



Malta Economic Outlook



March 2024

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Executive Summary

The Maltese economy has transitioned to a phase of relative stability, departing from the volatility of previous years largely influenced by the pandemic. In the last quarter of 2023, Gross Domestic Product (GDP) grew by 5.6% in nominal terms and by 4.3% in real terms¹. Over 2023, sectoral movements especially in the tourism-related sectors, such as accommodation and food services with an increase in GVA of 18.5%, have shown robust recovery attracting over 2.9 million visitors to Malta.

In December 2023, Malta recorded an inflation rate of 3.7%, a notable decrease from the previous year's 7.3%². The highest annual increase was in food and non-alcoholic beverage prices, rising by 9.5% in December 2023 and 10.1% in January 2024. The Industrial Producer Price Index (IPPI) increased by 0.3% annually in December 2023, lower than the previous two years.

The Central Bank of Malta (CBM)'s Q1 2024 update reveals a growth of 8.7% in the Harmonised Index of Consumer Prices (HICP) for food in January 2024. Processed and unprocessed food inflation contributed to this increase. The Central Bank anticipates a decrease in consumer price inflation in 2024, with an expected average drop from 5.6% in 2023 to 2.9% in 2024.

In January 2024, the European Central Bank (ECB) opted to maintain interest rates, unchanged, at historically high levels to tackle persistent inflationary pressures. Maltese monetary financial institutions (MFIs) sustained relatively stable deposit and lending rates, with domestic banks refraining from adjusting their base rates despite ECB actions. Future rate adjustments depend on depositor expectations and ECB policies.

Meanwhile, Malta's labour market grapples with challenges of manpower scarcity and skill deficits, impacting staff retention and recruitment. Despite a notable 5.9% increase in the employed workforce in Q3 2023 as outlined by the Labour Force Survey, termination rates exceeded new hires³. As per CBM February forecast, the unemployment rate is projected to slightly rise to 2.9% by 2026 due to ongoing skill shortages. It is reported that foreign workers encounter issues such as short stays and inadequate investment in training. The skills card program, launched in January 2024, aims to improve workforce quality by mandating training and assessment for third-country nationals, initially focusing on the hospitality sector with plans for expansion.

As for the Property market in 2023, there was a decline of 15% in both residential and commercial permits, with the Northern Harbour region stood out with the highest number of residential permits. Final deeds of sale also dropped by an equivalent percentage compared to the previous year, but December 2023 saw a remarkable 10% increase in average value. Promise of sale agreements for residential properties surged by 25% in January 2024, continuing an upward trend seen throughout 2023⁵. Property prices, as indicated by CBM's advertised prices and NSO's transacted prices, notably rose in Q1 2023, with advertised prices exhibiting higher variability.

The cut-off date for the statistics included in this issue was 6 March 2024.

¹ National Statistics Office Data - Gross Domestic Product Q4 2023, News release 039/2024 dated 28 February 2024.

² Eurostat - HICP Monthly Data dated 1 March 2024.

³ Jobsplus. [Linked here](#).

⁴ National Statistics Office (2023), Regional Statistics Malta. [Linked here](#).

⁵ National Statistics Office – Residential Property Transactions: January 2024. News Release 024/2024 dated 9 February 2024.

Economic Spotlight



Recent Trends in Real Wages

Rising inflation has characterised most advanced economies in post COVID-19 years, as disrupted supply chains struggled to keep up with resurgent demand. More recently, inflation has picked up a downward trend – projected to fall to 2.7% in Euro Area⁶ and 2.9% in Malta⁷ in 2024 – as the ECB actively sought to counter escalating prices with tighter monetary policy. Nonetheless, the impact of an increasing cost of living will leave a dent on real wages⁸, unless offset by a corresponding boost in nominal incomes.

	Real compensation of employees per head ¹ (percentage change on preceding year)			
	2022	Autumn 2023 forecast		
		2023	2024	2025
Belgium	-2.3%	2.2%	0.8%	1.1%
Germany	-2.6%	-0.6%	2.5%	1.5%
Estonia	-7.6%	-1.0%	2.6%	1.8%
Ireland	-4.0%	-1.0%	2.2%	2.6%
Greece	-3.4%	1.1%	1.3%	0.3%
Spain	-2.3%	1.1%	0.5%	0.4%
France	0.8%	-0.9%	0.3%	0.7%
Croatia	0.1%	2.6%	1.8%	0.1%
Italy	-2.4%	-1.4%	1.7%	2.2%
Cyprus	-5.2%	0.9%	1.0%	0.4%
Latvia	-2.3%	0.8%	4.0%	3.8%
Lithuania	-6.1%	1.2%	4.4%	2.9%
Luxembourg	0.4%	2.1%	1.0%	1.1%
Malta	-2.2%	-1.4%	0.4%	1.4%
Netherlands	-2.7%	-2.3%	1.7%	1.6%
Austria	-2.5%	1.4%	2.8%	0.8%
Portugal	-1.6%	2.4%	0.9%	0.8%
Slovakia	-5.6%	-0.4%	2.3%	2.3%
Slovenia	-4.5%	1.6%	2.0%	1.7%
Finland	-3.0%	0.7%	0.8%	1.5%
Euro Area	-2.0%	-0.3%	1.5%	1.2%
Bulgaria	-1.7%	1.7%	5.3%	4.9%
Czechia	-7.8%	-1.6%	2.7%	3.4%
Denmark	-4.0%	0.4%	3.6%	3.1%
Hungary	-0.7%	-2.6%	4.8%	4.4%
Poland	-0.3%	0.2%	2.4%	2.7%
Romania	-6.9%	4.8%	2.9%	3.6%
Sweden	-3.8%	-3.7%	1.0%	2.1%
EU	-2.2%	-0.4%	1.6%	1.4%
United Kingdom	-1.5%	-0.7%	0.7%	0.7%
Japan	-0.5%	0.7%	0.5%	0.6%
United States	-3.3%	0.0%	0.1%	0.5%

¹ Deflated by the price deflator of private consumption

The European Commission's Autumn forecast issued last November estimates that wages in Malta grew by 1.5% in nominal terms during 2023 – the lowest rise in the EU⁹. This comes as the change in the HICP (a common measure for inflation) in Malta jumped by 5.6% during the same year⁶. Hence, the real effect on people's purchasing power for 2023 is expected to be negative, as growth in prices outpaced growth in nominal income. This trend is also evident in the European Commission's data on real compensation of employees per head, which indicates a decline of 1.4% during 2023. This figure is notably lower than the Euro Area average of -0.3%, and the EU average of -0.4%.

