



5. BALANCE OF PAYMENTS

During the first three quarters of 2023, the current account in the balance of payments (BOP) registered a surplus as opposed to a deficit in the corresponding period of 2022. This reflects a decline in the merchandise trade deficit, higher net receipts from services and lower outflows on the secondary income account.

Between January and September net inflows on the capital account increased compared to the corresponding period of 2022. On the financial account, net lending was recorded as opposed to net borrowing during the same period of 2022. Net errors and omissions turned positive.¹

When measured over the four quarters to September 2023, the current account balance registered a surplus, equivalent to 1.3% of GDP. This compares with a current account surplus of 1.3% of GDP in the euro area.² The cyclically-adjusted current account balance was estimated to have recorded a surplus of 1.5% during the third quarter of 2023.

References to Malta in this chapter are based on the 2023Q3 vintage of the BOP available on Eurostat in January 2024, and therefore may not be consistent with the most recent trade data reported for 2023 in other chapters, which are based on the GDP release covering the full year. As BOP data are undergoing substantial revisions, readers are advised to exercise caution in interpreting changes over time.

The current account

Between January and September 2023, the current account recorded a surplus of €295.6 million, an improvement from a deficit of €461.0 million a year earlier (see Table 5.1). This was driven by a decrease in the merchandise trade deficit, higher net receipts from services as well as lower net outflows on

Table 5.1
BALANCE OF PAYMENTS

EUR millions

	2020	2021	2022	2022 Q1-Q3	2023 Q1-Q3
Current account	293.5	184.5	-518.7	-461.0	295.6
Goods	-1,222.5	-1,924.9	-3,184.6	-2,553.9	-1,922.0
Services	3,464.6	4,106.5	5,102.1	3,896.1	4,148.4
Primary income	-1,754.0	-1,725.1	-1,974.0	-1,428.9	-1,775.0
Secondary income	-194.4	-272.1	-462.1	-374.2	-155.9
Capital account	84.2	151.7	266.7	170.7	269.7
Financial account⁽¹⁾	-272.1	636.5	-71.0	-1,401.8	3,003.1
Errors and omissions	-649.7	300.3	181.2	-1,111.3	2,437.8

Source: Eurostat.

⁽¹⁾ Net lending (+) / net borrowing (-).

¹ Positive net errors and omissions indicate an underestimation of net inflows on the capital and current accounts and/or an overestimation of net lending on the financial account.

² BOP data for 2020-2022 for Malta and the euro area should be interpreted in the context of the unprecedented developments related to COVID-19 and the war in Ukraine.

the secondary income account. Together these offset an increase in net outflows on the primary income account.

When measured as a four-quarter moving sum, the balance on the current account showed a surplus of €237.9 million, from a deficit of €367.3 million a year earlier. The current account-to-GDP ratio reached 1.3%, from -2.2% a year earlier (see Charts 5.1 and 5.2).

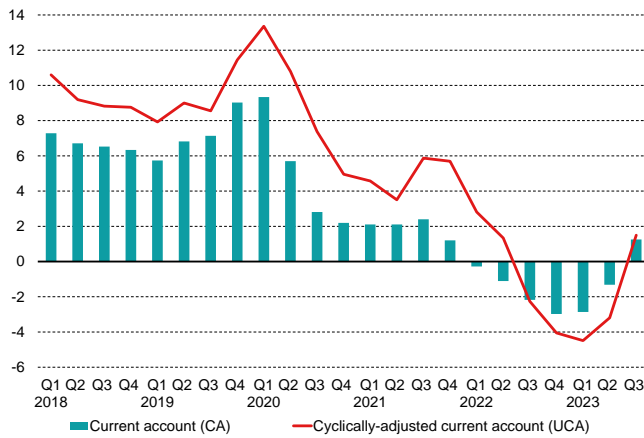
Malta's cyclically-adjusted current account balance is estimated to have stood at 1.5% of GDP in the year to September 2023. The cyclically-adjusted measure broadly exhibits similar developments to the unadjusted measure (see Chart 5.1). However, in the third quarter it stood slightly above the headline measure.³

Goods deficit narrows

In the first three quarters of 2023, the merchandise trade gap narrowed by €631.9 million when compared with the corresponding period of 2022 and stood at €1,922.0 million. This was the result of a €858.7 million decline in imports, which offset a €226.6 million decline in exports. The decline in imports was mainly due to a decline in imports of machinery and transport equipment and fuels.

