

# News Release



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## Government Finance

### January-March 2006

Recurrent Revenue during the first quarter of the year totalled Lm172.1 million, and made up 18.1 per cent of this year's budget forecast. Compared to the same period last year, this represented an increase of Lm8.0 million, or 4.9 per cent. Revenue for the comparative period in 2005 amounted to Lm164.1 million. At the same time, total expenditure<sup>(1)</sup>, amounted to Lm232.6 million, an increase of Lm7.3 million, or 3.2 per cent, from Lm225.3 million expended in 2005. The total expenditure for the first three months amounted to 22.8 per cent of this year's approved budget estimates.

The shortfall between recurrent revenue and total expenditure<sup>(1)</sup> during the period under review amounted to Lm60.6 million this year, compared to Lm61.2 million for 2005.

**Theme:**  
**Economy and Finance**

During the first three months of this year, as well as in the corresponding quarter last year, there were no proceeds from sinking funds on converted loans, no contributions to the sinking funds, and no direct loan repayments. During the January-March 2006 period, local loans amounting to Lm25 million were taken up, whilst the figure for the corresponding 2005 period was Lm40 million. There was no resort to foreign borrowing in either of the comparative periods. Furthermore, no proceeds from disposal of Government shares have been forthcoming during the period under review, as well as in the comparative period in 2005.

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The increase of Lm8.0 million in recurrent revenue during the first quarter of this year, when compared to the same period last year, was registered mainly under Licences, Taxes and Fines (+Lm3.5 million), Income Tax (+Lm3.2 million), Customs and Excise (+Lm2.9 million), Value Added Tax (+Lm2.9 million) and Social Security Contributions (+Lm1.7 million). On the other hand decreases were registered under Central Bank of Malta (-Lm1.0 million) and under Grants (-Lm5.8 million).

Recurrent expenditure this year (excluding Public Debt Servicing) amounted to Lm181.3 million. This figure represents an increase of Lm0.9 million, or 0.5 per cent. Recurrent expenditure for the period under review makes up 23.2 per cent of the budget estimates for 2006.

The outlay on personal emoluments for the first quarter amounted to Lm47.4 million, and made up 23.1 per cent of the budget forecast (Lm205.3 million). This represents an increase this year amounting to Lm1.4 million when compared to the amount expended in the same period last year (Lm46.0 million).

<sup>[1]</sup> In this context 'Total Expenditure' excludes Government's contribution to the Sinking Fund and direct repayments of loans. This definition is in line with the ESA95 Manual on Deficit and Debt.

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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 Lm10.4 million between January and March 2006. This represents an increase of Lm0.9 million or 9.5 per cent.

Expenditure under the Programmes and Initiatives category this year amounted to Lm108.7 million and stood at 23.1 per cent of this year's budget estimates. Last year's outlay under this category amounted to Lm107.7 million, thus giving rise to a net increase, in absolute terms, of Lm0.9 million, or 0.9 per cent.

Outlay under the Contributions to Government Entities category during the first three months of 2006 decreased by Lm2.2 million, and amounted to Lm14.9 million, down from last year's figure of Lm17.1 million. The main reasons for the net decrease under this category were lower expenditure in respect of Water Services Corporation (-Lm1.2 million), Heritage Malta (-Lm0.3 million) and Employment and Training Corporation (-Lm0.4 million).

The interest component of the public debt servicing costs this year increased by Lm7.0 million, from Lm16.4 million last year to Lm23.5 million in 2006.

During the first three months of 2006, Capital Expenditure amounted to Lm27.9 million, registering a decline of Lm0.6 million or 2.1 per cent, when compared to the expenditure of Lm28.5 million for the same period last year. Higher expenditure was registered under the Ministry of Finance (+Lm4.9 million). Lower expenditure was registered under Office of the Prime Minister (-Lm1.1 million), Justice and Home Affairs (-Lm2.5 million), due to less payment on expropriation of land, Tourism and Culture (-Lm0.4 million), Investment, Industry and Information Technology (-Lm0.5 million) and Rural Affairs and the Environment (-Lm0.8 million).