Assessing local wage trends over time, one can notice the discrepancy between nominal and real wages. This is expected given some level of inflation, albeit low. However, the post-pandemic inflationary period has served to widen the gap sharply in recent years.

Source: Autumn 2023 Economic Forecast - European Commission

⁶ European Commission (2024). Winter 2024 Economic Forecast. [Linked here.](#)

⁷ Central Bank of Malta (2024). Quarterly Review: Q1 2024.

⁸ Real wages take into account the purchasing power by adjusting nominal wages for changes in the general price level.

⁹ European Commission (2023). Autumn 2023 Economic Forecast. [Linked here.](#)

Figure 1: Nominal Wage vs Real Wage



Source: NSO data; KPMG Analysis

Immediately evident from the above chart, is the extent of stagnancy in real wages, which have remained steady since 2018. In fact, the average real wage was €18,254 in 2018, which compares to an estimated €18,359 recorded in 2023¹⁰. This is despite nominal wages climbing from an average of €18,967 in 2018 to €22,032 in 2023¹¹. Hence, the resulting gap between the average real wage in 2023 and the average nominal wage during this same year, is more than €3,600.

In simple terms, this means that in 2022, workers earned on average €20,953 with this increasing to €22,032 in 2023¹²; however, slightly more than the increase of €1,079 was eaten away by rising prices, leaving workers worse off in terms of purchasing power, evident by the slight dip in the real wages in the above chart.

Notwithstanding, growth in nominal wages may have arguably not been strong enough to facilitate a meaningful increase in purchasing power. Excluding the impact of the pandemic, nominal wages between 2015 and 2019, increased by an average of 3.8% per year. Annual average inflation during this time averaged around 1.34%, meaning real wages increased by just 2.43% per annum over this period. For perspective, real GDP growth between 2015 and 2019 averaged around 7.67% per annum¹³.

¹⁰ The average wage in 2023 considers the first 3 quarters of the year, as data for Q4 was not yet available.

¹¹ Analysis based on Labour Force Surveys in 2018 and the first 3 quarters of the Labour Force Surveys in 2023, where the monthly basic salary for each quarter is multiplied by 12 to arrive at these figures. Figures may not necessarily correspond to latest issued data due to potential retrospective adjustments.

¹² Analysis based on Labour Force Surveys in 2022 and the first 3 quarters of the Labour Force Surveys in 2023, where the monthly basic salary for each quarter is multiplied by 12 to arrive at these figures. Figures may not necessarily correspond to latest issued data due to potential retrospective adjustments.

¹³ IMF (2023). Work Economic Outlook October Database. [Linked here](#).

It is worth attaching a caveat to this analysis, in that the observed trend in wages is the national average across various sectors and occupational roles. A deeper examination may reveal that narrower segments of the economy could be experiencing higher wage growth, driven by improvement in productivity. However, these positive trends could be overshadowed by less productive sectors, which still claim a large portion of the labour pool, thereby dampening overall income growth. Inducing higher wage growth at the national level may necessitate a general improvement in productivity¹⁴, which would entail a strategic focus on cultivating a more skilled employment mix, with more room for higher value-adding roles. Consequently, more people will be better positioned to benefit from better compensation increments.

This perspective may resonate with the business community who may find pressures to increase wages challenging when there is no corresponding rise in productivity. From the Government’s perspective, it is commendable that certain essential goods (food and energy) are being partly covered, but it remains to be seen for how long this would be a sustainable way forward. Perhaps even more important is to focus on policy drives which enhance productivity and value add, ensuring that businesses have the latitude to offer higher compensation packages in line with increased productivity and value creation. The benefits of such policy initiatives will ultimately help to improve quality of life, reduce income inequalities, and maintain social cohesion.

While nominal wages remain a core determinant of real wages, the impact of inflation was arguably a more considerable factor in the last two years, with price hikes eating away all observed growth in nominal wages, as evident by the grey and purple lines, below. The result is a reduction in real wages, with the latter falling by an average of 0.06% in 2022, and 0.46% in 2023:

Figure 2: Wage Growth vs Inflation



Source: NSO data; KPMG Analysis

¹⁴ Increasing productivity refers to increasing real output per unit of labour.

Going forward, inflation is projected to alleviate throughout this year and the next. However, close attention will be given to when the government plans to step back from subsidising energy costs, which has been instrumental in maintaining inflation at a lower level than it would have otherwise been. The decline in inflation should in turn contribute positively to real wage growth, with the Central Bank of Malta also observing a recovery in real GDP growth in early 2024, being partly boosted by rising real disposable income which is sustaining higher domestic consumption¹⁵.



¹⁵ Central Bank of Malta (2024). Quarterly Review: Q1 2024. [Linked here](#).

