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In 2018, the General Government registered a surplus of €250.8 million, equivalent to 2.0 per cent of GDP. The gross consolidated debt amounted to €5,664.7 million or 46.0 per cent of GDP.

General Government Balance and Debt under the Maastricht Treaty: First Reporting for 2019

General Government balance and debt position

The surplus of General Government for 2018 amounted to around €250.8 million, a decrease of €136.4 million from the previous year. The balance is calculated as the difference between total revenue (€4,783.2 million) and expenditure (€4,532.4 million) of General Government. Comparing 2018 over 2017, total revenue increased by €353.8 million, while total expenditure increased by €490.2 million (Table 1).

Table 1. Main Aggregates

		2015	2016	2017	2018
General Government deficit (-) / surplus (+)	€ millions	-98.2	90.9	387.2	250.8
	% of GDP	-1.0	0.9	3.4	2.0
General Government expenditure	€ millions	3,818.1	3,778.1	4,042.2	4,532.4
	% of GDP	39.6	36.5	35.7	36.8
General Government revenue	€ millions	3,719.9	3,869.0	4,429.4	4,783.2
	% of GDP	38.5	37.4	39.2	38.8
General Government debt	€ millions	5,586.2	5,739.9	5,682.6	5,664.7
	% of GDP	57.9	55.5	50.2	46.0

When measured as a percentage of GDP, the General Government balance was equivalent to a surplus of 2.0 per cent, a decrease of 1.4 percentage points when compared to the surplus of 3.4 per cent that was registered in 2017.

The General Government nominal gross consolidated debt decreased by €17.8 million to €5,664.7 million over 2017. Together with a higher level of GDP, the debt-to-GDP ratio for 2018 fell to 46.0 per cent (Table 2).

2018 data

In order to arrive at the General Government Sector's positive balance for 2018 of €250.8 million, adjustments are made to the balance of the Government's Consolidated Fund (NSO news release 051/2019), which registered a deficit of €70.2 million – a decrease over the surplus of €182.7 million recorded in 2017. The adjustments are necessary to shift from the Government's Consolidated Fund into an accruals-based exercise compiled in line with established methodology. The adjustments also take in consideration the Extra Budgetary Units (EBUs) which are classified within the General Government Sector¹, as well as the Local Government Sector. Table 3 provides the transition from the Consolidated Fund to the Net Lending/ Net Borrowing of General Government.

¹A list at the end of this release shows the EBUs which formed part of the General Government sector as 31 December 2018.

One major positive adjustment is the net lending (or surplus) recorded by Extra Budgetary Units (EBU) of €176.8 million, a decrease of €21.1 million over 2017. The EBU registering the highest surplus was the National Development and Social Fund (NDSF) with €133.7 million, which includes 70 per cent of the contributions under the Individual Investor Programme (IIP).

Other positive adjustments to the Government's consolidated fund include the 'other accounts receivable and payable' (€126.4 million), the Treasury Clearance Fund (TCF) flows in non-financial transactions (€40.9 million), and the time-adjusted cash transactions (€40.5 million). In contrast, the main negative adjustments were two equity injections to the national air carrier subsidiaries (€62.5 million) (Table 3).

Reporting and Updates

On 29 March, Malta submitted its report on government deficit and debt levels for the years 2015-2018. 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 28 September 2018, both the balance and debt of the General Government sector were revised for all the years under review. The revisions in the fiscal balance resulted in an increase in the deficit of €0.7 million for 2015, and a reduction in the surplus of €5.5 million both for 2016 and 2017. On the other hand, the debt for 2015, 2016 and 2017 was revised upwards by €0.7 million, €5.0 million and €11.9 million respectively.

Stock Flow Adjustment (SFA)

A stock flow adjustment of 1.9 per cent of GDP was recorded in 2018 suggesting that the debt decreased less than implied by the recorded surplus of 2.0 per cent of GDP and thus the change in government debt is attributable to other elements. The fall in General Government debt was mainly the result of an increase of 1.1 per cent of GDP in 'other accounts receivable and payable', together with an increase in the holdings of 'debt securities' (0.8 per cent of GDP) and 'equity and investment fund shares' (0.5 per cent of GDP). On the other hand, decreases were only registered in the holdings of 'currency and deposits' (1.2 per cent of GDP) (Table 4).