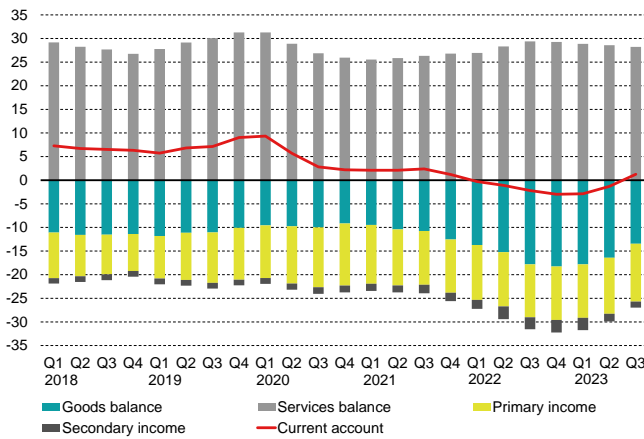
When measured on a four-quarter cumulative basis, the visible trade gap narrowed to €2,552.7 million, €457.1 million less than the deficit recorded a year earlier. This stemmed from a €359.9 million decline in goods imports, which outweighed a €97.4 million rise in goods exports. As a result, the share of the goods deficit in GDP declined to 13.5% in the year to September 2023, from 17.8% a year earlier (see Chart 5.3).

Chart 5.1
CURRENT ACCOUNT
(four-quarter moving sums as a percentage of GDP)



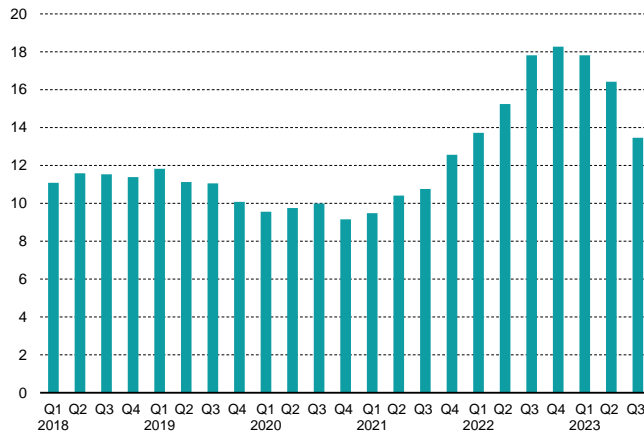
Sources: Eurostat; Central Bank of Malta.

Chart 5.2
COMPOSITION OF CURRENT ACCOUNT
(four-quarter moving sums as a percentage of GDP)



Source: Eurostat.

Chart 5.3
GOODS DEFICIT
(four-quarter moving sums as a percentage of GDP)



Sources: Eurostat; Central Bank of Malta.

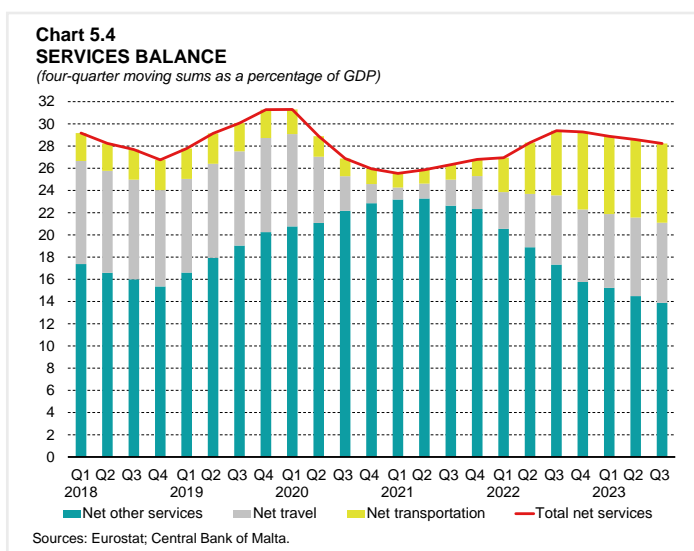
³ For more information on Malta's cyclically-adjusted current account see Grech, A. G., & Rapa, N., "An evaluation of recent shifts in Malta's current account position", in Grech, A.G., & Zerfa, S. (eds.), *Challenges and Opportunities of Sustainable Economic Growth: the Case of Malta*, Central Bank of Malta, 2017.