Main Economic Indicators

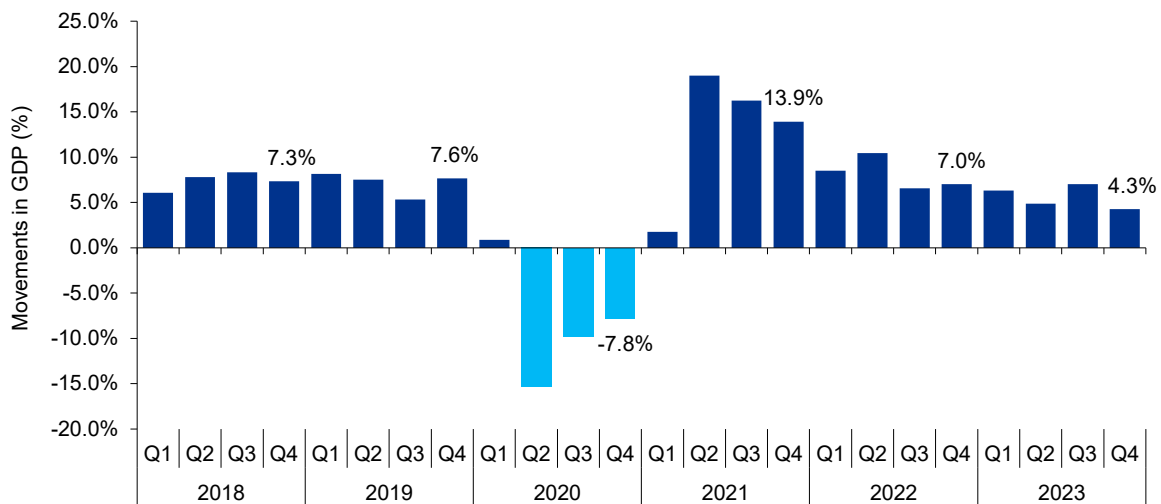
Gross Domestic Product

1.1 Annual GDP Growth Rates

The Maltese economy has entered a phase of relative stabilisation in contrast to the volatility experienced in prior years characterised primarily by the pandemic. During the last quarter of 2023, the Maltese economy grew by 4.3% in real terms when compared to the same quarter in the previous year [Q4 2022: 7.0%].

This stabilisation is also reflected in Malta's average real GDP growth rate which stood at approximately 5.6% in 2023. Figure 3 below shows the quarterly real GDP growth rates between 2018 up until 2023.

Figure 3: Quarterly Movements in GDP in Real Terms



Source: NSO data; KPMG Analysis



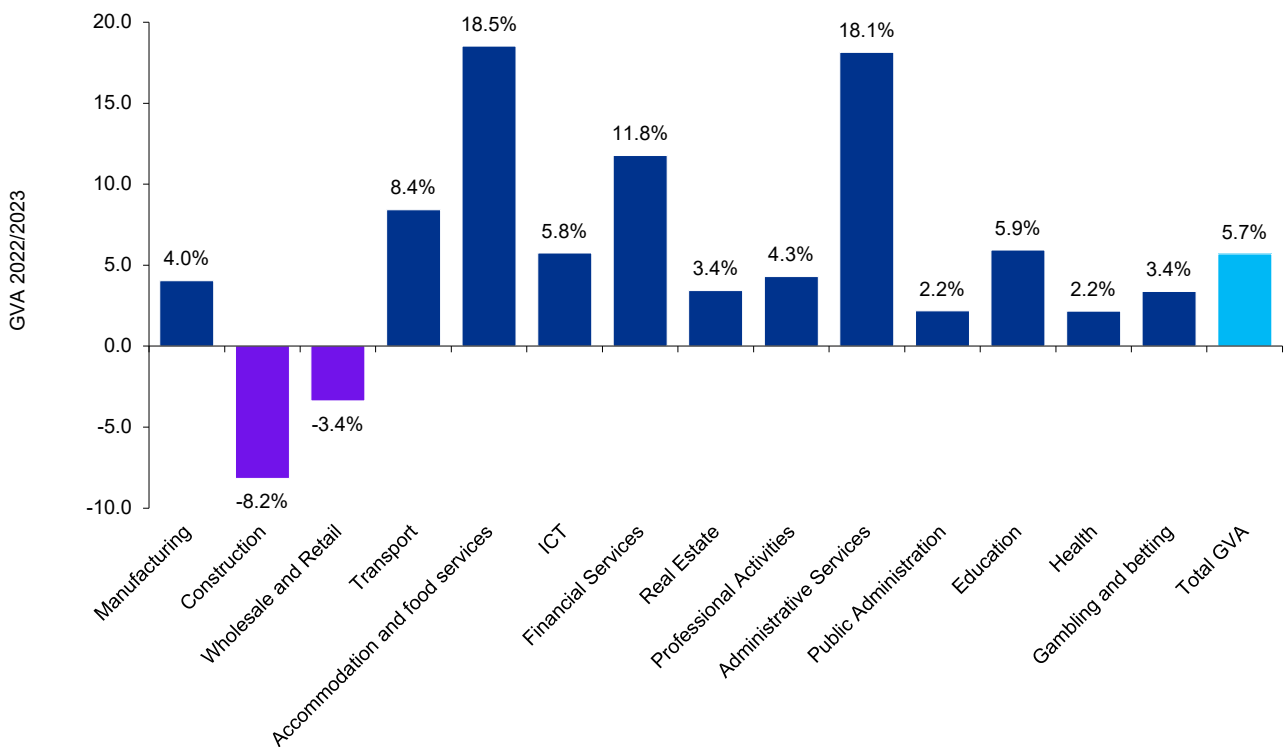
1.2 Sectoral Movements

The next chart shows the movements in the Gross Value Added (GVA) of selected sectors between 2022 and 2023. During this period, the economy's total GVA expanded by 5.7% in real terms.

The construction sector, which is further explored in this section, experienced the greatest decline in growth, with a negative 8.2% in GVA [2022: -6.7%]. The downturn in all three subsectors of the construction sector - Buildings and building construction works, Constructions and construction works for civil engineering and Specialised construction works, can be attributable to several factors, one of the main reasons being the slowdown after the significant growth experienced in previous years. This downturn is closely followed by the wholesale and retail sector (which also includes motor vehicle repair) which recorded a negative 3.4% growth from 2022 to 2023.

