coming years will be influenced by movements in the resident population, developments in the tourism sector as well as movements in regulatory policies and interest rates²⁴.

²⁴ <https://assets.kpmg.com/content/dam/kpmg/mt/pdf/2023/01/malta-economic-outlook-january-2023.pdf>

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