

News Release



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Government Finance

General Government Debt and Deficit under Maastricht Treaty Second Reporting for 2007

The General Government deficit for 2006 is estimated at Lm54.7 million (€127.5 million), or 2.5% of GDP.

On 28 September 2007, Malta submitted its report on government deficit and debt levels for the years 2003-2007. This was done in accordance with Council Regulation (EC) No 3605/93 and subsequent amendments, as well as in accordance with the Code of Best Practice adopted by the ECOFIN Council of 18 February 2003. This is Malta's second submission for 2007 and updates the first submission of 30 March, which was incorporated in NSO News Release No. 65/2007 dated 23 April.

Debt and Deficit Positions (Table 1)

In 2006, General Government net borrowing (or deficit) is estimated at Lm54.7 million, down from a deficit of Lm62.7 million for 2005. The General Government deficit was equivalent to 2.5 per cent of GDP compared to 3.1 per cent of GDP for the preceding year.

At the end of 2006, the General Government nominal gross consolidated debt amounted to Lm1,396.3 million, or 64.7 per cent of GDP compared to Lm1,440.5 million, or 70.8 per cent of GDP for 2005.

Updates

Compared to the previous submission of 30 March, the following updates were made:

A. 2005

i. The deficit of the General Government was increased by Lm1.0 million mainly on account of a corresponding decline in the surplus of the Extra-Budgetary Units (EBUs). The surplus of the EBUs for 2005 is now estimated at Lm7.7 million;

ii. No statistically significant revisions were made to the General Government nominal gross consolidated debt.

B. 2006

i. The deficit of the General Government was increased by Lm1.2 million. While the deficit of the budgetary Central Government remained essentially unchanged, the estimated deficit of the EBUs went up by Lm0.5 million, while the outturn of the Local Councils was revised downwards from an estimated surplus of Lm0.5 million to an estimated deficit of Lm0.2 million;

ii. The estimated General Government nominal gross consolidated debt was revised upwards by Lm1.1 million. Although no revisions were made to the Central Government debt, updated source data has necessitated the upward revision of the debt of Local Councils and of EBUs, by Lm0.3 million and by Lm0.8 million respectively.

EBUs that form part of the General Government sector are listed in the additional notes on Page 4 ■

European statistics comparable to data in this News Release are available at:

[EUROSTAT Website/Homepage/Economy and finance/Data](http://ec.europa.eu/eurostat/homepage/economy_and_finance/data)

- >Economy and finance
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For further assistance send a request from:
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Table 1. General Government Deficit and Debt Data: 2003 - 2006*

	2003	2004	2005	2006
	Lm thousands			
General Government deficit (-) / surplus (+)	-185,555	-93,513	-62,734	-54,731
Central Government	-185,021	-93,714	-63,257	-54,565
Local Government	-534	200	524	-166
as a % of GDP	9.8	4.9	3.1	2.5
General Government Debt	1,305,015	1,394,934	1,440,451	1,396,343
Central Government	1,304,319	1,394,253	1,439,720	1,395,362
Local Government	696	681	731	981
as a % of GDP	69.3	72.7	70.8	64.7
GDP **	1,883,928	1,918,242	2,034,821	2,157,376

* Deficit and debt data for 2003 to 2004 is final. Data for 2005 to 2006 is half-finalised.