As anticipated, tourism sectors such as accommodation and transport, have recovered significantly after the pandemic. Accommodation and food services saw a growth of 18.5% in 2023 compared to 2022, signalling a notable advancement in this sector's recovery. This upward trend is paralleled by the surge in inbound tourism to Malta, with over 2.9 million visitors recorded last year¹⁶.

Figure 4: Movements in Sector GVA of selected sectors



Source: NSO data

¹⁶ National Statistics Office - Inbound Tourism, News Release 025/2024.

1.3 GDP Outlook

According to the latest forecast from the Central Bank of Malta (CBM), Malta's real GDP was anticipated to experience growth of 6.3% through 2023. This growth is primarily attributed to increased economic activity fuelled by a large boost in net exports during the same year¹⁷. However, this growth is expected to decrease and remain steady in subsequent years.

In 2023, the positive contribution from government was dampened by weakening private consumption. Nevertheless, in 2024, there is an anticipation of a shift, with domestic demand emerging as the primary driver of GDP growth, with net exports expected to flatten significantly going forward.

In the penultimate update of its quarterly review, the CBM notes that considering the prevailing high inflation [2023: 5.6%], consumers may be expected to rely on their savings to finance private consumption and sustain current spending patterns¹⁸. This may explain why the household savings ratio, calculated as savings against gross income, fell in 2023 from the prior year (even below 2019 levels), indicating that consumers have been attempting to smooth out consumption, either saving less or using excess savings from the pandemic years, back when expenditure was being forcefully restricted¹⁹.



¹⁷ Central Bank of Malta - Outlook 2024 Q1.

¹⁸ Ibid.

¹⁹ Ibid.

However, this reliance on savings is projected to stabilise in subsequent years as private consumption adjusts to more conventional levels following a period of heightened growth. The savings ratio is forecasted to remain stable at 22.4, which is well under the 27.4 recorded in 2022²⁰.

Turning to remaining GDP macro-indicators, Government expenditure is set to peak in 2024 with an estimated 5.3% growth rate compared to the previous year²¹. It is then expected to slow in the following years due to financial outlays related to compensation of employees and intermediate consumption. Meanwhile, private investment is forecasted to rebound to a modest positive growth trajectory in 2024²², following a contraction in 2023.

Table 1: Projections for Real Economic Activity					
<i>% Change on previous period</i>	2022	2023	2024	2025	2026
GDP	8.2	6.3	4.4	3.6	3.3
Private consumption expenditure	10.8	7.8	4.9	4.0	3.7
Government consumption expenditure	2.4	4.3	5.3	4.1	3.9
Gross fixed capital formation	31.4	-20.9	2.0	3.6	2.6
Exports of goods and services	7.1	7.9	3.8	3.0	3.0
Imports of goods and services	10.1	3.6	3.7	3.1	3.1

Source: CBM Outlook for the Maltese Economy 2024:1



²⁰ Central Bank of Malta - Projection 2023 Q4.

²¹ Ibid.

²² Ibid.

Inflation

2.1 Consumer Inflation

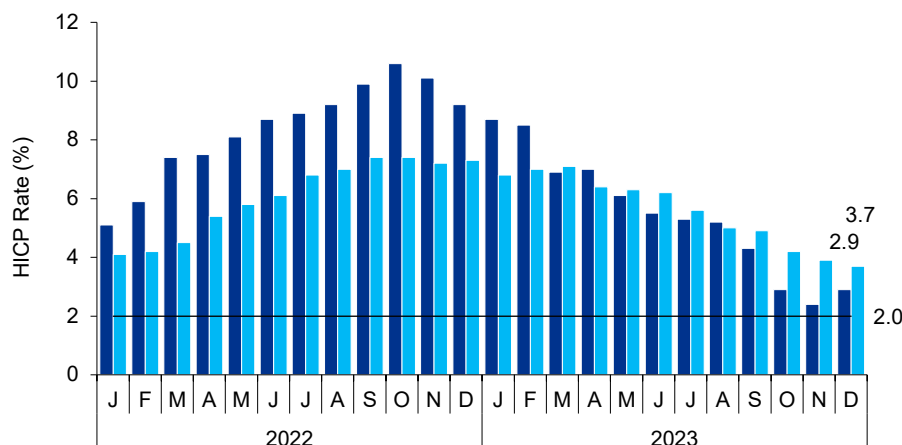
In recent years, inflation globally has surged to notably high levels, particularly evident in the latter half of 2022. This was mainly triggered by ongoing international conflicts and the pandemic impacting the price of energy and food. However, in 2023, the EU's Harmonised Index of Consumer Prices (HICP) started to decline, with Malta's inflation rate following behind. Consequently, for the majority of 2023, Malta's inflation rate exceeded the EU average, signalling that Maltese prices rose at a faster pace than those in the Euro Area. However note that while the rate of inflation for Malta is higher than the Eurozone's average, it does not necessarily indicate that consumer prices in Malta are higher than those of the EU.

In June 2023, the inflation rate in the EA was recorded at 5.5% which decreased to 2.9% by December 2023, a notable decline from the 9.2% reported in December 2022. A closer examination of the main components of the EA's inflation rate reveals that, in January 2024, the highest inflation rates were observed in the category of services followed by food, alcohol and tobacco, non-energy industrial goods and energy²³.

For Malta, the inflation rate in June 2023 was 6.2% which further decreased to 3.7% by December 2023, marking a significant decrease from the same month in the previous year, when it stood at 7.3%. The most substantial annual increase was observed in the prices of food and non-alcoholic beverages, registering a 9.5% increase in December 2023 and a 10.1% increase in January 2024, carrying the greatest weight in the overall inflation calculation.

The figure shows the annual rate of change in monthly headline inflation (i.e., including food and energy prices) for both Malta and the Euro Area. Notably, there is a slight discrepancy between the two rates, with the Euro Area's rate being nearly one percentage point lower than that of Malta.

