4. THE BALANCE OF PAYMENTS

During the first quarter of 2026, the current account surplus decreased when compared to the same quarter of 2025. This mostly reflected lower net receipts from services and a transition from net inflows to net outflows in the secondary income account. These outweighed a smaller merchandise trade deficit and lower net outflows on the primary income account.

In the quarter under review, net inflows on the capital account increased when compared to the corresponding quarter of 2025, while the financial account showed higher net lending.

In the year to March 2026, the current account balance registered a surplus equivalent to 8.0% of GDP. This compares with a current account surplus of 1.7% of GDP in the euro area.

Meanwhile, the cyclically-adjusted current account balance is estimated to have recorded a surplus of 8.8% during the quarter under review.

In the first quarter of 2026, the tourism sector continued to perform well. The number of inbound tourists, nights stayed, and tourist expenditure in Malta all increased when compared with a year earlier, but expenditure per capita declined driven by a shorter length of stay.

The current account

The current account surplus decreases

Between January and March 2026, the current account of the balance of payments recorded a surplus of €290.4 million, €108.5 million less than the surplus recorded in the same quarter of 2025 (see Table 4.1). This reflected lower net receipts from services and a transition from net inflows to net outflows in the secondary income account. These outweighed a smaller merchandise trade deficit and lower net outflows on the primary income account.

On a four-quarter moving sum basis, the current account surplus increased to €2,008.6 million, from €1,619.8 million a year earlier. This reflected higher net receipts from services, and to a much lesser extent, lower net outflows on the primary income account. These offset a wider

Table 4.1
BALANCE OF PAYMENTS
EUR millions

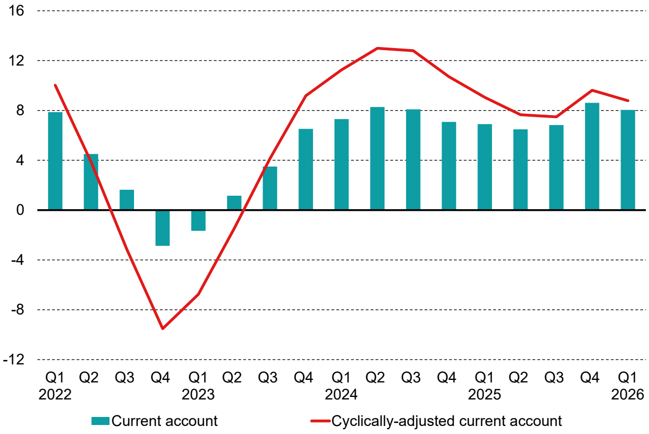
	Four-quarter moving sums						
	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2025 Q1	2026 Q1
Current account	**1,619.8**	**1,540.4**	**1,648.4**	**2,117.1**	**2,008.6**	**398.9**	**290.4**
Goods	-2,884.9	-3,048.8	-3,040.2	-3,068.8	-2,945.1	-779.2	-655.5
Services	7,089.4	7,181.4	7,379.4	7,872.7	7,731.1	1,739.1	1,597.5
Primary income	-2,605.2	-2,569.3	-2,621.2	-2,604.0	-2,561.5	-590.9	-548.4
Secondary income	20.6	-22.8	-69.6	-82.7	-215.9	30.0	-103.2
Capital account	**350.5**	**302.9**	**264.4**	**247.5**	**336.0**	**46.4**	**135.0**
Financial account[(1)]	**1,850.2**	**1,929.7**	**2,005.3**	**2,464.7**	**2,625.7**	**391.9**	**552.9**
Errors and omissions	**-120.1**	**86.4**	**92.5**	**100.1**	**281.0**	**-53.4**	**127.5**

Sources: NSO; Central Bank of Malta.
[(1)] Net lending (+) / net borrowing (-).

merchandise trade deficit and a shift from net inflows to net outflows in the secondary income account.

