

# News Release



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## Government Finance

January - November 2005

Recurrent Revenue during the first eleven months of 2005 totalled Lm751.3 million, and made up 83.5 per cent of this year's budget forecast. Compared to the same period last year, this represents an increase of Lm83.1 million, or 12.4 per cent. At the same time, total expenditure<sup>(1)</sup> amounted to Lm844.7 million, an increase of Lm47.4 million, or 6.0 per cent, from the Lm797.3 million expended in the same period in 2004.

The shortfall between recurrent revenue and total expenditure<sup>(1)</sup> during the period under review amounted to Lm93.4 million this year, against Lm129.1 million one year ago. During the first eleven months of this year proceeds from sinking funds on converted loans amounted to Lm3.8 million, during the comparative period last year, the related amount was Lm8.9 million. Loan repayments amounted to Lm1.4 million in 2005, as compared to Lm14.4 million in 2004. During 2005, contributions to sinking funds amounted to Lm11.9 million, whilst the amount of the corresponding 2004 period was Lm9.9 million. During the January-November 2005 period, resort to local loans amounted to Lm110.0 million as compared to Lm99.9 million during the same period last year. No resort was made to foreign loans in either of the comparative periods. Whilst no proceeds from disposal of Government shares were forthcoming last year, during the period under review this year, Government received Lm21.5 million, mainly from sale of MIA shares, which netted Lm19.0 million.

The increase of Lm83.1 million in recurrent revenue for the first eleven months of the year was brought about by higher revenue registered under Value Added Tax (+Lm26.4 million), Income Tax (+Lm9.4 million), Customs and Excise (+5.4 million), Fees of Office (+Lm21.3 million), Grants (+Lm29.7 million) and Social Security Contributions (+Lm5.8 million). While on the other hand decreases were registered under the Central Bank of Malta (-Lm4.2 million), Licences, Taxes and Fines (-Lm8.3 million) and Rents (-Lm2.3 million).

When compared to the same period last year, recurrent expenditure (excluding Public Debt Servicing) increased by Lm27.0 million, or 4.2 per cent, from Lm638.0 million to Lm665.0 million.

Personal emoluments to date amounted to Lm169.1 million, and made up 81.4 per cent of the budget forecast (Lm207.8 million), whilst the outlay for the same period last year totalled Lm169.2 million. These figures represent a decrease this year of Lm0.1 million.

**Theme:**  
**Economy and Finance**

**Compiled by:**

**Government Finance Unit**  
**e-mail: [govtfinance.nso@gov.mt](mailto:govtfinance.nso@gov.mt)**  
**Tel: 25997249**

<sup>(1)</sup> In this case 'Total Expenditure' excludes Government's contribution to the Sinking Fund and direct repayments of loans. This definition is in line with the ESA95 manual on Deficit and Debt.

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

Expenditure under the Operational and Maintenance Expenditure category amounted to Lm29.7 million during the reference period, as compared to Lm46.9 million for the comparative period last year. This represents a decrease of Lm17.2 million, or 36.6 per cent, which was mainly brought about through the reclassification of expenditures on medicines and surgical materials to the Programmes and Initiatives category as from January 2005.

Negligible expenditure was registered under the Special Expenditure category in both 2004 as well as in 2005.

Expenditure under the Programmes and Initiatives category so far this year amounted to Lm396.0 million, which is equivalent to 89.0 per cent of this year's budget estimate for this category. Last year's outlay under this category amounted to Lm348.6 million. The increase of Lm47.4 million was mainly due to increases in Social Security Benefits (+Lm10.1 million), Social Security State Contribution (+Lm1.4 million), EU Own Resources (+Lm8.7 million), MGI/MIMCOL which, in 2004, was accounted under Contributions to Government Entities (+Lm3.0 million), Financing of Church Schools (+Lm1.5 million), Food Subsidies (+Lm2.1 million), Gozo Channel Public Service Obligation (+Lm1.5 million), Streets and Roads Lighting (+Lm2.2 million), Treasury Pensions (+Lm2.5 million) and due to reclassification, as explained above, Medicines and Surgical Supplies (+Lm17.3 million). This year there was also a one-off expenditure of Lm1.2 million to cover the CHOGM meeting. On the other hand, lower expenditure was registered under the Compensation Payment by Government (Lm7.1 million), which represented a once-only payment effected by government in 2004 as compensation for the increase in the VAT rate and Soyabean Subsidy (-Lm 1.6 million).

