

## 4. THE BALANCE OF PAYMENTS

During the fourth quarter of 2023, the current account balance turned into a surplus from a deficit during the same quarter in the previous year. This was due to a narrowing of the merchandise trade deficit, and higher net receipts from services, offsetting higher net outflows on the primary and secondary income accounts.

In the quarter under review, net inflows on the capital account decreased when compared to the corresponding quarter of 2022, while the balance on the financial account turned into net lending from net borrowing.

The current account balance registered a surplus equivalent to 0.9% of GDP in the fourth quarter of 2023. This compares with a current account surplus of 1.9% of GDP in the euro area.

The cyclically-adjusted current account balance is estimated to have recorded a surplus of 1.7% during the quarter under review.

As balance of payments data are undergoing substantial revisions, readers are advised to exercise caution in interpreting changes over time.

During the fourth quarter of 2023, the tourism sector continued to perform well. The number of inbound tourists, nights stayed, and tourist expenditure in Malta all increased strongly when compared with a year earlier.

### The current account

#### The current account turns into a surplus

Between October and December 2023, the current account of the balance of payments registered a surplus of €12.6 million, a €91.0 million improvement from the deficit recorded in the same quarter of 2022 (see Table 4.1). This was driven by a decrease in the merchandise trade deficit, and higher net receipts from services, which offset higher net outflows on the primary and secondary income accounts.

**Table 4.1**  
**BALANCE OF PAYMENTS**

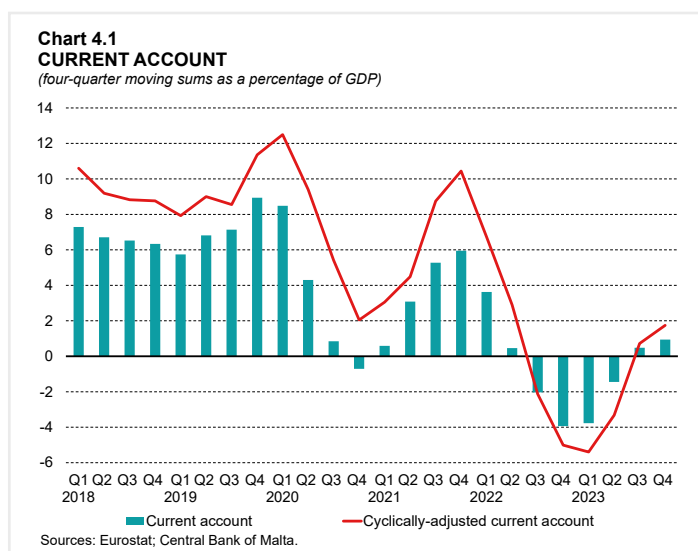
EUR millions

	Four-quarter moving sums					2022 Q4	2023 Q4
	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4		
<b>Current account</b>	<b>-685.6</b>	<b>-675.6</b>	<b>-265.4</b>	<b>91.1</b>	<b>182.0</b>	<b>-78.3</b>	<b>12.6</b>
Goods	-3,177.4	-3,186.9	-2,996.8	-2,581.7	-2,526.3	-578.4	-522.9
Services	5,161.7	5,271.5	5,411.5	5,553.7	5,651.4	1,224.5	1,322.2
Primary income	-2,226.8	-2,315.9	-2,394.7	-2,609.4	-2,636.4	-641.3	-668.4
Secondary income	-443.1	-444.3	-285.4	-271.5	-306.6	-83.2	-118.3
<b>Capital account</b>	<b>267.8</b>	<b>359.2</b>	<b>348.1</b>	<b>368.6</b>	<b>296.5</b>	<b>96.3</b>	<b>24.2</b>
<b>Financial account<sup>(1)</sup></b>	<b>-444.9</b>	<b>567.6</b>	<b>551.9</b>	<b>-235.0</b>	<b>424.0</b>	<b>-151.6</b>	<b>507.4</b>
<b>Errors and omissions</b>	<b>-27.1</b>	<b>884.0</b>	<b>469.2</b>	<b>-694.7</b>	<b>-54.6</b>	<b>-169.5</b>	<b>470.6</b>

Sources: Eurostat; Central Bank of Malta.

