



# Malta Economic Outlook



December 2024

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The cut-off date for the statistics included in this issue was 1st December 2024.

# Economic Spotlight



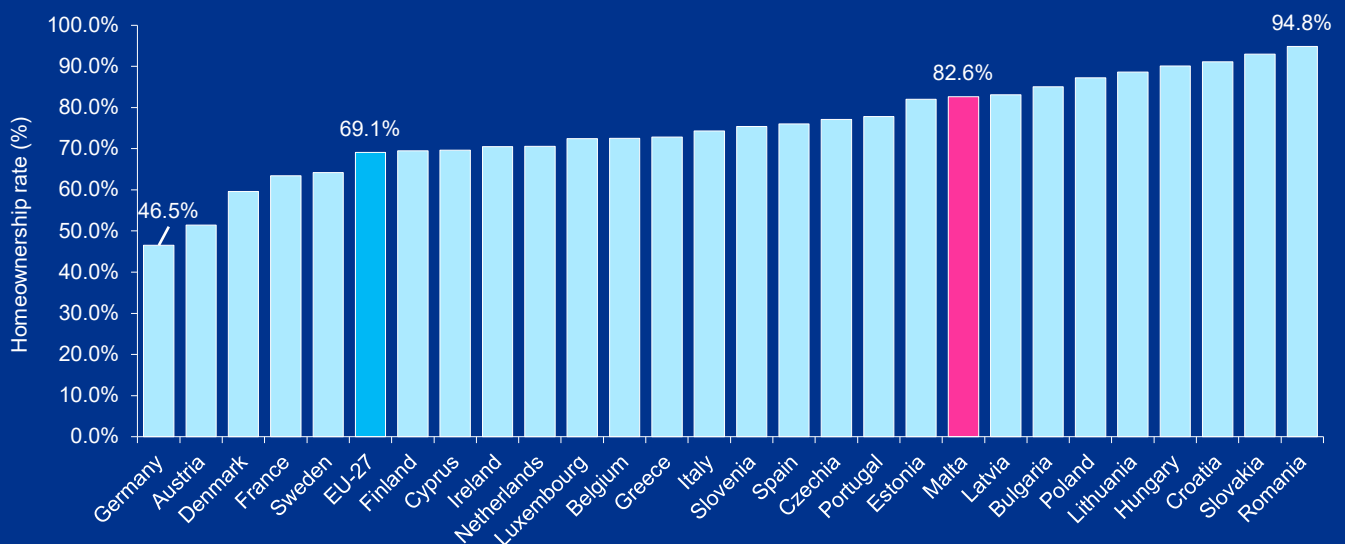
# Malta's Housing Market:

## Assessing Local Trends in the EU Context

Building on the insights from the recent Property Malta National Conference, supported by KPMG, which gathered industry stakeholders to explore current trends and the sector's future direction, it is valuable to contextualise these discussions within the broader EU landscape. In this analysis, we examine how local trends in homeownership, affordability, and household size compare across the EU to provide a deeper understanding of our challenges and opportunities vis-a-vis other EU Member States.

Homeownership remained a dominant trend across the EU in 2022, with ownership more common than rental in every member state except Germany. In Malta, the homeownership rate was particularly high at 82.6%<sup>1</sup>, surpassing the EU average of 69.1%<sup>2</sup>. Figure 1 illustrates a comparison with other EU countries.

Figure 1: Homeownership rates - 2022



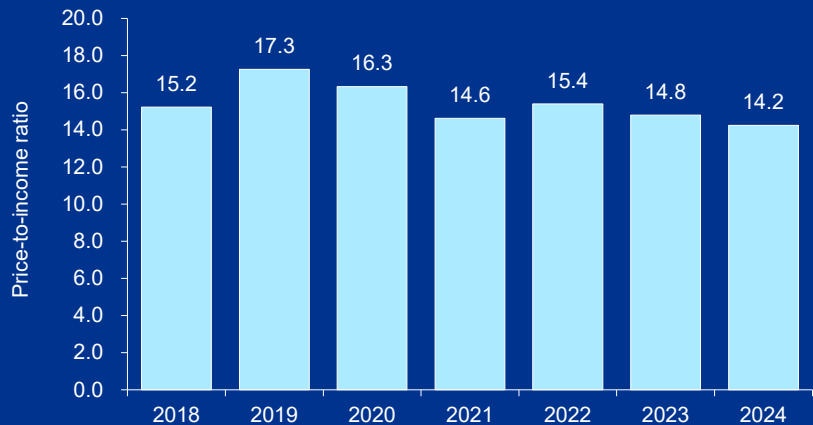
Source: Eurostat data

<sup>1</sup> Foundation for Affordable Housing (2024), Entryways to homeownership – Family Strategies and intergenerational transfers in Malta's housing system. [Linked here](#).

<sup>2</sup> Eurostat (2024), Housing in Europe – 2024 edition. [Linked here](#).

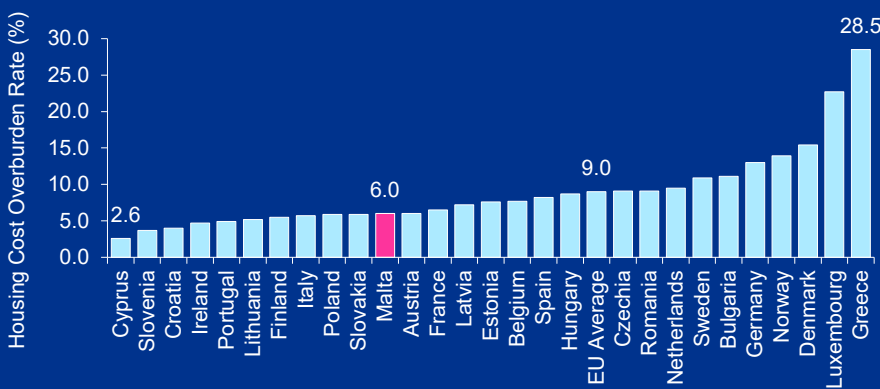
The latest Construction Industry and Property Market Report<sup>3</sup> (hereafter referred to as “the Report”) highlights a general improvement in housing affordability in 2024, though affordability challenges persist for low-income households. In 2024, income growth in Malta has on average outpaced the rise in apartment prices, the most common type of dwelling purchased in Malta. This observation is also reflected in the declining price-to-income ratio<sup>4</sup> since 2022 (Figure 2), suggesting that generally property prices are becoming relatively more affordable compared to income levels.