** Source of GDP data: 2003 from News Release 96/2007; 2004-2006 from News Release 145/2007.

Chart 1. General Government Deficit as a % of GDP

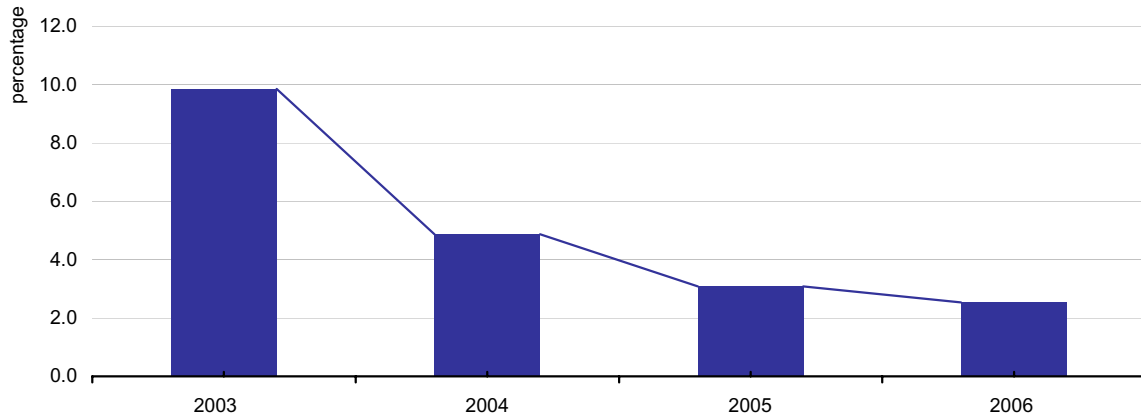


Chart 2. General Government Debt as a % of GDP

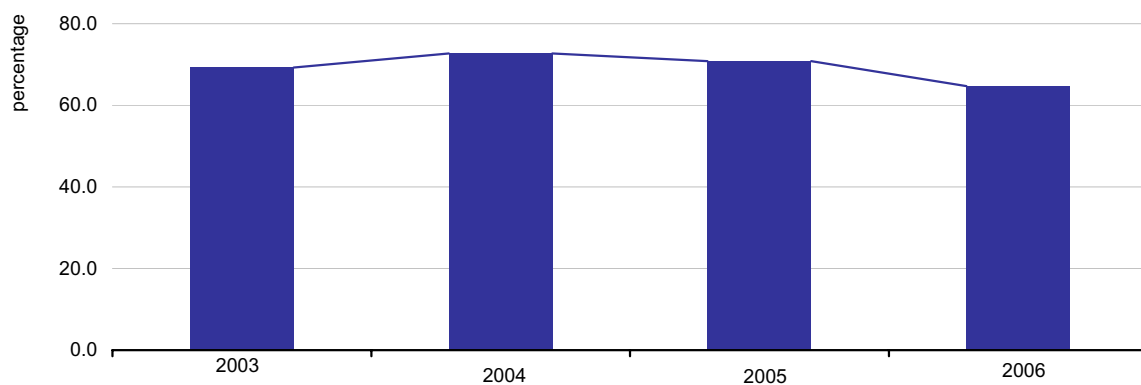


Table 2. Transition between Consolidated Fund Deficit and General Government Deficit*

	2003	2004	2005	2006
	Lm thousands			
Structural Deficit of Consolidated Fund Transactions	-105,445	-94,018	-75,314	-57,853
<i>as a % of GDP</i>	5.6	4.9	3.7	2.7
Adjustments to the Consolidated Fund:				
Loans granted (+)	4,095	0	0	0 ¹
Loans repayments (-)	-153	-114	-300	-300 ²
Equities, acquisitions (+)	12	12	12	0 ³
Equities, sales (-)	0	0	0	0
Other financial transactions	0	-1,458	-676	-740 ⁴
Difference interest paid (+) and interest accrued (-)	-2,279	-1,545	-987	1,050 ⁵
Other accounts receivable (+) and payable (-)	-13,100	4,218	-5,363	1,126 ⁶
Net Borrowing (-) / Net Lending (+) of public entities forming part of Central Government	-18,480	-2,689	7,659	-3,653 ⁷
Other adjustments (+/-)				
Treasury Clearance Fund flows in deposits accounts	748	-802	11,314	9,999
Treasury Clearance Fund flows in advance accounts	651	760	8,135	4,145
Treasury Clearance Fund flows in unallocated stores	106	17	1,085	356
Sinking Fund interests' received	1,756	1,905	1,769	2,246
Malta Shipyards adjustment	-52,933	0	0	0
Adjustment Stock premium proceeds	0	0	-9,665	-635
Time Adjustment re Sale of Land	0	0	0	-10,300 ⁸
Loan Write-off	0	0	-64	0
Debt Cancellation	0	0	-545	0
Privatisation expenses	0	0	-317	0
Loan cancellation	0	0	0	-7
Net Borrowing (-) / Net Lending (+) of Central Government (S.1311)	-185,021	-93,714	-63,257	-54,565
Net Borrowing (-) / Net Lending (+) of Local Government (S.1313)	-534	200	524	-166 ⁹
Net Borrowing (-) / Net Lending (+) of General Government (S.13)	-185,555	-93,513	-62,734	-54,731
<i>as a % of GDP</i>	9.8	4.9	3.1	2.5
GDP **	1,883,928	1,918,242	2,034,821	2,157,376

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. Accruals adjustment for the main revenue earning and spending departments: from 2005 including all budgetary central government
7. The net borrowing (-) / net lending (+) of the extra budgetary units forming part of the central government sector (based on a delimitation exercise)
8. Although this amount was received in 2006, according to ESA95 rules revenue will be accounted for after the actual transfer of ownership of the land.
9. The net borrowing (-) / net lending (+) of the 68 local councils

* Deficit and debt data for 2003 to 2004 is final. Data for 2005 to 2006 is half-finalised.

** Source of GDP data: 2003 from News Release 96/2007; 2004-2006 from News Release 145/2007.

Extra Budgetary Units as at 30th September, 2007

	NACE Code*		NACE Code*
Appogg	85	Malta Resources Authority	75
Bord Tal-Koperattivi	75	Malta Society of Arts, Manufactures and Commerce	75
Broadcasting Authority	75	Malta Standards Authority	75
Environment Protection Fund	75	Malta Statistics Authority	75
Employment and 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	MIMCOL	74
Industrial Projects and Services Ltd	74	Mount Carmel Hospital	85
International Institute on Ageing	80	National Audit Office	75
Kunsill Malti għall-Isport	92	National Commission Persons with Disability	75
Lotteries and Gaming Authority	75	National Orchestra	92
Malta College of Arts, Science and Technology	80	Occupational Health and Safety Authority	75
Malta Communications Authority	75	Office of the Ombudsman	75
Malta Council for Culture and the Arts	92	Sapport	85
Malta Council for Economic and Social Development	75	Sedqa - Agency against Drug and 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 Government Technology Investments Ltd	75	WasteServ Malta Ltd	90
Malta National Laboratory	74	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).

Methodological 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 reviewed. Figures may not add up due to rounding.