

News Release



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Compiled by:

Government Finance Unit
e-mail: govtfinance.nso@gov.mt
Tel: 25997240



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Government Finance

Government Debt and Deficit under the Maastricht Treaty Second Reporting for 2005

In fulfillment of Council Regulation (EC) No. 3605/93 and subsequent amendments, as well as in accordance with the Code of Best Practice adopted by the Ecofin Council on the 18th February, 2003 on the 1st September, Malta has submitted its second report for government debt and deficit levels. This more recent submission drew on, and updated, the first exercise submitted to the Commission on the 1st March and, which was reported by the NSO through News Release 50/2005 of the 18th March

Updated Debt and Deficit Positions

In 2004, general government net borrowing (or deficit) was estimated at Lm93.87 million. This compares with a net borrowing of Lm186.16 million for 2003. General government net borrowing in 2004 was equivalent to 5.08 per cent of Gross Domestic Product, compared with 10.38 per cent in 2003. As explained in News Release No. 171/2004 of the 20th September 2004, the 2003 figures included the restructuring exercise of the shipyard sector.

At the end of 2004, the nominal General Government gross consolidated debt amounted to Lm1,401.73 million, or 75.88 per cent of the GDP compared to Lm1,304.73 million or 72.76 per cent of GDP at the end of 2003.

UPDATES FROM THE MARCH SUBMISSION

General Government Deficit for 2004

The actual final deficit for the consolidated fund balance for 2004 was Lm94.02 million, a slight reduction from the estimated deficit of Lm94.03 million which was forecasted last February. On the other hand the deficit figures for the EBUs and for the Local Councils improved by Lm2.05 million and by Lm0.75 million respectively. Whereas the EBU and Local Council data for 2004 was based on questionnaires and estimates for the March submission, the current exercise could make use of annual audited financial statements for most of the EBUs, and for all of the Local Councils.

General Government Debt for 2004

There is no change in the stock of debt as reported in the Financial report. However, due to a revision in the Government stock holdings by the sinking fund and by the EBU's, the debt of the central government increased by Lm6.8 million, while more up-to-date information confirms that the debt of the EBU's declined by Lm6.4 million.

Gross Domestic Product for 2004

The GDP is the official benchmark against which the deficit and debt positions have to be measured. The GDP for 2004 in the September Notification, has been revised to Lm1,847.2 million from Lm1,868.9 million in the March notification. Although the deficit for 2004 has been revised downwards by Lm2.84 million, as a percentage of GDP the deficit ratio is now 5.08 per cent, compared to the previous estimate of 5.17 per cent. On the other hand although the stock of debt remained more or less unchanged, as a percentage of GDP this increased from 74.98 per cent to 75.88 per cent ■

National Statistics Office
Library & Information Unit
Lascaris, Valletta CMR 02, Malta
Tel: (+356) 25997219
Fax: (+356) 25997205
e-mail: nso@gov.mt
<http://www.nso.gov.mt>

Table 1a. General Government Deficit and Debt Data: 2001 - 2004

	2001*	2002*	2003*	2004*
	Lm thousands			
General Government deficit (-) / surplus (+)	-111,426	-100,149	-186,161	-93,865
as a % of GDP	6.6	5.8	10.4	5.1
General Government Debt	1,072,925	1,100,541	1,304,733	1,401,725
as a % of GDP	63.5	63.2	72.8	75.9
GDP **	1,688,960	1,740,054	1,793,277	1,847,190

* Data for 2001 to 2004 is half finalised.