**Figure 2: Price-to-Income ratio**



Source: KPMG Construction Industry and Property Market Report 2024

**Figure 3: Housing Cost Overburden Rate Across EU Countries: 2023**



Source: Eurostat data

Further, in 2023, Malta’s housing cost overburden rate<sup>5</sup> stood at 6.0%, well below the EU average of 9.0% and significantly lower than Greece, which recorded the highest rate among EU countries at 28.5% (Figure 3)<sup>6</sup>. This indicates a smaller share of the population in Malta lives in households where housing costs exceed 40% of disposable income. Additionally, Maltese households spent a lower proportion of their disposable income on housing costs, averaging 12.0% compared to the EU average of 19.7% in 2023<sup>7</sup>.

The Report offers a closer examination of affordability challenges faced by specific population segments. For instance, a young couple in their late 20s, both earning minimum wage, could afford only 5.7% of the properties in the KPMG property database<sup>8</sup>. Similarly, a single buyer in their late 20s working in an elementary role with an average income had access to just 5.2% of the listed properties within their budget. These difficulties might explain why Malta’s average age of young people leaving the parental household (28.1) is higher than EU average (26.3).

<sup>3</sup> The 8th edition of the Construction Industry and Property Market Report commissioned by the MDA, in collaboration with KPMG was launched on the 19th November 2024. [Linked here.](#)

<sup>4</sup> Calculated by dividing the median asking prices of apartments derived from the KPMG database by the individual median equivalised net income reported by Eurostat.

<sup>5</sup> These housing costs include rent or mortgage interest payments, as well as utilities such as water, electricity, gas, and heating.

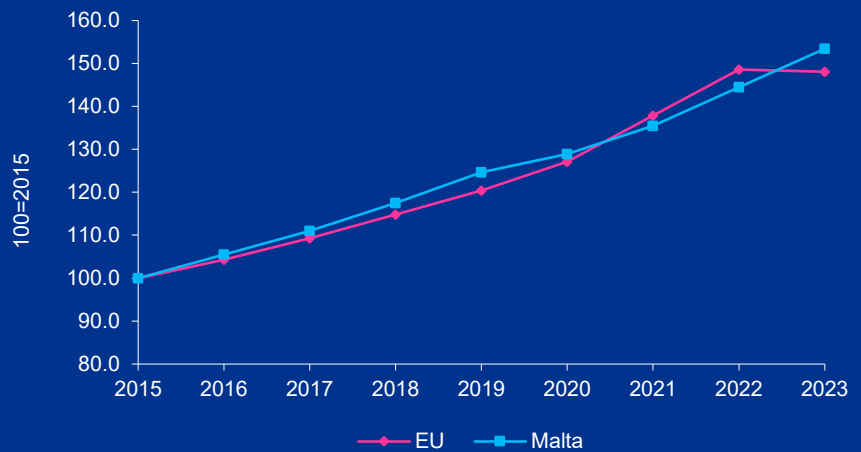
<sup>6</sup> Eurostat (2024), Housing in Europe – 2024 edition. [Linked here.](#)

<sup>7</sup> Ibid.

<sup>8</sup> KPMG maintains an extensive real estate database that undergoes annual updates and includes details such as property type, advertised prices, location, floor area, the number of bedrooms and bathrooms, view type, and the property’s overall condition.

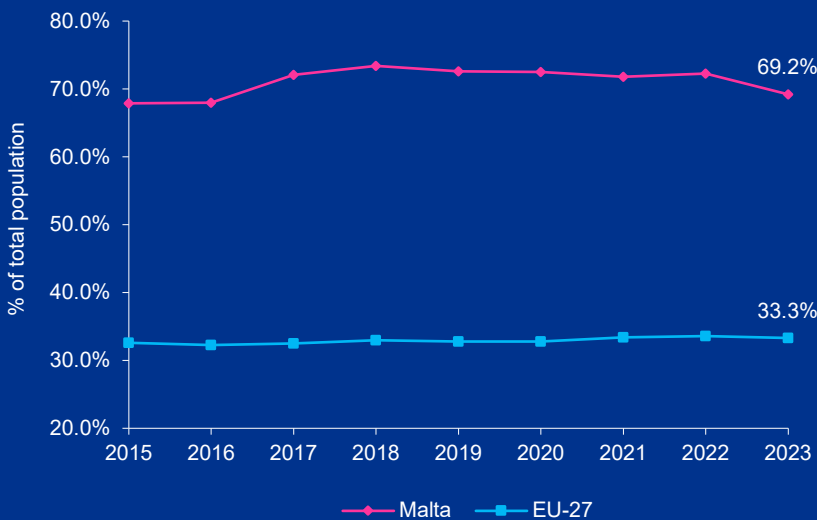
When comparing Malta's house price trends to the EU average, property prices in Malta increased by 53.4% between 2015 and 2023, outpacing the EU average growth of 48.1%. This corresponds to a compound annual growth rate (CAGR) of 5.5% for Malta, slightly higher than the EU's 5.0%. Malta's property price movements are generally aligned with the EU average but showed distinct variations over time (Figure 4). Between 2017 and 2020, property prices in Malta grew at a faster rate than the EU average. However, this trend reversed during 2021 and 2022, with Malta experiencing slower growth. By 2023, Malta's House Price Index had once again risen above the EU average, reflecting a renewed upward trajectory.

