

# News Release



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## Government Finance

### Government Finance Data: January-May 2007

*The shortfall between recurrent revenue and total expenditure for the first five months of the year stands at Lm66.6 million.*

Data from the Consolidated Fund of Government for May 2007 report that the shortfall between recurrent revenue and total expenditure for the first five months of 2007 amounted to Lm66.6 million. This is Lm3.1million higher than the shortfall of Lm63.4 million recorded for the same period in 2006, and was brought about by an increase of Lm14.4 million to the total expenditure, which was in part offset by a corresponding increase in recurrent revenue.

During the first five months of the year revenue from Income Tax increased by Lm12.3 million. At the same time, revenue from Social Security Contributions added Lm6.4 million, while Value Added Tax increased by Lm1.7 million. On the other hand revenue from Grants declined from Lm20.4 million last year to Lm2.6 million for the period under review.

Recurrent expenditure amounted to Lm328.7 million, an increase of Lm15.2 million compared to the first five months of 2006. This increase was essentially brought about by an increase of Lm5.7 million in Social Security Benefits, as well as by higher outlays (+Lm3.9 million) on medicines and surgical materials by the Ministry of Health.

As shown in Table 1, the interest component of the public debt servicing costs for the January – May period declined by Lm0.5 million and amounted to Lm34.7 million. This decline was the result of lower interest payments on government's long-term borrowing.

Capital Expenditure for the first five months of the year amounted to Lm37.1 million, registering a marginal decline of Lm0.3 million, when compared to the expenditure of Lm37.4 million for the same period in 2006. Lower capital outlays by the Ministry of Finance (-Lm1.9 million), by the Ministry for Tourism and Culture (-Lm1.4 million), and by the Ministry for Urban Development and Roads (-Lm1.1 million), were in part offset by higher expenditures by the Ministry for Rural Affairs and the Environment (+Lm1.8 million), and by the Ministry for Gozo (+Lm0.8 million).

New loans taken up by Government for the first five months of the year amounted to Lm16.3 million.

The Central Government debt outstanding at the end of May 2007 amounted to Lm1,395.3 million, a decline of Lm9.0 million compared to the debt position at the end of May 2006. As explained in Table 3, this decline was brought about by a reduction of Lm7.2 million in the Government Stocks, as well as by a reduction of Lm10.1 million in foreign borrowing. Short-term borrowing (Treasury Bills) stood at Lm175.9, an increase of Lm8.8 million ■

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Table 1. Government Finance Data

Description	Jan-May 2005	Jan-May 2006	Jan-May 2007	Jan-May 2007/Jan-May 2006	
				Absolute Change	% change
	Lm thousands				
<b>Recurrent Revenue</b>	<b>304,256</b>	<b>322,661</b>	<b>333,900</b>	<b>11,239</b>	<b>3.5</b>
<i>of which:</i>					
Grants	23,286	20,352	2,612	-17,740	-87.2
Customs and Excise	23,028	26,442	28,906	2,463	9.3
Consumption Tax	61,097	66,239	67,988	1,749	2.6
Income Tax	59,141	67,372	79,697	12,324	18.3
Social Security	62,025	65,976	72,361	6,385	9.7
Others	75,680	76,280	82,338	6,058	7.9
<b>Total Expenditure</b>	<b>397,358</b>	<b>386,082</b>	<b>400,470</b>	<b>14,388</b>	<b>3.7</b>
<i>consisting of:</i>					
Recurrent Expenditure	311,811	313,493	328,663	15,170	4.8
<i>of which:</i>					
Education	20,443	21,240	21,411	171	0.8
Social Security (benefits)	96,110	101,956	107,703	5,747	5.6
Others	195,259	190,298	199,549	9,251	4.9
Interest Payments	32,867	35,170	34,677	-493	-1.4
Capital Expenditure	52,679	37,418	37,130	-288	-0.8
<i>of which:</i>					
Productive Investment	12,662	8,931	5,281	-3,650	-40.9
Infrastructure	17,742	10,566	15,748	5,182	49.0
Social	22,276	17,921	16,101	-1,820	-10.2
<b>Balance of recurrent revenue and total expenditure</b>	<b>-93,101</b>	<b>-63,421</b>	<b>-66,570</b>	<b>-3,149</b>	<b>5.0</b>
<b>Financial Transactions</b>					
<i>consisting of:</i>					
<i>Revenue</i>					
Loans	76,500	25,000	16,258	-8,742	-35.0
Receipts from Sale of Shares	0	74,170	0	0	0.0
Other extraordinary receipts	3,837	0	1,426	1,426	N/A
<i>Expenditure</i>					
Contribution to Sinking Fund	6,003	6,406	4,679	-1,728	-27.0
Repayment of Loan	0	65	0	-65	-100.0

