

## 4. THE BALANCE OF PAYMENTS

During the second quarter of 2025, the current account surplus narrowed when compared to the same quarter of 2024. This reflected a larger merchandise trade deficit and, to a lesser extent, a shift in the secondary income account from net inflows to net outflows. These outweighed higher net receipts from services and lower net outflows on the primary income account.

In the quarter under review, net inflows on the capital account decreased when compared to the corresponding quarter of 2024, while the financial account showed higher net lending.

In the year to June 2025, the current account balance registered a surplus equivalent to 6.5% of GDP. This compares with a current account surplus of 2.1% of GDP in the euro area.

The cyclically-adjusted current account balance is estimated to have recorded a surplus of 8.3% 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 2025, the tourism sector performed well. The number of inbound tourists, nights stayed, and tourist expenditure in Malta all increased significantly when compared with a year earlier. Nevertheless, the annual rates of change moderated when compared to both the second quarter of 2024 and the first quarter of 2025.

### The current account

#### The current account surplus narrows

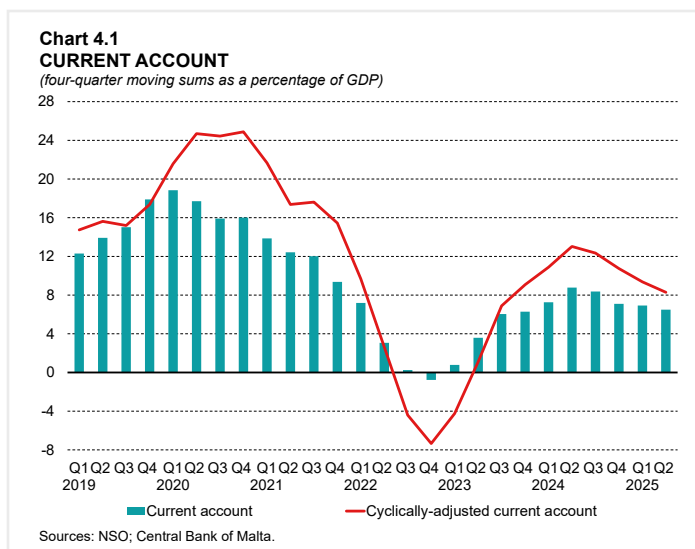
Between April and June 2025, the current account of the balance of payments recorded a surplus of €516.9 million, €79.3 million less than the surplus recorded in the same quarter of 2024 (see Table 4.1). This reflected a larger merchandise trade deficit and a shift to net outflows on the secondary income account. These offset a wider surplus on services and lower net outflows on the primary income account.

	Four-quarter moving sums					2024 Q2	2025 Q2
	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q1		
<b>Current account</b>	<b>1,942.4</b>	<b>1,892.6</b>	<b>1,637.7</b>	<b>1,619.8</b>	<b>1,540.4</b>	<b>596.2</b>	<b>516.9</b>
Goods	-2,558.8	-2,798.0	-2,748.6	-2,884.9	-3,048.8	-802.9	-966.7
Services	6,962.4	7,172.4	7,043.9	7,089.4	7,181.4	1,999.2	2,091.2
Primary income	-2,480.3	-2,542.1	-2,677.6	-2,605.2	-2,569.3	-640.0	-604.1
Secondary income	19.1	60.2	19.9	20.6	-22.8	39.9	-3.5
<b>Capital account</b>	<b>310.9</b>	<b>352.1</b>	<b>350.3</b>	<b>350.5</b>	<b>302.9</b>	<b>100.2</b>	<b>52.6</b>
<b>Financial account<sup>(1)</sup></b>	<b>2,064.9</b>	<b>2,069.5</b>	<b>1,837.5</b>	<b>1,850.2</b>	<b>1,929.7</b>	<b>581.0</b>	<b>660.5</b>
<b>Errors and omissions</b>	<b>-188.3</b>	<b>-175.2</b>	<b>-150.5</b>	<b>-120.1</b>	<b>86.4</b>	<b>-115.5</b>	<b>91.0</b>

Sources: NSO; Central Bank of Malta.  
(<sup>1</sup>) Net lending (+) / net borrowing (-).

