

# News Release



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## Public Finance

### Government Finance Data: January-October 2008

*The shortfall between recurrent revenue and total expenditure of Central Government for the first ten months of the year amounts to €243.2 million.*

According to data obtained from the Consolidated Fund of Government for the first ten months this year, the shortfall between recurrent revenue and total expenditure increased by €77.5 million when compared to the same month last year, and amounted to €243.2 million. An increase of €162.4 million in total expenditure was partly offset by an increase of €84.9 million in recurrent revenue.

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

During the first ten months this year, the Consolidated Fund recorded increases in revenue of €84.0 million and of €32.7 million from Taxes on Income and from Value Added Tax respectively. Social Security Contributions also added €21.4 million during the period under review. At the same time, revenue from Grants dropped by €21.0 million while revenue classified under Miscellaneous Receipts declined by €13.3 million.

Recurrent expenditure amounted to €1,682.7 million, an increase of €161.8 million compared to the first ten months last year. Significant increases in recurrent expenditure were recorded under Social Security Benefits (+€44.0 million), under the Ministry of Health, the Elderly and Community Care (+€29.9 million), and under the Ministry for Investment, Industry and Information Technology (+€23.3 million).

During the period under review the interest component of the public debt servicing costs amounted to €167.1 million, a comparative increase of €9.6 million over last year.

**Compiled by:**

**Unit A2: Public Finance**  
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The capital programme for the first ten months this year declined by €9.0 million and amounted to €181.3 million. During this period capital expenditure under the Ministry of Health, the Elderly and Community Care increased by €12.1 million, while capital expenditure under the Ministry for Rural Affairs and the Environment went up by €10.9 million. On the other hand, lower expenditure in respect of construction works and equipment under the Mater Dei Hospital project brought about a decline of €36.4 million in the capital outlay of the Ministry of Finance.

Loans taken up by Government during the first ten months of the year amounted to €285.7 million, of which €93.2 million were on account of matured stock (refer to Table 1).

The Central Government debt outstanding at the end of October amounted to €3,543.3 million, an increase of €229.6 million compared to the gross Central Government debt outstanding at the end of October last year. Long-term and short-term borrowing increased by €201.1 million and by €3.9 million respectively, while foreign borrowing declined by €5.4 million. At the end of October, 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 €30.0 million ■

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Table 1. Government Finance Data

Description	Jan-Oct 2006	Jan-Oct 2007	Jan-Oct 2008	Oct 2008 / Oct 2007	
				Absolute Change	% change
	€ 000				
<b>Recurrent Revenue</b>	<b>1,663,385</b>	<b>1,702,980</b>	<b>1,787,879</b>	<b>84,899</b>	<b>5.0</b>
<i>of which:</i>					
Grants	107,533	41,760	20,732	-21,028	-50.4
Customs and Excise	141,640	154,047	146,950	-7,097	-4.6
Value Added Tax	335,206	348,529	381,236	32,707	9.4
Income Tax	414,200	458,163	542,176	84,012	18.3
Social Security	345,441	357,160	378,544	21,384	6.0
Others	319,364	343,321	318,241	-25,080	-7.3
<b>Total Expenditure</b>	<b>1,833,831</b>	<b>1,868,607</b>	<b>2,031,038</b>	<b>162,431</b>	<b>8.7</b>
<i>consisting of:</i>					
Recurrent Expenditure	1,457,181	1,520,839	1,682,683	161,845	10.6
<i>of which:</i>					
Education	93,694	95,886	100,454	4,568	4.8
Social Security (benefits)	454,610	479,999	524,018	44,019	9.2
Others	908,877	944,954	1,058,211	113,257	12.0
Interest Payments	156,803	157,493	167,073	9,580	6.1
Capital Expenditure	219,847	190,275	181,281	-8,993	-4.7
<i>of which:</i>					
Productive Investment	59,317	29,542	44,716	15,175	51.4
Infrastructure	65,428	86,426	89,166	2,740	3.2
Social	95,102	74,307	47,399	-26,908	-36.2
<b>Balance of recurrent revenue and total expenditure</b>	<b>-170,446</b>	<b>-165,627</b>	<b>-243,159</b>	<b>-77,532</b>	<b>46.8</b>
<b>Financial Transactions</b>					
<i>consisting of:</i>					
<i>Revenue</i>					
Loans	23,294	126,040	285,735	159,694	126.7
Receipts from Sale of Shares	172,770	0	0	0	N/A
Other extraordinary receipts	12,443	14,894	33,318	18,424	123.7
<i>Expenditure</i>					
Contribution to Sinking Fund	14,923	21,214	18,199	-3,015	-14.2
Equity Acquisition	0	0	6,500	6,500	N/A
Repayment of Loan	580	0	93,176	93,176	N/A

