

In 2016, the general government registered a surplus of €112.9 million, equivalent to 1.1 per cent of GDP. The gross consolidated debt amounted to €5,727.9 million or 57.6 per cent of GDP.

General Government Balance and Debt under the Maastricht Treaty: Second Reporting for 2017

General Government balance and debt position

Net lending (or surplus) of general government for 2016 amounted to around €112.9 million, shifting from a deficit of €104.1 million recorded in the previous year. This is calculated as the difference between total revenue (€3,893.5 million) and expenditure (€3,780.6 million) of general government.

		2013	2014	2015	2016
General Government deficit (-) / surplus (+)	€ millions	-185.6	-148.9	-104.1	112.9
	% of GDP	-2.4	-1.8	-1.1	1.1
General Government expenditure	€ millions	3,207.1	3,495.5	3,820.2	3,780.6
	% of GDP	42.0	41.3	41.2	38.0
General Government revenue	€ millions	3,021.5	3,346.6	3,716.1	3,893.5
	% of GDP	39.5	39.6	40.1	39.2
General Government debt	€ millions	5,226.6	5,395.0	5,590.5	5,727.9
	% of GDP	68.4	63.8	60.3	57.6

When measured as a percentage of GDP, the general government balance was equivalent to a surplus of 1.1 per cent, showing a significant improvement from a deficit of 1.1 per cent in 2015.

On the back of stock flow adjustments, the general government nominal gross consolidated debt increased by €137.4 million to €5,727.9 over 2015. Nonetheless, given a higher level of GDP, the debt-to-GDP ratio fell below the Maastricht debt criteria to 57.6 per cent (Table 1).

2016 data

In order to arrive at the General Government Sector's positive balance for 2016 of €112.9 million, adjustments are made to the balance of the Government's consolidated fund, which registered a surplus of €8.9 million.

The major positive adjustment is the net lending (or surplus) recorded by Extra Budgetary Units of €183.4 million, particularly by the setting up of the National Development and Social Fund (NDSF), registering a surplus of €163.5 million. The NDSF, which receives 70 per cent of the contributions under the Individual Investor Programme (IIP), was set up by the Government in July 2016. Prior to 2016, such proceeds accumulated temporarily in a Treasury Clearance Fund (TCF) account and were recorded as revenue since 2014. Upon the setting up of the NDSF in 2016, IIP contributions started featuring in the Fund. A transfer between the TCF account and the NDSF was necessary, resulting in an equal expenditure and revenue transaction of €43.5 million, with no impact on the fiscal balance for 2016.

Another positive adjustment to the Government's consolidated fund includes the time-adjusted cash transactions (€4.8 million), while, the main negative adjustments included the 'other accounts receivable and payable' (€27.1 million), the treasury clearance fund (€24.4 million) and the equity injection to the national air carrier (€12.0 million) (Table 2).

Reporting and Updates

On 29 September, Malta submitted its report on government deficit and debt levels for the years 2013-2016. 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.

When compared to the previous submission of 30 March 2017, the balance of the General Government was revised for all the years under review with an improvement in the deficit for 2013, 2014 and 2015. In addition, the General Government surplus for 2016 was revised upwards by €11.9 million.

The major contributor to these significant revisions is attributable to the reclassification of the financial protection schemes, namely depositor, investor and insurance, within the General Government sector, as Extra Budgetary Units, from 2003 onwards, in compliance with Eurostat methodological guidance on the recording of protection schemes.

In addition, for 2016, the availability of audited accounts for the other Extra Budgetary Units resulted in a downward revision of €11.9 million. Conversely, the 'other accounts receivable/payable' was revised upwards by €6.3 million.

Total revisions from the 1st submission in April 2017				
	2013	2014	2015	2016
€ millions				
Total revisions of General Government balance	+13.6	+16.3	+15.3	+11.9
of which: the reclassification of Financial Protection Schemes:	+13.6	+14.8	+16.7	+16.1
Total revisions of General Government debt	-19.6	-26.1	-31.6	-38.6
of which: the reclassification of Financial Protection Schemes:	-19.6	-26.1	-31.8	-41.3

As regards General Government debt, data was revised downwards for all years under review. Most of the revisions were due to the consolidation of government debt securities held by the financial protection schemes.