**Figure 4: Property price movements**



Source: Eurostat data

**Figure 5: Share of people living in under-occupied homes**



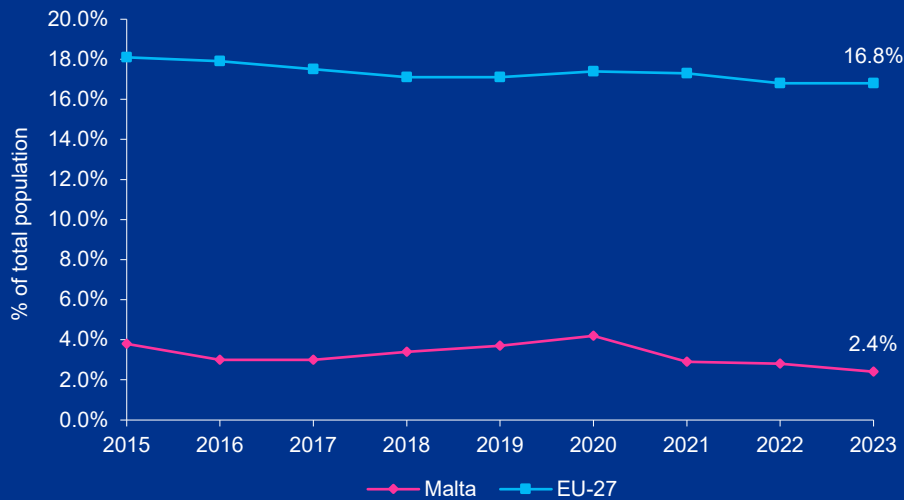
Source: Eurostat data

In 2023, Malta had the largest average housing size in the EU, with 2.2 rooms per person compared to the EU average of 1.6<sup>9</sup>. It also recorded one of the highest rates of under-occupied homes, with 69.2% of the population living in properties deemed too large for the households occupying them. This figure is more than double the EU average of 33.3% (Figure 5)<sup>10</sup>. This pattern likely reflects Malta's relatively large property sizes and the tendency for individuals or couples to remain in their homes after their children have moved out. At the same time, Malta had the second-lowest rate of overcrowding in the EU in 2023, with just 2.4% of the population living in overcrowded households, significantly lower than the EU average of 16.8% (Figure 6).

<sup>9</sup> Eurostat (2024), Housing in Europe – 2024 edition. [Linked here](#).

<sup>10</sup> Ibid.

Figure 6: Share of people living in overcrowded homes



Source: Eurostat data

Ultimately, the Maltese property market reveals unique trends compared to its EU counterparts which requires careful analysis to guide future industry strategies. With the largest household sizes in the EU and a high proportion of under-occupied homes, there may be a case for prioritising the development of smaller, and more affordable, housing units. Such a shift could maximise the efficient use of the islands' limited space and increase the availability of affordable housing for low-income buyers, although this may also impact other quality of life considerations attributed to smaller properties and would require careful deliberation. These issues align closely with the discussions on revising local plans, a central theme that emerged during the Property Malta National Conference last November.



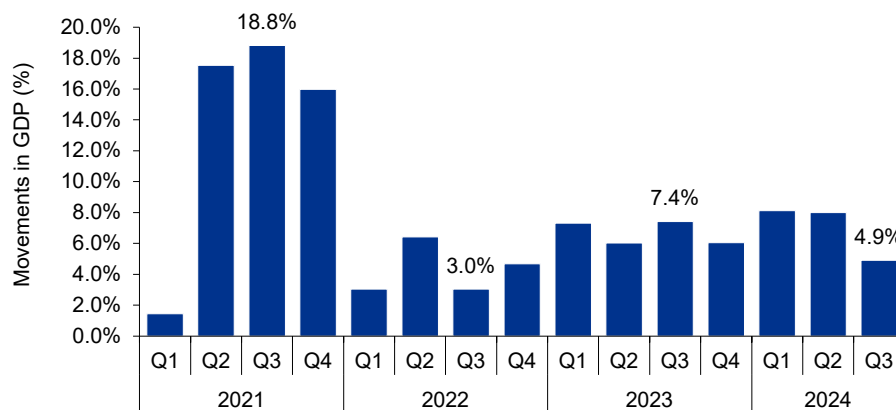
# Main Economic Indicators



# Gross Domestic Product

In the third quarter of 2024, the Maltese economy expanded in real terms by 4.9% year-on-year, which represents a deceleration from the 7.4% growth recorded in Q3 2023<sup>11</sup>. This follows a period of growth during the first and second quarters of 2024 which outpaced the corresponding quarters of the previous year.

