

In 2017, the General Government registered a surplus of €436.6 million, equivalent to 3.9 per cent of GDP. The gross consolidated debt amounted to €5,642.6 million or 50.8 per cent of GDP.

## General Government Balance and Debt under the Maastricht Treaty: First Reporting for 2018

### General Government balance and debt position

The surplus of General Government for 2017 amounted to around €436.6 million, an increase of €335.7 million from the previous year. The balance is calculated as the difference between total revenue (€4,494.6 million) and total expenditure (€4,057.9 million) of general government. Comparing 2017 over 2016, total revenue increased by €612.6 million, while total expenditure increased by €276.9 million.

		2014	2015	2016	2017
General Government deficit (-) / surplus (+)	€ millions	-148.6	-104.2	101.0	436.6
	% of GDP	-1.8	-1.1	1.0	3.9
General Government expenditure	€ millions	3,494.4	3,818.9	3,781.0	4,057.9
	% of GDP	41.3	40.1	37.1	36.5
General Government revenue	€ millions	3,345.8	3,714.7	3,882.0	4,494.6
	% of GDP	39.6	39.0	38.1	40.5
General Government debt	€ millions	5,390.0	5,585.5	5,728.4	5,642.6
	% of GDP	63.8	58.7	56.2	50.8

When measured as a percentage of GDP, the General Government balance was equivalent to a surplus of 3.9 per cent, an increase of 2.9 percentage points when compared to the surplus registered in 2016.

The General Government nominal gross consolidated debt decreased by €85.8 million to €5,642.6 million over 2016. Together with a higher level of GDP, the debt-to-GDP ratio for 2017 was brought down to 50.8 per cent (Table 1).

### 2017 data

In order to arrive at the General Government Sector's positive balance for 2017 of €436.6 million, adjustments are made to the balance of the Government's Consolidated Fund (NSO news release 51/2018), which registered a surplus of €182.7 million – an increase over the €8.9 million recorded in 2016. These adjustments are done in order to transform the cash-based data of Government's Consolidated Fund into an accruals-based exercise compiled in line with the established methodology. The adjustments also take in consideration the Extra Budgetary Units (EBUs) which are classified within the General Government Sector<sup>1</sup>, as well as the Local Government Sector. Table 2 provides the transition from the Consolidated Fund to the Net Lending/Net Borrowing of General Government.

<sup>1</sup> A list at the end of this release shows the EBUs which formed part of the General Government sector as 31 December 2017.

One major positive adjustment is the net lending (or surplus) recorded by EBUs of €240.5 million, an increase of €64.2 million over 2016. The EBU registering the highest surplus was the National Development and Social Fund (NDSF) with €199.7 million, constituting 70 per cent of the contributions under the Individual Investor Programme (IIP). Other positive adjustments to the Government's consolidated fund include the time-adjusted cash transactions (€35.2 million), as well as the Treasury Clearance Fund (TCF) flows in non-financial transactions (€37.2 million). In contrast, the main negative adjustments include the 'other accounts receivable and payable' (€53.3 million) and other financial transactions (€11.5 million) (Table 2).

## Reporting and Updates

On 29 March, Malta submitted its report on government deficit and debt levels for the years 2014-2017. This was done in accordance with Council Regulations (EC) No. 479/2009, as amended by Commission Regulation (EU) No. 220/2014, as well as in accordance with the Code of Best Practice adopted by the ECOFIN council on 18 February 2003.

When compared to the previous submission of 29 September 2017, the balance of the General Government was revised for all the years under review with an improvement in the deficit of €0.3 million for 2014 and a downward revision of €0.1 million for 2015. The General Government surplus for 2016 was revised downwards by €11.9 million.

The revisions for 2014 and 2015 were a result of the availability of audited accounts for EBUs and for Local Councils. For 2016, the availability of audited accounts for EBUs resulted in a downward revision of €7.1 million. Concurrently, the 'other accounts receivable and payable' was revised downwards by €4.8 million.

With regard to General Government debt, data for 2014 and 2015 was revised downwards by €5.0 million for both years while data for 2016 was revised upwards by €0.5 million.

