

4. THE BALANCE OF PAYMENTS

During the third quarter of 2024, the current account surplus narrowed when compared to the same quarter of the previous year. This was mainly due to a wider merchandise trade deficit and higher net outflows on the primary income account. By contrast, net receipts from services increased and the balance on the secondary income account turned positive.

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

When measured over the four quarters to September 2024, the current account balance registered a surplus equivalent to 6.3% of GDP. This compares with a current account surplus of 2.9% of GDP in the euro area.

The cyclically-adjusted current account balance is estimated to have recorded a surplus of 9.5% 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 third quarter of 2024, the tourism sector continued to register 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 narrows

Between July and September 2024, the current account of the balance of payments recorded a surplus of €451.2 million, €132.8 million lower than the surplus recorded in the same quarter of 2023 (see Table 4.1). This reflected a wider goods deficit and higher net outflows on the primary income account. These offset higher net receipts from services and a return to net inflows on the secondary income account.

Table 4.1
BALANCE OF PAYMENTS

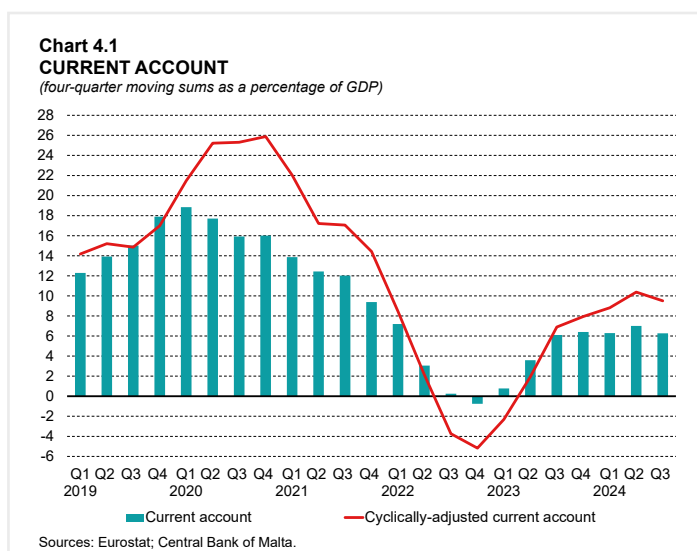
EUR millions

	Four-quarter moving sums						
	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2023 Q3	2024 Q3
Current account	1,220.5	1,315.5	1,330.1	1,521.0	1,388.2	584.0	451.2
Goods	-2,488.9	-2,446.6	-2,449.1	-2,443.1	-2,617.3	-577.0	-751.2
Services	6,001.9	6,153.2	6,292.4	6,606.1	6,711.3	1,768.7	1,873.9
Primary income	-2,217.8	-2,303.1	-2,477.2	-2,599.6	-2,712.8	-582.8	-696.0
Secondary income	-74.7	-88.0	-36.1	-42.5	6.9	-24.9	24.5
Capital account	234.2	255.8	306.1	366.6	343.6	56.5	33.5
Financial account⁽¹⁾	1,470.8	1,917.1	1,833.5	2,267.9	2,299.5	557.9	589.5
Errors and omissions	16.1	345.9	197.3	380.4	567.8	-82.6	104.8

Sources: Eurostat; Central Bank of Malta.

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

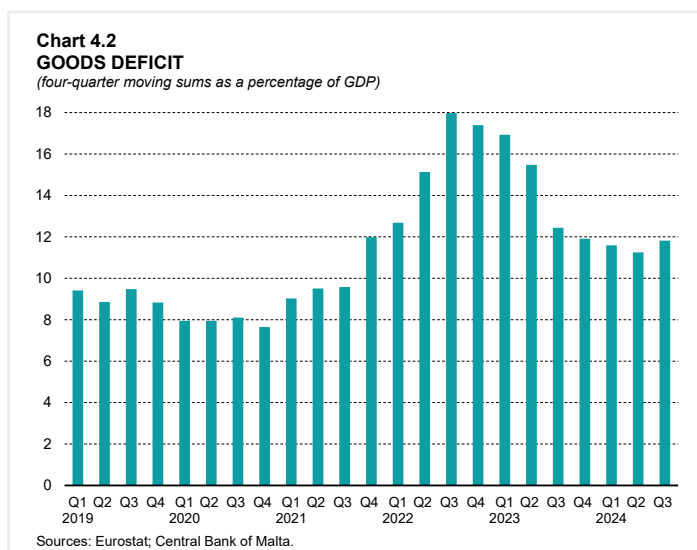
On a four-quarter moving sum basis, the current account surplus widened to €1,388.2 million, from €1,220.5 million a year earlier. This reflected a higher surplus on the services account, and, to a lesser extent, higher net inflows related to secondary income. These offset a higher merchandise trade deficit and higher net outflows on the primary income account. The current account balance-to-GDP ratio reached 6.3%, from 6.1% a year earlier (see Chart 4.1). Malta's cyclically-adjusted current account surplus is estimated to have stood at 9.5% of GDP in the third quarter of 2024, and thus more positive than the headline measure (see Chart 4.1).¹