Figure 7: Quarterly Movement in GDP in Real Terms



Source: NSO data<sup>12</sup>; KPMG analysis



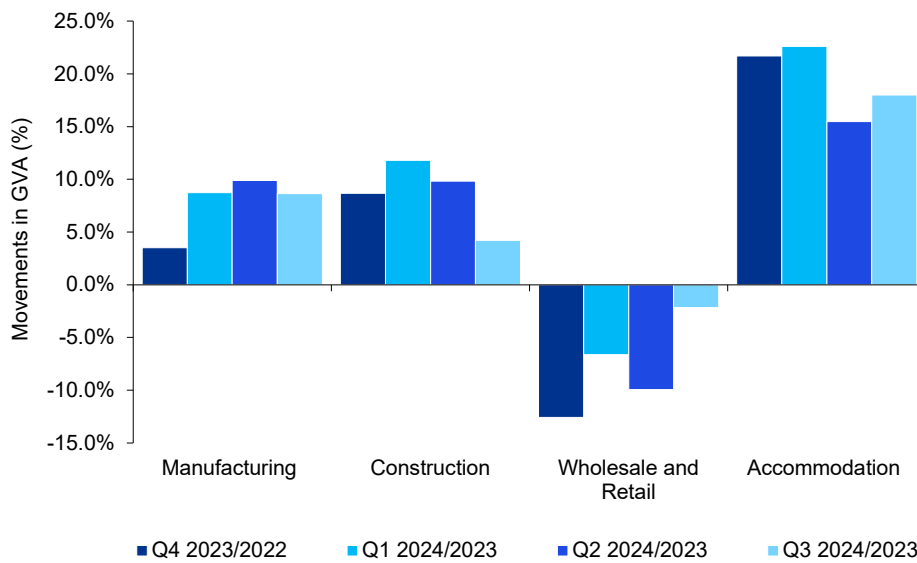
<sup>11</sup> National Statistics Office – Gross Domestic Product: Q3/2024. News release 225/2024 dated 27-Nov-2024.

<sup>12</sup> The NSO notes that the reference year has been updated, with the chain-linked volume indices re-referenced to 2020=100. In this regard, the data presented should be considered as provisional.

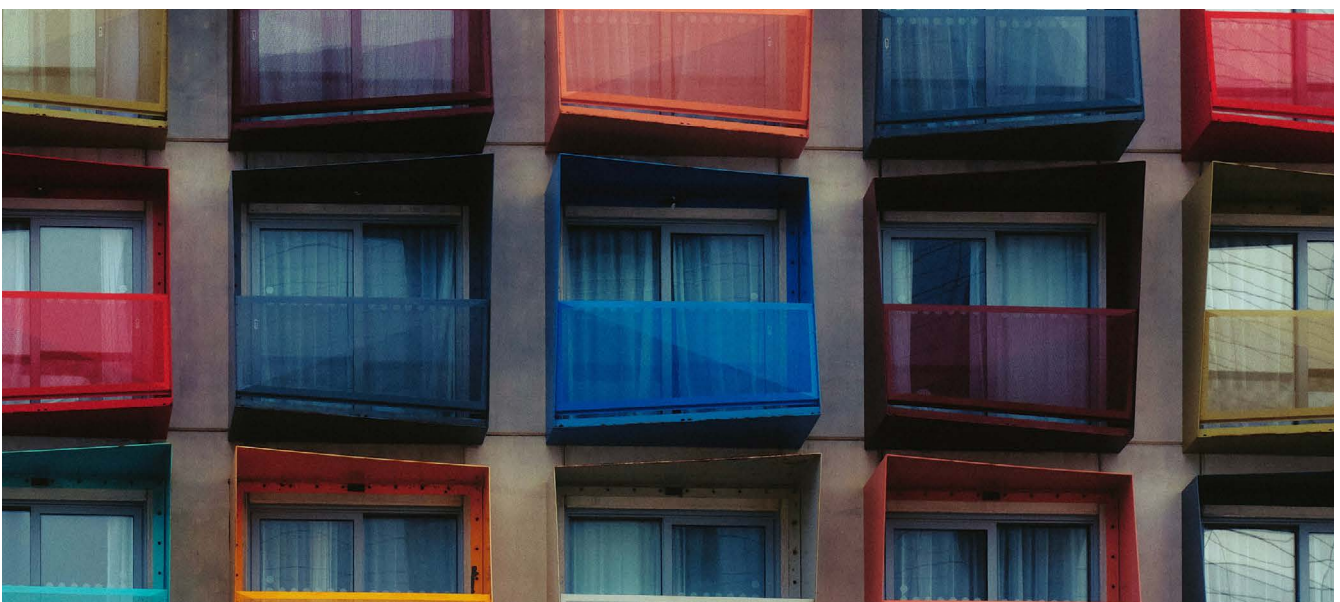
Sectoral movements in Gross Value Added (GVA) of key sectors are outlined as follows:

- In the third quarter of 2024, the **manufacturing sector** maintained its growth momentum, achieving an 8.6% increase in real GVA compared to Q3 2023.
- During the same period, the **construction sector** showed slower growth in comparison with previous quarters, but still expanding by 4.2% in real GVA compared to Q3 2023. Yet, this is still positive following the contraction recorded in 2022 and 2023.
- The **wholesale and retail trade** sector continued to decline, with an average quarterly contraction of 2.1% in real GVA compared to Q3 2023, extending the trend of sharper declines seen in previous quarters.
- The **accommodation and food service activities** sector maintained strong growth, recording an 18% rise in Q3 2024 compared to the same period in the previous year.

**Figure 8: Movements in GVA by sector**



Source: NSO data; KPMG analysis



In terms of GDP outlook, according to the Central Bank of Malta (CBM)<sup>13</sup>, the country's economic growth is expected to slow down, easing from 5.7% in 2023 to 4.4% in 2024, with further gradual declines to 3.4% by 2026. The growth forecast by the European Commission is slightly more optimistic while still projecting a decline from 5.0% in 2024 to 4.3% by 2026<sup>14</sup>.

