

Malta

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IN A NUTSHELL

- Real GDP growth moderated to 6.0% (from 6.8%) mainly driven by domestic demand.
- Inflation fell to 1.8% by year end, broadly similar to the rest of the eurozone.
- Residential property prices continued to increase during the first three quarters at an average annual rate of 6.9% (6.2% for 2023 as a whole).
- Mortgage lending grew by 9.4% to around €8.4 bn.

MACROECONOMIC OVERVIEW

Following the strong growth in 2023 and despite a challenging international environment economic activity moderated yet still outperformed the euro area. Real GDP grew by 6%, with growth balanced between domestic demand and net exports. Domestic demand rose by 5.3% (2.1% in 2023) contributing 4.4% to GDP growth, private consumption 5.7%, (12.2%) adding 2.7%.

Imports grew by 4.7% and exports 5.3%, a net contribution of 1.6% to growth. This reflected a smaller trade deficit in goods (in volume terms).

Government consumption grew by 7.3%, (3.1% in 2023) due to more spending on intermediate consumption and compensation (partly due to collective agreements in the education and health sectors). Overall, government consumption added 1.2% to growth.

The labour force expanded by 5.4% in the first nine months (7.1% in the same period of 2023) and employment by 5.9% (7.0%) somewhat exceeding the average increase of 3.6% estimated since 2003. According to the Labour Force Survey (LFS) the unemployment rate averaged 3.2% during the first three quarters of 2024, compared to 3.6% in the same period of 2023.

There were 122,187 foreign workers in September 2024 (109,165 in September 2023). The number of foreigners in employment rose for all types of occupation. The largest increases in absolute terms, almost half the total, were in services and sales jobs and in elementary occupations. These were also the two most prevalent jobs held by foreign employees.

Labour productivity grew by 0.8%, after it was broadly stable in the previous year. GDP growth slightly offset an increase in employment.

In the first three quarters, the general government deficit declined significantly compared to the corresponding period of 2023. On a four-quarter moving sum basis, the deficit-to-GDP ratio narrowed from 4.6% at end-2023 to 2.9% in Q3 2024. General government debt as a share of GDP declined, from 47.7% at end-2023 to 45.3% as at end-September 2024. The general government net financial worth ratio also improved. Meanwhile, the cyclically-adjusted deficit narrowed in the four quarters up to September 2024.

The average rate of HHICP inflation declined to 2.43% (from 5.6%). It eased from 3.7% in January to 1.8% by the end of the year, as supply conditions and certain import prices normalised further and the Government's Stabbiltà scheme helped dampen food inflation. HICP inflation in Malta was on average in line with that in the euro area in 2024. Although the contribution of services inflation in Malta was lower, those of food and energy inflation were higher.

HOUSING AND MORTGAGE MARKETS

The home-ownership rate decreased to a record low at 68.1% in 2024 from 74.7% in 2023. This rate averaged 79.7% from 2005 until 2024, reaching an all-time high of 82.6% in 2022.

The number of housing construction permits increased to 8,716 after decreasing in 2023 (8,112). Apartments were again by far the largest residential category, almost 87% of new permits.

National Office of Statistics (NSO) data on residential property transactions show that 12,597 final deeds of sale were registered with the tax authorities, 3.4% more than a year earlier. This follows a decline of 15% in 2023. Over 90% of final deeds registered in 2024 involved purchases by individuals. The value was €3.5bn (from €3.3bn in 2023). The data presented cover the following property types: airspace, boathouse, bungalow, farmhouse, flat/apartment, garage, garden, house, maisonette, penthouse, plot of land, semi-detached villa, terraced house, 'terran' (groundfloor), urban tenement, and villa.

Residential property prices continued to increase during the first three quarters. The NSO's Property Price Index (PPI) – based on actual transactions of apartments, maisonettes and terraced houses – increased at an average annual rate of 6.9% during the first three quarters of the year, following a 6.2% increase in 2023 as a whole. The price increase in the first three quarters of 2024 exceeded that in the euro area, where house prices increased by an annual rate of 1.2%.

Mortgages to residents for house purchases totalled around €8.4 bn at year end, up from around €7.7 bn in 2023. The core domestic banks extended well over 90% of the credit provided to households and individuals (which includes mortgage loans). The median loan-to-value ratio increased to 79.5%. During 2024 the weighted average lending rates paid by households decreased, compared to 2023. Mortgage rates decreased to 2.6%, while rates on consumer credit and other lending decreased to around 4.1%.

In recent years, various factors contributed to the attractiveness of property investment such as, an increase in disposable income, the influx of foreign workers which increased demand for property and a growth in tourism which led to a strong demand for private accommodation.

Prices continued to be supported by low-interest rates and government schemes to support the residential property market, some of which were modified during the year.

The Malta Citizenship by Investment scheme which allows foreigners to acquire Maltese citizenship, subject to certain conditions which can include property purchases also played a role in generating demand for local properties.

MORTGAGE FUNDING

Mortgage loans are mainly provided by the core domestic banks, predominantly Bank of Valletta plc and HSBC Bank Malta plc, which account for around 66% of the domestic retail market (as a percentage of total deposits held by the core domestic banks). These latter banks rely mainly on resident deposits for funding, which increased to almost € 29.5bn. Local retail deposits provide ample liquidity to the core domestic banks and with a loan-to-deposit ratio as low as 58% (as of June 2024), such banks do not need to resort to issuing covered bonds or to securitising assets.

