4. THE BALANCE OF PAYMENTS

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

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 lower net lending.

In the year to June 2026, the current account balance registered a surplus equivalent to 5.5% 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 7.0% during the quarter under review.

In the second quarter of 2026, the tourism sector remained strong. The number of inbound tourists, nights stayed, and tourist expenditure in Malta all increased when compared with a year earlier. While expenditure per capita declined, driven by a shorter length of stay, spending per night increased.

The current account

The current account surplus decreases

Between April and June 2026, the current account recorded a surplus of €227.3 million, €154.6 million less than the surplus recorded in the same quarter of 2025 (see Table 4.1). This reflected higher net outflows on the primary and secondary income accounts, and lower net receipts from services. These outweighed a smaller merchandise trade deficit.

On a four-quarter moving sum basis, the current account surplus increased to €1,413.7 million, from €514.9 million a year earlier. This reflected lower net outflows on the primary income account, and a narrower merchandise trade deficit. These offset higher net outflows on the secondary

Table 4.1
BALANCE OF PAYMENTS
EUR millions

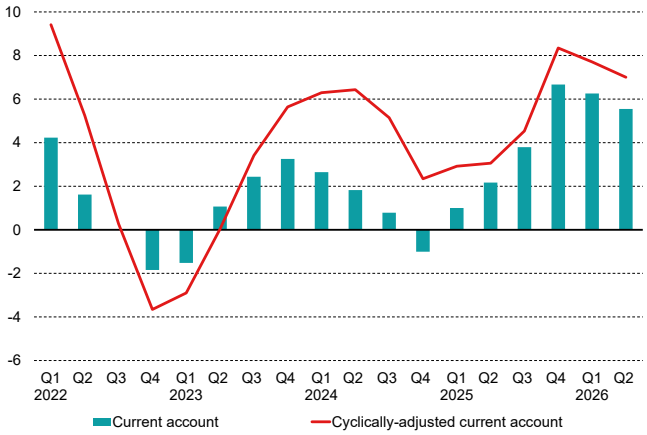
	Four-quarter moving sums						
	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2025 Q2	2026 Q2
Current account	**514.9**	**915.7**	**1,645.0**	**1,568.4**	**1,413.7**	**381.9**	**227.3**
Goods	-3,785.6	-3,568.2	-3,511.2	-3,308.7	-3,267.1	-1,006.6	-965.0
Services	8,008.1	7,933.1	8,198.9	8,001.6	7,930.0	2,124.2	2,052.6
Primary income	-3,601.4	-3,293.3	-2,892.8	-2,852.5	-2,925.7	-687.7	-761.0
Secondary income	-106.2	-155.9	-149.9	-272.1	-323.4	-48.0	-99.3
Capital account	**63.5**	**48.8**	**105.5**	**189.5**	**267.9**	**-4.6**	**73.9**
Financial account[(1)]	**614.4**	**1,192.8**	**1,510.7**	**1,590.6**	**1,347.6**	**478.8**	**235.8**
Errors and omissions	**36.0**	**228.3**	**-239.9**	**-167.2**	**-334.0**	**101.5**	**-65.4**

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

income account and lower net receipts from services.

The current account surplus-to-GDP ratio increased to 5.5% from 2.2% a year earlier (see Chart 4.1). Malta's cyclically-adjusted current account surplus is estimated to have stood at 7.0% of GDP in the second 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)



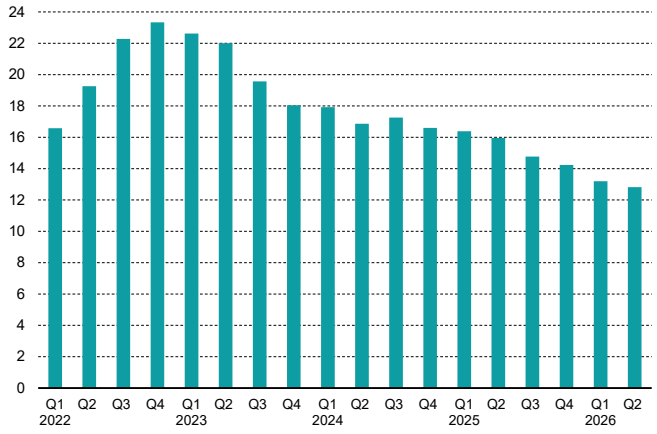
Sources: NSO; Central Bank of Malta.

The merchandise trade deficit narrows

In the second quarter of 2026, the merchandise trade deficit stood at €965.0 million, down from €1,006.6 million in the corresponding period of 2025. The smaller deficit was driven by higher exports which outweighed a rise in imports.

The visible trade gap also narrowed when measured on a four-quarter cumulative basis, reaching €3,267.1 million, from €3,785.6 million in the same period a year earlier. This reflected a decrease of €349.0 million in imports, mostly due to a decrease in imports of mineral fuels, lubricants and related materials, as well as an increase of €169.5 million in exports, mainly due to an increase in exports of machinery and transport equipment. The share of the goods deficit in GDP decreased to 12.8% during the second quarter of 2026, from 16.0% a year earlier (see Chart 4.2). This ratio is the lowest since 2022.