A summary of key factors elicited from the Central Bank's forecast include the following:

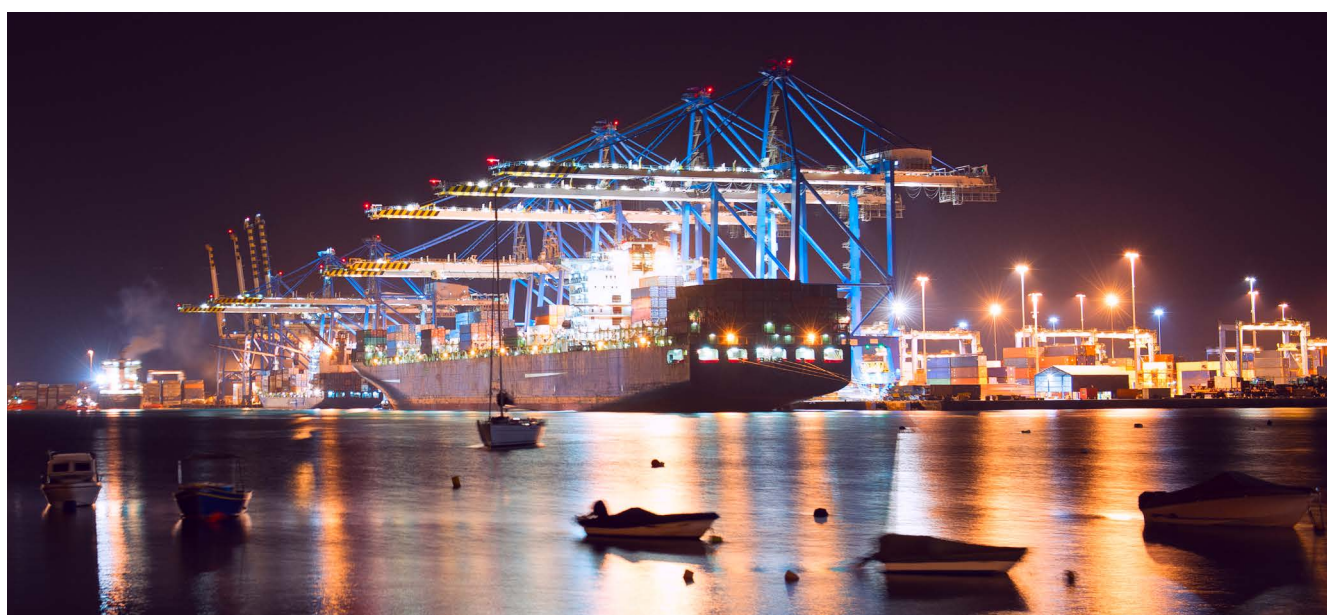
- Domestic demand, led by private consumption and recovering private investment, is set to replace net exports as the primary growth driver from 2024 onwards;
- Export growth is projected to decelerate gradually, while imports grow steadily;
- Government consumption is set to rise, with further slower increases in subsequent years;
- Private investment is forecasted to rebound in 2024 following a significant decline in 2023, with gradual subsequent increases up until 2026;

The current account surplus sees slight improvement, supported by trade balance gains, and is expected to continue recording a surplus throughout the projection horizon.

<b>Table 1: Projections for Real Economic Activity</b>				
<b>% Change on previous period</b>	<b>2023</b>	<b>2024*</b>	<b>2025*</b>	<b>2026*</b>
GDP	5.7	4.4	3.5	3.4
Private consumption expenditure	7.8	4.9	4.0	3.7
Government consumption expenditure	2.5	5.3	4.5	4.3
Gross fixed capital formation	-21.3	2.0	3.5	3.7
Exports of goods and services	8.7	4.5	3.2	3.0
Imports of goods and services	4.7	4.4	3.4	3.2

\* forecast

Source: CBM Outlook 2024:2 projections



<sup>13</sup> Central Bank of Malta (2024), Outlook for the Maltese Economy 2024:3. [Linked here.](#)

<sup>14</sup> European Commission (2024), Economic Forecast for Malta. [Linked here.](#)

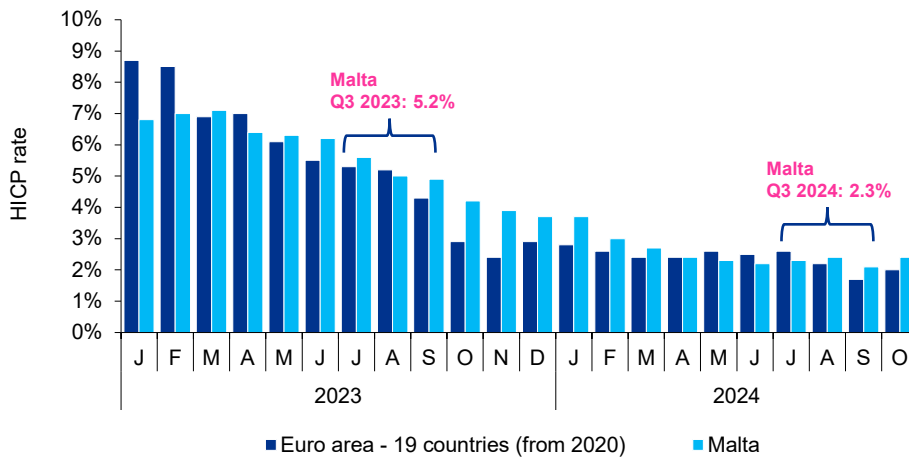
# Inflation

In the third quarter of 2024, the Harmonised Index of Consumer Prices (HICP) for the Euro area recorded an average annual inflation rate of 2.2%, a significant decline from the 4.9% registered during the same period in 2023, largely driven by the stabilisation of energy prices<sup>15</sup>. Similarly, Malta experienced a comparable trend, with its average inflation rate for Q3 2024 dropping to 2.3% from 5.2% in Q3 2023<sup>16</sup>. However, in October 2024, Malta’s inflation edged up to 2.4%, surpassing the Euro area of 2.0% for that month.

An analysis of the main components of Euro area inflation in October 2024 reveals that services recorded the highest annual rate of 4.0%, followed by food, alcohol, and tobacco at 2.9%, non-energy industrial goods at 0.5%, and energy, which remained in deflationary territory at -4.6%<sup>17</sup>.