Figure 5: HICP Rate (%)



Source: NSO data; Eurostat data; KPMG Analysis

²³ Eurostat - 141/2023 - 19 December 2023. [Linked here.](#)

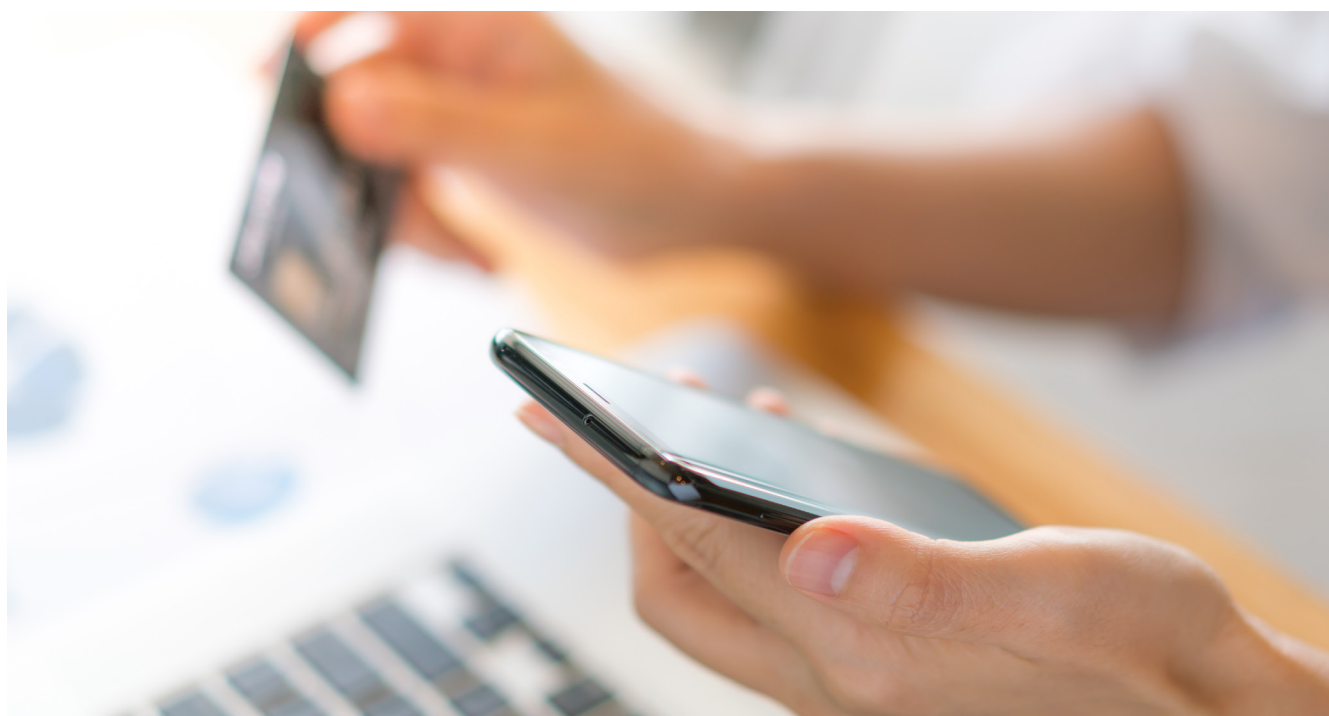
2.2 Consumer Inflation Drivers

The NSO publishes division weight percentages for each HICP division on a yearly basis. In 2024, the division pertaining to food carries the highest weighting at 18.0% which is based on national accounts data sources which weighs the items within the consumption basket based on the final consumption expenditure of all individuals in Malta. In fact, the inflation rate presented within the table is the weighted inflation rate based on each item's weighting.

The following table shows the share of the different divisions in the HICP and their respective annual inflation rates, as of January 2024.

	Division Weight (%)	Annual Inflation Rate (%)
Food and non-alcoholic beverages	18.0	10.1
Alcohol	3.5	1.9
Clothing	4.1	-0.8
House and fuels	10.2	4.3
Furnishings and household equipment	8.4	4.4
Health	4.7	3.0
Transport	12.4	0.9
Communication	3.9	-9.4
Recreation	8.4	-0.3
Education	2.7	5.6
Restaurants and hotels	15.8	4.4
Miscellaneous	7.9	4.2
Weighted inflation rate		3.7

Source: NSO data

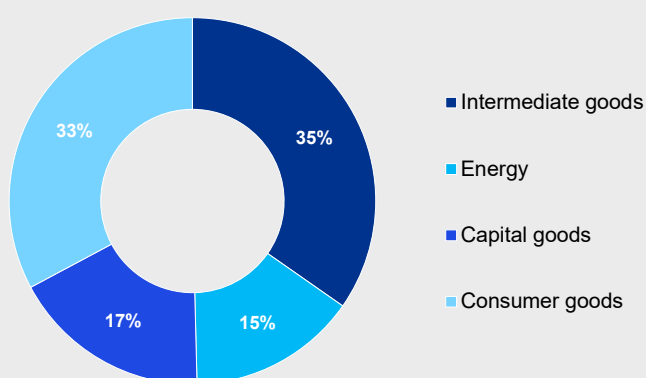


2.3 Industrial Producer Price Index

Apart from the HICP which measures fluctuations in consumer prices, other indicators of inflation offer valuable perspectives on the economy.

The Industrial Producer Price Index (IPPI) gauges changes in the selling prices of key products across a selection of large enterprises that constitute a substantial portion of the overall industrial turnover. The diagram below aims to furnish a detailed breakdown of industries based on economic activities, focusing on demand-driven products²⁴.