Stock Flow Adjustment (SFA)

A stock flow adjustment of 2.5 per cent of GDP was recorded in 2016. This suggests that the debt increased despite the recorded surplus of 1.1 per cent of GDP and thus, changes in government debt are attributable to other elements. The rise in debt was mainly due to the result of an increase in the 'holdings of currency and deposits'. Conversely, this increase was partially offset by lower 'other accounts receivable and payable' (Table 3).

Further information

The data presented in this release is different from the monthly news releases on government finance as the latter is limited to the Government's Consolidated Fund and are presented on a cash basis. The EDP exercise is compiled in line with the European System of Accounts (ESA) 2010 and the Manual on Government Deficit and Debt (2016 edition). It covers the General Government Sector; made up of the Budgetary Central Government, the Extra Budgetary Units (a list at the end of the release shows the EBUs forming part of the General Government sector as at the end of 2016) and the Local Government sector. Apart from the Consolidated Fund, other government's accounts such as Treasury Clearance and Sinking Funds are included, any financial transactions are excluded and various accruals adjustments are taken on board.

Data for the Government's Consolidated Fund is found at:

https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_A2/Public_Finance/Pages/Government-Finance-Data.aspx

More information on the revenue and expenditure categories, as well as the financial assets and liabilities and debt was published today in the News Release 'Quarterly Accounts for the General Government Sector: 2017Q2'. It can be accessed at:

https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_A2/Public_Finance/Pages/Quarterly-Accounts-for-General-Government.aspx

The official EDP notification tables that are transmitted to the Commission can be found in the excel version of this news release at:

https://nso.gov.mt/en/nso/Sources_and_Methods/Unit_A2/Public_Finance/Pages/General-Government-Balance-and-Debt-under-the-Maastricht-Treaty.aspx

The EDP Consolidated Inventory of Sources and Methods in ESA 2010 is available on the NSO website. The document may be accessed at:

https://nso.gov.mt/en/nso/Sources_and_Methods/Unit_A2/Public_Finance/Pages/General-Government-Balance-and-Debt-under-the-Maastricht-Treaty.aspx

Table 1. General Government balance and debt data

	2013	2014	2015	2016
	€ 000			
General Government deficit (-) / surplus (+)	-185,637	-148,872	-104,069	112,920
Central Government	-183,475	-151,165	-109,603	108,491
Local Government	-2,162	2,293	5,534	4,429
as a % of GDP	-2.4	-1.8	-1.1	1.1
General Government Debt	5,226,647	5,395,003	5,590,511	5,727,907
Central Government	5,222,435	5,390,810	5,586,816	5,724,361
Local Government	4,213	4,192	3,695	3,546
as a % of GDP	68.4	63.8	60.3	57.6
GDP	7,641,925	8,454,841	9,274,479	9,943,139

Source of GDP data: News Release 141/2017 dated 6 September 2017.

