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The General Government deficit for 2014 stood at €168.6 million, or 2.1 per cent of GDP. The gross consolidated debt amounted to €5,421.5 million or 68.3 per cent of GDP.

## General Government Debt and Deficit under the Maastricht Treaty: Second Reporting for 2015

### Deficit and Debt positions

In 2014, General Government net borrowing (or deficit) went down by €29.9 million from €198.5 million recorded in 2013. Last year, General Government deficit was equivalent to 2.1 per cent of GDP, down from 2.6 per cent for 2013.

At the end of 2014, the General Government nominal gross consolidated debt amounted to €5,421.5 million, an increase of €176.5 million from 2013 and stood at 68.3 per cent of GDP (Table 1).

### 2014 data

In order to arrive at the General Government Sector's deficit for 2014, adjustments are made to the balance of the Government's Consolidated Fund, which amounted to a deficit of €121.3 million. The major positive adjustments included the Treasury Clearance Fund (€36.0 million) and time-adjusted cash transactions (€13.5 million). On the other hand, the main negative adjustments were other accounts receivable and payable (€64.3 million), the equity injection to the national air carrier (€15.0 million), debt assumption (€5.8 million), the adjustment for stock premium proceeds (€5.0 million) and the difference between interest paid and interest accrued (€3.6 million) (Table 2).

### Reporting and updates

On 30 September, Malta submitted its report on government deficit and debt levels for the years 2011-2014. This was done in accordance with Council Regulation (EC) No. 479/2009, as amended by Commission Regulation (EU) No. 220/2014, as well as in accordance with the Code of Best Practice adopted by the Ecofin Council on 18 February 2003.

Compared to the previous submission of 30 March 2015, the deficit of the General Government was revised for all the years under review with a total downward revision of €0.3 million in 2014 and €4.1 million in 2013. For 2014, the availability of audited accounts for Local Councils and updated data sources with regard to other accounts receivable and payable resulted in upward revisions of €3.7 million and €2.8 million respectively. These were offset by a downward revision of €6.8 million in Extra Budgetary Units (EBUs) and €0.2 million in stock premium proceeds. In addition, the availability of audited financial statements for EBUs and the inclusion of the VAT refund account in the Treasury Clearance Fund resulted in revisions across all years.

Compiled by:

**Unit A2: Public Finance**

**Directorate A: Economic  
Statistics**

Further information on data:

**Mr Mark GALEA**

T. +356 2599 7240

E. mark.b.galea@gov.mt

As regards General Government debt, all years recorded revisions due to the availability of audited accounts, mainly for EBUs.

### Stock Flow Adjustment (SFA)

In 2014, a positive SFA of 0.1 per cent of GDP means that the debt increased more than implied by the deficit. This rise in debt was the result of lower utilisation of liquidity and hence higher holdings of currency and deposits. Moreover, an increase in loans and shares and other equity, which do not appear in the deficit figures, also contributed to a higher SFA. Conversely, this increase was partially outweighed by lower other accounts receivable and payable and other adjustments (Table 3) ■