Figure 6: Breakdown of Demand-Based Goods



Source: NSO data; KPMG Analysis

In December 2023, the overall IPPI increased at an annual rate of 0.3% which is significantly lower than the increase recorded in the last two years [Dec 2022: 4.3%; Dec 2021: 7.5%]. Non-durable goods under consumer goods, registered the greatest increase with 6.2% which counteracted against the significant decline in intermediate goods²⁵ which recorded a negative 4.3% in December of 2023.

2.4 Price Stability

The latest economic update for Q1 2024 issued by the CBM indicated that in January 2024, the HICP for food grew to 8.7% when compared to the same month in the previous year. Specifically, the increase in inflation for processed food was complemented by a notable increase in unprocessed food inflation, rising to 13.4% in January 2024²⁶ when compared to January 2023. Conversely, inflation on imported food products is on a downward trend, though consumers in Malta still experience the negative effects of previous increases in their everyday purchases. In response, the Government of Malta, through the Ministry for the Economy, has proposed and initiated a new incentive to alleviate the burden on food purchases in 2024²⁷.

²⁴ National Statistics Office - Industrial Producer Price Index, New Release 018/2024 dated 30 January 2024.

²⁵ Intermediate goods: Goods that are used to produce a final good or product.

²⁶ Central Bank of Malta - Economic Update February 2024.

²⁷ [Linked here](#).

Collaborating with various food importers and retailers, the Ministry has implemented measures to reduce prices by a minimum of 15%. This effort is aimed at stabilising and lowering the prices of essential food items across 15 categories - 400 products which are identified as the most consumed items by families in Malta.

This incentive is expected to remain in effect until October 2024, coinciding with the budget period and an expected decrease in inflationary pressures. The initiative seeks to provide tangible relief to consumers and enhance affordability during this specified timeframe²⁸. However, some questions remain regarding the potential consequences of withdrawing the incentive, considering its significant impact and broader implications for food price controls.

As the incentive targets selected items, consumers might experience a shift in their selected consumption basket of goods due to the potential increase in the price of other products not on the list of selected items.



2.5 Inflation Outlook

The CBM anticipates a decrease in consumer price inflation by 2024²⁹. The inflation rate is expected to decrease from an average of 5.6% in 2023 to 2.9% in 2024. In fact, it is expected that by 2026, the inflation rate should return to the EU's target inflation, that of close to 2%.

Table 3: % Change on previous period

	2023	2024	2025	2026
Overall HICP	5.6	2.9	2.2	1.9

Source: CBM Projections; KPMG Analysis

²⁸ [Linked here](#).

²⁹ Ibid.

Interest Rates

Following a swift series of interest rate hikes that concluded in September 2023, in January 2024, the European Central Bank (ECB) opted to maintain interest rates unchanged, at a historic high, reaffirming its commitment to tackling inflation. The three ECB's interest rates: that of the main refinancing operations (MRO), the marginal lending facility, and the deposit facility will remain unchanged at 4.50%, 4.75% and 4.00% respectively³⁰. The primary objective behind the recent interest rates hikes was to bring inflation rates back to its medium-term target of 2%. In January 2024, the ECB communicated that it is too early to contemplate a reversal, citing unresolved inflationary pressures and ongoing wage negotiations. Eurozone economies need to be further along in the disinflation process to be confident that inflation will reach the target sustainably. The ECB remains resolute in prioritising price stability and exercises caution in contemplating any alterations to interest rates³¹.

In December 2023, Maltese monetary financial institutions (MFIs) sustained a stable composite interest rate of 0.31% on deposits held by local residents, a marginal increase from the previous month's 0.30%. Conversely, the composite rate on outstanding loans experienced a slight decline to 3.58%, down from November's 3.60%³².

Domestic banks rely heavily on their local deposit base to fund outstanding loans and as a result the sustained record-high ECB rates have not materialised in increases in the banks' base rates. Whether the base rates will increase in the future will primarily depend on the interest rates expectations of depositors, the individual responses of the main market players, and potential future interest rate hikes in the ECB rate.



³⁰ ECB (2024), Press Release- Monetary Policy decisions dated 25 January 2024. [Linked here](#).

³¹ Koranyi & Canepa (2024), ECB sticks to inflation fighting even as rate cuts loom, Reuters. [Linked here](#).

³² Central Bank of Malta – Economic Update 02/2024.

The Labour Market

4.1 Overview of Labour Market Conditions

Malta's labour market grapples with persistent challenges of manpower scarcity and skill deficits, posing hurdles for businesses in retaining staff and filling open positions. According to the Labour Force Survey for Q3 2023³³, the employed workforce totalled 301,441 individuals, marking a notable 5.9% increase from the preceding year. Concurrently, the unemployment rate saw a drop to 2.5%, down from 2.9% in the preceding period. Across various occupational categories, monthly basic salaries ranged from an average of €3,008 for managerial roles to an average of €1,193 for those in elementary occupations for the period July-September 2023³⁴. In September 2023 terminations outpaced engagements³⁵, resulting in a negative net engagement level of -2,098, reversing the trend in the previous two months where net engagements stood at positive 7,047 and 599 in July and August, respectively, as per data from Jobsplus³⁶. According to the latest CBM forecasts released in February 2024, the unemployment rate is projected to remain stable at 2.6% throughout 2024. While it is projected to stay at comparatively low levels, there is a slight anticipated increase over the forecast period, reaching 2.7% in 2025 and 2.9% in 2026. This uptick may be partly attributed to ongoing skill shortages and mismatches in the labour market.

Table 4: Projections for the Labour Market

	2023	2024	2025	2026
Unemployment Rate (% of labour supply)	2.6	2.6	2.7	2.9

Source: CBM Projections³⁷

With regard to foreign workers, there have been no updates in data since our previous edition of the economic outlook. The increasing presence of foreign workers in Malta, while essential for addressing local workforce gaps and driving economic growth, poses challenges. One notable issue is the short duration of their stays, with a quarter arriving for temporary employment and half leaving within a year, as such disrupting employment dynamics³⁸. This dynamic risks impeding employer investment in their training, exacerbating labour shortages and compromising workforce quality. An initiative aimed at addressing the quality of the foreign workforce is the skills card program, which was launched in January 2024. This program mandates third-country nationals (TCNs) working in hospitality to undergo training and assessment, with plans for gradual expansion into other sectors³⁹. Further insight can be drawn by examining population statistics, considering the continuous influx of foreigners.