<sup>(1)</sup> Net lending (+) / net borrowing (-).

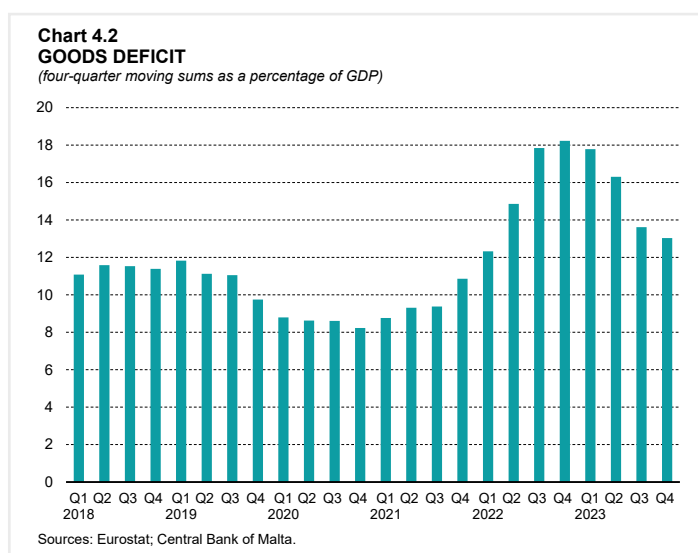
During the year 2023, the current account turned to a surplus of €182.0 million, from a deficit of €685.6 million a year earlier. This shift reflected a lower merchandise trade deficit, a higher surplus on the services account, as well as smaller net outflows on the secondary income account. These offset higher net outflows on the primary income account. As a result, the current account balance-to-GDP ratio reached 0.9%, from -3.9% a year earlier (see Chart 4.1). Malta's cyclically-adjusted current account surplus is estimated to have stood at 1.7% of GDP in the fourth quarter of 2023, and thus more positive than the headline measure (see Chart 4.1).<sup>1</sup>



### The merchandise trade deficit narrows

In the fourth quarter of 2023, the merchandise trade deficit stood at €522.9 million, down from €578.4 million in the corresponding period of 2022. This was driven by a decrease in imports, which offset a decrease in exports. The former mostly reflected a decrease in imports of machinery and manufactured goods, which had been boosted by extraordinary investment in aviation sector in the last quarter of 2022.

The visible trade gap also declined when measured on a four-quarter cumulative basis, reaching €2,526.3 million, from €3,177.4 million in the same period a year earlier. This reflected a €829.1 million decline in goods imports, mainly because of a decrease in imports of machinery and transport equipment and fuel, and a €178.0 million decrease in exports. As a result, the share of the goods deficit in GDP declined to 13.0% during 2023, from 18.2% a year earlier (see Chart 4.2).

