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Government Finance

Non-financial accounts for General Government Sector: Q2/2006

The General Government deficit amounted to Lm16.0 million in the second quarter of 2006, compared to Lm38.7 million in the same period last year.

This News Release provides a quarterly analysis of General Government revenue and expenditure consistent with the ESA95 methodological framework. The basic data source for the information presented here is the consolidated fund of government, adjusted to include below the line accounts, the accruals element and the financial performance of the Extra Budgetary Units (EBUs) and Local Councils.

The deficit for the second quarter of 2006 totaled Lm16.0 million, compared to a deficit of Lm38.7 million for the same period last year, as shown in Table 1. The decline in the deficit was brought about by an increase of Lm14.7 million in the total revenue, mainly due to higher intake from VAT, coupled with a decline of Lm8.0 million in total expenditure. The reduction in the expenditure was the result of a reduction in Government outlays on gross capital formation.

The deficit for the first six months of the year amounted to Lm62.6 million, a drop of Lm32.8 million from a deficit of Lm95.3 million for the first half of 2005. This mainly reflected a Lm31.5 million increase in total revenue, as expenditure declined by Lm1.3 million.

A decomposition of government revenue by sources according to ESA95 classification is provided in Table 2. Around 37% of revenue in the second quarter of 2006 came out of taxes on production and imports, which as a ratio tended to increase over last year. Another 28% came out of taxes on income and wealth, which declined somewhat as a proportion of total revenue compared to the second quarter of 2005.

On the expenditure side, the most notable elements were compensation of employees and social benefits, each of which account for over 31% of total expenditure. Whereas the former tended to decrease as a proportion of total expenditure compared to last year, the latter continued to rise ■

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Revenue and Expenditure of the General Government Sector
(moving sum of 4 quarters)