The current account surplus-to-GDP ratio increased to 8.0% from 6.9% a year earlier (see Chart 4.1). Malta's cyclically-adjusted current account surplus is estimated to have stood at 8.8% of GDP in the first quarter of 2026, and thus wider than the headline measure (see Chart 4.1).[1]

Chart 4.1
CURRENT ACCOUNT
(four-quarter moving sums as a percentage of GDP)

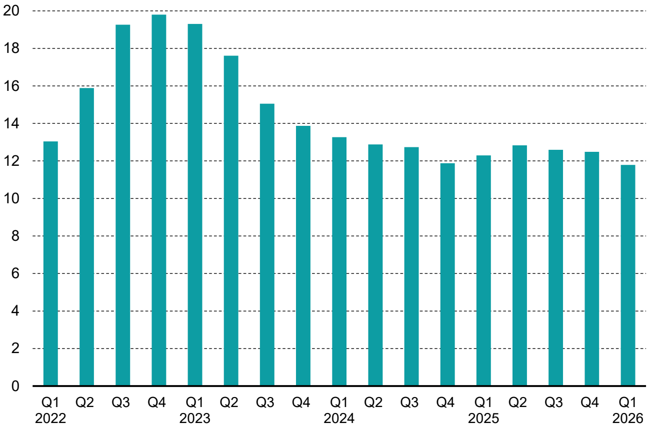


Sources: NSO; Central Bank of Malta.

The merchandise trade deficit narrows

In the first quarter of 2026, the merchandise trade deficit stood at €655.5 million, down from €779.2 million in the corresponding period of 2025. The smaller deficit was mainly driven by lower imports and higher exports.

Chart 4.2
GOODS DEFICIT
(four-quarter moving sums as a percentage of GDP)



Sources: NSO; Central Bank of Malta.

The visible trade gap increased when measured on a four-quarter cumulative basis, reaching €2,945.1 million, from €2,884.9 million in the same period a year earlier. This reflected a decrease of €174.4 million in exports, mostly due to a decrease in exports of mineral fuels, lubricants and related materials, and miscellaneous transaction and commodities. This offset a decrease of €114.2 million in imports, mainly due to a drop in imports of mineral fuels, lubricants and related materials. The share of the goods deficit in GDP decreased to 11.8% during the first quarter of 2026, from 12.3% a year earlier (see Chart 4.2).

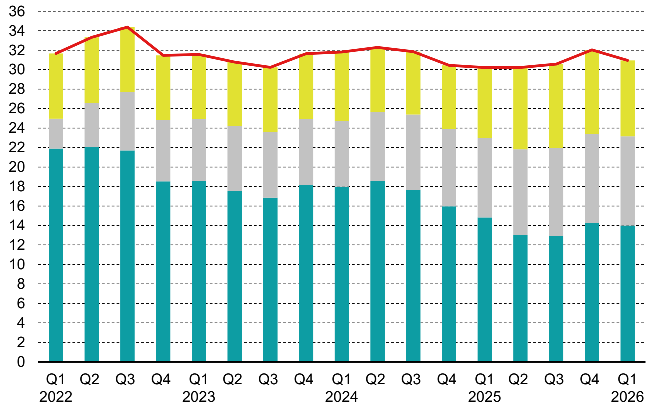
The surplus on services narrows

In the quarter under review, net receipts on the services account amounted to €1,597.5 million, €141.6 million less than in the corresponding period of 2025. Both services exports and imports increased on a year earlier though the increase in the latter was larger.

[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.

Lower net receipts from transport and 'other' business services were the key factors behind the decrease in the overall surplus on the services account, offsetting higher net receipts from personal, cultural, and recreational services and, to a lesser extent, higher net receipts from travel.

Chart 4.3
SERVICES BALANCE
(four-quarter moving sums as a percentage of GDP)



Sources: NSO; Central Bank of Malta.

On a four-quarter cumulative basis, the overall surplus from services stood at €7,731.1 million, an increase of €641.7 million over the surplus recorded a year earlier. This mainly reflected higher net receipts from travel and transport services, though several other services components contributed. The share of net services receipts in GDP stood at 30.9%, up from 30.2% registered during the same period of 2025 (see Chart 4.3).

Net outflows on the primary income account decreased[2]

During the quarter under review, net outflows on the primary income account stood at €548.4 million, €42.5 million less than in the first quarter of 2025. Lower net income receipts on portfolio investment were offset by lower net payments from other investment.

In the four-quarter period to March 2026, net outflows on the primary income account decreased by €43.7 million, to stand at €2,561.5 million. This was due to lower net payments related to other investment which offset lower net income receipts on portfolio investment and higher net 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 10.3% of GDP, down from 11.1% a year earlier.

Net inflows on the secondary income account turned negative[3]

In the first quarter of the year, net flows on the secondary income account decreased to -€103.2 million from €30.0 million a year earlier.

