

# News Release



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## Government Finance

### Government Finance Data: January-May 2008

*The shortfall between recurrent revenue and total expenditure of Central Government for the first five months of the year amounts to €235.8 million.*

According to data obtained from the Consolidated Fund of government for the first five months of the year, the shortfall between recurrent revenue and total expenditure increased by €80.7 million, and amounted to €235.8 million when compared to the same period of 2007. An increase of €118.6 million in total expenditure was only partly offset by an increase of €37.9 million in recurrent revenue.

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

During the first five months this year, the Consolidated Fund recorded increases in revenue of €19.8 million and of €12.7 million from Taxes on Income, and from Value Added Tax respectively. Dividends on Investment also added €7.9 million during the period under review. At the same time, revenue from Licences, Taxes and Fines declined by €7.7 million while revenue classified under Miscellaneous Receipts declined by €7.2 million.

Recurrent expenditure amounted to €857.8 million, an increase of €92.3 million compared to the first five months last year. Major increases in recurrent expenditure were recorded under Social Security Benefits which added €23.2 million. The Ministry of Health, the Elderly and Community Care and the Ministry for Rural Affairs and the Environment added €13.4 million and €10.3 million respectively.

During the period under review the interest component of the public debt servicing costs amounted to €85.5 million, a comparative increase of €4.7 million over 2007.

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The Capital Programme for the first five months added €21.6 million and amounted to €108.1 million. During the period under review capital expenditure under the Ministry for Investment, Industry and Information Technology, and under the Ministry for Rural Affairs and the Environment increased by €14.6 million and €9.6 million respectively. On the other hand, capital expenditure under the Ministry of Finance declined by €17.1 million.

No new loans were taken up during the period under review.

The Central Government debt outstanding at the end of May amounted to €3,317.6 million, an increase of €67.4 million compared to the gross Central Government debt outstanding at the end of May last year. While long-term borrowing increased by €98.9 million, short-term borrowing and foreign borrowing declined by €50.6 million and €6.4 million respectively. At the end of May, the euro coins issued in the name of the Maltese Treasury which are considered as a currency liability pertaining to the Central Government, amounted to €25.3 million ■

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Table 1. Government Finance Data

Description	Jan-May 2006	Jan-May 2007	Jan-May 2008	May 2008 / May 2007	
				Absolute Change	% change
	€ thousands				
<b>Recurrent Revenue</b>	<b>751,599</b>	<b>777,778</b>	<b>815,642</b>	<b>37,864</b>	<b>4.9</b>
<i>of which:</i>					
Grants	47,407	6,083	10,133	4,049	66.6
Customs and Excise	61,594	67,332	67,638	306	0.5
Value Added Tax	154,295	158,369	171,074	12,705	8.0
Income Tax	156,936	185,643	205,450	19,807	10.7
Social Security	153,683	168,555	174,347	5,792	3.4
Others	177,684	191,795	187,000	-4,795	-2.5
<b>Total Expenditure</b>	<b>899,330</b>	<b>932,845</b>	<b>1,051,447</b>	<b>118,602</b>	<b>12.7</b>
<i>consisting of:</i>					
Recurrent Expenditure	730,243	765,579	857,828	92,250	12.0
<i>of which:</i>					
Education	49,476	49,874	52,453	2,579	5.2
Social Security (benefits)	237,493	250,880	274,105	23,225	9.3
Others	443,274	464,825	531,270	66,446	14.3
Interest Payments	81,925	80,776	85,514	4,737	5.9
Capital Expenditure	87,162	86,490	108,105	21,615	25.0
<i>of which:</i>					
Productive Investment	20,804	12,302	28,451	16,149	131.3
Infrastructure	24,612	36,682	52,055	15,373	41.9
Social	41,745	37,506	27,599	-9,907	-26.4
<b>Balance of recurrent revenue and total expenditure</b>	<b>-147,731</b>	<b>-155,067</b>	<b>-235,805</b>	<b>-80,738</b>	<b>52.1</b>
<b>Financial Transactions</b>					
<i>consisting of:</i>					
<i>Revenue</i>					
Loans	58,234	37,871	0	-37,871	N/A
Receipts from Sale of Shares	172,770	0	0	0	N/A
Other extraordinary receipts	0	3,322	0	-3,322	N/A
<i>Expenditure</i>					
Contribution to Sinking Fund	14,923	10,898	0	-10,898	N/A
Equity Acquisition	0	0	6,500	6,500	N/A
Repayment of Loan	152	0	0	0	N/A