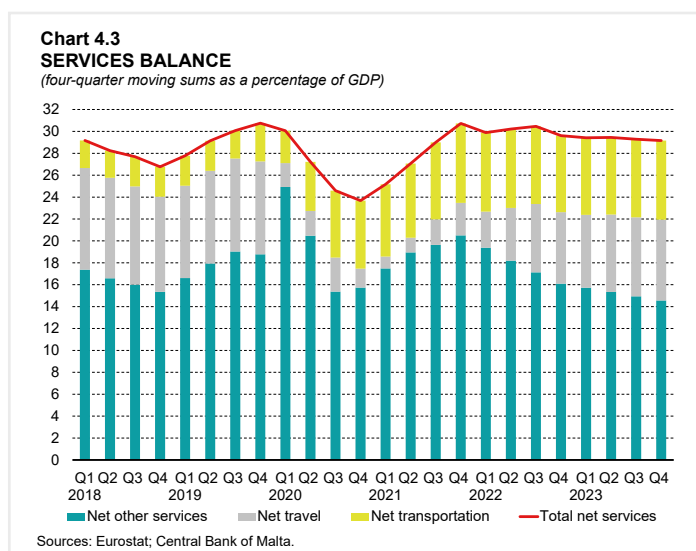


<sup>1</sup> For more information on Malta's cyclically-adjusted current account see Grech, A. G., & Rapa, N., "An evaluation of recent shifts in Malta's current account position", in Grech, A.G., & Zerfa, S. (eds.), *Challenges and Opportunities of Sustainable Economic Growth: the Case of Malta*, Central Bank of Malta, 2017.

### The surplus on services widens

In the quarter under review, net receipts on the services account amounted to €1,322.2 million, €97.7 million more than in the corresponding period of 2022. Both services exports and imports increased on a year earlier. However, the increase in the former was stronger.

The transport and travel components drove the increase in the surplus from services. By contrast, net receipts on 'other services' decreased. This decline mostly reflected lower exports of non-financial business services.



On a four-quarter cumulative basis, the overall surplus from services stood at €5,651.4 million, an increase of €489.7 million over the surplus recorded in 2022. The main contributors to this increase were the transport and travel components, although net receipts from 'other services' also rose. The share of net services receipts in GDP stood at 29.2%, from 29.6% over the same period last year (see Chart 4.3).

### Net outflows on the primary income account increase<sup>2</sup>

Between October and December 2023, net outflows on the primary income account stood at €668.4 million, €27.0 million more than in the fourth quarter of 2022. This was mainly due to higher net payments related to reinvested earnings, which offset higher net income receipts related to portfolio investment, as well as a decrease in net outflows related to 'other investment'.

In the year to December 2023, net outflows on the primary income account increased by €409.6 million, to stand at €2,636.4 million. Transactions relating to primary income continued to be strongly influenced by internationally-oriented firms, which transact predominantly with non-residents. Over the year 2023, net outflows on the primary income account amounted to 13.6% of GDP.

### Outflows on the secondary income account increase<sup>3</sup>

In the fourth quarter of the year, net outflows on the secondary income account increased by €35.2 million on a year earlier, to stand at €118.3 million.

During the year, these stood at €306.6 million, equivalent to 1.6% of GDP, and €136.5 million less than the amount recorded in 2022.

<sup>2</sup> The primary income account shows income flows related mainly to cross-border investment and compensation of employees.

<sup>3</sup> The secondary income account shows current transfers between residents and non-residents.