³³ National Statistics Office – Labour Force Survey: Q3/2023, News Release 223/2023 dated 14 December 2023.

³⁴ Ibid.

³⁵ Engagements refer to all remunerated employment performed on Maltese Territory registered with Jobsplus. [Linked here](#).

³⁶ Central Bank of Malta – Monthly Economic Update 12/2023.

³⁷ Central Bank of Malta (2024), Economic Projections (February 2024). [Linked here](#).

³⁸ Times of Malta (2023a), Addressing HR challenges of foreign workers in Malta. [Linked here](#).

³⁹ Times of Malta (2023b), Foreign workers will need €575 'skills card' to get a job in tourism. [Linked here](#).

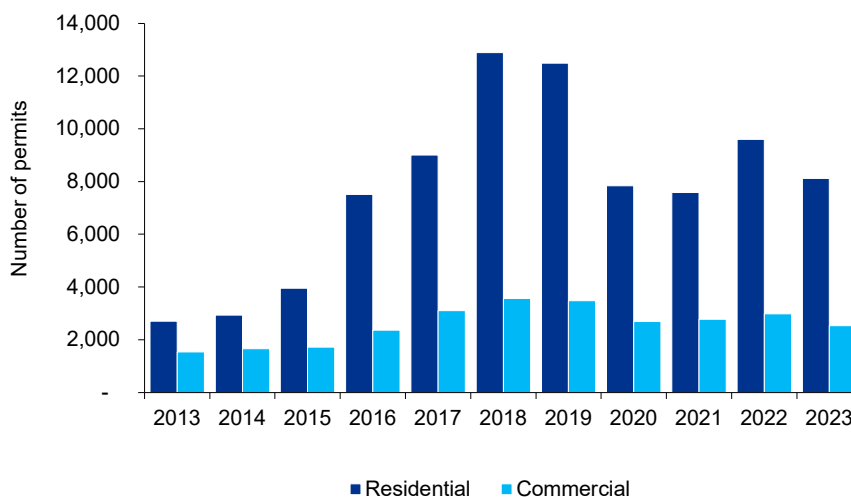
The Property Market

5.1 Residential and Commercial Permits

In 2023, there was a significant drop in residential permits, totalling 8,112 - a 15% decrease from the 9,599 permits issued in 2022⁴⁰. Commercial permits⁴¹ also experienced a decline, with 2,532 permits issued in 2023, reflecting a 15% decrease from the 2,984 permits recorded in the previous year⁴².

The diagram shows the issuance of residential and commercial permits from 2013 to 2023, indicating a greater volatility in residential permits over the past decade.

Figure 7: Residential and Commercial Permits



Source: CBM; KPMG Analysis

Analysing NSO data for 2023, the Northern Harbour region stood out with the highest number of residential permits, reaching 2,211⁴³. This region encompasses densely populated localities such as Sliema, Gzira, and Birkirkara⁴⁴. Following closely, were the Northern region, and Gozo, indicating a growing interest in residential property development in the sister island. Conversely, the Western region recorded the fewest permits.

⁴⁰ Central Bank of Malta - Development Permits for Commercial, Social and Other Purposes.

⁴¹ Commercial permits definition refers to the development permits for commercial, social and other purposes.

⁴² Central Bank of Malta - Development Permits for Dwellings, by Type.

⁴³ National Statistics Office – Residential Building Permits, News Release 033/2024.

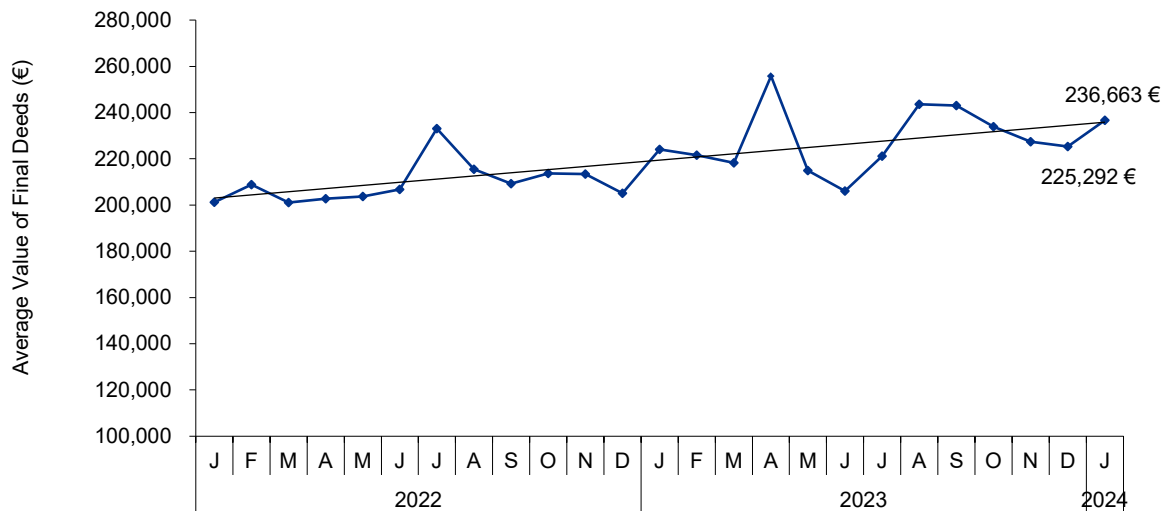
⁴⁴ National Statistics Office, Regional Statistics Malta 2023 Edition. [Linked here](#).