Table 2. Government Finance Data

Description	May 2006	May 2007	May 2008	May 2008 / May 2007	
				Absolute Change	% change
	€ thousands				
<b>Recurrent Revenue</b>	<b>174,218</b>	<b>177,425</b>	<b>161,227</b>	<b>-16,198</b>	<b>-9.1</b>
<i>of which:</i>					
Grants	9,430	1,172	5,489	4,317	368.3
Customs and Excise	14,030	14,884	18,190	3,305	22.2
Value Added Tax	27,555	24,332	23,127	-1,205	-5.0
Income Tax	44,257	49,710	43,489	-6,221	-12.5
Social Security	39,632	46,036	42,446	-3,590	-7.8
Others	39,313	41,290	28,486	-12,804	-31.0
<b>Total Expenditure</b>	<b>190,661</b>	<b>200,363</b>	<b>188,345</b>	<b>-12,018</b>	<b>-6.0</b>
<i>consisting of:</i>					
Recurrent Expenditure	159,162	160,688	156,397	-4,291	-2.7
<i>of which:</i>					
Education	10,514	10,221	10,729	508	5.0
Social Security (benefits)	53,193	48,219	45,123	-3,096	-6.4
Others	95,455	102,248	100,545	-1,703	-1.7
Interest Payments	17,057	17,443	17,191	-253	-1.4
Capital Expenditure	14,443	22,232	14,758	-7,474	-33.6
<i>of which:</i>					
Productive Investment	2,859	3,618	3,008	-610	-16.9
Infrastructure	6,491	11,881	9,275	-2,606	-21.9
Social	5,092	6,733	2,474	-4,258	-63.2
<b>Balance of recurrent revenue and total expenditure</b>	<b>-16,443</b>	<b>-22,938</b>	<b>-27,118</b>	<b>-4,180</b>	<b>18.2</b>
<b>Financial Transactions</b>					
<i>consisting of:</i>					
<i>Revenue</i>					
Loans	0	37,871	0	-37,871	N/A
Receipts from Sale of Shares	172,770	0	0	0	N/A
Other extraordinary receipts	0	0	0	0	N/A
<i>Expenditure</i>					
Contribution to Sinking Fund	14,923	10,898	0	-10,898	N/A
Equity Acquisition	0	0	0	0	N/A
Repayment of Loan	152	0	0	0	N/A

Table 3. Government Debt

Description	May 2006	May 2007	May 2008	May 2007 / May 2006	
				Absolute Change	% change
	€ thousands				
<b>Gross Government Debt</b>	<b>3,271,069</b>	<b>3,250,204</b>	<b>3,317,625</b>	<b>67,420</b>	<b>2.1</b>
<i>of which:</i>					
Treasury Bills	389,043	409,651	359,069	-50,582	-12.3
Government Stock	2,679,555	2,662,862	2,761,730	98,868	3.7
Foreign Loans Outstanding	149,057	125,575	119,148	-6,427	-5.1
Other debt assumptions	57,792	56,780	57,106	326	0.6
MGSF investments in Government Debt	-4,377	-4,663	-4,742	-79	1.7
Euro Coins issued in the name of the Treasury	0	0	25,314	25,314	N/A