On a four-quarter moving sum basis, the current account surplus narrowed to €1,540.4 million, from €1,942.4 million a year earlier. This largely reflected a higher merchandise trade deficit although movements on the primary and secondary income accounts also contributed.

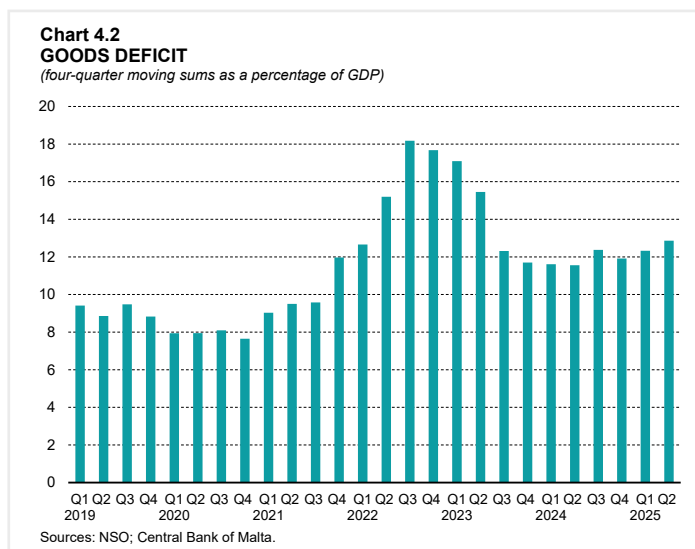
The current account surplus-to-GDP ratio declined to 6.5%, from 8.8% a year earlier (see Chart 4.1). Malta's cyclically-adjusted current account surplus is estimated to have stood at 8.3% of GDP in the second quarter of 2025, and thus wider than the headline measure (see Chart 4.1).<sup>1</sup>



### The merchandise trade deficit widens

In the second quarter of 2025, the merchandise trade deficit stood at €966.7 million, up from €802.9 million in the corresponding period of 2024. The wider deficit was driven by higher imports and lower exports. This dynamic mostly reflects higher imports of machinery and transport equipment and lower exports of the same product category.

The visible trade gap also widened when measured on a four-quarter cumulative basis, reaching €3,048.8 million, from €2,558.8 million in the same period a year earlier. This reflected an increase of €287.9 million in imports, partly due to higher imports of chemicals. Furthermore, exports fell by €202.1 million, mainly due to a drop in exports of machinery and transport equipment and to a lesser extent, fuel re-exports. The share of the goods deficit in GDP rose to 12.9% during the second quarter of 2025, from 11.6% a year earlier (see Chart 4.2).



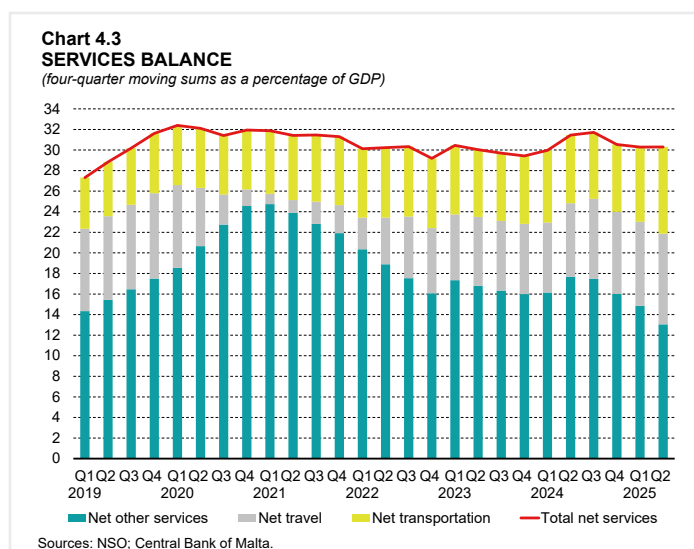
<sup>1</sup> For more information on Malta's cyclically-adjusted current account see Grech, A. G., & Rapa, N., "An evaluation of recent shifts in Malta's current account position", in Grech, A.G., & Zerafa, S. (eds.), *Challenges and Opportunities of Sustainable Economic Growth: the Case of Malta*, Central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