Source: Treasury Department

Table 2. Government Finance Data

Description	May 2005	May 2006	May 2007	May 2007 / May 2006	
				Absolute Change	% change
	Lm thousands				
<b>Recurrent Revenue</b>	<b>70,664</b>	<b>74,792</b>	<b>76,169</b>	<b>1,377</b>	<b>1.8</b>
<i>of which:</i>					
Grants	6,014	4,048	503	-3,545	-87.6
Customs and Excise	5,350	6,023	6,390	367	6.1
Consumption Tax	10,665	11,829	10,446	-1,384	-11.7
Income Tax	15,099	19,000	21,341	2,341	12.3
Social Security	16,039	17,014	19,763	2,749	16.2
Others	17,499	16,877	17,726	849	5.0
<b>Total Expenditure</b>	<b>93,943</b>	<b>81,851</b>	<b>86,016</b>	<b>4,165</b>	<b>5.1</b>
<i>consisting of:</i>					
Recurrent Expenditure	70,443	68,328	68,983	655	1.0
<i>of which:</i>					
Education	4,217	4,514	4,388	-126	-2.8
Social Security (benefits)	21,457	22,836	20,700	-2,135	-9.4
Others	44,768	40,979	43,895	2,916	7.1
Interest Payments	8,758	7,322	7,488	166	2.3
Capital Expenditure	14,741	6,200	9,544	3,344	53.9
<i>of which:</i>					
Productive Investment	1,894	1,228	1,553	326	26.5
Infrastructure	5,316	2,787	5,101	2,314	83.0
Social	7,532	2,186	2,890	704	32.2
<b>Balance of recurrent revenue and total expenditure</b>	<b>-23,278</b>	<b>-7,059</b>	<b>-9,847</b>	<b>-2,788</b>	<b>39.5</b>
<b>Financial Transactions</b>					
<i>consisting of:</i>					
<i>Revenue</i>					
Loans	36,500	0	16,258	16,258	N/A
Receipts from Sale of Shares	0	74,170	0	-74,170	-100.0
Other extraordinary receipts	3,837	0	0	0	N/A
<i>Expenditure</i>					
Contribution to Sinking Fund	6,003	6,406	4,679	-1,728	-27.0
Repayment of Loan	0	65	0	-65	-100.0

Source: Treasury Department

Table 3. Government Debt

Description	Jan-May 2005	Jan-May 2006	Jan-May 2007	Jan-May 2007/Jan-May 2006	
				Absolute Change	% change
Lm thousands					
<b>Gross Government Debt</b>	<b>1,389,400</b>	<b>1,404,270</b>	<b>1,395,313</b>	<b>-8,957</b>	<b>-0.6</b>
<i>of which:</i>					
Treasury Bills	206,221	167,016	175,863	8,847	5.3
Govt. Stock	1,091,196	1,150,333	1,143,167	-7,166	-0.6
Foreign Loans Outstanding	67,201	63,990	53,909	-10,081	-15.8
Other debt assumptions	26,661	24,810	24,375	-435	-1.8
MGSF investments in Government Debt	-1,879	-1,879	-2,002	-123	6.5