In Malta, education registered the highest weighted inflation rate<sup>18</sup> in October at 4.8%, followed by transport, and food and non-alcoholic beverages<sup>19</sup>. The sectors are weighted to reflect the final consumption expenditure of all individuals, ensuring that the interpretation of these figures remains both accurate and contextually relevant. These trends highlight the variance in inflationary pressures across sectors and regions, highlighting the differing economic dynamics within the Euro area.

**Figure 9: HICP rate (%)**



Source: NSO data; Eurostat data; KPMG analysis

<sup>15</sup> European Commission (2024), Winter 2024 Economic Forecast: A delayed rebound in growth amid faster easing of inflation. [Linked here](#).

<sup>16</sup> National Statistics Office - Harmonised Index of Consumer Prices (HICP): October 2024. News release.

<sup>17</sup> Eurostat - Inflation in the euro area. [Linked here](#).

<sup>18</sup> "HICP weights are based on the final consumption expenditure of all individuals in the domestic territory, including spending by private households, institutional households and foreign visitors." National Statistics Office Methodology notes.

<sup>19</sup> Ibid.

## A focus on inflation inequality

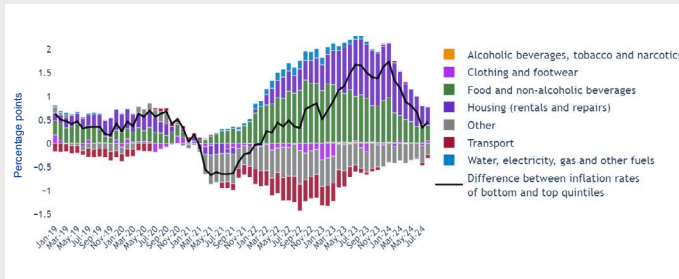
Standard inflation measures often obscure the disparate impact of rising prices on different societal groups. Household spending patterns vary significantly, leading to diverse inflation experiences. The recent surge in EU inflation since mid-2021 underscores the need to examine how inflation has affected different income groups and the potential long-term consequences as inflationary pressures subside.

By using Household Budget Surveys (HBSs) that capture consumer expenditure data based on household characteristics (income level, education level, age of person of reference, number of children, etc.), we can construct consumption baskets of households in different income brackets, in comparison to standard inflation data, which uses spending patterns of the average consumer.

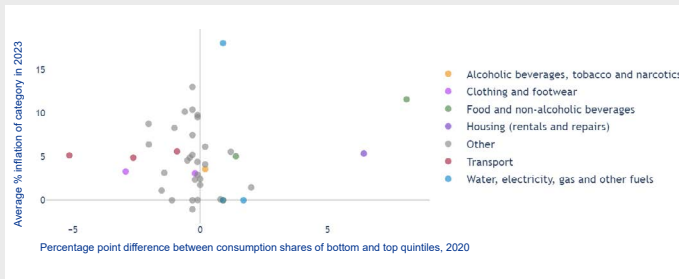
**Figure 10: Inflation rates for top and bottom quintiles, Malta (in %, year-on-year)**



**Figure 11: Contribution of each consumption category to inflation inequality, Malta (in percentage points)**



**Figure 12: Price growth and difference in importance of consumption categories, Malta**



**Source:** Bruegel based on Eurostat and NSO

In Malta, as at August 2024, the difference between inflation rates of bottom and top income quintiles was of 0.46 (HICP: 2.39%), down from the 0.73 registered in October 2022 (HICP: 7.42%)<sup>20</sup>. This means that high-income households face a very slightly higher inflation rate than low-income households (difference of only 0.46 percentage points).

From 2019 to mid-2024, low-income households have been affected by rising prices more than high-income ones, except for March to December 2021, with inflation inequality starting to soar in March 2021, reaching a peak towards October 2022, before returning to 2019 levels in 2024 (Figure 10).

Figure 11 shows income inequality in positive territory, contributed by goods and services in the food and non-alcoholic beverages, clothing and footwear, and water, electricity, gas and other fuels. This was driven by: i) a higher share of low-income consumption basket compared to the high-income basket; and/or ii) rising prices in these categories.

Figure 12 shows that as at 2023 (relative to 2020), the food and non-alcoholic beverages category makes up a greater share of low-income households' consumption than of high-income ones, and its price has increased (hence position in top right corner of chart).

<sup>20</sup> Bruegel (2024) - Inflation inequality in the European Union and its drivers [Linked here](#); Bruegel (2022) - Does inflation hit the poor hardest everywhere? [Linked here](#).

The CBM forecasts a decline in consumer price inflation by 2024, with the rate anticipated to drop to 2.5%<sup>21</sup>. By 2026, it is projected that inflation will align with the EU's target of 2.0%.

**Table 2: % Change in inflation on previous period - Malta**

	2023	2024	2025*	2026*
Overall HICP	5.6	2.5	2.1	2.0

\* 2025 and 2026 forecasts

Source: CBM projections



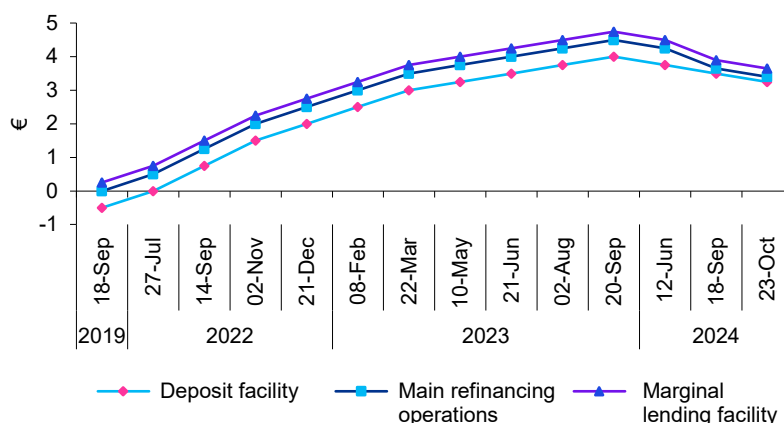
<sup>21</sup> Central Bank of Malta - Economic Projections. [Linked here](#).