## Stock Flow Adjustment (SFA)

A stock flow adjustment of 3.2 per cent of GDP was recorded in 2017 suggesting that the debt decreased less than implied by the recorded surplus of 3.9 per cent of GDP and thus, the change in government debt is also attributable to other elements. The fall in General Government debt was mainly the result of an increase of 1.5 per cent of GDP in 'other accounts receivable and payable', together with an increase in the holdings of 'equity and investment fund shares' (0.8 per cent of GDP) and 'currency and deposits' (0.6 per cent of GDP) (Table 3).

## Further information

The data presented in this release is different from the monthly news releases on government finance as the latter is limited to the Government's Consolidated Fund and is presented on a cash basis. This exercise is compiled in line with the European System of Accounts (ESA) 2010 and the Manual on Government Deficit and Debt (2016 edition). It covers the General Government Sector; made up of the Budgetary Central Government, the Extra Budgetary and the Local Government sector. Apart from the Consolidated Fund, other accounts of Government such as Treasury Clearance and Sinking Funds are included, while any financial transactions are excluded and various accruals adjustments are taken on board.

Data for the Government's Consolidated Fund is found at:

[https://nso.gov.mt/en/News\\_Releases/View\\_by\\_Unit/Unit\\_A2/Public\\_Finance/Pages/Government-Finance-Data.aspx](https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_A2/Public_Finance/Pages/Government-Finance-Data.aspx)

More information on the revenue and expenditure categories, as well as the financial assets and liabilities and debt was published today in the News Release 'Quarterly Accounts for the General Government Sector: 2017Q4'. It can be accessed at:

[https://nso.gov.mt/en/News\\_Releases/View\\_by\\_Unit/Unit\\_A2/Public\\_Finance/Pages/Quarterly-Accounts-for-General-Government.aspx](https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_A2/Public_Finance/Pages/Quarterly-Accounts-for-General-Government.aspx)

The official EDP notification tables that are transmitted to the Commission can be found in the excel version of this news release at:

[https://nso.gov.mt/en/News\\_Releases/View\\_by\\_Unit/Unit\\_A2/Public\\_Finance/Pages/General-Government-Balance-and-Debt-under-the-Maastricht-Treaty.aspx](https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_A2/Public_Finance/Pages/General-Government-Balance-and-Debt-under-the-Maastricht-Treaty.aspx)

The EDP Consolidated Inventory of Sources and Methods in ESA 2010 is available on the NSO website. The document may be accessed at:

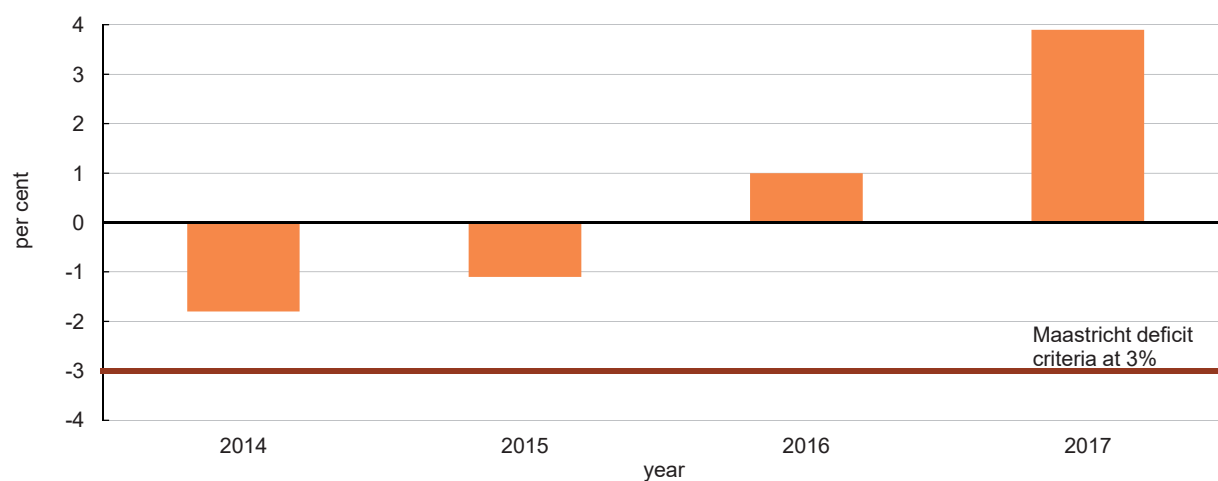
[https://nso.gov.mt/en/nso/Sources\\_and\\_Methods/Unit\\_A2/Public\\_Finance/Pages/General-Government-Balance-and-Debt-under-the-Maastricht-Treaty.aspx](https://nso.gov.mt/en/nso/Sources_and_Methods/Unit_A2/Public_Finance/Pages/General-Government-Balance-and-Debt-under-the-Maastricht-Treaty.aspx)