The merchandise trade deficit widens

In the third quarter of 2024, the merchandise trade deficit stood at €751.2 million, up from €577.0 million in the corresponding period of 2023. This was driven by an increase in imports and a decrease in exports. The former mostly reflected an increase in imports of machinery and fuels.

The visible trade gap also increased when measured on a four-quarter cumulative basis, reaching €2,617.3 million, from €2,488.9 million in the same period a year earlier. This reflected a €96.0 million increase in goods imports, mainly because of an increase in imports of fuel and machinery, and a decrease in exports of €32.5 million. The share of the goods deficit in GDP declined to 11.8% during the third quarter of 2024, from 12.4% a year earlier (see Chart 4.2).

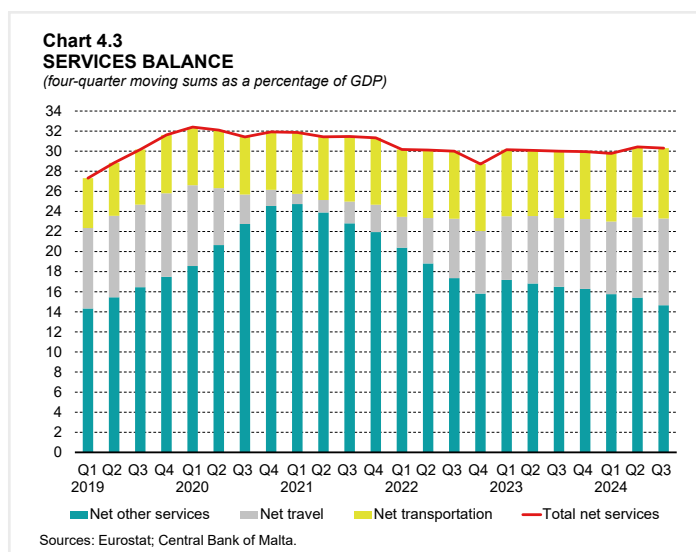


¹ For more information on Malta's cyclically-adjusted current account see Grech, A. G., & Rapa, N., "An evaluation of recent shifts in Malta's current account position", in Grech, A.G., & Zerafa, S. (eds.), *Challenges and Opportunities of Sustainable Economic Growth: the Case of Malta*, Central Bank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

The surplus on services widens

In the quarter under review, net receipts on the services account amounted to €1,873.9 million, €105.2 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 also contributed. By contrast, the surplus on ‘other’ services narrowed, mainly due to larger outflows stemming from professional and management consulting services.



On a four-quarter cumulative basis, the overall surplus from services stood at €6,711.3 million, an increase of €709.4 million over the surplus recorded a year earlier. The main contributors to this increase were the travel and transport components. The share of net services receipts in GDP stood at 30.3%, marginally from 30.0% registered during the same period of 2023 (see Chart 4.3).

Net outflows on the primary income account increase²

During the quarter under review, net outflows on the primary income account stood at €696.0 million, €113.2 million more than in the third quarter of 2023. This was mainly due to higher net payments related to direct investment and ‘other’ investment.

In the four-quarter period to September 2024, net outflows on the primary income account increased by €495.0 million, to stand at €2,712.8 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 12.2% of GDP, up from 11.1% a year earlier.

Inflows on the secondary income account turn positive³

In the third quarter of the year, net flows on the secondary income account turned positive reaching €24.5 million. This contrasts with net outflows of broadly similar magnitude a year earlier.

In the four quarters to September 2024, these net inflows stood at €6.9 million whereas net outflows of €74.7 had been recorded in the same period of 2023. Given that net inflows on the secondary income account were small in absolute terms, they had a negligible share in GDP at the end of the review period.

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.

