

# News Release



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## Government Finance

### General Government Debt and Deficit under Maastricht Treaty First Reporting for 2007

*General Government deficit for 2006 amounts to Lm53.6 million, or 2.6% of GDP.*

On the 30th March, Malta submitted its reporting on government deficit and debt levels for the years 2003 – 2007. This was done in accordance with Council Regulation (EC) Nr 3605/93, and subsequent amendments, as well as in accordance with the Code of Best Practice adopted by the Ecofin Council of the 18 February 2003.

#### Debt and Deficit Positions (Table 1)

In 2006, general government net borrowing (or deficit) was estimated at Lm53.6 million, down from a deficit of Lm61.8 million for 2005. In 2006, general government deficit was equivalent to 2.6% of GDP, compared to 3.1% of GDP for 2005.

At the end of 2006, the General Government nominal gross consolidated debt amounted to Lm1,395.2 million, or 66.5% of GDP; compared to Lm1,440.4 million, or 72.4% of GDP for 2005.

#### Updates

No major revisions have been recorded to the aggregate general government deficit and debt levels for the years 2003-2005. This data had been transmitted to the Commission on the 30th September 2006, and was reported under news release No 235 of the 20th October 2006.

A list at the end of this Release names the extra budgetary units (EBUs) which form part of the General Government sector ■

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

[EUROSTAT Website/Homepage/Economy and finance/Data](http://europa.eu.int/press/pr060307/eurostat/economyandfinance/data)

- >Economy and finance
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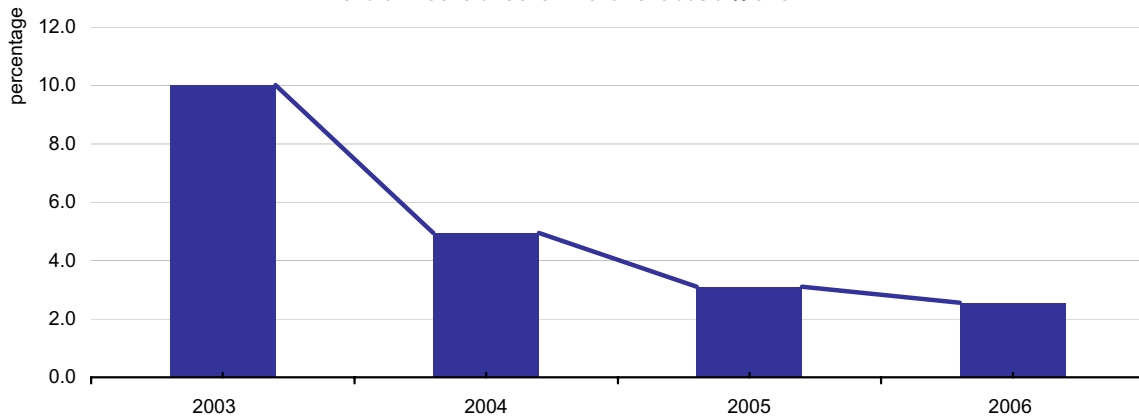
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**Table 1. General Government Deficit and Debt Data: 2003 - 2006**

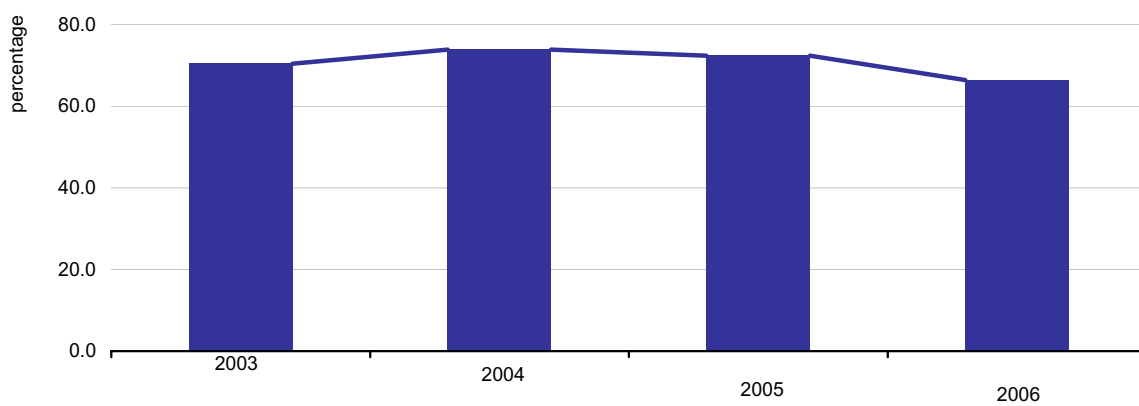
	2003	2004	2005	2006
	<b>Lm thousands</b>			
General Government deficit (-) / surplus (+)	<b>-185,555</b>	<b>-93,458</b>	<b>-61,782</b>	<b>-53,574</b>
Central Government	-185,021	-93,658	-62,240	-54,033
Local Government	-534	200	457	460
as a % of GDP	10.0	4.9	3.1	2.6
General Government Debt	<b>1,305,084</b>	<b>1,394,956</b>	<b>1,440,403</b>	<b>1,395,248</b>
Central Government	1,304,388	1,394,275	1,439,681	1,394,522
Local Government	696	681	722	726
as a % of GDP	70.4	73.9	72.4	66.5
GDP *	1,853,537	1,888,383	1,990,499	2,099,559

