

4. THE BALANCE OF PAYMENTS

During the second quarter of 2024, the current account surplus widened compared to the same quarter of the previous year. This was mainly due to higher net receipts from services, although a narrower merchandise trade deficit also contributed. By contrast, net outflows on the primary income accounts increased and net inflows on the secondary income account decreased.

In the quarter under review, net inflows on the capital account increased when compared to the corresponding quarter of 2023, while the financial account showed higher net lending.

The current account balance registered a surplus equivalent to 7.0% of GDP in the second quarter of 2024. This compares with a current account surplus of 2.6% of GDP in the euro area.

The cyclically-adjusted current account balance is estimated to have recorded a surplus of 10.3% 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.

In the second quarter of 2024, the tourism sector reported further gains. The number of inbound tourists, nights stayed, and tourist expenditure in Malta all increased when compared with a year earlier.

The current account

The current account surplus widens

Between April and June 2024, the current account of the balance of payments recorded a surplus of €406.5 million, a €190.8 million increase from the surplus recorded in the same quarter of 2023 (see Table 4.1). This mostly reflected higher net receipts from services, although a slight narrowing in the goods deficit also contributed. These offset higher net outflows on the primary income account and lower net inflows on the secondary income account.

Table 4.1
BALANCE OF PAYMENTS

EUR millions

	Four-quarter moving sums					2023 Q2	2024 Q2
	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2		
Current account	694.9	1,220.5	1,315.5	1,330.1	1,521.0	215.7	406.5
Goods	-2,996.8	-2,488.9	-2,446.6	-2,449.1	-2,443.1	-743.0	-737.0
Services	5,824.5	6,001.9	6,153.2	6,292.4	6,606.1	1,486.0	1,799.6
Primary income	-2,053.5	-2,217.8	-2,303.1	-2,477.2	-2,599.6	-541.5	-664.0
Secondary income	-79.4	-74.7	-88.0	-36.1	-42.5	14.3	7.9
Capital account	221.3	234.2	255.8	306.1	366.6	38.9	99.4
Financial account⁽¹⁾	637.6	1,470.8	1,917.1	1,833.5	2,267.9	346.7	781.1
Errors and omissions	-278.5	16.1	345.9	197.3	380.4	92.2	275.2

Sources: Eurostat; Central Bank of Malta.

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

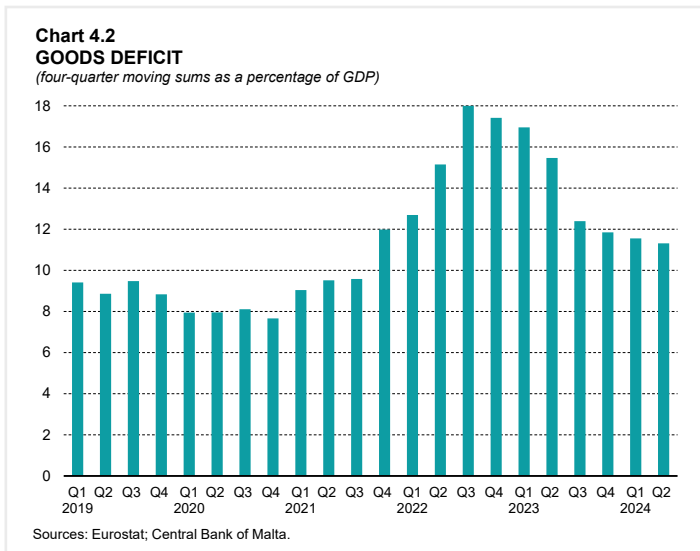
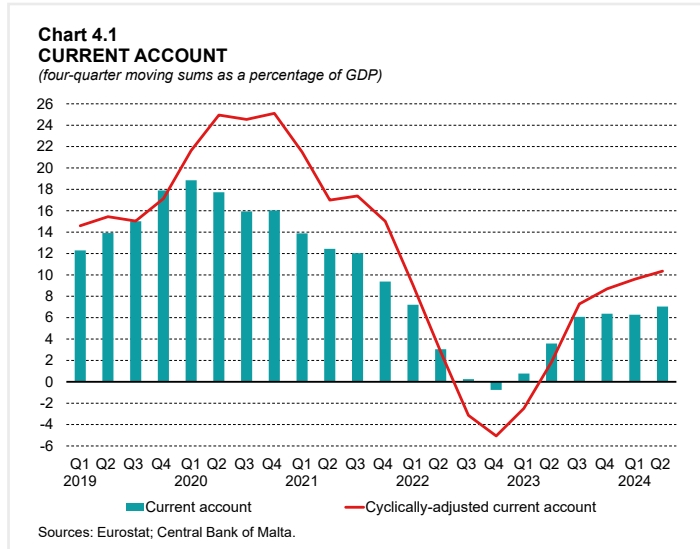
On a four-quarter moving sum basis, the current account surplus broadly doubled to €1,521.0 million, from a surplus of €694.9 million a year earlier. This reflected a lower merchandise trade deficit, a higher surplus on the services account, as well as marginally smaller net outflows on the secondary income account. These offset higher net outflows on the primary income account. As a result, the current account balance-to-GDP ratio reached 7.0%, from 3.6% a year earlier (see Chart 4.1). Malta's cyclically-adjusted current account surplus is estimated to have stood at 10.3% of GDP in the second quarter of 2024,