The Central Government debt outstanding at the end of March amounted to Lm1,417.3 million, an increase of Lm30.4 million or 2.2 per cent on the Lm1,386.9 million outstanding at the end of March 2005. This total includes the current balance (Lm24.9 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 ■

#### Government Expenditure

Type of Expenditure	2005			2006		
	Jan-Mar		Jan-Dec	Jan-Mar		Jan-Dec
	Lm'000	% of final outturn	Actual Lm'000	Lm'000	% of budget estimates	Approved budget estimates Lm'000
Recurrent	180,424	23.55	765,974	181,322	23.19	781,901
Public Debt Servicing <sup>[2]</sup>	16,438	18.56	88,584	23,465	26.77	87,662
Capital	28,470	21.73	130,994	27,859	18.75	148,602
<b>Total</b>	<b>225,332</b>	<b>22.86</b>	<b>985,552</b>	<b>232,647</b>	<b>22.85</b>	<b>1,018,165</b>

<sup>[2]</sup> Inclusive of contribution to the Sinking Funds and direct repayment of loans.

Table 1. Government Finance Data

Lm thousands

	2003	2004	2005	2003		2004		2005		2006	
		Jan-Dec		Mar	Jan-Mar	Mar	Jan-Mar	Mar	Jan-Mar	Mar	Jan-Mar
<b>GOVERNMENT FINANCE</b>											
<b>Total Revenue</b>	<b>873,487</b>	<b>921,875</b>	<b>1,032,046</b>	<b>49,318</b>	<b>173,279</b>	<b>50,326</b>	<b>151,216</b>	<b>106,193</b>	<b>204,104</b>	<b>92,796</b>	<b>197,070</b>
<i>consisting of:</i>											
Loans	132,129	99,948	110,000	0	24,126	0	0	40,000	40,000	25,000	25,000
Receipts from sale of Shares	0	0	21,791	0	0	0	0	0	0	0	0
Other Extraordinary Receipts	2,137	8,899	3,837	0	0	0	0	0	0	0	0
Recurrent Revenue	739,221	813,027	896,418	49,318	149,152	50,326	151,216	66,193	164,104	67,796	172,070
<i>of which:</i>											
Grants	2,517	30,310	66,955	102	389	0	319	7,560	17,078	3,787	11,259
Customs and Excise	61,576	62,309	65,670	4,748	13,645	5,041	14,542	5,909	12,088	5,353	15,035
Consumption Tax	123,910	141,570	168,331	9,333	27,561	11,421	33,607	15,265	37,520	16,431	40,436
Income Tax	205,218	211,177	221,760	7,065	22,357	7,843	24,432	8,405	22,297	10,019	25,500
Social Security	188,427	189,657	195,587	12,633	32,857	12,243	30,032	14,417	31,371	14,966	33,089
Others	157,573	178,004	178,115	15,438	52,344	13,778	48,284	14,636	43,749	17,238	46,751
<b>Total Expenditure</b>	<b>857,405</b>	<b>933,909</b>	<b>985,552</b>	<b>66,096</b>	<b>206,766</b>	<b>77,417</b>	<b>209,460</b>	<b>80,888</b>	<b>225,332</b>	<b>88,365</b>	<b>232,647</b>
<i>consisting of:</i>											
Recurrent Expenditure	677,655	732,846	765,974	51,203	159,038	63,681	168,185	62,269	180,424	64,277	181,322
<i>of which</i>											
Education	48,998	50,212	50,918	4,177	13,501	3,747	13,071	4,021	12,474	5,085	13,024
Social security (benefits)	200,922	207,458	220,830	11,126	42,567	20,823	52,264	14,882	55,440	16,214	59,220
Others	427,735	475,175	494,226	35,900	102,970	39,111	102,850	43,366	112,509	42,979	109,079
Public Debt Servicing	75,781	96,444	88,584	4,332	15,260	7,228	18,241	3,879	16,438	9,726	23,465
Capital Programme	103,969	104,620	130,994	10,561	32,468	6,508	23,034	14,741	28,470	14,362	27,859
<i>of which</i>											
Productive Investment	28,372	27,036	29,177	3,810	8,412	1,776	6,455	5,340	8,831	2,548	7,320
Infrastructure	34,095	41,693	49,587	2,543	8,743	1,874	3,809	4,209	9,403	2,525	5,312
Social	41,501	35,891	52,230	4,208	15,314	2,858	12,770	5,191	10,236	9,288	15,228
Gross Government Debt [1]	1,259,605	1,354,171	1,403,787	1,133,806	1,133,806	1,279,507	1,279,507	1,386,881	1,386,881	1,417,272	1,417,272

[1] 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.