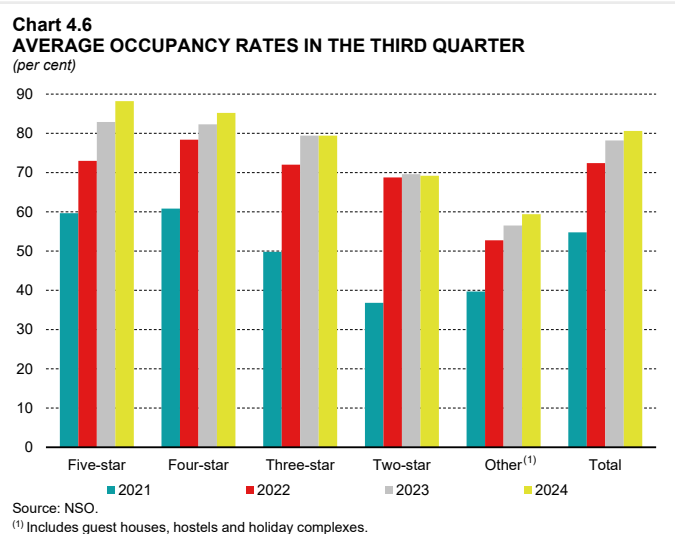
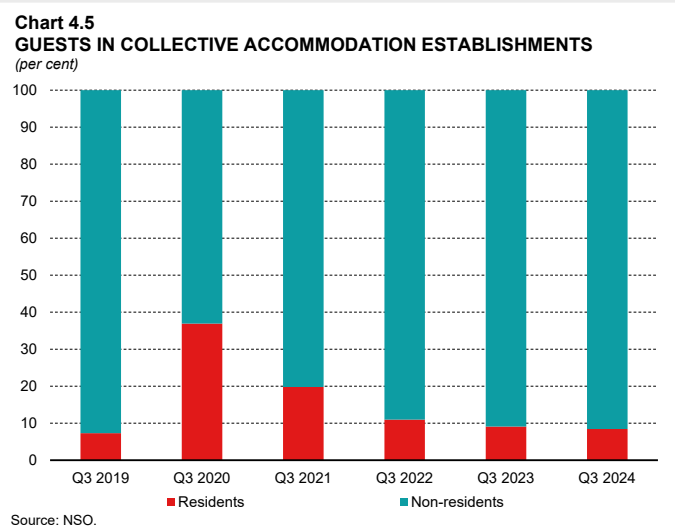
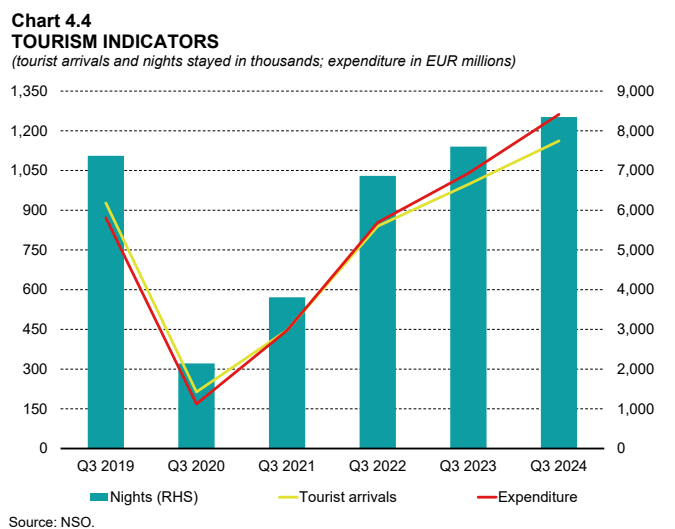
Tourism

In the quarter under review, the number of inbound tourists amounted to 1,161,924, up from 997,564 a year earlier (see Chart 4.4). Visitors from the United Kingdom accounted for more than a quarter of the increase. Visitors from Italy and Poland also contributed significantly to the increase. 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 third quarter of 2024 totalled 8.3 million, up from 7.6 million a year earlier. Stays in ‘other rented’ accommodation accounted for most of this increase.⁴

In the third quarter of 2024, the share of non-residents in collective accommodation establishments stood at 91.6%, up from 90.9% a year earlier (see Chart 4.5).

The total occupancy rate in collective accommodation establishments in the third quarter of 2024 rose to 80.6%, from 78.2% a year earlier (see Chart 4.6). The five-star category registered the largest increase of 5.3 percentage points. It was followed by the four-star and the “other” accommodation categories, which recorded a



⁴ Accommodation is divided into two categories – rented accommodation and non-rented accommodation. Rented accommodation is further divided into collective accommodation (comprising hotels, guesthouses, hostels, tourist villages, holiday complex, bed & breakfast and campsites), and ‘other rented’ accommodation (holiday furnished premises, host families, marinas, paid-convents, rented yachts and student dormitories). Non-rented accommodation comprises own private residence, staying with friends or relatives and other private accommodation.

rise of 2.9 and 2.8 percentage points, respectively. Occupancy in the three-star category was stable, while it declined by 0.3 percentage points in the two-star category. The latter retained the lowest occupancy rate across hotel categories, at just below 70%.