The surplus on services widens

Between January and September 2023, the surplus on services increased by €252.3 million on a year earlier, reaching €4,148.4 million, as the increase in services receipts was stronger than that in related payments. The transport and travel components drove the increase in the surplus from services. By contrast, net receipts on 'other services' decreased.

When measured over the year to September 2023, the overall surplus from services stood at €5,354.4 million, an increase of €390.1 million when compared with the corresponding period of 2022.

The main contributor to this increase in surplus were the transport and travel components. The share of net services receipts in GDP declined to 28.2%, from 29.4% over the same period last year (see Chart 5.4).



Net outflows related to primary income increase⁴

Between January and September 2023, net outflows related to primary income rose to €1,775.0 million, €346.1 million more than in the first three quarters of 2022. This was due to higher net outflows related to income from direct investment and 'other investment'. These outweighed higher net interest and dividend income earned on portfolio investment. Movements on the primary income account continued to be strongly influenced by internationally oriented firms, including subsidiaries of foreign banks, which transact predominantly with non-residents.

When measured on a four-quarter cumulative basis, net outflows on this component also increased. Their share in GDP stood at 12.2%, 1.0 percentage point more than in the four quarters to September 2022.

Net outflows from secondary income decrease⁵

During the first nine months of 2023, net outflows on the secondary income account amounted to €155.9 million, less than half the amount recorded in the corresponding period of 2022.

Net outflows also decreased when measured over four quarters, reaching €243.8 million. These were equivalent to 1.3% of GDP, down from 2.5% in the four quarters to September 2022.

Tourism

During 2023, the tourism sector reached new highs as almost three million tourists visited Malta. Nights stayed and tourist expenditure in Malta also rose significantly compared with 2022, and surpassed pre-pandemic levels.

The number of tourists visiting Malta increased by almost a third in 2023, reaching 2,975,670, up from 2,286,597 in 2022 (see Chart 5.5). Tourist arrivals surpassed 2019 levels across most source markets, with the exception of the United Kingdom, Sweden, Ireland, Belgium and Spain.

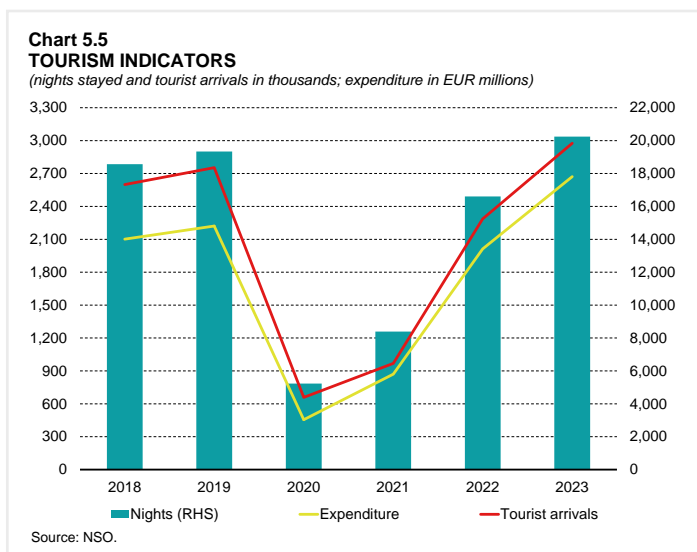
Tourists visiting Malta for leisure purposes accounted for most of the increase in arrivals in absolute terms. This segment recorded 2,705,845 visitors, a 32.6% increase over 2022, and accounted for most of the

⁴ The primary income account shows income flows related mainly to cross-border investment and compensation of employees.

⁵ The secondary income account shows current transfers between residents and non-residents.

increase in overall arrivals. Those visiting for business and other reasons also increased, but these segments accounted for around 3% of the total increase.