and thus more positive than the headline measure (see Chart 4.1).¹

The merchandise trade deficit narrows slightly

In the second quarter of 2024, the merchandise trade deficit stood at €737.0 million, down from €743.0 million in the corresponding period of 2023. This was driven by a decrease in imports which was only partly offset by a decrease in exports. The former mostly reflected a decrease in imports of semi-manufactured goods and food, followed by lower imports of machinery.

The visible trade gap also declined when measured on a four-quarter cumulative basis, reaching €2,443.1 million, from €2,996.8 million in the same period a year earlier. This reflected a €555.8 million decline in goods imports, mainly because of a decrease in imports of machinery and semi-manufactured goods, and a marginal decrease in exports of €2.1 million. As a result, the share of the goods deficit in GDP declined to 11.3% during the second quarter of 2024, from 15.5% a year earlier (see Chart 4.2).



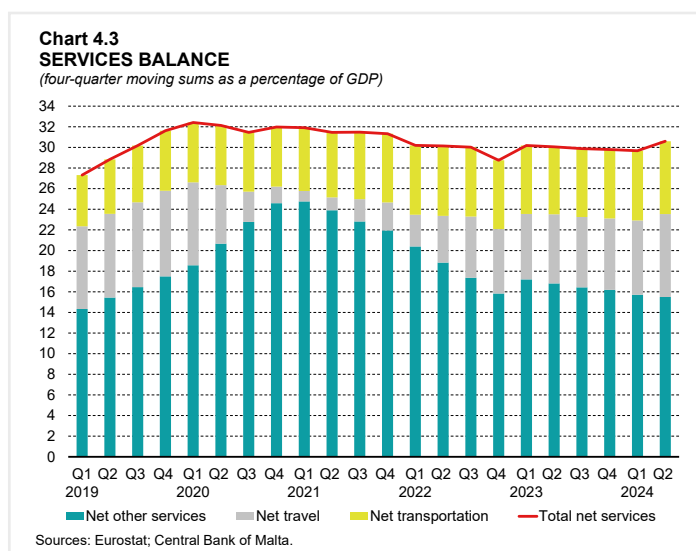
¹ For more information on Malta's cyclically-adjusted current account see Grech, A. G., & Rapa, N., "An evaluation of recent shifts in Malta's current account position", in Grech, A.G., & Zerafa, S. (eds.), *Challenges and Opportunities of Sustainable Economic Growth: the Case of Malta*, Central Bank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

The surplus on services widens

In the quarter under review, net receipts on the services account amounted to €1,799.6 million, €313.7 million more than in the corresponding period of 2023. Both services exports and imports increased on a year earlier. However, the increase in the former was stronger.