### *The surplus on services widens*

In the quarter under review, net receipts on the services account amounted to €2,091.2 million, €92.0 million more than in the corresponding period of 2024. Both services exports and imports increased on a year earlier however, the increase in the former was larger.

Higher net receipts from transport and travel services were the key factors behind the increase in the overall surplus on the services account. These offset lower net receipts related to ‘other’ services, mainly driven by transactions related to professional and management consulting services.

On a four-quarter cumulative basis, the overall surplus from services stood at €7,181.4 million, an increase of €219.0 million over the surplus recorded a year earlier. Once again, travel and transport services contributed most to the increasing surplus, offsetting the deficit on ‘other’ services. The share of net services receipts in GDP stood at 30.3%, down from 31.5% registered during the same period of 2024 (see Chart 4.3).



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

During the quarter under review, net outflows on the primary income account stood at €604.1 million, €35.9 million less than in the second quarter of 2024. This was mainly due to lower net payments related to ‘other’ investment by banks and other financial intermediaries.

By contrast, in the four-quarter period to June 2025, net outflows on the primary income account increased by €89.0 million, to stand at €2,569.3 million. Higher net payments related to ‘other’ investment offset an increase in net income receipts on portfolio investment and lower net outward payments related to direct investment. Transactions relating to primary income continued to be strongly influenced by internationally-oriented institutions, which transact predominantly with non-residents. During this period, net outflows on the primary income account amounted to 10.8% of GDP, down from 11.2% a year earlier.

### *Net flows on the secondary income account turn negative<sup>3</sup>*

In the second quarter of the year, net flows on the secondary income account decreased to -€3.5 million from €39.9 million a year earlier.

During the year to June 2025, net outflows stood at €22.8 million, compared with €19.1 million net inflows in the same period of last year. Their share in GDP remained small, at 0.1%.

<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

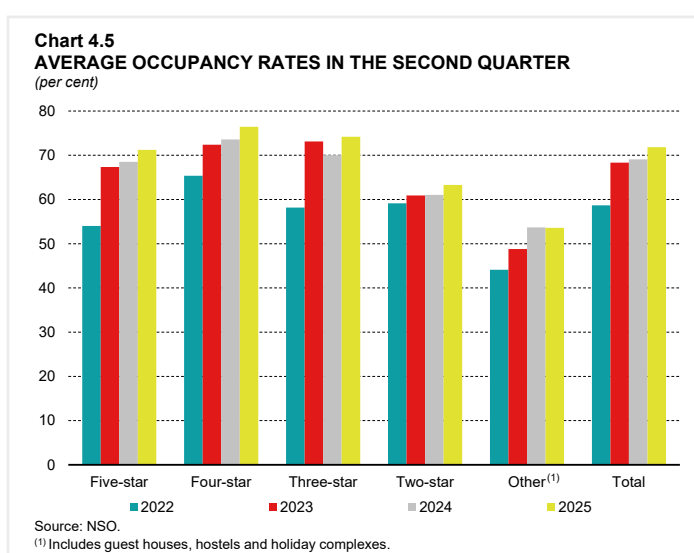
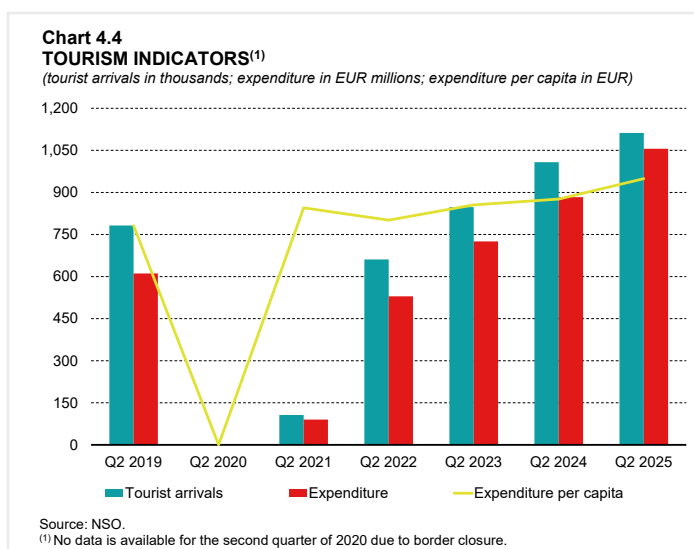
In the quarter under review, the number of inbound tourists amounted to 1,112,238 up from 1,007,609 a year earlier (see Chart 4.4). This implies an increase of 10.4% in annual terms, following growth of almost 19% a year earlier and in the first quarter of this year.