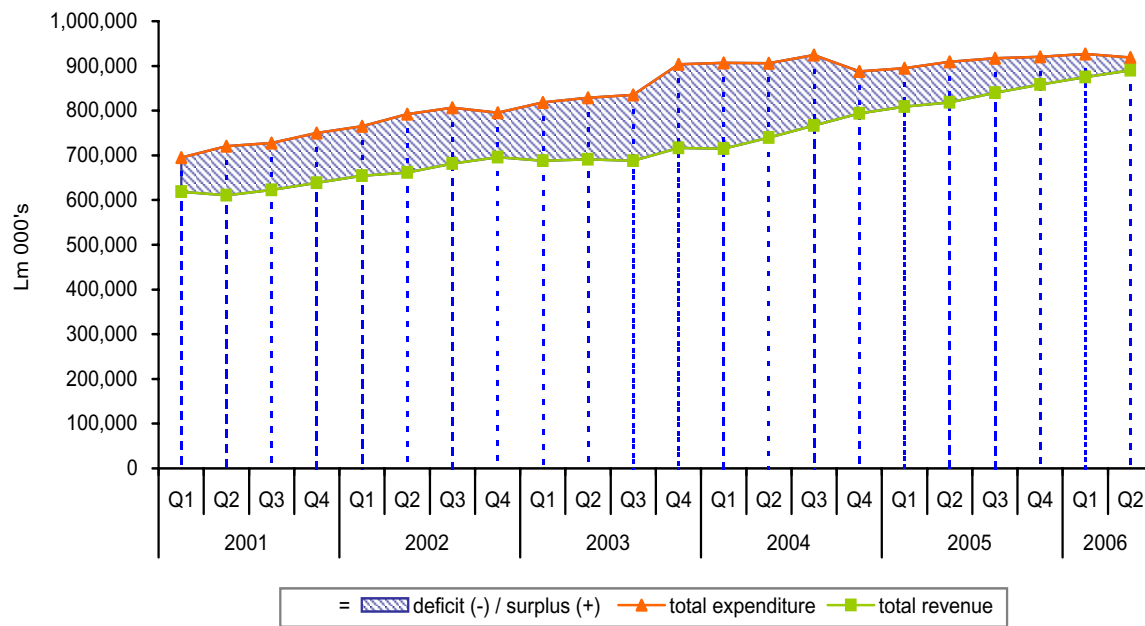


Table 1. Revenue and Expenditure of the General Government Sector

Year		Total revenue	Change	Total expenditure	Change	Deficit (-) / Surplus (+)	Change
		Lm000's	%	Lm000's	%	Lm000's	%
2001	Q1	144,420		173,926		-29,506	
	Q2	156,386		187,880		-31,494	
	Q3	153,983		175,952		-21,969	
	Q4	184,094		212,550		-28,457	
2002	Q1	160,380	11.1	188,790	8.5	-28,410	-3.7
	Q2	162,966	4.2	215,202	14.5	-52,236	65.9
	Q3	174,358	13.2	189,654	7.8	-15,296	-30.4
	Q4	197,907	7.5	202,113	-4.9	-4,206	-85.2
2003	Q1	152,403	-5.0	211,660	12.1	-59,257	108.6
	Q2	166,193	2.0	225,319	4.7	-59,126	13.2
	Q3	171,141	-1.8	196,193	3.4	-25,053	63.8
	Q4	227,162	14.8	270,121	33.6	-42,959	921.3
2004	Q1	150,604	-1.2	214,981	1.6	-64,377	8.6
	Q2	190,975	14.9	225,063	-0.1	-34,088	-42.3
	Q3	198,087	15.7	214,235	9.2	-16,149	-35.5
	Q4	254,154	11.9	233,274	-13.6	20,880	-148.6
2005	Q1	165,883	10.1	222,565	3.5	-56,682	-12.0
	Q2	200,365	4.9	239,018	6.2	-38,653	13.4
	Q3	219,811	11.0	222,044	3.6	-2,233	-86.2
	Q4	272,358	7.2	236,576	1.4	35,783	71.4
2006	Q1	182,687	10.1	229,275	3.0	-46,587	-17.8
	Q2	215,051	7.3	231,017	-3.3	-15,966	-58.7

Data are based on ESA95 methodology and are provisional.

The quarterly percentage changes are based on the same quarter for the previous year.

Table 2. Components of General Government Sector's revenue

Year		Market output		Taxes on production and imports		Property income, receivable		Current taxes on income, wealth, etc.		Social contributions receivable*		Current and capital transfers receivable		Total revenue
		Lm 000's	% share	Lm 000's	% share	Lm 000's	% share	Lm 000's	% share	Lm 000's	% share	Lm 000's	% share	Lm 000's
2001	Q1	9,616	6.7	52,091	36.1	23,137	16.0	27,164	18.8	30,461	21.1	1,951	1.4	144,420
	Q2	7,751	5.0	50,891	32.5	12,778	8.2	45,606	29.2	37,398	23.9	1,962	1.3	156,386
	Q3	7,050	4.6	57,223	37.2	3,347	2.2	47,550	30.9	35,934	23.3	2,879	1.9	153,983
	Q4	7,795	4.2	69,594	37.8	7,501	4.1	54,161	29.4	42,274	23.0	2,768	1.5	184,094
2002	Q1	9,499	5.9	59,591	37.2	28,151	17.6	29,811	18.6	30,812	19.2	2,516	1.6	160,380
	Q2	7,265	4.5	59,423	36.5	4,936	3.0	50,561	31.0	36,627	22.5	4,154	2.5	162,966
	Q3	8,436	4.8	63,974	36.7	4,602	2.6	56,792	32.6	36,940	21.2	3,613	2.1	174,358
	Q4	8,647	4.4	66,893	33.8	6,141	3.1	69,622	35.2	42,419	21.4	4,183	2.1	197,907
2003	Q1	9,198	6.0	52,344	34.3	29,621	19.4	25,278	16.6	31,158	20.4	4,804	3.2	152,403
	Q2	8,861	5.3	56,415	33.9	6,411	3.9	52,377	31.5	38,025	22.9	4,104	2.5	166,193
	Q3	9,050	5.3	60,930	35.6	6,321	3.7	54,957	32.1	36,802	21.5	3,082	1.8	171,141
	Q4	10,252	4.5	73,196	32.2	6,997	3.1	88,894	39.1	44,109	19.4	3,713	1.6	227,162
2004	Q1	8,516	5.7	67,428	44.8	16,779	11.1	25,922	17.2	29,839	19.8	2,119	1.4	150,604
	Q2	9,279	4.9	62,882	32.9	10,714	5.6	56,483	29.6	39,108	20.5	12,509	6.6	190,975
	Q3	10,371	5.2	69,870	35.3	8,280	4.2	59,658	30.1	39,097	19.7	10,810	5.5	198,087
	Q4	15,751	6.2	79,060	31.1	14,671	5.8	80,423	31.6	47,056	18.5	17,193	6.8	254,154
2005	Q1	9,603	5.8	67,127	40.5	12,795	7.7	22,438	13.5	34,086	20.5	19,835	12.0	165,883
	Q2	7,868	3.9	69,476	34.7	8,616	4.3	58,591	29.2	40,311	20.1	15,502	7.7	200,365
	Q3	9,354	4.3	80,969	36.8	2,782	1.3	67,141	30.5	43,551	19.8	16,014	7.3	219,811
	Q4	14,380	5.3	87,869	32.3	5,487	2.0	81,755	30.0	53,541	19.7	29,327	10.8	272,358
2006	Q1	12,525	6.9	74,298	40.7	11,987	6.6	38,448	21.0	33,003	18.1	12,427	6.8	182,687
	Q2	12,238	5.7	79,283	36.9	6,063	2.8	60,360	28.1	42,978	20.0	14,128	6.6	215,051

Data are based on ESA95 methodology and are consolidated within the General Government sector..