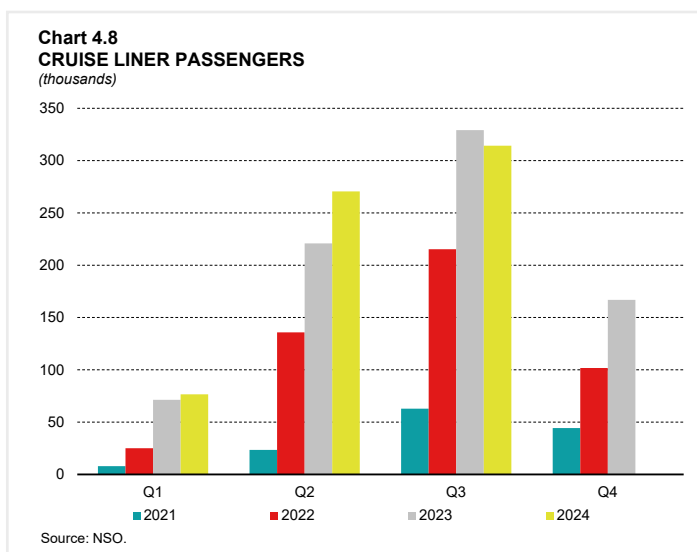
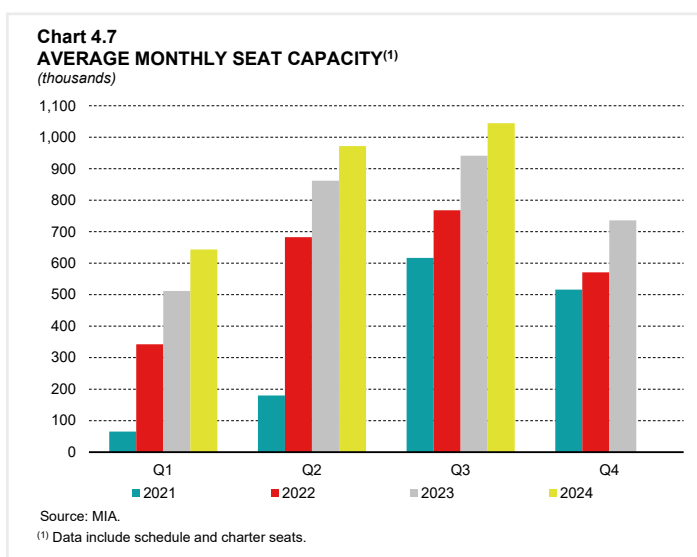
Tourist expenditure in Malta totalled €1,262.1 million in the third quarter of 2024, up from €1,039.7 million a year earlier. All expenditure categories registered gains over this period.

Expenditure per capita increased to €1,086.2, from €1,042.2 in the third quarter of 2023, as expenditure per night increased, offsetting a shorter length of stay, which stood at 7.2 nights from 7.6 nights a year earlier.

According to Malta International Airport data, in the third quarter of 2024, average seat capacity stood at 1,044,437 seats per month, up from 941,518 a year earlier (see Chart 4.7).

A total of 124 cruise liners visited Malta in the third quarter of 2024, 16 more than a year earlier. Foreign passengers reached 314,275 persons, down from 329,108 visitors in the third quarter of 2023 (see Chart 4.8).

The United Kingdom and the United States were the most important source markets for cruise passengers. Together they made up over 40% of total cruise passengers. Visitors from Italy followed, with a share of 17.8%. Passengers from the United States increased markedly compared with a year earlier. Passengers from the United Kingdom also rose, though to a lesser extent. The number of cruise passengers from the European Union, by contrast, declined compared with a year earlier, in part reflecting fewer calls from cruise liners popular with Italian visitors when compared with a year earlier.



The capital account

Net inflows on the capital account stood at €33.5 million in the third quarter of 2024, down from €56.5 million in the same quarter of 2023 (see Table 4.1). When measured on a four-quarter cumulative basis, however, capital inflows increased to €343.6 million, from €234.2 million during the 12 months to September 2023. Their share in GDP increased to 1.6% from 1.2% in the third quarter of 2023.