

News Release



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Government Finance

General Government Deficit and Debt: Second Reporting for 2006 under the Maastricht Treaty

General Government deficit for 2005 amounted to Lm61.8 million, equivalent to 3.2% of GDP.

On the 29th September, Malta submitted its report on government deficit and debt levels for the years 2002 – 2006 in accordance with Council Regulation (EC) Nr 3605/93, and subsequent amendments, as well as in accordance with the Code of Best Practice adopted by the ECOFIN Council of the 18 February 2003. This is Malta's second submission for 2006.

Deficit and Debt Positions (Table 1)

In 2005, general government net borrowing (or deficit) was estimated at Lm61.8 million, equivalent to 3.2% of GDP. In 2004, general government deficit stood at Lm93.7 million, or 5.0% of GDP.

At the end of 2005, the General Government nominal gross consolidated debt amounted to Lm1,440.1 million, or 74.2% of GDP. This compares with Lm1,394.6 million, or 74.9%, of GDP for 2004.

Updates

Compared to the previous submission of last March (NSO News Release No 79 mentioned earlier), the following updates were made.

- i.* The deficit of the Central Government sub-sector has been revised to Lm62.3 million from Lm63.9 million. Although the positive balance of the extra budgetary units (EBUs) declined from Lm11.9 million to Lm8.7 million, this was offset by the elimination of the adjustment to the 3G licences. In the March submission the revenues from 3G licences had been apportioned over the lifetime of the licence, but the Commission (Eurostat) recommends that such revenues are to be accounted for on a cash basis. These updates are incorporated in Table 2 attached which traces the transition from structural deficit to Maastricht data.
- ii.* The estimated final outturn of the local councils improved from +Lm0.2 million to +Lm0.5 million.
- iii.* The debt of the Central Government and of the Local Councils was only marginally revised.
- iv.* No significant revisions were made to data for the years prior to 2005.

A list at the end of this Release names the EBUs which form part of the General Government sector ■

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Table 1. General Government Deficit and Debt Data: 2002 - 2005*

	2002	2003	2004	2005
	Lm thousands			
General Government deficit (-) / surplus (+)	-100,149	-186,395	-93,733	-61,785
Central Government	-100,614	-185,861	-93,933	-62,260
Local Government	465	-534	200	475
General Government deficit (-) / surplus (+) as a % of GDP	-5.5	-10.0	-5.0	-3.2
General Government Debt	1,100,541	1,304,810	1,394,617	1,440,127
Central Government	1,099,996	1,304,114	1,393,936	1,439,403
Local Government	545	696	681	724
General Government Debt as a % of GDP	60.1	70.2	74.9	74.2

* Data for 2002 and 2003 is final. Data for 2004 and 2005 is provisional.

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

	2002	2003	2004	2005
	Lm thousands			
Structural Deficit of Consolidated Fund Transactions	-87,675	-105,445	-94,018	-75,314
Adjustments to the Consolidated Fund:				
Loans granted (+)	9,539	4,095	0	0 ¹
Loans repayments (-)	0	-153	-114	-300 ²
Equities, acquisitions (+)	35	12	12	12 ³
Equities, sales (-)	0	0	0	0
Other financial transactions	-397	0	-1,458	-676 ⁴
Difference interest paid (+) and interest accrued (-)	361	-2,279	-1,545	-987 ⁵
Other accounts receivable (+) and payable (-)	3,760	-13,100	4,218	-5,363 ⁶
Net Borrowing (-) / Net Lending (+) of public entities forming part of Central Government	-15,189	-19,320	-2,909	8,657 ⁷
Other adjustments				
Treasury Clearance Fund flows in deposits accounts	-127	748	-802	4,376
Treasury Clearance Fund flows in advance accounts	364	651	760	8,135
Treasury Clearance Fund flows in unallocated stores	2	106	17	1,085
Sinking Fund interests' received	0	1,756	1,905	1,769
Malta International Airport special dividend	-11,287	0	0	0
Malta Shipyards adjustment	0	-52,933	0	0
Adjustment Stock premium proceeds	0	0	0	-9,665
Payables charged to the consolidated fund	0	0	0	6,938
Loan Write-off	0	0	0	-64
Debt Cancellation	0	0	0	-545
Privatisation expenses	0	0	0	-317
Net Borrowing (-) / Net Lending (+) of Central Government	-100,614	-185,861	-93,933	-62,260
Net Borrowing (-) / Net Lending (+) of Local Government	465	-534	200	475 ⁸
Net Borrowing (-) / Net Lending (+) of General Government	-100,149	-186,395	-93,733	-61,785
<i>as a % of GDP</i>	<i>5.5</i>	<i>10.0</i>	<i>5.0</i>	<i>3.2</i>

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 included in 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. As from 2005, all departments and ministries of budgetary central government are required to compile and submit quarterly accruals data. The end of year positions are used for adjusting the original cash data. Accruals adjustments prior to 2005 are taken from a survey across the main revenue and expenditure departments.
7. The aggregate net borrowing (-) / net lending (+) of the extra budgetary units forming part of the central government sector (based on a delimitation exercise).
8. The aggregate net borrowing (-) / net lending (+) of the 68 local councils.

* Data for 2002 and 2003 is final. Data for 2004 and 2005 is provisional.

Extra Budgetary Units as at 30th September, 2006

	NACE CODES*		NACE CODES*
Appogg	85	Malta Society of Arts, Manufactures and Commerce	75
Bord Tal-Koperattivi	75	Malta Sports Council	92
Broadcasting Authority	75	Malta Standards Authority	75
Environment Protection Fund	75	Malta Statistics Authority	75
Employment & Training Corporation	74	Malta Tourism Authority	75
Foundation for Educational Services	75	Malta Transport Authority	75
Foundation for Medical Sciences and Services	75	Manoel Theatre Management Committee	92
Foundation for Tomorrow's Schools	75	Mater Dei Hospital	75
Gozo Ferries Co Ltd	71	Medicines Authority	75
Heritage Malta	92	MEPA	75
Housing Authority	75	Mount Carmel Hospital	85
Industrial Projects and Services Ltd	74	National Audit Office	75
International Institute on Ageing	80	National Commission Persons with Disability	75
Lotteries & Gaming Authority	75	National Orchestra	92
Malta College of Arts, Science and Technology	80	Occupational Health & Safety Authority	75
Malta Communications Authority	75	Office of the Ombudsman	75
Malta Council for Culture & the Arts	92	Sapport	85
Malta Council for Economic & Social Development	75	Sedqa - Agency against Drug & 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 Government Investments Ltd	75	University of Malta	80
Malta National Laboratory	74	WasteServ Malta Ltd	90
Malta Resources Authority	75	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 sub-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. The data contained in this release may be revised. Figures may not add up due to rounding.