Source: The Central Bank of Malta (Government Debt position);  
The Treasury (Government Revenue and Expenditure data)

Table 2. Comparative Government Finance Data: January-March 2006

Description	Jan - Mar			Jan-Mar 2005/Jan-Mar 2006		Jan-Mar 2006
	2004	2005	2006	Absolute	% Change	% Distribution
				Change		
	Lm '000s					
<b>Total Revenue</b>	<b>151,216</b>	<b>204,104</b>	<b>197,070</b>	<b>-7,034</b>	<b>-3.45</b>	<b>100.00</b>
<i>consisting of:</i>						
Loans	0	40,000	25,000	-15,000	-37.50	12.69
Receipts from Sale of Shares	0	0	0	0	N/A	0.00
Other extraordinary receipts	0	0	0	0	N/A	0.00
Recurrent Revenue	151,216	164,104	172,070	7,966	4.85	87.31
<i>of which:</i>						
Grants	319	17,078	11,259	-5,819	-34.07	5.71
Customs and Excise	14,542	12,088	15,035	2,946	24.37	7.63
Consumption Tax	33,607	37,520	40,436	2,916	7.77	20.52
Income Tax	24,432	22,297	25,500	3,203	14.36	12.94
Social Security	30,032	31,371	33,089	1,718	5.48	16.79
Others	48,284	43,749	46,751	3,002	6.86	23.72
<b>Total Expenditure</b>	<b>209,460</b>	<b>225,332</b>	<b>232,647</b>	<b>7,314</b>	<b>3.25</b>	<b>100.00</b>
<i>consisting of:</i>						
Recurrent Expenditure	168,185	180,424	181,322	898	0.50	77.94
<i>of which:</i>						
Education	13,071	12,474	13,024	550	4.41	7.18
Social security (benefits)	52,264	55,440	59,220	3,779	6.82	32.66
Others	102,850	112,509	109,079	-3,431	-3.05	60.16
Public Debt Servicing	18,241	16,438	23,465	7,027	42.75	10.09
<i>of which:</i>						
Contribution to Sinking Fund	0	0	0	0	N/A	0.00
Interest Payments	18,241	16,438	23,465	7,027	42.75	100.00
Repayment of Loan	0	0	0	0	N/A	0.00
Capital Programme	23,034	28,470	27,859	-611	-2.15	11.97
<i>of which:</i>						
Productive Investment	6,455	8,831	7,320	-1,511	-17.11	26.27
Infrastructure	3,809	9,403	5,312	-4,091	-43.51	19.07
Social	12,770	10,236	15,228	4,991	48.76	54.66
<b>Structural Deficit [1]</b>	<b>-58,244</b>	<b>-61,228</b>	<b>-60,577</b>	<b>652</b>	<b>-1.06</b>	
<b>Gross Government Debt [2]</b>	<b>1,279,507</b>	<b>1,386,881</b>	<b>1,417,272</b>	<b>30,391</b>	<b>2.19</b>	<b>100.00</b>
<i>of which:</i>						
Treasury Bills	253,000	239,306	178,985	-60,321	-25.21	12.63
Govt. Stock	913,029	1,054,696	1,150,333	95,637	9.07	81.17
Foreign Loans Outstanding	71,804	68,097	64,961	-3,136	-4.61	4.58
Other debt assumptions	41846	26,661	24,872	-1,789	-6.71	1.75
MGSF investments in Government Debt	-172	-1,879	-1,879	0	0.00	-0.13

[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 3. Government Revenue and Expenditure