Table 2. Government Finance Data

Description	Oct 2006	Oct 2007	Oct 2008	Oct 2008 / Oct 2007	
				Absolute Change	% change
				€ 000	
<b>Recurrent Revenue</b>	<b>196,231</b>	<b>199,007</b>	<b>202,138</b>	<b>3,131</b>	<b>1.6</b>
<i>of which:</i>					
Grants	19,203	6,868	1,739	-5,128	-74.7
Customs and Excise	15,927	25,823	16,820	-9,003	-34.9
Value Added Tax	43,651	47,022	52,719	5,697	12.1
Income Tax	52,545	47,138	63,621	16,483	35.0
Social Security	37,352	39,955	40,057	101	0.3
Others	27,554	32,201	27,182	-5,019	-15.6
<b>Total Expenditure</b>	<b>196,957</b>	<b>193,890</b>	<b>186,953</b>	<b>-6,937</b>	<b>-3.6</b>
<i>consisting of:</i>					
Recurrent Expenditure	152,481	163,543	158,589	-4,955	-3.0
<i>of which:</i>					
Education	8,520	8,450	9,215	765	9.1
Social Security (benefits)	48,279	51,598	52,357	759	1.5
Others	95,683	103,496	97,016	-6,479	-6.3
Interest Payments	10,334	10,727	10,950	223	2.1
Capital Expenditure	34,142	19,619	17,414	-2,205	-11.2
<i>of which:</i>					
Productive Investment	6,014	3,073	1,920	-1,153	-37.5
Infrastructure	17,209	12,995	9,389	-3,606	-27.7
Social	10,919	3,551	6,104	2,553	71.9
<b>Balance of recurrent revenue and total expenditure</b>	<b>-726</b>	<b>5,117</b>	<b>15,185</b>	<b>10,068</b>	<b>196.8</b>
<b>Financial Transactions</b>					
<i>consisting of:</i>					
<i>Revenue</i>					
Loans	0	58,817	53,013	-5,804	-9.9
Receipts from Sale of Shares	0	0	0	0	N/A
Other extraordinary receipts	0	11,572	0	-11,572	N/A
<i>Expenditure</i>					
Contribution to Sinking Fund	0	10,316	8,676	-1,640	-15.9
Equity Acquisition	0	0	0	0	N/A
Repayment of Loan	0	0	0	0	N/A

Table 3. Government Debt

Description	Oct 2006	Oct 2007	Oct 2008	Oct 2008 / Oct 2007	
				Absolute Change	% change
				€ 000	
<b>Gross Government Debt</b>	<b>3,155,448</b>	<b>3,313,776</b>	<b>3,543,344</b>	<b>229,568</b>	<b>6.9</b>
<i>of which:</i>					
Treasury Bills	307,657	377,261	381,191	3,930	1.0
Government Stock	2,647,617	2,761,370	2,962,466	201,096	7.3
Foreign Loans Outstanding	146,760	122,909	117,549	-5,361	-4.4
Other debt assumptions	57,792	56,979	56,880	-99	-0.2
MGSF investments in Government Debt	-4,377	-4,743	-4,742	0	0.0
Euro Coins issued in the name of the Treasury	0	0	30,001	30,001	N/A