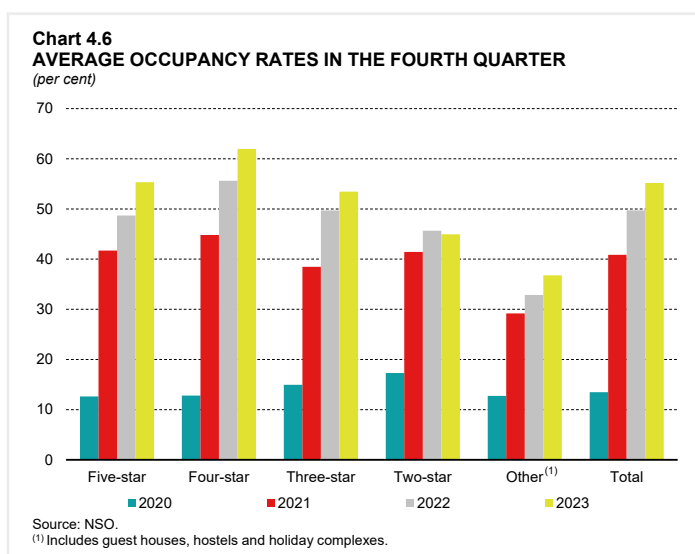
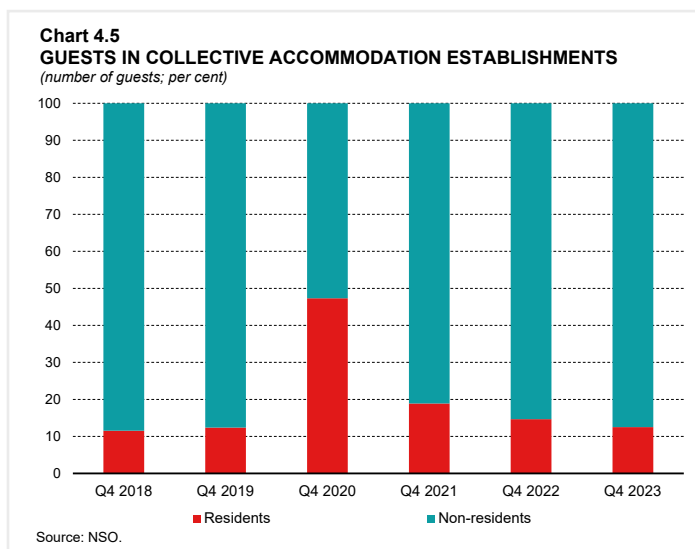
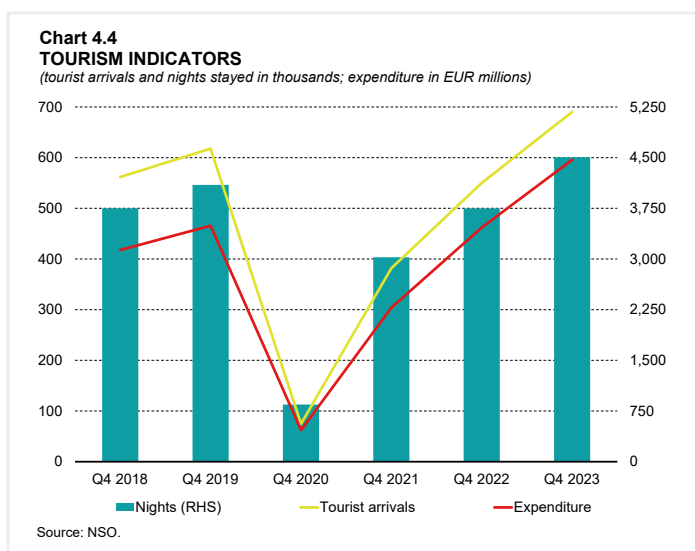
## Tourism activity

In the period under review, the number of inbound tourists amounted to 690,220, up from 550,191 a year earlier (see Chart 4.4). Visitors from the United Kingdom, Italy, Germany, and Poland accounted for more than half of the increase. In absolute terms, tourists visiting for holiday purposes accounted for almost all the annual rise in arrivals. Visitors coming for 'other' motives, such as education, religious and health tourism, also recorded some gains. On the other hand, the number of those visiting for business purposes declined.

Meanwhile, the total number of guest nights that tourists spent in Malta amounted to 4.5 million, up from 3.7 million a year earlier. Stays in rented accommodation accounted for this increase as stays in non-rented accommodation declined.

In the final quarter of 2023, the share of non-residents in collective accommodation establishments stood at 87.5%, up from 85.3% in the fourth quarter of 2022, and nearly at par with the share of 87.6% recorded in the last quarter of 2019 (see Chart 4.5).

