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The General Government deficit for 2013 stood at €202.0 million, or 2.7 per cent of GDP. The gross consolidated debt amounted to €5,241.0 million, or 69.8 per cent of GDP.

General Government Debt and Deficit under the Maastricht Treaty: Second Reporting for 2014

Deficit and Debt Positions

In 2013, General Government net borrowing (or deficit) was recorded at €202.0 million, down from €263.2 million for 2012. Last year, the General Government deficit was equivalent to 2.7 per cent of GDP, down from 3.7 per cent for 2012.

At the end of 2013, the General Government nominal gross consolidated debt amounted to €5,241.0 million, or 69.8 per cent of GDP, up from €4,871.9 million, or 67.9 per cent for 2012 (Table 1).

Reporting and Updates

On 30 September 2014, Malta submitted its report on government deficit and debt levels for the years 2010-2013. This was done in accordance with Council Regulation (EC) No. 479/2009, as amended, as well as in accordance with the Code of Best Practice adopted by the Ecofin Council on 18 February 2003. This was the first transmission using the ESA 2010 methodology.

A detailed report covering the implementation of ESA 2010, as well as other revisions, is available at: <http://www.nso.gov.mt/site/page.aspx?pageid=688>

2013 data

To arrive at the General Government Sector's deficit for 2013, adjustments are made to the balance of the Government's consolidated fund, which amounted to -€223.1 million. Positive adjustments included the time-adjusted cash transactions (€41.9 million), other accounts receivable and payable (€26.8 million), and the non-financial transactions in the treasury clearance fund (€4.9 million). On the other hand, the main negative adjustments were the equity injection to the national air carrier (€40.0 million), the net borrowing of Extra Budgetary Units (€11.4 million), interest received not included in the consolidated fund (€2.8 million) and the adjustment for stock premium proceeds (€1.6 million) (Table 2).

Compiled by:

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Stock Flow Adjustment

The Stock Flow Adjustment (SFA) is the difference between the change in the stock of government debt and the flow of annual government deficit/surplus. Deficits normally contribute to an increase in debt levels, while surpluses reduce them. However, the change in government debt also reflects other elements. As shown in table 3, in 2013, a positive SFA of 2.2 per cent of GDP means that the debt increased more than implied by the deficit. This rise in debt was the result of an increase in other accounts payable, loans, equity and investment fund shares and other adjustments which do not appear in the deficit figures. Conversely, the decision to utilise liquidity instead of resorting to further borrowing resulted in lower holdings of currency and deposits and hence a reducing effect on SFA ■

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The advance release calendar may be consulted at www.nso.gov.mt

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Table 1. General Government Deficit and Debt Data: 2010-2013

	2010	2011	2012	2013
	€000			
General Government deficit (-) / surplus (+)	-217,904	-181,975	-263,167	-201,955
Central Government	-217,986	-181,172	-261,169	-200,777
Local Government	82	-803	-1,998	-1,178
as a % of GDP	3.3	2.6	3.7	2.7
General Government Debt	4,462,186	4,809,050	4,871,937	5,240,967
Central Government	4,458,566	4,805,126	4,867,824	5,237,087
Local Government	3,620	3,925	4,113	3,880
as a % of GDP	67.6	69.8	67.9	69.8
GDP	6,599,507	6,894,357	7,178,873	7,510,067

Source of GDP data: 2010-2013 News Release 195/2014 dated 17 October 2014.