** GDP News Release No. 125/2005 dated 9th June 2005.

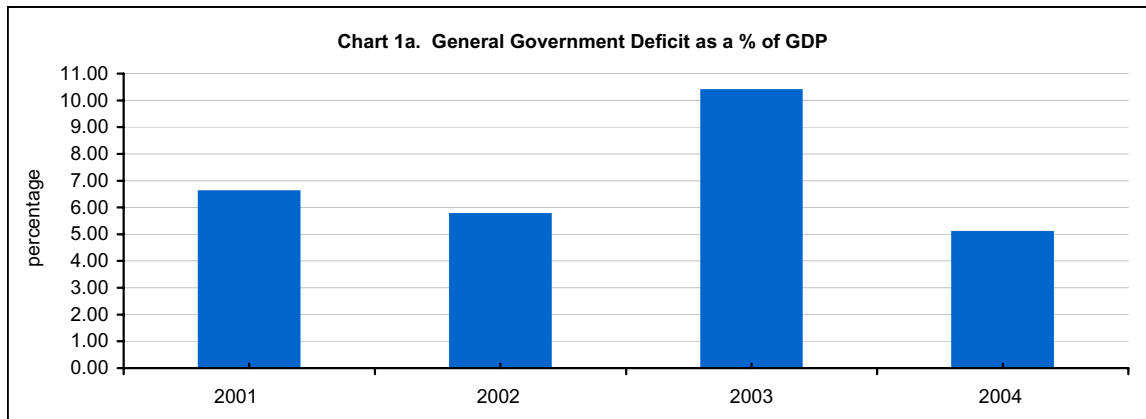


Table 1b. General Government Deficit and Debt Data by sector: 2001 - 2004

	2001*	2002*	2003*	2004*
	Lm thousands			
General Government deficit (-) / surplus (+)	-111,426	-100,149	-186,161	-93,865
S.1311 Central Government	-112,316	-100,614	-185,626	-94,065
S.1313 Local Government	890	465	-534	200
General Government Debt	1,072,925	1,100,541	1,304,733	1,401,725
S.1311 Central Government	1,072,506	1,099,996	1,304,037	1,401,048
S.1313 Local Government	419	545	696	677

* Data for 2001 to 2004 is half finalised.

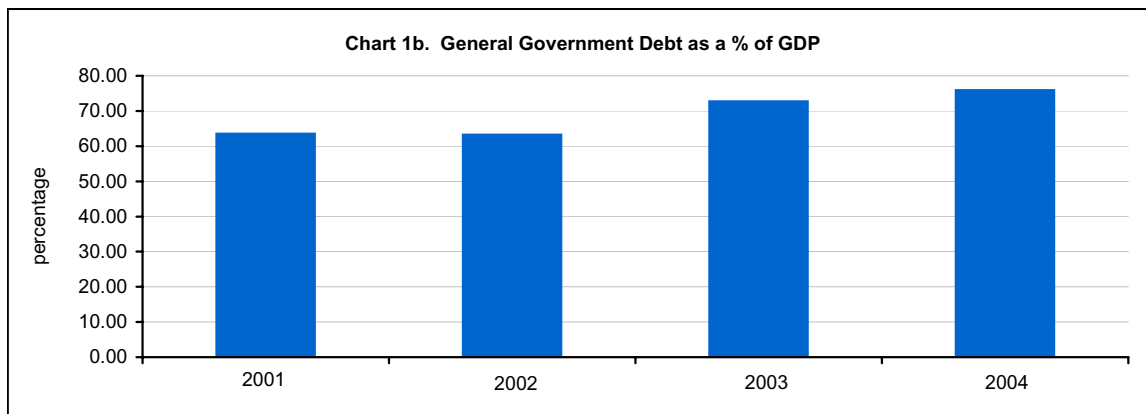


Table 2. Transition between Consolidated Fund Deficit and General Government Deficit

	2001*	2002*	2003*	2004*
	Lm thousands			
Structural Deficit of Consolidated Fund Transactions	-85,292	-87,675	-105,445	-94,018
<i>as a % of GDP</i>	5.0	5.0	5.9	5.1
Adjustments to the Consolidated Fund:				
Loans granted (+)	10,984	9,539	4,095	0 ¹
Loans repayments (-)	-2,873	0	-153	-114 ²
Equities, acquisitions (+)	286	35	12	12 ³
Equities, sales (-)	0	0	0	0
Other financial transactions	-769	-397	0	-1,458 ⁴
Difference interest paid (+) and interest accrued (-)	1,447	361	-2,279	-1,545 ⁵
Other accounts receivable (+) and payable (-)	1,727	3,760	-13,100	5,074 ⁶
Net Borrowing (-) / Net Lending (+) of public entities forming part of Central Government	-15,119	-15,189	-19,085	-3,896 ⁷
Other adjustments (+/-)	-4,766	-127	748	-802 ⁸
	-11,255	364	651	760 ⁹
	0	2	106	17 ¹⁰
	0	0	1,756	1,905 ¹¹
	-6,686	0	0	0 ¹²
	0	-11,287	0	0 ¹³
	0	0	-52,933	0 ¹⁴
Net Borrowing (-) / Net Lending (+) of Central Government (S.1311)	-112,316	-100,614	-185,626	-94,065
Net Borrowing (-) / Net Lending (+) of Local Government (S.1313)	890	465	-534	200 ¹⁵
Net Borrowing (-) / Net Lending (+) of General Government (S.13)	-111,426	-100,149	-186,161	-93,865
<i>as a % of GDP</i>	6.6	5.8	10.4	5.1
GDP **	1,688,960	1,740,054	1,793,277	1,847,190