Data are provisional.

* Revenue Category 'Social contributions receivable' includes the Government's Treasury Pensions (as imputed social contributions).

Table 3. Components of General Government Sector's expenditure

Year	Compensation of Employees		Intermediate Consumption		Property Income (incl interest)		Gross Capital Formation*		Social Benefits and Social Transfers in Kind		Other**		Total Expenditure	
	Lm 000's	% share	Lm 000's	% share	Lm 000's	% share	Lm 000's	% share	Lm 000's	% share	Lm 000's	% share	Lm000's	
2001	Q1	61,516	35.4	17,684	10.2	17,715	10.2	14,450	8.3	49,848	28.7	12,713	7.3	173,926
	Q2	65,955	35.1	16,586	8.8	14,066	7.5	12,942	6.9	61,982	33.0	16,350	8.7	187,880
	Q3	64,864	36.9	13,521	7.7	17,218	9.8	16,185	9.2	51,629	29.3	12,535	7.1	175,952
	Q4	65,369	30.8	25,420	12.0	12,350	5.8	23,651	11.1	59,736	28.1	26,025	12.2	212,550
2002	Q1	65,897	34.9	20,917	11.1	18,856	10.0	16,278	8.6	55,076	29.2	11,766	6.2	188,790
	Q2	66,819	31.0	24,020	11.2	16,453	7.6	20,824	9.7	67,943	31.6	19,144	8.9	215,202
	Q3	65,922	34.8	17,650	9.3	18,219	9.6	19,226	10.1	57,134	30.1	11,503	6.1	189,654
	Q4	66,589	32.9	18,550	9.2	14,165	7.0	25,965	12.8	58,873	29.1	17,970	8.9	202,113
2003	Q1	68,778	32.5	27,721	13.1	16,760	7.9	27,992	13.2	55,238	26.1	15,170	7.2	211,660
	Q2	70,564	31.3	22,853	10.1	16,945	7.5	22,224	9.9	73,050	32.4	19,683	8.7	225,319
	Q3	68,060	34.7	18,612	9.5	17,472	8.9	22,291	11.4	55,783	28.4	13,976	7.1	196,193
	Q4	70,221	26.0	19,694	7.3	16,130	6.0	24,162	8.9	65,022	24.1	74,892	27.7	270,121
2004	Q1	71,036	33.0	25,731	12.0	18,534	8.6	17,486	8.1	64,831	30.2	17,363	8.1	214,981
	Q2	69,093	30.7	25,264	11.2	18,589	8.3	-33,705	-15.0	66,499	29.5	79,323	35.2	225,063
	Q3	69,996	32.7	23,070	10.8	19,011	8.9	24,383	11.4	60,356	28.2	17,419	8.1	214,235
	Q4	72,298	31.0	29,964	12.8	18,230	7.8	16,529	7.1	65,465	28.1	30,788	13.2	233,274
2005	Q1	70,754	31.8	22,229	10.0	16,409	7.4	21,317	9.6	67,466	30.3	24,389	11.0	222,565
	Q2	72,412	30.3	25,456	10.7	21,205	8.9	27,694	11.6	69,579	29.1	22,673	9.5	239,018
	Q3	71,225	32.1	25,280	11.4	18,284	8.2	25,080	11.3	62,158	28.0	20,017	9.0	222,044
	Q4	72,297	30.6	29,391	12.4	20,727	8.8	19,211	8.1	70,905	30.0	24,044	10.2	236,576
2006	Q1	71,962	31.4	28,706	12.5	23,787	10.4	21,477	9.4	67,819	29.6	15,525	6.8	229,275
	Q2	72,069	31.2	29,224	12.7	17,711	7.7	17,194	7.4	72,954	31.6	21,865	9.5	231,017

Data are based on ESA95 methodology and are consolidated.

Data are provisional.

** For the purpose of this comparative table acquisition and disposal of land is included within the Gross Capital Formation Category.

* Expenditure Category 'Other' includes subsidies payable and recurrent and capital transfers.

ESA95 Glossary

Output (P1) consists of the products created during the accounting period. Three types of output are distinguished in the ESA:

- i. Market Output (P11) consists of output that is disposed of on the market or intended to be disposed of on the market.
- ii. Output produced for own final use (P12) consists of goods and services that are retained either for final consumption by the same institutional unit or for gross fixed capital formation by the same institutional unit.
- iii. Other non-market output (P13) covers output that is provided free, or at prices that are not economically significant, to other units.

Intermediate consumption (P2) consists of the value of the goods and services consumed as inputs by a process of production, excluding fixed assets whose consumption is recorded as consumption of fixed capital. The goods and services may be either transformed or used up by the production process.