Outlay under the Contribution to Government Entities category during the first eleven months of 2005 declined by Lm2.9 million, and amounted to Lm69.7 million, down from last year's figure of Lm72.6 million. The main reasons for this were lower expenditure under MGI / MIMCOL (-Lm2.6 million) which, in 2004, was shown under this category, and which has been partly compensated by an increase under the University of Malta item (+Lm1.1 million).

The interest component of the public debt servicing costs this year increased by Lm5.8 million, from Lm64.8 million last year to Lm70.6 million in 2005, mainly due to in the public debt portfolio.

During the January-November period of 2005, Capital Expenditure amounted to Lm109.1 million, an increase of Lm14.6 million, or 15.5 per cent, when compared to Lm94.5 million expended last year. The main components of this increase were higher expenditure in the ministries for Finance (+Lm40.4 million) mainly due to reclassification of expenditure on the Mater Dei Hospital project, Rural Affairs and the Environment (+Lm2.0 million) and Urban Development and Roads (+Lm9.8 million). On the other hand, lower expenditure was registered under Education, Youth and Employment (-Lm1.1 million), Health, Elderly and Community Care (-Lm24.4 million) mainly due to the reclassification mentioned above, Investment, Industry and Information Technology (-Lm3.6 million) and Foreign Affairs (-Lm6.8 million).

The Central Government debt outstanding at the end of November amounted to Lm1,388.0 million, representing an increase of Lm26.6 million or 2.0 per cent on the Lm1,361.3 million outstanding at the end of November 2004. This total includes the current balance (Lm25.3 million) of Government's assumption of the debts of the ex-Malta Drydocks and of the ex-Malta Shipbuilding. The Sinking Fund investments in Government debt (Lm1.9 million) are deducted from the total outstanding balance ■

Type of Expenditure	2004			2005		
	Jan - Nov		Jan - Dec	Jan - Nov		Jan - Dec <sup>[3]</sup>
	Lm'000	% of final outturn	Actual Lm'000	Lm'000	% of budget estimates	Approved budget estimates Lm'000
Recurrent	637,961	87.05	732,846	664,997	85.13	781,117
Public Debt Servicing <sup>[2]</sup>	89,179	92.47	96,444	83,944	90.58	92,678
Capital	94,490	90.32	104,620	109,110	57.47	189,866
<b>Total</b>	<b>821,630</b>	<b>87.98</b>	<b>933,909</b>	<b>858,050</b>	<b>80.67</b>	<b>1,063,661</b>

<sup>[2]</sup> Inclusive of contribution to the Sinking Funds and direct repayment of loans.

<sup>[3]</sup> Includes supplementary provisions.