During the year to March 2026, net flows turned negative to -€215.9 million from €20.6 million in the same period of last year. Their share in GDP remained small, at 0.9%.

Tourism

In the first quarter of 2026, the tourism sector continued to perform well. Tourist expenditure rose by 15.0% to €584.7 million (see Chart 4.4). The increase in expenditure was broad-based across all expenditure categories. However, growth slowed down from 24.6% registered in the same period 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.

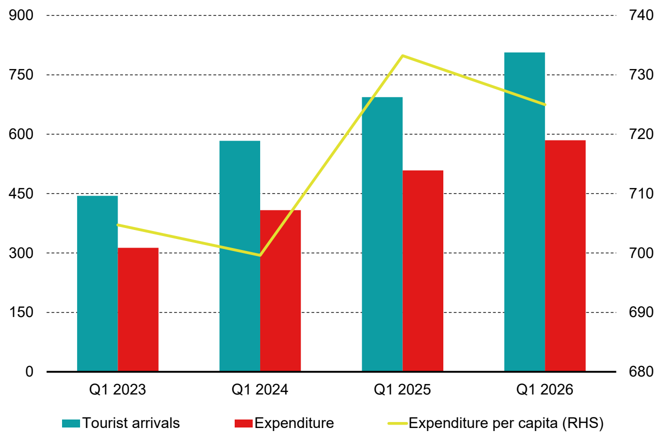
Expenditure per capita decreased to €725.0 from €733.2 a year earlier. It was driven by a decline in the average length of stay which fell to 5.5 nights from 5.7 nights previously, as spending per night increased by 2.7% (see Chart 4.5).

The number of tourists visiting Malta totalled 806,563 in the first quarter of 2026, up from 693,492 a year earlier. In annual terms this is equivalent to a rise of 16.3%, compared with 18.9% in the same period a year earlier. Visitors from Poland accounted for a third of this increase. They were followed by visitors from the United Kingdom, who accounted for just over a quarter of the rise in arrivals. In absolute terms, tourists coming over for vacation purposes made up most of the increase in arrivals.

Tourists spent 4.5 million nights in Malta in the first quarter of 2026, a rise of almost 12% on a year earlier. Nights stayed in rented accommodation accounted for most of the rise. Stays in non-rented accommodation also rose, but the increase was less pronounced.[4]

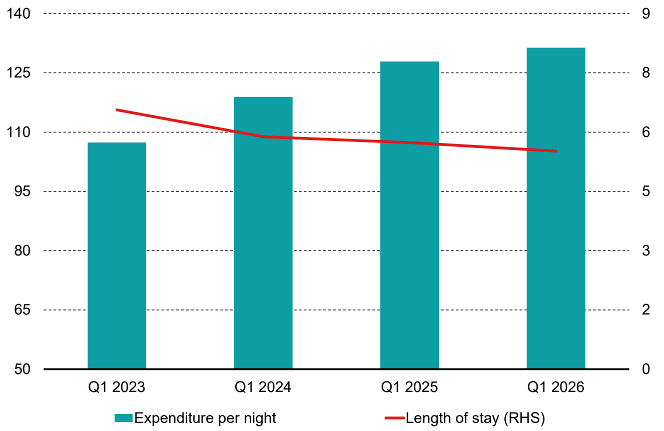
The total occupancy rate in collective accommodation establishments in the first quarter of 2026 reached 52.9%, from 52.5% a year earlier (see Chart 4.6). The five-star category registered the largest increase of 4.3 percentage points. It was

Chart 4.4
TOURISM INDICATORS
(tourist arrivals in thousands; expenditure in EUR millions; expenditure per capita in EUR)



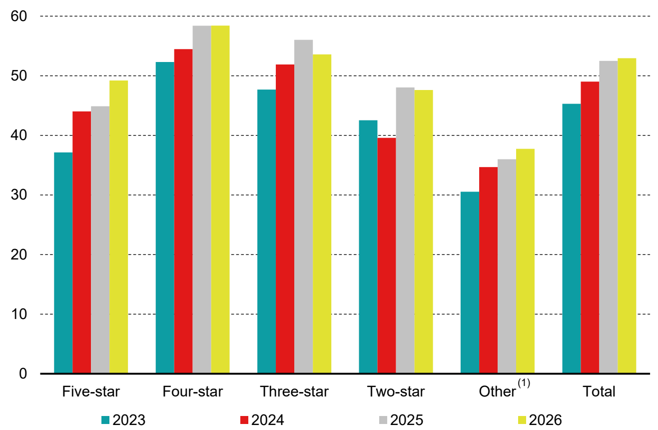
Source: NSO.