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



Sources: NSO; Central Bank of Malta.

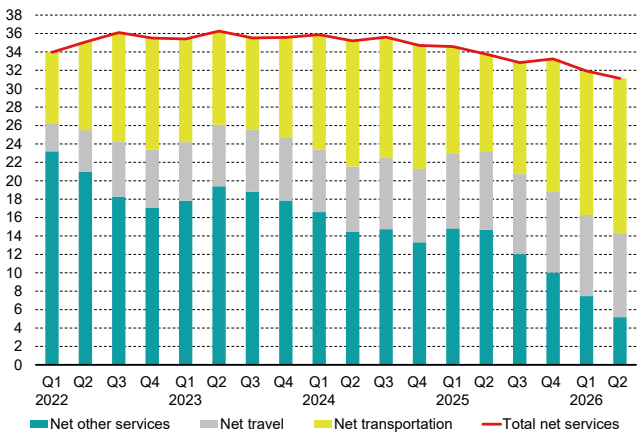
The surplus on services narrows

In the quarter under review, net receipts on the services account amounted to €2,052.6 million, €71.6 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 'services not allocated',[2] personal, cultural, and recreational services and other business services were the key factors behind the decrease in the overall surplus on the services account, offsetting higher net receipts from transport and 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 €7,930.0 million, €78.1 million lower than the surplus recorded a year earlier. This mainly reflected lower net receipts from 'services not allocated' and other business services such as technical and trade-related business, as well as professional and management consulting services. Together these offset higher net receipts from transport and travel. The share of net services receipts in GDP stood at 31.1%, down from 33.8% registered during the same period of 2025 (see Chart 4.3). Net transportation has become an increasingly large component of the services balance, accounting for 54.0% of the total in the latest quarter and the highest level recorded to date.

Net outflows on the primary income account increased[3]

During the quarter under review, net outflows on the primary income account stood at €761.0 million, €73.3 million higher than in the second quarter of 2025. Higher net payments on direct and other investment offset higher net income receipts from portfolio investment.

Conversely, in the four-quarter period to June 2026, net outflows on the primary income account decreased by €675.7 million, to stand at €2,925.7 million. This was due to lower net payments related to direct and other investment which offset lower net income receipts on portfolio 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 11.5% of GDP, down from 15.2% a year earlier.

Net outflows on the secondary income account increased[4]

In the second quarter of the year, net outflows on the secondary income account increased to €99.3 million from €48.0 million a year earlier.

Similarly, during the year to June 2026, net outflows increased to €323.4 million from €106.2 million in the same period of last year. Their share in GDP remained small, at 1.3%.

[2] "Services not allocated" is a residual item within the services account. Following a methodological revision in the latest release, BOP total exports and imports data are fully aligned with the National Accounts. This component captures those transactions that cannot be attributed to any other specific services category, which are mostly reflected on the import side.
[3] The primary income account shows income flows related mainly to cross-border investment and compensation of employees.
[4] The secondary income account shows current transfers between residents and non-residents.

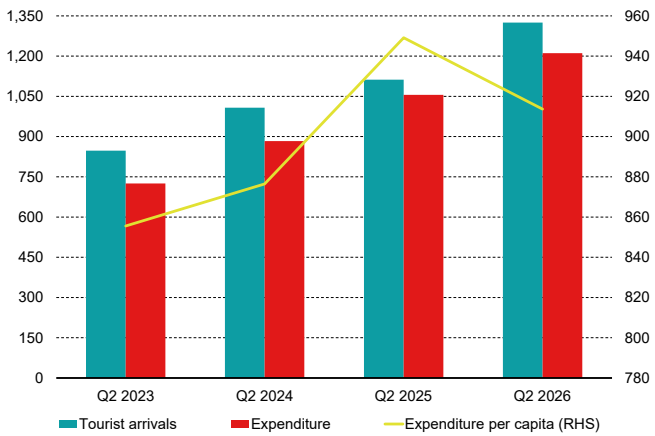
Tourism

The tourism sector remained strong in the second quarter of 2026. Tourist expenditure rose by 14.7% to reach €1,210.9 million (see Chart 4.4). This is a moderation from the 19.5% increase registered in the same period a year earlier. The increase in expenditure was broad-based across all expenditure categories.

Expenditure per capita declined to €913.7 from €949.1 a year earlier. It was driven by a shorter length of stay which fell to 5.5 nights from 6.0 nights previously, as spending per night increased by 5.2% (see Chart 4.5).

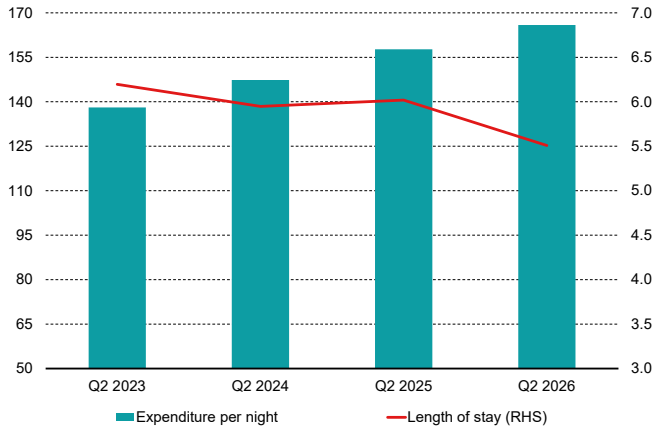
The number of tourists visiting Malta totalled 1,325,262 in the second quarter of 2026, up from 1,112,238 a year earlier. In annual terms this is equivalent to a rise of 19.2%, compared with 10.4% in the same period a year earlier. Visitors from Poland accounted for almost a quarter of this increase. They were followed by visitors from the United Kingdom.

