

News Release



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Government Finance

January 2006

Recurrent Revenue during January totalled Lm49.6 million, and made up 5.2 per cent of this year's budget forecast. Compared to the same period last year, this represents an increase of Lm3.7 million, or 8.1 per cent. Revenue for the comparative period in 2005 amounted to Lm45.9 million. At the same time, total expenditure, excluding sinking funds contributions and direct loan repayments, amounted to Lm73.9 million, a decrease of Lm10.8 million, or 12.8 per cent, from Lm84.7 million expended in the first month of 2005. The total expenditure for January amounted to 7.3 per cent of this year's approved budget estimates.

The shortfall between recurrent revenue and total expenditure during the period under review amounted to Lm24.2 million this year, compared to Lm38.8 million for January 2005. During January of this year, as well as in the corresponding month last year, there were no proceeds from sinking funds on converted loans, no contributions to the sinking funds, and no direct loan repayments. There were no issues of local stocks and no resort to foreign borrowing in either of the comparative periods. Furthermore, no proceeds from disposal of Government shares have been forthcoming during either of the months under review.

The increase of Lm3.7 million in recurrent revenue during the first month of this year, when compared to January 2005, was registered mainly under Customs and Excise (+Lm1.8 million), and Value Added Tax (+Lm2.6 million). On the other hand proceeds from the Central Bank declined by Lm2.0 million.

Recurrent expenditure this year (excluding Public Debt Servicing), amounted to Lm60.2 million. This figure represents a decrease of Lm9.2 million, or 13.3 per cent. Recurrent expenditure for the period under review makes up 7.7 per cent of the budget estimates for 2006.

The outlay on personal emoluments for the month of January amounted to Lm15.8 million, and made up 7.7 per cent of the budget forecast (Lm205.3 million). This represents an increase this year amounting to Lm0.2 million when compared to the amount expended in the same period last year (Lm15.7 million).

In the 2006 Financial Estimates, the Special Expenditure category has been incorporated into the Operational and Maintenance category, so all comparisons under this heading for both periods include the corresponding figures of the items previously featuring under the Special Expenditure category. Expenditure under the Operational and Maintenance Expenditure category amounted to Lm2.9 million during January, representing an increase of Lm0.1 million from the Lm2.8 million expended last year.

Theme:
Economy and Finance

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Expenditure under the Programmes and Initiatives category this year amounted to Lm38.2 million and stood at 8.1 per cent of this year's budget estimates. Last year's outlay under this category amounted to Lm44.9 million. The net decrease, in absolute terms, of Lm6.6 million is mainly due to decreases under items related to EU Own Resources (-Lm3.4 million), Repayment of Income Tax (-Lm2.0 million), Agriculture Support Schemes (-Lm1.6 million), and Medicines and Surgical Materials (-Lm0.8 million). On the other hand there was an increase in Social Security Benefits (+Lm1.5 million).

Outlay under the Contributions to Government Entities category during the first month of 2006 decreased by Lm2.9 million, and amounted to Lm3.2 million, down from last year's figure of Lm6.1 million. The main reasons for the net decrease under this category were lower expenditures in respect of Water Services Corporation (-Lm0.9 million), Mount Carmel Hospital (-Lm0.5 million), and Malta Shipyards Ltd (-Lm0.5 million).

The interest component of the public debt servicing costs this year decreased by Lm0.2 million, from Lm5.9 million last year to Lm5.7 million in 2006.

During the first month of 2006, Capital Expenditure amounted to Lm8.0 million, registering a decline of Lm1.4 million or 14.5 per cent, when compared to the expenditure of Lm9.4 million for January 2005. This decrease was essentially on account of variance in timing of expenditure incurred under Tourism between the two periods under review.

The Central Government debt outstanding at the end of January was Lm1,385.1 million, an increase of Lm42.2 million or 3.1 per cent on the Lm1,342.9 million outstanding at the end of January 2005. This total includes the current balance (Lm25.3 million) of Government's assumption of 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 ■