Explanatory Notes:

1. Consolidated Fund loans to Malta Drydocks, Malta Shipbuilding and Gozo Ferries Co. Ltd. (all 100% Government owned).
2. Repayments of loans made by Malta Government Investments Ltd / Malta Development Corporation, Malpro Ltd and Water Services Corporation.
3. Acquisition of shares in Multilateral Investment Guarantee Agency (subscription shares), European Bank for Reconstruction and Development (subscriptions shares), and Malta Government Privatisation plc. (increase in shareholding).
4. Non-trading profits among Central Bank of Malta transfers to Government
5. Difference between the interest paid and accrued of the Treasury Bills, Malta Government Stocks and Foreign Loans
6. Accruals adjustment for the main revenue earning and spending departments.
7. The net borrowing (-) / net lending (+) of the extra budgetary units forming part of the central government sector (based on a delimitation exercise)
8. Treasury Clearance Fund flows in deposits accounts
9. Treasury Clearance Fund flows in advance accounts
10. Treasury Clearance Fund flows in unallocated stores
11. Sinking Fund interests' received
12. Loan Cancellation in Kalaxlokk Co. Ltd
13. Malta International Airport special dividend
14. Malta Shipyards adjustment
15. The net borrowing (-) / net lending (+) of the 68 local councils

* Data for 2001 to 2004 is half finalised.

** GDP News Release No. 125/2005 dated 9th June 2005.

Extra Budgetary Units as at 31st August, 2005

	NACE CODES*		NACE CODES*
Appogg	85	Malta Resources Authority	75
Bord Tal-Koperattivi	75	Malta Society of Arts, Manufactures and Commerce	75
Broadcasting Authority	75	Malta Standards Authority	75
Employment and Training Corporation	75	Malta Statistics Authority	75
Foundation for Educational Services	75	Malta Tourism Authority	75
Foundation for Medical Sciences and Services	75	Malta Transport Authority	75
Foundation for Tomorrow's Schools	75	Manoel Theatre Management Committee	92
Gozo Ferries Co Ltd	71	Mater Dei Hospital	75
Heritage Malta	92	Medicines Authority	75
Housing Authority	75	MEPA	75
Industrial Projects and Services Ltd	75	Mount Carmel Hospital	85
International Institute on Ageing	80	National Audit Office	75
Kunsill Malti għall-Isport	75	National Commission for Disabled Persons	75
Lotteries and Gaming Authority	75	National Orchestra	92
Malta Centre for Restoration	80	Occupational Health and Safety Authority	75
Malta College of Arts, Science and Technology	80	Office of the Ombudsman	75
Malta Communications Authority	75	Programm Fejda	75
Malta Council for Culture and the Arts	92	Sapport	85
Malta Council for Economic and Social Development	75	Sedqa - Agency against Drug and Alcohol Abuse	85
Malta Council for Science and Technology	75	St James Cavalier Creativity Centre	92
Malta Enterprise Corporation	75	Superintendence of Cultural Heritage	75
Malta Export House Co. Ltd	75	University of Malta	80
Malta Government Investments Ltd	75	WasteServ Malta Ltd	90
Malta National Laboratory	74	Zammit Clapp Hospital	85

This list does not include entities, which are already accounted for within the Departmental Accounting System (DAS) of Central Government.

* General Classification of economic activities within the European communities. Industries are grouped into 60 categories (A60).

ADDITIONAL NOTES

1. Within the context of this exercise, Government is taken to mean the General Government sector (S.13 sector according to the ESA 95 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. In ESA95, EBU's are included within the Central Government Sector (S.1311).
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 95 Manual on Government Deficit and Debt (2002 edition and subsequent updates); which is in turn based on the European System of National and Regional Accounts (ESA 95). 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. For the sake of consistency with the data already submitted to the Commission, the GDP figures quoted in this publication are as listed in Malta's Notification of the 31st August. Since then, the GDP figures have been revised (NSO News Release No. 192 of the 7th September).
5. The data contained in this release may be reviewed. Figures may not add up due to rounding.
6. As from 2006, the Commission may consider delaying the submission dates of the notification of the general government deficit and debt from 1st March and 1st September to 1st April and 1st October respectively.