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 are 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 government's accounts such as Treasury Clearance and Sinking Funds are included, 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

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: 2018Q4'. 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

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/nso/Sources_and_Methods/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: http://nso.gov.mt/en/nso/Sources_and_Methods/Unit_A2/Public_Finance/Pages/Government-Debt-and-Deficit-under-the-Maastricht-Treaty.aspx

Table 2. General Government balance and debt data

	2015	2016	2017	2018
	€ 000			
General Government deficit (-) / surplus (+)	-98,207	90,903	387,190	250,839
Central Government	-103,896	86,341	379,017	242,333
Local Government	5,690	4,562	8,173	8,506
as a % of GDP	-1.0	0.9	3.4	2.0
General Government Debt	5,586,167	5,739,887	5,682,556	5,664,744
Central Government	5,582,473	5,736,366	5,679,599	5,661,668
Local Government	3,695	3,521	2,956	3,077
as a % of GDP	57.9	55.5	50.2	46.0
GDP	9,649,873	10,344,122	11,313,288	12,319,818

Source of GDP data: News Release 038/2019 dated 8 March 2019.

Chart 1. General Government balance as a % of GDP

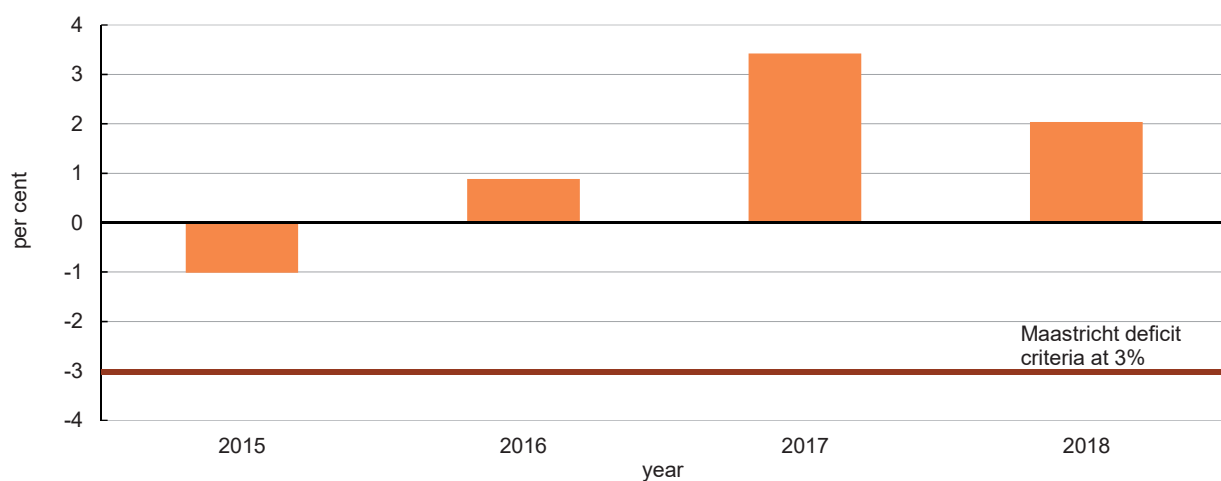


Chart 2. General Government debt as a % of GDP

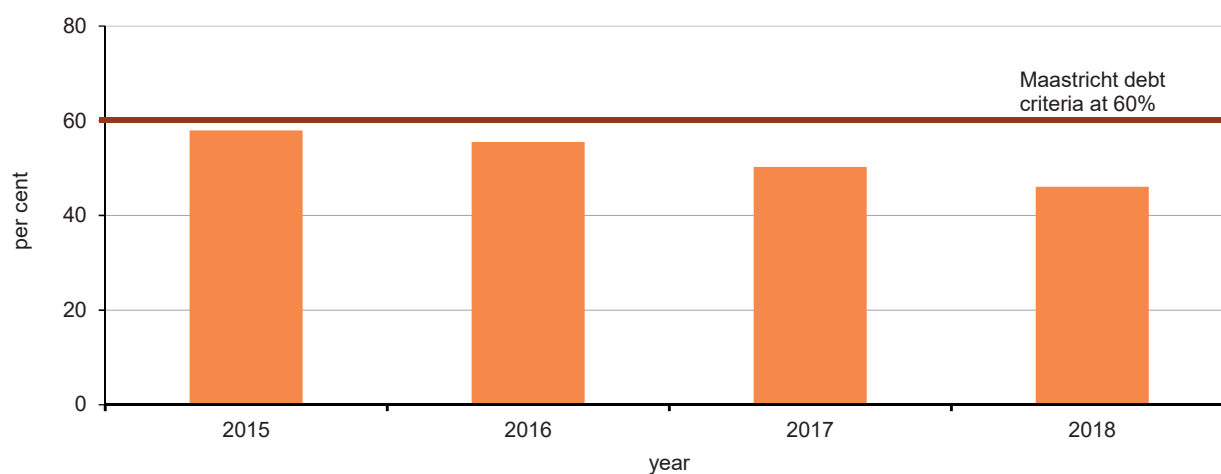


Table 3. Transition between Consolidated Fund and General Government sector

	2015	2016	2017	2018
	€ 000			
Consolidated Fund Surplus/Deficit	-232,835	8,870	182,672	-70,217
as a % of GDP	-2.4	0.1	1.6	-0.6
Adjustments to the Consolidated Fund:				
Loans, repayments (-)	-2,013	0	0	0
Equities, acquisitions (+)	0	0	0	0
Equities, sales (-)	0	0	0	0
Other financial transactions	-1,000	-8,274	-11,499	0
Difference between interest paid (+) and interest accrued (-)	-6,059	-6,873	-350	6,884
Other accounts receivable (+) and payable (-)	110,954	-34,833	-58,574	126,409
Time-adjusted cash transactions	-3,832	4,764	35,174	40,504
Net Lending (+) / Net Borrowing (-) of Extra Budgetary Units	16,247	171,674	197,814	176,760
Other adjustments (+/-)				
Treasury Clearance Fund flows in non-financial transactions	55,502	-24,419	37,199	40,936
Sinking Fund interests' received	3,738	3,291	3,607	3,675
Interest received not included in consolidated fund	0	0	0	0
EFSF re-routing	258	-647	-143	-54
Equity injection	-43,012	-11,984	0	-62,534
Rerouting / PPP adjustments	-656	-4,319	-6,884	-20,031
Other	-1,189	-10,910	0	0
Net Lending (+) / Net Borrowing (-) of Central Government (S.1311)	-103,896	86,341	379,017	242,333
Net Lending (+) / Net Borrowing (-) of Local Government (S.1313)	5,690	4,562	8,173	8,506
Net Lending (+) / Net Borrowing (-) of General Government (S.13)	-98,207	90,903	387,190	250,839