January-March 1994 - 2006

(January-March 2005 = 100)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
	January-March												
<b>GOVERNMENT FINANCE</b>													
<b>Total Recurrent Revenue</b>	<b>50.12</b>	<b>63.68</b>	<b>68.76</b>	<b>59.42</b>	<b>74.65</b>	<b>69.87</b>	<b>78.31</b>	<b>88.65</b>	<b>93.05</b>	<b>90.89</b>	<b>92.15</b>	<b>100.00</b>	<b>104.85</b>
<i>of which:</i>													
Customs and Excise	123.31	54.92	41.49	46.80	93.67	76.78	102.53	102.10	109.31	112.88	120.30	100.00	124.37
Consumption Tax	N/A	32.54	34.85	44.27	50.68	51.80	66.65	76.22	73.78	73.46	89.57	100.00	107.77
Income Tax	61.04	75.43	93.45	72.37	88.51	84.79	108.73	111.37	118.95	100.27	109.57	100.00	114.36
Social Security	65.14	77.43	86.68	82.64	84.46	82.11	102.70	105.28	99.63	104.73	95.73	100.00	105.48
Others	54.73	73.22	76.81	54.54	75.53	67.85	56.95	76.75	88.80	86.69	79.90	100.00	95.37
<b>Total Expenditure</b>	<b>49.50</b>	<b>56.70</b>	<b>61.52</b>	<b>56.88</b>	<b>60.99</b>	<b>65.15</b>	<b>79.78</b>	<b>78.58</b>	<b>81.91</b>	<b>91.76</b>	<b>92.96</b>	<b>100.00</b>	<b>103.25</b>
<i>consisting of:</i>													
Recurrent Expenditure	51.52	58.52	65.78	59.70	63.20	65.19	82.03	77.29	79.78	88.15	93.22	100.00	100.50
<i>of which</i>													
Education	85.81	76.46	81.51	69.86	75.55	79.11	89.48	100.11	100.90	108.23	104.79	100.00	104.41
Social security (benefits)	45.53	48.49	55.16	58.96	65.68	68.57	96.72	73.94	75.26	76.78	94.27	100.00	106.82
Others	50.67	61.48	69.27	58.94	60.61	61.99	73.97	76.41	79.66	91.52	91.41	100.00	96.95
Public Debt Servicing	26.42	23.53	14.10	45.56	69.83	80.11	93.33	97.07	111.28	92.83	110.97	100.00	142.75
Capital Programme	50.01	64.32	61.89	45.54	41.87	56.21	57.66	76.08	78.48	114.04	80.91	100.00	97.85
Productive Investment	117.01	160.37	118.20	57.63	51.62	111.24	93.28	115.87	106.97	95.25	73.09	100.00	82.89
Infrastructure	24.13	21.03	32.33	47.69	50.76	40.47	41.77	51.76	67.50	92.98	40.51	100.00	56.49
Social	15.97	21.22	40.44	33.14	25.28	23.19	41.53	64.08	64.00	149.60	124.75	100.00	148.76

**Table 4. Revenue/Expenditure Heads**

	2003	2004	2005	2006
	January-March			
	Lm '000s			
<b>Revenue Heads</b>				
Customs and Excise Duties	13,645	14,542	12,088	15,035
Licences, Taxes and Fines	18,619	26,954	19,237	22,749
Income Tax	22,357	24,432	22,297	25,500
Consumption Tax	27,561	33,607	37,520	40,436
Fees of Office	1,433	1,251	3,540	3,719
Reimbursements	1,216	1,172	1,260	1,804
Public Corporations	0	0	0	0
Central Bank of Malta	24,783	15,000	11,000	10,001
Rents	3,680	3,127	3,775	3,801
Dividends on Investment	141	0	0	500
Repayment of and Interest on, Loans made by Government	5	4	4	2
Social Security	32,857	30,032	31,371	33,089
Grants	389	319	17,078	11,259
Miscellaneous Receipts	2,469	776	4,934	4,175
<b>Total Recurrent Revenue</b>	<b>149,152</b>	<b>151,216</b>	<b>164,104</b>	<b>172,070</b>
Extraordinary Receipts	0	0	0	0
Loans	24,126	0	0	25,000
<b>Total Non-Ordinary Revenue</b>	<b>24,126</b>	<b>0</b>	<b>40,000</b>	<b>25,000</b>
<b>Total Revenue</b>	<b>173,279</b>	<b>151,216</b>	<b>204,104</b>	<b>197,070</b>
<b>Recurrent Expenditure Heads</b>				
Personal Emoluments	48,713	47,399	46,007	47,407
Operational and Maintenance Expenditure	15,951	15,711	9,462	10,358
Special Expenditure	168	149	112	0
Programmes and Initiatives	77,370	86,751	107,725	108,654
Contribution to Government Entities	16,836	18,176	17,118	14,904
<b>Total Recurrent Expenditure</b>	<b>159,038</b>	<b>168,185</b>	<b>180,424</b>	<b>181,322</b>

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 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 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.

The 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 therefore 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.