Visitors from the United Kingdom accounted for over a third of the year-on-year increase in arrivals. They were followed by tourists from Poland, who made up almost a quarter of the rise. In absolute terms, tourists coming over for holiday purposes accounted for most of the increase in arrivals. Those visiting for business purposes also rose while visitors for ‘other’ motives decreased.

Tourists spent 6.7 million nights in Malta during the second quarter of 2025, up from 6.0 million a year earlier. The increase was driven entirely by stays in rented accommodation as nights spent in non-rented accommodation declined.<sup>4</sup>

Over this period, the share of non-residents in collective accommodation establishments rose to 92.6%, from 91.6%.

The total occupancy rate in collective accommodation establishments in the second quarter of 2025 rose to 71.8%, from 69.1% a year earlier (see Chart 4.5). The three-star category registered the largest increase of 4.2 percentage points. It was followed by the four-star and five-star accommodation categories, which recorded increases of 2.9 and 2.7 percentage points, respectively. Meanwhile, occupancy rates in the two-star category registered an increase of 2.3 percentage points. The occupancy rate



<sup>4</sup> 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.

in the “other” accommodation category was just 0.1 percentage points lower than a year earlier. The highest occupancy rate of 76.4% was registered in the four-star category, while the “other” category registered the lowest occupancy rate, of 53.6%.