Higher net receipts from travel were the key factor behind the increase in the overall surplus on the services account. However, net receipts related to transport and ‘other’ services also contributed.

On a four-quarter cumulative basis, the overall surplus from services stood at €6,606.1 million, an increase of €781.6 million over the surplus recorded in the same period last year. The main contributors to this increase were the transport and travel components, although net receipts from ‘other services’ also rose. These were mainly supported by higher receipts from personal, cultural and recreational services as well as financial services. The share of net services receipts in GDP stood at 30.6%, from 30.1% registered during the same period last year (see Chart 4.3).



Net outflows on the primary income account increase²

Between April and June 2024, net outflows on the primary income account stood at €664.0 million, €122.4 million more than in the second quarter of 2023. This was mainly due to higher net outflows on the investment income account, as a result of lower net receipts on the portfolio investment and direct investment accounts.

In the four-quarter period to June 2024, net outflows on the primary income account increased by €546.1 million, to stand at €2,599.6 million. Transactions relating to primary income continued to be strongly influenced by internationally-oriented firms, which transact predominantly with non-residents. During this period, net outflows on the primary income account amounted to 12.0% of GDP, up from net outflows of 10.6% a year earlier.

Inflows on the secondary income account decrease year-on-year³

In the second quarter of the year, net inflows on the secondary income account decreased by €6.4 million on a year earlier, to reach €7.9 million.

In the four quarters to June 2024, however, net outflows decreased. They stood at €42.5 million, equivalent to -0.2% of GDP, less than -0.4% of GDP a year earlier.

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

³ The secondary income account shows current transfers between residents and non-residents.

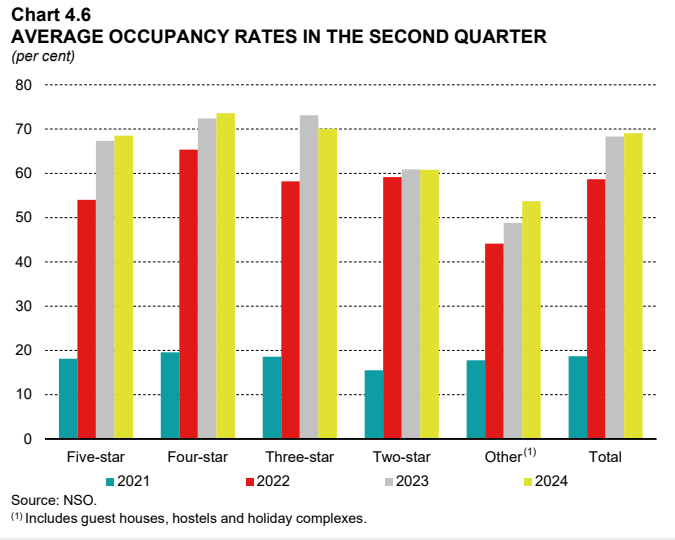
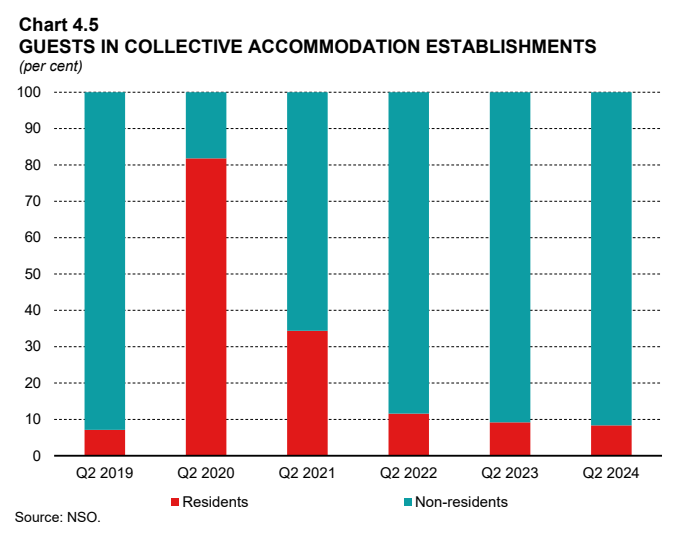
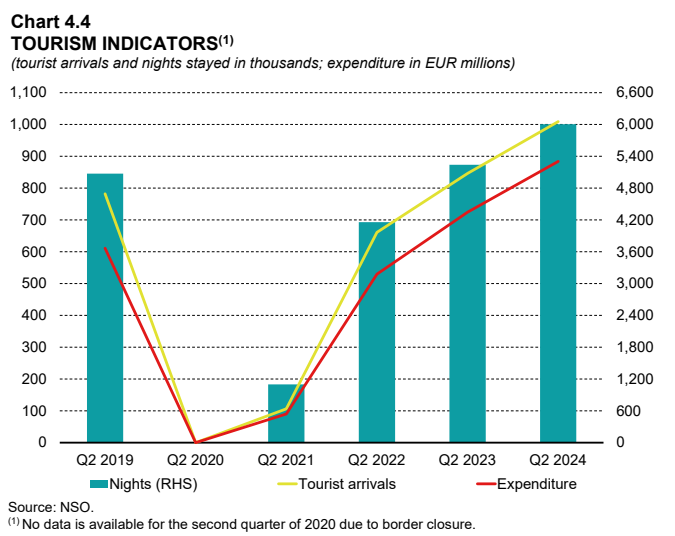
Tourism activity