5.2 Final Deeds of Sale

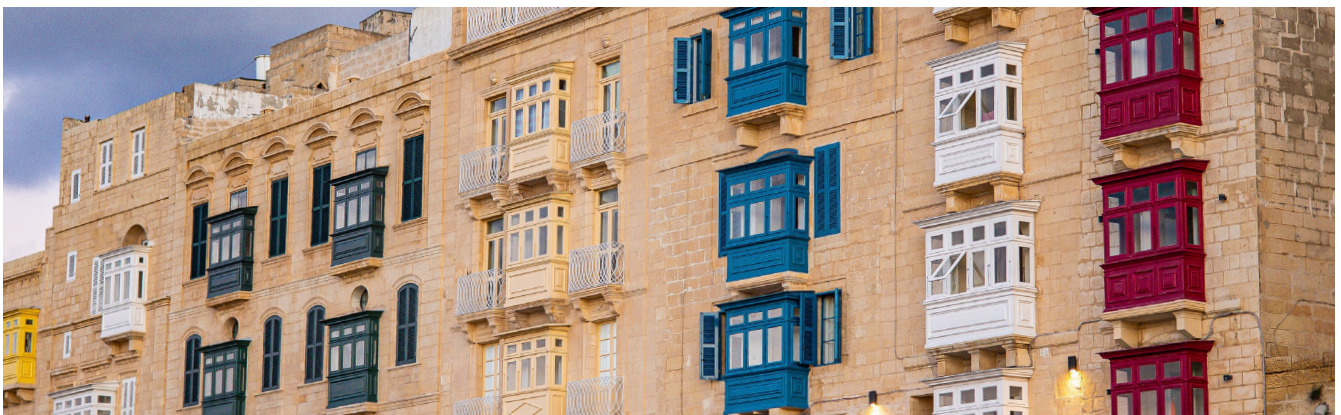
From January to December 2023, a total of 11,136 final deeds of sale (with individuals as buyers) were recorded, representing a 15% reduction from the final deeds reported in 2022. The 2023 recorded value of these deeds experienced an 8% decrease compared to 2022. In January 2024, 1,031 final deeds of sale were registered – a 2.1% increase when compared to January 2023⁴⁵.

Figure 8 below shows the monthly average values stated on final deeds of sale, including individuals as buyers. While data cannot be interpreted as a movement in average prices due to the absence of property details, it can serve as a proxy. In December 2023, the average value of final deeds reached €225,292, reflecting a 9.9% increase over December 2022. In January 2024, average monthly value of final deeds increased by 5.6% when compared to January 2023⁴⁶.

Figure 8: Monthly Average Value of Final Deeds Involving Individual Buyers



Source: NSO data; KPMG Analysis



⁴⁵ National Statistics Office – Residential Property Transaction, News Release 024/2024.

⁴⁶ Ibid.

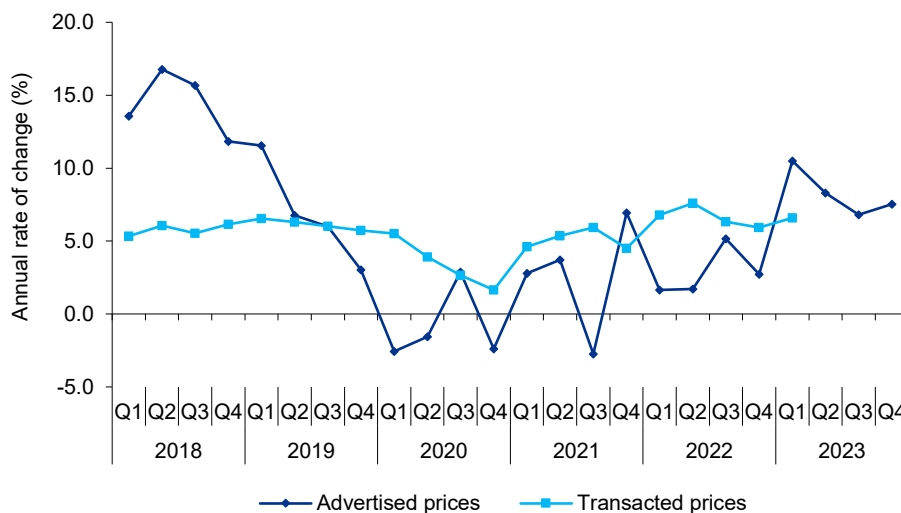
5.3 Promise of Sale Agreements

In January 2024, there was a total of 1,051 promise of sale agreements⁴⁷ recorded for residential properties involving individual potential buyers. This marks a 25% increase from the corresponding month a year earlier. This uptrend aligns with the overall pattern seen in 2023, where the total number of promise of sale agreements increased by 8.9% compared to the prior year, with growth observed consistently across all months of 2023⁴⁸.

5.4 Property Prices

The following chart compares the annual movements in advertised prices issued by the CBM⁴⁹, and the movements in transacted prices, issued by the NSO⁵⁰. The most recent comparable datapoint is for Q1 2023, being the latest datapoint available data for NSO's Property Price Index (PPI). In this quarter, both indices show a substantial increase (although larger in the CBM's advertised prices index), surpassing any changes seen in the previous year's quarters. The index of advertised prices evidences higher variability, in that advertised prices reflect seller expectations. Other differences between the two indices include timing differences and negotiation buffers.

Figure 9: Residential Property Price Indices



Source: CBM; NSO data; KPMG Analysis

⁴⁷ National Statistics Office – Residential Property Transactions: January 2024. News Release 024/2024 dated 9 February 2024.

⁴⁸ Ibid. Notably, for the purpose of promise of sale agreements data, the 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, and the data is therefore not directly comparable to permit data.

⁴⁹ Central Bank of Malta, Real economy indicators. [Linked here](#).

⁵⁰ National Statistics Office – Property Price Index (PPI): Q1 /2023. News Release 115/2023 dated 4 July 2023.

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