**Table 1. General Government balance and debt data**

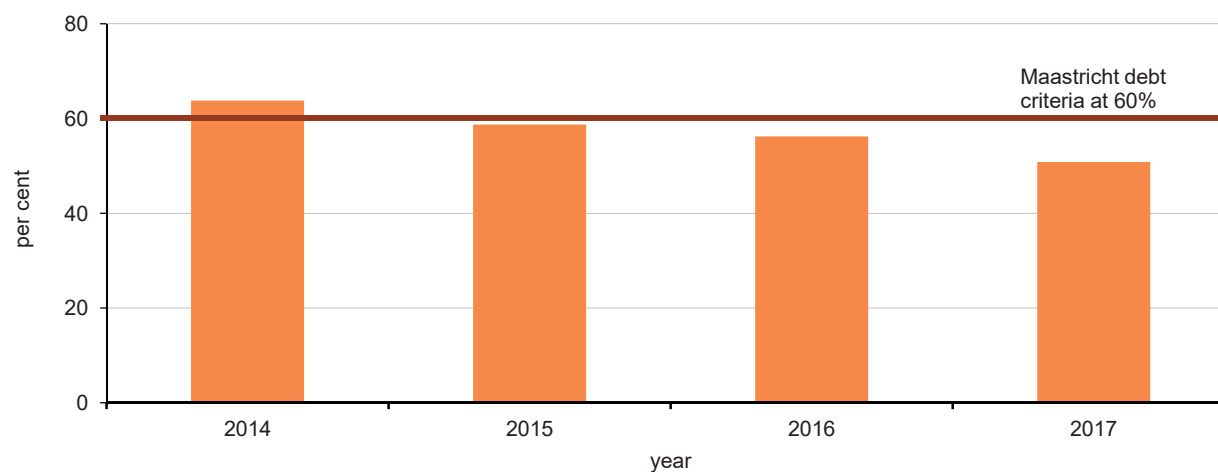
	2014	2015	2016	2017
	€ 000			
<b>General Government deficit (-) / surplus (+)</b>	<b>-148,586</b>	<b>-104,211</b>	<b>100,972</b>	<b>436,641</b>
Central Government	-150,879	-109,712	96,622	432,041
Local Government	2,293	5,501	4,350	4,599
<b>as a % of GDP</b>	<b>-1.8</b>	<b>-1.1</b>	<b>1.0</b>	<b>3.9</b>
<b>General Government Debt</b>	<b>5,390,003</b>	<b>5,585,511</b>	<b>5,728,401</b>	<b>5,642,641</b>
Central Government	5,385,810	5,581,816	5,724,863	5,638,899
Local Government	4,192	3,695	3,538	3,741
<b>as a % of GDP</b>	<b>63.8</b>	<b>58.7</b>	<b>56.2</b>	<b>50.8</b>
GDP	8,454,071	9,517,146	10,191,715	11,108,592

Source of GDP data: News Release 038/2018 dated 8 March 2018.