In the quarter under review, the number of inbound tourists amounted to 1,009,028, up from 846,230 a year earlier (see Chart 4.4). Visitors from the United Kingdom accounted for almost a third of the increase. They were followed by visitors from Poland and Italy. In absolute terms, tourists visiting for holiday purposes accounted for nearly all of this rise. Visitors coming for business purposes increased somewhat, while those citing ‘other’ motives declined.

The total number of guest nights that tourists spent in Malta during the second quarter of 2024 totalled 6.0 million, up from 5.2 million a year earlier. Stays in rented collective accommodation accounted for most of this increase.

In the second quarter of 2024, the share of non-residents in collective accommodation establishments stood at 91.7%, up from 90.8% in the second quarter of 2023 (see Chart 4.5).

The total occupancy rate in collective accommodation establishments in the second quarter of 2024 rose to 69.1%, from 68.3% a year earlier (see Chart 4.6). The ‘other’ accommodation category registered the largest increase of 4.9 percentage points. It was followed by the five-star and four-star categories, both of which recorded a rise of 1.2 percentage points. Occupancy in the three-star category declined, but was broadly unchanged in



the two-star category. The latter retained the lowest occupancy rate across all hotel categories.

Tourist expenditure in Malta totalled €884.0 million in the second quarter of 2024, up from €724.4 million a year earlier. All expenditure categories registered gains over this period.

Expenditure per capita increased to €876.1, from €856.0 in the second quarter of 2023, as expenditure per night increased, offsetting a decline in the average length of stay, which stood at 6.0 nights from 6.2 nights a year earlier.

According to Malta International Airport (MIA) data, in the second quarter of 2024, average seat capacity stood at 971,786 seats per month, up from 862,128 a year earlier (see Chart 4.7).

A total of 128 cruise liners visited Malta in the second quarter of 2024, 30 more than a year earlier. Foreign passengers reached 270,567 persons, up from 220,805 visitors in the second quarter of 2023 (see Chart 4.8).

The United States was the most important source market for cruise passengers – in part reflecting an increase in calls by cruise liners that are frequently used by US travellers compared to a year earlier – followed closely by the United Kingdom. Together they made up almost half of total cruise passengers. They were followed by Italy and Germany, which together accounted for around a fifth of ship tourists.

The capital account

Net inflows on the capital account stood at €99.4 million in the second quarter of 2024, up from €38.9 million in the same quarter of 2023 (see Table 4.1). When measured on a four-quarter cumulative basis, capital inflows increased to €366.6 million, from €221.3 million during the 12 months to June 2023. Their share in GDP increased to 1.7% from 1.1% in the second quarter of 2023.