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.

Tourists spent 7.3 million nights in Malta in the second quarter of 2026, a rise of 9% on a year earlier. Nights stayed in rented accommodation accounted for most of the rise.[5]

The total occupancy rate in collective accommodation establishments in the second quarter of 2026 stood at 71.3%, from 71.6% a year earlier (see Chart 4.6). On the one hand, the three-star and four-star categories registered some declines in occupancy. On the other hand, occupancy levels in the five-star category and the "other" category increased, while they remained unchanged in

[5] 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.

two-star accommodation. In the second quarter of 2026, the highest net-use of bed places was reported in four-star accommodation, where the occupancy rate reached 75.3%.

According to Malta International Airport (MIA) data, in the quarter under review, average seat capacity stood at 1,265,236 seats per month, up from 1,065,982 a year earlier (see Chart 4.7).

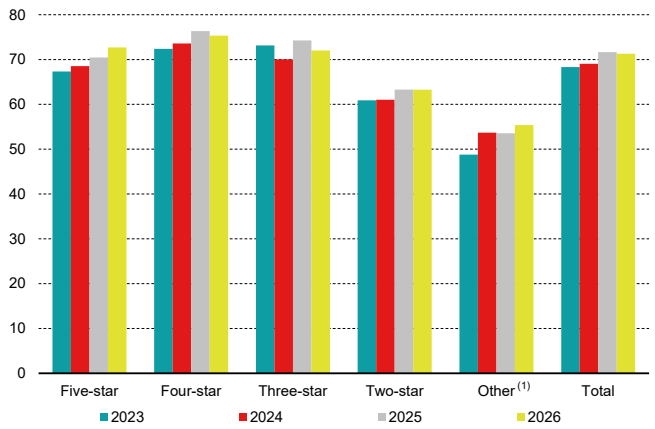
A total of 126 cruise liners visited Malta in the second quarter of 2026, three more than a year earlier. Foreign passengers however declined to 252,939 from 253,421 in the second quarter of 2025 (see Chart 4.8). In absolute terms, the United States reported the largest decline in cruise passenger arrivals.

The United Kingdom and the United States were the most important source markets, along with Italy, Germany and Spain. Together they made up two-thirds of total cruise passenger arrivals.

The capital account

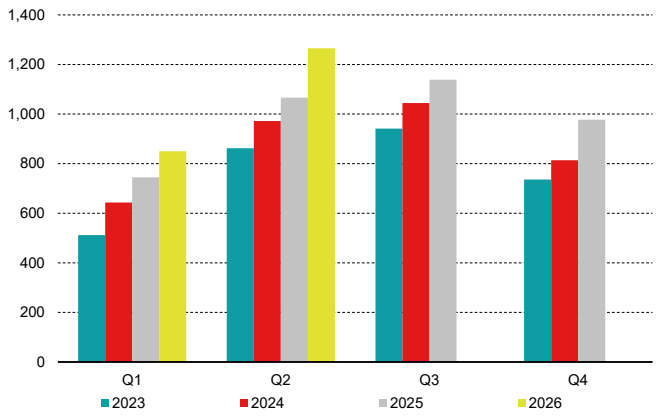
The capital account closed the quarter under review at €73.9 million, up from -€4.6 million a year earlier (see Table 4.1). When measured on a four-quarter cumulative basis, the capital account rose to €267.9 million, from €63.5 million a year earlier. Its share in GDP increased to 1.1% from 0.3% in the same period of 2025.

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



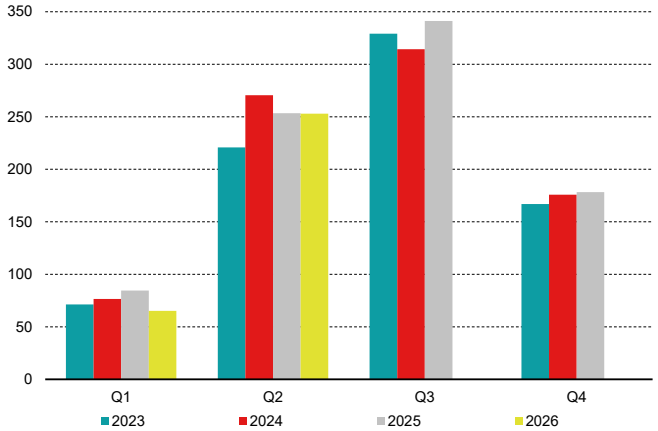
Source: NSO.
(1) Includes guest houses, hostels and holiday complexes.

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.