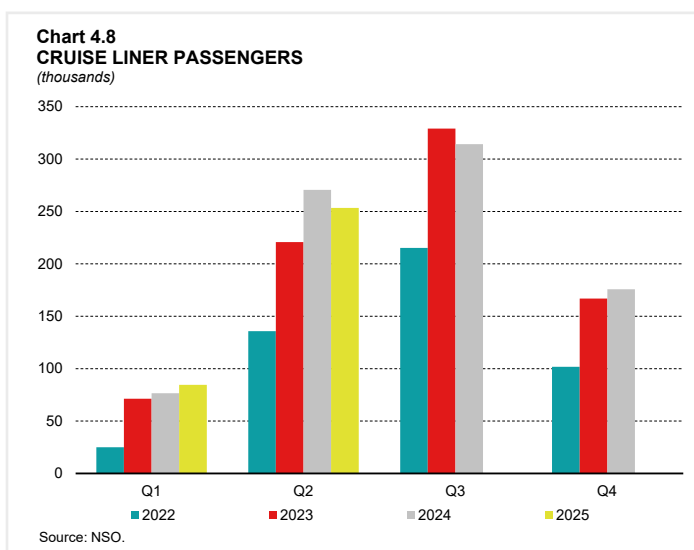
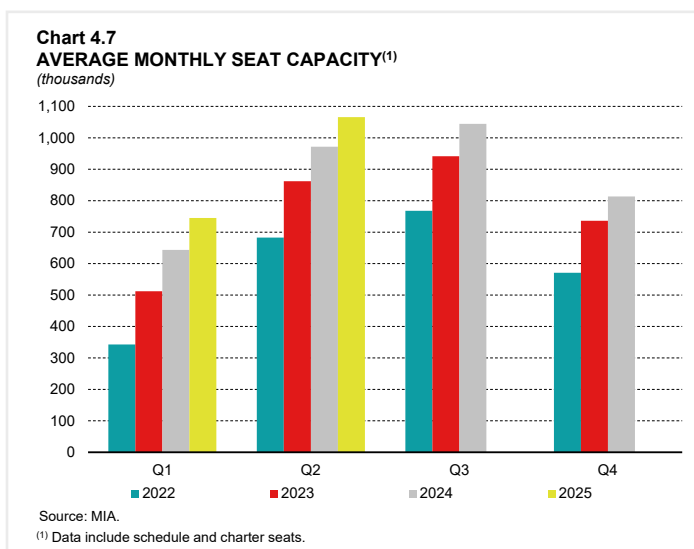
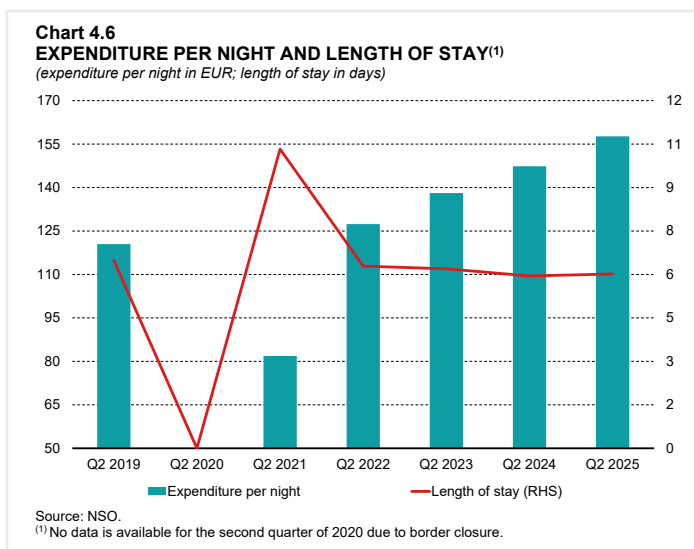
Tourist expenditure in Malta totalled €1,055.7 million in the second quarter of 2025, up from €883.1 million a year earlier, an increase of 19.5%. All expenditure categories registered gains over this period.

Expenditure per capita increased to €949.1, from €876.4 in the second quarter of 2024, reflecting an increase in expenditure per night and a marginally higher average length of stay (see Chart 4.4 and Chart 4.6).

According to Malta International Airport data, in the quarter under review, average seat capacity stood at 1,065,984 seats per month, up from 971,786 a year earlier (see Chart 4.7).

A total of 123 cruise liners visited Malta in the second quarter of 2025, five less than a year earlier. Foreign passengers totalled 253,421 persons, down from 270,567 visitors in the second quarter of 2024 (see Chart 4.8).

The United Kingdom and the United States were the most important source market, accounting for more than a fifth of total cruise passenger arrivals each. Visitors from Italy followed,



with a share of 11.7%. In absolute terms, visitors from the United States reported the largest decline, albeit from a very high level. The number of passengers from the United Kingdom and Germany also decreased. By contrast, those from Spain, Italy and France increased.

### **The capital account**

Net inflows on the capital account closed the quarter under review at €52.6 million, down from €100.2 million a year earlier (see Table 4.1). When measured on a four-quarter cumulative basis, capital inflows also decreased, though by a smaller amount. They fell to €302.9 million, from €310.9 million a year earlier. Their share in GDP decreased to 1.3% from 1.4% in the second quarter of 2024.