Source: Central Bank of Malta

Table 4. Revenue / Expenditure Categories

Description	Jan-Oct 2006	Jan-Oct 2007	Jan-Oct 2008	Oct 2008 / Oct 2007	
				Absolute Change	% change
				€ 000	
<b>Revenue</b>					
Customs and Excise Duties	141,640	154,047	146,950	-7,097	-4.6
Licences, Taxes and Fines	182,193	188,437	179,601	-8,836	-4.7
Income Tax	414,200	458,163	542,176	84,012	18.3
Value Added Tax	335,206	348,529	381,236	32,707	9.4
Fees of Office	35,733	43,931	37,635	-6,296	-14.3
Reimbursements	19,943	20,254	19,069	-1,185	-5.9
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	18,869	18,635	18,369	-266	-1.4
Dividends on Investment	10,146	15,369	16,847	1,478	9.6
Repayment of and Interest on loans	27	26	20	-6	-21.9
Social Security	345,441	357,160	378,544	21,384	6.0
Grants	107,533	41,760	20,732	-21,028	-50.4
Miscellaneous Receipts	24,772	26,887	13,622	-13,265	-49.3
<b>Total Recurrent Revenue</b>	<b>1,663,385</b>	<b>1,702,980</b>	<b>1,787,879</b>	<b>84,899</b>	<b>5.0</b>
Receipts from Sale of Shares	172,770	0	0	0	N/A
Other extraordinary receipts	12,443	14,894	33,318	18,424	123.7
Loans	23,294	126,040	285,735	159,694	126.7
<b>Total Non-Recurrent Revenue</b>	<b>208,507</b>	<b>140,934</b>	<b>319,052</b>	<b>178,118</b>	<b>126.4</b>
<b>Total Revenue</b>	<b>1,871,892</b>	<b>1,843,914</b>	<b>2,106,931</b>	<b>263,017</b>	<b>14.3</b>
<b>Recurrent Expenditure</b>					
Personal Emoluments	363,719	370,731	399,105	28,374	7.7
Operational and Maintenance Expenditure	67,211	71,586	84,172	12,586	17.6
Programmes and Initiatives	894,497	952,186	1,068,857	116,671	12.3
Contribution to Government Entities	131,755	126,336	130,550	4,214	3.3
<b>Total Recurrent Expenditure</b>	<b>1,457,181</b>	<b>1,520,839</b>	<b>1,682,683</b>	<b>161,845</b>	<b>10.6</b>

Table 5. Revenue / Expenditure Categories

Description	Oct 2006	Oct 2007	Oct 2008	Oct 2008 / Oct 2007	
				Absolute Change	% change
	€ 000				
<b>Revenue</b>					
Customs and Excise Duties	15,927	25,823	16,820	-9,003	-34.9
Licences, Taxes and Fines	17,593	20,988	17,546	-3,442	-16.4
Income Tax	52,545	47,138	63,621	16,483	35.0
Value Added Tax	43,651	47,022	52,719	5,697	12.1
Fees of Office	5,637	2,611	3,259	648	24.8
Reimbursements	2,315	2,488	3,015	527	21.2
Public Corporations	0	0	0	0	N/A
Central Bank of Malta	0	0	0	0	N/A
Rents	776	1,380	1,566	186	13.5
Dividends on Investment	0	0	0	0	N/A
Repayment of and Interest on loans	2	3	1	-1	-53.3
Social Security	37,352	39,955	40,057	101	0.3
Grants	19,203	6,868	1,739	-5,128	-74.7
Miscellaneous Receipts	1,231	4,731	1,795	-2,936	-62.1
<b>Total Recurrent Revenue</b>	<b>196,231</b>	<b>199,007</b>	<b>202,138</b>	<b>3,131</b>	<b>1.6</b>
Receipts from Sale of Shares	0	0	0	0	N/A
Other extraordinary receipts	0	11,572	0	-11,572	N/A
Loans	0	58,817	53,013	-5,804	-9.9
<b>Total Non-Recurrent Revenue</b>	<b>0</b>	<b>70,389</b>	<b>53,013</b>	<b>-17,376</b>	<b>-24.7</b>
<b>Total Revenue</b>	<b>196,231</b>	<b>269,396</b>	<b>255,151</b>	<b>-14,245</b>	<b>-5.3</b>
<b>Recurrent Expenditure</b>					
Personal Emoluments	34,910	35,994	39,766	3,772	10.5
Operational and Maintenance Expenditure	7,066	6,725	7,294	568	8.4
Programmes and Initiatives	100,124	112,768	102,744	-10,024	-8.9
Contribution to Government Entities	10,381	8,055	8,784	729	9.1
<b>Total Recurrent Expenditure</b>	<b>152,481</b>	<b>163,543</b>	<b>158,589</b>	<b>-4,955</b>	<b>-3.0</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 (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
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.
6. In this release Revenue and Expenditure categories are recorded in accordance with their presentation in the 2008 Financial Estimates.