Chart 1. General Government balance as a % of GDP

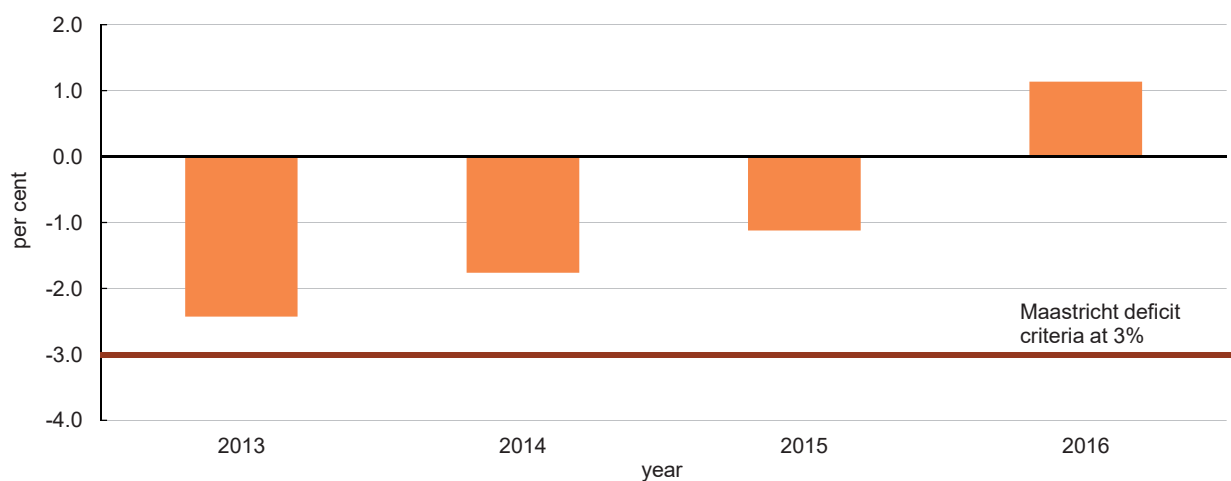


Chart 2. General Government debt as a % of GDP

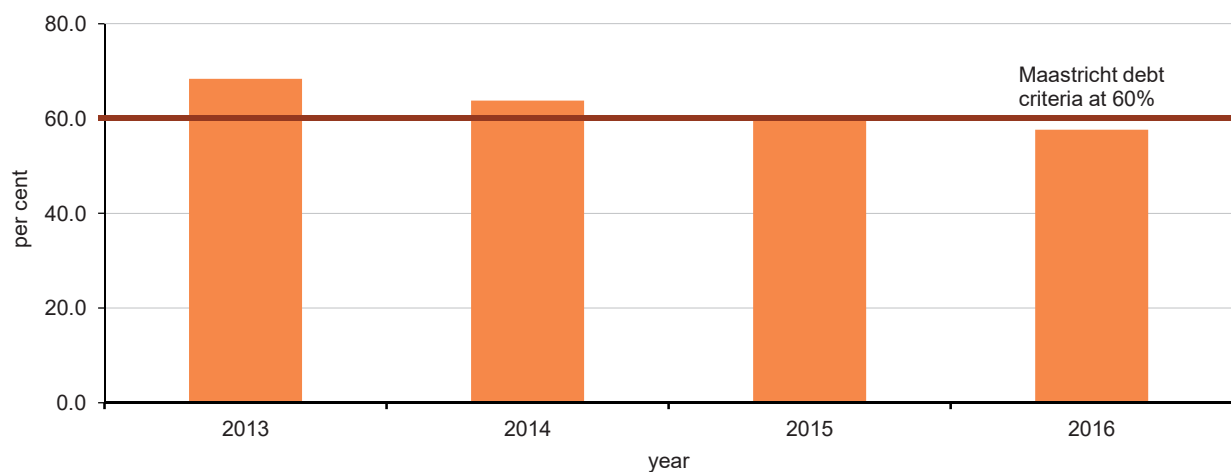


Table 2. Transition between Consolidated Fund and General Government sector

	2013	2014	2015	2016
	€ 000			
Consolidated Fund Surplus/Deficit	-223,135	-121,306	-232,835	8,870
as a % of GDP	-2.9	-1.4	-2.5	0.1
Adjustments to the Consolidated Fund:				
Loans, repayments (-)	0	0	-2,013	0
Equities, acquisitions (+)	0	0	0	0
Equities, sales (-)	0	0	0	0
Other financial transactions	-983	0	-1,000	-8,274
Difference between interest paid (+) and interest accrued (-)	-120	-8,638	-8,155	-8,462
Other accounts receivable (+) and payable (-)	38,931	-61,905	106,578	-27,117
Time-adjusted cash transactions	41,943	13,478	-3,832	4,764
Net Lending (+) / Net Borrowing (-) of Extra Budgetary Units	-1,136	9,662	16,357	183,378
Other adjustments (+/-)				
Treasury Clearance Fund flows in non-financial transactions	976	35,971	55,502	-24,419
Sinking Fund interests' received	2,335	1,981	3,738	3,291
Interest received not included in consolidated fund	-2,775	5	0	0
EFSF re-routing	514	411	258	-647
Equity injection	-40,024	-14,980	-43,012	-11,984
Debt assumption	0	-5,843	0	0
Other	0	0	-1,189	-10,910
Net Lending (+) / Net Borrowing (-) of Central Government (S.1311)	-183,475	-151,165	-109,603	108,491
Net Lending (+) / Net Borrowing (-) of Local Government (S.1313)	-2,162	2,293	5,534	4,429
Net Lending (+) / Net Borrowing (-) of General Government (S.13)	-185,637	-148,872	-104,069	112,920
as a % of GDP	-2.4	-1.8	-1.1	1.1