Gross Capital Formation (P5) is made up of:

- i. Gross fixed capital formation (P51) consists of resident producers' acquisitions, less disposals, of fixed assets during a given period plus certain additions to the value of non-produced assets realized by the productive activity of producer or institutional units. Fixed assets are tangible or intangible assets produced as outputs from processes of production that are themselves used repeatedly, or continuously, in processes of production for more than one year.
- ii. Changes in inventories (P52) are measured by the value of the entries into inventories less the value of withdrawals and the value of any recurrent losses of goods held in inventories.
- iii. Acquisitions less disposals of valuables (P53) are non-financial goods that are not used primarily for production or consumption, do not deteriorate (physically) over time under normal conditions and that are acquired and held primarily as stores of value.

Compensation of employees (D1) is defined as the total remuneration, in cash or in kind, payable by an employer to an employee in return for work done by the latter during the accounting period. Compensation of employees is broken down into wages and salaries in cash and in kind (D11) and employers' actual (D121) and imputed social contributions (D122).

Taxes on production and imports (D2) consist of compulsory, unrequited payments, in cash or in kind which are levied by general government, in respect of the production and importation of goods and services, the employment of labour, the ownership or use of land, buildings or other assets used in production. These taxes are payable whether or not profits are made. Taxes on production and imports are divided into:

- i. Taxes on products (D21) are taxes that are payable per unit of some good or service produced or transacted. The tax may be a specific amount of money per unit of quantity of a good or service, or it may be calculated ad valorem as a specified percentage of the price per unit or value of the goods and services produced or transacted. As a general principle, taxes in fact assessed on a product, irrespective of which institutional unit pays the tax, are included in taxes on products, unless specifically included in another heading.
- ii. Other taxes on production (D29) consist of all taxes that enterprises incur as a result of engaging in production, independently of the quantity or value of the goods and services produced or sold. They may be payable on the land, fixed assets or labour employed in the production process or on certain activities or transactions.

Property income (D4) is the income receivable by the owner of a financial asset or a tangible non-produced asset in return for providing funds to, or putting the tangible non-produced asset at the disposal of, another institutional unit. Property incomes can be interest (D41), distributed income of corporations (D42) and rents (D45).

Current taxes on income and wealth (D5) cover all compulsory, unrequited payments, in cash or in kind, levied periodically by general government on the income and wealth of institutional units, and some periodic taxes which are assessed neither on the income nor the wealth. Current taxes on income, wealth are:

- i. Taxes on income (D51) consist of taxes on income, profits and capital gains. They are assessed on the actual or presumed incomes of individuals, households, corporations or NPIs.
- ii. Other current taxes (D59).

Social Contributions (D61) consists of:

- i. Employers' actual social contributions (D6111) are paid by employers to social security funds.
- ii. Employees' social contributions (D6112) are paid by employees.
- iii. Social Contributions by self-employed and non-employed persons (D6113) these are social contributions payable for their own benefit by persons who are not employees – namely self-employed persons or non-employed persons.
- iv. Imputed social contributions (D612) represent the counterpart to social benefits paid directly by employers to their employees or former employees and other eligible persons.

Social benefits other than social transfers in kind (D62) is made up of:

- i. Social security benefits in cash (D621) are payable to households by social security funds.
- ii. Unfunded employee social benefits (D623) are payable to their employees, their dependants or survivors by employers administering unfunded social insurance schemes.
- iii. Social assistance benefits in cash (D624) are payable to households by government units or NPISHs to meet the same needs as social insurance benefits but which are not made under a social insurance scheme incorporating social contributions and social insurance benefits.

Social transfers in kind (D63) consist of individual goods and services provided as transfers in kind to individual households by government units, whether purchased on the market or produced as non-market output by government units. They may be financed out of taxation, other government income or social security contributions.

The other category includes:

- i. Subsidies (D3) are current unrequited payments which general government make to resident producers, with the objective of influencing their level of production, their prices or the remuneration of the factors of production.
- ii. Other current transfers (D7) can be non-life insurance claims (D72), current transfers within general government (D73), current international cooperation (D74) and miscellaneous current transfers (D75).
- iii. Capital transfers (D9) are different from recurrent transfers by the fact that they involve the acquisition or disposal of an asset, or assets, by at least one of the parties to the transaction. Whether made in cash or in kind, they should result in a commensurate change in the financial, or non-financial, assets shown in the balance sheets of one or both parties to the transaction.

Acquisition less disposals of non-financial non-produced assets (K2) consists of land and other tangible non-produced assets that may be used in the production of goods and services, and intangible non-produced assets.

Revision Policy: The data contained in this release may be reviewed. Figures may not add up due to rounding.