# Interest Rates

In October 2024, the European Central Bank (ECB) lowered its key interest rates by 25 basis points to 3.25%, 3.40% and 3.65% for the interest rate on the deposit facility, main refinancing operations, and marginal lending facility, respectively<sup>22</sup>.

This decision follows an updated assessment indicating that inflation is on a downward trajectory. Recent economic data also shows weaker activity than anticipated. By reducing rates, the ECB aims to support a gradual return of inflation to its 2% medium-term target as it responds to domestic inflation due to ongoing wage growth, and persistent labour cost pressures<sup>23</sup>.

**Figure 13: Recent changes in key ECB interest rates**



Source: ECB<sup>24</sup> data

In August 2024, Maltese monetary financial institutions (MFIs) reported a composite interest rate of 0.39% on outstanding deposits held by local residents, a slight increase of 1 basis point from July. Conversely, the composite rate on outstanding loans decreased to 3.42%, down by 3 basis points from the previous month. As a result, the spread between these rates narrowed to 303 basis points from 307 basis points in July<sup>25</sup>.

Additionally, the composite rate paid by MFIs on new deposits from Maltese residents stood at 2.52% in August, showing a decline from the 2.63% recorded in July but surpassing the 2.09% recorded a year earlier in August 2023. Meanwhile, the composite rate charged on new loans decline to 2.95%, 7 basis points lower from the previous month and 29 basis points lower than the same month a year earlier. This widened the spread between new deposit and loan rates to 43 basis points in August, up from 39 basis points in July, though still below the 115 basis points seen a year earlier<sup>26</sup>.

<sup>22</sup> ECB (2024), Monetary Policy decisions. [Linked here](#).

<sup>23</sup> Ibid.

<sup>24</sup> ECB (2024), Key ECB interest rates. [Linked here](#).

<sup>25</sup> Central Bank of Malta - Monthly Economic Update 10/2024 and 09/2024. [Linked here](#).

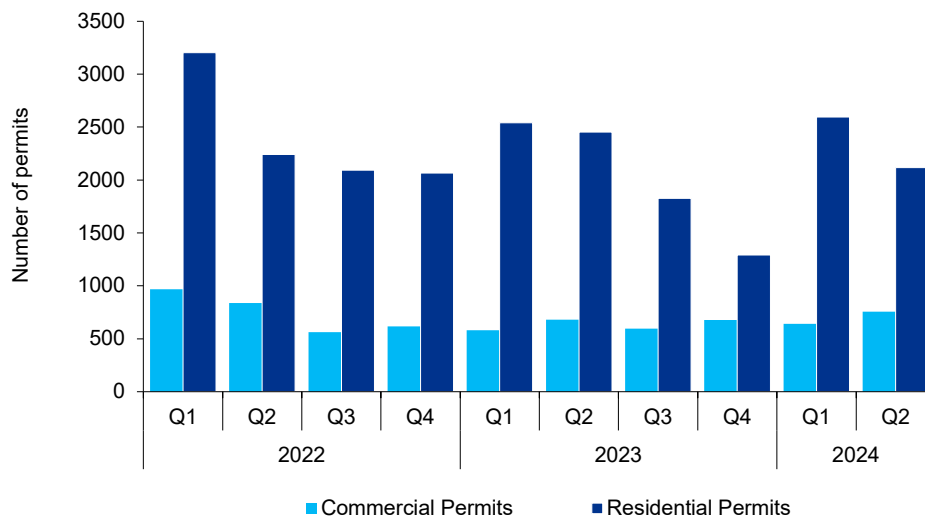
<sup>26</sup> Central Bank of Malta - Monthly Economic Update 10/2024. [Linked here](#).

# The Property Market

## 5.1 Residential and Commercial Permitted Dwellings

In the second quarter of 2024, the number of residential permitted dwellings<sup>27</sup> experienced a 13.7% decline, totalling 2,118 units<sup>28</sup>, compared to 2,455 units recorded in the same period of 2023<sup>29</sup>. Conversely, commercial permitted dwellings<sup>30</sup> saw an 11.2%<sup>31</sup> increase during this timeframe, rising from 679 units in Q2 2023 to 755 units in Q2 2024.

Figure 14: Residential and Commercial Permits



Source: NSO data; CBM publications; KPMG analysis

## 5.2 Final Deeds of Sale

In the third quarter of 2024, a total of 2,793 final deeds<sup>32</sup> of sale involving individual buyers<sup>33</sup> were recorded, reflecting a 6.4% increase compared to the corresponding period in 2023. The total value of these deeds during this quarter amounted to €705.2 million, marking a 13.8% increase over the same period in the previous year.

<sup>27</sup> Comprises of apartments, maisonettes, penthouses, terraced houses, bungalows, farmhouses, and villas.

<sup>28</sup> National Statistics Office - Residential Building Permits: Q2/2024. News Release 150/2024 dated 21st August 2024.

<sup>29</sup> National Statistics Office - Residential Building Permits: Q2/2023. News Release 148/2023 dated 21st August 2023.

<sup>30</sup> Also includes the installation of satellite dishes and swimming pools, the display of advertisements, demolitions, change of use, minor new works and others.