Table 1. Government Finance Data

Lm thousands

	2002	2003	2004	2002		2003		2004		2005	
	Jan-Dec			Nov	Jan-Nov	Nov	Jan-Nov	Nov	Jan-Nov	Nov	Jan-Nov
<b>GOVERNMENT FINANCE</b>											
<b>Total Revenue</b>	<b>770,957</b>	<b>873,487</b>	<b>921,875</b>	<b>61,406</b>	<b>643,242</b>	<b>86,751</b>	<b>751,934</b>	<b>89,250</b>	<b>776,996</b>	<b>83,871</b>	<b>886,641</b>
<i>consisting of:</i>											
Loans	10,563	132,129	99,948	0	0	26,913	129,042	29,500	99,948	0	110,000
Receipts from sale of Shares	27,341	0	0	0	19,048	0	0	0	0	19,000	21,515
Other Extraordinary Receipts	13,250	2,137	8,899	11,077	11,077	0	2,137	0	8,899	0	3,837
Recurrent Revenue	719,803	739,221	813,027	50,329	613,117	59,838	620,755	59,750	668,148	64,871	751,288
<i>of which:</i>											
Grants	2,721	2,517	30,310	49	1,231	0	2,130	2,951	25,123	6,623	54,825
Customs and Excise	59,813	61,576	62,309	4,991	53,536	5,411	56,160	5,973	54,286	5,769	59,717
Consumption Tax	117,503	123,910	141,570	10,249	107,133	11,180	110,490	11,689	124,326	12,551	150,743
Income Tax	190,175	205,218	211,177	8,619	150,239	17,141	158,644	11,838	159,824	12,743	169,269
Social Security	181,142	188,427	189,657	15,809	151,234	14,266	156,001	13,894	152,330	16,210	158,138
Others	168,449	157,573	178,004	10,612	149,744	11,840	137,329	13,405	152,260	10,975	158,596
<b>Total Expenditure</b>	<b>819,324</b>	<b>857,405</b>	<b>933,909</b>	<b>68,080</b>	<b>729,321</b>	<b>61,524</b>	<b>768,601</b>	<b>71,686</b>	<b>821,630</b>	<b>82,243</b>	<b>858,050</b>
<i>consisting of:</i>											
Recurrent Expenditure	645,995	677,655	732,846	56,882	580,852	48,834	605,713	52,526	637,961	60,824	664,997
<i>of which</i>											
Education	47,502	48,998	50,212	3,843	43,338	3,746	44,669	3,753	42,555	3,852	43,145
Social security (benefits)	190,749	200,922	207,458	14,534	173,454	14,792	183,092	16,768	190,048	16,485	200,191
Others	407,744	427,735	475,175	38,505	364,059	30,296	377,952	32,005	405,358	40,487	421,661
Public Debt Servicing	75,657	75,781	96,444	5,756	66,540	5,412	65,286	9,348	89,179	12,170	83,944
Capital Programme	97,672	103,969	104,620	5,442	81,930	7,278	97,602	9,812	94,490	9,249	109,110
<i>of which</i>											
Productive Investment	31,526	28,372	27,036	2,189	29,765	2,918	27,385	492	22,336	240	24,881
Infrastructure	27,391	34,095	41,693	1,965	25,455	3,090	30,410	7,339	37,717	3,325	40,336
Social	38,754	41,501	35,891	1,289	26,710	1,270	39,807	1,980	34,437	5,684	43,893
Gross Government Debt [1]	1,076,961	1,259,605	1,354,171	1,047,803	1,047,803	1,242,153	1,242,153	1,361,290	1,361,290	1,387,928	1,387,928

[1] Made up of Treasury Bills issued and outstanding (at nominal prices), Government Stock, Foreign Loans, Ex-Malta Drydocks and Ex-Malta Shipbuilding Debt Assumptions less Malta Government Stocks owned by the Sinking Fund.  
Data for the last three months is to be considered provisional.  
At end of period indicated.

Note: Figures may not add up exactly due to rounding.

Source: The Central Bank of Malta (Government Debt position);  
The Treasury (Government Revenue and Expenditure data)