GREEN FUNDING

During the last few years, various of the core domestic banks, launched a wide array of green energy loans to finance the acquisition of equipment to generate renewable energy or increase energy efficiency – which include PV panels; green roof gardens; solar water collectors; space heating and hot water or cooling generation; insulation; interior and exterior apertures – double glazing and insulation; ventilation, heating or cooling and lighting systems; energy generation household storage and EV household charging stations.

Sources: *inter alia* CBM Annual Report 2024, CBM Financial Stability Report 2024, NSO website and CBM website Monetary and Banking Statistics

	MALTA 2023	MALTA 2024	EU 27 2024
MACROECONOMIC VARIABLES			
Real GDP growth (%) (1)	6.8	5.9	1.0
Unemployment Rate (LSF), annual average (%) (1)	3.5	3.1	5.9
HICP inflation (%) (1)	5.6	2.4	2.6
HOUSING MARKET			
Owner occupation rate (%) (1)*	74.7	68.1	68.4
Gross Fixed Investment in Housing (annual change) (1)	-1.1	7.5	-4.3
Building Permits (2015=100) (2)	205.5	220.8	136.9
House Price Index - country (2015=100) (2)	155.3	163.3	179.8
House Price Index - capital (2015=100) (2)	-	-	171.5
Nominal house price growth (%) (2)	9.2	5.2	4.9
MORTGAGE MARKET			
Outstanding Residential Loans (mn EUR) (2)	8,353	8,170	6,879,667
Outstanding Residential Loans per capita over Total Population (EUR) (2)	15,410	14,500	15,311
Outstanding Residential Loans to disposable income ratio (%) (2)	n/a	n/a	71.3
Gross residential lending, annual growth (%) (2)	n/a	n/a	3.9
Typical mortgage rate, annual average (%) (2)	2.85	1.95	4.34

(1) Eurostat Data

(2) European Mortgage Federation – Hypostat 2024, Statistical Tables

* Eurostat Reviewed

** EU 2024 to be confirmed



MALTA FACT TABLE

Which entities can issue mortgage loans in your country?

Main lenders are the 6 core domestic banks (APS Bank Ltd; Bank of Valletta plc; BNF plc; HSBC Bank Malta plc; Lombard Bank Malta plc, MeDirect Bank (Malta) plc) plus 3 other banks, FCM Bank Ltd, FIMBank plc and Izola Bank p.l.c.

What is the market share of new mortgage issuances between these entities?

Not available

Which entities hold what proportion of outstanding mortgage loans in your country?

HSBC Bank and Bank of Valletta (BOV) account for 73.3% of the total assets (December 2024) held by the core domestic banks.

What is the typical LTV ratio on residential mortgage loans in your country?

The LTV has remained contained at around 79.5%.

How is the distinction made between loans for residential and non-residential purposes in your country?

Central Bank of Malta regulations differentiate macroprudential measures between Category I borrowers – purchasing their primary residential property and Category II borrowers – purchasing their second or additional residential property or buy-to-let properties.

What is/are the most common mortgage product(s) in your country?

Borrowers can choose both fixed and variable rate mortgages, with capital and interest payable over the term of the loan. A moratorium on capital repayments can normally be agreed for an initial number of years, during which interest only is repaid.

What is the typical/average maturity for a mortgage in your country?

The maximum maturity granted in Malta is linked to the retirement age. 40-year mortgages to Category I borrowers are only issued on condition that the mortgage is repaid before the borrower reaches the age of 65.

What is/are the most common ways to fund mortgage lending in your country?

Mortgage funding in Malta remains predominantly deposit-based. Core domestic banks, provided approximately 88% of bank credit to residents and collected around 93% of total resident deposits.

What is the level of costs associated with house purchase in your country (taxes and other transaction costs)?

In Malta, there is a 5% Duty on Documents (Stamp Duty) on purchases, which can be reduced to 3.5% of the first EUR 150,000 under certain conditions (see www.notariesofmalta.org/taxinfo.php) and one final withholding tax of 8% on the value of the property when sold (again, with certain conditions).

What is the level (if any) of government subsidies for house purchases in your country?

The Maltese Housing Authority currently provides the following schemes: (a) Grant to Assist Owners in the Construction and/or Completion or Rehabilitation of their First Home; (b) Installation of lifts in Government owned residential blocks/entrances; (c) Rent Subsidy in Private Rented Residences; (d) Scheme for Persons with Disability; (e) A Scheme to encourage residents of Government owned property Department to become owner occupiers; (f) Subsidy on Adaptation Works; (g) Subsidy on Adaptation Works related to dangerous structures; (h) Redemption of Ground Rent, (i) Equity Sharing Scheme for persons over 40 (j) a scheme for the restoration of streetscapes in Urban Conservation Areas (UCAs). (k) a Scheme to lease vacant property for social housing.

The Maltese Housing Authority embarked on a EUR 50 mn social housing project (see <https://www.eib.org/en/projects/pipelines/all/20150802>)