Chart 1. General Government Deficit as a % of GDP

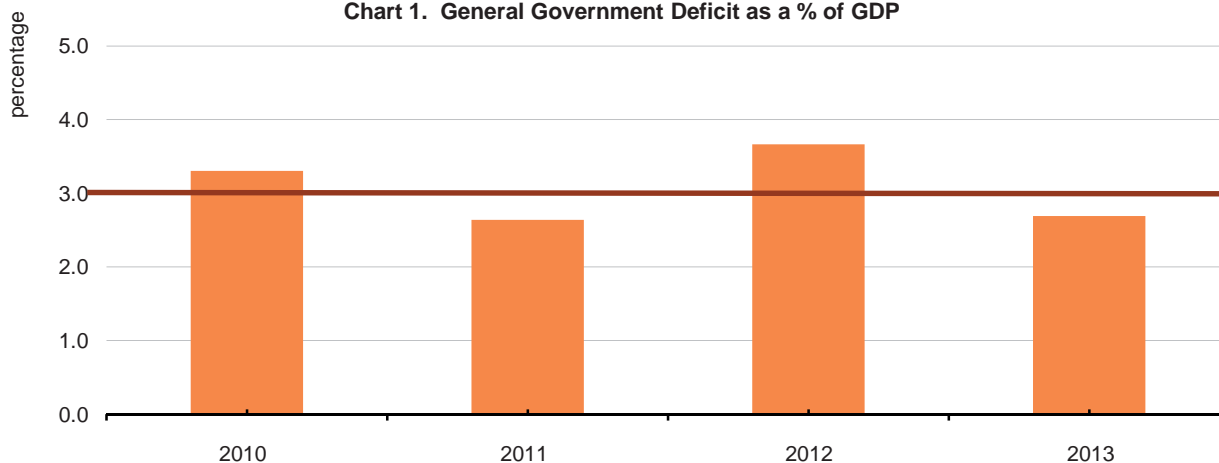


Chart 2. General Government Debt as a % of GDP



Table 2. Transition between Consolidated Fund and General Government Sector

	2010	2011	2012	2013
	€000			
Structural Deficit of Consolidated Fund Transactions	-279,212	-218,610	-342,276	-223,135 ¹
<i>as a % of GDP</i>	-4.2	-3.2	-4.8	-3.0
Adjustments to the Consolidated Fund:				
Equities, acquisitions (+)	2,311	250	686	0 ²
Equities, sales (-)	0	0	0	0
Other financial transactions	-1,209	-7,421	0	0 ³
Difference between interest paid (+) and interest accrued (-)	1,512	2,320	-2,275	1,459 ⁴
Other accounts receivable (+) and payable (-)	60,276	-19,808	55,041	26,833 ⁵
Time-adjusted cash transactions	-31,960	39,864	40,179	41,943 ⁶
Net Borrowing (-) / Net Lending (+) of Extra Budgetary Units	-6,200	-6,135	-7,106	-11,398 ⁷
Other adjustments (+/-)				
Treasury Clearance Fund flows in non-financial transactions	35,356	24,576	14,415	4,894
Sinking Fund interests received	993	1,379	2,085	2,335
Interest received not included in consolidated fund	261	318	112	-2,775
Interest receivable	165	2,931	-2,563	156
Adjustment Stock premium proceeds	-278	-1,128	-249	-1,579
EFSF re-routing	0	292	781	514 ⁸
Equity injection	0	0	-20,000	-40,024
Net Borrowing (-) / Net Lending (+) of Central Government (S.1311)	-217,986	-181,172	-261,169	-200,777
Net Borrowing (-) / Net Lending (+) of Local Government (S.1313)	82	-803	-1,998	-1,178 ⁹
Net Borrowing (-) / Net Lending (+) of General Government (S.13)	-217,904	-181,975	-263,167	-201,955
<i>as a % of GDP</i>	-3.3	-2.6	-3.7	-2.7

1. News Release 59/2014 dated 28 March 2014. The deficit includes the equity injection to the national air carrier.
2. Acquisition of shares in international agencies.
3. Non-trading profits included in Central Bank of Malta transfers to Government.
4. Difference between the interest paid and accrued of the Treasury Bills, Malta Government Stocks and Foreign Loans.
5. Accruals adjustment: including all Budgetary Central Government.
6. In line with Council Regulation 2516/2000, the method of recording of taxes and social contributions is the time-adjusted method. Refer to methodological note 5.
7. The aggregated net borrowing (-) / net lending (+) of the extra budgetary units forming part of the Central Government Sector.
8. Re-routed operations of the European Financial Stability Facility. Refer to methodological note 6.
9. The aggregated net borrowing (-) / net lending (+) of the 68 local councils. Data from 2011 onwards also include the 5 Regional Committees

