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Government Finance

Government Finance Data: January-July 2006

The shortfall between government recurrent revenue and expenditure narrowed during the first seven months of 2006.

The shortfall between recurrent revenue and total expenditure amounted to Lm85.3 million during the January-July 2006 period, a decrease of 14.1 per cent over the same period last year, mainly due to higher revenues and lower capital expenditure. Gross government debt stood at Lm1,372.7 million at the end of July 2006, down by 1.1 per cent compared to July 2005.

Recurrent revenue increased by Lm15.2 million during the first seven months of 2006, mainly due to higher receipts from income tax, consumption tax, licences, taxes and fines and social security contributions. There were marginal decreases in revenues from the Central Bank of Malta, fees of office and grants.

Recurrent expenditure amounted to Lm439.2 million, an increase of Lm9.7 million compared to last year. This reflected a Lm10.1 million rise in outlays on social security benefits. Expenditure on personal emoluments rose marginally by Lm0.6 million, while contributions to government entities fell by Lm1.7 million.

As shown in Table 1, interest payments on public debt rose by Lm1.8 million

Capital expenditure decreased by Lm10.4 million in the survey period. The key decreases were recorded in respect of urban development and roads, the new hospital project, justice and home affairs and tourism and culture. On the hand, higher expenditure was registered under investment, industry and information technology.

Table 3 shows the debt of Central Government outstanding at the end of July 2006 amounting to Lm1,372.7 million, a decrease of Lm15.1 million compared to the same month last year. This reflected a reduction in treasury bills, partly offset by an increase in Malta Government Stocks ■

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Table 1. Government Finance Data

Description	Jan-Jul 2004	Jan-Jul 2005	Jan-Jul 2006	Jan-Jul 2005/Jan-Jul 2006	
				Absolute Change	% change
	Lm thousands				
Recurrent Revenue	397,607	445,665	460,826	15,162	3.4
<i>of which:</i>					
Grants	12,726	31,346	27,833	-3,513	-11.2
Customs and Excise	31,420	34,761	39,934	5,173	14.9
Consumption Tax	74,935	91,087	96,118	5,031	5.5
Income Tax	91,475	92,063	99,025	6,962	7.6
Social Security	89,039	90,581	96,662	6,081	6.7
Others	98,012	105,827	101,254	-4,573	-4.3
Total Expenditure	513,264	544,977	546,164	1,187	0.2
<i>consisting of:</i>					
Recurrent Expenditure	407,380	429,437	439,184	9,747	2.3
<i>of which:</i>					
Education	28,313	28,365	29,318	953	3.4
Social Security (benefits)	124,416	131,270	141,795	10,524	8.0
Others	254,651	269,802	268,072	-1,730	-0.6
Interest Payments	42,057	42,817	44,664	1,847	4.3
Capital Programme	63,828	72,723	62,316	-10,407	-14.3
<i>of which:</i>					
Productive Investment	15,428	20,436	18,398	-2,038	-10.0
Infrastructure	21,928	23,664	18,185	-5,479	-23.2
Social	26,471	28,623	25,733	-2,890	-10.1
Balance of recurrent revenue and total expenditure	-115,657	-99,313	-85,338	13,975	-14.1
Financial Transactions					
<i>consisting of:</i>					
<i>Revenue</i>					
Loans	46,300	76,500	25,000	-51,500	-67.3
Receipts from Sale of Shares	0	1,092	74,170	73,078	6,691.3
Other extraordinary receipts	8,899	3,837	0	-3,837	-100.0
<i>Expenditure</i>					
Contribution to Sinking Fund	6,340	6,003	6,406	404	6.7
Repayment of Loan	0	0	249	249	N/A

Source: Treasury Department

Table 2. Government Finance Data

Description	July 2004	July 2005	July 2006	Jul 2005 / Jul 2006	
				Absolute Change	% change
				Lm thousands	
Recurrent Revenue	61,756	69,600	70,960	1,360	2.0
<i>of which:</i>					
Grants	5,921	4,168	3,703	-464	-11.1
Customs and Excise	5,059	6,474	6,992	518	8.0
Consumption Tax	11,327	14,334	15,276	942	6.6
Income Tax	14,009	14,682	17,592	2,910	19.8
Social Security	11,240	13,713	14,802	1,089	7.9
Others	14,199	16,231	12,595	-3,635	-22.4
Total Expenditure	79,972	74,097	82,270	8,173	11.0
<i>consisting of:</i>					
Recurrent Expenditure	58,123	62,413	66,585	4,172	6.7
<i>of which:</i>					
Education	3,696	3,822	3,889	67	1.7
Social Security (benefits)	18,319	18,537	22,534	3,997	21.6
Others	36,109	40,055	40,163	108	0.3
Interest Payments	6,502	5,605	5,375	-229	-4.1
Capital Programme	15,346	6,079	10,310	4,231	69.6
<i>of which:</i>					
Productive Investment	4,264	1,599	2,874	1,276	79.8
Infrastructure	7,560	3,343	4,251	908	27.2
Social	3,522	1,138	3,185	2,046	179.8
Balance of recurrent revenue and total expenditure	-18,216	-4,497	-11,310	-6,813	151.5
Financial Transactions					
<i>consisting of:</i>					
<i>Revenue</i>					
Loans	0	0	0	0	N/A
Receipts from Sale of Shares	0	1,092	0	-1,092	N/A
Other extraordinary receipts	5,985	0	0	0	N/A
<i>Expenditure</i>					
Contribution to Sinking Fund	0	0	0	0	N/A
Repayment of Loan	0	0	0	184	N/A