Table 2. Comparative Government Finance Data: January - November 2005

Description	Jan - Nov			Jan-Nov 2004/Jan-Nov 2005		Jan-Nov 2005
	2003	2004	2005	Absolute	% Change	% Dist.
				Change		
	Lm '000s					
<b>Total Revenue</b>	<b>751,934</b>	<b>776,996</b>	<b>886,641</b>	<b>109,645</b>	<b>14.11</b>	<b>100.00</b>
<i>consisting of:</i>						
Loans	129,042	99,948	110,000	10,052	10.06	12.41
Receipts from Sale of Shares	0	0	21,515	21,515	N/A	2.43
Other extraordinary receipts	2,137	8,899	3,837	-5,062	-56.88	0.43
Recurrent Revenue	620,755	668,148	751,288	83,140	12.44	84.73
<i>of which:</i>						
Grants	2,130	25,123	54,825	29,702	118.23	6.18
Customs and Excise	56,160	54,286	59,717	5,431	10.00	6.74
Consumption Tax	110,490	124,326	150,743	26,418	21.25	17.00
Income Tax	158,644	159,824	169,269	9,444	5.91	19.09
Social Security	156,001	152,330	158,138	5,808	3.81	17.84
Others	137,329	152,260	158,596	6,337	4.16	17.89
<b>Total Expenditure</b>	<b>768,601</b>	<b>821,630</b>	<b>858,050</b>	<b>36,420</b>	<b>4.43</b>	<b>100.00</b>
<i>consisting of:</i>						
Recurrent Expenditure	605,713	637,961	664,997	27,036	4.24	77.50
<i>of which:</i>						
Education	44,669	42,555	43,145	590	1.39	5.03
Social security (benefits)	183,092	190,048	200,191	10,143	5.34	23.33
Others	377,952	405,358	421,661	16,303	4.02	49.14
Public Debt Servicing	65,286	89,179	83,944	-5,236	-5.87	9.78
<i>of which:</i>						
Contribution to Sinking Fund	5,743	9,940	11,939	1,999	20.11	1.39
Interest Payments	59,091	64,821	70,603	5,783	8.92	8.23
Repayment of Loan	451	14,419	1,402	-13,017	-90.28	0.21
Capital Programme	97,602	94,490	109,110	14,620	15.47	12.72
<i>of which:</i>						
Productive Investment	27,385	22,336	24,881	2,545	11.39	2.90
Infrastructure	30,410	37,717	40,336	2,619	6.94	4.70
Social	39,807	34,437	43,893	9,456	27.46	5.12
<b>Structural Deficit [1]</b>	<b>-141,652</b>	<b>-129,123</b>	<b>-93,421</b>	<b>35,701</b>	<b>-27.65</b>	
<b>Gross Government Debt [2]</b>	<b>1,242,152</b>	<b>1,361,290</b>	<b>1,387,928</b>	<b>26,638</b>	<b>1.96</b>	<b>100.00</b>
<i>of which:</i>						
Treasury Bills	255,186	251,355	173,008	-78,347	-31.17	12.47
Govt. Stock	913,029	1,014,696	1,125,333	110,637	10.90	81.08
Foreign Loans Outstanding	73,937	69,691	66,150	-3,541	-5.08	4.77
Other debt assumptions	-	27,427	25,316	-2,111	-7.70	1.82
MGSF investments in Government Debt	-	-1,879	-1,879	0	0.00	-0.14

[1] Shortfall between Recurrent Revenue and Total Expenditure (less contribution to the Sinking Fund and direct loan repayment).

[2] Made up of Treasury Bills issued and outstanding (at nominal prices), Government Stock, Foreign Loans, Ex-Malta Drydocks and Ex-Malta Shipbuilding Debt Assumptions less Malta Government Stocks owned by the Sinking Fund.

Data for the last three months is to be considered provisional.

At end of period indicated.

Note: Figures may not add up exactly due to rounding.

Sources: The Central Bank of Malta (Government Debt position)

The Treasury (Government Revenue and Expenditure data)