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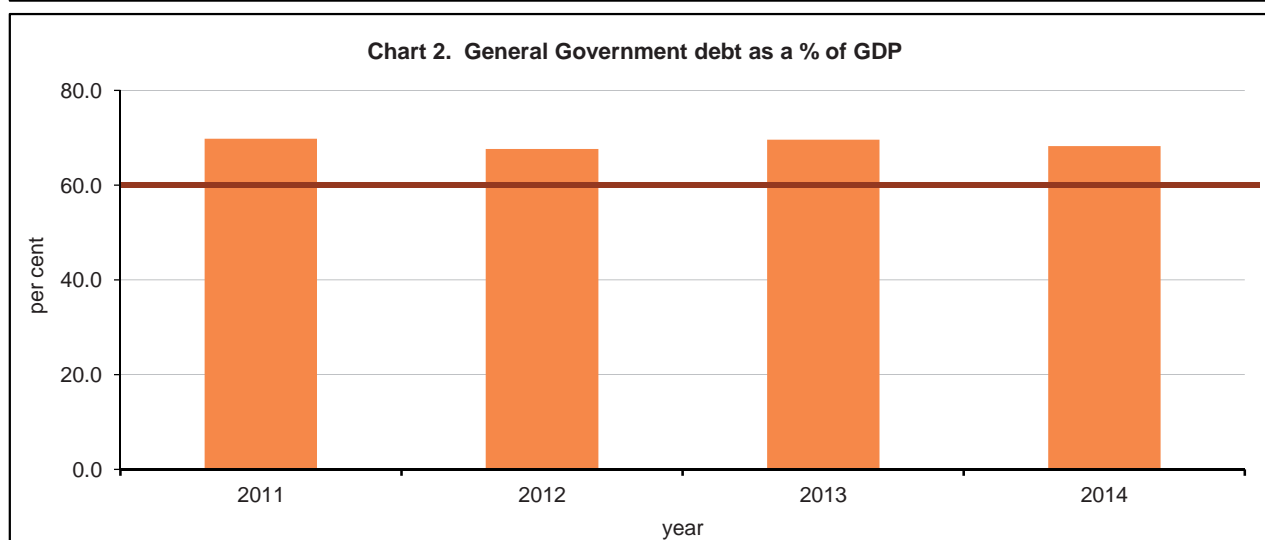
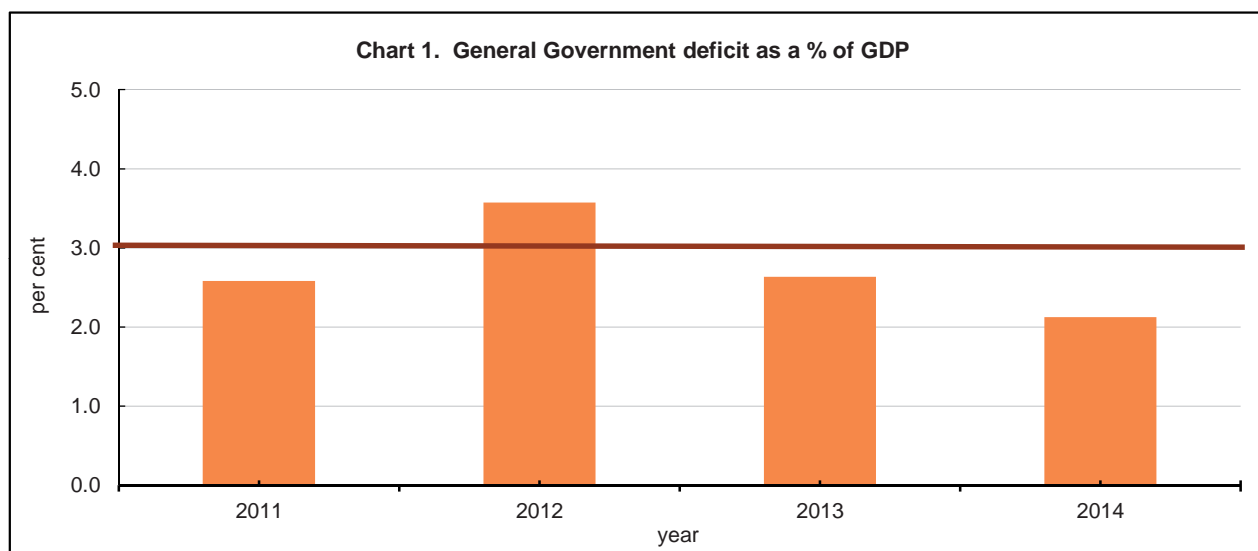
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Issued by: **External Cooperation and Communication Unit, National Statistics Office, Lascaris, Valletta VLT 2000, Malta.**  
T. +356 2599 7219 F. +356 2599 7205 E. [nso@gov.mt](mailto:nso@gov.mt)

**Table 1. General Government deficit and debt data**

	2011	2012	2013	2014
	€000			
<b>General Government deficit (-) / surplus (+)</b>	<b>-177,820</b>	<b>-257,367</b>	<b>-198,496</b>	<b>-168,610</b>
Central Government	-176,970	-255,369	-196,283	-170,091
Local Government	-850	-1,998	-2,213	1,481
<b>as a % of GDP</b>	<b>2.6</b>	<b>3.6</b>	<b>2.6</b>	<b>2.1</b>
<b>General Government Debt</b>	<b>4,809,402</b>	<b>4,872,461</b>	<b>5,245,004</b>	<b>5,421,458</b>
Central Government	4,805,477	4,868,353	5,240,791	5,417,306
Local Government	3,925	4,108	4,213	4,153
<b>as a % of GDP</b>	<b>69.8</b>	<b>67.6</b>	<b>69.6</b>	<b>68.3</b>
GDP	6,892,813	7,204,953	7,533,607	7,941,342

Source of GDP data: News Release 163/2015 dated 4 September 2015.