**Chart 1. General Government balance as a % of GDP**



**Chart 2. General Government debt as a % of GDP**



**Table 2. Transition between Consolidated Fund and General Government sector**

	2014	2015	2016	2017
	€ 000			
<b>Consolidated Fund Surplus/Deficit</b>	<b>-121,306</b>	<b>-232,835</b>	<b>8,870</b>	<b>182,672</b>
as a % of GDP	-1.4	-2.4	0.1	1.6
Adjustments to the Consolidated Fund:				
Loans, repayments (-)	0	-2,013	0	0
Equities, acquisitions (+)	0	0	0	0
Equities, sales (-)	0	0	0	0
Other financial transactions	0	-1,000	-8,274	-11,499
Difference between interest paid (+) and interest accrued (-)	-8,638	-8,155	-8,462	-2,191
Other accounts receivable (+) and payable (-)	-61,905	106,578	-31,896	-53,315
Time-adjusted cash transactions	13,478	-3,832	4,764	35,174
Net Borrowing (-) / Net Lending (+) of Extra Budgetary Units	9,948	16,247	176,289	240,537
Other adjustments (+/-)				
Treasury Clearance Fund flows in non-financial transactions	35,971	55,502	-24,419	37,199
Sinking Fund interests' received	1,981	3,738	3,291	3,607
Interest received not included in consolidated fund	5	0	0	0
EFSF re-routing	411	258	-647	-143
Equity injection	-14,980	-43,012	-11,984	0
Debt assumption	-5,843	0	0	0
Other	0	-1,189	-10,910	0
Net Lending (+) / Net Borrowing (-) of Central Government (S.1311)	-150,879	-109,712	96,622	432,041
Net Lending (+) / Net Borrowing (-) of Local Government (S.1313)	2,293	5,501	4,350	4,599
<b>Net Lending (+) / Net Borrowing (-) of General Government (S.13)</b>	<b>-148,586</b>	<b>-104,211</b>	<b>100,972</b>	<b>436,641</b>
as a % of GDP	-1.8	-1.1	1.0	3.9

1. News Release 51/2018 dated 29 March 2018.

2. Acquisition of shares in international agencies.

3. Superdividend test - Dividends paid out of accumulated reserves.

4. Difference between the interest paid and accrued of the Treasury Bills, Malta Government Stocks and Foreign Loans. Includes the adjustment of the premium apportionment of the Malta Government Stocks.

5. Accruals adjustment for all the Budgetary Central Government. Includes amongst which: Treasury Department accrual templates, adjustment for EU Funds neutrality, church stock adjustment and emission trading permits.

6. In line with Council Regulation 2516/2000, the method of recording of taxes and social contributions is the time-adjusted method.

7. The aggregated net borrowing (-) / net lending (+) of the extra budgetary units forming part of the Central Government Sector.

8. Re-routed operations of the European Financial Stability Facility.

9. Debt assumption in relation to the liquidation of Sea Malta Co Ltd.

10. The aggregated net borrowing (-) / net lending (+) of the 68 local councils, 5 Regional Committees and Local Councils Association.

**Table 3. Composition of stock flow adjustment**

	2014	2015	2016	2017
	as a % of GDP			
General Government deficit (-) / surplus (+)	-1.8	-1.1	1.0	3.9
Change in General Government debt	1.9	2.1	1.4	-0.8
<b>Stock flow adjustment</b>	<b>0.2</b>	<b>1.0</b>	<b>2.4</b>	<b>3.2</b>
<i>consisting of:</i>				
Assets - Currency and Deposits (F2)	0.9	0.5	4.7	0.6
Assets - Loans (F4)	0.2	-0.5	-0.1	0.0
Assets - Equity and investment fund shares (F5)	0.2	-0.1	-0.1	0.8
Other accounts receivable / payable (F8)	-0.9	1.2	-2.0	1.5
Other adjustments	-0.2	0.0	-0.1	0.2

Note: Totals may not add up due to rounding.