**Table 3. Government Revenue and Expenditure**

**January - November 1993 - 2005**

**(January - November 1995 = 100)**

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
	January - November												
<b>GOVERNMENT FINANCE</b>													
<b>Total Recurrent Revenue</b>	<b>87.29</b>	<b>92.19</b>	<b>100.00</b>	<b>105.54</b>	<b>116.40</b>	<b>120.28</b>	<b>134.67</b>	<b>145.59</b>	<b>155.40</b>	<b>163.91</b>	<b>165.95</b>	<b>178.62</b>	<b>200.84</b>
<i>of which:</i>													
Customs and Excise	265.06	234.54	100.00	80.66	115.15	162.51	176.16	184.97	194.53	192.02	201.44	194.71	214.19
Consumption Tax	-	-	100.00	118.94	114.55	100.62	120.19	146.88	162.40	164.01	169.16	190.34	230.78
Income Tax	89.88	91.73	100.00	102.34	121.03	120.56	146.86	162.69	178.27	191.66	202.38	203.88	215.93
Social Security	85.99	89.66	100.00	107.62	126.41	119.06	125.43	139.99	151.94	154.02	158.87	155.13	161.05
Others	93.71	114.59	100.00	104.25	104.98	122.25	132.19	126.67	126.63	144.77	133.73	170.09	204.65
<b>Total Expenditure</b>	<b>81.20</b>	<b>89.52</b>	<b>100.00</b>	<b>109.99</b>	<b>122.38</b>	<b>123.25</b>	<b>127.80</b>	<b>133.63</b>	<b>146.34</b>	<b>154.62</b>	<b>162.95</b>	<b>174.19</b>	<b>181.91</b>
<i>consisting of:</i>													
Recurrent Expenditure	81.89	91.17	100.00	111.53	116.70	119.43	121.57	128.74	139.98	151.88	158.38	166.82	173.88
<i>of which</i>													
Education	100.76	104.67	100.00	96.85	100.84	103.70	109.11	113.10	131.49	133.62	137.73	131.21	133.03
Social security (benefits)	85.17	92.93	100.00	112.23	122.58	130.65	135.98	143.24	147.91	153.24	161.75	167.90	176.86
Others	77.74	88.49	100.00	113.20	116.07	116.22	116.38	123.95	137.36	153.73	159.60	171.17	178.06
Public Debt Servicing	68.55	95.77	100.00	121.31	181.55	239.70	267.83	297.02	330.40	322.51	316.43	432.24	406.86
Capital Programme	81.13	78.42	100.00	98.01	136.26	109.55	120.47	111.79	126.41	119.39	142.23	137.69	159.00
Productive Investment	74.32	74.12	100.00	71.35	107.74	72.78	96.27	67.04	77.21	64.35	59.20	48.29	53.79
Infrastructure	100.21	83.89	100.00	148.28	208.99	205.08	163.98	190.67	229.37	208.88	249.55	309.51	331.00
Social	89.18	91.40	100.00	158.95	178.82	162.27	178.32	220.70	226.73	262.40	391.07	338.31	431.21

Table 4. Revenue/Expenditure Heads

	2002	2003	2004	2005
	January - November			
	Lm '000s			
<b>Revenue Heads</b>				
Customs and Excise Duties	53,536	56,160	54,286	59,717
Licences, Taxes and Fines	78,677	78,874	88,349	80,053
Income Tax	150,239	158,644	159,824	169,269
Consumption Tax	107,133	110,490	124,326	150,743
Fees of Office	11,728	7,612	4,943	26,283
Reimbursements	5,560	4,152	7,037	6,780
Public Corporations	1,883	1,883	1,883	1,883
Central Bank of Malta	25,682	24,783	18,233	14,001
Rents	8,103	9,219	10,482	8,198
Dividends on Investment	13,237	2,913	3,715	3,802
Repayment of and Interest on, Loans made by Government	419	405	17	316
Social Security	151,234	156,001	152,330	158,138
Grants	1,231	2,130	25,123	54,825
Miscellaneous Receipts	4,455	7,489	17,600	17,280
<b>Total Recurrent Revenue</b>	<b>613,117</b>	<b>620,755</b>	<b>668,148</b>	<b>751,288</b>
Extraordinary Receipts	30,125	2,137	8,899	25,353
Loans	0	129,042	99,948	110,000
<b>Total Non-Ordinary Revenue</b>	<b>30,125</b>	<b>131,179</b>	<b>108,848</b>	<b>135,353</b>
<b>Total Revenue</b>	<b>643,242</b>	<b>751,934</b>	<b>776,996</b>	<b>886,641</b>
<b>Recurrent Expenditure Heads</b>				
Personal Emoluments	178,328	177,751	169,183	169,087
Operational and Maintenance Expenditure	42,091	42,227	46,924	29,749
Special Expenditure	536	477	659	465
Programmes and Initiatives	296,665	319,968	348,601	395,974
Contribution to Government Entities	63,232	65,292	72,594	69,721
<b>Total Recurrent Expenditure</b>	<b>580,852</b>	<b>605,714</b>	<b>637,961</b>	<b>664,997</b>