Double-digit growth in arrivals was reported from all major source markets, except the Netherlands, where the increase was smaller. Italy and the United Kingdom registered the largest increases in absolute terms. These two countries were the most important markets in 2023, each accounting for around 18% of total tourist arrivals. They were followed by France and Germany which made up 9.6% and 7.3% of arrivals, respectively. Poland was next, with a share of 5.6%.



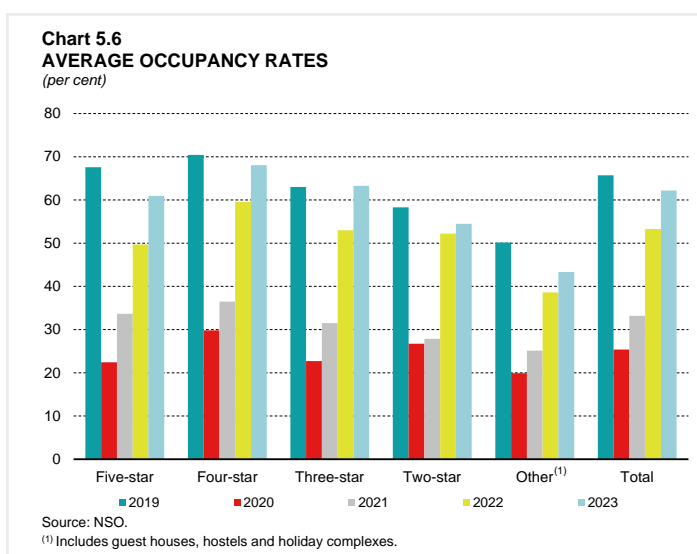
The number of nights that tourists spent in Malta increased to 20.2 million in 2023, 21.9% more than the number of nights stayed in 2022. This was mainly attributable to a rise in nights stayed in collective accommodation, followed by other rented accommodation. The increase in nights stayed in non-rented accommodation was much more muted. Nights stayed, surpassed pre-pandemic levels by 4.7%.

The total average occupancy rate in collective accommodation establishments rose to 62.2% in 2023, up from 53.3% a year earlier, but still short of that recorded in 2019 when it reached 65.6% (see Chart 5.6). Higher occupancy rates were registered across all accommodation categories compared to 2022.

During 2023, the share of non-residents in the total number of guests using collective accommodation increased relative to a year earlier, to reach 88.4%, and stood only slightly below that of 90.1% recorded in 2019.

Tourist expenditure increased by almost a third over 2022, to reach €2,671.4 million. The largest increase in absolute terms was in the non-package expenditure category, followed by package expenditure, and 'other' expenditure.

Since tourism expenditure increased at a faster pace compared with arrivals, expenditure per capita rose to €897.8, from €880.1 in 2022 – an increase of 2.0%. This increase occurred despite a further reduction in the average length of stay from 7.3 nights in 2022 to 6.8 nights in the year under review and reflects an increase of almost 9% in per person spending per night.



According to Malta International Airport (MIA) data, seat capacity increased by almost 30% in 2023, compared with a year earlier, reaching an average of 762,915 seats per month (see Chart 5.7). This was 2.4% above its 2019 level.

A total of 309 cruise liners visited Malta during 2023, up from 283 a year earlier, but still less than in 2019, when the number of cruise liner calls totalled 359. Foreign passengers reached 788,100 persons, almost two-thirds more than the number that visited in 2022, and 4.5% above the number recorded in 2019 (see Chart 5.8). Visitors from Italy made up the largest share of cruise passengers during 2023, followed by those from the United Kingdom, and the United States. These nationalities together accounted for over half of all cruise passengers in 2023.

The capital and financial accounts

The capital account recorded net inflows of €269.7 million in the first three quarters of 2023, an increase of €99.0 million on a year earlier (see Table 5.1). Similar developments were observed on a four-quarter moving sum basis, although in this case the increase was larger at €130.1 million.

Meanwhile, the financial account showed net lending of €3,003.1 million in the first nine months of 2023. This contrasts with net borrowing of €1,401.8 million in the same period of 2022. The shift to net lending reflected transactions in the 'other investment' account. When measured on a four-quarter sum basis, the financial account also shows a net lending balance from a net borrowing balance a year earlier.