as a % of GDP	-1.0	0.9	3.4	2.0

1. News Release 051/2019 dated 29 March 2019.

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, emission trading permits and interest receivable.

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

Table 4. Composition of stock flow adjustment

	2015	2016	2017	2018
	as a % of GDP			
General Government deficit (-) / surplus (+)	-1.0	0.9	3.4	2.0
Change in General Government debt	2.0	1.5	-0.5	-0.1
Stock flow adjustment	1.0	2.4	2.9	1.9
<i>consisting of:</i>				
Assets - Currency and Deposits (F2)	0.5	4.7	0.8	-1.2
Assets - Debt securities (F3)	0.0	0.0	0.0	0.8
Assets - Loans (F4)	-0.5	0.0	0.2	0.3
Assets - Equity and investment fund shares (F5)	-0.1	-0.1	0.8	0.5
Other accounts receivable / payable (F8)	1.2	-2.1	1.2	1.1
Other adjustments	0.0	-0.1	-0.1	0.4

Note: Totals may not add up due to rounding.

Extra Budgetary Units as at 31 December 2018

	NACE CODE		NACE CODE
Arts Council Malta	90	Malta Philharmonic Orchestra	90
Bord Tal-Koperattivi	84	Malta Residency and Visa Programme Agency	84
Broadcasting Authority	84	Malta Resources Authority	84
Depositor Compensation Scheme	64	Malta Statistics Authority	84
Environment and Resources Authority	84	Malta Tourism Authority	84
Environment Protection Fund	84	Manoel Theatre Management Committee	90
Fort Security Services Ltd	84	Medicines Authority	84
Foundation for Educational Services	84	Mental Health Services	87
Foundation for Medical Services	84	MSE (Holdings) Ltd	64
Foundation for Social Welfare Services	88	National Audit Office	84
Foundation for Tomorrow's Schools	84	National Commission Persons with Disability	84
Gozo Channel (Holdings) Co. Ltd	77	National Development and Social Fund	84
Grand Harbour Regeneration Corporation	71	Occupational Health and Safety Authority	84
Heritage Malta	91	Office of the Ombudsman	84
Housing Authority	84	Planning Authority	84
Identity Malta	84	Projects Malta Ltd	84
International Institute on Ageing	85	Projects Plus Ltd	84
Investor Compensation Scheme	64	Property Management Services	84
Jobsplus	78	Protection and Compensation Fund	64
Lands Authority	84	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	Selmun Palace Hotel	84
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, and all the Local Councils.
2. This news 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 (2014 edition); which is 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 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 data contained in this news release may be revised. Figures may not add up due to rounding.
6. 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>
7. References to this news release are to be cited appropriately.
8. A detailed news release calendar is available on 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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