Source: Treasury Department

Table 3. Government Finance Data

Description	Jan-Jul 2004	Jan-Jul 2005	Jan-Jul 2006	Jan-Jul 2005/Jan-Jul 2006	
				Absolute Change	% change
Lm thousands					
Gross Government Debt [1]	1,316,957	1,387,791	1,372,663	-15,128	-1.1
<i>of which:</i>					
Treasury Bills	269,834	204,706	134,391	-70,315	-34.3
Govt. Stock	935,196	1,091,488	1,151,622	60,134	5.5
Foreign Loans Outstanding	70,253	66,815	63,719	-3,096	-4.6
Other dept assumptions	41,846	26,661	24,810	-1,851	-6.9
MGSF investments in Government Debt	-172	-1,879	-1,879	0	0.0

Source: Central Bank of Malta

Table 4. Revenue / Expenditure Categories

Description	Jan-Jul 2004	Jan-Jul 2005	Jan-Jul 2006	Jul 2005 / Jul 2006	
				Absolute Change	% change
Lm thousands					
Revenue					
Customs & Excise Duties	31,420	34,761	39,934	5,173	14.9
Licences, Taxes and Fines	58,825	50,389	55,653	5,264	10.4
Income Tax	91,475	92,063	99,025	6,962	7.6
Consumption Tax	74,935	91,087	96,118	5,031	5.5
Fees of Office	3,264	15,529	9,881	-5,648	-36.4
Reimbursements	3,318	4,013	5,547	1,533	38.2
Public Corporations	1,883	1,883	1,883	0	0.0
Central Bank of Malta	18,233	14,001	10,001	-4,000	-28.6
Rents	5,206	6,424	6,076	-349	-5.4
Dividends on Investment	3,637	2,731	4,058	1,326	48.6
Repayment of and Interest on, Loans made by Government	11	11	9	-3	-25.5
Social Security	89,039	90,581	96,662	6,081	6.7
Grants	12,726	31,346	27,833	-3,513	-11.2
Miscellaneous Receipts	3,636	10,845	8,148	-2,697	-24.9
Total Recurrent Revenue	397,607	445,665	460,826	15,162	3.4
Receipts from Sale of Shares	0	1,092	74,170	73,078	6,691.3
Other extraordinary receipts	8,899	3,837	0	-3,837	-100.0
Loans	46,300	76,500	25,000	-51,500	-67.3
Total Non-Recurrent Revenue	55,199	81,429	99,170	17,741	21.8
Total Revenue	452,806	527,094	559,997	32,903	6.2
Recurrent Expenditure					
Personal Emoluments	108,200	108,619	109,235	615	0.6
Operational & Maintenance Expenditure	31,954	20,960	21,728	768	3.7
Programmes & Initiatives	220,917	257,001	267,069	10,068	3.9
Contribution to Govt. Entities	46,310	42,857	41,153	-1,704	-4.0
Total Recurrent Expenditure	407,380	429,437	439,184	9,747	2.3

Table 5. Revenue / Expenditure Categories

Description	July 2004	July 2005	July 2006	Jul 2005 / Jul 2006	
				Absolute Change	% change
				Lm thousands	
Revenue					
Customs & Excise Duties	5,059	6,474	6,992	518	8.0
Licences, Taxes and Fines	11,035	7,202	8,381	1,179	16.4
Income Tax	14,009	14,682	17,592	2,910	19.8
Consumption Tax	11,327	14,334	15,276	942	6.6
Fees of Office	488	5,977	1,386	-4,591	-76.8
Reimbursements	796	803	784	-19	-2.3
Public Corporations	0	0	0	0	N/A
Central Bank of Malta	0	0	0	0	N/A
Rents	548	1,033	997	-36	-3.5
Dividends on Investment	752	655	355	-300	-45.8
Repayment of and Interest on, Loans made by Government	2	2	2	1	32.9
Social Security	11,240	13,713	14,802	1,089	7.9
Grants	5,921	4,168	3,703	-464	-11.1
Miscellaneous Receipts	578	559	690	130	23.3
Total Recurrent Revenue	61,756	69,600	70,960	1,360	2.0
Receipts from Sale of Shares	0	1,092	0	-1,092	-100.0
Other extraordinary receipts	5,984	0	0	0	N/A
Loans	0	0	0	0	N/A
Total Non-Recurrent Revenue	5,985	1,092	0	-1,092	-100.0
Total Revenue	67,741	70,693	70,960	268	0.4
Recurrent Expenditure					
Personal Emoluments	15,212	15,399	15,058	-341	-2.2
Operational & Maintenance Expenditure	3,125	2,592	2,807	215	8.3
Programmes & Initiatives	33,466	39,973	42,459	2,486	6.2
Contribution to Govt. Entities	6,321	4,451	6,262	1,811	40.7
Total Recurrent Expenditure	58,123	62,413	66,585	4,172	6.7

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 and the Treasury.

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 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 2005. 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 Tables 4 and 5. 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.

The examples indicated in the definitions are presented for explanatory purposes only, and the list is 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.