Chart 4.5
EXPENDITURE PER NIGHT AND LENGTH OF STAY
(expenditure per night in EUR; length of stay in days)



Source: NSO.

Chart 4.6
AVERAGE OCCUPANCY RATES IN THE FIRST QUARTER
(per cent)



Source: NSO.
(1) Includes guest houses, hostels and holiday complexes.

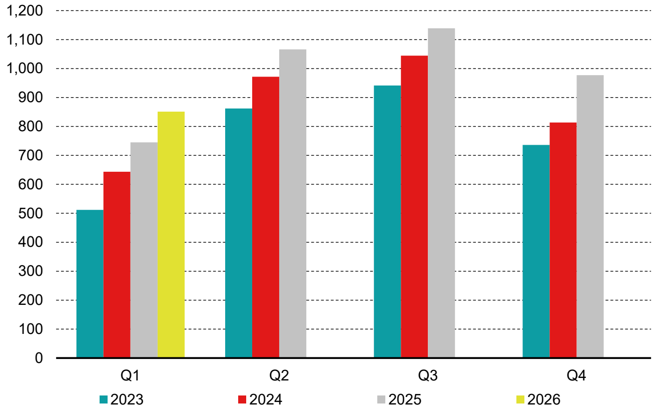
4 Accommodation is divided into two categories – rented accommodation and non-rented accommodation. Rented accommodation is further divided into collective accommodation (comprising hotels, guesthouses, hostels, tourist villages, holiday complex, bed & breakfast and campsites), and 'other rented' accommodation (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.

followed by the "other" category which recorded a rise of 1.7 percentage points. Occupancy rates in the four-star category were unchanged. On the contrary, occupancy levels in the three-star and the two-star categories declined. In the first three months of 2026, the highest net-use of bed places was reported in four-star accommodation, where the occupancy rate reached 58.4%.

According to Malta International Airport (MIA) data, in the quarter under review, average seat capacity stood at 850,181 seats per month, up from 745,075 a year earlier (see Chart 4.7).

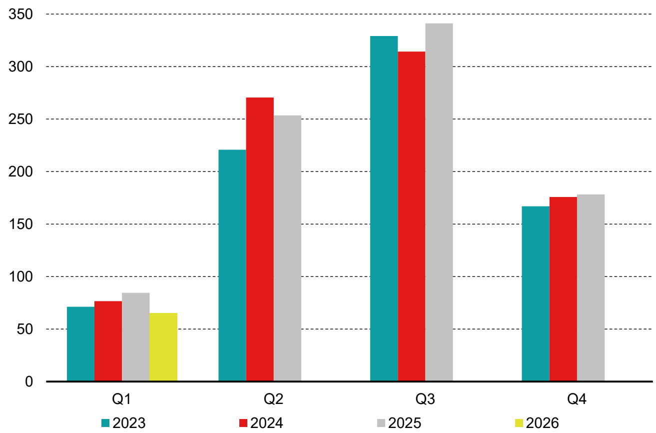
A total of 33 cruise liners visited Malta in the first quarter of 2026, two more than a year earlier. Nonetheless, foreign passengers declined by 22.9% on a year earlier, to 65,231 persons (see Chart 4.8). In absolute terms, the most significant declines stemmed from EU countries, namely Italy, Germany, France and Spain.

Chart 4.7
AVERAGE MONTHLY SEAT CAPACITY(1)
(thousands)



Source: MIA.
(1) Data include schedule and charter flights.

Chart 4.8
CRUISE LINER PASSENGERS
(thousands)



Source: NSO.

Nonetheless, Italy and Spain were the most important source markets along with the United States and the United Kingdom, together making up over half of total cruise passenger arrivals.

The capital account

Net inflows on the capital account closed the quarter under review at €135.0 million, up from €46.4 million a year earlier (see Table 4.1). When measured on a four-quarter cumulative basis, capital inflows decreased to €336.0 million, from €350.5 million a year earlier. Their share in GDP decreased to 1.3% from 1.5% in the first quarter of 2025.