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

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Government Finance

Government Finance Data: January-September 2006

The shortfall between government recurrent revenue and total expenditure during the first nine months of the year narrowed by Lm12.6 million.

The shortfall between recurrent revenue and total expenditure amounted to Lm72.9 million during the January-September period. This corresponds to a decrease of 14.7 per cent over the same period last year, and is the result of higher revenues and comparatively lower expenditures on capital projects.

Recurrent revenue increased by Lm22.9 million during the first three quarters of the year, mainly due to higher receipts from income tax, excise duties, social security contributions, licences, and VAT. At the same time there were decreases in revenues from miscellaneous receipts, fees of office, the Central Bank of Malta, and from grants.

Recurrent expenditure amounted to Lm560.1 million, an increase of Lm16.7 million compared to the first nine months of 2005. This increase was brought about mainly by a Lm10.8 million rise in outlays on social security benefits. At the same time expenditure on personal emoluments rose by Lm1.7 million, while contributions to government entities declined by Lm3.1 million.

As shown in Table 1, interest payments on public debt increased by Lm7.1 million, and amounted to Lm62.9 million.

During the survey period, capital expenditure decreased by Lm13.4 million. Reductions were recorded in respect of the new hospital project, urban development and roads, and justice and home affairs. On the other hand, higher expenditure was registered under industry and information technology.

The Consolidated Fund took up Lm10.0 million new loans during the first nine months of the year. Out of the total sale of Maltacom shares in May which amounted to Lm94.5 million, there was a contribution of Lm74.2 million to the Consolidated Fund (the rest of the proceeds were transferred to the Sinking Fund).

As shown in Table 3, the outstanding debt of Central Government at the end of September 2006 totaled Lm1,376.8 million, a decrease of Lm14.2 million when compared to the same month last year. This was the result of a reduction of Lm20.9 million in Treasury Bills, which was in part offset by an increase of Lm11.6 million in Malta Government Stocks. Foreign borrowing and the ex-Malta Shipyards debt both declined by Lm3.1 million and by Lm1.9 million respectively ■

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 1. Government Finance Data

Description	Jan-Sep 2004	Jan-Sep 2005	Jan-Sep 2006	Jan-Sep 2006/Jan-Sep 2005	
				Absolute Change	% change
Lm thousands					
Recurrent Revenue	538,217	606,932	629,849	22,918	3.8
<i>of which:</i>					
Grants	15,944	40,324	37,920	-2,404	-6.0
Customs and Excise	42,420	47,153	53,968	6,816	14.5
Consumption Tax	97,573	121,526	125,165	3,639	3.0
Income Tax	133,894	139,733	155,259	15,526	11.1
Social Security	124,796	125,965	132,263	6,298	5.0
Others	123,589	132,231	125,274	-6,957	-5.3
Total Expenditure	648,083	692,342	702,710	10,368	1.5
<i>consisting of:</i>					
Recurrent Expenditure	518,151	543,451	560,107	16,656	3.1
<i>of which:</i>					
Education	35,406	35,714	36,565	851	2.4
Social Security (benefits)	155,561	163,686	174,438	10,752	6.6
Others	327,184	344,052	349,104	5,052	1.5
Interest Payments	54,299	55,786	62,879	7,093	12.7
Capital Expenditure	75,633	93,104	79,723	-13,381	-14.4
<i>of which:</i>					
Productive Investment	17,858	23,310	22,883	-427	-1.8
Infrastructure	27,190	32,889	20,700	-12,189	-37.1
Social	30,584	36,905	36,140	-765	-2.1
Balance of recurrent revenue and total expenditure	-109,866	-85,410	-72,861	12,550	-14.7
Financial Transactions					
<i>consisting of:</i>					
<i>Revenue</i>					
Loans	70,448	110,000	10,000	-100,000	-90.9
Receipts from Sale of Shares	0	1,092	74,170	73,078	6,691.3
Other extraordinary receipts	8,899	3,837	5,342	1,504	39.2
<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	September 2004	September 2005	September 2006	Sep 2006 / Sep 2005	
				Absolute Change	% change
	Lm thousands				
Recurrent Revenue	69,209	76,461	78,776	2,315	3.0
<i>of which:</i>					
Grants	3,000	5,183	3,808	-1,375	-26.5
Customs and Excise	5,197	5,955	7,232	1,278	21.5
Consumption Tax	13,162	17,418	17,267	-151	-0.9
Income Tax	15,536	18,598	21,919	3,321	17.9
Social Security	16,408	17,985	17,121	-864	-4.8
Others	15,905	11,323	11,429	106	0.9
Total Expenditure	66,321	70,730	82,457	11,727	16.6
<i>consisting of:</i>					
Recurrent Expenditure	53,896	58,730	62,341	3,611	6.1
<i>of which:</i>					
Education	3,566	3,841	3,735	-106	-2.8
Social Security (benefits)	14,341	14,995	16,323	1,328	8.9
Others	35,988	39,894	42,283	2,389	6.0
Interest Payments	6,453	5,035	9,840	4,805	95.4
Capital Expenditure	5,972	6,965	10,276	3,311	47.5
<i>of which:</i>					
Productive Investment	833	777	2,361	1,584	203.7
Infrastructure	3,400	4,227	1,727	-2,500	-59.2
Social	1,739	1,961	6,188	4,227	215.6
Balance of recurrent revenue and total expenditure	2,888	5,731	-3,681	-9,412	-164.2
Financial Transactions					
<i>consisting of:</i>					
<i>Revenue</i>					
Loans	0	0	0	0	N/A
Receipts from Sale of Shares	0	0	0	0	N/A
Other extraordinary receipts	0	0	0	0	N/A
<i>Expenditure</i>					
Contribution to Sinking Fund	0	0	0	0	N/A
Repayment of Loan	0	0	0	0	N/A