Revenue and Expenditure: January 2003-2006

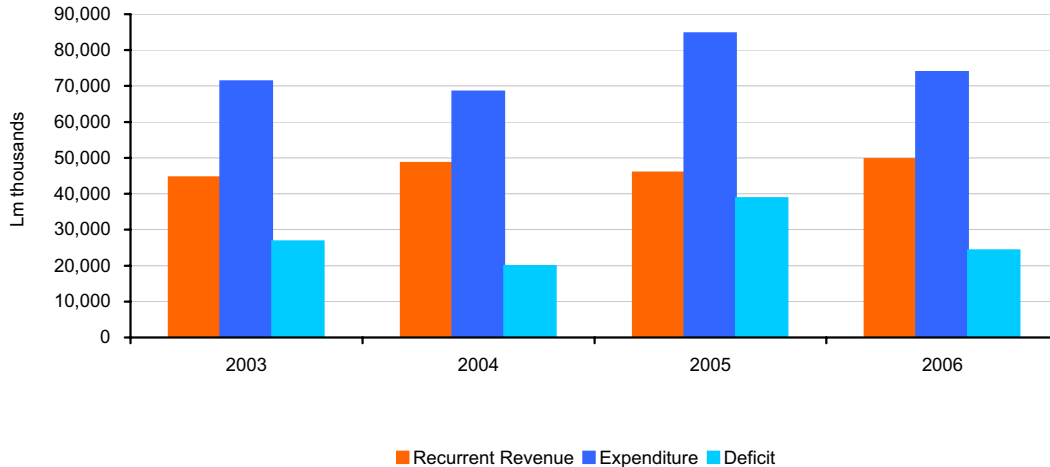


Table 1. Comparative Government Finance Data: January 2003-2006

Description	January				Jan 2006/Jan 2005		Jan 2006
	2003	2004	2005	2006	Absolute	% Change	% Dist.
					Change		
	Lm thousands						
Total Revenue	44,545	48,527	45,919	49,629	3,711	8.08	100.00
<i>consisting of:</i>							
Loans	0	0	0	0	0	N/A	0.00
Receipts from Sale of Shares	0	0	0	0	0	N/A	0.00
Other extraordinary receipts	0	0	0	0	0	N/A	0.00
Recurrent Revenue	44,545	48,527	45,919	49,629	3,711	8.08	100.00
<i>of which:</i>							
Grants	282	319	3,730	3,689	-41	-1.09	7.43
Customs and Excise	4,229	4,754	2,915	4,695	1,780	61.06	9.46
Consumption Tax	9,856	10,319	11,869	14,499	2,630	22.16	29.21
Income Tax	5,015	7,184	6,332	7,014	682	10.77	14.13
Social Security	7,714	6,505	5,704	5,443	-262	-4.59	10.97
Others	17,449	19,446	15,368	14,289	-1,079	-7.02	28.79
Total Expenditure	71,300	68,413	84,671	73,856	-10,814	-12.77	100.00
<i>consisting of:</i>							
Recurrent Expenditure	52,633	52,039	69,416	60,181	-9,235	-13.30	81.48
<i>of which:</i>							
Education	4,304	3,970	3,554	4,145	590	16.61	5.61
Social security (benefits)	17,873	17,867	25,646	27,151	1,505	5.87	36.76
Others	30,456	30,202	40,216	28,886	-11,331	-28.17	39.11
Public Debt Servicing	6,385	6,985	5,882	5,662	-220	-3.73	7.67
<i>of which:</i>							
Contribution to Sinking Fund	0	0	0	0	0	N/A	0.00
Interest Payments	6,385	6,985	5,882	5,662	-220	-3.73	7.67
Repayment of Loan	0	0	0	0	0	N/A	0.00
Capital Programme	12,282	9,389	9,373	8,013	-1,360	-14.51	10.85
<i>of which:</i>							
Productive Investment	1,703	1,762	2,929	2,556	-373	-12.74	3.46
Infrastructure	2,774	1,045	3,336	1,707	-1,629	-48.84	2.31
Social	7,805	6,581	3,109	3,751	642	20.67	5.08
Structural Deficit [1]	-26,755	-19,887	-38,752	-24,227	14,525	-37.48	
Gross Government Debt [2]	1,091,656	1,241,157	1,342,883	1,385,086	42,203	3.14	100.00
<i>of which:</i>							
Treasury Bills	233,831	214,286	234,316	171,250	-63,066	-26.91	12.36
Govt. Stock	813,030	913,029	1,014,696	1,125,333	110,637	10.90	81.25
Foreign Loans Outstanding	44,795	72,168	68,323	65,065	-3,258	-4.77	4.70
Other debt assumptions	-	41,846	27,427	25,316	-2,111	-7.70	1.83
MGSF investments in Government Debt	-	-172	-1,879	-1,879	0	0.01	-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 2. Revenue/Expenditure Heads

	2003	2004	2005	2006
	January			
	Lm '000s			
Revenue Heads				
Customs and Excise Duties	4,229	4,754	2,915	4,695
Licences, Taxes and Fines	5,553	7,575	6,416	7,773
Income Tax	5,015	7,184	6,332	7,014
Consumption Tax	9,856	10,319	11,869	14,499
Fees of Office	425	444	835	708
Reimbursements	513	276	322	300
Public Corporations	0	0	0	0
Central Bank of Malta	10,000	10,000	6,000	4,000
Rents	816	868	751	691
Dividends on Investment	0	0	0	0
Repayment of and Interest on, Loans made by Government	2	0	1	0
Social Security	7,714	6,505	5,704	5,443
Grants	282	319	3,730	3,689
Miscellaneous Receipts	141	283	1,042	818
Total Recurrent Revenue	44,545	48,527	45,919	49,629
Extraordinary Receipts	0	0	0	0
Loans	0	0	0	0
Total Non-Ordinary Revenue	0	0	0	0
Total Revenue	44,545	48,527	45,919	49,629
Recurrent Expenditure Heads				
Personal Emoluments	15,782	15,011	15,669	15,838
Operational and Maintenance Expenditure	5,826	4,933	2,768	2,898
Special Expenditure	58	20	38	0
Programmes and Initiatives	27,266	25,873	44,861	38,238
Contribution to Government Entities	3,701	6,203	6,080	3,207
Total Recurrent Expenditure	52,633	52,039	69,416	60,181

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.