Extra Budgetary Units as at 31 December 2017

	NACE CODE		NACE CODE
Appoġġ	88	Malta Philharmonic Orchestra	90
Arts Council Malta	90	Malta Resources Authority	84
Bord Tal-Koperattivi	84	Malta Statistics Authority	84
Broadcasting Authority	84	Malta Tourism Authority	84
Depositor Compensation Scheme	64	Manoel Theatre Management Committee	90
Environment and Resources Authority	84	Medicines Authority	84
Environment Protection Fund	84	Mental Health Services	87
Fort Security Services Ltd	84	MSE (Holdings) Ltd	64
Foundation for Educational Services	84	National Audit Office	84
Foundation for Medical Services	84	National Commission Persons with Disability	84
Foundation for Tomorrow's Schools	84	National Development and Social Fund	84
Gozo Ferries Co. Ltd	77	Occupational Health and Safety Authority	84
Grand Harbour Regeneration Corporation	71	Office of the Ombudsman	84
Heritage Malta	91	Planning Authority	84
Housing Authority	84	Projects Malta Ltd	84
Identity Malta	84	Projects Plus Ltd	84
International Institute on Ageing	85	Property Management Services	84
Investor Compensation Scheme	64	Protection and Compensation Fund	64
Jobsplus	78	Regulator for Energy and Water Services	84
Libyan Arab Maltese Holdings Ltd	64	Resources Support and Services Ltd	78
Malta College of Arts, Science and Technology	85	Sapport	88
Malta Communications Authority	84	Sedqa - Agency against Drug and Alcohol Abuse	88
Malta Competition and Consumer Affairs Authority	84	SportMalta	93
Malta Council for Economic and Social Development	84	St James Cavalier Creativity Centre	90
Malta Council for Science and Technology	84	Superintendence of Cultural Heritage	84
Malta Enterprise Corporation	84	The Rehabilitation Hospital Karin Grech	86
Malta Gaming Authority	84	Trade Malta Ltd	73
Malta Government Investments Ltd	84	University of Malta	85
Malta Government Technology Investments Ltd	84	Valletta 2018 Foundation	84
Malta Information Technology Agency	63	WasteServ Malta Ltd	38
Malta Investment Management Co. Ltd	84	Yachting Malta Ltd	73

Notes:

1. This list does not include entities which are already accounted for within the Departmental Accounting System (DAS) of Central Government.
2. General Classification of economic activities within the European communities. Industries are grouped into 64 categories (A64) based on NACE Rev 2.

## Methodological Notes

1. Within the context of the EDP compilation, Government is taken to mean the General Government (S.13 sector according to the ESA 2010 definitions). This includes the Budgetary Central Government made up of Government ministries and departments, the Extra Budgetary Units (EBU's) which are classified as forming part of this sector, as well as all the Local Councils.
2. This release presents Government deficit and debt worked out in line with the procedure defined in the Maastricht Treaty (Article 104). The basic conceptual reference framework for this exercise is the ESA 2010 Manual on Government Deficit and Debt (2016 edition); which is in turn based on the European System of National and Regional Accounts (ESA 2010). This compliance with the reference framework allows for the international comparability of the data.
3. Article 104 of the Maastricht Treaty requires Member States to avoid excessive government deficits. In this respect the Commission monitors the development of the budgetary situation and of the stock of government debt. A protocol of the Maastricht Treaty specifies the reference percentages for general government deficit (which should not exceed 3 per cent of GDP), and for the gross *nominal* consolidated debt (which should not exceed 60 per cent of GDP).
4. The Stock Flow Adjustment (SFA) is the difference between the change in the stock of Government debt and the flow of annual Government deficit/surplus. Deficits normally contribute to an increase in debt levels, while surpluses reduce them. However, the change in government debt also reflects other elements.
5. The new version of the EDP Consolidated Inventory of Sources and Methods in ESA 2010 is available on the NSO website. The document may be accessed at:  
[https://nso.gov.mt/en/nso/Sources\\_and\\_Methods/Unit\\_A2/Public\\_Finance/Pages/General-Government-Balance-and-Debt-under-the-Maastricht-Treaty.aspx](https://nso.gov.mt/en/nso/Sources_and_Methods/Unit_A2/Public_Finance/Pages/General-Government-Balance-and-Debt-under-the-Maastricht-Treaty.aspx)
6. The data contained in this release may be revised. Figures may not add up due to rounding.
7. More information relating to this news release may be accessed at:  
Statistical Concepts: <http://nso.gov.mt/metadata/concepts.aspx>  
Metadata: <http://nso.gov.mt/metadata/reports.aspx?id=2>  
Statistical Database: <http://nso.gov.mt/statdb/start>
8. References to this news release are to be cited appropriately.
9. A detailed news release calendar is available on  
[https://nso.gov.mt/en/News\\_Releases/Release\\_Calendar/Pages/News-Release-Calendar.aspx](https://nso.gov.mt/en/News_Releases/Release_Calendar/Pages/News-Release-Calendar.aspx)

European statistics comparable to data in this News Release are available at:

[EUROSTAT Website/Homepage/Statistics Database](http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&code=sdg-10-10-1)

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