\* GDP News Release No. 39/2007 dated 9th March 2007 (2004, 2005 & 2006); GDP News Release 277/2006 dated 7th December 2006 (2003)

**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			
<b>Structural Deficit of Consolidated Fund Transactions</b>	<b>-105,445</b>	<b>-94,018</b>	<b>-75,314</b>	<b>-57,846</b>
<i>as a % of GDP</i>	5.7	5.0	3.8	2.8
Adjustments to the Consolidated Fund:				
Loans granted (+)	4,095	0	0	0 <sup>1</sup>
Loans repayments (-)	-153	-114	-300	-300 <sup>2</sup>
Equities, acquisitions (+)	12	12	12	0 <sup>3</sup>
Equities, sales (-)	0	0	0	0
Other financial transactions	0	-1,458	-676	-740 <sup>4</sup>
Difference interest paid (+) and interest accrued (-)	-2,279	-1,545	-987	1,050 <sup>5</sup>
Other accounts receivable (+) and payable (-)	-13,100	4,218	-5,363	1,152 <sup>6</sup>
Net Borrowing (-) / Net Lending (+) of public entities forming part of Central Government	-18,480	-2,633	8,677	-3,153 <sup>7</sup>
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 <sup>8</sup>
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	-93,658	-62,240	-54,033
Net Borrowing (-) / Net Lending (+) of Local Government (S.1313)	-534	200	457	460 <sup>9</sup>
<b>Net Borrowing (-) / Net Lending (+) of General Government (S.13)</b>	<b>-185,555</b>	<b>-93,458</b>	<b>-61,782</b>	<b>-53,574</b>
<i>as a % of GDP</i>	10.0	4.9	3.1	2.6
GDP *	1,853,537	1,888,383	1,990,499	2,099,559

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

\* GDP News Release No. 39/2007 dated 9th March 2007 (2004, 2005 & 2006); GDP News Release 277/2006 dated 7th December 2006 (2003)

**Extra Budgetary Units as at 31st March, 2007**

	<b>NACE CODES*</b>		<b>NACE CODES*</b>
Appoġġ	85	Kunsill Malti għall-Isport	92
Bord Tal-Koperattivi	75	Malta Standards Authority	75
Broadcasting Authority	75	Malta Statistics Authority	75
Environment Protection Fund	75	Malta Tourism Authority	75
Employment & Training Corporation	74	Malta Transport Authority	75
Foundation for Educational Services	75	Manoel Theatre Management Committee	92
Foundation for Medical Services	75	Mater Dei Hospital	75
Foundation for Tomorrow's Schools	75	Medicines Authority	75
Gozo Ferries Co Ltd	71	MEPA	75
Heritage Malta	92	MIMCOL	74
Housing Authority	75	Mount Carmel Hospital	85
Industrial Projects and Services Ltd	74	National Audit Office	75
International Institute on Ageing	80	National Commission Persons with Disability	75
Lotteries & Gaming Authority	75	National Orchestra	92
Malta College of Arts, Science and Technology	80	Occupational Health & Safety Authority	75
Malta Communications Authority	75	Office of the Ombudsman	75
Malta Council for Culture & the Arts	92	Sapport	85
Malta Council for Economic & Social Development	75	Sedqa - Agency against Drug & 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 National Laboratory	74	WasteServ Malta Ltd	90
Malta Resources Authority	75	Zammit Clapp Hospital	85
Malta Society of Arts, Manufactures and Commerce	75		

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).

## ADDITIONAL 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.