1. News Release 58/2017 dated 30 March 2017. 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. Includes the adjustment of the premium apportionment of the Malta Government Stocks.
5. Accruals adjustment for all the Budgetary Central Government. Includes amongst which: Treasury Department accrual templates, adjustment for EU Funds neutrality, church stock adjustment, emission trading permits and interest receivable.
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

	2013	2014	2015	2016
	as a % of GDP			
General Government deficit (-) / surplus (+)	-2.4	-1.8	-1.1	1.1
Change in General Government debt	4.9	2.0	2.1	1.4
Stock flow adjustment	2.4	0.2	1.0	2.5
<i>consisting of:</i>				
Assets - Currency and Deposits (F2)	-0.2	0.9	0.5	4.8
Assets - Loans (F4)	0.5	0.2	-0.5	-0.1
Assets - Equity and investment fund shares (F5)	0.3	0.2	-0.1	-0.1
Other accounts receivable / payable (F8)	1.9	-0.8	1.1	-2.1
Other adjustments	0.0	-0.1	0.0	0.0

Note: Totals may not add up due to rounding.

Extra Budgetary Units as at 31 December 2016

	NACE CODE		NACE CODE
Appoġġ	88	Malta Philharmonic Orchestra	90
Arts Council Malta	90	Malta Resources Authority	84
Bord Tal-Koperattivi	84	Malta Statistics Authority	84
Broadcasting Authority	84	Malta Tourism Authority	84
Depositor Compensation Scheme	64	Manoel Theatre Management Committee	90
Environment and Resources Authority	84	Medicines Authority	84
Environment Protection Fund	84	Mental Health Services	87
Fort Security Services Ltd	84	MSE (Holdings) Ltd	64
Foundation for Educational Services	84	National Audit Office	84
Foundation for Medical Services	84	National Commission Persons with Disability	84
Foundation for Tomorrow's Schools	84	National Development and Social Fund	84
Gozo Ferries Co. Ltd	77	Occupational Health and Safety Authority	84
Grand Harbour Regeneration Corporation	71	Office of the Ombudsman	84
Heritage Malta	91	Planning Authority	84
Housing Authority	84	Projects Malta Ltd	84
Identity Malta	84	Projects Plus Ltd	84
International Institute on Ageing	85	Property Management Services	84
Investor Compensation Scheme	64	Protection and Compensation Fund	64
Jobsplus	78	Regulator for Energy and Water Services	84
Libyan Arab Maltese Holdings Ltd	64	Resources Support and Services Ltd	78
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	SportMalta	93
Malta Council for Economic and Social Development	84	St James Cavalier Creativity Centre	90
Malta Council for Science and Technology	84	Superintendence of Cultural Heritage	84
Malta Enterprise Corporation	84	The Rehabilitation Hospital Karin Grech	86
Malta Gaming Authority	84	Trade Malta Ltd	73
Malta Government Investments Ltd	84	University of Malta	85
Malta Government Technology Investments Ltd	84	Valletta 2018 Foundation	84
Malta Information Technology Agency	63	WasteServ Malta Ltd	38
Malta Investment Management Co. Ltd	84	Yachting Malta Ltd	73

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
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>
9. Any quotations from this news release are to be cited and/or referenced.
10. A detailed news release calendar is available on
https://nso.gov.mt/en/News_Releases/Release_Calendar/Pages/News-Release-Calendar.aspx

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

[EUROSTAT Website/Homepage/Statistics Database](http://ec.europa.eu/eurostat/)

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