Source: Treasury Department

Table 3. Government Debt

Description	Jan-Sep 2004	Jan-Sep 2005	Jan-Sep 2006	Jan-Sep 2006/Jan-Sep 2005	
				Absolute Change	% change
	Lm thousands				
Gross Government Debt	1,348,229	1,391,008	1,376,797	-14,211	-1.0
<i>of which:</i>					
Treasury Bills	252,512	174,480	153,599	-20,881	-12.0
Govt. Stock	985,196	1,124,988	1,136,622	11,634	1.0
Foreign Loans Outstanding	70,554	66,759	63,645	-3,114	-4.7
Other debt assumptions	41,846	26,661	24,810	-1,851	-6.9
MGSF investments in Government Debt	-1,879	-1,879	-1,879	0	0.0

Source: Central Bank of Malta

Table 4. Revenue / Expenditure Categories

Description	Jan-Sep 2004	Jan-Sep 2005	Jan-Sep 2006	Jan-Sep 2006/Jan-Sep 2005	
				Absolute Change	% change
	Lm thousands				
Revenue					
Customs & Excise Duties	42,420	47,153	53,968	6,816	14.5
Licences, Taxes and Fines	73,325	65,618	70,663	5,045	7.7
Income Tax	133,894	139,733	155,259	15,526	11.1
Consumption Tax	97,573	121,526	125,165	3,639	3.0
Fees of Office	4,144	18,380	12,921	-5,459	-29.7
Reimbursements	5,802	5,410	7,568	2,158	39.9
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	6,354	7,410	7,767	357	4.8
Dividends on Investment	3,637	2,847	4,356	1,509	53.0
Repayment of and Interest on loans	14	13	11	-2	-17.1
Social Security	124,796	125,965	132,263	6,298	5.0
Grants	15,944	40,324	37,920	-2,404	-6.0
Miscellaneous Receipts	10,197	16,670	10,106	-6,564	-39.4
Total Recurrent Revenue	538,217	606,932	629,850	22,918	3.8
Receipts from Sale of Shares	0	1,092	74,170	73,078	6,691.3
Other extraordinary receipts	8,899	3,837	5,342	1,504	39.2
Loans	70,448	110,000	10,000	-100,000	-90.9
Total Non-Recurrent Revenue	79,348	114,929	89,512	-25,418	-22.1
Total Revenue	617,565	721,861	719,362	-2,499	-0.3
Recurrent Expenditure					
Personal Emoluments	138,913	139,411	141,157	1,746	1.3
Operational & Maintenance Expenditure	39,797	25,320	25,820	500	2.0
Programmes & Initiatives	281,642	323,482	341,024	17,542	5.4
Contribution to Govt. Entities	57,798	55,238	52,106	-3,133	-5.7
Total Recurrent Expenditure	518,151	543,451	560,107	16,656	3.1

Table 5. Revenue / Expenditure Categories

Description	September 2004	September 2005	September 2006	Sep 2006 / Sep 2005	
				Absolute Change	% change
	Lm thousands				
Revenue					
Customs & Excise Duties	5,197	5,955	7,232	1,278	21.5
Licences, Taxes and Fines	8,042	8,241	7,586	-655	-7.9
Income Tax	15,536	18,598	21,919	3,321	17.9
Consumption Tax	13,162	17,418	17,267	-151	-0.9
Fees of Office	407	2,026	1,920	-106	-5.2
Reimbursements	1,928	512	893	380	74.2
Public Corporations	0	0	0	0	N/A
Central Bank of Malta	0	0	0	0	N/A
Rents	435	245	701	456	186.4
Dividends on Investment	0	0	0	0	N/A
Repayment of and Interest on loans	1	0	1	1	N/A
Social Security	16,408	17,985	17,121	-864	-4.8
Grants	3,000	5,183	3,808	-1,375	-26.5
Miscellaneous Receipts	5,092	299	328	29	9.8
Total Recurrent Revenue	69,209	76,461	78,777	2,316	3.0
Receipts from Sale of Shares	0	0	0	0	N/A
Other extraordinary receipts	0	0	0	0	N/A
Loans	0	0	0	0	N/A
Total Non-Recurrent Revenue	0	0	0	0	N/A
Total Revenue	69,209	76,461	78,777	2,316	3.0
Recurrent Expenditure					
Personal Emoluments	15,174	16,141	16,963	822	5.1
Operational & Maintenance Expenditure	4,111	2,189	2,077	-111	-5.1
Programmes & Initiatives	28,939	35,010	35,875	865	2.5
Contribution to Govt. Entities	5,672	5,391	7,425	2,035	37.7
Total Recurrent Expenditure	53,896	58,730	62,341	3,611	6.1

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 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 Tables 1 and 2, are 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. 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.