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

	2011	2012	2013	2014	
	€000				
<b>Structural Deficit of Consolidated Fund Transactions</b>	<b>-218,610</b>	<b>-342,276</b>	<b>-223,135</b>	<b>-121,306</b>	<sup>1</sup>
as a % of GDP	3.2	4.8	3.0	1.5	
Adjustments to the Consolidated Fund:					
Equities, acquisitions (+)	250	686	0	0	<sup>2</sup>
Equities, sales (-)	0	0	0	0	
Other financial transactions	-7,421	0	-983	0	<sup>3</sup>
Difference between interest paid (+) and interest accrued (-)	2,320	-2,275	1,459	-3,640	<sup>4</sup>
Other accounts receivable (+) and payable (-)	-15,600	54,271	38,094	-64,284	<sup>5</sup>
Time-adjusted cash transactions	39,864	40,179	41,943	13,478	<sup>6</sup>
Net Borrowing (-) / Net Lending (+) of Extra Budgetary Units	-6,342	-4,440	-13,264	-7,506	<sup>7</sup>
Other adjustments (+/-)					
Treasury Clearance Fund flows in non-financial transactions	24,778	18,319	976	35,971	
Sinking Fund interests' received	1,379	2,085	2,335	1,981	
Interest received not included in consolidated fund	318	112	-2,775	5	
Interest receivable	2,931	-2,563	156	621	
Adjustment Stock premium proceeds	-1,128	-249	-1,579	-4,998	
EFSF re-routing	292	781	514	411	<sup>8</sup>
Equity injection	0	-20,000	-40,024	-14,980	
Debt assumption	0	0	0	-5,843	<sup>9</sup>
Net Lending (+) / Net Borrowing (-) of Central Government (S.1311)	-176,970	-255,369	-196,283	-170,091	
Net Lending (+) / Net Borrowing (-) of Local Government (S.1313)	-850	-1,998	-2,213	1,481	<sup>10</sup>
<b>Net Lending (+) / Net Borrowing (-) of General Government (S.13)</b>	<b>-177,820</b>	<b>-257,367</b>	<b>-198,496</b>	<b>-168,610</b>	
as a % of GDP	2.6	3.6	2.6	2.1	

1. News Release 61/2015 dated 30 March 2015. This deficit includes the equity injection to the national air carrier.
2. Acquisition of shares in international agencies.
3. Superdividend test - Dividends paid out of accumulated reserves.
4. Difference between the interest paid and accrued of the Treasury Bills, Malta Government Stocks and Foreign Loans.
5. Accruals adjustment for all the Budgetary Central Government. Includes amongst which: Treasury Department accrual templates, adjustment for EU Funds neutrality, church stock adjustment and emission trading permits.
6. In line with Council Regulation 2516/2000, the method of recording of taxes and social contributions is the time-adjusted method.
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.
9. Debt assumption in relation to the liquidation of Sea Malta Co Ltd.
10. The aggregated net borrowing (-) / net lending (+) of the 68 local councils, 5 Regional Committees and Local Councils Association.

**Table 3. Composition of stock flow adjustment**

	2011	2012	2013	2014
	as a % of GDP			
General Government deficit (-) / surplus (+)	-2.6	-3.6	-2.6	-2.1
Change in General Government debt	5.0	0.9	4.9	2.2
<b>Stock flow adjustment</b>	<b>2.5</b>	<b>-2.7</b>	<b>2.3</b>	<b>0.1</b>
<i>consisting of:</i>				
Assets - Currency and Deposits (F2)	0.9	-3.2	-0.2	0.9
Assets - Loans (F4)	1.2	1.7	0.5	0.2
Assets - Equity and investment fund shares (F5)	0.2	0.5	0.4	0.2
Other accounts receivable / payable (F8)	-0.1	1.0	1.8	-1.0
Other adjustments	0.2	-2.8	-0.1	-0.2

Note: Totals may not add up due to rounding.

Extra Budgetary Units as at 31 December 2014

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

Notes:

1. This list does not include entities which are already accounted for within the Departmental Accounting System (DAS) of Central Government.
2. 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. 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.
6. The new version of the EDP Consolidated Inventory of Sources and Methods in ESA 2010 is available on the NSO website. The document may be accessed at:  
[http://nso.gov.mt/en/nso/Sources\\_and\\_Methods/Unit\\_A2/Public\\_Finance/Pages/Government-Debt-and-Deficit-under-the-Maastricht-Treaty.aspx](http://nso.gov.mt/en/nso/Sources_and_Methods/Unit_A2/Public_Finance/Pages/Government-Debt-and-Deficit-under-the-Maastricht-Treaty.aspx)
7. The data contained in this release may be revised. Figures may not add up due to rounding.
8. More information relating to this news release may be accessed at:  
Statistical Concepts: <http://nso.gov.mt/metadata/concepts.aspx>  
Metadata: <http://nso.gov.mt/metadata/reports.aspx?id=2>  
Statistical Database: <http://nso.gov.mt/statdb/start>

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

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

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