Source: The Treasury

Note: Figures may not add up due to rounding

## Methodological Notes

1. The data contained in this news release are compiled in order to provide users with regular up-to-date information on the consolidated fund of Government. Data are sourced as follows:
  - i. Revenue and Expenditure, and Public Debt Servicing The Consolidated Fund, the transactions of which are consolidated at the Treasury.
  - ii. Central Government debt and debt guaranteed by Government Central Bank of Malta, the Treasury at the Ministry of Finance

All allocations provided out of this Fund are either authorised by Parliament under an Appropriation Act, or are permanently appropriated by Parliament under other relevant legislation. On the other hand, the Treasury Clearance Fund contains all those Funds and Accounts the expenses of which are initially defrayable out of public funds and are eventually repayable out of the Consolidated Fund or other sources.

2. This news release seeks to follow the guidelines set out in the European System of Accounts (ESA95) Manual on Government Deficit and Debt. Therefore the shortfall between revenue and expenditure as listed in Table 2, is essentially the cash-based deficit position as far as the Central Government's consolidated fund is concerned.

In this respect, revenue that has no impact on the deficit, such as proceeds from loans, proceeds from sale of financial assets and, revenue from other accounts of Government, are not taken into consideration. Likewise, direct loan repayments, contributions to sinking funds, as well as transfers into other accounts of Government are excluded from the total expenditure.

3. The debt position includes both the actual debt which is held by Government, as well as the recent debt assumption resulting from the Malta Shipyards restructuring exercise which took place in November 2003. On the other hand, any investments made by Government in its own funds are excluded from the total debt.
4. Table 2 presents a comparative exercise covering the period to date with the same period for the past two years. Moreover, in the text table, the aggregate expenditure figures for the current year are appearing against the budgetary projections, while last year's data are benchmarked against the actual final expenditure. Where practical, this comparative exercise is also presented (within the text of the release) for the main components of expenditure.
5. Table 3 presents an index for the main components of revenue and expenditure. The base year for this exercise is 1995, which is the year when Consumption Tax was introduced. In this table, over the years, there have been some adjustments to expenditures which were traditionally reported within the capital expenditure category, but which are now being recorded under recurrent expenditure. This repositioning has been done to better reflect the actual nature of the expenditure.
6. The individual revenue heads, and expenditure categories for the past 4 years are presented in Table 4. Here again caution needs to be exercised when using the recurrent expenditure heads since the setting up of new entities implies the shifting of their various expenditures from other categories to the 'contributions to government entities' category.
7. In the primary data source, and in line with the budget forecasts, the capital expenditure is further subdivided. Although no hard and fast rule is followed in this sub-classification, it is basically determined as follows:
  - i. **Productive Investment:** Expenditure on Tourism, including the subvention to the Malta Tourism Authority; capital expenditure relating to construction of factories and on agricultural/fisheries programmes.
  - ii. **Infrastructure:** All I.T. related expenditures, improvements to buildings, and construction projects (including road construction). All acquisition of property is classified within this category.
  - iii. **Social:** Capital expenditures (excluding I.T. and improvements to buildings) related to housing, education, health and waste management.

These examples indicated in the definitions are presented for explanatory purposes only, and the list is not exhaustive. The contents of each category being provided here are presented for the purpose of illustration only, and are not exhaustive.

8. Revisions: the revenue and expenditure figures are based on actual cash transactions, and are therefore not, normally, subject to revision. Although revisions to debt data are uncommon, it is prudent to consider debt figures for the previous three months as provisional. Any revisions to the data will be carried out at the first opportunity and published accordingly in the next news release.