Table 3. Composition of stock flow adjustment

	2010	2011	2012	2013
	as a % of GDP			
General Government deficit (-) / surplus (+)	-3.3	-2.6	-3.7	-2.7
Change in General Government debt	4.5	5.0	0.9	4.9
Stock flow adjustment	1.2	2.4	-2.8	2.2
<i>consisting of:</i>				
Assets - Currency and Deposits (F2)	0.7	0.9	-3.2	-0.3
Assets - Loans (F4)	0.5	1.2	1.7	0.5
Assets - Equity and investment fund shares (F5)	-0.0	0.2	0.6	0.4
Other accounts receivable / payable (F8)	0.0	-0.1	1.1	1.6
Other adjustments	0.0	0.1	-2.9	0.1

Extra Budgetary Units as at 31 December 2013

	NACE CODE*		NACE CODE*
Appoġġ	88	Malta Government Investments Ltd	84
Bord Tal-Koperattivi	84	Malta Government Technology Investments Ltd	84
Broadcasting Authority	84	Malta Information Technology Agency	63
Employment and Training Corporation	78	Malta Philharmonic Orchestra	90
Environment Protection Fund	84	Malta Resources Authority	84
Foundation for Educational Services	84	Malta Statistics Authority	84
Foundation for Medical Services	84	Malta Tourism Authority	84
Foundation for Tomorrow's Schools	84	Manoel Theatre Management Committee	90
Gozo Ferries Co Ltd	77	Medicines Authority	84
Grand Harbour Regeneration Corporation	71	MEPA	84
Heritage Malta	91	MIMCOL	84
Housing Authority	84	Mount Carmel Hospital	87
Identity Malta	84	National Audit Office	84
Industrial Projects and Services Ltd	78	National Commission Persons with Disability	84
International Institute on Ageing	85	Occupational Health and Safety Authority	84
Karin Grech Rehabilitation Centre	86	Office of the Ombudsman	84
Kunsill Malti għall-Isport	93	Property Management Services	84
Lotteries and Gaming Authority	84	Sapport	88
Malta College of Arts, Science and Technology	85	Sedqa - Agency against Drug and Alcohol Abuse	88
Malta Communications Authority	84	St James Cavalier Creativity Centre	90
Malta Competition and Consumer Affairs Authority	84	Superintendence of Cultural Heritage	84
Malta Council for Culture and the Arts	90	University of Malta	85
Malta Council for Economic and Social Development	84	Valletta 2018 Foundation	84
Malta Council for Science and Technology	84	WasteServ Malta Ltd	38
Malta Enterprise Corporation	84		

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 64 categories (A64) based on NACE Rev 2.

Methodological notes

1. Within the context of the EDP compilation, Government is taken to mean the General Government (S.13 sector according to the ESA 2010 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.
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 2010 Manual on Government Deficit and Debt (2014 edition); which is in turn based on the European System of National and Regional Accounts (ESA 2010). 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 presented in this release is different from the monthly news releases on government finance since the latter are limited to the Government's Consolidated Fund and are presented on a cash basis. The EDP exercise goes into further detail as it includes all government's accounts (Treasury Clearance and Sinking Funds), excludes the financial transactions and includes accruals adjustments. Data in respect of EBUs and Local Councils are also included.
5. Revenues from VAT, Income Tax and Social Security Contributions are recorded using the time-adjusted cash method. Following a study undertaken by NSO in 2008, Eurostat approved a time adjustment of t+1 for VAT and t+2 for Income Tax and Social Security Contributions.
6. The European Financial Stability Facility (EFSF) was established on 7 June 2010 for the purpose of providing stability support to Euro Area Member States (EAMS). The EFSF finances such support by issuing or entering into bonds, notes, commercial paper, or other financing arrangements. The operations are backed by guarantees of the EAMS on the basis of an agreed 'adjusted contribution key'. On 27 January 2011, Eurostat decided that the debt issued by the EFSF for each support operation must be rerouted to the public accounts of the EAMS providing guarantees, proportionately to their contribution key. Therefore the recording of such flows will impact the gross government debt (as defined in the Maastricht Treaty) but not the net debt. In addition, all revenue/expenditure streams (interest, margins and service fees) will be recorded in the general government accounts, resulting in a positive impact on the deficit/surplus of the EAMS.
7. The EDP Consolidated Inventory of Sources and Methods currently available on the NSO website describes the sources and methods of the ESA 1995 series. The updated EDP inventory in ESA 2010 will be available by December 2015.
8. The data contained in this release may be reviewed. Figures may not add up due to rounding.

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

[EUROSTAT Website/Homepage/Statistics Database](#)

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