<sup>31</sup> Central Bank of Malta - Economic Update 2024:7 and 2024:8. [Linked here.](#)

<sup>32</sup> Includes airspace, boathouse, bungalow, farmhouse, flat/apartment, garage, garden, house, maisonette, penthouse, plot of land, semi-detached villa, terraced house, 'terran', urban tenement, and villa.

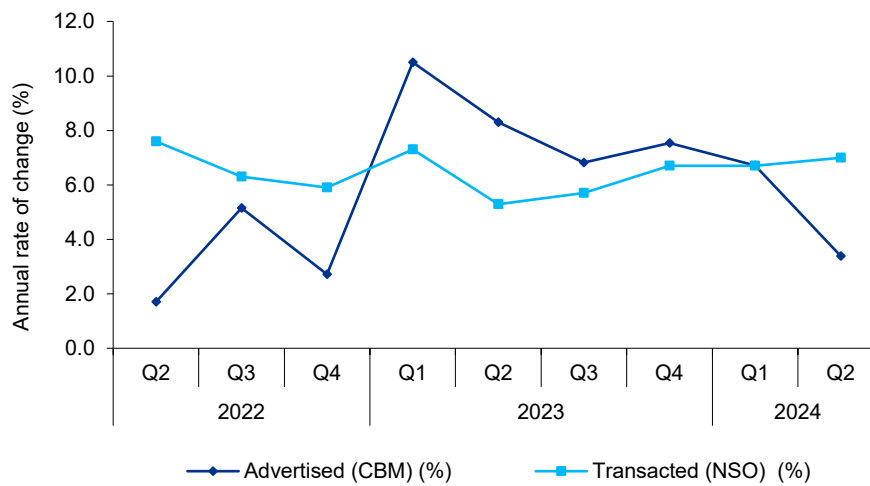
<sup>33</sup> National Statistics Office - Residential Property Transactions: October 2024. News Release 212/2024 dated 4th November 2024.



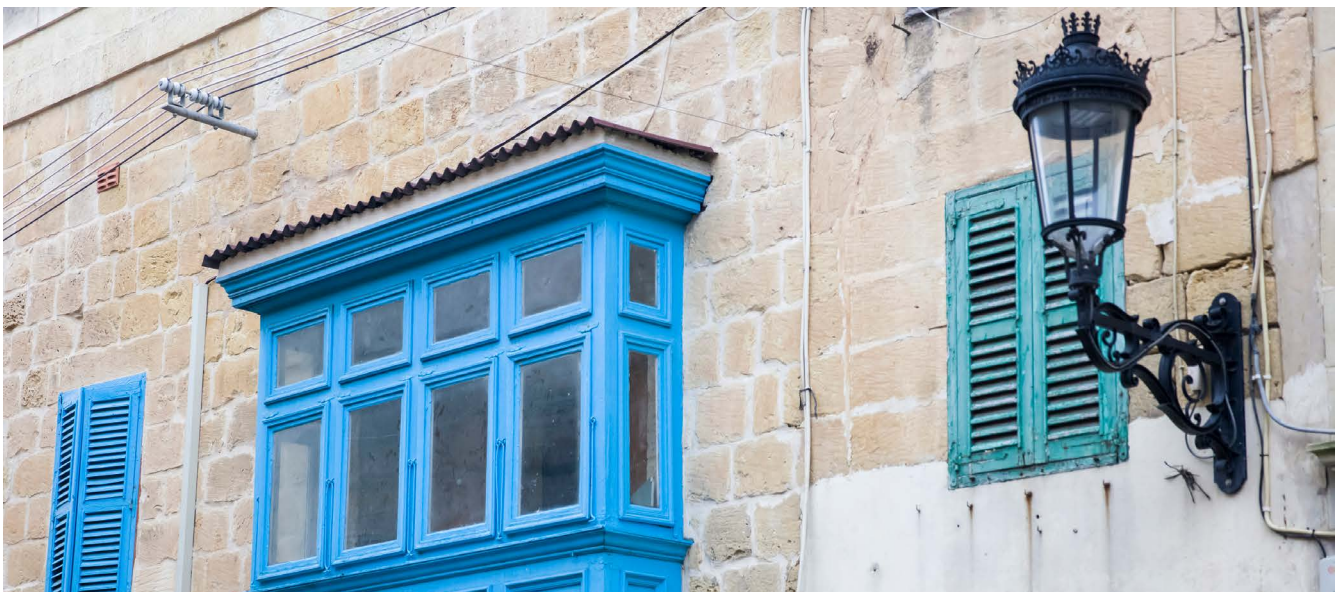
## 5.3 Property Prices

A comparison of annual changes in advertised and transacted property prices reveals a divergence in growth rates for Q2 2024 over Q2 2023. According to the latest data, the CBM<sup>34</sup> index reported an annual increase of 3.4% in advertised prices, whereas the NSO index<sup>35</sup> recorded a higher annual rise of approximately 7.0% in transacted prices. This discrepancy could be indicative that, on average, advertised prices exhibited a slower growth rate compared to contracted prices advertised prices, highlighting a disparity between market listings and actual transaction trends.

**Figure 15: Residential Property Price Indices**



**Source:** NSO data; CBM projections; KPMG analysis



<sup>34</sup> Central Bank of Malta, Real Economy Indicators. [Linked here](#).

<sup>35</sup> National Statistics Office - Property Price Index (PPI): Q2 2024, News Release 181/2024 dated 3rd October 2024.

# Contact:



## Steve Stivala

**Director**

**Advisory Services**

stevestivala@kpmg.com.mt

+356 2563 1052



## Orlanda Grech

**Manager**

**Advisory Services**

orlandagrech@kpmg.com.mt

+356 2563 1187

[www.kpmg.com/mt](http://www.kpmg.com/mt)

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