The total occupancy rate in collective accommodation establishments in the fourth quarter of 2023 rose to 55.2%, from 49.7% a year earlier (see Chart 4.6). All categories, except for the two-star category, reported increases in their occupancy rates. The five-star and four-star

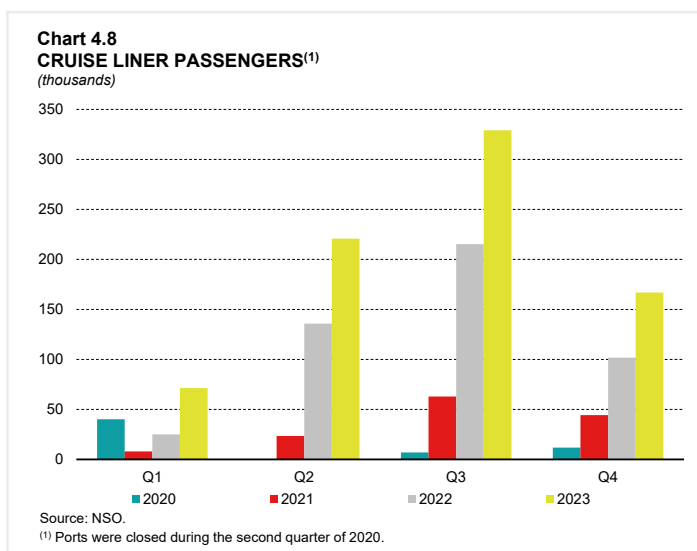
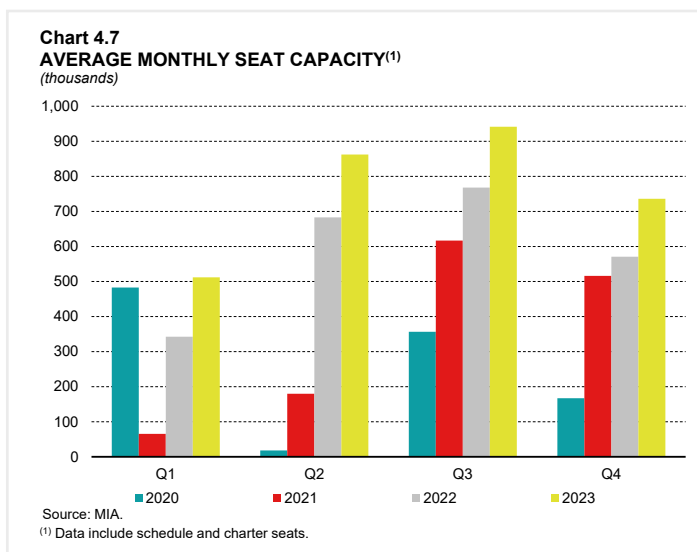


categories registered the largest increases – of 6.6 and 6.3 percentage points, respectively. Occupancy rates in collective accommodation remained below those recorded in the final quarter of 2019 in all categories, except the three-star category.

Tourist expenditure in Malta totalled €595.8 million in the fourth quarter of 2023, up from €462.1 million a year earlier. All expenditure categories registered gains over this period.

Expenditure per capita increased to €863.1, from €839.9 in the final quarter of 2022, as expenditure per night increased. This offsets a decline in the average length of stay, which stood at 6.5 nights from 6.8 nights a year earlier.

According to Malta International Airport (MIA) data, in the fourth quarter of 2023, average seat capacity stood at 736,096 seats per month, up from 570,904 a year earlier (see Chart 4.7). Seat capacity was 3.7% above the level recorded in the fourth quarter of 2019.



A total of 82 cruise liners visited Malta in the fourth quarter of 2023, 21 more than a year earlier. Foreign passengers reached 166,913 persons, up from 101,797 visitors in the fourth quarter of 2022 (see Chart 4.8). The number of passengers exceeded the levels recorded in the fourth quarter of 2019.

Visitors from Italy comprised the largest share of total cruise passengers in the quarter under review, followed by visitors from the United States, the United Kingdom and Germany.

### The capital account

Net inflows on the capital account stood at €24.2 million in the fourth quarter of 2023, down from €96.3 million a year earlier (see Table 4.1). By contrast, when measured on a four-quarter cumulative basis, capital inflows increased to €296.5 million, from €267.8 million during 2022.