Source: Central Bank of Malta

Table 4. Revenue / Expenditure Categories

Description	Jan-May 2006	Jan-May 2007	Jan-May 2008	May 2008 / May 2007	
				Absolute Change	% change
	€ thousands				
<b>Revenue</b>					
Customs and Excise Duties	61,594	67,332	67,638	306	0.5
Licences, Taxes and Fines	90,457	98,205	90,511	-7,694	-7.8
Income Tax	156,936	185,643	205,450	19,807	10.7
Value Added Tax	154,295	158,369	171,074	12,705	8.0
Fees of Office	14,827	19,333	20,693	1,360	7.0
Reimbursements	8,614	10,064	9,378	-686	-6.8
Public Corporations	4,386	4,386	4,386	0	0.0
Central Bank of Malta	23,295	25,395	28,691	3,296	13.0
Rents	10,783	12,950	11,147	-1,803	-13.9
Dividends on Investment	8,497	7,622	15,531	7,909	103.8
Repayment of and Interest on loans	12	11	9	-2	-14.8
Social Security	153,683	168,555	174,347	5,792	3.4
Grants	47,407	6,083	10,133	4,049	66.6
Miscellaneous Receipts	16,811	13,829	6,653	-7,176	-51.9
<b>Total Recurrent Revenue</b>	<b>751,599</b>	<b>777,778</b>	<b>815,642</b>	<b>37,864</b>	<b>4.9</b>
Receipts from Sale of Shares	172,770	0	0	0	N/A
Other extraordinary receipts	0	3,322	0	-3,322	N/A
Loans	58,234	37,871	0	-37,871	N/A
<b>Total Non-Recurrent Revenue</b>	<b>231,005</b>	<b>41,192</b>	<b>0</b>	<b>-41,192</b>	<b>N/A</b>
<b>Total Revenue</b>	<b>982,603</b>	<b>818,970</b>	<b>815,642</b>	<b>-3,328</b>	<b>-0.4</b>
<b>Recurrent Expenditure</b>					
Personal Emoluments	181,196	183,746	198,281	14,535	7.9
Operational and Maintenance Expenditure	37,196	39,321	46,467	7,146	18.2
Programmes and Initiatives	440,142	470,844	543,044	72,199	15.3
Contribution to Government Entities	71,710	71,668	70,037	-1,631	-2.3
<b>Total Recurrent Expenditure</b>	<b>730,243</b>	<b>765,579</b>	<b>857,828</b>	<b>92,250</b>	<b>12.0</b>

Table 5. Revenue / Expenditure Categories

Description	May 2006	May 2007	May 2008	May 2008 / May 2007	
				Absolute Change	% change
€ thousands					
<b>Revenue</b>					
Customs and Excise Duties	14,030	14,884	18,190	3,305	22.2
Licences, Taxes and Fines	19,063	22,123	17,807	-4,316	-19.5
Income Tax	44,257	49,710	43,489	-6,221	-12.5
Value Added Tax	27,555	24,332	23,127	-1,205	-5.0
Fees of Office	2,955	7,629	2,674	-4,955	-65.0
Reimbursements	2,826	1,969	2,161	193	9.8
Public Corporations	0	0	0	0	N/A
Central Bank of Malta	0	0	0	0	N/A
Rents	997	1,206	1,684	479	39.7
Dividends on Investment	7,333	3,604	3,737	133	3.7
Repayment of and Interest on loans	4	1	3	2	166.3
Social Security	39,633	46,036	42,446	-3,590	-7.8
Grants	9,430	1,172	5,489	4,317	368.3
Miscellaneous Receipts	6,136	4,759	419	-4,339	-91.2
<b>Total Recurrent Revenue</b>	<b>174,219</b>	<b>177,425</b>	<b>161,227</b>	<b>-16,198</b>	<b>-9.1</b>
Receipts from Sale of Shares	172,770	0	0	0	N/A
Other extraordinary receipts	0	0	0	0	N/A
Loans	0	37,871	0	-37,871	N/A
<b>Total Non-Recurrent Revenue</b>	<b>172,770</b>	<b>37,871</b>	<b>0</b>	<b>-37,871</b>	<b>N/A</b>
<b>Total Revenue</b>	<b>346,989</b>	<b>215,296</b>	<b>161,227</b>	<b>-54,068</b>	<b>-25.1</b>
<b>Recurrent Expenditure</b>					
Personal Emoluments	35,797	37,145	38,224	1,079	2.9
Operational and Maintenance Expenditure	7,132	7,788	7,260	-528	-6.8
Programmes and Initiatives	94,701	99,935	97,283	-2,651	-2.7
Contribution to Government Entities	21,532	15,820	13,630	-2,191	-13.8
<b>Total Recurrent Expenditure</b>	<b>159,162</b>	<b>160,688</b>	<b>156,397</b>	<b>-4,291</b>	<b>-2.7</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 (excluding EBUs and Local Councils)      Central Bank of Malta and the Treasury.

All allocations provided out of the Consolidated 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 follows 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, acquisition of equity, 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. As from January 2008, the euro coins issued in the name of the Treasury are being considered as a currency liability pertaining to the Central Government
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.
5. Totals may not add up due to rounding.