Source: Central Bank of Malta

Table 4. Revenue / Expenditure Categories

Description	Jan-May 2005	Jan-May 2006	Jan-May 2007	Jan-May 2007/Jan-May 2006	
				Absolute Change	% change
Lm thousands					
<b>Revenue</b>					
Customs & Excise Duties	23,028	26,442	28,906	2,463	9.3
Licences, Taxes and Fines	33,972	38,833	42,160	3,326	8.6
Income Tax	59,141	67,372	79,697	12,324	18.3
Consumption Tax	61,097	66,239	67,988	1,749	2.6
Fees of Office	6,084	6,365	8,300	1,934	30.4
Reimbursements	2,806	3,698	4,320	622	16.8
Public Corporations	1,883	1,883	1,883	0	0.0
Central Bank of Malta	14,001	10,001	10,902	901	9.0
Rents	4,828	4,629	5,559	930	20.1
Dividends on Investment	2,077	3,648	3,272	-376	-10.3
Repayment of and Interest on loans	8	5	5	0	-6.3
Social Security	62,025	65,976	72,361	6,385	9.7
Grants	23,286	20,352	2,612	-17,740	-87.2
Miscellaneous Receipts	10,022	7,217	5,937	-1,280	-17.7
<b>Total Recurrent Revenue</b>	<b>304,256</b>	<b>322,661</b>	<b>333,900</b>	<b>11,239</b>	<b>3.5</b>
Receipts from Sale of Shares	0	74,170	0	-74,170	-100.0
Other extraordinary receipts	3,837	0	1,426	1,426	N/A
Loans	76,500	25,000	16,258	-8,742	-35.0
<b>Total Non-Recurrent Revenue</b>	<b>80,337</b>	<b>99,170</b>	<b>17,684</b>	<b>-81,486</b>	<b>-82.2</b>
<b>Total Revenue</b>	<b>384,594</b>	<b>421,832</b>	<b>351,584</b>	<b>-70,248</b>	<b>-16.7</b>
<b>Recurrent Expenditure</b>					
Personal Emoluments	76,686	77,787	78,882	1,095	1.4
Operational & Maintenance Expenditure	16,193	15,968	16,881	912	5.7
Programmes & Initiatives	186,055	188,953	202,133	13,180	7.0
Contribution to Govt. Entities	32,876	30,785	30,767	-18	-0.1
<b>Total Recurrent Expenditure</b>	<b>311,811</b>	<b>313,493</b>	<b>328,663</b>	<b>15,170</b>	<b>4.8</b>

Table 5. Revenue / Expenditure Categories

Description	May 2005	May 2006	May 2007	May 2007 / May 2006	
				Absolute Change	% change
				Lm thousands	
<b>Revenue</b>					
Customs & Excise Duties	5,350	6,023	6,390	367	6.1
Licences, Taxes and Fines	6,398	8,184	9,497	1,314	16.1
Income Tax	15,099	19,000	21,341	2,341	12.3
Consumption Tax	10,665	11,829	10,446	-1,384	-11.7
Fees of Office	1,746	1,268	3,275	2,007	158.2
Reimbursements	985	1,213	845	-368	-30.3
Public Corporations	1,883	0	0	0	N/A
Central Bank of Malta	0	0	0	0	-100.0
Rents	713	428	518	89	20.9
Dividends on Investment	1,722	3,148	1,547	-1,601	-50.9
Repayment of and Interest on loans	2	2	1	-1	-68.3
Social Security	16,039	17,014	19,763	2,749	16.2
Grants	6,014	4,048	503	-3,545	-87.6
Miscellaneous Receipts	4,049	2,634	2,043	-591	-22.4
<b>Total Recurrent Revenue</b>	<b>70,664</b>	<b>74,792</b>	<b>76,169</b>	<b>1,377</b>	<b>1.8</b>
Receipts from Sale of Shares	0	74,170	0	-74,170	-100.0
Other extraordinary receipts	3,837	0	0	0	N/A
Loans	36,500	0	16,258	16,258	N/A
<b>Total Non-Recurrent Revenue</b>	<b>40,337</b>	<b>74,170</b>	<b>16,258</b>	<b>-57,912</b>	<b>-78.1</b>
<b>Total Revenue</b>	<b>111,002</b>	<b>148,962</b>	<b>92,426</b>	<b>-56,536</b>	<b>-38.0</b>
<b>Recurrent Expenditure</b>					
Personal Emoluments	15,354	15,368	15,946	579	3.8
Operational & Maintenance Expenditure	3,897	3,062	3,343	281	9.2
Programmes & Initiatives	41,092	40,655	42,902	2,247	5.5
Contribution to Govt. Entities	10,100	9,244	6,792	-2,452	-26.5
<b>Total Recurrent Expenditure</b>	<b>70,443</b>	<b>68,328</b>	<b>68,983</b>	<b>655</b>	<b>1.0</b>

## 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.